

Please note that this document is a translation of the official announcement that was released on August 14, 2020. The translation is prepared and provided for the purpose of the reader's convenience only. All readers are strongly recommended to refer to the original Japanese version of the news release for complete and accurate information.

**Consolidated Financial Results for the
Three Months Ended June 30, 2020
[Japanese GAAP]**

August 14, 2020

Company name: Raysum Co., Ltd. Stock exchange listing: Tokyo Securities Exchange
 Code number: 8890 URL: <http://www.raysum.co.jp/en/>
 Representative: Tsuyoshi Komachi, President and Representative Director
 Contact: Yasuhiro Katayama, Senior Operating Officer, General Manager of Administration Division
 Phone: +81-3-5157-8881
 Scheduled date for filing of quarterly securities report: August 14, 2020
 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material on financial results: None
 Schedule of financial results briefing session: None

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (April 1, 2020, to June 30, 2020)

(1) Consolidated Results of Operations (% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended June 30, 2020	3,242	(58.4)	(391)	—	(456)	—	(336)	—
Three months ended June 30, 2019	7,802	7.1	669	(31.9)	578	(42.8)	445	(30.9)

(Note) Comprehensive income: Three months ended June 30, 2020: -¥323 million (-%)
 Three months ended June 30, 2019 ¥464 million (-8.8%)

	Profit per share	Diluted profit per share
	yen	yen
Three months ended June 30, 2020	(9.20)	—
Three months ended June 30, 2019	11.59	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of June 30, 2020	87,774	45,608	52.0
As of March 31, 2020	91,502	49,040	53.6

(Reference) Equity: As of June 30, 2020: ¥45,607 million
 As of March 31, 2020: ¥49,040 million

2. Dividends

	Annual Dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total
	yen	Yen	yen	yen	yen
Fiscal year ended March 31, 2020	—	0.00	—	45.00	45.00
Fiscal year ending March 31, 2021	—				
Fiscal year ending March 31, 2021 (Forecast)		—	—	—	—

(Note) Dividends for the fiscal period ending March 31, 2021, are not stated as it is difficult to calculate the financial results forecast in a reasonable manner at this point in time.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020, to March 31, 2021)

The consolidated financial results forecast is yet to be decided as it is difficult to estimate the impact of the spread of COVID-19 on business activities and management results in a reasonable manner as of now. The forecast will be announced promptly as soon as reasonable estimation becomes possible.

*Notes

- (1) Significant changes of subsidiaries in the first three months of the fiscal year under review (affecting specified subsidiaries resulting in changes in scope of consolidation): Not applicable
- (2) Application of accounting method specific to preparation of quarterly consolidated financial statements:
Not applicable
- (3) Changes in accounting policies, changes in accounting estimates and restatements
 - 1) Changes in accounting policies due to the revision of accounting standards: Not applicable
 - 2) Any changes in accounting policies other than 1) above: Not applicable
 - 3) Changes in accounting estimates: Not applicable
 - 4) Restatements: Not applicable
- (4) Total number of issued shares (common stock)

- 1) Total number of issued shares at the end of the period (including treasury stock):

Three months ended June 30, 2020	46,081,400 shares
Fiscal year ended March 31, 2020	46,081,400 shares

- 2) Total number of treasury stock at the end of the period:

Three months ended June 30, 2020	9,693,586 shares
Fiscal year ended March 31, 2020	8,101,586 shares

- 3) Average number of shares during the period:

Three months ended June 30, 2020	36,569,491 shares
Three months ended June 30, 2019	38,449,886 shares

* This quarterly consolidated financial statement is not subject to the quarterly review by a certified accountant or auditing company.

* Explanation of the proper use of performance forecast and other note

(Note on forward-looking statements, etc.)

Performance forecasts and other forward-looking statements presented in this report are based on information currently available to the Company and certain assumptions deemed to be reasonable, and are not to be read as guarantees of future performance by the Company. In addition, actual performance may differ substantially due to various factors.

Contents of Appendix

1. Qualitative Information on Quarterly Financial Results.....	4 -
(1) Explanation of Results of Operations	4 -
(2) Explanation of Financial Position	5 -
(3) Explanation of Consolidated Financial Results Forecast and Other Information on Future Forecasts	6 -
2. Quarterly Consolidated Financial Statements.....	7 -
(1) Quarterly Consolidated Balance Sheets.....	7 -
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	9 -
(3) Quarterly Consolidated Statements of Cash Flows.....	10 -
(4) Notes on Quarterly Consolidated Financial Statements	11 -
(Notes on the Going Concern Assumption).....	11 -
(Notes in the Event of Material Change in the Amount of Shareholders' Equity).....	11 -
(Segment Information).....	11 -

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

The consolidated financial results for the first three months of the fiscal year under review recorded net sales of 3,242 million yen (year-on-year decrease of 58.4%), operating loss of 391 million yen (operating income of 669 million yen in the same period of the previous fiscal year), ordinary loss of 456 million yen (ordinary income of 578 million yen in the same period of the previous fiscal year), and loss attributable to owners of parent of 336 million yen (profit attributable to owners of parent of 445 million yen in the same period of the previous fiscal year).

Although the impact of COVID-19 was felt during the quarter, economic activities in Japan have gradually resumed in phases in preparation for higher levels of social/economic activity despite uncertainty, while measures to prevent the spread of infection are being taken. We will continue efforts to prepare ourselves for responding promptly once the pandemic subsides while understanding the possible risks of prolonged impact.

Business results by segment are as follows.

(Wealth Management Business)

In this business, we work out schemes for high-net-worth individuals suited to respective clients' asset details and objectives such as business succession and inheritance tax measures, and provide relevant properties with future potential. The products cover a wide range of properties from commercial/office buildings, residences, accommodation facilities, and educational facilities to medical facilities among others, and come with a diversified price range from some hundred million yen to as high as over some ten billion yen.

Furthermore, we have worked on development of operation-type products to create businesses that can generate higher rent-paying capabilities by addressing future social issues. We have launched community hostels, advanced medical care surgery centers, community-based restaurants, and such, and began providing products incorporating these.

In the first three months of the fiscal year under review, the Wealth Management Business posted 1,918 million yen (year-on-year decrease of 67.7%) in net sales and segment loss of 100 million yen (segment income of 608 million yen in the same period of the previous fiscal year).

Although there was an impact from restricted economic activities due to the spread of COVID-19, we have carefully selected properties that could generate sufficient value for our company upon purchase, and as for development properties and work requiring large-scale renovation, we have refrained from making hasty responses and worked while discerning the right timing for commercialization.

With regard to sales, the investment appetite of individual investors continues to be strong in particular, and it appears to be unaffected by the short-term phenomenon as they seek long-term asset management. However, they have also been careful in assessing the situation.

Believing that only indispensables will survive under such circumstances, we will strive to be more creative.

(Property Management Business)

In order to achieve the property-owning objectives of clients who own income properties purchased from our company, this business seeks to attract optimal tenants and make various arrangements in order to make the most efficient use of properties in various usage categories and provides detailed building leasing and management services.

While we have recognized risks, such as requests for postponement/reduction/exemption of rent payments, delinquent payment, and talks on possible move-outs due to restricted social activities brought by the spread of COVID-19, these were not significantly visible in the first three months of the fiscal year under review and we have provided careful and finely tuned responses for each of our tenants.

In the first three months of the fiscal year under review, the Property Management Business posted 1,131 million yen (year-on-year decrease of 11.5%) in net sales and 292 million yen (year-on-year decrease of 8.7%) in segment income.

(Other Business)

In this segment, Asset Holdings, Ltd., a consolidated subsidiary of the Company, runs Raysum Golf & Spa Resort, WeBase Co, Ltd. runs community hostels, and LIBERTE JAPON Co., Ltd. runs stores of LIBERTE PÂTISSERIE BOULANGERIE from Paris, France, in Japan. Furthermore, RayPower Inc. develops, manufactures, and sells gas engine power generators as its environmental energy business, and Best Medical Co., Ltd. supports new openings of clinics, engaging in business to support advanced medical services.

In the first three months of the fiscal year under review, Asset Holdings Co., Ltd., WeBase Co., Ltd., and LIBERTE JAPON Co., Ltd. were impacted for a period of time by self-restraint in outings and travel restrictions, etc. caused by the spread of COVID-19. However, we have sincerely carried out what we could to continue with business activities and further strengthen bonds with communities in order to fulfill our role as a social infrastructure while taking measures to prevent the spread of infection.

In the first three months of the fiscal year under review, the segment's net sales totaled 192 million yen (year-on-year decrease of 66.7%) partially due to the direct impact of the spread of COVID-19, and loss was 441 million yen (loss of 117 million yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position

1) Changes in Financial Position

(Assets)

Current assets decreased 4,410 million yen compared with the end of the previous fiscal year to 76,796 million yen.

This was primarily attributable to cash and deposits decreasing 12,121 million yen to 17,204 million yen, real estate for sale increasing 2,191 million yen to 32,687 million yen, and real estate for sale in process increasing 5,141 million yen to 23,036 million yen.

Noncurrent assets increased 682 million yen from the end of the previous fiscal year to 10,977 million yen.

As a result, total assets as at the end of the first quarter of the fiscal year under review decreased 3,728 million yen compared with the end of the previous fiscal year to 87,774 million yen.

(Liabilities)

Liabilities decreased 295 million yen compared with the end of the previous fiscal year to 42,166 million yen. This was primarily attributable to a decrease of 195 million yen in advances received due to a decrease in deposits for property sales contracts, etc., an increase of 1,024 million yen in property construction expenses payable, etc., a decrease of 1,202 million yen in loans payable due to the difference between new fundraising and repayment of loans payable, and an increase of 104 million yen in deposits received from tenants associated with properties purchased.

(Net Assets)

Total net assets decreased 3,432 million yen compared with the end of the previous fiscal year to 45,608 million yen. This was primarily attributable to a decrease of 336 million yen in retained earnings following the recording of a quarterly net loss attributable to owners of parent, a decrease of 1,709 million yen from dividends of surplus, and a decrease of 1,399 million yen from purchase of treasury shares.

Furthermore, the equity ratio as of the end of the first quarter of the fiscal year under review has become 52.0%.

2) Cash Flows

Cash and cash equivalents (hereinafter, "funds") at the end of the first quarter of the fiscal year under review decreased 12,121 million yen compared with the end of the previous fiscal year to 17,204 million yen.

Cash flows in the first three months of the fiscal year under review and the major fluctuating factors are as follows.

(Net cash provided by (used in) operating activities)

Net cash used in operating activities amounted to 7,626 million yen. The main factor for inflow was increased funds related to 1,918 million yen in net sales in the Wealth Management Business. The main factors for outflow were the decrease in funds related to 7,727 million yen of payment for purchases of real estate for sale, 770 million yen due to payment in line with the progressing development of real estate for sale in process and payment for repair works on real estate for sale in the Wealth Management Business, and the expenditure of selling, general and administrative expenses.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities decreased 238 million yen. The main factor for inflow was proceeds of 70 million yen from withdrawal of investments in capital while the main factors for outflow were expenditure of 113 million yen related to purchase of shares of subsidiaries and associates, expenditure of 76 million yen related to purchase of property, plant and equipment, and expenditure of 74 million yen for loan advances.

(Net cash provided by (used in) financing activities)

Net cash used in financing activities decreased 4,251 million yen. The main factors for the outflow were decrease of 1,202

million yen in loans payable due to the difference between new fundraising and repayment of loans payable, expenditure of 1,399 million yen for purchase of treasury shares, and payment of dividends of 1,641 million yen.

(3) Explanation of Consolidated Financial Results Forecast and Other Information on Future Forecasts

The consolidated financial results forecast for the fiscal year ending March 31, 2021, is yet to be decided since it is unclear as of now when the spread of COVID-19 will abate and it is difficult to estimate its impact on business activities and management results in a reasonable manner. The forecast will be announced promptly as soon as reasonable estimation becomes possible.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	29,325	17,204
Trade accounts receivable	335	199
Real estate for sale	30,496	32,687
Real estate for sale in process	17,894	23,036
Advance payments - trade	1,171	1,087
Income taxes receivable	48	34
Other	1,947	2,560
Allowance for doubtful accounts	(13)	(12)
Total current assets	81,207	76,796
Non-current assets		
Property, plant and equipment		
Buildings, net	1,973	1,941
Land	1,176	1,209
Other, net	1,333	1,946
Total property, plant and equipment	4,483	5,097
Intangible assets		
Other	411	393
Total intangible assets	411	393
Investments and other assets		
Investment securities	2,469	2,477
Deferred tax assets	1,116	1,238
Investments in capital	80	10
Long-term loans receivable	988	1,059
Other	744	699
Total investments and other assets	5,399	5,485
Total non-current assets	10,294	10,977
Total assets	91,502	87,774

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Current portion of long-term borrowings	1,071	1,077
Accounts payable - other	1,156	2,180
Income taxes payable	3,414	3,414
Advances received	939	743
Provision for bonuses	10	10
Provision for loss on liquidation of subsidiaries	123	123
Other	1,632	1,615
Total current liabilities	8,346	9,165
Non-current liabilities		
Long-term borrowings	30,106	28,897
Provision for adjustment of securitization	0	—
Deposits received from tenants	3,915	4,019
Other	93	84
Total non-current liabilities	34,115	33,000
Total liabilities	42,461	42,166
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	12,160	12,160
Retained earnings	48,553	46,507
Treasury shares	(11,817)	(13,217)
Total shareholders' equity	48,996	45,550
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(31)	(17)
Foreign currency translation adjustment	75	74
Total accumulated other comprehensive income	44	57
Non-controlling interests	0	0
Total net assets	49,040	45,608
Total liabilities and net assets	91,502	87,774

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income – First Three Months of Consolidated Fiscal Year)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	7,802	3,242
Cost of sales	6,116	2,682
Gross profit	1,685	559
Selling, general and administrative expenses	1,016	951
Operating profit (loss)	669	(391)
Non-operating income		
Interest income	4	6
Rental income from buildings	1	1
Benefits received	—	4
Other	5	3
Total non-operating income	11	16
Non-operating expenses		
Interest expenses	65	63
Commission for a financial loan	0	3
Foreign exchange losses	32	9
Other	3	3
Total non-operating expenses	101	80
Ordinary profit (loss)	578	(456)
Extraordinary income		
Gain on sales of investment securities	127	—
Gain on sale of businesses	—	2
Total extraordinary income	127	2
Profit (loss) before income taxes	706	(453)
Income taxes - current	65	1
Income taxes - deferred	195	(118)
Total income taxes	260	(116)
Profit (loss)	445	(336)
Profit attributable to non-controlling interests	—	0
Profit (loss) attributable to owners of parent	445	(336)

(Quarterly Consolidated Statements of Comprehensive Income – First Three Months of Consolidated Fiscal Year)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit (loss)	445	(336)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	14
Foreign currency translation adjustment	21	(1)
Total other comprehensive income	18	13
Comprehensive income	464	(323)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	464	(323)
Comprehensive income attributable to non-controlling interests	—	0

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	706	(453)
Depreciation	93	91
Increase (decrease) in provision for bonuses	3	0
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for adjustment of securitization	0	(0)
Loss (gain) on sales of investment securities	(127)	—
Interest and dividend income	(4)	(6)
Interest expenses	65	63
Decrease (increase) in trade receivables	13	136
Decrease (increase) in real estate for sale	2,547	(2,199)
Decrease (increase) in real estate for sale in process	(3,528)	(5,141)
Loss (gain) on sale of businesses	—	(2)
Decrease (increase) in advance payments - trade	78	(191)
Decrease (increase) in deposits paid	(6)	(178)
Increase (decrease) in advances received	45	(195)
Increase (decrease) in accounts payable - other	(301)	758
Decrease/increase in consumption taxes receivable/payable	356	(252)
Increase (decrease) in lease deposits received	101	165
Other, net	95	(158)
Subtotal	138	(7,568)
Interest and dividends received	4	6
Interest paid	(65)	(63)
Income taxes (paid) refund	(2,217)	(1)
Net cash provided by (used in) operating activities	(2,140)	(7,626)
Cash flows from investing activities		
Purchase of property, plant and equipment	(19)	(76)
Proceeds from sales of investment securities	500	—
Payments for investments in capital	(151)	—
Purchase of shares of subsidiaries and associates	—	(133)
Loan advances	(80)	(74)
Proceeds from withdrawal of investments in capital	—	70
Payments for sale of businesses	—	(56)
Other, net	0	33
Net cash provided by (used in) investing activities	250	(238)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(1,000)	—
Proceeds from long-term borrowings	4,050	300
Repayments of long-term borrowings	(2,767)	(1,502)
Purchase of treasury shares	—	(1,399)
Dividends paid	(1,667)	(1,641)
Other, net	(7)	(7)
Net cash provided by (used in) financing activities	(1,392)	(4,251)
Effect of exchange rate change on cash and cash equivalents	(7)	(4)
Net increase (decrease) in cash and cash equivalents	(3,289)	(12,121)
Cash and cash equivalents at beginning of period	22,075	29,325
Cash and cash equivalents at end of period	18,785	17,204

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Notes in the Event of Material Change in the Amount of Shareholders' Equity)

In addition, the Company performed a buyback of 1,592,000 treasury shares based on the resolution at the board of directors' meeting held on March 31, 2020. As a result, treasury shares increased by 1,399 million yen in the first three months of the fiscal year under review to stand at 13,217 million yen at the end of the first quarter of the fiscal year under review.

(Segment Information)

[Segment Information]

Information on net sales and profit (loss) by reporting segment

Three Months Ended June 30, 2019 (April 1, 2019, to June 30, 2019)

(Millions of yen)

	Reportable segments			Total	Reconciling items	Per quarterly consolidated financial statements
	Wealth Management	Property Management	Others			
Sales						
Revenues from external customers	5,945	1,279	577	7,802	—	7,802
Transactions with other segments	—	0	5	5	(5)	—
Net sales	5,945	1,279	582	7,807	(5)	7,802
Operating profit (loss)	608	320	(117)	811	(142)	669

(Note) The amount of (-142 million yen) in adjustments of segment profit (loss) is the elimination of inter-segment transactions (0 million yen) and the company-wide expenses of administrative expenses (-142 million yen) that are not allocated to each segment. The amount of segment profit (loss) after deduction of this adjustment is the same as the amount of 669 million yen of operating income stated in the consolidated statements of income.

Three Months Ended June 30, 2020 (April 1, 2020, to June 30, 2020)

(Millions of yen)

	Reportable segments			Total	Reconciling items	Per quarterly consolidated financial statements
	Wealth Management	Property Management	Others			
Sales						
Revenues from external customers	1,918	1,131	192	3,242	—	3,242
Transactions with other segments	—	36	11	48	(48)	—
Net sales	1,918	1,168	203	3,290	(48)	3,242
Operating profit (loss)	(100)	292	(441)	(249)	(142)	(391)

(Note) The amount of (-142 million yen) in adjustments of segment profit (loss) is the elimination of inter-segment transactions (0 million yen) and the company-wide expenses of administrative expenses (-142 million yen) that are not allocated to each segment. The amount of segment profit (loss) after deduction of this adjustment is the same as the amount of 319 million yen of operating loss stated in the consolidated statements of income.