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**Consolidated Financial Results for the
Three Months Ended June 30, 2021
[Japanese GAAP]**

August 13, 2021

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
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Scheduled date for filing of quarterly securities report: August 13, 2021
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, 2021 (April 1, 2021, to June 30, 2021)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|----------------------------------|-------------|--------|------------------|---|-----------------|---|---|---|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| Three months ended June 30, 2021 | 4,197 | 29.5 | (67) | — | (187) | — | (81) | — |
| Three months ended June 30, 2020 | 3,242 | (58.4) | (391) | — | (456) | — | (336) | — |

(Note) Comprehensive income: Three months ended June 30, 2021: -¥69 million (-%)
Three months ended June 30, 2010: -¥323 million (-%)

| | Profit per share | Diluted profit per share |
|----------------------------------|------------------|--------------------------|
| | yen | yen |
| Three months ended June 30, 2021 | (2.21) | — |
| Three months ended June 30, 2020 | (9.20) | — |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|----------------------|--------------|-------------|--------------|
| | million yen | million yen | % |
| As of June 30, 2021 | 106,612 | 46,645 | 43.8 |
| As of March 31, 2021 | 104,861 | 46,861 | 44.7 |

(Reference) Equity: As of June 30, 2021: ¥46,645 million
As of March 31, 2021: ¥46,861 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, 2021 | — | 0.00 | — | 4.00 | 4.00 |
| Fiscal year ending March 31, 2022 | — | | | | |
| Fiscal year ending March 31, 2022 (Forecast) | | — | — | 27.00 | 27.00 |

(Note) Changes to the most recent dividend forecast announced: Not applicable

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021, to March 31, 2022)

(% indicates changes from the previous corresponding period)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Profit per share |
|-----------|-------------|------|------------------|-------|-----------------|-------|---|-------|------------------|
| | million yen | % | million yen | % | million yen | % | million yen | % | yen |
| Full year | 62,000 | 92.4 | 8,000 | 386.7 | 7,450 | 451.3 | 4,800 | 623.0 | 130.95 |

(Note) Changes to the most recent financial results forecast announced: Not applicable

*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: Yes

2) Any changes in accounting policies other than 1) above: Not applicable

3) Changes in accounting estimates: Not applicable

4) Restatements: Not applicable

(Note) For the details, please refer to “2. Quarterly Consolidated Financial Statements (4) Notes on Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 10.

(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, 2021 | 46,081,400 shares |
| Fiscal year ended March 31, 2021 | 46,081,400 shares |

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

| | |
|----------------------------------|------------------|
| Three months ended June 30, 2021 | 9,426,586 shares |
| Fiscal year ended March 31, 2021 | 9,426,586 shares |

3) Average number of shares during the period:

| | |
|----------------------------------|-------------------|
| Three months ended June 30, 2021 | 36,654,814 shares |
| Three months ended June 30, 2020 | 36,569,491 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.

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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 4,197 million yen (year-on-year increase of 29.5%), operating loss of 67 million yen (operating loss of 391 million yen in the same period of the previous fiscal year), ordinary loss of 187 million yen (ordinary loss of 456 million yen in the same period of the previous fiscal year), and loss attributable to owners of parent of 81 million yen (loss attributable to owners of parent of 336 million yen in the same period of the previous fiscal year).

In order to properly state business activities, we have changed the names of the reporting segments, which were “Wealth Management Business,” “Property Management Business,” and “Other Business,” to “Value Creation Services,” “Value-Add Services,” and “Future Value Creation Services” beginning from the previous fiscal year. This change is only for the names of the reporting segments and has no impact on segment information.

Business results by segment are as follows.

(Value Creation Services)

In this business, we purchase real estate with potential, change its use, make large-scale renovations, and attract new tenants, etc. from a standpoint of envisioning the future society and creating real estate that is needed there. We provide our clients with real estate assets that are significant to the whole town by taking multifaced standpoints such as the surrounding community, local government, cultural development, and environmental preservation in addition to properties themselves.

In the first three months of the fiscal year under review, Value Creation Services posted 2,600 million yen (year-on-year increase of 35.5%) in net sales and segment profit of 292 million yen (segment loss of 100 million yen in the same period of the previous fiscal year).

With the change in social activities due to the spread of COVID-19, we have also sensed changes in rental needs of tenants in particular. By grasping such changes, we have worked to make speedy decisions on changes of renovation work as needed, and focused on sales activities in order to have a clear prospect, within the first half of the fiscal year, on achieving the net sales target of 55.0 billion yen for the segment, which was set as the full-year forecast for the current fiscal year.

(Value-Add Services)

In this business, we conduct leasing management and building management for the properties we have sold to clients in order to maintain/enhance their value. We listen to clients’ requests in detail and aim to improve the long-term value of the assets by proposing plans to increase property value for the future taking advantage of opportunities such as tenant replacement.

In the first three months of the fiscal year under review, Value-Add Services posted 1,254 million yen (year-on-year increase of 10.8%) in net sales and 350 million yen (year-on-year increase of 19.9%) in segment profit.

(Future Value Creation Services)

In this business, we mainly conduct businesses that address future social issues, such as community hostels, advanced medical facilities that are indispensable in a super-ageing society and development of emergency power sources to prepare for more frequent natural disasters, under our own operation. The experience and knowledge accumulated through business operations will be utilized in our ability to conceive and propose ideas for Value Creation Services and Value-Add Services in the future.

In the first three months of the fiscal year under review, Asset Holdings Co., Ltd., WeBase Co., Ltd., and LIBERTE JAPON Co., Ltd. continued to be impacted by the self-restraint in outings and travel restrictions, etc. caused by yet another state-of-emergency declaration and quasi-emergency measures. Even under such a situation, we have continued with business activities without any accidents while taking measures to prevent the spread of infection, and put forth all our efforts to improve financial results by viewing it as an opportunity to reconsider and strengthen the bonds with our clients and communities.

In the first three months of the fiscal year under review, Future Value Creation Services posted 343 million yen (year-on-year increase of 78.8%) in net sales, and segment loss of 557 million yen (segment loss of 441 million yen in the same period of the previous fiscal year) due in part to the initial investment to launch Etajimasou, a new accommodation facility.

(2) Explanation of Financial Position

1) Changes in Financial Position

(Assets)

Current assets increased 620 million yen compared with the end of the previous fiscal year to 92,760 million yen.

This was primarily attributable to cash and deposits decreasing 1,102 million yen to 18,819 million yen, real estate for sale increasing 4,531 million yen to 45,393 million yen, real estate for sale in process decreasing 3,469 million yen to 23,822 million yen, and other current assets increasing 803 million yen to 3,129 million yen due to an increase of consumption taxes receivable.

Noncurrent assets increased 1,130 million yen from the end of the previous fiscal year to 13,851 million yen. This was primarily attributable to the increase of 1,062 million yen in property, plant and equipment from the increase due to acquisition and decrease due to depreciation; the decrease of 16 million yen in intangible assets; and the increase of 84 million yen in investments and other assets.

As a result, total assets as at the end of the first quarter of the fiscal year under review increased 1,750 million yen compared with the end of the previous fiscal year to 106,612 million yen.

(Liabilities)

Liabilities increased 1,967 million yen compared with the end of the previous fiscal year to 59,967 million yen. This was primarily attributable to an increase of 2,055 million yen in loans payable due to the difference between new fundraising and repayment of loans payable.

(Net Assets)

Total net assets decreased 216 million yen compared with the end of the previous fiscal year to 46,645 million yen. This was primarily attributable to a decrease of 81 million yen in retained earnings following the recording of a quarterly net loss attributable to owners of parent and a decrease of 146 million yen from dividends of surplus.

Furthermore, the equity ratio as of the end of the first quarter of the fiscal year under review has become 43.8%.

2) Cash Flows

Cash and cash equivalents (hereinafter, “funds”) at the end of the first quarter of the fiscal year under review decreased 1,102 million yen compared with the end of the previous fiscal year to 18,819 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 1,191 million yen. The main factor for inflow was increased funds related to 2,600 million yen in net sales in Value Creation Services. The main factors for outflow were the decrease in funds related to 1,335 million yen of payment for purchases of real estate for sale, 1,386 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 Value Creation Services, and the expenditure of selling, general and administrative expenses.

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

Net cash used in investing activities amounted to 1,787 million yen. The main factor for inflow was proceeds of 29 million yen from collection of loans receivable. The main factors for outflow were expenditure of 1,422 million yen related to purchase of property, plant and equipment, expenditure of 200 million yen related to payments for investments in capital, and expenditure of 194 million yen for loan advances.

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

Net cash provided by financing activities amounted to 1,876 million yen. The main factor for the inflow was the increase of 2,055 million yen due to the difference between new fundraising and repayment of loans payable. The main factor for outflow was payment of dividends of 145 million yen.

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

The consolidated financial results forecast remain unchanged from the full year consolidated financial results forecast in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2021” announced on May 14, 2021.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2021 | As of June 30, 2021 |
|-------------------------------------|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 19,922 | 18,819 |
| Trade accounts receivable | 318 | 257 |
| Real estate for sale | 40,862 | 45,393 |
| Real estate for sale in process | 27,292 | 23,822 |
| Advance payments to suppliers | 1,033 | 877 |
| Income taxes receivable | 395 | 471 |
| Other | 2,325 | 3,129 |
| Allowance for doubtful accounts | △11 | △11 |
| Total current assets | 92,140 | 92,760 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings, net | 2,527 | 4,189 |
| Land | 1,412 | 1,493 |
| Construction in progress | 1,181 | 318 |
| Other, net | 2,233 | 2,415 |
| Total property, plant and equipment | 7,355 | 8,417 |
| Intangible assets | | |
| Other | 344 | 327 |
| Total intangible assets | 344 | 327 |
| Investments and other assets | | |
| Investment securities | 2,166 | 1,810 |
| Deferred tax assets | 653 | 767 |
| Investments in capital | 145 | 345 |
| Long-term loans receivable | 1,374 | 1,539 |
| Other | 882 | 843 |
| Allowance for doubtful accounts | △200 | △200 |
| Total investments and other assets | 5,021 | 5,105 |
| Total non-current assets | 12,721 | 13,851 |
| Total assets | 104,861 | 106,612 |

(Millions of yen)

| | As of March 31, 2021 | As of June 30, 2021 |
|--|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Current portion of long-term borrowings | 1,493 | 1,668 |
| Accounts payable - other | 1,798 | 1,720 |
| Income taxes payable | 3,087 | 3,087 |
| Advances received | 570 | 526 |
| Provision for bonuses | 6 | 11 |
| Provision for loss on liquidation of subsidiaries and associates | 123 | 123 |
| Other | 1,917 | 1,543 |
| Total current liabilities | 8,997 | 8,681 |
| Non-current liabilities | | |
| Long-term borrowings | 45,437 | 47,317 |
| Deposits received from tenants | 2,993 | 3,381 |
| Other | 571 | 587 |
| Total non-current liabilities | 49,001 | 51,285 |
| Total liabilities | 57,999 | 59,967 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 100 | 100 |
| Capital surplus | 12,054 | 12,054 |
| Retained earnings | 47,507 | 47,280 |
| Treasury shares | △12,853 | △12,853 |
| Total shareholders' equity | 46,809 | 46,581 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | △19 | △8 |
| Foreign currency translation adjustment | 72 | 72 |
| Total accumulated other comprehensive income | 52 | 63 |
| Total net assets | 46,861 | 46,645 |
| Total liabilities and net assets | 104,861 | 106,612 |

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

(Millions of yen)

| | Three months ended June 30, 2020 | Three months ended June 30, 2021 |
|--|-------------------------------------|-------------------------------------|
| Net sales | 3,242 | 4,197 |
| Cost of sales | 2,682 | 3,085 |
| Gross profit | 559 | 1,112 |
| Selling, general and administrative expenses | 951 | 1,179 |
| Operating loss | △391 | △67 |
| Non-operating income | | |
| Interest income | 6 | 9 |
| Rental income from buildings | 1 | 1 |
| Benefits income | 4 | 12 |
| Other | 3 | 3 |
| Total non-operating income | 16 | 26 |
| Non-operating expenses | | |
| Interest expenses | 63 | 137 |
| Commission for a financial loan | 3 | 5 |
| Foreign exchange losses | 9 | 1 |
| Other | 3 | 1 |
| Total non-operating expenses | 80 | 146 |
| Ordinary loss | △456 | △187 |
| Extraordinary income | | |
| Gain on sale of businesses | 2 | — |
| Gain on liquidation of subsidiaries and associates | — | 7 |
| Total extraordinary income | 2 | 7 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | — | 19 |
| Total extraordinary losses | — | 19 |
| Loss before income taxes | △453 | △199 |
| Income taxes - current | 1 | 1 |
| Income taxes - deferred | △118 | △120 |
| Total income taxes | △116 | △118 |
| Loss | △336 | △81 |
| Profit attributable to non-controlling interests | 0 | — |
| Loss attributable to owners of parent | △336 | △81 |

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

(Millions of yen)

| | Three months ended June 30, 2020 | Three months ended June 30, 2021 |
|--|-------------------------------------|-------------------------------------|
| Loss | △336 | △81 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 14 | 11 |
| Foreign currency translation adjustment | △1 | △0 |
| Total other comprehensive income | 13 | 11 |
| Comprehensive income | △323 | △69 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | △323 | △69 |
| Comprehensive income attributable to non-controlling interests | 0 | — |

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

| | Three months ended June 30, 2020 | Three months ended June 30, 2021 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Loss before income taxes | △453 | △199 |
| Depreciation | 91 | 396 |
| Loss (gain) on liquidation of subsidiaries and associates | — | △7 |
| Increase (decrease) in provision for bonuses | 0 | 5 |
| Increase (decrease) in allowance for doubtful accounts | △0 | △0 |
| Increase (decrease) in provision for adjustment of securitization | △0 | — |
| Loss on retirement of non-current assets | — | 19 |
| Loss (gain) on sale of businesses | △2 | — |
| Interest and dividend income | △6 | △9 |
| Interest expenses | 63 | 137 |
| Decrease (increase) in trade receivables | 136 | 61 |
| Decrease (increase) in real estate for sale | △2,199 | △4,532 |
| Decrease (increase) in real estate for sale in process | △5,141 | 3,469 |
| Decrease (increase) in advance payments to suppliers | △191 | 156 |
| Decrease (increase) in deposits paid | △178 | △7 |
| Increase (decrease) in advances received | △195 | △43 |
| Increase (decrease) in accounts payable - other | 758 | △53 |
| Decrease/increase in consumption taxes receivable/payable | △252 | △658 |
| Increase (decrease) in lease deposits received | 165 | 395 |
| Other, net | △158 | △114 |
| Subtotal | △7,568 | △985 |
| Interest and dividends received | 6 | 9 |
| Interest paid | △63 | △137 |
| Income taxes refund (paid) | △1 | △77 |
| Net cash provided by (used in) operating activities | △7,626 | △1,191 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | △76 | △1,422 |
| Payments for investments in capital | — | △200 |
| Purchase of shares of subsidiaries and associates | △133 | — |
| Loan advances | △74 | △194 |
| Proceeds from collection of loans receivable | 3 | 29 |
| Proceeds from withdrawal of investments in capital | 70 | — |
| Payments for sale of businesses | △56 | — |
| Other, net | 30 | 0 |
| Net cash provided by (used in) investing activities | △238 | △1,787 |
| Cash flows from financing activities | | |
| Proceeds from long-term borrowings | 300 | 3,540 |
| Repayments of long-term borrowings | △1,502 | △1,484 |
| Purchase of treasury shares | △1,399 | — |
| Dividends paid | △1,641 | △145 |
| Repayments of finance lease obligations | △7 | △33 |
| Net cash provided by (used in) financing activities | △4,251 | 1,876 |
| Effect of exchange rate change on cash and cash equivalents | △4 | △0 |
| Net increase (decrease) in cash and cash equivalents | △12,121 | △1,102 |
| Cash and cash equivalents at beginning of period | 29,325 | 19,922 |
| Cash and cash equivalents at end of period | ※ 17,204 | ※ 18,819 |

(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)

Not applicable.

(Changes in Accounting Policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, the "Revenue Recognition Accounting Standard"), etc. have been applied since the beginning of the first quarter of the fiscal year under review. The application of the Revenue Recognition Accounting Standard, etc. has no impact on the quarterly consolidated financial statements. Furthermore, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenues generated from contracts with customers for the first three months of the previous fiscal year is not shown.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter, the "Fair Value Measurement Accounting Standard"), etc., have been applied since the beginning of the first quarter of the fiscal year under review. In accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), we have decided to apply the new accounting policies set forth by the Fair Value Measurement Accounting Standard, etc. into the future. The application has no impact on the quarterly consolidated financial statements.

(Segment Information, Etc.)

[Segment Information]

Information on net sales, income (loss), assets, liabilities and other items by reporting segment

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 |
|----------------------------------|-------------------------|--------------------|--------------------------------|-------|-------------------|---|
| | Value Creation Services | Value-Add Services | Future Value Creation Services | | | |
| 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 -391 million yen of operating loss stated in the consolidated statements of income.

Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)

(Millions of yen)

| | Reportable segments | | | Total | Reconciling items | Per quarterly consolidated financial statements |
|-------------------------|-------------------------|--------------------|--------------------------------|-------|-------------------|---|
| | Value Creation Services | Value-Add Services | Future Value Creation Services | | | |
| Sales | | | | | | |
| Revenues generated from | 2,600 | 155 | 294 | 3,049 | — | 3,049 |

| | | | | | | |
|----------------------------------|-------|-------|------|-------|------|-------|
| contracts with customers | | | | | | |
| Other revenues | — | 1,098 | 48 | 1,147 | — | 1,147 |
| Revenues from external customers | 2,600 | 1,254 | 343 | 4,197 | — | 4,197 |
| Transactions with other segments | — | 36 | 12 | 48 | △48 | — |
| Net sales | 2,600 | 1,290 | 355 | 4,246 | △48 | 4,197 |
| Operating profit (loss) | 292 | 350 | △557 | 86 | △153 | △67 |

(Note) 1. The amount of (-153 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 (-153 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 -67 million yen of operating loss stated in the consolidated statements of income.

2. Other revenues mostly consist of rental revenue based on the Accounting Standard for Lease Transactions.