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**Consolidated Financial Results for the
Three Months Ended June 30, 2022
[Japanese GAAP]**

August 10, 2022

Company name: Raysum Co., Ltd. Stock exchange listing: Tokyo Stock Exchange
Code number: 8890 URL: <http://www.raysum.co.jp/en/>
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Scheduled date for filing of quarterly securities report: August 10, 2022
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, 2022 (April 1, 2022 to June 30, 2022)

(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, 2022	6,959	65.8	736	—	841	—	506	—
Three months ended June 30, 2021	4,197	29.5	(67)	—	(187)	—	(81)	—

(Note) Comprehensive income: Three months ended June 30, 2022: 595 million yen (—%)
Three months ended June 30, 2021: -69 million yen (—%)

	Profit per share	Diluted profit per share
	yen	yen
Three months ended June 30, 2022	13.85	—
Three months ended June 30, 2021	(2.21)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of June 30, 2022	107,149	52,675	49.2
As of March 31, 2022	109,847	53,433	48.6

(Reference) Equity: As of June 30, 2022: 52,666 million yen
As of March 31, 2022: 53,422 million yen

2. Dividends

	Annual dividends				
	Q1 end	Q2 end	Q3 end	Year end	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2022	—	0.00	—	37.00	37.00
Fiscal year ending March 31, 2023	—	—	—	—	—
Fiscal year ending March 31, 2023 (Forecast)	—	0.00	—	50.00	50.00

(Note) 1. Changes to the most recent dividend forecast announced: Yes
2. For the details of the revision of the dividend forecast, please refer to “Notice Concerning Revision of Dividend Forecast (Increased Dividends)” dated today.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% 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	80,000	17.0	12,500	10.0	11,600	11.1	7,500	13.1	245.48

(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: 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 shares):

Three months ended June 30, 2022	37,081,400 shares
Fiscal year ended March 31, 2022	37,081,400 shares

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

Three months ended June 30, 2022	479,586 shares
Fiscal year ended March 31, 2022	479,586 shares

- 3) Average number of shares during the period:

Three months ended June 30, 2022	36,601,814 shares
Three months ended June 30, 2021	36,654,814 shares

* This quarterly financial report is not subject to 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 6,959 million yen (year-on-year increase of 65.8%), operating profit of 736 million yen (operating loss of 67 million yen in the same period of the previous fiscal year), ordinary profit of 841 million yen (ordinary loss of 187 million yen in the same period of the previous fiscal year), and profit attributable to owners of parent of 506 million yen (loss attributable to owners of parent of 81 million yen in the same period of the previous fiscal year).

Business results by segment are as follows.

(Value Creation Services)

In this business, we pursue the potential value of individual real estate assets in accordance with the purpose of each customer. We change the use, conduct large-scale renovations and attract new tenants by becoming owners, and create and provide real estate assets that are meaningful to customers.

With the restriction of various business activities due to the spread of COVID-19, we started reviewing the essential value inside real estate. We work on this business by redefining that we place utmost importance on making the society, economy and environment co-exist, considering the essence of value that leads to continuous development and realizing it.

In the first three months of the fiscal year under review, we managed to deliver to customers several medium-scale properties in the sales price range of 1 billion yen or so. We are earnestly carrying out necessary repair works, conversion preparations, tenant leasing and sales activities toward achieving the full-year sales target for this segment.

In addition, we arranged and launched sales of the second group of our new real estate investment products enabling investments starting from units of tens of millions of yen to be made in assets under management worth 10 billion yen or so formed by bundling several large-scale properties undergoing our asset value enhancement. In the first three months of the fiscal year under review, Value Creation Services posted net sales of 5,338 million yen (year-on-year increase of 105.3%) and segment profit of 1,116 million yen (year-on-year increase of 281.7%).

(Value-Add Services)

In this business, we conduct leasing management, building management and other services to maintain and enhance the value of the properties we have provided to clients. We listen to clients' requests in detail and aim to improve the long-term asset value in ways such as proposing measures 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 net sales of 1,100 million yen (year-on-year decrease of 12.2%) and segment profit of 206 million yen (year-on-year decrease of 41.1%) due in part to properties held in the same period of the previous fiscal year steadily selling thereafter and rental income from those properties decreasing.

(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 the frequent natural disasters, under our own operation. The experience and knowledge gained through these business operations will be utilized in conceiving and proposing ideas for Value Creation Services and Value-Add Services in the future.

Despite the lingering impact of the COVID-19 pandemic, the flow of people within Japan is recovering compared with the previous year, contributing to sales and profit both increasing year-on-year. At "medock Comprehensive Medical Clinic" in Meguro, deepening collaboration with companies from various sectors and health insurance associations is increasing the number of patients. Efforts are underway to improve the operations of Etajimasou, an accommodation facility that was opened in July 2021. In addition, RayPower Inc. has launched sales of emergency gas engine generators.

In the first three months of the fiscal year under review, Future Value Creation Services posted net sales of 520 million yen (year-on-year increase of 51.6%), and segment loss of 374 million yen (segment loss of 557 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 2,974 million yen compared with the end of the previous fiscal year to 93,348 million yen. This was primarily attributable to cash and deposits decreasing 4,459 million yen to 23,763 million yen, real estate for sale decreasing 2,233 million yen to 22,339 million yen, and real estate for sale in process increasing 3,598 million yen to 42,159 million yen.

Non-current assets increased 276 million yen compared with the end of the previous fiscal year to 13,800 million yen. This was attributable to an increase of 187 million yen in property, plant and equipment from an increase due to acquisition and a decrease due to depreciation, etc.; a decrease of 16 million yen in intangible assets; and an increase of 105 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 decreased 2,698 million yen compared with the end of the previous fiscal year to 107,149 million yen.

(Liabilities)

Liabilities decreased 1,939 million yen compared with the end of the previous fiscal year to 54,474 million yen. This was primarily attributable to a decrease of 1,079 million yen in borrowings due to the difference between new fundraising and repayment of borrowings, a decrease of 1,153 million yen in income taxes payable due to the payment of income taxes, and an increase of 648 million yen in accounts payable due to construction work on properties, etc.

(Net assets)

Total net assets decreased 758 million yen compared with the end of the previous fiscal year to 52,675 million yen. This was primarily attributable to an increase of 506 million yen in retained earnings following the recording of profit attributable to owners of parent, and a decrease of 1,354 million yen due to dividends of surplus.

Furthermore, the equity ratio as of the end of the first quarter of the fiscal year under review has become 49.2%.

2) Cash Flows

Cash and cash equivalents (hereinafter, “funds”) at the end of the first quarter of the fiscal year under review decreased 4,459 million yen compared with the end of the previous fiscal year to 23,763 million yen.

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

(Cash flows from operating activities)

Net cash used in operating activities amounted to 1,286 million yen. The main factor for inflow was the increase in funds related to 5,338 million yen in net sales in Value Creation Services. The main factors for outflow were the decrease in funds related to 2,608 million yen of payment for purchases of real estate for sale, and 1,255 million yen of 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.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 838 million yen. The main factors for outflow were purchase of property, plant and equipment of 472 million yen, payments for investments in capital of 200 million yen, and loan advances of 169 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 2,410 million yen. The main factors for outflow were the difference of 1,079 million yen between new fundraising and repayment of borrowings, and dividends paid of 1,309 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, 2022” announced on May 13, 2022.

The dividend forecast has been revised as announced in “Notice Concerning Revision of Dividend Forecast (Increased Dividends)” dated today.

Annual Dividends for the Fiscal Year Ending March 31, 2023

	Dividend per share		
	Second quarter end	Year end	Total
Previous forecast (announced on May 13, 2022)	— yen	42.00 yen	42.00 yen
Revised forecast	—	50.00	50.00
(Reference) Actual dividends for previous year ended March 31, 2022	—	37.00	37.00

Reason for Revision

The Company has ended the tender offer for treasury shares announced in “Notice Concerning Purchase of Treasury Shares and Tender Offer for Treasury Shares” dated June 1, 2022 (the “Tender Offer”) and carried out the cancellation of the 8,000,000 treasury shares purchased in the Tender Offer as announced in “Notice Concerning Cancellation of Treasury Shares” dated July 22, 2022. As a result, the dividend per share forecast for the fiscal year ending March 31, 2023, and the annual dividend per share forecast for the fiscal year ending March 31, 2024, and the fiscal year ending March 31, 2025, based on the medium-term management plan are being revised.

The Company has a basic policy of making distribution based on the idea of performance-linked dividends with a payout ratio of 20% or higher on a consolidated basis while also taking into account its future business development and such. In accordance with the Company’s basic policy of appropriation of profits at a payout ratio of 20% or higher on a consolidated basis, the Company has decided to increase the annual dividend forecast for the fiscal year ending March 31, 2023, and the annual dividend forecast for the fiscal year ending March 31, 2024, and the fiscal year ending March 31, 2025, based on the medium-term management plan from the most recent dividend per share forecast, while keeping the financial results forecast unchanged from the initial forecast, in light of the currently steady business performance.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	28,222	23,763
Trade accounts receivable	310	227
Real estate for sale	24,573	22,339
Real estate for sale in process	38,560	42,159
Advance payments to suppliers	902	716
Income taxes refund receivable	36	38
Other	3,727	4,114
Allowance for doubtful accounts	(11)	(11)
Total current assets	96,322	93,348
Non-current assets		
Property, plant and equipment		
Buildings, net	4,643	4,590
Land	1,616	1,616
Construction in progress	98	403
Other, net	1,484	1,420
Total property, plant and equipment	7,843	8,031
Intangible assets		
Other	259	242
Total intangible assets	259	242
Investments and other assets		
Investment securities	1,954	2,091
Deferred tax assets	1,153	778
Investments in capital	546	746
Long-term loans receivable	1,536	1,706
Other	709	682
Allowance for doubtful accounts	(478)	(478)
Total investments and other assets	5,421	5,527
Total non-current assets	13,524	13,800
Total assets	109,847	107,149

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Current portion of long-term borrowings	1,361	1,318
Accounts payable - other	1,610	2,258
Income taxes payable	5,493	4,340
Advances received	559	493
Provision for bonuses	4	6
Provision for loss on liquidation of subsidiaries and associates	123	123
Other	1,219	1,100
Total current liabilities	10,372	9,640
Non-current liabilities		
Long-term borrowings	41,910	40,874
Deposits received from tenants	3,678	3,535
Other	452	423
Total non-current liabilities	46,041	44,833
Total liabilities	56,413	54,474
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	6,899	6,899
Retained earnings	46,942	46,095
Treasury shares	(649)	(649)
Total shareholders' equity	53,292	52,445
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	57	150
Foreign currency translation adjustment	72	70
Total accumulated other comprehensive income	129	221
Non-controlling interests	11	8
Total net assets	53,433	52,675
Total liabilities and net assets	109,847	107,149

(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, 2021	Three months ended June 30, 2022
Net sales	4,197	6,959
Cost of sales	3,085	5,014
Gross profit	1,112	1,945
Selling, general and administrative expenses	1,179	1,209
Operating profit (loss)	(67)	736
Non-operating income		
Interest income	9	2
Foreign exchange gains	—	200
Rental income from buildings	1	1
Benefits income	12	23
Other	3	2
Total non-operating income	26	230
Non-operating expenses		
Interest expenses	137	115
Commission for a financial loan	5	1
Foreign exchange losses	1	—
Other	1	7
Total non-operating expenses	146	124
Ordinary profit (loss)	(187)	841
Extraordinary income		
Gain on liquidation of subsidiaries and associates	7	—
Total extraordinary income	7	—
Extraordinary losses		
Loss on retirement of non-current assets	19	4
Total extraordinary losses	19	4
Profit (loss) before income taxes	(199)	837
Income taxes - current	1	8
Income taxes - deferred	(120)	324
Total income taxes	(118)	332
Profit (loss)	(81)	504
Loss attributable to non-controlling interests	—	(2)
Profit (loss) attributable to owners of parent	(81)	506

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

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit (loss)	(81)	504
Other comprehensive income		
Valuation difference on available-for-sale securities	11	93
Foreign currency translation adjustment	(0)	(2)
Total other comprehensive income	11	91
Comprehensive income	(69)	595
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(69)	598
Comprehensive income attributable to non-controlling interests	—	(2)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	(199)	837
Depreciation	396	154
Loss (gain) on liquidation of subsidiaries and associates	(7)	—
Increase (decrease) in provision for bonuses	5	2
Increase (decrease) in allowance for doubtful accounts	(0)	0
Loss on retirement of non-current assets	19	4
Interest and dividend income	(9)	(2)
Interest expenses	137	115
Decrease (increase) in trade receivables	61	82
Decrease (increase) in real estate for sale	(4,532)	2,335
Decrease (increase) in real estate for sale in process	3,469	(3,598)
Decrease (increase) in advance payments to suppliers	156	200
Decrease (increase) in deposits paid	(7)	(142)
Increase (decrease) in advances received	(43)	(65)
Increase (decrease) in accounts payable - other	(53)	749
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(658)	(300)
Increase (decrease) in lease deposits received	395	(143)
Other, net	(114)	(241)
Subtotal	(985)	(12)
Interest and dividends received	9	1
Interest paid	(137)	(113)
Income taxes refund (paid)	(77)	(1,161)
Net cash provided by (used in) operating activities	(1,191)	(1,286)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,422)	(472)
Payments for investments in capital	(200)	(200)
Loan advances	(194)	(169)
Proceeds from collection of loans receivable	29	3
Other, net	0	0
Net cash provided by (used in) investing activities	(1,787)	(838)
Cash flows from financing activities		
Proceeds from long-term borrowings	3,540	8,180
Repayments of long-term borrowings	(1,484)	(9,259)
Dividends paid	(145)	(1,309)
Repayments of finance lease liabilities	(33)	(22)
Net cash provided by (used in) financing activities	1,876	(2,410)
Effect of exchange rate change on cash and cash equivalents	(0)	76
Net increase (decrease) in cash and cash equivalents	(1,102)	(4,459)
Cash and cash equivalents at beginning of period	19,922	28,222
Cash and cash equivalents at end of period	18,819	23,763

(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.

(Segment Information)

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

I. 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 contracts with customers	2,600	155	294	3,049	—	3,049
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 quarterly consolidated statements of income.
2. Other revenues mostly consist of rental revenue based on the Accounting Standard for Lease Transactions.

II. Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(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 contracts with customers	5,338	160	471	5,970	—	5,970
Other revenues	—	940	48	988	—	988
Revenues from external customers	5,338	1,100	520	6,959	—	6,959
Transactions with other segments	—	22	7	30	(30)	—
Net sales	5,338	1,123	528	6,990	(30)	6,959
Operating profit (loss)	1,116	206	(374)	948	(211)	736

- (Note) 1. The amount of -211 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 (-211 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 736 million yen of operating profit stated in the quarterly consolidated statements of income.
2. Other revenues mostly consist of rental revenue based on the Accounting Standard for Lease Transactions.

(Important Subsequent Events)

The Company resolved at its board of directors' meeting held on June 1, 2022, to conduct a purchase of treasury shares and a tender offer for treasury shares (the "Tender Offer") as a specific method of such purchase pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act, and the Company's Articles of Incorporation, and had been conducting the Tender Offer since June 2, 2022. The Tender Offer ended on June 29, 2022, and the purchase of treasury shares based on the resolution of its board of directors' meeting held on June 1, 2022, ended with the end of the Tender Offer (number of shares purchased: 8,000,000 shares; total purchase amount: 7,824,000,000 yen; class of shares purchased: the Company's common stock).

In addition, with settlement of the Tender Offer completed on July 22, 2022, the Company resolved at its board of directors' meeting held on July 22, 2022, to cancel the 8,000,000 treasury shares purchased in the Tender Offer pursuant to the provisions of Article 178 of the Companies Act, and carried out the cancellation on July 29, 2022 (total number of issued shares after the cancellation: 29,081,400 shares).