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**Consolidated Financial Results for the
Nine Months Ended December 31, 2019
[Japanese GAAP]**

February 14, 2020

Company name: Raysum Co., Ltd.

Stock exchange listing: Tokyo Securities Exchange

Code number: 8890

URL: <http://www.raysum.co.jp/>

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: February 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 Nine Months Ended December 31, 2019 (April 1, 2019 to December 31, 2019)

(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	%
Nine months ended December 31, 2019	20,100	(59.7)	2,146	(76.7)	1,955	(78.7)	1,413	(76.6)
Nine months ended December 31, 2018	49,912	48.0	9,223	4.1	9,183	5.0	6,028	(30.9)

(Note) Comprehensive income: Nine months ended December 31, 2019: ¥1,438 million (-74.6%)
Nine months ended December 31, 2018: ¥5,657 million (-35.6%)

	Profit per share	Diluted profit per share
	yen	yen
Nine months ended December 31, 2019	36.95	-
Nine months ended December 31, 2018	139.81	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of December 31, 2019	84,232	42,500	50.5
As of March 31, 2019	76,398	43,322	56.7

(Reference) Equity: As of December 31, 2019: ¥42,500 million
As of March 31, 2019: ¥43,322 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, 2019	-	0.00	-	45.00	45.00
Fiscal year ending March 31, 2020	-	0.00	-		
Fiscal year ending March 31, 2020 (Forecast)				45.00	45.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	69,000	17.9	12,050	9.6	11,850	8.7	7,700	(2.5)	200.30

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

*Notes

- (1) Significant changes of subsidiaries in the first nine 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):

Nine months ended December 31, 2019	46,081,400 shares
Fiscal year ended March 31, 2019	46,081,400 shares

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

Nine months ended December 31, 2019	8,101,586 shares
Fiscal year ended March 31, 2019	7,631,514 shares

- 3) Average number of shares during the period:

Nine months ended December 31, 2019	38,259,097 shares
Nine months ended December 31, 2018	43,121,589 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 notes

(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.....	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Financial Results Forecast and Other Information on Future Forecasts.....	3
2. Quarterly Consolidated Financial Statements.....	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	6
(3) Quarterly Consolidated Statements of Cash Flows	7
(4) Notes on Quarterly Consolidated Financial Statements	8
(Notes on the Going Concern Assumption).....	8
(Notes in the Event of Material Change in the Amount of Shareholders' Equity)	8
(Segment Information, Etc.)	8

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

The consolidated financial results for the first nine months of the fiscal year under review recorded net sales of 20,100 million yen (year-on-year decrease of 59.7%), operating income of 2,146 million yen (year-on-year decrease of 76.7%), ordinary income of 1,955 million yen (year-on-year decrease of 78.7%), and profit attributable to owners of parent of 1,413 million yen (year-on-year decrease of 76.6%).

Due to the withdrawal of the Servicing Business in the previous fiscal year, the Group has three reporting segments (Wealth Management Business, Property Management Business, and Other Business) for the fiscal year under review.

Business results by segment are as follows.

(Wealth Management Business)

In this business, we work out schemes for each high-net-worth individual that suit client asset details and purposes 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, residential, accommodation facilities and educational facilities to medical facilities among others, with also 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 are offering products that incorporate these.

In the first nine months of the fiscal year under review, the Wealth Management Business posted 14,392 million yen (year-on-year decrease of 68.0%) in net sales, and segment income of 1,919 million yen (year-on-year decrease of 78.5%).

Although income and profit decreased year on year, we have received serious inquiries, including some for a large property, and have seen active sales negotiations and conclusion of sales agreements since January, as we aim to achieve the full-year plan.

(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.

In the first nine months of the fiscal year under review, the Property Management Business posted 3,829 million yen (year-on-year increase of 14.7%) in net sales and 989 million yen (year-on-year increase of 7.7%) in segment income.

(Other Business)

In this segment, Asset Holdings, Ltd., a consolidated subsidiary of the Company, runs Raysum Golf & Spa Resort, a golf course, WeBase Co, Ltd. runs community hostels, and LIBERTE JAPON Co., Ltd. runs stores of LIBERTE PÂTISSERIE BOULANGERIE from Paris, France in Japan.

In addition, from the fiscal year under review, RayPower Inc., which develops, manufactures and sells gas engine-driven power generators as its environment and energy business, has started full-fledged sales activities; and Best Medical Inc., which engages in business supporting advanced medical services, has launched support for newly-opening clinics as well as search for new clinics to support.

In the first nine months of the fiscal year under review, the segment's net sales totaled 1,878 million yen (year-on-year increase of 52.1%); and loss was 342 million yen (loss of 166 million yen in the same period of the previous fiscal year) partially due to initial costs from starting new businesses.

(2) Explanation of Financial Position

1) Changes in Financial Position

[Assets]

Current assets increased by 7,461 million yen compared to the end of the previous fiscal year to 74,130 million yen.

This was primarily attributable to cash and deposits decreasing 12,137 million yen to 9,937 million yen, real estate for sale increasing 3,808 million yen to 38,150 million yen and real estate for sale in process increasing 14,597 million yen to 21,943 million yen.

Noncurrent assets increased by 371 million yen from the end of the previous fiscal year to 10,101 million yen.

This was primarily attributable to the increase of 470 million yen in property, plant and equipment from the increase due to acquisition and decrease due to depreciation; the decrease of 32 million yen in intangible assets; and the decrease of 66 million yen in investments and other assets.

As a result, total assets as at the end of the third quarter of the fiscal year under review increased by 7,833 million yen compared to the end of the previous fiscal year to 84,232 million yen.

[Liabilities]

Liabilities increased by 8,655 million yen compared to the end of the previous fiscal year to 41,731 million yen.

This was primarily attributable to a decrease of 2,253 million yen in income tax payable due to payment of 2,181 million yen of income tax payable for the previous fiscal year, an increase of 2,090 million yen in advances received due to deposits for property sales contracts, a decrease of 307 million yen in property construction expenses payable, etc., an increase of 9,839 million yen in loans payable due to the difference between new fundraising and repayment of loans payable as well as a decrease of 677 million yen in deposits received from tenants along with the change of management contract for properties managed by the Company.

[Net Assets]

Total net assets decreased by 821 million yen compared to the end of the previous fiscal year to 42,500 million yen. This was primarily attributable to the decrease of 1,730 million yen from dividend payment, an increase of 170 million yen from the disposal of treasury shares as restricted stock compensation to the executives and employees of the Company and the decrease of 700 million yen from buyback of treasury shares offsetting the increase in retained earnings of 1,413 million yen following the recording of profit attributable to owners of parent.

Furthermore, equity ratio as of the end of the third quarter of the fiscal year under review has become 50.5%.

2) Cash Flows

Cash and cash equivalents (hereinafter, “funds”) at the end of the third quarter of the fiscal year under review decreased by 12,137 million yen compared to the end of the previous fiscal year to 9,937 million yen.

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

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

Net cash provided by operating activities decreased by 18,755 million yen. The main factor for increase was increased funds related to 14,392 million yen in net sales in the Wealth Management Business. The main factors for decrease were the decrease in funds related to 27,297 million yen of payment for purchases of real estate for sale, and 2,631 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; 3,269 million yen of payment for income tax; and the expenditure of selling, general and administrative expenses.

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

Net cash provided by investing activities decreased by 767 million yen. The main factor for increase was the proceeds of 500 million yen from sales of investment securities while the main factors for decrease were the expenditure of 762 million yen related to purchase of property, plant and equipment and the expenditure of 309 million yen for executing loans.

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

Net cash provided by financing activities increased by 7,386 million yen. The main factor for increase was the increase of 9,839 million yen in loans payable due to the difference between new fundraising and repayment of loans payable; and the main factor for decrease was the expenditure of 700 million yen for buyback of treasury shares and payment of dividends of 1,729 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 on “Consolidated Financial Results for the Fiscal Year Ended March 31, 2018” announced on May 11, 2018.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	22,075	9,937
Trade accounts receivable	299	320
Real estate for sale	34,342	38,150
Real estate for sale in process	7,346	21,943
Advance payments - trade	1,201	1,225
Income taxes receivable	58	649
Other	1,359	1,916
Allowance for doubtful accounts	(13)	(13)
Total current assets	66,669	74,130
Non-current assets		
Property, plant and equipment		
Buildings, net	2,106	2,016
Land	1,131	1,131
Other, net	730	1,290
Total property, plant and equipment	3,968	4,439
Intangible assets		
Other	462	429
Total intangible assets	462	429
Investments and other assets		
Investment securities	3,306	2,934
Deferred tax assets	723	476
Investments in capital	13	173
Other	1,255	1,646
Total investments and other assets	5,298	5,232
Total non-current assets	9,729	10,101
Total assets	76,398	84,232

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Short-term borrowings	1,000	—
Current portion of long-term borrowings	1,084	1,286
Accounts payable - other	990	683
Income taxes payable	2,255	2
Advances received	443	2,533
Provision for bonuses	9	2
Provision for loss on liquidation of subsidiaries and associates	123	123
Other	835	831
Total current liabilities	6,743	5,463
Non-current liabilities		
Long-term borrowings	21,420	32,058
Provision for adjustment of securitization	0	0
Asset retirement obligations	4	4
Deposits received from tenants	4,781	4,103
Other	126	101
Total non-current liabilities	26,333	36,268
Total liabilities	33,076	41,731
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	12,253	12,160
Retained earnings	42,344	42,027
Treasury shares	(11,379)	(11,817)
Total shareholders' equity	43,317	42,470
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(51)	(45)
Foreign currency translation adjustment	56	74
Total accumulated other comprehensive income	5	29
Total net assets	43,322	42,500
Total liabilities and net assets	76,398	84,232

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

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	49,912	20,100
Cost of sales	37,184	14,848
Gross profit	12,727	5,252
Selling, general and administrative expenses	3,504	3,105
Operating profit	9,223	2,146
Non-operating income		
Interest income	16	16
Foreign exchange gains	113	—
Rental income from buildings	4	4
Other	8	8
Total non-operating income	142	28
Non-operating expenses		
Interest expenses	155	201
Commission for a financial loan	5	6
Foreign exchange losses	—	1
Other	21	9
Total non-operating expenses	182	219
Ordinary profit	9,183	1,955
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	208	—
Gain on sales of investment securities	—	127
Total extraordinary income	208	127
Extraordinary losses		
Loss on withdrawal from business	40	—
Total extraordinary losses	40	—
Profit before income taxes	9,351	2,083
Income taxes - current	2,116	426
Income taxes - deferred	1,207	243
Total income taxes	3,323	669
Profit	6,028	1,413
Loss attributable to non-controlling interests	(0)	—
Profit attributable to owners of parent	6,028	1,413

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

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	6,028	1,413
Other comprehensive income		
Valuation difference on available-for-sale securities	(343)	6
Foreign currency translation adjustment	(27)	18
Total other comprehensive income	(370)	24
Comprehensive income	5,657	1,438
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,657	1,438
Comprehensive income attributable to non-controlling interests	(0)	—

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Cash flows from operating activities		
Profit before income taxes	9,351	2,083
Depreciation	169	288
Increase (decrease) in provision for bonuses	(12)	(7)
Increase (decrease) in allowance for doubtful accounts	5	0
Increase (decrease) in provision for adjustment of securitization	(0)	(0)
Loss (gain) on sales of investment securities	—	(127)
Interest and dividend income	(16)	(16)
Interest expenses	155	201
Loss (gain) on sales of shares of subsidiaries and associates	(208)	—
Loss on withdrawal from business	40	—
Decrease (increase) in trade receivables	59	(21)
Decrease (increase) in real estate for sale	9,256	(3,818)
Decrease (increase) in real estate for sale in process	316	(14,597)
Decrease (increase) in purchased receivables	(266)	—
Decrease (increase) in advance payments - trade	(1,073)	(16)
Decrease (increase) in deposits paid	114	(80)
Increase (decrease) in advances received	92	2,089
Increase (decrease) in accounts payable - other	994	(281)
Decrease/increase in consumption taxes receivable/payable	450	403
Increase (decrease) in lease deposits received	385	(671)
Decrease (increase) on investments in silent partnership	25	—
Other, net	(525)	(727)
Subtotal	19,312	(15,299)
Interest and dividends received	15	15
Interest paid	(154)	(202)
Income taxes (paid) refund	956	(3,269)
Net cash provided by (used in) operating activities	20,130	(18,755)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,112)	(762)
Purchase of intangible assets	(0)	(48)
Purchase of investment securities	(1,136)	—
Proceeds from sales of investment securities	—	500
Payments for investments in capital	(8)	(160)
Purchase of shares of subsidiaries and associates	(756)	—
Proceeds from sales of shares of subsidiaries and associates	1,710	—
Proceeds on withdrawal from Servicing business	6,583	—
Loan advances	(278)	(309)
Other, net	166	12
Net cash provided by (used in) investing activities	5,167	(767)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	674	(1,000)
Proceeds from long-term borrowings	14,287	16,425
Repayments of long-term borrowings	(18,455)	(5,585)
Purchase of treasury shares	(10,700)	(700)
Dividends paid	(1,823)	(1,729)
Other, net	—	(23)
Net cash provided by (used in) financing activities	(16,018)	7,386
Effect of exchange rate change on cash and cash equivalents	56	(0)
Net increase (decrease) in cash and cash equivalents	9,336	(12,137)
Cash and cash equivalents at beginning of period	20,634	22,075
Cash and cash equivalents at end of period	* 29,970	* 9,937

(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, Etc.)

[Segment Information]

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

Nine Months Ended Dec 31, 2018 (April 1, 2018 to December 31 2018)

(Millions of yen)

	Reportable segments				Total	Reconciling items	Per quarterly consolidated financial statements
	Wealth Management	Property Management	Servicing	Other			
Sales							
Revenues from external customers	44,956	3,339	381	1,235	49,912	—	49,912
Transactions with other segments	—	32	—	18	50	(50)	—
Net sales	44,956	3,371	381	1,253	49,962	(50)	49,912
Operating profit (loss)	8,911	918	11	(166)	9,675	(451)	9,223

(Note) The amount of (-451 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 (-451 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 9,223 million yen of operating income stated in the consolidated statements of income.

Nine Months Ended Dec 31, 2019 (April 1, 2019 to December 31, 2019)

(Millions of yen)

	Reportable segments			Total	Reconciling items	Per quarterly consolidated financial statements
	Wealth Management	Property Management	Other			
Sales						
Revenues from external customers	14,392	3,829	1,878	20,100	—	20,100
Transactions with other segments	—	63	18	82	(82)	—
Net sales	14,392	3,893	1,897	20,182	(82)	20,100
Operating profit (loss)	1,919	989	(342)	2,566	(419)	2,146

(Note) The amount of (-419 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 (-419 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 2,146 million yen of operating income stated in the consolidated statements of income.