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**Consolidated Financial Results for the
Six Months Ended September 30, 2020
[Japanese GAAP]**

November 13, 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

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Scheduled date for filing of quarterly securities report: November 13, 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 Six Months Ended September 30, 2020 (April 1, 2020, to September 30, 2020)

(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	%
Six months ended September 30, 2020	6,882	(61.3)	(474)	—	(613)	—	(295)	—
Six months ended September 30, 2019	17,806	(46.8)	2,449	(56.3)	2,290	(59.3)	1,631	(56.1)

(Note) Comprehensive income: Six months ended September 30, 2020: -303 million yen (-%)
Six months ended September 30, 2019: 1,662 million yen (-52.0%)

	Profit per share	Diluted profit per share
	yen	yen
Six months ended September 30, 2020	(8.07)	—
Six months ended September 30, 2019	42.49	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
Six months ended September 30, 2020	103,872	45,886	44.2
Fiscal year ended March 31, 2020	91,502	49,040	53.6

(Reference) Equity: As of September 30, 2020: 45,886 million yen
As of March 31, 2020: 49,040 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, 2020	—	0.00	—	45.00	45.00
Fiscal year ending March 31, 2021	—	0.00			
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 reasonably calculate financial results forecast 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 reasonably estimate the impact of the spread of COVID-19 on business activities and management results as of now.

***Notes**

- (1) Significant changes of subsidiaries in the second quarter 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):

Six months ended September 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:

Six months ended September 30, 2020	9,426,586 shares
Fiscal year ended March 31, 2020	8,101,586 shares

3) Average number of shares during the period:

Six months ended September 30, 2020	36,599,255 shares
Six months ended September 30, 2019	38,399,502 shares

*This quarterly consolidated financial statement 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 six months of the fiscal year under review recorded net sales of 6,882 million yen (year-on-year decrease of 61.3%), operating loss of 474 million yen (operating income of 2,449 million yen in the same period of the previous fiscal year), ordinary loss of 613 million yen (ordinary income of 2,290 million yen in the same period of the previous fiscal year), and loss attributable to owners of parent of 295 million yen (profit attributable to owners of parent of 1,631 million yen in the same period of the previous fiscal year).

While social and economic activities are restricted due to the spread of COVID-19, the Group was also impacted during the period. Although domestic economic activities are gradually resuming, the situation still remains unpredictable. We will continue to prepare ourselves for responding promptly after the end of the pandemic while understanding 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 objectives such as respective client's asset formation, 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, 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 six months of the fiscal year under review, the Property Management Business posted 4,095 million yen (year-on-year decrease of 70.7%) in net sales, and segment income of 68 million yen (year-on-year decrease of 97.0%).

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

With regard to sales, customers have also been careful in assessing the situation, but it seems that the investment appetite of individual investors continues to be strong in particular.

Believing that only indispensables will be able to survive in such circumstances, we will strive to be ever 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 request for postponement/reduction/exempt of rent payment, delinquent payment and talks on possible move-outs due to restricted social activities brought by the spread of COVID-19, these have not been visible in the first six months of the fiscal year under review and we have provided careful and fine-tuned responses to each tenant.

In the first six months of the fiscal year under review, the Property Management Business posted 2,240 million yen (year-on-year decrease of 13.4%) in net sales and 541 million yen (year-on-year decrease of 19.9%) 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. Furthermore, RayPower Inc. develops, manufactures, and sells gas engine-driven power generators, and Best Medical Co., Ltd. supports new openings of clinics, engaging in business supporting advanced medical services.

In the second quarter of the fiscal year under review (July 2020 to September 2020), 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 the spread of COVID-19 albeit not as severely as in the first three months of the fiscal year under review (April 2020 to June 2020). 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 six months of the fiscal year under review, the segment's net sales totaled 546 million yen (year-on-year decrease of 55.4%) partially due to the direct impact of the spread of COVID-19; and loss was 794 million yen (loss of 213 million yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position

1) Changes in Financial Position

(Assets)

Current assets increased 11,455 million yen compared with the end of the previous fiscal year to 92,663 million yen.

This was primarily attributable to cash and deposits decreasing 10,330 million yen to 18,995 million yen, real estate for sale increasing 15,826 million yen to 46,322 million yen, and real estate for sale in process increasing 5,072 million yen to 22,967 million yen.

Non-current assets increased 914 million yen from the end of the previous fiscal year to 11,209 million yen.

As a result, total assets as at the end of the second quarter of the fiscal year under review increased 12,370 million yen compared with the end of the previous fiscal year to 103,872 million yen.

(Liabilities)

Liabilities increased 15,524 million yen compared with the end of the previous fiscal year to 57,986 million yen.

This was primarily attributable to an increase of 17,464 million yen in loans payable due to the difference between new fundraising and repayment of loans payable, a decrease of 427 million yen in income tax payable due to partial payment of income tax payable for the previous fiscal year, a decrease of 481 million yen in advances received due to a decrease in deposits for property sales contracts, etc., as well as a decrease of 550 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 3,154 million yen compared with the end of the previous fiscal year to 45,886 million yen. This was primarily attributable to a decrease of 295 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, a decrease of 1,339 million yen from purchase of treasury shares, and an increase of 257 million yen from the disposal of shares as restricted stock compensation to the executives and employees of the Company.

We continue to aim to achieve an equity ratio of 50% or more as a “level at which risks related to value creation can be taken even when the market condition changes.” However, the equity ratio is temporarily at the 40% range as of the end of the second quarter of the fiscal year under review due to the procurement prioritizing the securement of an appropriate level of cash and deposits in addition to the current selective purchase. Moreover, as for borrowings for real estate acquisitions, we have continued to realize borrowings for a period of 10 years or longer.

2) Cash Flows

Cash and cash equivalents (hereinafter, “funds”) at the end of the second quarter of the fiscal year under review decreased 10,330 million yen compared with the end of the previous fiscal year to 18,995 million yen.

Cash flows in the first six 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 used in operating activities amounted to 23,589 million yen. The main factor for inflow was increased funds related to 4,095 million yen in net sales in the Wealth Management Business. The main factors for outflow were the decrease in funds related to 21,578 million yen of payment for purchases of real estate for sale, and 3,237 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; 748 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 used in investing activities amounted to 1,068 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 697 million yen related to purchase of property, plant and equipment, expenditure of 142 million yen related to payments for investments in capital, expenditure of 133 million yen related to purchase of shares of subsidiaries and associates, and expenditure of 153 million yen for loan advances.

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

Net cash used in financing activities amounted to 14,340 million yen. The main factor for inflow was the increase of 17,464 million yen in loans payable due to the difference between new fundraising and repayment of loans payable; and the main factor for outflow was the expenditure of 1,399 million yen for purchase of treasury shares and payment of dividends of 1,708 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, remains undecided since it is unclear when the spread of COVID-19 will start to cease at this point in time and it is difficult to reasonably estimate its impact on business activities and management results.

2. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	29,325	18,995
Trade accounts receivable	335	270
Real estate for sale	30,496	46,322
Real estate for sale in process	17,894	22,967
Advance payments - trade	1,171	1,064
Income taxes receivable	48	367
Other	1,947	2,686
Allowance for doubtful accounts	(13)	(11)
Total current assets	81,207	92,663
Non-current assets		
Property, plant and equipment		
Buildings, net	1,973	1,943
Land	1,176	1,318
Other, net	1,333	2,081
Total property, plant and equipment	4,483	5,343
Intangible assets		
Other	411	375
Total intangible assets	411	375
Investments and other assets		
Investment securities	2,469	1,776
Deferred tax assets	1,116	1,506
Investments in capital	80	153
Long-term loans receivable	988	1,135
Other	744	917
Total investments and other assets	5,399	5,490
Total non-current assets	10,294	11,209
Total assets	91,502	103,872

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Current portion of long-term borrowings	1,071	1,491
Accounts payable - other	1,156	908
Income taxes payable	3,414	2,986
Advances received	939	457
Provision for bonuses	10	5
Provision for loss on liquidation of subsidiaries and associates	123	123
Other	1,632	1,422
Total current liabilities	8,346	7,395
Non-current liabilities		
Long-term borrowings	30,106	47,150
Provision for adjustment of securitization	0	0
Deposits received from tenants	3,915	3,364
Other	93	75
Total non-current liabilities	34,115	50,591
Total liabilities	42,461	57,986
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	12,160	12,054
Retained earnings	48,553	46,548
Treasury shares	(11,817)	(12,853)
Total shareholders' equity	48,996	45,849
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(31)	(37)
Foreign currency translation adjustment	75	73
Total accumulated other comprehensive income	44	36
Non-controlling interests	0	0
Total net assets	49,040	45,886
Total liabilities and net assets	91,502	103,872

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

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	17,806	6,882
Cost of sales	13,284	5,376
Gross profit	4,521	1,505
Selling, general and administrative expenses	* 2,072	* 1,980
Operating profit (loss)	2,449	(474)
Non-operating income		
Interest income	10	14
Rental income from buildings	2	2
Benefits income	—	18
Other	7	5
Total non-operating income	20	41
Non-operating expenses		
Interest expenses	130	138
Commission for a financial loan	5	5
Foreign exchange losses	36	29
Other	8	7
Total non-operating expenses	180	180
Ordinary profit (loss)	2,290	(613)
Extraordinary income		
Gain on sales of investment securities	127	—
Gain on sale of businesses	—	2
Total extraordinary income	127	2
Extraordinary losses		
Loss on liquidation of subsidiaries and associates	—	69
Total extraordinary losses	—	69
Profit (loss) before income taxes	2,417	(680)
Income taxes - current	650	2
Income taxes - deferred	135	(387)
Total income taxes	785	(384)
Profit (loss)	1,631	(295)
Loss attributable to non-controlling interests	—	(0)
Profit (loss) attributable to owners of parent	1,631	(295)

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

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit (loss)	1,631	(295)
Other comprehensive income		
Valuation difference on available-for-sale securities	8	(6)
Foreign currency translation adjustment	22	(1)
Total other comprehensive income	31	(8)
Comprehensive income	1,662	(303)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,662	(303)
Comprehensive income attributable to non-controlling interests	—	(0)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	2,417	(680)
Depreciation	189	189
Loss (gain) on liquidation of subsidiaries and associates	—	69
Increase (decrease) in provision for bonuses	0	(4)
Increase (decrease) in allowance for doubtful accounts	(0)	(1)
Increase (decrease) in provision for adjustment of securitization	0	(0)
Loss (gain) on sales of investment securities	(127)	—
Interest and dividend income	(10)	(14)
Interest expenses	130	138
Decrease (increase) in trade receivables	(5)	64
Decrease (increase) in real estate for sale	4,203	(15,847)
Decrease (increase) in real estate for sale in process	(4,213)	(5,072)
Loss (gain) on sale of businesses	—	(2)
Decrease (increase) in advance payments - trade	236	(158)
Decrease (increase) in deposits paid	(36)	(54)
Increase (decrease) in advances received	38	(481)
Increase (decrease) in accounts payable - other	74	(160)
Decrease/increase in consumption taxes receivable/payable	620	(379)
Increase (decrease) in lease deposits received	(28)	(487)
Other, net	(678)	167
Subtotal	2,810	(22,717)
Interest and dividends received	10	14
Interest paid	(133)	(137)
Income taxes (paid) refund	(2,177)	(748)
Net cash provided by (used in) operating activities	509	(23,589)
Cash flows from investing activities		
Purchase of property, plant and equipment	(52)	(697)
Purchase of intangible assets	(48)	—
Proceeds from sales of investment securities	500	—
Payments for investments in capital	(156)	(142)
Purchase of shares of subsidiaries and associates	—	(133)
Proceeds from liquidation of subsidiaries and associates	—	10
Loan advances	(202)	(153)
Proceeds from withdrawal of investments in capital	—	70
Payments for sale of businesses	—	(56)
Other, net	5	35
Net cash provided by (used in) investing activities	46	(1,068)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(1,000)	—
Proceeds from long-term borrowings	9,325	19,606
Repayments of long-term borrowings	(5,292)	(2,141)
Purchase of treasury shares	(700)	(1,399)
Dividends paid	(1,728)	(1,708)
Other, net	(15)	(16)
Net cash provided by (used in) financing activities	587	14,340
Effect of exchange rate change on cash and cash equivalents	(6)	(13)
Net increase (decrease) in cash and cash equivalents	1,138	(10,330)
Cash and cash equivalents at beginning of period	22,075	29,325
Cash and cash equivalents at end of period	* 23,213	* 18,995

(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 made at the board of directors' meeting held on March 31, 2020. The Company also disposed of 267,000 treasury shares as restricted stock compensation to the executives and employees of the Company based on the resolution made at the board of directors' meeting held on June 23, 2020. As a result, treasury shares increased 1,035 million yen in the first six months of the fiscal year under review to stand at 12,853 million yen at the end of the second quarter of the fiscal year under review.

(Segment Information, Etc.)

[Segment Information]

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

I. Second Quarters of the Fiscal Year ended Sep 30, 2019 (April 1, 2019 to September 30 2019)

(Millions of yen)

	Reportable segments			Total	Reconciling items	Per quarterly consolidated financial statements
	Wealth Management	Property Management	Other			
Sales						
Revenues from external customers	13,993	2,585	1,226	17,806	—	17,806
Transactions with other segments	—	26	10	37	(37)	—
Net sales	13,993	2,612	1,237	17,843	(37)	17,806
Operating profit (loss)	2,270	676	(213)	2,733	(283)	2,449

(Note) The amount of (-283 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 (-283 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 2,449 million yen of operating income stated in the consolidated statements of income.

II. Second Quarters of the Fiscal Year ended Sep 30, 2020 (April 1, 2020 to September 30, 2020)

(Millions of yen)

	Reportable segments			Total	Reconciling items	Per quarterly consolidated financial statements
	Wealth Management	Property Management	Other			
Sales						
Revenues from external customers	4,095	2,240	546	6,882	—	6,882
Transactions with other segments	—	73	26	100	(100)	—
Net sales	4,095	2,313	573	6,982	(100)	6,882
Operating profit (loss)	68	541	(794)	(183)	(290)	(474)

(Note) The amount of (-290 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 (-290 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 474 million yen of operating loss stated in the consolidated statements of income.