

# RAYSUM

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## Financial Results for Fiscal Year Ending March 31, 2023

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# Consolidated Financial Results

PL	FY Ending March 2022	FY Ending March 2023	Difference vs. previous year	% Change vs. previous year	FY Ending March 2023	
	Actual	Actual			Initial plan	Difference vs. plan
(Million yen)						
<b>Revenue</b>	68,402	<b>67,906</b>	-496	-0.7%	80,000	-15.1%
<b>Gross profit</b>	16,444	<b>20,368</b>	+3,924	+23.9%	NA	NA
Gross profit margin	24.0%	<b>30.0%</b>	-	+6.0%	NA	NA
<b>Operating profit</b>	11,363	<b>14,371</b>	+3,008	+26.5%	12,500	+15.0%
Operating profit margin	16.6%	<b>21.2%</b>	-	+4.6%	15.6%	+5.5%
<b>Ordinary profit</b>	10,445	<b>12,851</b>	+2,406	+23.0%	11,600	+10.8%
Ordinary profit margin	15.3%	<b>18.9%</b>	-	+3.7%	14.5%	+4.4%
<b>Profit attributable to owners of parent</b>	6,630	<b>8,376</b>	+1,746	+26.3%	7,500	+11.7%
Net income margin	9.7%	<b>12.3%</b>	-	+2.6%	9.4%	+3.0%
<b>Capital efficiency</b>						
<b>EPS</b>	181.0	<b>269.7</b>	+88.7	+49.0%	204.9	+31.6%
<b>ROE</b>	13.2%	<b>15.8%</b>	-	+2.6%	NA	NA

## Financial highlights

Although revenue decreased as a result of fewer property sales than initially expected, the gross profit margin rose significantly reflecting two large sales worth over 10 billion yen and better-than-expected profit margins on property sales.

Following the cancellation of 9 million treasury shares (19.53% of issued shares pre-cancellation) in March 2022, the company conducted buyback of 8 million shares in June 2022 and canceled these (21.57% of issued shares pre-cancellation) in July 2022. As a result,

High level of pipeline of properties from this FY onward (see P.14).

**Highest profit achieved since the Lehman Crisis**

**EPS grew +49.0% YoY**

**Groundworks are laid for record high profits**

May 2023

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# Segment Highlights

	FY Ending March 2022 Actual	FY Ending March 2023 Actual	Difference vs. previous year	% Change vs. previous year
<b>PL (Million yen)</b>				
<b>Revenue</b>	68,402	<b>67,906</b>	-496	-0.7%
Value Creation Services	61,893	<b>61,419</b>	-474	-0.8%
Value-Add Services	4,964	<b>4,416</b>	-548	-11.0%
Future Value Creation Services	1,544	<b>2,071</b>	+527	+34.1%
<b>Operating profit</b>	11,363	<b>14,371</b>	+3,008	+26.5%
Value Creation Services	12,955	<b>16,653</b>	+3,698	+28.5%
Value-Add Services	1,104	<b>765</b>	-339	-30.7%
Future Value Creation Services	-2,059	<b>-2,302</b>	-243	NM
Adjustment of all companies	-636	<b>-745</b>	-109	NM

## Segment highlights (See P.30 for business details by segment)

In the core Value Creation Services segment, we were able to sell large-scale properties and to achieve better margins than expected, resulting in revenue and operating profit growth.

In the Value-Add Services segment, rental income decreased due to the sales of large-scale properties. As a result,

In the Future Value Creation Services segment, although revenue were up, the segment loss widened. We sold the golf course business at the end of the second quarter, which accounts for about half of this fiscal year's loss. The impact of COVID-19 on the lodging and other businesses was also significant, especially in the first half of the year.

**Value Creation Services drove overall group results**

**Revenue and profits decreased in Value-Add Services**

**In Future Value Creation Services, revenue were up, but profits decreased**

# Consolidated Balance Sheet

	FY Ending March 2022	FY Ending March 2023	Difference	
	Actual	Actual	vs. previous year	Comments
<b>(million yen)</b>				
<b>Current assets</b>	<b>96,322</b>	<b>96,216</b>	-105	
Cash and deposits	28,222	27,524	-698	
Real estate for sale	24,573	45,167	+20,593	
Real estate for sale in process	38,560	17,079	-21,481	
<b>Non-current assets</b>	<b>13,524</b>	<b>10,535</b>	-2,989	Decrease due to transfer of shares of Asset Holdings (golf course business)
<b>Total assets</b>	<b>109,847</b>	<b>106,752</b>	-3,095	
<b>Current liabilities</b>	<b>10,372</b>	<b>8,230</b>	-2,142	
Current portion of long-term borrowings	1,361	1,359	-2	General borrowing terms: 10 year loan period with amortization period of 20-30 years.
Income taxes payable	5,493	4,052	-1,441	
<b>Non-current liabilities</b>	<b>46,041</b>	<b>45,803</b>	-238	
Long-term borrowings	41,910	41,397	-514	
Deposits received from tenants	3,678	4,067	+389	
<b>Total liabilities</b>	<b>56,413</b>	<b>54,033</b>	-2,380	
<b>Net assets</b>	<b>53,433</b>	<b>52,718</b>	-714	Net income was approximately 8.4 billion yen. Purchase of approx. 7.8 billion yen of treasury shares.
<b>Total liabilities and net assets</b>	<b>109,847</b>	<b>106,752</b>	-3,095	

# Consolidated Statement of Cash Flows

	FY Ending March 2022	FY Ending March 2023	Difference vs. previous year	Comments
	Actual	Actual		
<b>Cash flows (million yen)</b>				
<b>Cash flow from operating activities</b>	<b>15,440</b>	<b>8,706</b>	-6,734	Approx. 61.4 billion yen of revenue in Value Creation Services; approx. 35.2 billion yen in spend on real estate purchases; approx. 9.4 billion yen in spend on renovation work, etc.
<b>Cash flows from investing activities</b>	<b>-3,243</b>	<b>193</b>	+3,436	Proceeds from transfer of shares of Asset Holdings (golf course business) of approx. 2.1 billion yen; lending of approx. 600 million yen
<b>Cash flow from financing activities</b>	<b>-3,946</b>	<b>-9,666</b>	-5,720	Approx. 7.8 billion yen in repurchase of treasury stock; approx. 1.4 billion yen in dividend payments; approx. 400 million yen of decrease resulting from difference between cash inflow from new funds raised and repayment of loans, etc.
Exchange rate impact on cash and cash equivalents	49	56		
Net increase (decrease) in cash and cash equivalents	8,300	-710		
Cash and cash equivalents at the beginning of the year	19,922	28,222		
<b>Cash and cash equivalents at the end of the year</b>	<b>28,222</b>	<b>27,511</b>		



# Case Studies of Property Sales in FY Ending March 2023 (1/2)

Large-scale old building: Coordinate / consolidate land rights; creation of land for development

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## Overview

<b>Name</b>	Shinjuku Yasukuni Dori PJ
<b>Principal value improvement method</b>	Create land for development
<b>Other value improvement method</b>	Coordinate/consolidate land rights
<b>Age (at time of purchase)</b>	50 years
<b>Land area</b>	Approx. 200 tsubo (660m <sup>2</sup> )
<b>Floor area</b>	Approx. 2,000 tsubo (6,600m <sup>2</sup> )
<b>Leasable area</b>	Approx. 1,500 tsubo (4,960m <sup>2</sup> )
<b>Floor area ratio</b>	900%
<b>Number of stories</b>	9 floors above ground / 3 floors below ground
<b>Asset class</b>	Commercial
<b>Month and year of purchase</b>	January 2022
<b>Month and year of sale</b>	February 2023
<b>Sale value</b>	10 billion yen or more

## Photo



## Highlights

- A 50-year-old large-scale commercial facility with a total floor area of approx. 2,000 tsubo (6,600m<sup>2</sup>), located in Shinjuku. The property was acquired when many tenants were impacted by the COVID-19 pandemic
- We carefully explained to the tenants that since the building was 50 years old and had been built to out-of-date earthquake resistance standards, it did not meet current earthquake resistance requirements and we were therefore reviewing whether to demolish it. In addition, there were parts of the site where superficies rights were not properly established, which added to the complexity of the situation
- Since fixed-term lease agreements with many tenants had expired and preparations for rebuilding were underway, the buyer's purchase conditions were already met, and the property was sold without any rebuilding work performed

# Case Studies of Property Sales in FY Ending March 2023 (2/2)

## New green building development

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### Overview

<b>Name</b>	Jingumae 2-chome PJ
<b>Principal value improvement method</b>	New construction development (ZEB Ready certification)
<b>Other value improvement method</b>	N/A
<b>Age (at time of purchase)</b>	N/A
<b>Land area</b>	Approx. 700 tsubo (2,315m <sup>2</sup> )
<b>Floor area</b>	Approx. 2,500 tsubo (8,265m <sup>2</sup> )
<b>Leasable area</b>	Approx. 1,800 tsubo (5,950m <sup>2</sup> )
<b>Floor area ratio</b>	500%
<b>Number of stories</b>	6 floors above ground
<b>Asset class</b>	Office
<b>Month and year of purchase</b>	November 2019
<b>Month and year of sale</b>	February 2023
<b>Sale value</b>	10 billion yen or more

### Photo



### Highlights

- We purchased land in Jingumae, close to Harajuku, Meiji Jingumae and Omotesando stations, from a major developer. The site was originally the head office of a clothing company. We acquired the property at a time when developers were hesitant about building apartments in the city center due to the COVID-19 pandemic
- We saw the potential for attractive returns from a new office concept, taking advantage of the location's unique characteristics. We confirmed that there was strong demand for environmentally friendly offices, and proactively utilized advanced technologies to reduce the environmental impact of the development through incorporating natural light and wind flow. We obtained ZEB Ready certification (Net Zero Energy Building)
- Although the initial plan was to lease the space and sell the building once it was fully occupied, there was strong demand from investors to purchase the entire building at the construction stage and we sold without leasing

# Consolidated Financial Results Forecast for the Fiscal Year Ending March 2024

	FY Ending March 2023 Actual	FY Ending March 2024 Forecast	Difference vs. previous year	% Change vs. previous year
<b>PL (Million yen)</b>				
<b>Revenue</b>	67,906	<b>90,000</b>	+22,094	+32.5%
Value Creation Services	61,419	<b>82,500</b>	+21,081	+34.3%
Value-Add Services	4,416	<b>4,500</b>	+84	+1.9%
Future Value Creation Services	2,071	<b>3,000</b>	+929	+44.9%
<b>Operating profit</b>	14,371	<b>18,000</b>	+3,629	+25.3%
Value Creation Services	16,653	<b>19,000</b>	+2,347	+14.1%
Value-Add Services	765	<b>900</b>	+135	+17.6%
Future Value Creation Services	-2,302	<b>-1,000</b>	+1,302	NM
Reconciling items	-745	<b>-900</b>	-155	NM

## Key points in the forecast for the fiscal year ending March 2024

In the core Asset Value Creation Services segment, we intend to increase our focus on purchasing activities with a higher allocation of human resources than previously. We will also increase our efforts on sales to domestic and foreign corporations and individuals overseas.

**Plan in place to drive significant growth in revenue and profit in Value Creation Services**

In the Value-Add Services segment, while property management income is stable, rental income from company-owned properties differs from the level of rental income derived from properties owned by the company last year.

**In Value-Add Services, we only expect modest growth in revenue and profit**

In the Future Value Creation Services segment, we sold the golf course business, which made a loss of approx. 1 billion yen last year. Other businesses are also on an improving trend.

**We expect a sharp reduction in losses in Future Value Creation Services**



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## Upward Revision of the Medium-Term Management Plan

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# Upward Revision of the Medium-Term Management Plan

## Metrics and Targets

(Million yen)	FY Ended March 2023 Actual	FY Ending March 2024 Target	FY Ending March 2025 Target
<b>PL</b>			
<b>Revenue</b>	67,906	90,000	115,000
Growth rate	-0.7%	+32.5%	+27.8%
<b>Operating profit</b>	14,371	18,000	23,000
Operating profit margin	21.2%	20.0%	20.0%
<b>Ordinary profit</b>	12,851	16,800	21,500
Ordinary profit margin	18.9%	18.7%	18.7%
<b>Profit attributable to owners of parent</b>	8,376	11,000	14,000
Net income margin	12.3%	12.2%	12.2%
<b>Shareholder return</b>			
<b>Dividend payout ratio</b>	20%	Guideline of 40%	Guideline of 40%
<b>Dividend per share</b>	55 yen	175 yen	196 yen
<b>Minimum dividend per share</b>	N/A	175 yen	175 yen
<b>Capital efficiency</b>			
<b>ROE</b>	15.8%	15~20%+	15~20%+
<b>EPS</b>	269.7	384.6	489.5

May 2023

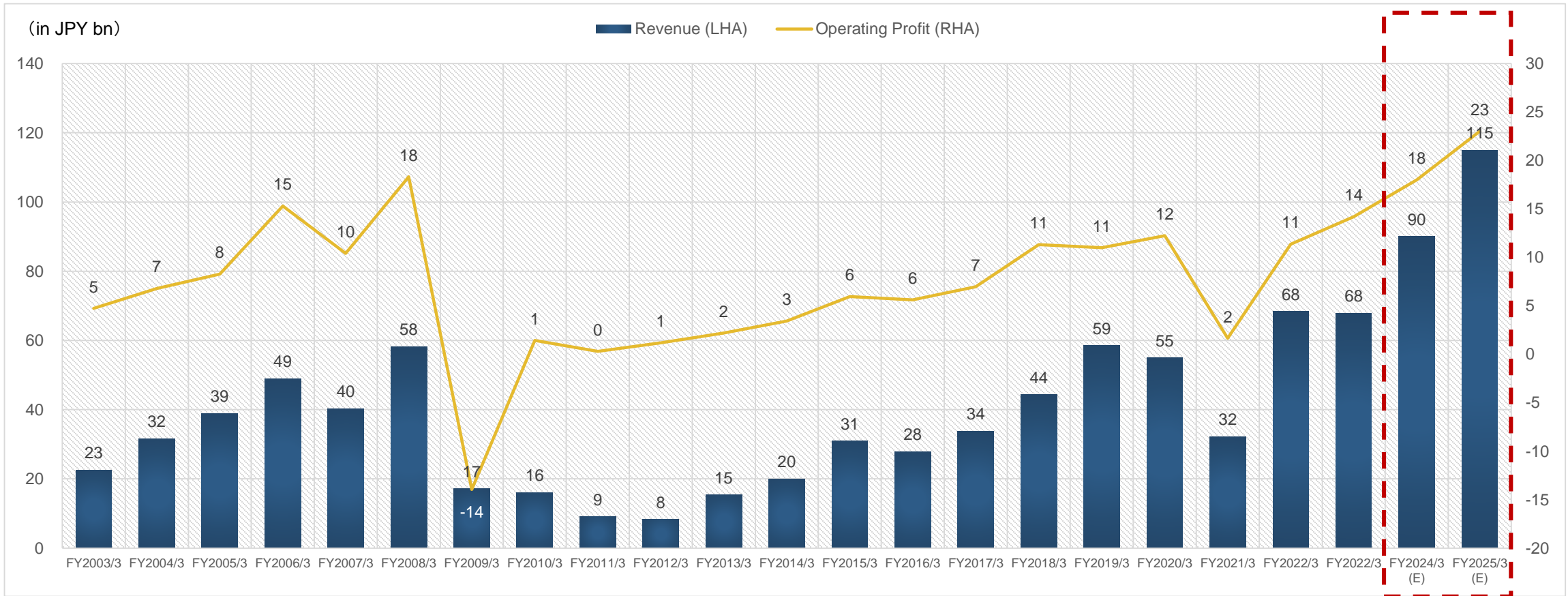
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# Difference with the Previous Medium-Term Management Plan

	FY Ending March 2023 Actual	FY Ending March 2024 Target		FY Ending March 2025 Target	
		Previous plan	New plan	Previous plan	New plan
<b>PL</b>					
<b>Revenue</b>	67,906	90,000	<b>90,000</b>	100,000	<b>115,000</b>
<b>Operating profit</b>	14,371	13,500	<b>18,000</b>	17,000	<b>23,000</b>
<b>Profit attributable to owners of parent</b>	8,376	8,300	<b>11,000</b>	10,500	<b>14,000</b>
<b>Shareholder return</b>					
<b>Dividend payout ratio</b>	20%	20%	<b>Target of 40%</b>	20%	<b>Target of 40%</b>
<b>Dividend per share</b>	55 yen	60 yen	<b>175 yen</b>	75 yen	<b>196 yen</b>
<b>Minimum dividend per share</b>	N/A	N/A	<b>175 yen</b>	N/A	<b>175 yen</b>
<b>Capital efficiency</b>					
<b>ROE</b>	15.8%	10-20%	<b>15-20%+</b>	10-20%	<b>15-20%+</b>

# Record High Profit Forecast

**We expect to achieve record high profits in the final year of the medium-term management plan following a successful recovery post the Lehman crisis**





# Reasons for Upward Revision of Medium-Term Management Plan

## Reasons

01

**Sales targets based on current inventory conditions and past purchase performance**

02

**High operating leverage in effect as value per transaction increases**

03

**Leverage our strong balance sheet**

04

**Reduced deficit in Future Value Creation Services**

# Reasons for Upward Revision of Medium-Term Management Plan

## Sales targets based on current inventory conditions and past purchase performance



In the remaining two years of the medium-term management plan, we aim to accumulate revenue of **approx. 190-200 billion yen** in Value Creation Services

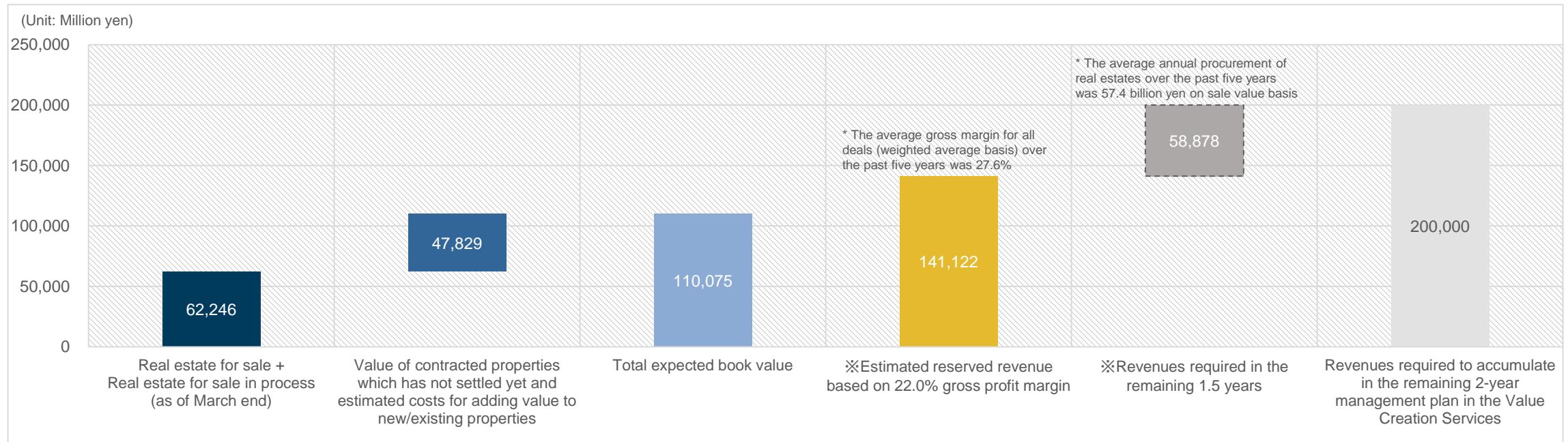


Although we only include a small number of properties scheduled for sale in the FY ending March 2026 and beyond, we forecast reserved revenue of **approx. 141.1 billion yen**



If we set a sales target of 200 billion yen, we need to generate additional revenue of 58.9 billion yen by the first half of FY ending March 2025 (approx. 1.5 years remaining) to achieve this objective. **We are confident that we can achieve this** given that the annual procurement of real estates over the last 5 years were around 57.4 billion yen on sale value basis

### Reserved forecast revenue based on current inventory status and revenues required to achieve target



Current balance sheet and future sales activities

Purchasing and sales activities over the remaining period of the medium-term management plan

## Reasons for Upward Revision of Medium-Term Management Plan

### High operating leverage in effect as value per transaction increases

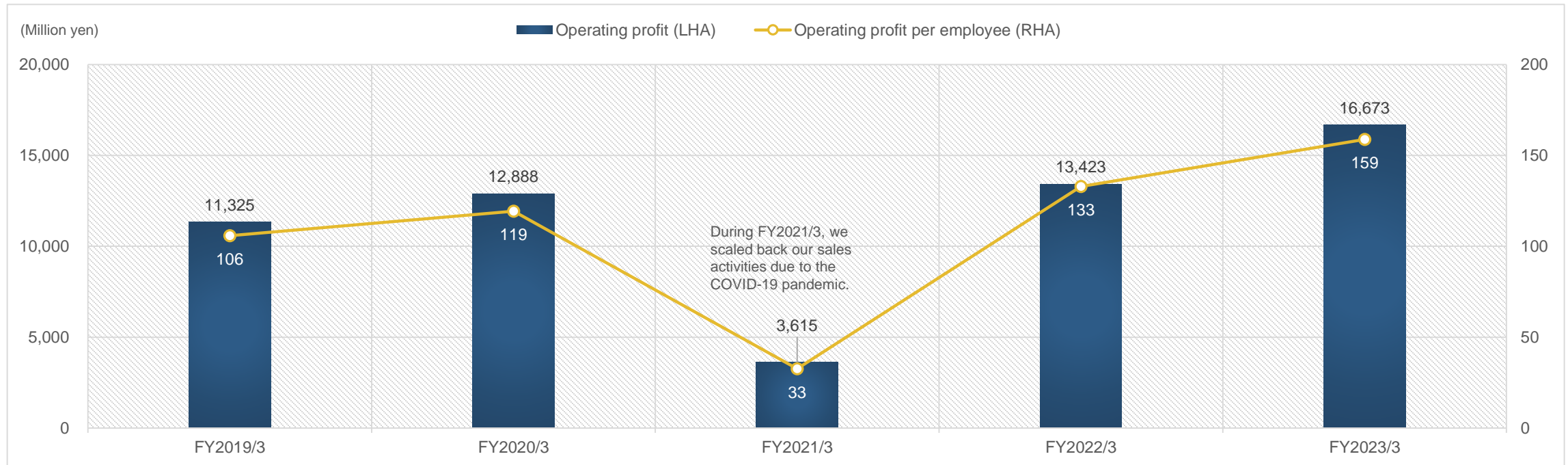


The personnel resources that are allocated to each real estate project **are not determined by the size of the transaction**



In Value Creation Services and Value-Add Services, we expect to be able to **increase operating profit per employee** by utilizing operating leverage through focusing on large-scale properties

### Changes in operating profit and operating profit per employee in the real estate business (Value Creation Services, Value-Add Services, head office costs)



Notes: Operating profit and employee numbers exclude Future Value Creation Services.

May 2023

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## Reasons for Upward Revision of Medium-Term Management Plan

### Leverage our strong balance sheet



The Company has a very strong balance sheet with capital adequacy ratio of **49%** and maintain a high liquidity ratio of **11.7x**

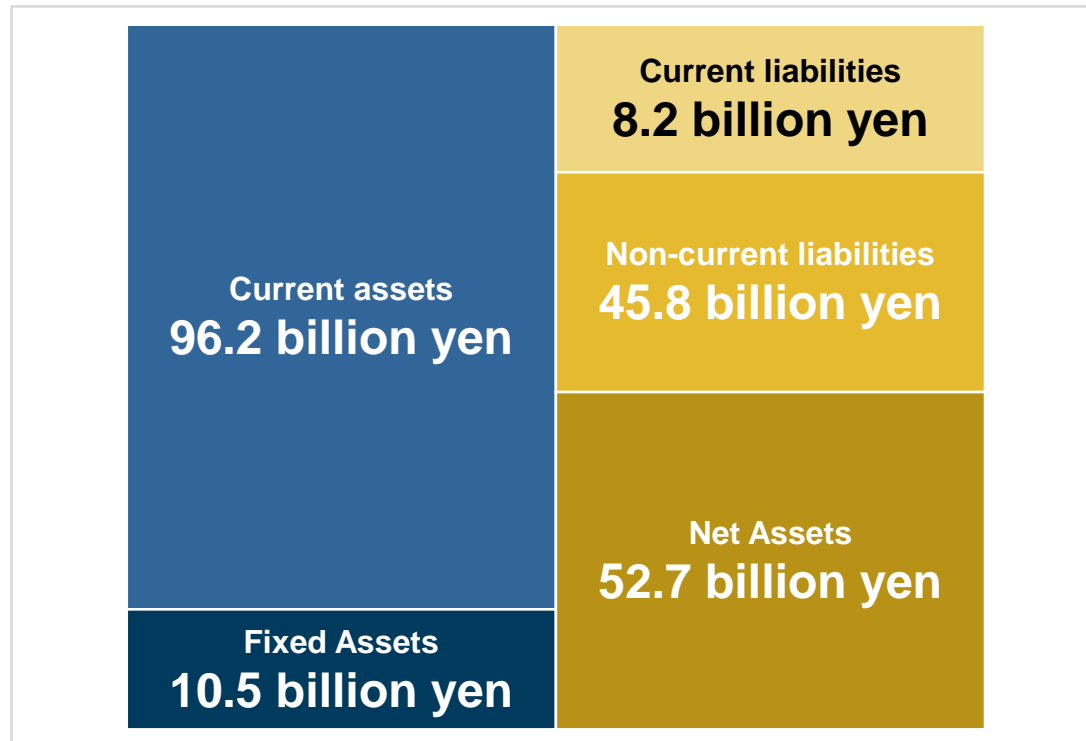


Interest expenses are only **approx. 500 million yen** at present. The impact of any future rate rises will be limited

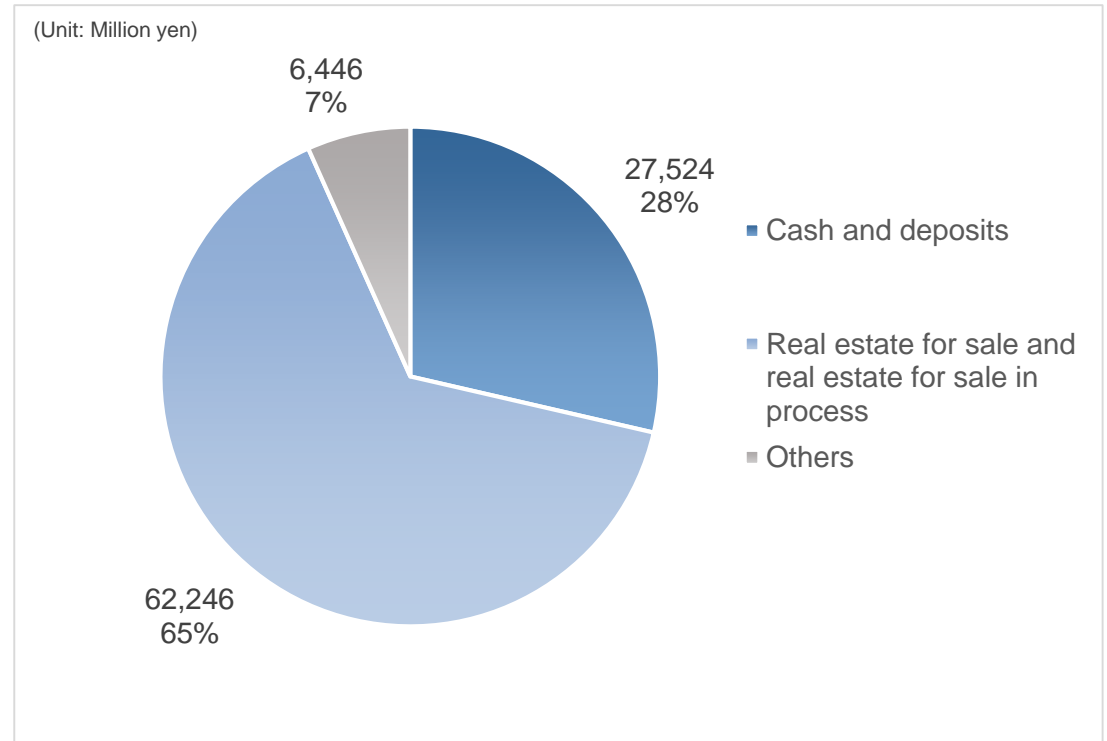


**The majority of our bank loans have long-term maturities with no covenants attached.** We have sufficient capacity to expand our business and to remain resilient in the face of macroeconomic downturns

### Balance sheet for year ending March 2023



### Breakdown of current assets





## Reasons for Upward Revision of Medium-Term Management Plan

### Significant turnaround expected in loss-making Future Value Creation Services



In Future Value Creation Services, **we expect to reduce the operating loss** of about 2.3 billion yen recorded in FY2023/3, **by approx. 1.3 billion yen in FY2024/3**

Business description		Trends from this fiscal year onward	
<b>Asset holdings</b> (Golf course business)	<ul style="list-style-type: none"> <li>✓ Ownership and operation of golf courses</li> </ul>	<ul style="list-style-type: none"> <li>✓ The business was sold at the end of the second quarter of the fiscal year ending March 31, 2023 and will no longer impact profits from this year</li> <li>✓ Approx. 1 billion yen benefit to profit</li> </ul>	
<b>We Base / Edajimaso</b> (Lodging business)	<ul style="list-style-type: none"> <li>✓ Operation of seven lodging facilities</li> <li>✓ Most land and buildings are not owned by the Company</li> </ul>	<ul style="list-style-type: none"> <li>✓ Occupancy rates are recovering, helped by a partial upturn in inbound tourism</li> <li>✓ Our plan is to determine future management policies at an early stage while monitoring the extent of recovery</li> </ul>	
<b>RayPower</b> (Emergency generator business)	<ul style="list-style-type: none"> <li>✓ Production and sales of 3kVA and 50kVA emergency generators</li> <li>✓ The business operates under a “fabless” system (outsourced fabrication)</li> </ul>	<ul style="list-style-type: none"> <li>✓ More attention is being paid to BCPs (Business Continuity Plans) and we see increasing interest from large customers on this topic</li> <li>✓ We have launched structural reforms to optimize the expansion of production while keeping a close eye on our order status</li> <li>✓ In the fiscal year ending March 31, 2023, we proactively recorded a provision of approx. 1 billion yen for business restructuring expenses</li> </ul>	
<b>Best Medical</b> (Medical services)	<ul style="list-style-type: none"> <li>✓ Comprehensive medical services and health checkups for high net-worth customers</li> <li>✓ Stress-free endoscopy is a key feature</li> </ul>	<ul style="list-style-type: none"> <li>✓ In the fiscal year ending March 31, 2023, we saw an approx. fourfold increase in the number of patients utilizing our services</li> <li>✓ We are looking to expand the number of cases we handle by collaborating with universities and other medical institutions, in order to grow profits further without incurring additional costs</li> </ul>	
<b>LIBERTE</b> (Bakery business)	<ul style="list-style-type: none"> <li>✓ Operation of three French bakery stores (one in Kichijoji and two in Kyoto)</li> </ul>	<ul style="list-style-type: none"> <li>✓ The business was profitable notwithstanding the backdrop of rising inflation. In future, we will consider ways of franchising without incurring additional costs</li> <li>✓ LIBERTE items are popular as gifts and souvenirs with customers who come across the brand in their main business. This means the business has a brand value that goes beyond the financial results</li> </ul>	

## We have implemented the following improvements to corporate governance

1

Shareholder return measures designed to maximize corporate value

2

Rejuvenation of the board structure

3

Appointment of 2 female outside directors

4

Management incentivization based on restricted stock awards

5

Establishment of optional Nomination and Remuneration Committee

# Strengthening Corporate Governance

## Shareholder return measures designed to maximize corporate value



Since our price to book ratio remains consistently below 1x, we have formulated more aggressive shareholder return measures

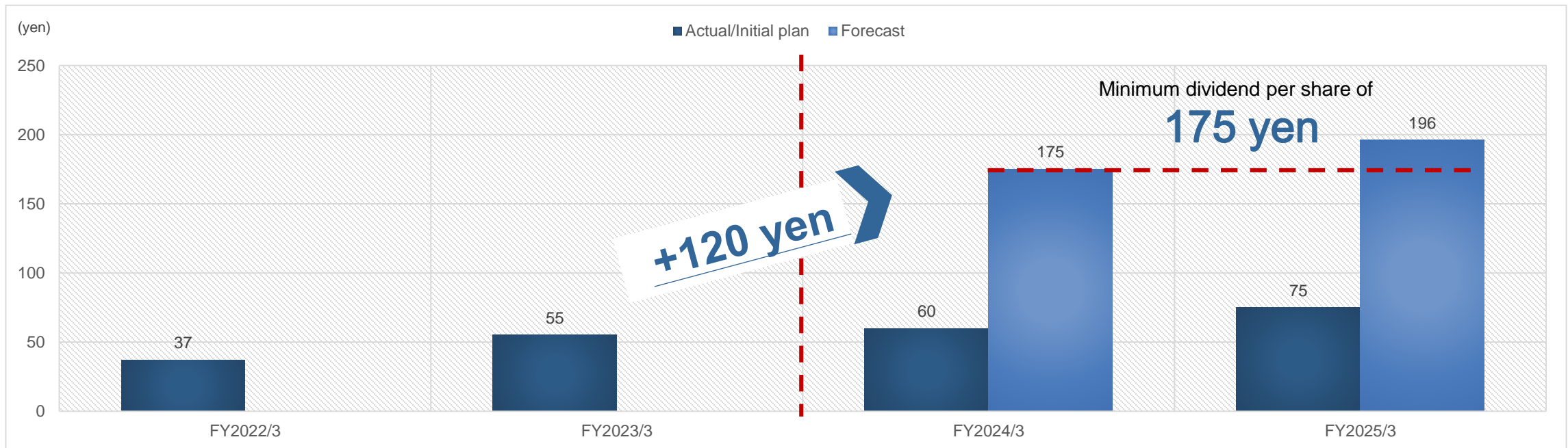
### FY2023/3 Dividend per share

- Dividend per share increased by 18 yen YoY to **55 yen**

### FY2024/3 ~ FY2025/3 Shareholder returns policy

- Annual dividend per share is set at a minimum of **175 yen**
- The dividend payout ratio target for FY2024/3&FY2025/3 is **40%**

### Dividend per share



# Reference: Analysis of implied stock price and dividend yield assuming a dividend of 175 yen per share

## Implied stock price (Dividend per share of 175 yen/dividend yield)

Dividend yield	Implied stock price (Yen)
2.00%	8,750
2.05% (Standard Market average)	8,537
2.40% (Prime Market average)	7,292
3.00%	5,833
3.87% (The Company's previous level)	4,528
4.00%	4,375
5.00%	3,500
6.00%	2,917
7.00%	2,500

Note: Standard Market average, Prime Market average, and the Company's previous level are as of May 10, 2023



# Strengthening Corporate Governance

## Rejuvenation of the board structure



Since last year's annual general meeting ("AGM"), the Board of Directors has determined to increase the number of board members by seven (two directors from Oasis, the largest shareholder, appointed at the extraordinary shareholders meeting in January 2023; three young directors and two female directors to be appointed at the AGM in June 2023)



As a result, the average age of the new board of directors will reduce from 61 years at the previous annual general shareholder meeting to 52 years

### Board of Directors post-AGM in June 2022

#	Position	Name	Age	Gender
1	President, Representative Director	Tsuyoshi Komachi	50	Male
2	Executive Vice President, Representative Director	Tatsuya Iizuka	63	Male
3	Senior Managing Director	Kiyoshi Isogai	68	Male
4	Executive Managing Director	Taro Someya	48	Male
5	Director (Full-time Audit and Supervisory Committee Member)	Hideaki Okada	57	Male
6	Outside Director (Audit and Supervisory Committee Member)	Takashi Fukai	69	Male
7	Outside Director (Audit and Supervisory Committee Member)	Shinichi Nakase	51	Male
8	Outside Director (Audit and Supervisory Committee Member)	Masaki Miki	78	Male
Ratio of outside directors: 38%			Average : 61	Ratio of female directors: 0%

### Board of Directors post-AGM in June 2023 (expected)

#	Position	Name	Age	Gender
1	President, Representative Director	Tsuyoshi Komachi	51	Male
2	Executive Vice President, Representative Director	Tatsuya Iizuka	64	Male
3	Senior Managing Director	Kiyoshi Isogai	69	Male
4	Executive Managing Director	Taro Someya	49	Male
5	Managing Director	Kentaro Kanai	32	Male
6	Managing Director	Yuji Shinohara	31	Male
7	Managing Director	Daisuke Inoue	40	Male
8	Managing Director	Nobuyuki Ozawa	38	Male
9	Managing Director	Kazuhiisa Horie	40	Male
10	Director (Full-time Audit and Supervisory Committee Member)	Hideaki Okada	58	Male
11	Outside Director (Audit and Supervisory Committee Member)	Takashi Fukai	70	Male
12	Outside Director (Audit and Supervisory Committee Member)	Shinichi Nakase	52	Male
13	Outside Director (Audit and Supervisory Committee Member)	Masaki Miki	79	Male
14	Outside Director (Audit and Supervisory Committee Member)	Harumi Kobe	61	Female
15	Outside Director (Audit and Supervisory Committee Member)	Mayumi Ando	51	Female
Ratio of outside directors: 33%			Average : 52	Ratio of female directors: 13%

# Strengthening Corporate Governance

## Appointment of 3 young directors



**We recognize the importance of rejuvenating the board of directors and are appointing three new directors.**

We are strengthening governance by appointing two directors from inside the company, along with one director from outside who has experience at other companies (to be appointed at AGM in June)



### Daisuke Inoue

Date of birth:  
October 10, 1982

April  
2006

Joined Meiwa Estate Co., Ltd.

January  
2008

Joined Raysum Co., Ltd.

April  
2017

General Manager, Real Estate Headquarters

October  
2021

Executive Officer and General Manager,  
Real Estate Headquarters

April  
2022

Senior Executive Officer, Real Estate Headquarters  
General Manager, Real Estate Division (Current  
position)



### Nobuyuki Ozawa

Date of birth:  
September 27, 1984

April  
2007

Joined Raysum Co., Ltd. (New graduate)

April  
2014

General Manager, Legal Department

April  
2019

Executive Officer and General Manager,  
Legal Department

October  
2020

Raysum Capital Co., Ltd.  
Representative Director (Current position)

November  
2021

Executive Officer and General Manager, Legal  
Department and  
Head of Legal Structuring (Current position)



### Kazuhisa Horie

Date of birth:  
March 28, 1983

April  
2005

Joined Yachiyo Bank (now Kiraboshi Bank, Ltd.)

August  
2007

Joined Goldman Sachs Realty Japan  
Limited

September  
2019

Goldman Sachs Japan Co., Ltd.  
Transferred to the Asset Management Department

May 2023

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# Strengthening Corporate Governance

## Appointment of two female outside directors



We place great importance on the ratio of outside directors and the ratio of female directors in order to enhance diversity.

**We will appoint two female outside directors (scheduled to be elected at AGM in June).** As a result, **the ratio of female directors will increase from 0% to 13%**



### Harumi Kobe

Date of birth: April 6, 1962



### Mayumi Ando

Date of birth: November 30, 1971

April 1985	Joined the Ministry of Finance
July 1991	Director of Kakegawa Tax Office, Nagoya Regional Taxation Bureau
May 2000	First secretary of Mission of Japan to the European Union (counselor from Jan 2002) Embassy of Japan in Belgium
July 2003	Director for Minister's Secretariat, Ministry of Finance (International Organizations Division, International Bureau)
July 2005	Director, First Taxation Department, Tokyo Regional Taxation Bureau
July 2006	Director, Liquor Tax and Industry Division, Taxation Department, National Tax Agency
July 2008	Director, Large Enterprise and Criminal Investigation Department, Large Enterprise Division, National Tax Agency
October 2009	Director, Customs Clearance Division, Customs and Tariff Bureau, Ministry of Finance
July 2010	Director, Planning Division, Commissioner's Secretariat, National Tax Agency

July 2011	Accounts Division, Commissioner's Secretariat, National Tax Agency
June 2013	Regional Commissioner, Hiroshima Regional Taxation Bureau (First female director)
July 2014	Deputy Director General for Minister's Secretariat, Ministry of Finance (In charge of Customs and Tariff Bureau)
June 2016	Deputy Director-General for Cybersecurity and Informatization, Minister's Secretariat, Ministry of Finance
July 2018	Deputy Director General for Minister's Secretariat, Ministry of Finance (In charge of Minister's Secretariat)
July 2019	Concurrent appointment as Deputy Director of the Policy Research Institute Professor at the National Graduate Institute for Policy Studies (Graduate School of Policy Studies)
July 2021	Retired from Ministry of Finance
November 2021	Adviser, Aioi Nissay Dowa Insurance Co., Ltd. (Current position)
June 2022	Outside Director, Amada Co. Ltd. (Current position)

April 1995	Chemical Bank (now JPMorgan Chase Bank) Joined Tokyo Branch
September 1999	Joined Morgan Stanley Securities
February 2001	Joined Rating and Investment Information, Inc.
April 2007	Joined Tokio Marine Asset Management Co., Ltd.
August 2021	Co-Head of Gender Research Institute (Current position)

May 2023

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# Strengthen corporate governance

## Management incentivization based on restricted stock awards



Performance-linked compensation and restricted stock awards  
**to ensure that management is aligned with shareholder interests**



**Our aim is to ensure that the business is managed with a keen awareness of stock price performance**

### Concept of the compensation system

01

#### Basic remuneration

- Comprehensive consideration of the company's business performance, the individual's contribution, and other factors in accordance with each director's position, responsibilities, and length of tenure

02

#### Performance-linked compensation

- A lump-sum payment is made each fiscal year based on the percentage increase in "consolidated operating profit" for the year compared to the previous year. Annual "performance-linked compensation" under this policy is paid in the following fiscal year

03

#### Stock-based compensation

- Delivery of restricted shares and stock acquisition rights as tax-eligible stock options. In order to incentivize management with respect to medium to long-term business performance and stock price appreciation, restricted stock is subject to a transfer restriction period from the date of delivery, and these restrictions are lifted upon a director's retirement. Similarly, restriction periods for exercise of stock options are also in place



We have established a optional Nomination and Remuneration Committee to strengthen corporate governance

### Establishment of optional of Nomination and Remuneration Committee

Deliberation

Nomination and Remuneration Committee

Internal



External



Reports

**The Nomination and Remuneration Committee consists of six directors, including three outside directors, and deliberates on the following:**

1. Policy regarding the appointment and dismissal of Directors
2. Proposals for agenda items for the General Meeting of Shareholders regarding the appointment and dismissal of Directors
3. Proposals for the selection and dismissal of representative directors and executive directors
4. Other matters deemed necessary by the Board of Directors regarding the appointment and dismissal of Directors
5. Policy regarding the resolution of remuneration and other benefits for Directors
6. Matters concerning proposals for the General Meeting of Shareholders regarding Directors' remuneration
7. Details of individual Director's remuneration and other benefits (excluding Audit and Supervisory Committee members)
8. Establishment, amendment, and abolition of basic policies and measures for resolution of the preceding items
9. Other matters deemed necessary by the Board of Directors regarding Directors' remuneration and other benefits

Resolution

Board of Directors

# Initiatives to Boost PBR Over 1x



**Raysum's PBR is currently below 1x**

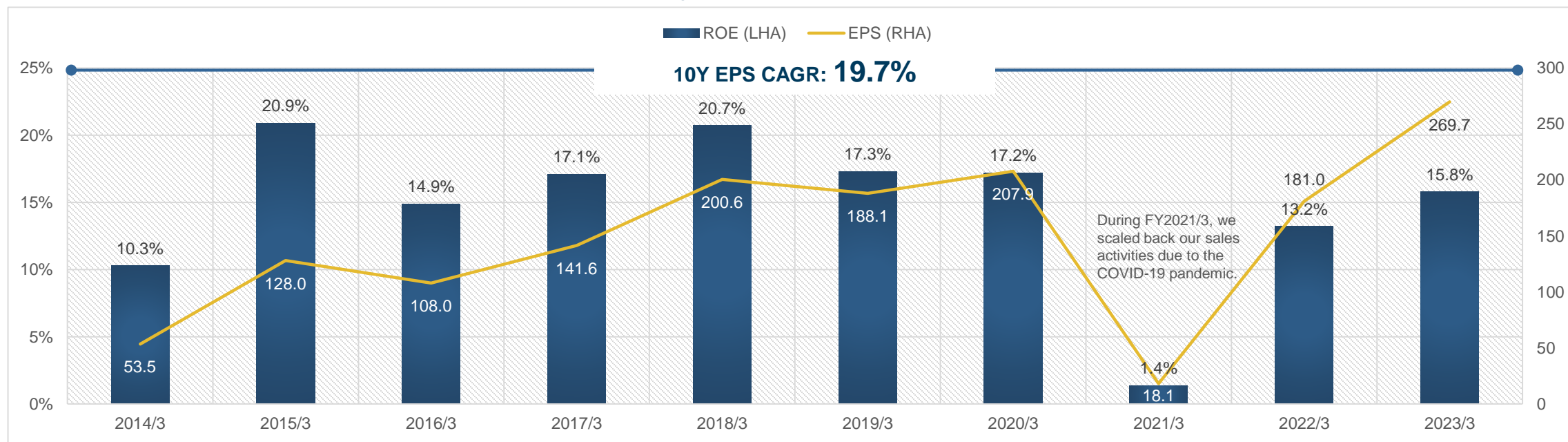


On the other hand, in terms of ROE and EPS growth, which are also focus indicators for us, **ROE is well above the 8% objective set for Japanese companies in the Ito Report, and our average annual EPS growth over the past 10 years has also been strong at around 20%.** Naturally we aim for long-term sustainable growth



Our analysis is that our PBR is less than 1x because 1) investors believe they will not see the benefits of the profits we make in terms of shareholder returns, and 2) our results tend to be very volatile. In order to get our PBR back over 1x as quickly as possible, we aim to maximize our efforts to stabilize performance and to significantly improve our shareholder return policy (see P.19)

**Trend in the Company's ROE and EPS over the past 10 years**





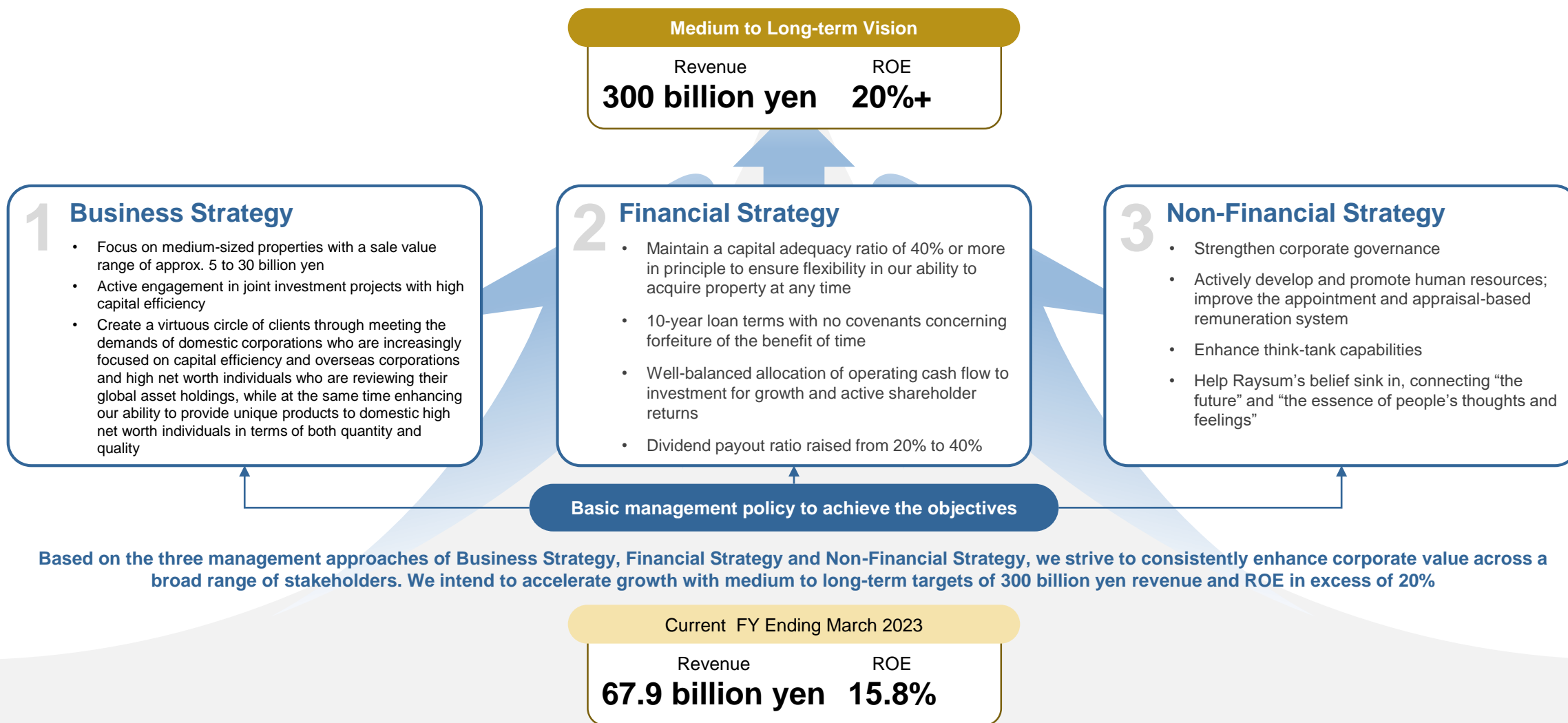
# RAYSUM

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## Medium to Long-term Vision

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# Roadmap to Medium to Long-Term Vision



## Importance of fulfilling our mission for society

- Conversion of real estate whose value has been lost over time into real estate that has a real meaning for society in the future
- The accumulation of experience in shaping thoughts and ideas into products is none other than changing what seems to be a coincidence in society, into destiny for our company
- We aim to be a leader by always staying ahead of change so we can identify the essential value of real estate and create real estate that will bring joy to our clients and society

## Key values for the delivery of our mission

- We place the utmost importance on realizing the essential value of real estate through “boots on the ground” site inspections and careful deliberations in the field
- The key to this is “implementation and achievement through utilizing imagination that connects the present and the future.” The foundation of this aspiration is a desire to create unique real estate that satisfies society and opens the door to a brighter future



# Raysum's Business Segment

Details						Revenue FY Ending March 2023 (Percentage of total)	Operating Profit FY Ending March 2023 (Operating profit margin)	
Value Creation Services	<b>Purchase and sale of real estate</b>						<b>61,419</b> 90.4%	<b>16,653</b> 27.1%
	<ul style="list-style-type: none"> <li>✓ Our core business</li> <li>✓ We utilize the following methods to enhance value with a focus on increasing NOI. The methods used in 101 property sales over the past 5 years are as follows. (For some cases, methods overlap or do not belong to any of the below categories)</li> </ul>							
	Increase NOI	Change of use/increase floor area ratio	Large-scale renovation	Create land for development	New construction development	Coordinate/consolidate land rights		
	62 cases	8 cases	33 cases	16 cases	14 cases	23 cases		
	<ul style="list-style-type: none"> <li>✓ We pride ourselves as being one of the few listed players with the expertise to offer the optimal solution from a wide range of options, including complex methods such as those outlined above</li> <li>✓ Our transactions have covered almost all asset classes over the past five years as shown below (measured by value).</li> </ul>							
Offices <b>40%</b>		Commercial <b>32%</b>		Residential <b>13%</b>				
<ul style="list-style-type: none"> <li>✓ By region, the majority of our projects are in major cities, with Tokyo accounting for approx. 70% of projects by value</li> <li>✓ At the end of 2021, we launched a scheme to commercialize multiple properties in small lots and sell units to individual (see P.36)</li> </ul>								
Value-Add Services	<b>Real estate leasing and building management</b>						<b>4,416</b> 6.5%	<b>765</b> 17.3%
	<ul style="list-style-type: none"> <li>✓ Rental income from Value Creation Services segment, management fees and other income from properties that the Company manages</li> <li>✓ Real estate management services for clients who have purchased real estate from Value Creation Services segment and who retain the Company to continue to manage their assets</li> <li>✓ As of the end of March 2023 we managed <b>approx. 180 properties/1,800 rooms</b></li> </ul>							
Future Value Creation Services	<b>Various business activities leveraging our accumulated real estate expertise</b>						<b>2,071</b> 3.0%	<b>-2,302</b> (NM)
	<ul style="list-style-type: none"> <li>✓ Businesses include the operation of lodging facilities, the manufacture and sale of bread and confectionery, the development, manufacture, and sale of gas engine generators, and support services for advanced medical care</li> <li>✓ The segment is loss-making at present, but as noted on P.17, we are increasingly confident in our ability to reduce the deficit and return to profit in future</li> </ul>							



# Key Features of Properties Sold Over the Past Five Years



We use various methods of value enhancement to increase the value of our properties



Office and commercial projects account for about 70% of our projects. The Tokyo Metropolitan area accounts for about 70% of our projects

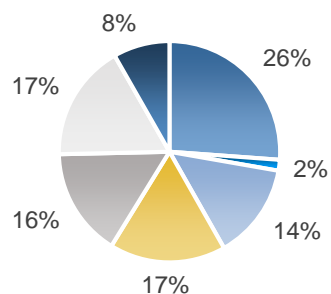


In particular, the Company specializes in properties that are older than 20 years old. 70% of our projects, excluding development projects based on land or leasehold land, are properties that are over 20 years old



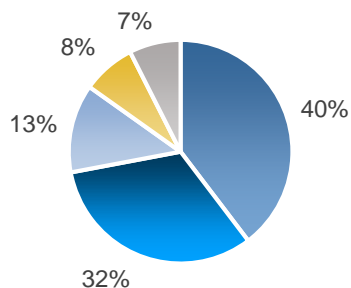
Domestic investors account for about 85% of our property buyers (of which around 30% are individual buyers and 55% are corporate buyers)

**Value improvement method (by value)**



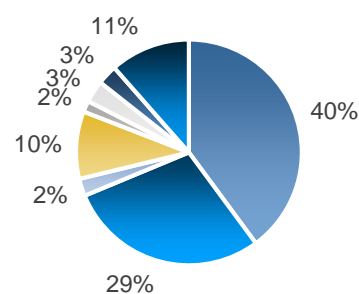
- Increase NOI
- Change of use/increase floor area ratio
- Large-scale renovation
- Create land for development
- New construction development
- Coordinate/consolidate land rights
- Others

**Asset class (by value)**



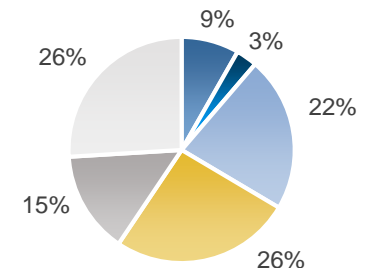
- Office
- Commercial
- Residential
- Warehouse
- Hotel

**Region (by value)**



- Tokyo 5 central wards
- Tokyo (excl. 5 central wards)
- Saitama
- Kanagawa
- Osaka
- Kyoto
- Fukuoka
- Others

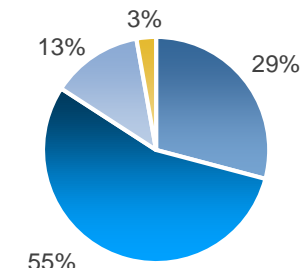
**Age (by value)**



\*Excludes development projects from land or land with leasehold interest

- Less than 5 years
- 5-10 years
- 10-20 years
- 20-30 years
- 30-40 years
- 40 years or more

**Buyer base (by value)**



- Domestic individuals
- Domestic corporates
- Overseas individuals
- Overseas corporates

# Robust Profit Performance over Past 5 Years Even During Pandemic

## Leveraging our strong purchasing/sales team



Over the past five years in the Value Creation Services segment which is our core driver of earnings, we have sold **101 properties**

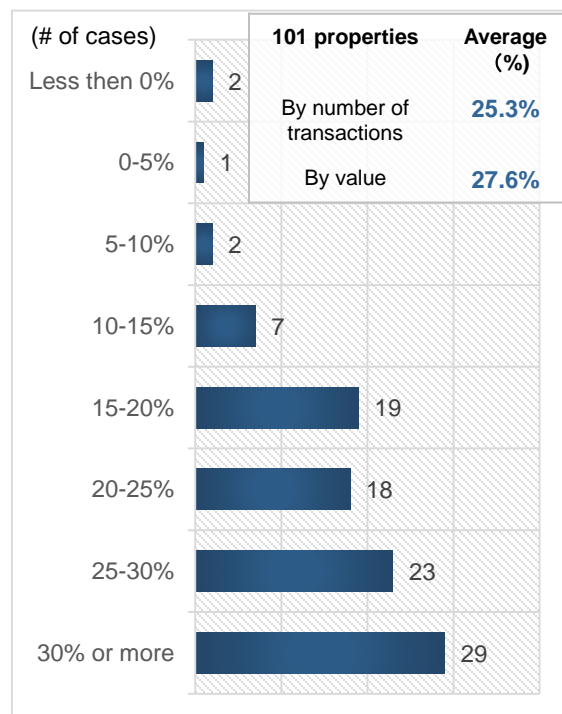


The average gross margin is **27.6%**, with gross profitability tending to be higher for larger projects

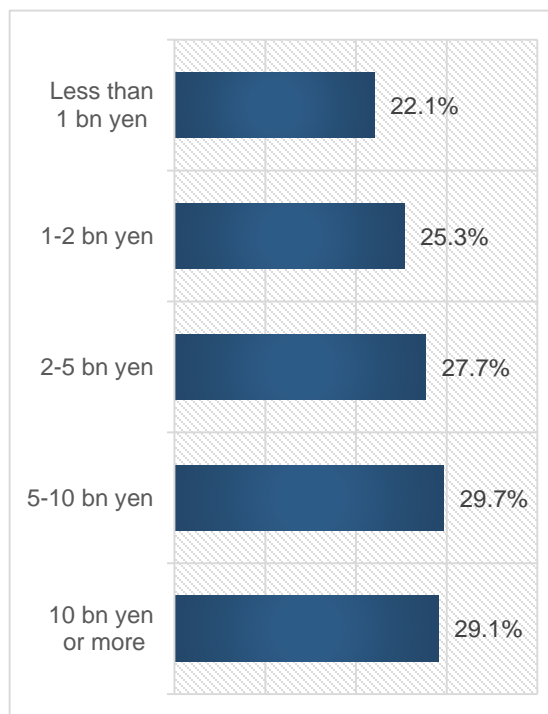


By number of transactions, **approximately 70% of total properties sold are under 2 billion yen.**  
By total transaction value, **deals of 2 billion yen or more account for approx. 75% of the total**

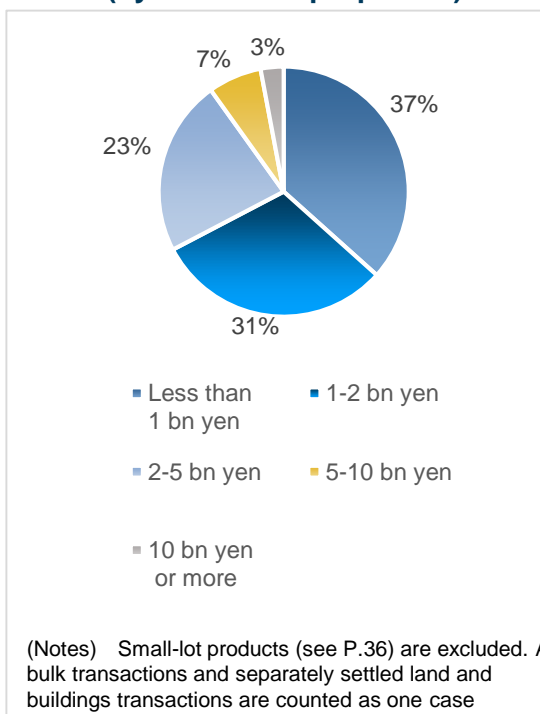
**Gross profit margin of properties sold in past 5 years**



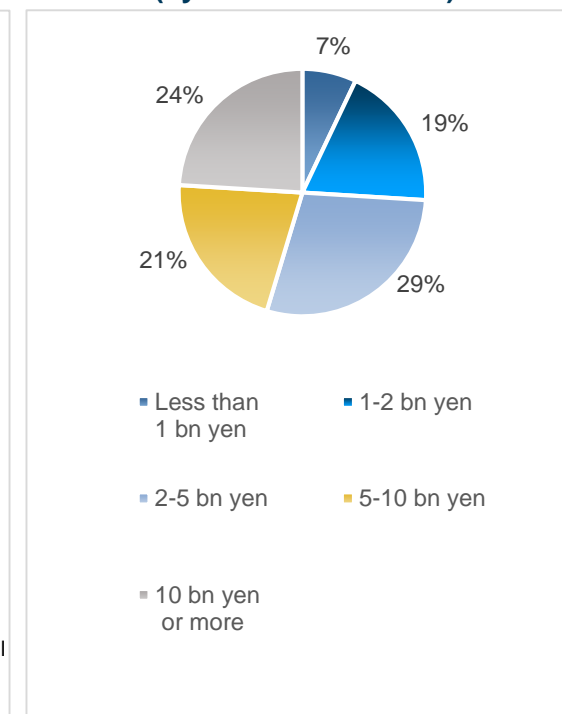
**Gross profit margin of properties sold in past 5 years by price range**



**Sale price range of properties sold over past 5 years (by number of properties)**



**Sale price range of properties sold over past 5 years (by transaction value)**





# Achieving High IRR Through Focus on Property Turnover and Gross Profit Margin

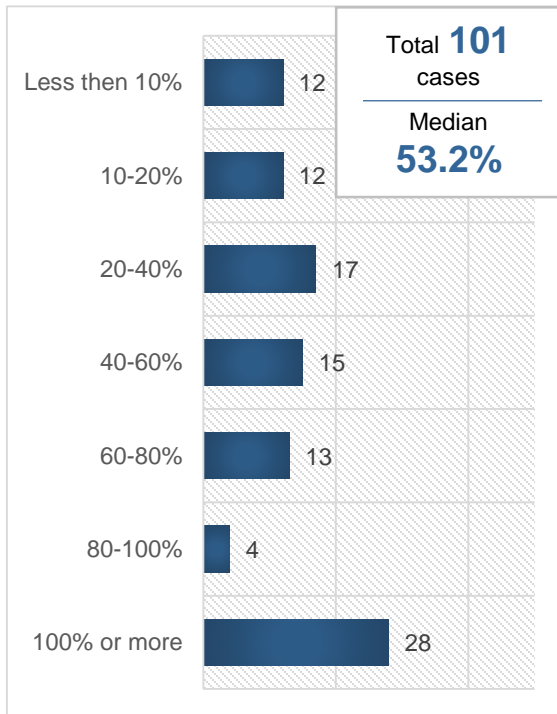


We are especially proud of our high median IRR on transactions over the past 5 years: **The median IRR is 53.2% (unlevered) and 79.7% (levered)**

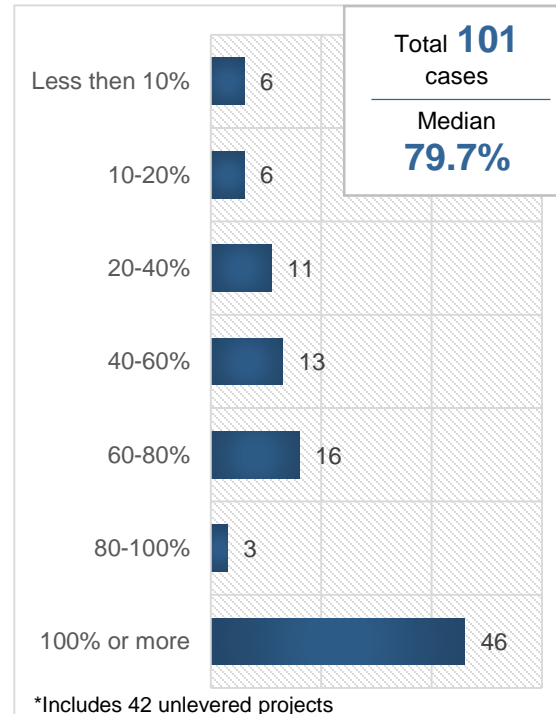


Within the product mix, smaller projects tend to have higher unlevered IRR due to higher turnover, while larger projects tend to have higher levered IRR because they use more debt and less equity capital (See P.55 for the definition of each IRR)

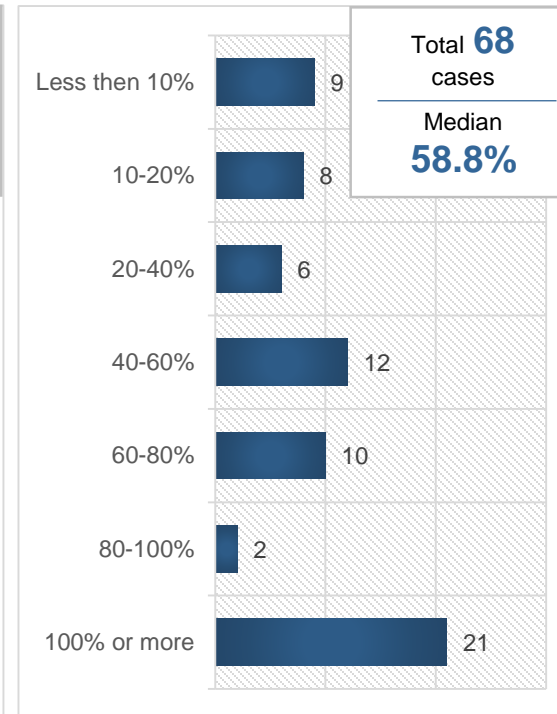
**Unlevered IRR for properties sold over past 5 years**



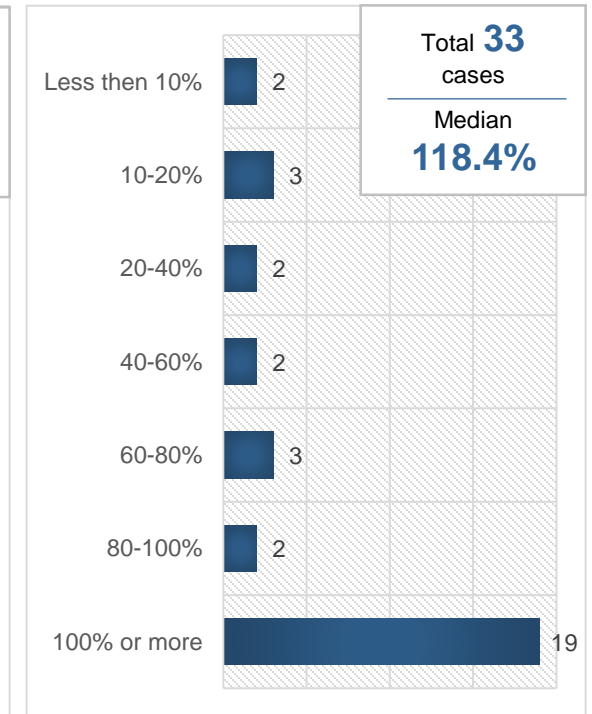
**Levered IRR for properties sold over past 5 years**



**Unlevered IRR for properties sold for less than 2 billion yen over past 5 years**



**Levered IRR for properties sold for 2 billion yen or more over past 5 years**



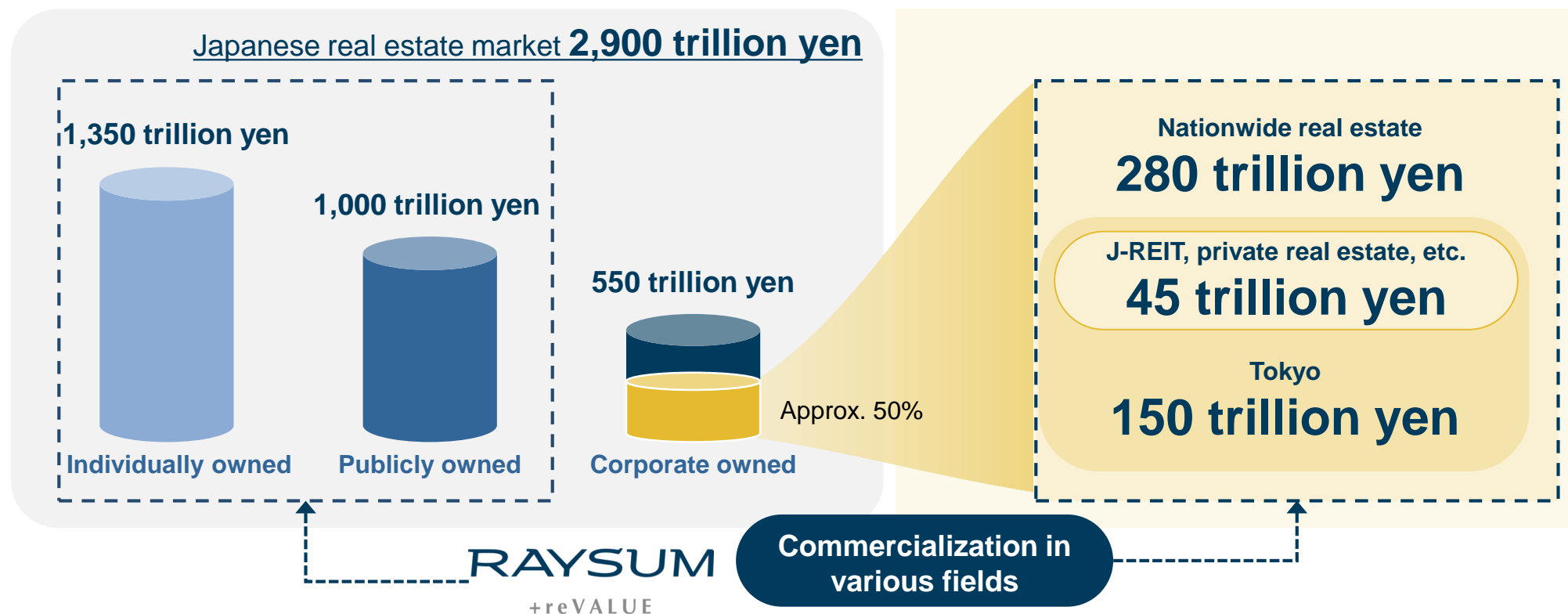
# Our Market Share of the Real Estate Industry is Still Small



The Japanese real estate market is said to be worth approx. 2,900 trillion yen. **We can satisfy the needs of all types of clients, including individuals, public institutions and corporations**



In FY2023/3, our revenue in the Value Creation Services segment were 61.4 billion yen, and the value of transactions in the real estate market in 2020 was 4.363 trillion yen. On this basis, **our revenue only accounted for 1.4% of the real estate transaction market. Therefore, we see significant upside potential**



Source: Compiled by Raysum from the Ministry of Land, Infrastructure, Transport and Tourism's "National Accounts 2020", NLI Research Institute's "Japanese Real Estate Investment Market", and Mitsui Trust's "Survey on Private Real Estate Funds."

# Our Specialty Area is Old and Small/Medium-Size Properties. This is the fastest-growing segment in the real estate industry

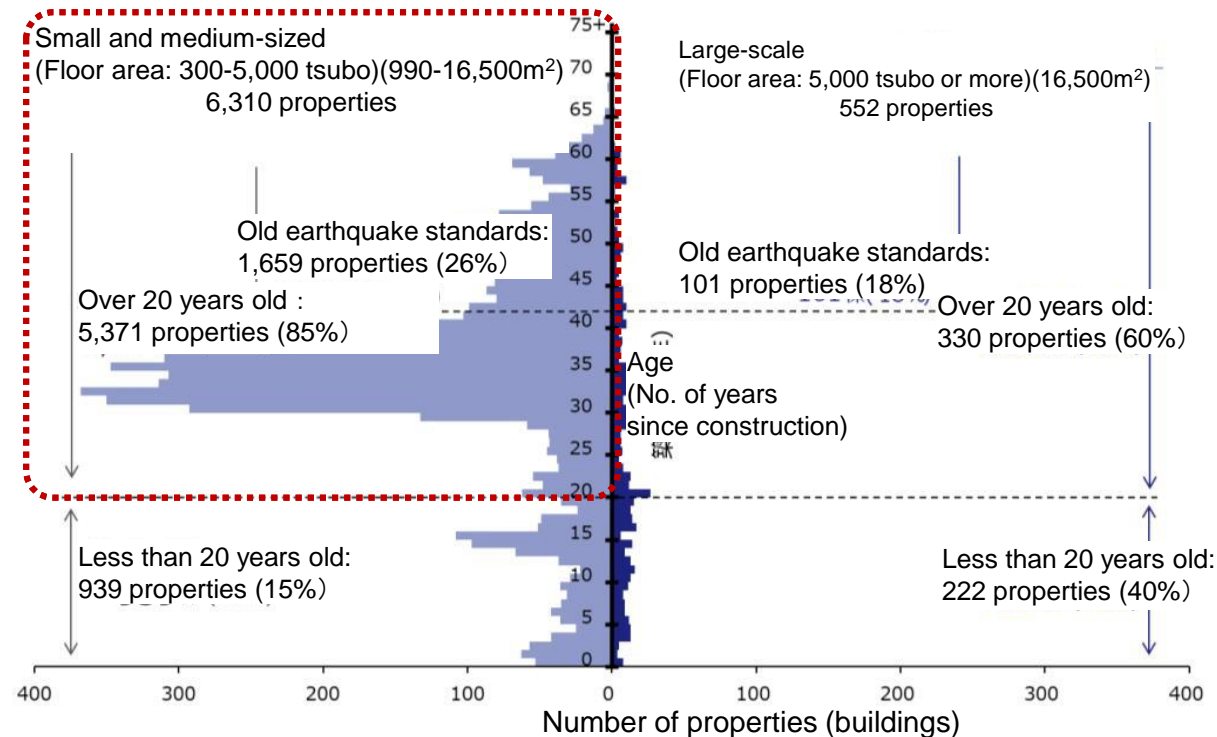


The market for leased office space is **worth more than 20 trillion yen**. Offices of less than 5,000 tsubo (16,500m<sup>2</sup>) in buildings that are 20 years old or more **account for more than 80%** of the total office space in the five central wards of Tokyo. **This market will continue to grow as the buildings age**



Although we handle a wide range of projects, **70%** of our transactions in terms of value are for **properties over 20 years old**, making us the strongest and most established player in this growing market. **We have an unrivaled track record of accumulated expertise and are well-placed to capitalize on growth opportunities**

## Office space Tokyo 5 central wards age pyramid (Total properties: 6,862)



Source: Compiled by Raysum from XYMAX Research Institute

May 2023

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# Customer base is expanding as a result of the utilization of small-lot products with real estate trust beneficiary interests



At the end of 2021, we launched **RAYEX**, a small-lot product with real estate trust beneficiary interests based on the concept of making real estate investment more accessible at a price of approx. 50 million yen per unit



- The first stage (approx. 6 billion yen revenue, approx. 3 billion yen of investment units) sold out immediately after launch
- Currently, the second stage (approx. 10 billion yen revenue, approx. 5 billion yen of investment units) is almost sold out
- We are now finalizing to launch the third stage

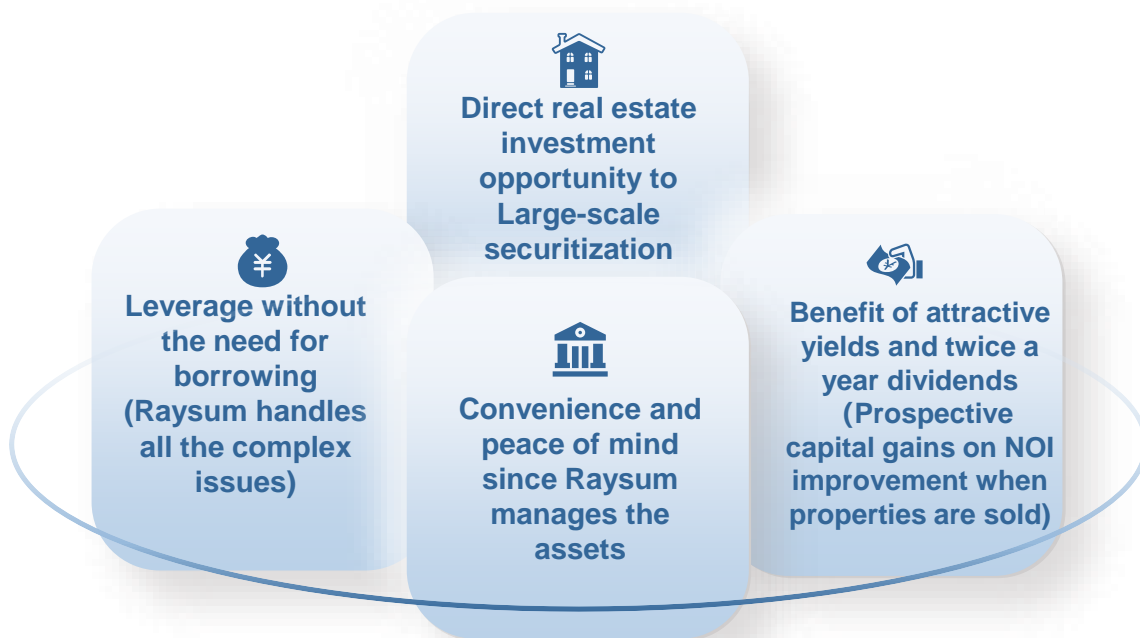


The concept of RAYEX is to increase the asset value of real estate over a period of up to approx. 10 years. Based on targeting properties **with significant NOI upside potential** and leveraging our expertise in adding value to assets, we aim for an "increase in yield over the investment period" and a "capital gain upon exit." A virtuous cycle is created whereby investors who appreciate our ability to improve NOI become interested in larger physical real estate assets

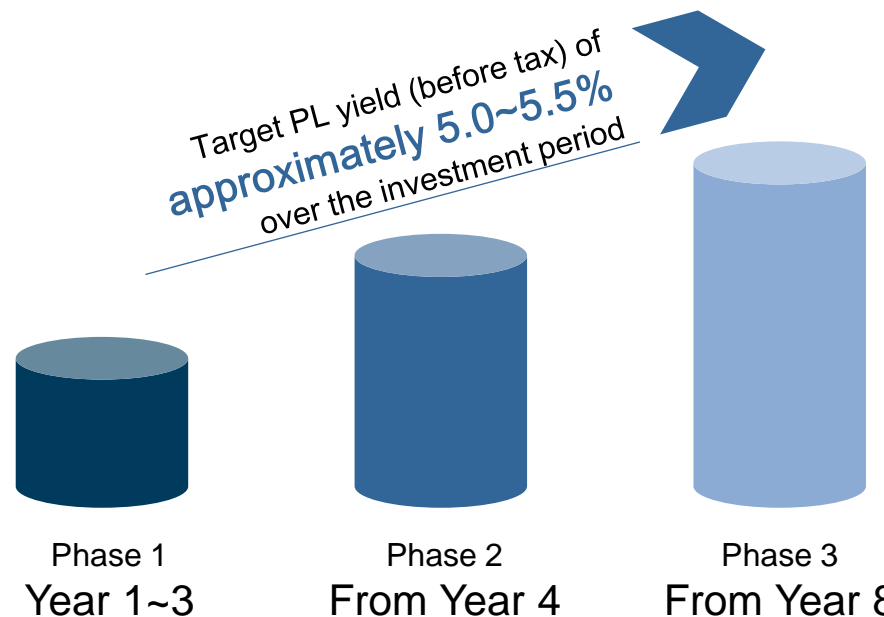


In this business, the Company is entrusted with management of the asset over the investment period (approx. 7 to 10 years). Any capital gains that are generated on exit are shared between investors and the Company. In this way, investors and Raysum collaborate in a win-win relationship to increase asset value.

## Attractions of RAYEX for buyers



## Diagram of the target PL yield (pre-tax) for small-lot stage 2



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## Appendix

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# Raysum's Business Segment (Repost)

Details						Revenue FY Ending March 2023 (Percentage of total)	Operating Profit FY Ending March 2023 (Operating profit margin)													
Value Creation Services	<b>Purchase and sale of real estate</b> <ul style="list-style-type: none"> <li>✓ Our core business</li> <li>✓ We utilize the following methods to enhance value with a focus on increasing NOI. The methods used in 101 property sales over the past 5 years are as follows. (For some cases, methods overlap or do not belong to any of the below categories)</li> </ul> <table border="1"> <thead> <tr> <th>Increase NOI</th> <th>Change of use/increase floor area ratio</th> <th>Large-scale renovation</th> <th>Create land for development</th> <th>New construction development</th> <th>Coordinate/consolidate land rights</th> </tr> </thead> <tbody> <tr> <td>62 cases</td> <td>8 cases</td> <td>33 cases</td> <td>16 cases</td> <td>14 cases</td> <td>23 cases</td> </tr> </tbody> </table>						Increase NOI	Change of use/increase floor area ratio	Large-scale renovation	Create land for development	New construction development	Coordinate/consolidate land rights	62 cases	8 cases	33 cases	16 cases	14 cases	23 cases	61,419 90.4%	16,653 27.1%
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62 cases	8 cases	33 cases	16 cases	14 cases	23 cases															
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# Key Features of Properties Sold Over the Past Five Years (Repost)



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Office and commercial projects account for about 70% of our projects. The Tokyo Metropolitan area accounts for about 70% of our projects

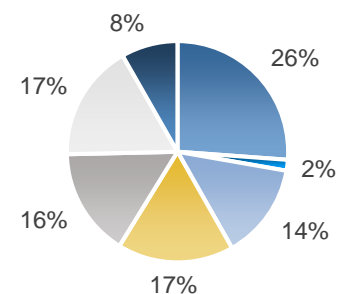


In particular, the Company specializes in properties that are older than 20 years old. 70% of our projects, excluding development projects based on land or leasehold land, are properties that are over 20 years old



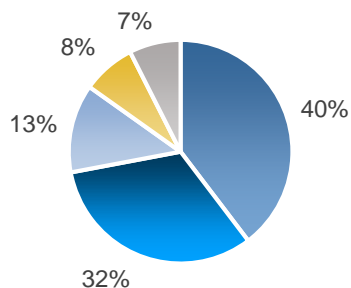
Domestic investors account for about 85% of our property buyers (of which around 30% are individual buyers and 55% are corporate buyers)

**Value improvement method (by value)**



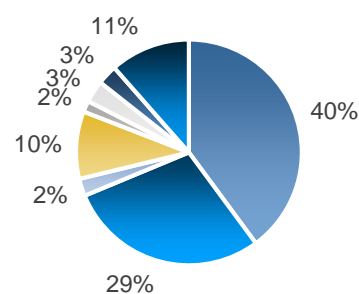
- Increase NOI
- Change of use/increase floor area ratio
- Large-scale renovation
- Create land for development
- New construction development
- Coordinate/consolidate land rights
- Others

**Asset class (by value)**



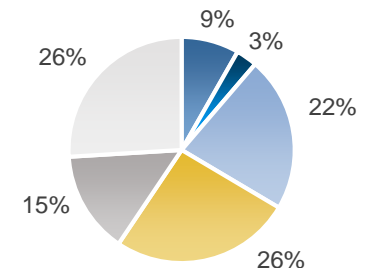
- Office
- Commercial
- Residential
- Warehouse
- Hotel

**Region (by value)**



- Tokyo 5 central wards
- Tokyo (excl. 5 central wards)
- Saitama
- Kanagawa
- Osaka
- Kyoto
- Fukuoka
- Others

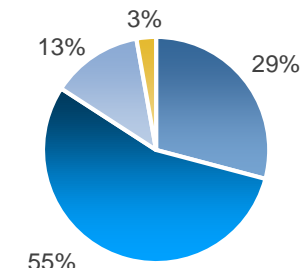
**Age (by value)**



\*Excludes development projects from land or land with leasehold interest

- Less than 5 years
- 5-10 years
- 10-20 years
- 20-30 years
- 30-40 years
- 40 years or more

**Buyer base (by value)**



- Domestic individuals
- Domestic corporates
- Overseas individuals
- Overseas corporates

# Robust Profit Performance over Past 5 Years Even During Pandemic

## Leveraging our strong purchasing/sales team (Repost)



Over the past five years in the Value Creation Services segment which is our core driver of earnings, we have sold **101 properties**

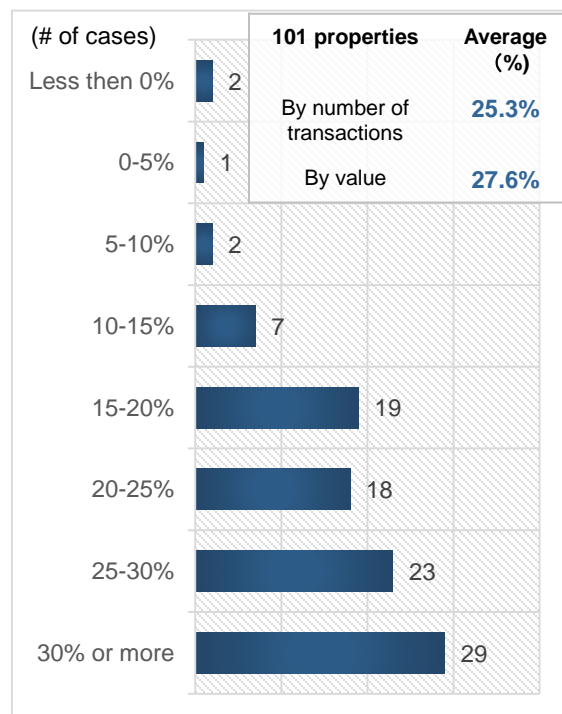


The average gross margin is **27.6%**, with gross profitability tending to be higher for larger projects

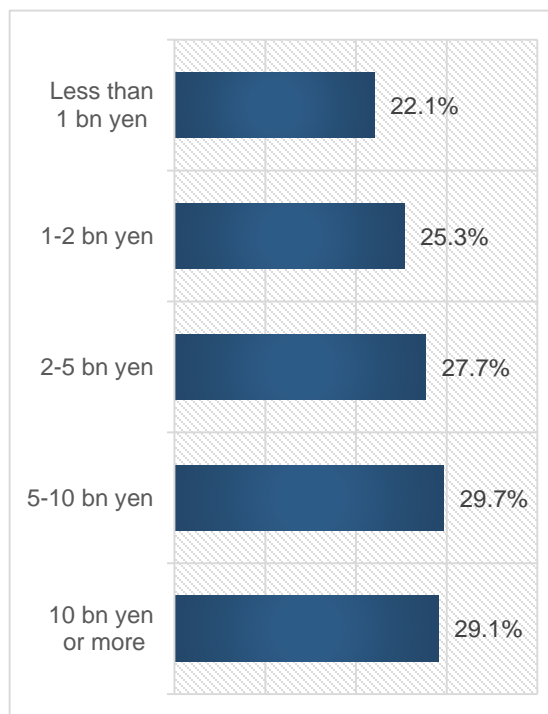


By number of transactions, **approximately 70% of total properties sold are under 2 billion yen.**  
By total transaction value, **deals of 2 billion yen or more account for approx. 75% of the total**

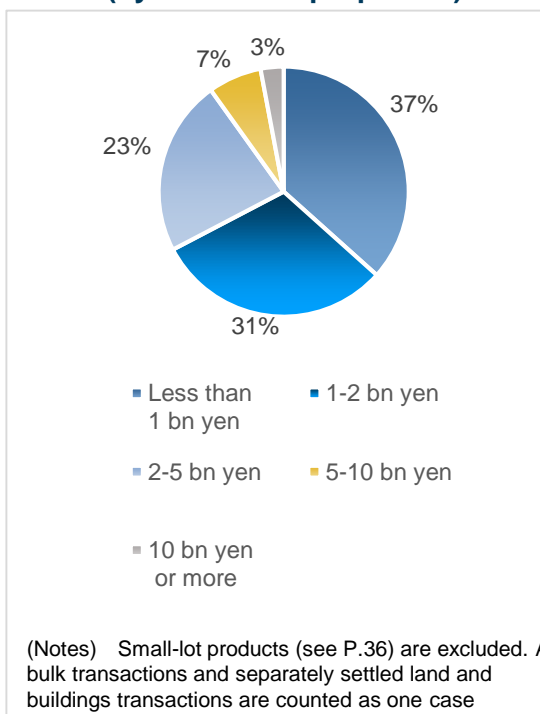
**Gross profit margin of properties sold in past 5 years**



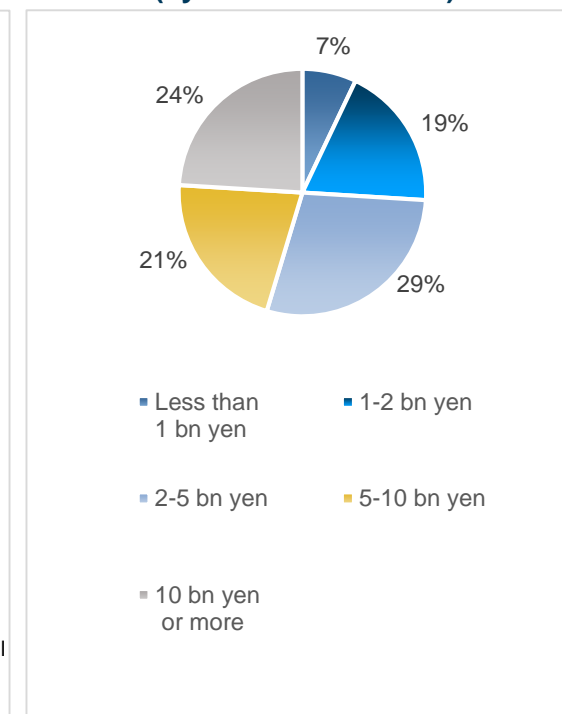
**Gross profit margin of properties sold in past 5 years by price range**



**Sale price range of properties sold over past 5 years (by number of properties)**



**Sale price range of properties sold over past 5 years (by transaction value)**



# Achieving High IRR Through Focus on Property Turnover and Gross Profit Margin (Repost)

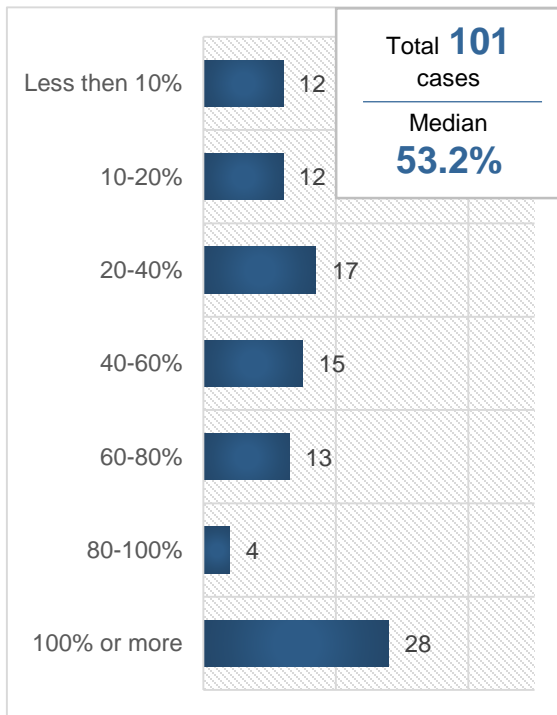


We are especially proud of our high median IRR on transactions over the past 5 years: **The median IRR is 53.2% (unlevered) and 79.7% (levered)**

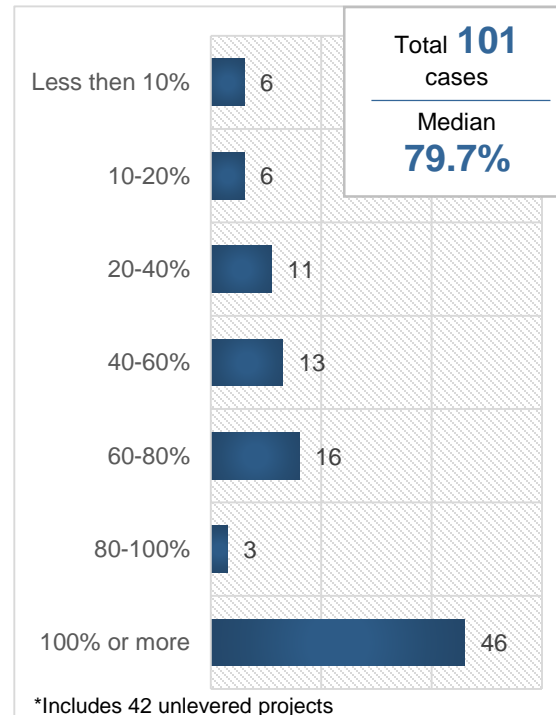


Within the product mix, smaller projects tend to have higher unlevered IRR due to higher turnover, while larger projects tend to have higher levered IRR because they use more debt and less equity capital (See P.55 for the definition of each IRR)

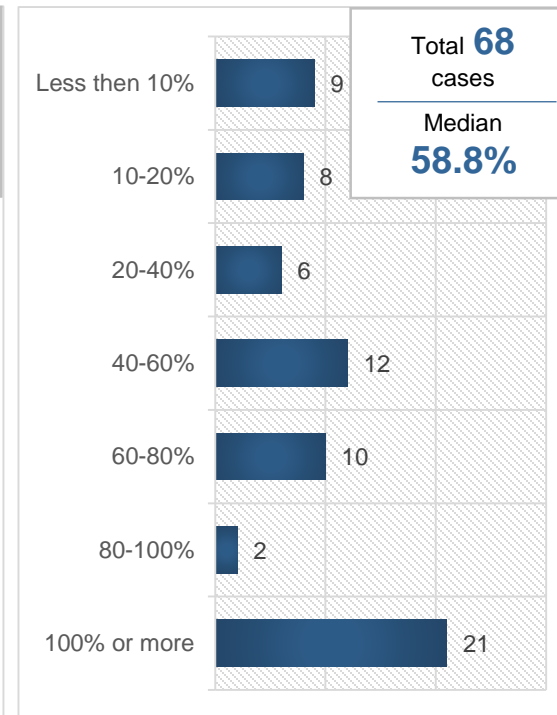
**Unlevered IRR for properties sold over past 5 years**



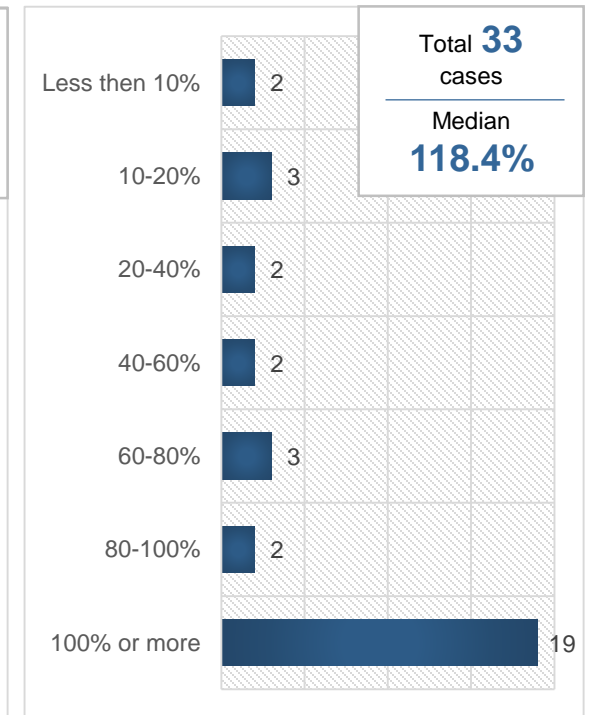
**Levered IRR for properties sold over past 5 years**



**Unlevered IRR for properties sold for less than 2 billion yen over past 5 years**



**Levered IRR for properties sold for 2 billion yen or more over past 5 years**



# Raysum's Business Model

(Value Creation Services/Value-Add Services)



Raysum has unique strengths at each stage of the purchase and sale process

## Purchase

- The decision making speed outpaces our competitors
- Ability to deal with a wide range of asset classes
- Most of our new project referrals come from repeat customers (who trust Raysum's capabilities to take on complex projects)
- Trusted relationships with financial institutions enable us to obtain financing for projects that are normally difficult to finance (e.g older buildings)

## Value Enhancement

- We increase rental income by pushing up low rents
- We adopt a flexible approach that is not bound by factors such as existing usage purpose or market rents
- We utilize our extensive knowledge of renovation and reconstruction of old properties
- Creative leasing approach to fulfill new needs and requirements
- Careful reviews of interim costs

## Sale

- Strong relationships with institutional investors, high net worth domestic individuals, and foreign investors
- We have the established capabilities to find the optimal investor for each property
- Recently, we have also developed a new investor base through the sale of small-lot 50 million yen products

- A corporate culture and employees who relish challenges

# Case studies of our expertise in enhancing value

## Case#1 Increase NOI

RAYSUM

+reVALUE

### Overview

<b>Name</b>	Premium Residence Shirogane Chojamaru
<b>Principal value improvement method</b>	Increase NOI
<b>Other value improvement method</b>	Large-scale renovation
<b>Age (at time of purchase)</b>	Less than 1 year
<b>Land area</b>	Approx. 390 tsubo (1,290m <sup>2</sup> )
<b>Floor area</b>	Approx. 650 tsubo (2,150m <sup>2</sup> )
<b>Leasable area</b>	Approx. 600 tsubo (1,985m <sup>2</sup> )
<b>Floor area ratio</b>	200%
<b>Number of stories</b>	3 floors above ground
<b>Asset class</b>	Residential
<b>Month and year of purchase</b>	June 2019
<b>Month and year of sale</b>	August 2021
<b>Sale value</b>	2 billion - 5 billion yen

### Photo



### Highlights

- The company purchased 17 newly built condominiums (approx.100m<sup>2</sup> each) from a general contractor. We undertook a large-scale renovation and converted the building into an exclusive residential property featuring 7 units of approx. 200m<sup>2</sup> each with completely refurbished interiors
- We set a rent per sq. m that was thought to be unachievable for a non-local high value rental company, and around 70% of the viewers of the property were in their 20s-30s. In the end, the property was fully leased by our leasing team in about five months
- This project is the result of a six-year effort to bring about positive change in the supply-demand gap and to create tenant demand for luxury rental condominiums of 200m<sup>2</sup>+. Those outside the company might say that we got lucky on this. Internally, however, we view this as a vindication of our ability to take on difficult projects and generate a successful return



# Case studies of our expertise in enhancing value

## Case#2 Increase NOI

### Overview

<b>Name</b>	Riverside Shinagawa Konan Building
<b>Principal value improvement method</b>	Increase NOI
<b>Other value improvement method</b>	Large-scale renovation
<b>Age (at time of purchase)</b>	30 years
<b>Land area</b>	Approx. 980 tsubo (3,240m <sup>2</sup> )
<b>Floor area</b>	Approx. 3,050 tsubo (10,085m <sup>2</sup> )
<b>Leasable area</b>	Approx. 2,200 tsubo (7,270m <sup>2</sup> )
<b>Floor area ratio</b>	300%
<b>Number of stories</b>	8 floors above ground/ 1 floor below ground
<b>Asset class</b>	Office
<b>Month and year of purchase</b>	March 2018
<b>Month and year of sale</b>	November 2018
<b>Sale value</b>	5 billion - 10 billion yen

### Photo



### Highlights

- We acquired a large office building completed in 1987 as an exit transaction for a foreign fund. Although there was a green space on the site to meet greening requirements, the property is located close to the coast of Tokyo Bay near JR Shinagawa Station and has excellent access to Narita and Haneda airport. To take advantage of this, we reduced the size of the green area and added 14 parking spaces. We added a rooftop to replace the green space and comply with greening requirements
- Due to the scarcity of offices with on-site parking in this location, we immediately achieved a significant rental uplift due to the converted space as we had hoped
- This case led Raysum to create a small-lot product with real estate trust beneficiary interests that would enable investors to benefit from a long-term upside



# Case studies of our expertise in enhancing value

## Case#3 Change of use/increase floor area ratio

### Overview

<b>Name</b>	No. R. Hamamatsucho
<b>Principal value improvement method</b>	Change of use/increase floor area ratio
<b>Other value improvement method</b>	Increase NOI, large-scale renovation
<b>Age (at time of purchase)</b>	30 years
<b>Land area</b>	Approx. 100 tsubo (330m <sup>2</sup> )
<b>Floor area</b>	Approx. 500 tsubo (1,650m <sup>2</sup> )
<b>Leasable area</b>	Approx. 430 tsubo (1,420m <sup>2</sup> )
<b>Floor area ratio</b>	600%
<b>Number of stories</b>	9 floors above ground
<b>Asset class</b>	Office
<b>Month and year of purchase</b>	December 2017
<b>Month and year of sale</b>	June 2018
<b>Sale value</b>	1 billion - 2 billion yen

### Photo



### Highlights

- A project to convert a gas station near Hamamatsucho Station (a major monorail station with a direct connection to Haneda Airport) to a convenience store. In addition, the nine upper floors were renovated into a medium-sized office building with updated specifications
- With the shift away from cars in urban areas and the arrival of the EV era on the horizon, we found a way to combine two business trends (major oil company restructuring and convenience store opening in city center locations), and successfully converted the building into a profitable asset
- With the development of Haneda as an international airport, urban redevelopment around Hamamatsucho, a major central Tokyo transport hub, is progressing rapidly, and local office rents are growing at a high single-digit rate annually. The property is in an exclusive location and our deal secured a stable long-term stable income stream as well as liquidity for the owner

# Case studies of our expertise in enhancing value

## Case#4 Change of use/increase floor area ratio

### Overview

<b>Name</b>	Respir Mitaka
<b>Principal value improvement method</b>	Change of use/increase floor area ratio
<b>Other value improvement method</b>	Large-scale renovation, increase NOI
<b>Age (at time of purchase)</b>	44 years
<b>Land area</b>	Approx. 150 tsubo (495m <sup>2</sup> )
<b>Floor area</b>	Approx. 800 tsubo (2,645m <sup>2</sup> )
<b>Leasable area</b>	Approx. 500 tsubo (1,650m <sup>2</sup> )
<b>Floor area ratio</b>	300%
<b>Number of stories</b>	9 floors above ground
<b>Asset class</b>	Residential
<b>Month and year of purchase</b>	August 2015
<b>Month and year of sale</b>	September 2017
<b>Sale value</b>	1 billion - 2 billion yen

### Photo



### Highlights

- Located in a quiet residential area near Mitaka Station on the JR Chuo Line and close to Inokashira Park, a 44-year-old 9-story dormitory was renovated and converted into rental apartments with the latest specifications
- Due to a change in zoning regulations, the building would potentially have had to be demolished and replaced with detached houses. However, by adopting a repurposing method utilizing the existing frame, we were able to maintain the dimensions of the building and restore the value of the 9-story building with stunning views of the surrounding area
- The building was old and had no building inspection certificate, and it was difficult to obtain regulatory approval from the government and financing from financial institutions. Even though it was difficult to assess the likely impact on investment returns of seismic reinforcement work and renovation of the specification of the facilities, our unique strengths enabled us to take this project on and make it a success. Since we were able to maintain a much larger floor area than we could have done if we had rebuilt on the site, we were able to make a sufficient return even by keeping rents at the existing market level

# Case studies of our expertise in enhancing value

## Case#5 Large-scale renovation

### Overview

<b>Name</b>	1928 Building
<b>Principal value improvement method</b>	Large-scale renovation
<b>Other value improvement method</b>	Increase NOI, coordinate/consolidate land rights
<b>Age (at time of purchase)</b>	90 years
<b>Land area</b>	Approx. 100 tsubo (330m <sup>2</sup> )
<b>Floor area</b>	Approx. 320 tsubo (1,060m <sup>2</sup> )
<b>Leasable area</b>	Approx. 250 tsubo (825m <sup>2</sup> )
<b>Floor area ratio</b>	400%
<b>Number of stories</b>	5 floors above ground/ 1 floor below ground
<b>Asset class</b>	Commercial
<b>Month and year of purchase</b>	March 2018
<b>Month and year of sale</b>	March 2019
<b>Sale value</b>	1 billion - 2 billion yen

### Photo



### Highlights

- A restoration project for a tangible cultural property building registered in Kyoto that was completed in 1928. It is located on the corner of Sanjo-dori in Kyoto. We had successfully restored a nearby 120-year old “kyomachiya” (traditional Kyoto-style house) in the neighborhood, and based on this, we were approached by the former owner, a famous local architect, about the preservation of the Sanjo-dori building
- The property was located on a popular pedestrian street, but since the rent of the existing tenants was over 50% below the average for the area, the project required us to improve the mix of tenants on each floor. We did this by removing the obtrusive partition walls on the first floor to expand the leasable area and attracting tenants exceeding the market rent. As a result we achieved a significant overall improvement in NOI
- We arranged financing from financial institutions that knew our capabilities in property revitalization and management, and sold to an individual investor who had a keen interest in historical architecture. Subsequently, insurance premiums have come down and its marketability has increased following compliance with Kyoto City earthquake resistance certification. Tenant rents have continued to increase



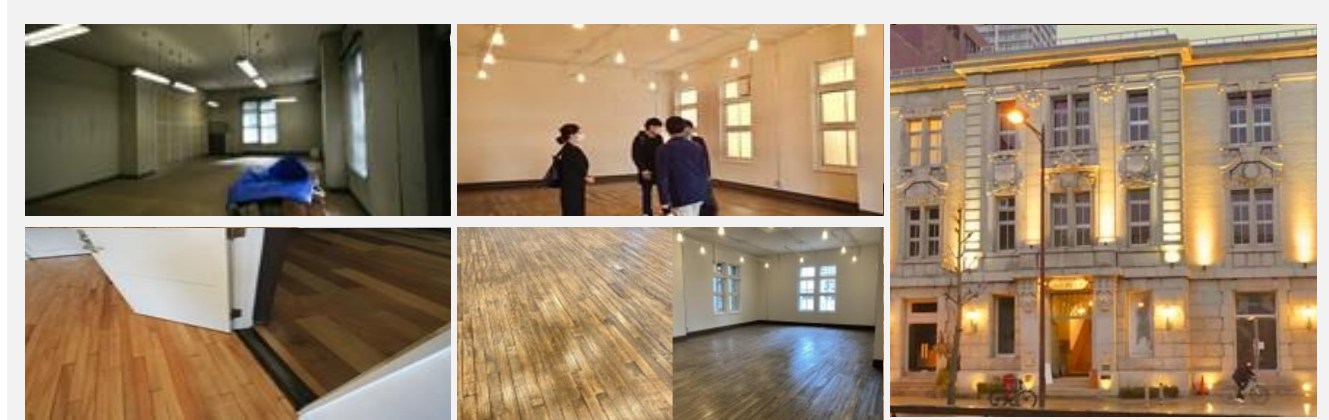
# Case studies of our expertise in enhancing value

## Case#6 Large-scale renovation

### Overview

<b>Name</b>	Kaigan Building
<b>Principal value improvement method</b>	Large-scale renovation
<b>Other value improvement method</b>	Increase NOI
<b>Age (at time of purchase)</b>	109 years
<b>Land area</b>	Approx. 250 tsubo (825m <sup>2</sup> )
<b>Floor area</b>	Approx. 620 tsubo (2,050m <sup>2</sup> )
<b>Leasable area</b>	Approx. 470 tsubo (1,555m <sup>2</sup> )
<b>Floor area ratio</b>	700%
<b>Number of stories</b>	3 floors above ground
<b>Asset class</b>	Commercial
<b>Month and year of purchase</b>	November 2020
<b>Month and year of sale</b>	July 2021
<b>Sale value</b>	1 billion - 2 billion yen

### Photo



### Highlights

- Located in Kobe City, this 109-year-old historical building is also designated as a national tangible cultural property. Its striking brickwork construction and 6meters high ceilings are unique, but the previous owner was frustrated by the <50% occupancy rate and sold the building to our company, based on our established track record in revitalization of historical Kyoto buildings
- After acquiring the property, we were able to balance the needs of modern tenants while undertaking a restoration of the original flooring and fixtures of this unique and rare building. We sold the property after receiving strong interest from prospective buyers. In about six months, the building was 100% occupied at a rent above the local market rent, with the earnings capacity almost doubled
- Other companies would struggle to secure institutional financing for old properties, but a financial institution who trusted in our ability to renovate buildings and attract tenants advanced a super-long-term loan (over 30 years) to the client

# Case studies of our expertise in enhancing value

## Case#7 Creation of land for development

### Overview

<b>Name</b>	Yaesu 1-chome PJ
<b>Principal value improvement method</b>	Create land for development
<b>Other value improvement method</b>	N/A
<b>Age (at time of purchase)</b>	45 years
<b>Land area</b>	Approx. 100 tsubo (330m <sup>2</sup> )
<b>Floor area</b>	Approx. 800 tsubo (2,645m <sup>2</sup> )
<b>Leasable area</b>	Approx. 600 tsubo (1,985m <sup>2</sup> )
<b>Floor area ratio</b>	800%
<b>Number of stories</b>	10 floors above ground /1 floor below ground
<b>Asset class</b>	Office
<b>Month and year of purchase</b>	March 2019
<b>Month and year of sale</b>	February 2020
<b>Sale value</b>	5 billion - 10 billion yen

### Photo



### Highlights

- We acquired a 45-year-old fully occupied office building located on the Yaesu Exit side of Tokyo Station from a private individual
- This is a super-prime area which is currently undergoing rapid redevelopment. We formulated a redevelopment plan and set development specifications, but in the face persistent interest from another major real estate company, we decided to sell the property based on a consideration of capital efficiency
- Currently, a major developer company is working on the redevelopment, and we are proud to have been able to create the site for this development

# Case studies of our expertise in enhancing value

## Case#8 Creation of land for development

### Overview

<b>Name</b>	Shinjuku Yasukuni Dori PJ
<b>Principal value improvement method</b>	Create land for development
<b>Other value improvement method</b>	Coordinate/consolidate land rights
<b>Age (at time of purchase)</b>	50 years
<b>Land area</b>	Approx. 200 tsubo (660m <sup>2</sup> )
<b>Floor area</b>	Approx. 2,000 tsubo (6,600m <sup>2</sup> )
<b>Leasable area</b>	Approx. 1,500 tsubo (4,960m <sup>2</sup> )
<b>Floor area ratio</b>	900%
<b>Number of stories</b>	9 floors above ground / 3 floors below ground
<b>Asset class</b>	Commercial
<b>Month and year of purchase</b>	January 2022
<b>Month and year of sale</b>	February 2023
<b>Sale value</b>	10 billion yen or more

### Photo



### Highlights

- A 50-year-old large-scale commercial facility with a total floor area of approx. 2,000 tsubo (6,600m<sup>2</sup>), located in Shinjuku. The property was acquired when many tenants were impacted by the COVID-19 pandemic
- We carefully explained to the tenants that since the building was 50 years old and had been built to out-of-date earthquake resistance standards, it did not meet current earthquake resistance requirements and we were therefore reviewing whether to demolish it. In addition, there were parts of the site where superficies rights were not properly established, which added to the complexity of the situation
- Since fixed-term lease agreements with many tenants had expired and preparations for rebuilding were underway, the buyer's purchase conditions were already met, and the property was sold without any rebuilding work performed



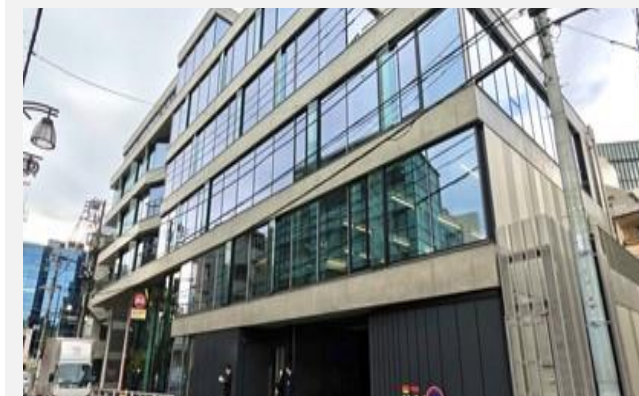
# Case studies of our expertise in enhancing value

## Case#9 New construction development

### Overview

<b>Name</b>	Jingumae 2-chome PJ
<b>Principal value improvement method</b>	New construction development (ZEB Ready certification)
<b>Other value improvement method</b>	N/A
<b>Age (at time of purchase)</b>	N/A
<b>Land area</b>	Approx. 700 tsubo (2,315m <sup>2</sup> )
<b>Floor area</b>	Approx. 2,500 tsubo (8,265m <sup>2</sup> )
<b>Leasable area</b>	Approx. 1,800 tsubo (5,950m <sup>2</sup> )
<b>Floor area ratio</b>	500%
<b>Number of stories</b>	6 floors above ground
<b>Asset class</b>	Office
<b>Month and year of purchase</b>	November 2019
<b>Month and year of sale</b>	February 2023
<b>Sale value</b>	10 billion yen or more

### Photo



### Highlights

- We purchased land in Jingumae, close to Harajuku, Meiji Jingumae and Omotesando stations, from a major developer. The site was originally the head office of a clothing company. We acquired the property at a time when developers were hesitant about building apartments in the city center due to the COVID-19 pandemic
- We saw the potential for attractive returns from a new office concept, taking advantage of the location's unique characteristics. We confirmed that there was strong demand for environmentally friendly offices, and proactively utilized advanced technologies to reduce the environmental impact of the development through incorporating natural light and wind flow. We obtained ZEB Ready certification (Net Zero Energy Building)
- Although the initial plan was to lease the space and sell the building once it was fully occupied, there was strong demand from investors to purchase the entire building at the construction stage and we sold without leasing

# Case studies of our expertise in enhancing value

## Case#10 New construction development

### Overview

<b>Name</b>	Tokyo Heart Rhythm Clinic
<b>Principal value improvement method</b>	New construction development
<b>Other value improvement method</b>	Increase NOI
<b>Age (at time of purchase)</b>	N/A
<b>Land area</b>	Approx. 140 tsubo (465m <sup>2</sup> )
<b>Floor area</b>	Approx. 260 tsubo (860m <sup>2</sup> )
<b>Leasable area</b>	Approx. 260 tsubo (860m <sup>2</sup> )
<b>Floor area ratio</b>	200%
<b>Number of stories</b>	3 floors above ground
<b>Asset class</b>	Commercial
<b>Month and year of purchase</b>	September 2015
<b>Month and year of sale</b>	March 2017
<b>Sale value</b>	1 billion - 2 billion yen

### Photo



### Highlights

- In response to the aging society and pursuing an appropriate new medical system, we created a hospital specializing in “super doctors” for catheter ablation treatment for arrhythmia in this project
- We purchased land for condominiums in a quiet location in Setagaya-ku (an area with significant latent demand for this kind of treatment) that was a long way from the station. Our objective was to create a property with similar profit potential to a commercial development in an attractive location near the station by specifically targeting the needs of an aging population and the local community (however, tenants’ rent as a percentage of sales was only in the single-digit percentage range)
- By constructing a new building space that is ideal for patients, doctors and medical staff, and installing the latest medical equipment, we can offer efficient and effective advanced medical services. This is now established as a hospital to which many high-difficulty patients are referred from local hospitals. This project has also inspired us to become more involved with advanced medical projects

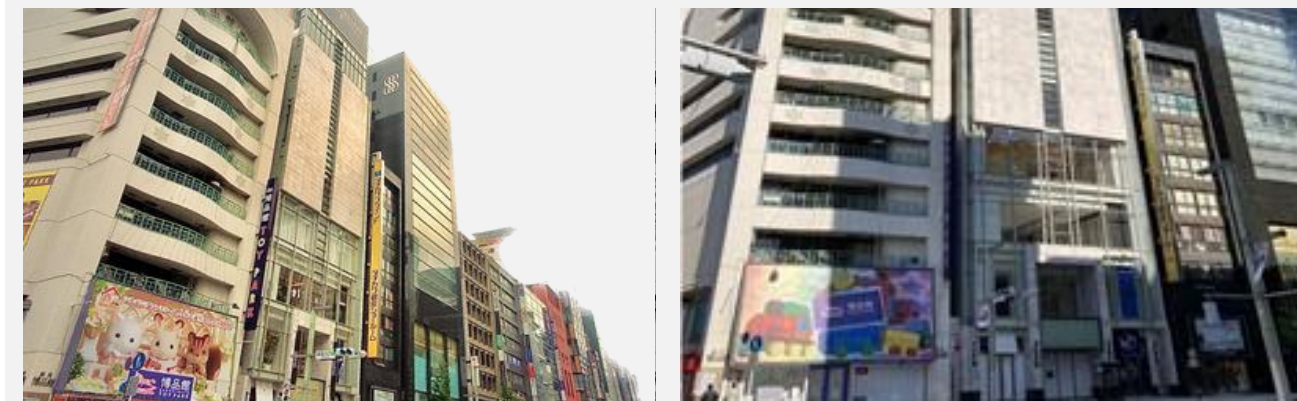
# Case studies of our expertise in enhancing value

## Case#11 Coordination/consolidation of land rights

### Overview

<b>Name</b>	Ginza 8-chome Building
<b>Principal value improvement method</b>	Coordinate/consolidate land rights
<b>Other value improvement method</b>	Creation of land for development, Change of use/increase floor area ratio
<b>Age (at time of purchase)</b>	19 years
<b>Land area</b>	Approx. 130 tsubo (430m <sup>2</sup> )
<b>Floor area</b>	Approx. 1,200 tsubo (3,965m <sup>2</sup> )
<b>Leasable area</b>	Approx. 1,200 tsubo (3,965m <sup>2</sup> )
<b>Floor area ratio</b>	800%
<b>Number of stories</b>	10 floors above ground/ 2 floors below ground
<b>Asset class</b>	Commercial
<b>Month and year of purchase</b>	September 2020
<b>Month and year of sale</b>	December 2021
<b>Sale value</b>	10 billion yen or more

### Photo



### Highlights

- When a large commercial property on Ginza Chuo-dori was suddenly put up for sale due to the COVID-19 pandemic, we moved quickly to secure preferential negotiating rights. Regarding the building, another unit owner had been operating stores on the first floor for many years, The division of the leased space into units was an obstruction to ownership of the entire building
- One year after the acquisition of the property, following detailed negotiations, the company purchased the units owned by the other operator and successfully acquired the whole building. This provided the opportunity for a 200% increase in floor area as a single building, and allowed the company the option of rebuilding
- As a large-scale property in Ginza, there was strong demand from overseas investors. We also needed to raise capital ahead of our next purchase so we sold the property to a group of high-net-worth Asian investors



# Case studies of our expertise in enhancing value

## Case#12 Coordination/consolidation of land rights

### Overview

<b>Name</b>	Sala Azabu Building
<b>Principal value improvement method</b>	Coordinate/consolidate land rights
<b>Other value improvement method</b>	Create land for development
<b>Age (at time of purchase)</b>	44 years
<b>Land area</b>	Approx. 160 tsubo (530m <sup>2</sup> )
<b>Floor area</b>	Approx. 620 tsubo (2,050m <sup>2</sup> )
<b>Leasable area</b>	Approx. 620 tsubo (2,050m <sup>2</sup> )
<b>Floor area ratio</b>	400%
<b>Number of stories</b>	7 floors above ground
<b>Asset class</b>	Office
<b>Month and year of purchase</b>	March 2019
<b>Month and year of sale</b>	March 2020
<b>Sale value</b>	2 billion - 5 billion yen

### Photo



### Highlights

- Acquisition of a high-end furniture company located on a street in one of the most exclusive residential areas of central Tokyo, from Roppongi to Hiroo, and commercialization of the head office building
- We have extensive experience in acquiring real estate that has been collateralized or company-owned, based on acquisitions of operating companies, wealth management companies or non-performing loans
- The deal was well received by the seller, who carefully and accurately facilitated the smooth transfer of the acquirer's furniture, equipment and employees. Although we initially planned to develop the property ourselves, strong demand from major domestic real estate companies led us to sell the property based on considerations of capital efficiency

# Definition of Unlevered IRR and Levered IRR

## Unlevered IRR

A metric that assesses the total return on a real estate investment without taking account of borrowings or borrowing costs

### Example 1

Sell a property at 100 in one year at a gross profit margin of 15%

	2022/1/1	2023/1/1		
Purchase cost	(100.0)		Gross profit	15.0
Sale value		115.0	No. of days owned	366
Total CF	(100.0)	115.0	Unlevered IRR	15.0%

### Example 2

Invest 20 to increase the value of a property valued at 100 and sell in six months with a gross profit margin of 15%

	2022/1/1	2022/2/1	2022/7/1	
Purchase cost	(100.0)			Gross profit
Investment in enhancing value		(20.0)		18.0
Sale value			138.0	No. of days owned
Total CF	(100.0)	(20.0)	138.0	182
				Unlevered IRR
				33.6%

**We have a policy of not making investments based on the rental income generated by properties, and we do not include rental income in our IRR calculation (we believe this is more conservative than calculation of actual IRR)**

## Levered IRR

A metric that assesses the return on a real estate investment based on funds available taking into account the leverage effect of debt

### Example 1

Purchase a property for 100 utilizing 70% debt. Sell the property within one year of purchase with an interest rate of 2% per annum and a gross profit margin of 15%

	2022/1/1	2022/7/1	2023/1/1	
Purchase cost	(100.0)			Gross profit
Borrowing	70.0			13.6
Interest		(0.7)	(0.7)	No. of days owned
Sale value			115.0	366
Repayment of borrowings			(70.0)	Levered IRR
Total CF	(30.0)	(0.7)	44.3	44.9%

### Example 2

Purchase property for 100 utilizing 70% debt. Invest 20 to increase the value. The interest rate on the loan is 2% per annum, gross profit margin is 15%, and the property is sold within six months of purchase

	2022/1/1	2022/2/1	2022/7/1	
Purchase cost	(100.0)			Gross profit
Borrowing	70.0			17.3
Investment in enhancing value		(20.0)		No. of days owned
Interest			(0.7)	182
Sale value			138.0	Levered IRR
Repayment of borrowings			(70.0)	90.1%
Total CF	(30.0)	(20.0)	67.3	

Notes: All monthly cash flows are assumed to occur on the last day of the month.

**This document was prepared to provide information related to the business overview and management strategies of Raysum Co., Ltd. and related entities and does not constitute a solicitation to purchase any securities issued by Raysum. Choosing shares and making final investment decisions should be done at the discretion of the individual. Any opinions, forecasts, etc. contained in this document are based on the views of Raysum at the time it was prepared, and Raysum does not promise or guarantee the accuracy or completeness of such information. Furthermore, the information is subject to change without notice.**



### **Inquiries**

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