

Please note that this document is a translation of the official announcement that was released on August 10, 2023. The translation is prepared and provided for the purpose of the reader's convenience only. All readers are strongly recommended to refer to the original Japanese version of the news release for complete and accurate information.

**Consolidated Financial Results for the
Three Months Ended June 30, 2023
[Japanese GAAP]**

August 10, 2023

Company name: Raysum Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 8890

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

Representative: Tsuyoshi Komachi, President and Representative Director

Contact: Soshi Okino, Operating Officer, Deputy Division Manager of Administration Division

Phone: +81-3-5157-8881

Scheduled date for filing of quarterly securities report: August 10, 2023

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on financial results: Yes

Schedule of financial results briefing session: None

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(1) Consolidated Results of Operations

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended June 30, 2023	15,663	125.0	3,812	417.9	3,806	352.1	2,467	386.8
Three months ended June 30, 2022	6,959	65.8	736	—	841	—	506	—

(Note) Comprehensive income: Three months ended June 30, 2023: 2,548 million yen (327.8%)

Three months ended June 30, 2022: 595 million yen (—%)

	Profit per share	Diluted profit per share
	yen	yen
Three months ended June 30, 2023	86.28	—
Three months ended June 30, 2022	13.85	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of June 30, 2023	111,754	53,694	48.0
As of March 31, 2023	106,752	52,718	49.4

(Reference) Equity: As of June 30, 2023: 53,668 million yen

As of March 31, 2023: 52,691 million yen

2. Dividends

	Annual dividends				
	Q1 end	Q2 end	Q3 end	Year end	Total
Fiscal year ended March 31, 2023	yen	yen	yen	yen	yen
Fiscal year ending March 31, 2023	—	0.00	—	55.00	55.00
Fiscal year ending March 31, 2024 (Forecast)	—	0.00	—	175.00	175.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	90,000	32.5	18,000	25.2	16,800	30.7	11,000	31.3	384.63

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

*Notes

- (1) Significant changes of subsidiaries in the first three months of the fiscal year under review (affecting specified subsidiaries resulting in changes in scope of consolidation): Not applicable
- (2) Application of accounting method specific to preparation of quarterly consolidated financial statements: Not applicable
- (3) Changes in accounting policies, changes in accounting estimates and restatements
 - 1) Changes in accounting policies due to the revision of accounting standards: Not applicable
 - 2) Any changes in accounting policies other than 1) above: Not applicable
 - 3) Changes in accounting estimates: Not applicable
 - 4) Restatements: Not applicable
- (4) Total number of issued shares (common stock)

- 1) Total number of issued shares at the end of the period (including treasury shares):

Three months ended June 30, 2023	29,081,400 shares
Fiscal year ended March 31, 2023	29,081,400 shares

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

Three months ended June 30, 2023	486,461 shares
Fiscal year ended March 31, 2023	482,711 shares

- 3) Average number of shares during the period:

Three months ended June 30, 2023	28,598,607 shares
Three months ended June 30, 2022	36,601,814 shares

* This quarterly financial report is not subject to quarterly review by a certified accountant or auditing company.

* Explanation of the proper use of performance forecast and other note

(Note on forward-looking statements, etc.)

Performance forecasts and other forward-looking statements presented in this report are based on information currently available to the Company and certain assumptions deemed to be reasonable, and are not to be read as guarantees of future performance by the Company. In addition, actual performance may differ substantially due to various factors.

○ Contents of Appendix

1. Qualitative Information on Quarterly Financial Results	4
(1) Explanation of Results of Operations	4
(2) Explanation of Financial Position	4
(3) Explanation of Consolidated Financial Results Forecast and Other Information on Future Forecasts.....	5
2. Quarterly Consolidated Financial Statements.....	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	8
(3) Quarterly Consolidated Statements of Cash Flows	9
(4) Notes on Quarterly Consolidated Financial Statements	10
(Notes on the Going Concern Assumption)	10
(Notes in the Event of Material Change in the Amount of Shareholders' Equity)	10
(Segment Information)	10

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

The consolidated financial results for the first three months of the fiscal year under review recorded net sales of 15,663 million yen (year-on-year increase of 125.0%), operating profit of 3,812 million yen (year-on-year increase of 417.9%), ordinary profit of 3,806 million yen (year-on-year increase of 352.1%), and profit attributable to owners of parent of 2,467 million yen (year-on-year increase of 386.8%). This was the best first-quarter performance we have recorded since our listing. We were able to get off to a good start toward achieving our full-year performance targets, thanks in part to the sale of several large-scale properties in our mainstay business of Value Creation Services.

Business results by segment are as follows.

(Value Creation Services)

In this business, we pursue the potential value of individual real estate assets in accordance with the purpose of each customer. We change the use, conduct large-scale renovations and attract new tenants by becoming owners, and create and provide real estate assets that are meaningful to customers. Our approach to this business reflects our redefinition of what we should prioritize above all: contemplating and delivering the essence of value that allows society, the economy, and the environment to harmoniously coexist and continuously develop.

In the first three months of the fiscal year under review, we managed to deliver to customers a large-scale commercial/office mixed-use building in Kyoto City (Please see the news release titled “Notice Concerning Sale of Real Estate For Sale” (June 22, 2023) for more details.), a logistics facility in Chiba Prefecture, an accommodation facility in Hiroshima Prefecture, and other properties. In the first three months of the fiscal year under review, Value Creation Services posted net sales of 14,058 million yen (year-on-year increase of 163.3%) and segment profit of 4,125 million yen (year-on-year increase of 269.4%), getting off to a smooth start toward the achievement of the full-year performance targets for the segment.

We are earnestly carrying out necessary repair works, conversion preparations, tenant leasing and sales activities, and are negotiating the smooth procurement of properties that will lead to sales in the next and subsequent fiscal years.

(Value-Add Services)

In this business, we conduct leasing management, building management and other services to maintain and enhance the value of the properties we have provided to clients. We listen to clients' requests in detail and aim to improve the long-term asset value in ways such as proposing measures to increase property value for the future, taking advantage of opportunities such as tenant replacement.

In the first three months of the fiscal year under review, Value-Add Services posted net sales of 1,165 million yen (year-on-year increase of 5.8%) and segment profit of 270 million yen (year-on-year increase of 31.0%). This improvement was thanks to rental income from properties held being higher than in the same period of the previous fiscal year.

(Future Value Creation Services)

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

The flow of people within Japan is recovering compared with the previous year, contributing to sales and profit both increasing year-on-year in the accommodation business. However, results were affected by the exclusion from consolidation of the golf business, which we divested during the previous fiscal year (in the same period of the previous fiscal year, net sales of the golf business were 153 million yen). Therefore, in the first three months of the fiscal year under review, Future Value Creation Services posted net sales of 439 million yen (year-on-year decrease of 15.5%), and segment loss of 331 million yen (segment loss of 374 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 4,856 million yen compared with the end of the previous fiscal year to 101,072 million yen. This was primarily attributable to cash and deposits decreasing 12,327 million yen to 15,196 million yen, real estate for sale increasing 2,769 million yen to 47,936 million yen, and real estate for sale in process increasing 14,549 million yen to 31,628 million yen.

Non-current assets increased 145 million yen compared with the end of the previous fiscal year to 10,681 million yen. This was attributable to an increase of 230 million yen in property, plant and equipment from an increase due to acquisition and a decrease due to depreciation, etc.; a decrease of 11 million yen in intangible assets; and a decrease of 72 million yen in investments and other assets.

As a result, total assets as at the end of the first quarter of the fiscal year under review increased 5,002 million yen compared with the end of the previous fiscal year to 111,754 million yen.

(Liabilities)

Liabilities increased 4,026 million yen compared with the end of the previous fiscal year to 58,059 million yen. This was primarily attributable to an increase of 6,371 million yen in borrowings due to the difference between new fundraising and repayment of borrowings, a decrease of 2,953 million yen in income taxes payable due to the payment of income taxes, an increase of 771 million yen in deposits received from tenants of the properties managed by the Company, and a decrease of 269 million yen in accounts payable due to construction work on properties, etc.

(Net assets)

Total net assets increased 975 million yen compared with the end of the previous fiscal year to 53,694 million yen. This was primarily attributable to an increase of 2,467 million yen in retained earnings following the recording of profit attributable to owners of parent, and a decrease of 1,572 million yen due to dividends of surplus.

Furthermore, the equity ratio as of the end of the first quarter of the fiscal year under review has become 48.0%.

2) Cash Flows

Cash and cash equivalents (hereinafter, “funds”) at the end of the first quarter of the fiscal year under review decreased 12,329 million yen compared with the end of the previous fiscal year to 15,182 million yen.

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

(Cash flows from operating activities)

Net cash used in operating activities amounted to 16,557 million yen. The main factor for inflow was the increase in funds related to 14,058 million yen in net sales in Value Creation Services. The main factors for outflow were the decrease in funds related to 23,841 million yen of payment for purchases of real estate for sale, 2,717 million yen of payment in line with the progressing development of real estate for sale in process and payment for repair works on real estate for sale in Value Creation Services; the expenditure of selling, general and administrative expenses, and payment of income taxes.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 662 million yen. The main factors for outflow were purchase of property, plant and equipment of 498 million yen, and loan advances of 126 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 4,791 million yen. The main factor for inflow was the difference of 6,371 million yen between new fundraising and repayment of borrowings, and the main factor for outflow was dividends paid of 1,557 million yen.

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

The consolidated financial results forecast remain unchanged from the full-year consolidated financial results forecast in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2023” announced on May 12, 2023.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	27,524	15,196
Trade accounts receivable	377	330
Real estate for sale	45,167	47,936
Real estate for sale in process	17,079	31,628
Raw materials	1,426	1,322
Advance payments to suppliers	1,155	1,060
Income taxes refund receivable	35	32
Other	3,460	3,576
Allowance for doubtful accounts	(10)	(11)
Total current assets	96,216	101,072
Non-current assets		
Property, plant and equipment		
Buildings, net	2,710	3,041
Land	490	490
Construction in progress	189	—
Other, net	924	1,012
Total property, plant and equipment	4,314	4,544
Intangible assets		
Other	214	203
Total intangible assets	214	203
Investments and other assets		
Investment securities	1,915	2,023
Deferred tax assets	1,365	1,063
Investments in capital	1,118	1,118
Long-term loans receivable	2,094	2,221
Other	1,148	1,163
Allowance for doubtful accounts	(1,636)	(1,657)
Total investments and other assets	6,005	5,933
Total non-current assets	10,535	10,681
Total assets	106,752	111,754

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Current portion of long-term borrowings	1,359	1,559
Accounts payable - other	1,048	779
Income taxes payable	4,052	1,098
Advances received	652	534
Provision for bonuses for directors (and other officers)	—	26
Provision for bonuses	—	60
Provision for loss on liquidation of subsidiaries and associates	123	123
Other	993	1,158
Total current liabilities	8,230	5,342
Non-current liabilities		
Long-term borrowings	41,397	47,569
Deposits received from tenants	4,067	4,839
Other	337	308
Total non-current liabilities	45,803	52,717
Total liabilities	54,033	58,059
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	6,899	6,899
Retained earnings	45,964	46,859
Treasury shares	(473)	(473)
Total shareholders' equity	52,490	53,385
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	130	204
Foreign currency translation adjustment	70	78
Total accumulated other comprehensive income	200	283
Non-controlling interests	27	25
Total net assets	52,718	53,694
Total liabilities and net assets	106,752	111,754

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

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	6,959	15,663
Cost of sales	5,014	10,438
Gross profit	1,945	5,224
Selling, general and administrative expenses	1,209	1,412
Operating profit	736	3,812
Non-operating income		
Interest income	2	3
Foreign exchange gains	200	171
Rental income from buildings	1	1
Benefits income	23	1
Other	2	12
Total non-operating income	230	189
Non-operating expenses		
Interest expenses	115	114
Commission for a financial loan	1	54
Provision of allowance for doubtful accounts	–	21
Other	7	6
Total non-operating expenses	124	196
Ordinary profit (loss)	841	3,806
Extraordinary losses		
Loss on retirement of non-current assets	4	–
Total extraordinary losses	4	–
Profit before income taxes	837	3,806
Income taxes - current	8	1,078
Income taxes - deferred	324	262
Total income taxes	332	1,340
Profit	504	2,465
Loss attributable to non-controlling interests	(2)	(2)
Profit attributable to owners of parent	506	2,467

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

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	504	2,465
Other comprehensive income		
Valuation difference on available-for-sale securities	93	74
Foreign currency translation adjustment	(2)	8
Total other comprehensive income	91	83
Comprehensive income	595	2,548
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	598	2,550
Comprehensive income attributable to non-controlling interests	(2)	(2)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	837	3,806
Depreciation	154	115
Increase (decrease) in provision for bonuses	2	87
Increase (decrease) in allowance for doubtful accounts	0	22
Loss on retirement of non-current assets	4	—
Interest and dividend income	(2)	(3)
Interest expenses	115	114
Decrease (increase) in trade receivables	82	46
Decrease (increase) in real estate for sale	2,335	(2,687)
Decrease (increase) in real estate for sale in process	(3,598)	(14,549)
Decrease (increase) in advance payments to suppliers	200	95
Decrease (increase) in deposits paid	(142)	357
Increase (decrease) in advances received	(65)	(117)
Increase (decrease) in accounts payable - other	749	14
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(300)	5
Increase (decrease) in lease deposits received	(143)	471
Other, net	(241)	(200)
Subtotal	(12)	(12,422)
Interest and dividends received	1	2
Interest paid	(113)	(111)
Income taxes refund (paid)	(1,161)	(4,026)
Net cash provided by (used in) operating activities	(1,286)	(16,557)
Cash flows from investing activities		
Purchase of property, plant and equipment	(472)	(498)
Purchase of intangible assets	—	(7)
Payments for investments in capital	(200)	—
Loan advances	(169)	(126)
Proceeds from collection of loans receivable	3	2
Other, net	0	(32)
Net cash provided by (used in) investing activities	(838)	(662)
Cash flows from financing activities		
Proceeds from long-term borrowings	8,180	12,778
Repayments of long-term borrowings	(9,259)	(6,406)
Dividends paid	(1,309)	(1,557)
Repayments of finance lease liabilities	(22)	(22)
Net cash provided by (used in) financing activities	(2,410)	4,791
Effect of exchange rate change on cash and cash equivalents	76	100
Net increase (decrease) in cash and cash equivalents	(4,459)	(12,329)
Cash and cash equivalents at beginning of period	28,222	27,511
Cash and cash equivalents at end of period	23,763	15,182

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Notes in the Event of Material Change in the Amount of Shareholders' Equity)

Not applicable.

(Segment Information)

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

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

(Millions of yen)

	Reportable segments			Total	Reconciling items	Per quarterly consolidated financial statements
	Value Creation Services	Value-Add Services	Future Value Creation Services			
Sales						
Revenues generated from contracts with customers	5,338	160	471	5,970	—	5,970
Other revenues	—	940	48	988	—	988
Revenues from external customers	5,338	1,100	520	6,959	—	6,959
Transactions with other segments	—	22	7	30	(30)	—
Net sales	5,338	1,123	528	6,990	(30)	6,959
Operating profit (loss)	1,116	206	(374)	948	(211)	736

(Note) 1. The amount of -211 million yen in adjustments of segment profit (loss) is the company-wide expenses of administrative expenses (-211 million yen) that are not allocated to each segment and the elimination of inter-segment transactions (0 million yen). The amount of segment profit (loss) after deduction of this adjustment is the same as the amount of 736 million yen of operating profit stated in the quarterly consolidated statements of income.

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

II. Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(Millions of yen)

	Reportable segments			Total	Reconciling items	Per quarterly consolidated financial statements
	Value Creation Services	Value-Add Services	Future Value Creation Services			
Sales						
Revenues generated from contracts with customers	14,058	182	391	14,631	—	14,631
Other revenues	—	982	48	1,031	—	1,031
Revenues from external customers	14,058	1,165	439	15,663	—	15,663
Transactions with other segments	—	22	0	23	(23)	—
Net sales	14,058	1,187	440	15,686	(23)	15,663
Operating profit (loss)	4,125	270	(331)	4,063	(251)	3,812

(Note) 1. The amount of -251 million yen in adjustments of segment profit (loss) is the company-wide expenses of administrative expenses (-251 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 3,812 million yen of operating profit stated in the quarterly consolidated statements of income.

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