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**Consolidated Financial Results for the
Six Months Ended September 30, 2023
[Japanese GAAP]**

November 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
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Scheduled date for filing of quarterly securities report: November 10, 2023
Scheduled date of commencing dividend payments: —
Availability of supplementary briefing material on financial results: Yes
Schedule of financial results briefing session: Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 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	%
Six months ended September 30, 2023	38,828	105.6	9,631	209.3	9,440	196.1	6,212	178.2
Six months ended September 30, 2022	18,888	(5.3)	3,113	12.4	3,188	25.4	2,233	39.6

(Note) Comprehensive income: Six months ended September 30, 2023: 6,323 million yen (165.9%)
Six months ended September 30, 2022: 2,378 million yen (47.7%)

	Profit per share	Diluted profit per share
	yen	yen
Six months ended September 30, 2023	216.87	—
Six months ended September 30, 2022	66.67	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of September 30, 2023	121,221	57,796	47.7
As of March 31, 2023	106,752	52,718	49.4

(Reference) Equity: As of September 30, 2023: 57,772 million yen
As of March 31, 2023: 52,691 million yen

2. Dividends

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

Six months ended September 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:

Six months ended September 30, 2023	378,542 shares
Fiscal year ended March 31, 2023	482,711 shares

- 3) Average number of shares during the period:

Six months ended September 30, 2023	28,645,796 shares
Six months ended September 30, 2022	33,497,954 shares

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

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

(Note on forward-looking statements, etc.)

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

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

The consolidated financial results for the first six months of the fiscal year under review recorded net sales of 38,828 million yen (year-on-year increase of 105.6%), operating profit of 9,631 million yen (year-on-year increase of 209.3%), ordinary profit of 9,440 million yen (year-on-year increase of 196.1%), and profit attributable to owners of parent of 6,212 million yen (year-on-year increase of 178.2%). The Company has achieved a steady sales performance in Value Creation Services, which is its core business, and is making good progress toward its full-year forecasts.

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 six months of the fiscal year under review, we were able to deliver a wide range of properties to customers, including a large-scale commercial/office mixed use building in Kyoto City, a logistics facility in Chiba Prefecture, an accommodation facility in Hiroshima Prefecture, a commercial facility located in one of Kyoto's most popular tourist areas, and commercial buildings near Kichijoji Station in Tokyo and Urawa Station in Saitama Prefecture. In the first six months of the fiscal year under review, Value Creation Services posted net sales of 35,275 million yen (year-on-year increase of 125.7%) and segment profit of 10,192 million yen (year-on-year increase of 110.6%), continuing to make steady progress toward the achievement of the full-year performance targets for the segment. The second phase of our small-lot investment product that combines multiple large-scale properties to enable investors to invest in units of tens of millions of yen in real estate worth as much as 10 billion yen was almost completely sold out during the quarter, and we have already started structuring and selling the third product.

We are earnestly carrying out necessary repair works, conversion preparations, tenant leasing and sales activities, and are steadily procuring 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 customers. We listen to customers' 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 six months of the fiscal year under review, Value-Add Services posted net sales of 2,528 million yen (year-on-year increase of 18.1%) and segment profit of 685 million yen (year-on-year increase of 98.7%). 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.

In the first six months of the fiscal year under review, the flow of people within Japan is recovering compared with the previous year, contributing to net sales and profit both increasing year-on-year in the accommodation business. However, results were affected by the exclusion from consolidation of the golf course business, which we divested during the previous fiscal year (in the same period of the previous fiscal year, net sales of the golf course business were 323 million yen). Therefore, Future Value Creation Services posted net sales of 1,024 million yen (year-on-year decrease of 8.4%), and segment loss of 742 million yen (segment loss of 1,672 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 14,116 million yen compared with the end of the previous fiscal year to 110,333 million yen. This was primarily attributable to cash and deposits increasing 1,151 million yen to 28,675 million yen, real estate for sale decreasing 5,098 million yen to 40,068 million yen, and real estate for sale in process increasing 19,200 million yen to 36,280 million yen.

Non-current assets increased 352 million yen compared with the end of the previous fiscal year to 10,888 million yen. This was attributable to an increase of 154 million yen in property, plant and equipment from an increase due to acquisition and a decrease due to depreciation, etc.; a decrease of 23 million yen in intangible assets; and an increase of 220 million yen in investments and other assets.

As a result, total assets as at the end of the second quarter of the fiscal year under review increased 14,469 million yen compared with the end of the previous fiscal year to 121,221 million yen.

(Liabilities)

Liabilities increased 9,391 million yen compared with the end of the previous fiscal year to 63,425 million yen. This was primarily attributable to an increase of 8,645 million yen in borrowings due to the difference between new fundraising and repayment of borrowings, a decrease of 711 million yen in income taxes payable due to the payment of income taxes, an increase of 922 million yen in deposits received from tenants of the properties managed by the Company, and an increase of 163 million yen in accounts payable due to construction work on properties, etc.

(Net assets)

Total net assets increased by 5,077 million yen compared to the end of the previous fiscal year to 57,796 million yen. This was primarily attributable to an increase of 6,212 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, along with an increase of 326 million yen due to the disposal of treasury stock as restricted stock compensation to the Company's executives and employees.

The equity ratio as of the end of the second quarter of the fiscal year under review was 47.7%.

2) Cash Flows

Cash and cash equivalents (hereinafter, "funds") at the end of the second quarter of the fiscal year under review increased 1,148 million yen compared with the end of the previous fiscal year to 28,660 million yen.

Cash flows in the first six 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 5,507 million yen. The main factor for inflow was the increase in funds related to 35,275 million yen in net sales in Value Creation Services. The main factors for outflow were the decrease in funds related to 31,873 million yen of payment for purchases of real estate for sale, 4,475 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 516 million yen. The main factor for inflow was 259 million yen in proceeds from the paid-in capital reduction of shares in affiliates, while main factors for outflow were 522 million yen for purchase of property, plant and equipment and 213 million yen of loan payments.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 7,029 million yen. The main factor for inflow was the difference of 8,645 million yen between new fundraising and repayment of borrowings, and the main factor for outflow was dividends paid of 1,569 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	28,675
Trade accounts receivable	377	437
Real estate for sale	45,167	40,068
Real estate for sale in process	17,079	36,280
Raw materials	1,426	908
Advance payments to suppliers	1,155	862
Income taxes refund receivable	35	31
Other	3,460	3,136
Allowance for doubtful accounts	(10)	(67)
Total current assets	96,216	110,333
Non-current assets		
Property, plant and equipment		
Buildings, net	2,710	3,004
Land	490	490
Construction in progress	189	—
Other, net	924	975
Total property, plant and equipment	4,314	4,469
Intangible assets		
Other	214	191
Total intangible assets	214	191
Investments and other assets		
Investment securities	1,915	1,871
Deferred tax assets	1,365	1,269
Investments in capital	1,118	1,118
Long-term loans receivable	2,094	2,307
Other	1,148	1,325
Allowance for doubtful accounts	(1,636)	(1,665)
Total investments and other assets	6,005	6,226
Total non-current assets	10,535	10,888
Total assets	106,752	121,221

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Current portion of long-term borrowings	1,359	1,479
Accounts payable - other	1,048	1,211
Income taxes payable	4,052	3,340
Advances received	652	756
Provision for bonuses for directors (and other officers)	—	67
Provision for bonuses	—	85
Provision for loss on liquidation of subsidiaries and associates	123	—
Other	993	1,290
Total current liabilities	8,230	8,232
Non-current liabilities		
Long-term borrowings	41,397	49,923
Deposits received from tenants	4,067	4,989
Other	337	279
Total non-current liabilities	45,803	55,192
Total liabilities	54,033	63,425
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	6,899	7,119
Retained earnings	45,964	50,604
Treasury shares	(473)	(367)
Total shareholders' equity	52,490	57,456
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	130	234
Foreign currency translation adjustment	70	81
Total accumulated other comprehensive income	200	316
Non-controlling interests	27	23
Total net assets	52,718	57,796
Total liabilities and net assets	106,752	121,221

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	18,888	38,828
Cost of sales	12,362	26,238
Gross profit	6,526	12,589
Selling, general and administrative expenses	3,412	2,958
Operating profit	3,113	9,631
Non-operating income		
Interest income	4	7
Rental income from buildings	2	2
Benefits income	22	1
Foreign exchange gains	296	244
Other	9	18
Total non-operating income	335	274
Non-operating expenses		
Interest expenses	233	259
Commission for a financial loan	3	108
Provision of allowance for doubtful accounts	—	84
Other	23	13
Total non-operating expenses	260	465
Ordinary profit	3,188	9,440
Extraordinary income		
Gain on sale of non-current assets	0	—
Reversal of provision for loss on liquidation of subsidiaries and associates	—	123
Gain on capital reduction with compensation of subsidiaries and affiliates	—	67
Total extraordinary income	0	190
Extraordinary losses		
Loss on retirement of non-current assets	5	—
Loss on sale of non-current assets	0	—
Loss on withdrawal from business	242	—
Total extraordinary losses	248	—
Profit before income taxes	2,940	9,631
Income taxes - current	314	3,383
Income taxes - deferred	394	39
Total income taxes	709	3,423
Profit	2,230	6,208
Loss attributable to non-controlling interests	(2)	(4)
Profit attributable to owners of parent	2,233	6,212

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	2,230	6,208
Other comprehensive income		
Valuation difference on available-for-sale securities	146	104
Foreign currency translation adjustment	1	10
Total other comprehensive income	147	115
Comprehensive income	2,378	6,323
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,381	6,328
Comprehensive income attributable to non-controlling interests	(2)	(4)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	2,940	9,631
Depreciation	326	236
Increase (decrease) in provision for bonuses	—	153
Increase (decrease) in allowance for doubtful accounts	0	86
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	—	(123)
Gain on sale of non-current assets	(0)	—
Loss on retirement of non-current assets	5	—
Loss on sale of non-current assets	0	—
Loss on withdrawal from business	242	—
Gain on capital reduction with compensation of subsidiaries and affiliates	—	(67)
Interest and dividend income	(4)	(7)
Interest expenses	233	259
Decrease (increase) in trade receivables	2	(60)
Decrease (increase) in real estate for sale	2,791	5,212
Decrease (increase) in real estate for sale in process	(1,162)	(19,200)
Decrease (increase) in advance payments to suppliers	293	294
Decrease (increase) in deposits paid	(96)	158
Increase (decrease) in advances received	(10)	102
Increase (decrease) in accounts payable - other	(248)	423
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(436)	959
Increase (decrease) in lease deposits received	(151)	921
Other, net	(200)	(150)
Subtotal	4,524	(1,172)
Interest and dividends received	3	6
Interest paid	(234)	(258)
Income taxes refund (paid)	(5,457)	(4,088)
Net cash provided by (used in) operating activities	(1,164)	(5,507)
Cash flows from investing activities		
Purchase of property, plant and equipment	(508)	(522)
Proceeds from sale of property, plant and equipment	0	—
Purchase of intangible assets	(155)	(10)
Proceeds from capital reduction of affiliated company stock	—	259
Payments for investments in capital	(550)	(0)
Payment for withdrawal from golf course business	(131)	—
Loan advances	(308)	(213)
Proceeds from collection of loans receivable	7	5
Other, net	(13)	(33)
Net cash provided by (used in) investing activities	(1,658)	(516)
Cash flows from financing activities		
Proceeds from long-term borrowings	11,110	25,730
Repayments of long-term borrowings	(14,935)	(17,084)
Purchase of treasury shares	(7,824)	(0)
Dividends paid	(1,351)	(1,569)
Repayments of finance lease liabilities	(44)	(45)
Net cash provided by (used in) financing activities	(13,046)	7,029
Effect of exchange rate change on cash and cash equivalents	121	143
Net increase (decrease) in cash and cash equivalents	(15,747)	1,148
Cash and cash equivalents at beginning of period	28,222	27,511
Cash and cash equivalents at end of period	12,474	28,660

(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)

(Disposal of Treasury Shares)

The Company disposed of 108,700 shares of treasury shares as restricted stock compensation to the executives and employees in accordance with the resolution made at the Board of Directors meeting held on June 23, 2023. As a result, treasury shares decreased by 105 million yen during the first six months of the fiscal year, and treasury shares amounted to 367 million yen at the end of the second quarter.

(Segment Information)

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

I. Six Months Ended September 30, 2022 (April 1, 2022 to September 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	15,629	326	1,019	16,976	—	16,976
Other revenues	—	1,815	97	1,912	—	1,912
Revenues from external customers	15,629	2,141	1,117	18,888	—	18,888
Transactions with other segments	—	44	12	57	(57)	—
Net sales	15,629	2,186	1,130	18,946	(57)	18,888
Operating profit (loss)	4,840	344	(1,672)	3,513	(399)	3,113

(Note) 1. The amount of -399 million yen in adjustments of segment profit (loss) is the elimination of inter-segment transactions (0 million yen) and the company-wide expenses of administrative expenses (-399 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 3,113 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. Six Months Ended September 30, 2023 (April 1, 2023 to September 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	35,275	413	926	36,614	—	36,614
Other revenues	—	2,115	97	2,213	—	2,213
Revenues from external customers	35,275	2,528	1,024	38,828	—	38,828
Transactions with other segments	—	46	3	49	(49)	—
Net sales	35,275	2,574	1,027	38,877	(49)	38,828
Operating profit (loss)	10,192	685	(742)	10,135	(504)	9,631

(Note) 1. The amount of -504 million yen in adjustments of segment profit (loss) is the company-wide expenses of administrative expenses (-504 million yen) that are not allocated to each segment. The amount of segment profit (loss) after deduction of this adjustment is the same as the amount of 9,631 million yen of operating profit stated in the quarterly consolidated statements of income.

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

(Important Subsequent Events)

The Company resolved at its Board of Directors meeting held on September 19, 2023 (including the details of resolutions at the Board of Directors meeting on October 27, 2023) to conduct a tender offer for its own shares (the “Tender Offer”) as a specific method of such purchase pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the Act and Company’s Articles of Incorporation. The Tender Offer ended on October 18, 2023, and the purchase of treasury shares based on the resolution of the Board of Directors meeting held on September 19, 2023 ended with the end of the Tender Offer (number of shares purchased: 2,841,768 shares; total purchase amount: 8,982,828,648 yen; class of shares purchased: the Company’s common stock).

In addition, with the settlement of the Tender Offer completed on November 10, 2023, the Board of Directors resolved at its meeting held on the same day to cancel the 2,841,700 treasury shares purchased in the Tender Offer pursuant to the provisions of Article 178 of the Companies Act. The scheduled cancellation date is November 16, 2023 (total number of issued shares after the cancellation: 26,239,700 shares).