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**Consolidated Financial Results for the
Six Months Ended September 30, 2022
[Japanese GAAP]**

November 11, 2022

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: Yasuhiro Katayama, Senior Operating Officer, General Manager of Administration Division
Phone: +81-3-5157-8881
Scheduled date for filing of quarterly securities report: November 11, 2022
Scheduled date of commencing dividend payments: —
Availability of supplementary briefing material on financial results: None
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, 2022 (April 1, 2022 to September 30, 2022)

(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, 2022	18,888	(5.3)	3,113	12.4	3,188	25.4	2,233	39.6
Six months ended September 30, 2021	19,937	189.7	2,769	—	2,542	—	1,599	—

(Note) Comprehensive income: Six months ended September 30, 2022: 2,378 million yen (47.7%)
Six months ended September 30, 2021: 1,610 million yen (—%)

	Profit per share	Diluted profit per share
	yen	yen
Six months ended September 30, 2022	66.67	—
Six months ended September 30, 2021	43.64	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of September 30, 2022	92,502	46,633	50.4
As of March 31, 2022	109,847	53,433	48.6

(Reference) Equity: As of September 30, 2022: 46,625 million yen
As of March 31, 2022: 53,422 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, 2022	—	0.00	—	37.00	37.00
Fiscal year ending March 31, 2023	—	0.00	—	—	—
Fiscal year ending March 31, 2023 (Forecast)	—	—	—	50.00	50.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% 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	80,000	17.0	12,500	10.0	11,600	11.1	7,500	13.1	245.48

(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, 2022	29,081,400 shares
Fiscal year ended March 31, 2022	37,081,400 shares

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

Six months ended September 30, 2022	480,711 shares
Fiscal year ended March 31, 2022	479,586 shares

- 3) Average number of shares during the period:

Six months ended September 30, 2022	33,497,954 shares
Six months ended September 30, 2021	36,654,814 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.

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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 18,888 million yen (year-on-year decrease of 5.3%), operating profit of 3,113 million yen (year-on-year increase of 12.4%), ordinary profit of 3,188 million yen (year-on-year increase of 25.4%), and profit attributable to owners of parent of 2,233 million yen (year-on-year increase of 39.6%), and remains steady as profits are increasing year-on-year.

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.

With the restriction of various business activities due to the spread of COVID-19, we started reviewing the essential value inside real estate. We work on this business by redefining that we place utmost importance on making the society, economy and environment co-exist, considering the essence of value that leads to continuous development and realizing it.

In the first six months of the fiscal year under review, we delivered to customers products including several large-scale properties in the sales price range of 2 billion yen or more with high profitability. In addition, we arranged and launched sales of the second group of our new real estate investment products enabling investments starting from units of tens of millions of yen to be made in assets under management worth 10 billion yen or so formed by bundling several large-scale properties undergoing our asset value enhancement. As a result, in the first six months of the fiscal year under review, Value Creation Services posted net sales of 15,629 million yen (year-on-year decrease of 6.7%) and segment profit of 4,840 million yen (year-on-year increase of 34.5%), and segment profit exceeded that in the same period of the previous fiscal year.

We are carrying out necessary repair works, conversion preparations, tenant leasing and sales activities toward achieving the full-year sales target for this segment as well as the purchase of large-scale properties that will contribute to the sales for the next fiscal year onwards.

(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 six months of the fiscal year under review, Value-Add Services posted net sales of 2,141 million yen (year-on-year decrease of 13.7%) and segment profit of 344 million yen (year-on-year decrease of 45.2%) due in part to properties held in the same period of the previous fiscal year steadily selling thereafter and rental income from those properties decreasing.

(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 the 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.

Despite the lingering impact of the COVID-19 pandemic, the accommodation business is on a recovery trend compared with the same period of the previous fiscal year partially due to the recovery of the flow people within Japan compared with the previous fiscal year, and "medock Comprehensive Medical Clinic" in Meguro is increasing the number of patients by deepening collaboration with companies from various sectors and health insurance associations. In addition, the emergency gas engine generators provided to clients by Raypower Inc. demonstrated effective performance during power outages caused by the heavy rain disaster this summer, and was highly evaluated by clients who had installed them.

In the first six months of the fiscal year under review, Future Value Creation Services posted net sales of 1,117 million yen (year-on-year increase of 58.8%), and segment loss of 1,672 million yen (segment loss of 1,149 million yen in the same period of the previous fiscal year) partially due to the initial investment in SAUNA RESET Pint, a newly launched sauna facility.

(2) Explanation of Financial Position

1) Changes in Financial Position

(Assets)

Current assets decreased 14,296 million yen compared with the end of the previous fiscal year to 82,026 million yen. This was primarily attributable to cash and deposits decreasing 15,738 million yen to 12,484 million yen, real estate for sale decreasing 2,632 million yen to 21,941 million yen, real estate for sale in process increasing 1,162 million yen to 39,723 million yen, and other current assets increasing 3,229 million yen to 6,957 million yen due to an increase in accounts receivable, etc. resulting from the transfer of all shares and loan claims, etc. of Asset Holdings Co., Ltd., our consolidated subsidiary.

Non-current assets decreased 3,048 million yen compared with the end of the previous fiscal year to 10,476 million yen. This was primarily attributable to a decrease of 3,545 million yen in property, plant and equipment from an increase due to acquisition, a decrease in property, plant and equipment of Asset Holdings Co., Ltd., which was excluded from the scope of consolidation due to the transfer of shares, and a decrease due to depreciation; a decrease of 48 million yen in intangible assets; and an increase of 545 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 decreased 17,344 million yen compared with the end of the previous fiscal year to 92,502 million yen.

(Liabilities)

Liabilities decreased 10,544 million yen compared with the end of the previous fiscal year to 45,869 million yen. This was primarily attributable to a decrease of 3,938 million yen in borrowings due to the difference between new fundraising and repayment of borrowings, a decrease of 5,142 million yen in income taxes payable due to the partial payment of income taxes, and a decrease of 847 million yen in accounts payable due to construction work on properties, etc.

(Net assets)

Total net assets decreased 6,800 million yen compared with the end of the previous fiscal year to 46,633 million yen. This was primarily attributable to an increase of 2,233 million yen in retained earnings following the recording of profit attributable to owners of parent, a decrease of 1,354 million yen due to dividends of surplus, and a decrease of 7,824 million yen due to the acquisition of treasury shares. While treasury shares decreased 8,000 million yen due to the cancellation of treasury shares, retained earnings decreased 8,000 million yen, and there was no impact on total net assets.

Furthermore, the equity ratio as of the end of the second quarter of the fiscal year under review has become 50.4%.

2) Cash Flows

Cash and cash equivalents (hereinafter, “funds”) at the end of the second quarter of the fiscal year under review decreased 15,747 million yen compared with the end of the previous fiscal year to 12,474 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 1,164 million yen. The main factor for inflow was the increase in funds related to 15,629 million yen in net sales in Value Creation Services. The main factors for outflow were the decrease in funds related to 4,555 million yen of payment for purchases of real estate for sale, 3,976 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, and 5,457 million yen of payment of income taxes; and the expenditure of selling, general and administrative expenses.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,658 million yen. The main factors for outflow were 508 million yen of purchase of property, plant and equipment, 550 million yen of payments for investments in capital, and 308 million yen of loan advances.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 13,046 million yen. The main factors for outflow were 3,825 million yen in the difference between new fundraising and repayment of borrowings, 7,824 million yen of purchase of treasury shares, and 1,351 million yen of dividends paid.

(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, 2022” announced on May 13, 2022.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	28,222	12,484
Trade accounts receivable	310	274
Real estate for sale	24,573	21,941
Real estate for sale in process	38,560	39,723
Advance payments to suppliers	902	619
Income taxes refund receivable	36	37
Other	3,727	6,957
Allowance for doubtful accounts	(11)	(11)
Total current assets	96,322	82,026
Non-current assets		
Property, plant and equipment		
Buildings, net	4,643	2,782
Land	1,616	490
Construction in progress	98	2
Other, net	1,484	1,023
Total property, plant and equipment	7,843	4,298
Intangible assets		
Other	259	210
Total intangible assets	259	210
Investments and other assets		
Investment securities	1,954	2,166
Deferred tax assets	1,153	680
Investments in capital	546	1,096
Long-term loans receivable	1,536	1,842
Other	709	659
Allowance for doubtful accounts	(478)	(478)
Total investments and other assets	5,421	5,967
Total non-current assets	13,524	10,476
Total assets	109,847	92,502

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Current portion of long-term borrowings	1,361	1,299
Accounts payable - other	1,610	762
Income taxes payable	5,493	351
Advances received	559	512
Provision for bonuses	4	—
Provision for loss on liquidation of subsidiaries and associates	123	123
Other	1,219	863
Total current liabilities	10,372	3,913
Non-current liabilities		
Long-term borrowings	41,910	38,032
Deposits received from tenants	3,678	3,528
Other	452	395
Total non-current liabilities	46,041	41,956
Total liabilities	56,413	45,869
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	6,899	6,899
Retained earnings	46,942	39,821
Treasury shares	(649)	(473)
Total shareholders' equity	53,292	46,347
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	57	203
Foreign currency translation adjustment	72	73
Total accumulated other comprehensive income	129	277
Non-controlling interests	11	8
Total net assets	53,433	46,633
Total liabilities and net assets	109,847	92,502

(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, 2021	Six months ended September 30, 2022
Net sales	19,937	18,888
Cost of sales	14,641	12,362
Gross profit	5,295	6,526
Selling, general and administrative expenses	2,526	3,412
Operating profit	2,769	3,113
Non-operating income		
Interest income	20	4
Rental income from buildings	2	2
Benefits income	33	22
Foreign exchange gains	0	296
Other	8	9
Total non-operating income	65	335
Non-operating expenses		
Interest expenses	276	233
Commission for a financial loan	7	3
Other	8	23
Total non-operating expenses	292	260
Ordinary profit	2,542	3,188
Extraordinary income		
Gain on sale of non-current assets	—	0
Gain on liquidation of subsidiaries and associates	7	—
Gain on sale of investment securities	9	—
Total extraordinary income	16	0
Extraordinary losses		
Loss on retirement of non-current assets	28	5
Loss on sale of non-current assets	38	0
Loss on withdrawal from business	—	242
Total extraordinary losses	66	248
Profit before income taxes	2,492	2,940
Income taxes - current	965	314
Income taxes - deferred	(73)	394
Total income taxes	892	709
Profit	1,599	2,230
Loss attributable to non-controlling interests	—	(2)
Profit attributable to owners of parent	1,599	2,233

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

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	1,599	2,230
Other comprehensive income		
Valuation difference on available-for-sale securities	8	146
Foreign currency translation adjustment	2	1
Total other comprehensive income	10	147
Comprehensive income	1,610	2,378
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,610	2,381
Comprehensive income attributable to non-controlling interests	—	(2)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	2,492	2,940
Depreciation	809	326
Loss (gain) on liquidation of subsidiaries and associates	(7)	—
Increase (decrease) in provision for bonuses	(2)	—
Increase (decrease) in allowance for doubtful accounts	125	0
Loss (gain) on sale of investment securities	(9)	—
Gain on sale of non-current assets	—	(0)
Loss on retirement of non-current assets	28	5
Loss on sale of non-current assets	38	0
Loss on withdrawal from business	—	242
Interest and dividend income	(20)	(4)
Interest expenses	276	233
Decrease (increase) in trade receivables	51	2
Decrease (increase) in real estate for sale	(4,423)	2,791
Decrease (increase) in real estate for sale in process	2,613	(1,162)
Decrease (increase) in advance payments to suppliers	132	293
Decrease (increase) in deposits paid	(452)	(96)
Increase (decrease) in advances received	(82)	(10)
Increase (decrease) in accounts payable - other	(403)	(248)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(1,057)	(436)
Increase (decrease) in lease deposits received	611	(151)
Other, net	(298)	(200)
Subtotal	422	4,524
Interest and dividends received	19	3
Interest paid	(276)	(234)
Income taxes refund (paid)	(1,527)	(5,457)
Net cash provided by (used in) operating activities	(1,361)	(1,164)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,697)	(508)
Proceeds from sale of property, plant and equipment	28	0
Purchase of intangible assets	(8)	(155)
Proceeds from sale of investment securities	52	—
Payments for investments in capital	(200)	(550)
Payment for withdrawal from golf course business	—	(131)
Loan advances	(307)	(308)
Proceeds from collection of loans receivable	49	7
Proceeds from liquidation of subsidiaries and associates	10	—
Other, net	0	(13)
Net cash provided by (used in) investing activities	(2,075)	(1,658)
Cash flows from financing activities		
Proceeds from long-term borrowings	12,373	11,110
Repayments of long-term borrowings	(10,294)	(14,935)
Purchase of treasury shares	—	(7,824)
Dividends paid	(150)	(1,351)
Repayments of finance lease liabilities	(110)	(44)
Net cash provided by (used in) financing activities	1,819	(13,046)
Effect of exchange rate change on cash and cash equivalents	4	121
Net increase (decrease) in cash and cash equivalents	(1,612)	(15,747)
Cash and cash equivalents at beginning of period	19,922	28,222
Cash and cash equivalents at end of period	18,309	12,474

(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)

(Acquisition of treasury shares)

The Company acquired 8,000,000 treasury shares based on the resolution made at its board of directors' meeting held on June 1, 2022. As a result, treasury shares increased by 7,824 million yen in the first six months of the fiscal year under review.

(Cancellation of treasury shares)

The Company carried out the cancellation of 8,000,000 treasury shares on July 29, 2022 based on the resolution made at its board of directors' meeting held on July 22, 2022. As a result, retained earnings brought forward and treasury shares both decreased by 8,000 million yen in the first six months of the fiscal year under review, and treasury shares amounted to 473 million yen at the end of the second quarter of the fiscal year under review.

(Segment Information)

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

I. Six Months Ended September 30, 2021 (April 1, 2021 to September 30 2021)

(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	16,752	311	632	17,696	—	17,696
Other revenues	—	2,169	71	2,240	—	2,240
Revenues from external customers	16,752	2,481	703	19,937	—	19,937
Transactions with other segments	—	72	28	101	(101)	—
Net sales	16,752	2,554	732	20,038	(101)	19,937
Operating profit (loss)	3,597	628	(1,149)	3,077	(307)	2,769

(Note) 1. The amount of -307 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 (-307 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 2769 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, 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.

(Important Subsequent Events)

(Tender offer for the Company's Stock)

The tender offer for the common stock of the Company (the "Company's Stock") that was conducted by Rays Company (Hong Kong) Limited (the "Tender Offeror") from September 21, 2022 (the "Tender Offer") ended on November 4, 2022, and the result of the Tender Offer was reported by the Tender Offeror.

1. Results of the Tender Offer

As stated in the "Notice Concerning the Results of the Tender Offer for the Company's Stock by Rays Company (Hong Kong) Limited and Changes of Parent Company, Controlling Shareholder Other than Parent Company and Largest Shareholder Which is as a Major Shareholder" announced by the Company on November 5, 2022, since the total number of shares tendered in response to the Tender Offer (22,752,173 shares) exceeded the maximum number of the shares to be purchased (18,364,300 shares), the acquisition of 18,364,300 shares of the Company's Stock, which is the maximum number of the shares to be purchased, was reported. As a result, the ratio of the number of voting rights held by the Tender Offeror to the number of voting rights held by all shareholders of the Company reached a majority. Therefore, the Tender Offeror currently falls under the category of a parent company of the Company.

2. Changes of Parent Company and Other Affiliated Companies

Date of change

November 11, 2022 (commencement date of the settlement of the Tender Offer)

3. Overview of the Parent Company

(a) Rays Company (Hong Kong) Limited

Name	Rays Company (Hong Kong) Limited
Address	25/F, LHT Tower, 31 Queen's Road Central, Hong Kong
Name of representative	Seth Fischer, Director
Capital	100,000 HKD
Business description	Investment business

(b) RS Company Ltd.

Name	RS Company Ltd.
Address	P.O. BOX 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Name of representative	Seth Fischer, Director
Capital	50,000 USD
Business description	Investment business

(c) Oasis Management Company Ltd.

Name	Oasis Management Company Ltd.
Address	4th Floor Anderson Square, 64 Shedden Road, P.O. BOX 10324, Grand Cayman, KY 1-1103, Cayman Islands
Name of representative	Seth Fischer, CIO
Capital	50,000 USD
Business description	Investment management business

4. Future Outlook

As the Tender Offeror will hold 18,364,300 shares of the Company's Stock (64.21% of the voting rights of all shareholders of the Company) after the Tender Offer, the Company will become a consolidated subsidiary of the Tender Offeror. However, as stated in "Notice on the Expression of Opinions Concerning the Tender Offer for the Company's Stock by Rays Company (Hong Kong) Limited" announced by the Company on September 20, 2022, the Company and the Tender Offeror have confirmed the intent to maintain the listing of the Company's Stock even after the Company becomes a consolidated subsidiary, and the listing of the Company's Stock on the Tokyo Stock Exchange Standard Market is scheduled to be maintained even after the Tender Offer.