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**Consolidated Financial Results for the
Nine Months Ended December 31, 2023
[Japanese GAAP]**

February 9, 2024

Company name: Raysum Co., Ltd. Stock exchange listing: Tokyo Stock Exchange
Code number: 8890 URL: <http://www.raysum.co.jp/en/>
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Scheduled date for filing of quarterly securities report: February 14, 2024
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 Nine Months Ended December 31, 2023 (April 1, 2023 to December 31, 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	%
Nine months ended December 31, 2023	53,250	127.9	11,597	301.4	10,838	303.6	7,047	276.4
Nine months ended December 31, 2022	23,361	(49.0)	2,889	(64.9)	2,685	(66.0)	1,872	(62.8)

(Note) Comprehensive income: Nine months ended December 31, 2023: 7,098 million yen (262.6%)
Nine months ended December 31, 2022: 1,957 million yen (-61.3%)

	Profit per share	Diluted profit per share
	yen	yen
Nine months ended December 31, 2023	249.76	—
Nine months ended December 31, 2022	58.77	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of December 31, 2023	121,998	57,873	47.4
As of March 31, 2023	106,752	52,718	49.4

(Reference) Equity: As of December 31, 2023: 57,854 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 nine 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):

Nine months ended December 31, 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:

Nine months ended December 31, 2023	378,744 shares
Fiscal year ended March 31, 2023	482,711 shares

- 3) Average number of shares during the period:

Nine months ended December 31, 2023	28,216,895 shares
Nine months ended December 31, 2022	31,859,532 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 nine months of the fiscal year under review recorded net sales of 53,250 million yen (year-on-year increase of 127.9%), operating profit of 11,597 million yen (year-on-year increase of 301.4%), ordinary profit of 10,838 million yen (year-on-year increase of 303.6%), and profit attributable to owners of parent of 7,047 million yen (year-on-year increase of 276.4%). The Company has achieved a steady performance in sales and profits in Value Creation Services, which is its core business, resulting in a significant increase in both sales and profits year on year. The Company is also making steady progress toward achieving its full-year forecast.

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 nine 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, commercial buildings near Kichijoji Station in Tokyo and Urawa Station in Saitama Prefecture, a large commercial building opposite Musashi-Urawa Station, and a new office building near Shimokitazawa Station. In the first nine months of the fiscal year under review, Value Creation Services posted net sales of 47,831 million yen (year-on-year increase of 158.0%) and segment profit of 12,349 million yen (year-on-year increase of 152.7%), representing a significant increase year on year, as well as continuing to make steady progress toward the achievement of the full-year performance targets. 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 completely sold out during the quarter, and we have already started 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 nine months of the fiscal year under review, Value-Add Services posted net sales of 3,792 million yen (year-on-year increase of 18.2%) and segment profit of 1,034 million yen (year-on-year increase of 103.3%). 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 nine 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 1,625 million yen (year-on-year increase of 1.0%), and segment loss of 1,038 million yen (segment loss of 1,941 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 by 14,131 million yen compared with the end of the previous fiscal year to 110,348 million yen. This was primarily attributable to a decrease of 661 million yen in cash and deposits to 26,862 million yen, a decrease of 4,691 million yen in real estate for sale to 40,476 million yen, and an increase of 19,770 million yen in real estate for sale in process to 36,849 million yen.

Fixed assets increased by 11,114 million yen compared with the end of the previous fiscal year to 11,650 million yen. This was attributable to an increase of 59 million yen in acquisition of property, plant and equipment and a decrease due to depreciation, etc., a decrease of 18 million yen in intangible assets, and an increase of 1,074 million yen in investments and other assets.

As a result, total assets at the end of the third quarter of the fiscal year under review increased by 15,245 million yen compared with the end of the previous fiscal year to 121,998 million yen.

(Liabilities)

Liabilities increased by 10,091 million yen compared with the end of the previous fiscal year to 64,124 million yen. This was primarily attributable to an increase of 11,250 million yen in borrowings due to the difference between new fundraising and repayment of loans, a decrease of 2,448 million yen in income taxes payable resulting from the payment of income taxes, an increase of 1,005 million yen in deposits received from tenants of the properties managed by the Company, and an increase of 52 million yen in accounts payable due to construction work on properties, etc.

(Net assets)

Total net assets increased by 5,154 million yen compared with the end of the previous fiscal year to 57,873 million yen. This was primarily attributable to an increase of 7,047 million yen in retained earnings following the recording of profit attributable to owners of parent, a decrease of 1,572 million yen due to dividends of surplus, a decrease of 8,983 million yen due to the acquisition of treasury shares, an increase of 4,142 million yen in capital and capital reserves respectively due to a public offering and third-party allotment, 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. In addition, while treasury shares decreased by 8,252 million yen due to the cancellation of treasury shares, other capital surplus and retained earnings decreased by 220 million yen and 8,031 million yen, respectively. Therefore, there was no impact on the total net assets.

The equity ratio as of the end of the third quarter of the fiscal year under review was 47.4%.

2) Cash Flows

Cash and cash equivalents (hereinafter, "funds") at the end of the third quarter of the fiscal year under review decreased by 665 million yen compared with the end of the previous fiscal year to 26,845 million yen.

Cash flows in the first nine 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 decreased by 7,880 million yen. The main factor for inflow was the increase in funds related to 47,831 million yen in net sales in Value Creation Services. The main factors for outflow were the decrease in funds related to 40,348 million yen of payment for purchases of real estate for sale in Value Creation Services, 7,821 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, the expenditure of selling, general and administrative expenses, and payment of income taxes.

(Cash flows from investing activities)

Net cash used in investing activities decreased by 1,705 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 1,082 million yen for purchase of shares of affiliates, 546 million yen for purchase of property, plant and equipment and 278 million yen of loan payments.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 8,914 million yen. The main factors for inflow were the difference of 11,250 million yen between new fundraising and repayment of borrowings and 8,285 million yen in proceeds from issuance of shares, while the main factors for outflow were 8,983 million yen for purchase of treasury shares and payment of dividends of 1,569 million.

(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 December 31, 2023
Assets		
Current assets		
Cash and deposits	27,524	26,862
Trade accounts receivable	377	446
Real estate for sale	45,167	40,476
Real estate for sale in process	17,079	36,849
Raw materials	1,426	927
Advance payments to suppliers	1,155	1,161
Income taxes refund receivable	35	53
Other	3,460	3,695
Allowance for doubtful accounts	△10	△124
Total current assets	96,216	110,348
Non-current assets		
Property, plant and equipment		
Buildings, net	2,710	2,965
Land	490	490
Construction in progress	189	—
Other, net	924	917
Total property, plant and equipment	4,314	4,373
Intangible assets		
Other	214	196
Total intangible assets	214	196
Investments and other assets		
Investment securities	1,915	2,823
Deferred tax assets	1,365	1,139
Investments in capital	1,118	1,119
Long-term loans receivable	2,094	2,367
Other	1,148	1,295
Allowance for doubtful accounts	△1,636	△1,665
Total investments and other assets	6,005	7,080
Total non-current assets	10,535	11,650
Total assets	106,752	121,998

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Current portion of long-term borrowings	1,359	1,640
Accounts payable - other	1,048	1,101
Income taxes payable	4,052	1,604
Advances received	652	556
Provision for bonuses for directors (and other officers)	—	80
Provision for bonuses	—	105
Provision for loss on liquidation of subsidiaries and associates	123	—
Other	993	1,344
Total current liabilities	8,230	6,433
Non-current liabilities		
Long-term borrowings	41,397	52,368
Deposits received from tenants	4,067	5,072
Other	337	250
Total non-current liabilities	45,803	57,691
Total liabilities	54,033	64,124
Net assets		
Shareholders' equity		
Share capital	100	4,242
Capital surplus	6,899	11,041
Retained earnings	45,964	43,407
Treasury shares	△473	△1,098
Total shareholders' equity	52,490	57,594
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	130	184
Foreign currency translation adjustment	70	76
Total accumulated other comprehensive income	200	260
Non-controlling interests	27	18
Total net assets	52,718	57,873
Total liabilities and net assets	106,752	121,998

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

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	23,361	53,250
Cost of sales	15,979	37,122
Gross profit	7,381	16,127
Selling, general and administrative expenses	4,492	4,529
Operating profit	2,889	11,597
Non-operating income		
Interest income	7	12
Rental income from buildings	4	4
Benefits income	23	2
Foreign exchange gains	130	116
Other	9	18
Total non-operating income	175	154
Non-operating expenses		
Interest expenses	346	428
Commission for a financial loan	5	267
Provision of allowance for doubtful accounts	—	142
Other	27	76
Total non-operating expenses	379	914
Ordinary profit	2,685	10,838
Extraordinary income		
Gain on sale of non-current assets	0	—
Gain on sale of shares of subsidiaries and associates	5	—
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	5	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	2,442	11,029
Income taxes - current	132	3,793
Income taxes - deferred	419	196
Total income taxes	551	3,990
Profit	1,891	7,038
Profit (loss) attributable to non-controlling interests	18	△9
Profit attributable to owners of parent	1,872	7,047

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

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	1,891	7,038
Other comprehensive income		
Valuation difference on available-for-sale securities	67	54
Foreign currency translation adjustment	△0	5
Total other comprehensive income	66	60
Comprehensive income	1,957	7,098
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,938	7,107
Comprehensive income attributable to non-controlling interests	18	△9

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	2,442	11,029
Depreciation	453	358
Increase (decrease) in provision for bonuses	—	186
Increase (decrease) in allowance for doubtful accounts	0	143
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	—
Loss (gain) on sale of shares of subsidiaries and associates	△5	—
Gain on capital reduction with compensation of subsidiaries and affiliates	—	△67
Interest and dividend income	△7	△12
Interest expenses	346	428
Decrease (increase) in trade receivables	△32	△69
Decrease (increase) in real estate for sale	△16,044	4,750
Decrease (increase) in real estate for sale in process	9,296	△19,770
Decrease (increase) in advance payments to suppliers	△21	△5
Decrease (increase) in deposits paid	△119	188
Increase (decrease) in advances received	△78	△96
Increase (decrease) in accounts payable - other	△302	357
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	△663	893
Increase (decrease) in lease deposits received	228	1,004
Other, net	140	△406
Subtotal	△4,118	△1,211
Interest and dividends received	6	11
Interest paid	△343	△420
Income taxes (paid) refund	△5,836	△6,259
Net cash provided by (used in) operating activities	△10,291	△7,880
Cash flows from investing activities		
Purchase of property, plant and equipment	△516	△546
Proceeds from sale of property, plant and equipment	0	—
Purchase of intangible assets	△192	△29
Purchase of shares of subsidiaries and associates	—	△1,082
Proceeds from sale of shares of subsidiaries and associates	33	—
Proceeds from capital reduction of affiliated company stock	—	259
Payments for investments in capital	△573	△0
Proceeds from withdrawal from golf course business	2,050	—
Loan advances	△458	△278
Proceeds from collection of loans receivable	10	8
Other, net	△40	△35
Net cash provided by (used in) investing activities	313	△1,705
Cash flows from financing activities		
Proceeds from long-term borrowings	17,718	35,730
Repayments of long-term borrowings	△17,448	△24,479
Proceeds of share issuance	—	8,285
Purchase of treasury shares	△7,824	△8,983
Dividends paid	△1,351	△1,569
Repayments of finance lease liabilities	△67	△68
Net cash provided by (used in) financing activities	△8,972	8,914
Effect of exchange rate change on cash and cash equivalents	41	5
Net increase (decrease) in cash and cash equivalents	△18,908	△665
Cash and cash equivalents at beginning of period	28,222	27,511
Cash and cash equivalents at end of period	9,313	26,845

(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 nine months of the fiscal year.

(Acquisition of Treasury Shares)

The Company purchased the 2,841,768 treasury shares based on the resolution of the Board of Directors meeting held on September 19, 2023. As a result, treasury shares increased by 8,982 million yen during the first nine months of the fiscal year.

(Cancellation of Treasury Shares)

The Company cancelled 2,841,700 treasury shares on November 16, 2023, based on the resolution of the Board of Directors meeting held on November 10, 2023. As a result, other capital surplus, retained earnings and treasury shares decreased by 220 million yen, 8,031 million yen, and 8,252 million yen, respectively, during the first nine months of the fiscal year, and treasury shares amounted to 1,098 million yen at the end of the third quarter of the fiscal year.

(Public Offering and Third-Party Allotment)

The Company has implemented a capital increase by public offering through the issuance of new shares and allotment of new shares to third parties in relation to the public offering with a payment date of December 4, 2023 and December 22, 2023. As a result, both share capital and capital reserve increased by 4,142 million yen, respectively.

As a result, share capital and capital surplus amounted to 4,242 million yen and 11,041 million yen, respectively, at the end of the third quarter of the fiscal year.

(Segment Information)

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

I. Nine Months Ended December 31, 2022 (April 1, 2022 to December 31, 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	18,541	481	1,463	20,486	—	20,486
Other revenues	—	2,728	146	2,875	—	2,875
Revenues from external customers	18,541	3,209	1,609	23,361	—	23,361
Transactions with other segments	—	66	15	82	(82)	—
Net sales	18,541	3,276	1,625	23,443	(82)	23,361
Operating profit (loss)	4,886	508	(1,941)	3,453	(564)	2,889

(Note) 1. The amount of -564 million yen in reconciling items of segment profit (loss) is the elimination of inter-segment transactions (-0 million yen) and the company-wide expenses of administrative expenses (-564 million yen) that are not allocated to each segment. The amount of segment profit (loss) after deduction of reconciling items is the same as the amount of 2,889 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. Nine Months Ended December 31, 2023 (April 1, 2023 to December 31, 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	47,831	604	1,478	49,915	—	49,915
Other revenues	—	3,188	146	3,334	—	3,334
Revenues from external customers	47,831	3,792	1,625	53,250	—	53,250
Transactions with other segments	—	74	5	80	(80)	—
Net sales	47,831	3,867	1,631	53,330	(80)	53,250
Operating profit (loss)	12,349	1,034	(1,038)	12,345	(747)	11,597

(Note) 1. The amount of -747 million yen in reconciling items of segment profit (loss) is the company-wide expenses of administrative expenses (-747 million yen) that are not allocated to each segment. The amount of segment profit (loss) after deduction of reconciling items is the same as the amount of 11,597 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.