

RAYSUM

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Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2024

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Consolidated Financial Results

PL	FY Ending March 2023	FY Ending March 2024	Year-on-year change	Year-on-year % change	FY Ending March 2024	
	Q3 Actual	Q3 Actual			Initial plan	Progression rate
(in million yen)						
Net sales	23,361	53,250	+29,888	+127.9%	90,000	59.2%
Gross profit	7,381	16,127	+8,745	+118.5%	N/A	N/A
Gross profit margin	31.6%	30.3%	-	-1.3%	N/A	N/A
Operating profit	2,889	11,597	+8,708	+301.4%	18,000	64.4%
Operating profit margin	12.4%	21.8%	-	+9.4%	20.0%	N/A
Ordinary profit	2,685	10,838	+8,152	+303.6%	16,800	64.5%
Ordinary profit margin	11.5%	20.4%	-	+8.9%	18.7%	N/A
Profit attributable to owners of the parent	1,872	7,047	+5,175	+276.4%	11,000	64.1%
Net income margin	8.0%	13.2%	-	+5.2%	12.2%	N/A

Financial highlights

Several large properties were sold in Q3, too. As of the end of Q3, progress toward the full-year forecast was 64.4% for operating profit and 64.1% for profit attributable to owners of the parent. As with last year, several large property sales are scheduled for Q4.

Gross profit rose approx. 119% year-on-year while operating profit rose approx. +301% year-on-year.

Steady performance toward achievement of full-year forecasts

Virtuous circle of increased operating leverage as net sales increases

Segment Highlights

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	FY Ending March 2023	FY Ending March 2024	Year-on-year change	Year-on-year % change	FY Ending March 2024	
	Q3 Actual	Q3 Actual			Initial plan	Progression rate
PL (in million yen)						
Net sales	23,361	53,250	+29,888	+127.9%	90,000	59.2%
Value Creation Services	18,541	47,831	+29,289	+158.0%	82,500	58.0%
Value-Add Services	3,209	3,792	+582	+18.2%	4,500	84.3%
Future Value Creation Services	1,609	1,625	+15	+1.0%	3,000	54.2%
Operating profit	2,889	11,597	+8,708	+301.4%	18,000	64.4%
Value Creation Services	4,886	12,349	+7,463	+152.7%	19,000	65.0%
Value-Add Services	508	1,034	+525	+103.3%	900	115.0%
Future Value Creation Services	-1,941	-1,038	+903	NM	-1,000	NM
Adjustment of all companies	-564	-747	-183	NM	-900	NM

Segment highlights (See P.8 for business details by segment)

In the core Value Creation Services segment, the positive trend of the first six months of the year continued in Q3 and several large properties were sold in Q3. Both net sales and operating profit

In the Value-Add Services segment, rental income increased due to progress in procuring income-generating real estate in the Value Creation Services Segment.

In the Future Value Creation Services segment, despite the impact from the deconsolidation of the golf course business which was sold in the previous fiscal year, every business has expanded.

Value Creation Services drove overall performance

Revenue and profits increased in Value-Add Services

Future Value Creation Services saw a increase in revenue and a narrowing in the operating loss

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Consolidated Balance Sheet

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	FY Ending March 2023 Actual	FY Ending March 2024 Q3 Actual	Change from previous year-end	Comments
Balance Sheet (in million yen)				
Current assets	96,216	110,348	+14,131	
Cash and deposits	27,524	26,862	-661	
Real estate for sale	45,167	40,476	-4,691	Steady trend of purchasing real estate
Real estate for sale in process	17,079	36,849	+19,770	
Non-current assets	10,535	11,650	+1,114	
Total assets	106,752	121,998	+15,245	
Current liabilities	8,230	6,433	-1,797	
Current portion of long-term borrowings	1,359	1,640	+280	General borrowing terms: 10 year loan term with amortization period of 20-30 years
Income taxes payable	4,052	1,604	-2,448	
Non-current liabilities	45,803	57,691	+11,888	
Long-term borrowings	41,397	52,368	+10,970	Inventory levels are rising, and borrowing is also increasing
Deposits received from tenants	4,067	5,072	+1,005	
Total liabilities	54,033	64,124	+10,091	
Net assets	52,718	57,873	+5,154	Increase of approximately 7 billion yen in net income; decrease of approximately 1.6 billion yen due to dividend payments; decrease of approx. 9 billion yen due to purchase of treasury shares, increase of approx. 8.3 billion yen due to a capital increase via public offering.
Total liabilities and net assets	106,752	121,998	+15,245	

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Consolidated Statement of Cash Flows

	FY Ending March 2023 Q3 Actual	FY Ending March 2024 Q3 Actual	Year-on-year change	Comments
Cash flows (in million yen)				
Cash flow from operating activities	-10,291	-7,880	+2,410	Approx. 47.8 billion yen of net sales in Value Creation Services; approx. 40.3 billion yen spent on real estate purchases; approx. 7.8 billion yen spent on renovation work, SG&A expenses, income taxes, etc.
Cash flows from investing activities	313	-1,705	-2,019	Approx. 300 million yen of proceeds from paid-in capital reduction of shares in affiliates; approx. 1.1 billion yen spent on purchase of shares of subsidiaries and affiliates; approx. 500 million yen spent on the acquisition of non-current assets; lending of approx. 300 million yen
Cash flows from financing activities	-8,972	8,914	+17,887	Increase of approx. 11.2 billion yen from the difference between new financing and repayment of borrowings; approx. 8.3 billion yen of proceeds from stock issuance; treasury share purchases of approx. 9 billion yen; dividend payments of approx. 1.6 billion yen
Exchange rate impact 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 year	28,222	27,511		
Cash and cash equivalents at the end of year	9,313	26,845		

Progression Rate of Operating Profit by Quarter

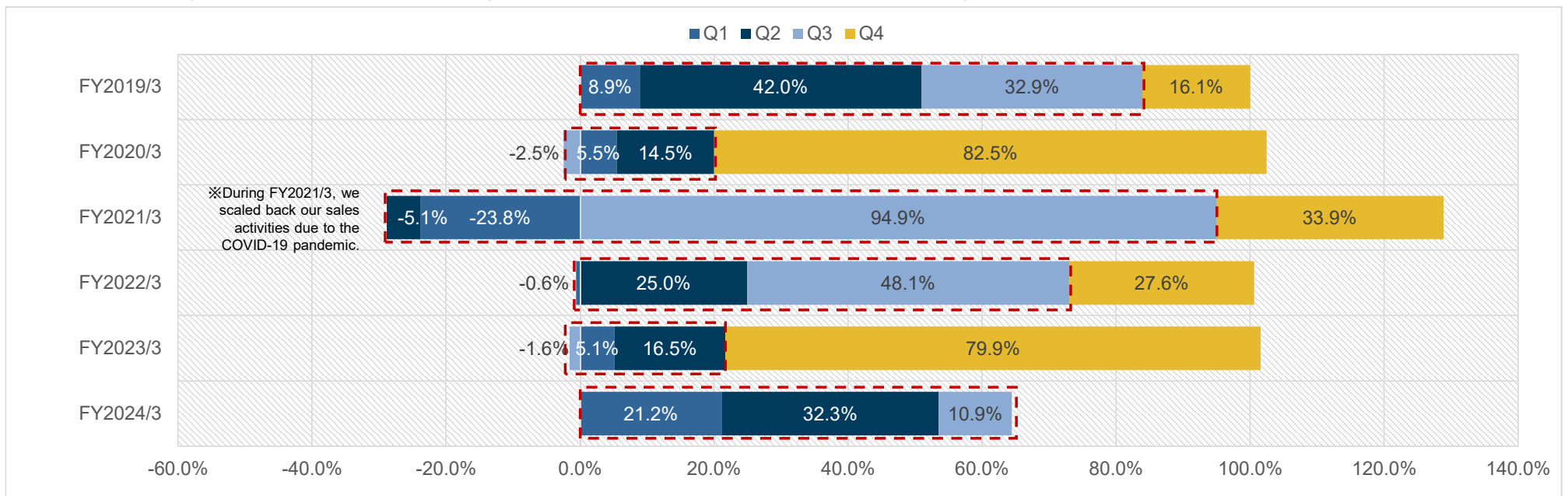


Over the last five years, from FY2019/3 through FY2023/3, the average and median progression rates of operating profit as a percentage of full year profit at the end of Q3 were 52.0% and 66.1%, respectively. Progress toward the full-year forecast for the current fiscal year was **64.4%** at the end of Q3.



Although the progress rate was below 75% as of the end of Q3, the company's sales and profits tend to be seasonally weighted to the 2nd half, with several large property sales also scheduled for Q4. **The company is on track to achieve its full-year operating profit target of 18 billion yen, and is making further efforts in procurement and sales initiatives to drive sales growth in the next fiscal year and beyond.**

Progression rate of operating profit in each quarter for the past five years compared to the current quarter



Notes: For the period from FY2019/3 to FY2023/3, the denominator is actual full-year operating profit; for FY2024/3, the denominator is the target full-year operating profit of 18 billion yen.

Ratio of Tradable Shares Improved Significantly due to the Share Buyback through Tender Offer and Public Offering

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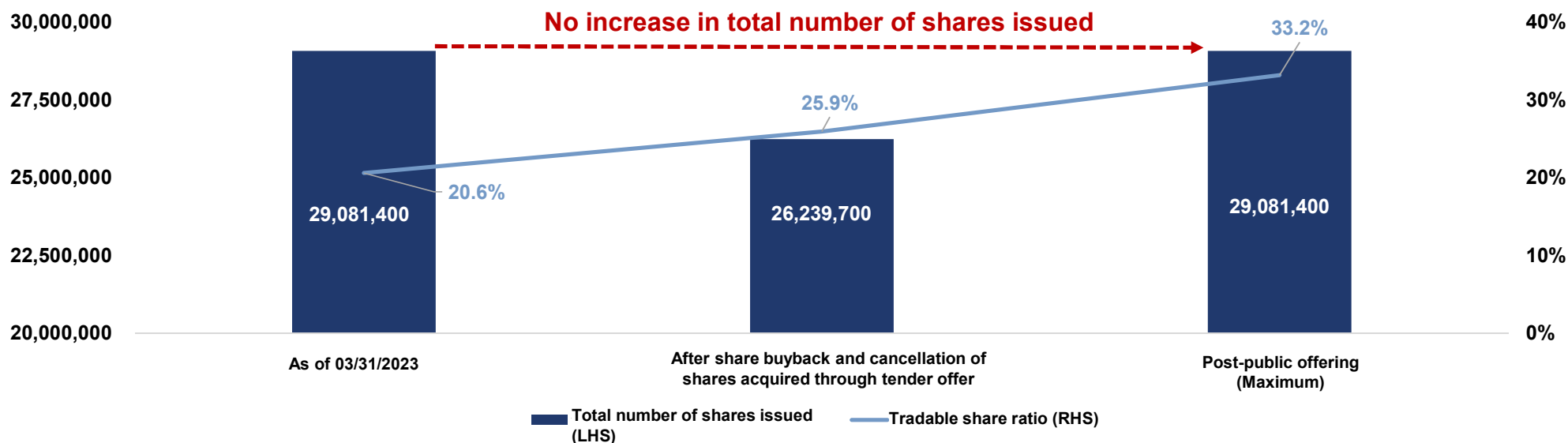


During Q3, the company conducted a self-tender offer and a public offering. **The tradable share ratio increased significantly** following the acquisition and cancellation of shares from Japan Investment Inc., the former second largest shareholder in the Company and through public offering.



Since the public offering is exactly the same size as the number of shares acquired via the share buyback through the self-tender offer, **there is no share dilution** through this series of corporate actions.

Total number of shares issued and tradable share ratio after share buyback through tender offer and public offering (Note)



Notes: Assumes that all 700,000 shares sold in the market in June-July 2023 under the preliminary plan known by Japan Investment Inc. have become tradable shares.

The number of shares to be issued in the public offering (the same number of shares acquired through the tender offer and canceled) is 2,841,700 shares. Calculations are based on the assumption that all 2,840,700 shares, excluding the 1,000 shares remaining in Japan Investment Inc. after the tender offer become tradable shares.

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Raysum's Business Segment

(Repost from materials published in May 2023)

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	Details	Revenue FY Ending March 2023 (Percentage of total)	Operating Profit FY Ending March 2023 (Operating profit margin)									
Value Creation Services	<p>Purchase and sale of real estate</p> <ul style="list-style-type: none"> ✓ Our core business ✓ We utilize the following methods to enhance value with a focus on increasing NOI. The methods used in 101 property sales over the past 5 years until FY23/3 were as follows. (For some cases, methods overlap or do not belong to any of the below categories) <table border="1"> <tr> <td>Increase NOI 62 cases</td> <td>Change of use/increase floor area ratio 8 cases</td> <td>Large-scale renovation 33 cases</td> <td>Create land for development 16 cases</td> <td>New construction development 14 cases</td> <td>Coordinate/consolidate land rights 23 cases</td> </tr> </table> <ul style="list-style-type: none"> ✓ We pride ourselves as being one of the few listed players with the expertise to offer the optimal solution from a wide range of options, including complex methods such as those outlined above ✓ Our transactions have covered almost all asset classes over the past five years until FY23/5 as shown below (measured by value). <table border="1"> <tr> <td>Offices 40%</td> <td>Commercial 32%</td> <td>Residential 13%</td> </tr> </table> <ul style="list-style-type: none"> ✓ By region, the majority of our projects are in major cities, with Tokyo accounting for approx. 70% of projects by value ✓ At the end of 2021, we launched a scheme to commercialize multiple properties in small lots and sell units to individual 	Increase NOI 62 cases	Change of use/increase floor area ratio 8 cases	Large-scale renovation 33 cases	Create land for development 16 cases	New construction development 14 cases	Coordinate/consolidate land rights 23 cases	Offices 40%	Commercial 32%	Residential 13%	<p>61,419 Million Yen 90.4%</p>	<p>16,653 Million Yen 27.1%</p>
	Increase NOI 62 cases	Change of use/increase floor area ratio 8 cases	Large-scale renovation 33 cases	Create land for development 16 cases	New construction development 14 cases	Coordinate/consolidate land rights 23 cases						
Offices 40%	Commercial 32%	Residential 13%										
Value-Add Services	<p>Real estate leasing and building management</p> <ul style="list-style-type: none"> ✓ Rental income from Value Creation Services segment, management fees and other income from properties that the Company manages ✓ Real estate management services for clients who have purchased real estate from Value Creation Services segment and who retain the Company to continue to manage their assets ✓ As of the end of March 2023 we managed approx. 180 properties/1,800 rooms 	<p>4,416 Million Yen 6.5%</p>	<p>765 Million Yen 17.3%</p>									
Future Value Creation Services	<p>Various business activities leveraging our accumulated real estate expertise</p> <ul style="list-style-type: none"> ✓ Businesses include the operation of lodging facilities, the manufacture and sale of bread and confectionery, the development, manufacture, and sale of gas engine generators, and support services for advanced medical care ✓ The segment is loss-making at present, but we are increasingly confident in our ability to reduce the deficit and return to profit in future 	<p>2,071 Million Yen 3.0%</p>	<p>-2,302 Million Yen (NM)</p>									

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Raysum's Business Model (Value Creation Services/Value-Add Services) (Repost from materials published in May 2023)

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

Purchase

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

Value Enhancement

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

Sale

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

- A corporate culture and employees who relish challenges

Policy of Shareholder Return

(Repost from materials published in May 2023)

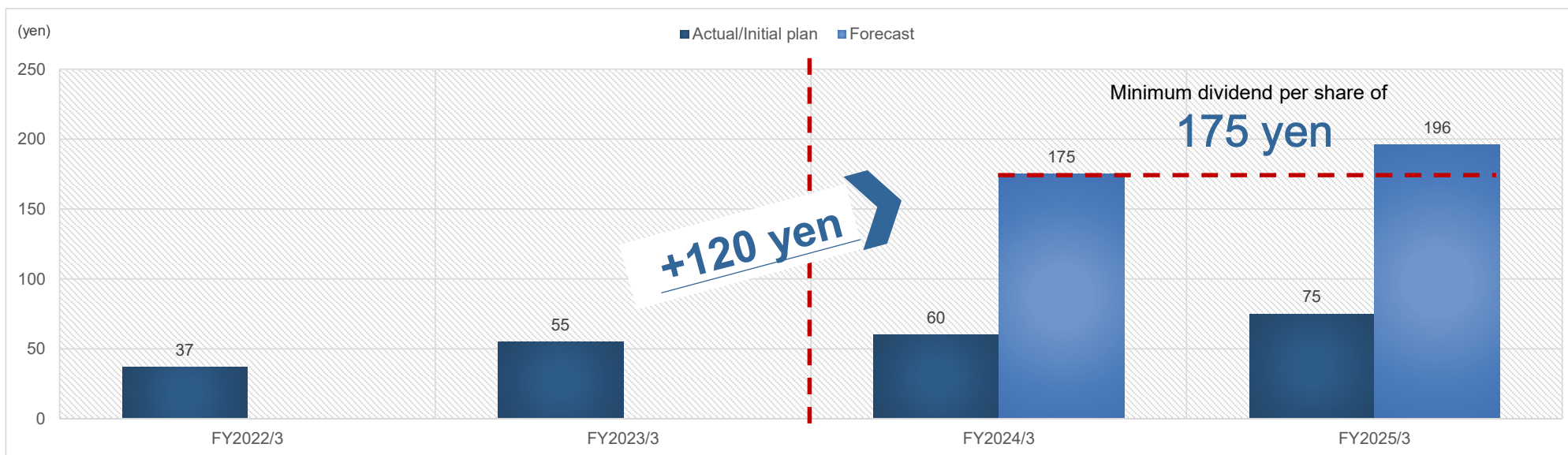
FY2023/3 Dividend per share

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

FY2024/3 ~ FY2025/3 Shareholder returns policy

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

Dividend per share



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