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On **August 14, 2020**, Raysum Co., Ltd. announced earnings results for Q1 FY03/21.

Cumulative (JPYmn)	FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	7,802	17,806	20,100	54,938	3,242			
YoY	7.2%	-46.8%	-59.7%	-6.2%	-58.4%			
Gross profit	1,685	4,521	5,252	16,747	559			
YoY	-19.6%	-43.7%	-58.7%	6.8%	-66.8%			
GPM	21.6%	25.4%	26.1%	30.5%	17.2%			
SG&A expenses	1,016	2,072	3,105	4,504	951			
YoY	-8.7%	-14.8%	-11.4%	-3.9%	-6.4%			
SG&A ratio	13.0%	11.6%	15.4%	8.2%	29.3%			
Operating profit	669	2,449	2,146	12,242	-391			
YoY	-31.9%	-56.3%	-76.7%	11.4%	-			
OPM	8.6%	13.8%	10.7%	22.3%	-			
Recurring profit	578	2,290	1,955	11,962	-456			
YoY	-42.8%	-59.3%	-78.7%	9.7%	-			
RPM	7.4%	12.9%	9.7%	21.8%	-			
Net income	445	1,631	1,413	7,939	-336			
YoY	-30.9%	-56.1%	-76.6%	0.6%	-			
Net margin	5.7%	9.2%	7.0%	14.5%	-			

Quarterly (JPYmn)	FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	7,802	10,004	2,294	34,838	3,242			
YoY	7.2%	-61.8%	-86.1%	303.5%	-58.4%			
Gross profit	1,685	2,836	731	11,495	559			
YoY	-19.6%	-52.2%	-84.4%	289.4%	-66.8%			
GPM	21.6%	28.3%	31.9%	33.0%	17.2%			
SG&A expenses	1,016	1,056	1,033	1,399	951			
YoY	-8.7%	-19.9%	-3.6%	18.2%	-6.4%			
SG&A ratio	13.0%	10.6%	45.0%	4.0%	29.3%			
Operating profit	669	1,780	-303	10,096	-391			
YoY	-31.9%	-61.5%	-	471.4%	-			
OPM	8.6%	17.8%	-	29.0%	-			
Recurring profit	578	1,712	-335	10,007	-456			
YoY	-42.8%	-63.0%	-	481.5%	-			
RPM	7.4%	17.1%	-	28.7%	-			
Net income	445	1,186	-218	6,526	-336			
YoY	-30.9%	-61.4%	-	249.7%	-			
Net margin	5.7%	11.9%	-	18.7%	-			

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Figures rounded to the nearest million yen. (The company rounds down amounts under JPY1mn.)

Quarterly performance by segment

Segment revenue and profit (cumulative; JPYmn)	FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	7,802	17,806	20,100	54,938	3,242			
YoY	7.2%	-46.8%	-59.7%	-6.2%	-58.4%			
Wealth Management	5,945	13,993	14,392	47,621	1,918			
YoY	6.2%	-53.6%	-68.0%	-8.2%	-67.7%			
Property Management	1,279	2,585	3,829	5,041	1,131			
YoY	28.9%	20.3%	14.7%	10.3%	-11.6%			
Other	577	1,226	1,878	2,275	192			
YoY	80.9%	61.1%	52.1%	33.0%	-66.7%			
Operating profit	669	2,449	2,146	12,242	-391			
YoY	-31.9%	-56.3%	-76.7%	11.4%	-			
OPM	8.6%	13.8%	10.7%	22.3%	-			
Wealth Management	608	2,270	1,919	12,221	-100			
YoY	-24.4%	-56.5%	-78.5%	13.3%	-			
OPM	10.2%	16.2%	13.3%	25.7%	-			
Property Management	320	676	989	1,250	292			
YoY	-4.2%	-1.3%	7.7%	9.3%	-8.8%			
OPM	25.0%	26.2%	25.8%	24.8%	25.8%			
Other	-117	-213	-342	-645	-441			
YoY	-	-	-	-	-			
OPM	-	-	-	-	-			
Adjustments	-142	-283	-419	-583	-142			

Segment revenue and profit (quarterly; JPYmn)	FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	7,802	10,004	2,294	34,838	3,242			
YoY	7.2%	-61.8%	-86.1%	303.5%	-58.4%			
Wealth Management	5,945	8,048	399	33,229	1,918			
YoY	6.2%	-67.3%	-97.3%	379.6%	-67.7%			
Property Management	1,279	1,306	1,244	1,212	1,131			
YoY	28.9%	13.0%	4.5%	-1.5%	-11.6%			
Other	577	649	652	397	192			
YoY	80.9%	46.8%	37.6%	-16.6%	-66.7%			
Operating profit	669	1,780	-303	10,096	-391			
YoY	-31.9%	-61.5%	-	471.4%	-			
OPM	8.6%	17.8%	-	29.0%	-			
Wealth Management	608	1,662	-351	10,302	-100			
YoY	-24.4%	-62.4%	-	448.0%	-			
OPM	10.2%	20.7%	-	31.0%	-			
Property Management	320	356	313	261	292			
YoY	-4.2%	1.4%	34.3%	15.5%	-8.8%			
OPM	25.0%	27.3%	25.2%	21.5%	25.8%			
Other	-117	-96	-129	-303	-441			
YoY	-	-	-	-	-			
OPM	-	-	-	-	-			
Adjustments	-142	-141	-136	-164	-142			

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Figures rounded to the nearest million yen. (The company rounds down amounts under JPY1mn.)

Inventories

(JPYmn)	FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Inventories	42,646	41,677	60,093	48,390	55,723			
QoQ change	958	-11	18,405	6,713	7,333			
Real estate for sale	31,772	30,117	38,150	30,496	32,687			
Real estate for sale in progress	10,874	11,560	21,943	17,894	23,036			

Source: Shared Research based on company data

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Note: Figures rounded to the nearest million yen. (The company rounds down amounts under JPY1mn.)

Q1 FY03/21 results

Earnings summary

- ▷ Revenue: JPY3.2bn (-58.4% YoY)
- ▷ Operating loss: JPY391mn (versus Q1 FY03/20 operating profit of JPY669mn)
- ▷ Recurring loss: JPY456mn (versus Q1 FY03/20 recurring profit of JPY578mn)
- ▷ Net loss*: JPY336mn (versus Q1 FY03/20 net income of JPY445mn)

- ▷ *Net loss attributable to owners of the parent

Performance by segment

Wealth Management business

- ▷ Revenue: JPY1.9bn (-67.7% YoY)
- ▷ Segment loss: JPY100mn (versus Q1 FY03/20 segment profit of JPY608mn)

In this business, the company tailors investment schemes for high-net-worth clients, taking asset types and business succession into account in the properties it provides. Raysum is involved in a wide range of property, including commercial property, offices, condominiums, hotels, educational institutions, and healthcare facilities, with properties ranging in value from hundreds of millions of yen to tens of billions. The company also has taken a development approach that aims to boost a property's rent-bearing capability by addressing future social needs. Examples of this approach include community hostels, a sophisticated medical and surgical center, and restaurants with close local ties.

The impact of the spread of COVID-19 acted to constrain economic activity in Q1 FY03/21, but the company acted carefully to identify projects for purchase with the potential to create substantial value. The company has been reviewing the timing of bringing projects to market while working on development projects and construction requiring large-scale refurbishment. In terms of sales, the company recognizes that its customers, particularly individuals, continue to have a strong appetite for investment, aiming for long-term asset management, which will not be affected by short-term phenomena, but customers are also in the process of evaluating the situation.

Inventory (the total of real estate for sale and real estate for sale in process) totaled JPY55.7bn (+JPY7.3bn from end-FY03/20).

Property Management business

- ▷ Revenue: JPY1.1bn (-11.6% YoY)
- ▷ Segment profit: JPY292mn (-8.8% YoY)

Raysum generates revenue in the Property Management business by managing client properties and through rent income on property the company holds for sale. Revenue from managing client properties has tended to grow in line with an increase in the number of client properties it manages. Rent income on company-owned property decreases once that property is sold.

The company was conscious of risks relating to requests for delays, reductions or exemptions to rent, unpaid rents, and discussions concerning moving out of properties, but the company responded prudently and politely to each individual tenant, and such risks did not materialize significantly in Q1 FY03/21.

Other business

- ▷ Revenue: JPY192mn (-66.7% YoY)
- ▷ Segment loss: JPY441mn (versus segment loss of JPY117mn in Q1 FY03/20)

In this segment, Asset Holdings, Ltd. (consolidated subsidiary) runs Raysum Golf & Spa Resort. Another consolidated subsidiary, WeBase Co., Ltd., runs community hostels. LIBERTÉ JAPON (consolidated subsidiary) operates shops of LIBERTÉ PÂTISSERIE BOULANGERIE (Paris, France) in Japan. Ray Power Co., Ltd., operator of an environmental energy business, conducts the development, manufacture, and sale of gas-fueled power generators, and Best Medical Co., Ltd. assists with the opening and operation of medical clinics to support the advanced medical care industry.

The segment loss widened YoY. Asset Holdings, WeBase, and LIBERTÉ JAPON were all affected in Q1 by people staying home and restrictions on movement, as a result of the spread of COVID-19. However, business activities continued with the implementation of countermeasures to prevent the spread of infection.

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