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FY Ending March 2024 Financial Results

Highlights for FY Ending March 2024 and Key Points for FY Ending March 2025

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Highlights for FY Ending March 2024

01 Property sales progressed smoothly, significantly exceeding the initial plan (sales target of 90 billion yen, operating profit of 18 billion yen), with revenues reaching approximately 94.3 billion yen (+4.7%) and operating profit about 22.8 billion yen (+26.8%). This marked the highest performance since the company's establishment in terms of sales, operating profit, ordinary profit, and net income attributable to parent company shareholders.

02 Purchasing activities also progressed well, with reserved forecast net sales reaching approximately 207.9 billion yen, an increase of about 47.3% compared to the same period last year.

03 Despite the borrowing balance increasing by 12.1 billion yen (+28.2%) from the previous year, the equity ratio remained strong at 47.8%, ensuring a solid balance sheet with substantial borrowing capacity for future needs.

04 The company's stock price, which was below a PBR of 1 at the end of the last fiscal year, strengthened to a PBR of 1.8 as of May 8, 2024. Total shareholder return (TSR*) over the past year (May 9, 2023, to May 8, 2024) significantly outperformed the TOPIX, posting a gain of +180.8% compared to the TOPIX's +31.9%. *TSR=(End Date Stock Price+Cumulative Dividend Per Share During the Period) ÷ Stock Price the Day Before the Start Date

05 A tender offer and a public offering were conducted during the fiscal year, keeping the total number of issued shares nearly unchanged, which prevented share dilution and significantly improved the tradable share ratio.

06 The company conservatively recorded a special loss of approximately 4.8 billion yen primarily for restructuring costs in the Future Value Creation Services during FY ending March 2024. This proactive approach aims to enhance future performance with very limited impairment risks beyond FY ending March 2025.

Key Points for Fiscal Year March 2025

01 The target for consolidated operating income for FY ending March 2025 is set at 23 billion yen, consistent with the final year's target of the previously announced medium-term management plan. This target closely aligns with the operating profit of approximately 22.8 billion yen recorded for FY ending March 2024, and the aforementioned reserved forecast net sales level is also expected to continue strongly.

02 The minimum dividend per share for FY March 2025 will be maintained at 175 yen. With a projected dividend payout ratio of around 40%, if profit attributable to parent shareholders reaches the planned 14 billion yen, the dividend per share would rise to 196 yen.

Consolidated Financial Results

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PL	FY Ending March 2023 Actual	FY Ending March 2024 Actual	Year-on-year Change	Year-on-year % Change	FY Ending March 2024 Initial plan	FY Ending March 2024 % Over Plan
(in million yen)						
Net sales	67,906	**94,265**	+26,358	*+38.8%*	90,000	*+4.7%*
Gross profit	20,368	**29,730**	+9,362	*+46.0%*	N/A	*N/A*
Gross profit margin	*30.0%*	***31.5%***	-	*+1.5%*	N/A	*N/A*
Operating profit	14,371	**22,824**	+8,452	*+58.8%*	18,000	*+26.8%*
Operating profit margin	*21.2%*	***24.2%***	-	*+3.0%*	*20.0%*	*+4.2%*
Ordinary profit	12,851	**21,878**	+9,027	*+70.2%*	*16,800*	*+30.2%*
Ordinary profit margin	*18.9%*	***23.2%***	-	*+4.3%*	*18.7%*	*+4.5%*
Net income	8,376	**11,513**	+3,136	*+37.4%*	11,000	*+4.7%*
Net income margin	*12.3%*	***12.2%***	-	*-0.1%*	*12.2%*	*±0.0%*
Capital efficiency						
EPS	269.7	**406.3**	+136.6	*+50.6%*	384.6	*+5.6%*
ROE *	*15.8%*	***20.0%***	*+4.2%*	*+26.6%*	15-20% or more	*N/A*

Financial highlights

The progression of property sales met initial expectations. The profit margin significantly increased due to numerous property sales being realized at higher profit margins than initially anticipated.

Consequently, the company achieved its highest performance since inception in nearly all key metrics.

EPS and ROE*, which are indicators representing capital efficiency that our company focuses on, also progressed smoothly.
*ROE(%)=
Net Income ÷ Equity (average over two fiscal years) × 100

EPS has recorded an all-time high, and ROE has reached our target of 20%.

A conservative special loss of approximately 4.8 billion yen was recorded for restructuring in the Future Value Creation Services. Although the net income for the current period slightly exceeded the initial plan, the risk of incurring future special losses is extremely limited.

We are laying the groundwork to further enhance our performance in the fiscal year 2025 and beyond.

Consolidated Segment Performance Highlights

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	FY Ending March 2023 Actual	FY Ending March 2024 Actual	Year-on-year Change	Year-on-year % Change	FY Ending March 2024 Initial plan	FY Ending March 2024 % Over Plan
PL (in million yen)						
Net sales	67,906	**94,265**	+26,358	*+38.8%*	90,000	*+4.7%*
Value Creation Services	61,419	**86,841**	+25,421	*+41.4%*	82,500	*+5.3%*
Value-Add Services	4,416	**5,223**	+806	*+18.3%*	4,500	*+16.1%*
Future Value Creation Services	2,071	**2,201**	+130	*+6.3%*	3,000	*-26.6%*
Operating profit	14,371	**22,824**	+8,452	*+58.8%*	18,000	*+26.8%*
Value Creation Services	16,653	**23,938**	+7,284	*+43.7%*	19,000	*+26.0%*
Value-Add Services	765	**1,427**	+662	*+86.6%*	900	*+58.6%*
Future Value Creation Services	-2,302	**-1,485**	+816	*NM*	-1,000	*N/A*
Head office overhead	-745	**-1,056**	-310	*NM*	-900	*N/A*

Key Points for Segment Highlights (See P23 for business details by segment)

In our core Asset Value Creation Services, large property sales and higher-than-expected profit margins have significantly boosted both revenue and operating profit, strongly driving overall performance.

The revenue and profit growth rates in the Value Creation Services have significantly expanded, with an increase of over 40% compared to last year.

The Value-Add Services segment saw increased rental income from acquiring revenue-generating real estate in the Value Creation Services Segment. Additionally, as PM fees from managed real estate post-sale are accumulating,

revenue grew by approximately 18% and operating profit increased by 86%

In the Future Value Creation Services segment, revenue increased, and the losses were reduced. Conservatively recorded a special loss of approximately 4.8 billion yen for restructuring.

Future Value Creation Services laid the groundwork for expected improvements in the coming fiscal year

Consolidated Balance Sheet

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	FY Ending March 2023 Actual	FY Ending March 2024 Actual	Year-on-year Change	Comments
Balance Sheet (in million yen)				
Current assets	**96,216**	**118,542**	+22,325	
Cash and deposits	27,524	**35,728**	+8,204	Increased cash reserves for further inventory expansion.
Real estate for sale	45,167	**52,214**	+7,047	Steady trend of purchasing real estate
Real estate for sale in process	17,079	**29,237**	+12,157	
Non-current assets	**10,535**	**11,970**	+1,434	
Total assets	**106,752**	**130,513**	+23,760	
Current liabilities	**8,230**	**9,932**	+1,702	
Current portion of long-term borrowings	1,359	**1,475**	+115	General borrowing terms: 10 year loan term with amortization over 20-30 years
Income taxes payable	4,052	**4,222**	+170	
Non-current liabilities	**45,803**	**58,127**	+12,324	
Long-term borrowings	41,397	**52,353**	+10,955	Increased borrowing aligned with inventory growth.
Total liabilities	**54,033**	**68,060**	+14,027	
Net assets	**52,718**	**62,452**	+9,733	Net income of approximately 11.5 billion yen; dividend payments of approximately 1.6 billion yen
Total liabilities and net assets	**106,752**	**130,513**	+23,760	

Consolidated Statement of Cash Flows

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	FY Ending March 2023 Actual	FY Ending March 2024 Actual	Year-on-year Change	Comments
Cash flows (in million yen)				
Cash flow from operating activities	**8,706**	**1,490**	-7,215	Approx. 86.8 billion yen of net sales in Value Creation Services; approx. 67.1 billion yen in spend on real estate purchases; approx. 10.9 billion yen in spend on renovation work; approx. 6.3 billion yen in spend on corporate taxes, etc.
Cash flows from investing activities	**193**	**-2,623**	-2,817	Approx. 1.1 billion yen spend for acquisition of shares in affiliates; approx. 600 million yen spend on acquisition of non-current assets; lending of approx. 400 million yen
Cash flows from financing activities	**-9,666**	**9,227**	+18,894	Approx. 9 billion yen for acquiring treasury stock; approx. 1.6 billion yen in dividend payments; approx. 11.6 billion yen raised through new financing and repayment of borrowings; approx. 8.3 billion yen from issuing shares
Exchange rate impact on cash and cash equivalents	56	**104**		
Net increase (decrease) in cash and cash equivalents	-710	**8,199**		
Cash and cash equivalents at beginning of year	28,222	**27,511**		
Cash and cash equivalents at the end of year	**27,511**	**35,710**		

FY Ending March 2025 Consolidated Performance Forecast

Retaining the the medium-term management plan announced last year

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Key Indicators and Targets

(in million yen)	FY Ending March 2023 Actual	FY Ending March 2024 Target	FY Ending March 2024 Actual	FY Ending March 2025 Target
PL				
Net sales	67,906	90,000	94,265	115,000
Net sales growth rate	*-0.7%*	*+32.5%*	*+38.8%*	*+22.0%*
Operating profit	14,371	18,000	22,824	23,000
Operating profit margin	*21.2%*	*20.0%*	*24.2%*	*20.0%*
Ordinary profit	12,851	16,800	21,878	21,500
Ordinary profit margin	*18.9%*	*18.7%*	*23.2%*	*18.7%*
Net income	8,376	11,000	11,513	14,000
Net income margin	*12.3%*	*12.2%*	*12.2%*	*12.2%*
Shareholder returns				
Dividend payout ratio	20%	Aim for 40%	43.1%	Aim for 40%
Dividend per share	55 yen	175 yen	175 yen	196 yen
Minimum dividend per share	N/A	175 yen	175 yen	175 yen
Capital efficiency				
ROE (Net Income ÷ Equity (average over two fiscal years) × 100)	15.8%	15-20% or more	20.0%	15-20% or more
EPS	269.7	384.6	406.3	487.8

FY Ending March 2025 Consolidated Performance Forecast (by Segment)

	FY Ending March 2024 Actual	FY Ending March 2025 Forecast	Year-on-year Change	Year-on-year % Change
PL (in million yen)				
Net sales	94,265	**115,000**	+20,734	*+22.0%*
Value Creation Services	86,841	**106,600**	+19,758	*+22.8%*
Value-Add Services	5,223	**5,400**	+176	*+3.4%*
Future Value Creation Services	2,201	**3,000**	+798	*+36.3%*
Operating profit	22,824	**23,000**	+175	*+0.8%*
Value Creation Services	23,938	**23,500**	-438	*-1.8%*
Value-Add Services	1,427	**1,500**	+72	*+5.1%*
Future Value Creation Services	-1,485	**-900**	+585	*NM*
Head office overhead	-1,056	**-1,100**	-43	*NM*

Key Points for FY March 2025 Consolidated Performance Forecast

In the core Value Creation Services, while aiming for an approximate 20% increase in revenue, the profit margin is conservatively estimated compared to the actual results of March 2024. Compared to the same period last year, secured a +47.3% increase in reserved forecast net sales (refer to P16),

In the Value Creation Services, a conservative operating profit plan has been established that slightly falls short of the actual results for March 2024

In Value-Add Services, management income is steadily increasing. Additionally, rental income from properties held in Value Creation Services is also increasing. As a result,

an increase in both revenue and profits is expected for Value-Add Services

After recording approximately 4.8 billion yen for special restructuring costs in FY March 2024, the risk of future impairments is considered very limited. The value creation services have begun the fiscal year strongly, with

A clear strategy to reduce deficit

Case study of property sold in FY Ending March 2024 (1/5)

Integrated development project involving multiple land parcels: Coordination/consolidation of land rights

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Property Overview

Name	Kichijoji First District PJ
Principal value improvement method	Coordinate/consolidate land rights
Other value improvement method	New construction development, etc.
Age (at time of purchase)	58 years
Land area	Approx. 200 tsubo (660m^2)
Floor area	Approx. 100 tsubo (330m^2)
Leasable area	Approx. 100 tsubo (330m^2)
Floor area ratio	600%
Number of stories	11 floors above ground
Asset class	Commercial
Month and year of purchase	April 2023
Month and year of sale	September 2023
Sale value	Between 2-5 billion yen

Photo

Project Highlights

- Located in a prime area of Kichijoji, comprising a commercial facility with a land area of about 200 tsubo which is 58 years old. The project involved acquiring land situated behind another property purchased in 2018. By developing this entire area collectively, the project enhanced the uniqueness of the location, thereby maximizing its overall value."
- Integrating previously acquired parcels and collaborating with partners for joint development, the project significantly improved capital efficiency.
- This project, an integrated development involving a partnership with a leading domestic company, positions our firm to further strengthen collaboration with this partner in the future.

Case study of property sold in FY Ending March 2024 (2/5)

Improving NOI in a vacant commercial building

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Property Overview

Name	Musashi-Urawa office building PJ
Principal value improvement method	Increase NOI
Other value improvement method	Large-scale renovation
Age (at time of purchase)	24 years
Land area	Approx. 3,100 tsubo (10,234m^2)
Floor area	Approx. 4,000 tsubo (13,223m^2)
Leasable area	Approx. 1,700 tsubo (5,613m^2)
Floor area ratio	500%
Number of stories	7 floors above ground/1 basement floor
Asset class	Commercial
Month and year of purchase	February 2023
Month and year of sale	December 2023
Sale value	Between 5-10 billion yen

Photo

Project Highlights

- 24-year-old commercial facility located in Saitama city. Acquired from a corporation that previously owned and left it vacant. Directly connected to Musashi-Urawa Station, the building was considered a viable option for tenancy upon commitment to substantial renovations, despite its age.
- Significant enhancements were made to the HVAC systems and interior spaces, completed within approximately six months. These renovations swiftly led to the leasing of most vacant spaces, substantially improving the NOI.
- The property garnered interest from a private REIT looking for high-yield investments in suburban central areas, leading to its sale driven by the enhanced NOI yield. Concurrently, in a strategic move, a central city property with high development potential and lower current NOI yield was acquired from the same private REIT.

Case study of property sold in FY Ending March 2024 (3/5)

Development Project Tailored to Tenant Needs from Initial Purchase

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Property Overview

Name	Kottodori PJ
Principal value improvement method	Increase NOI
Other value improvement method	New construction development
Age (at time of purchase)	N/A
Land area	Approx. 150 tsubo (495m^2)
Floor area	Approx. 400 tsubo (1,320m^2)
Leasable area	Approx. 350 tsubo (1,155m^2)
Floor area ratio	500%
Number of stories	3 floors above ground/1 basement floor
Asset class	Commercial
Month and year of purchase	September 2022
Month and year of sale	March 2024
Sale value	Between 2-5 billion yen

Photo

Project Highlights

- Capitalizing on insights from previous projects, our company recognized a strong market demand for high-end furniture stores along Kottodori. This understanding facilitated the rapid acquisition of land, aimed to cater to the needs of potential tenants.
- Early in the development phase, the plan was shared with prospective furniture manufacturer tenants, securing multiple lease commitments well ahead of project completion. The development was designed to align with the specific requirements of these tenants.
- Despite the project's complexity, particularly in managing ground rights—a task daunting to many—the development yielded high returns, drawing substantial interest from a variety of investors. A major trust bank, attracted not just by the yield but also by the property's prime location, tenant credibility, and property quality, recognized the value created by our company and proceeded with the acquisition.

Case study of property sold in FY Ending March 2024 (4/5)

Creation of a new office building in an area with limited office supply

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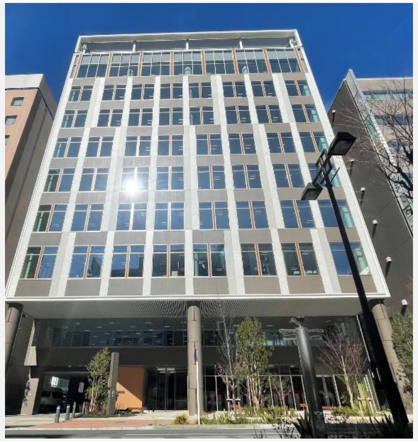
Property Overview

Name	Shin-Yokohama PJ
Principal value improvement method	New construction development
Other value improvement method	N/A
Age (at time of purchase)	N/A
Land area	Approx. 400 tsubo (1,320m^2)
Floor area	Approx. 2,300 tsubo (7,590m^2)
Leasable area	Approx. 1,800 tsubo (5,940m^2)
Floor area ratio	600%
Number of stories	9 floors above ground
Asset class	Office
Month and year of purchase	March 2022
Month and year of sale	March 2024
Sale value	Over 10 billion yen

Photo




Project Highlights

- In Shin-Yokohama, where Over 10 billion yen, there has been almost no new supply since 2009, our company acquired land from a major corporation during the COVID-19 pandemic. This strategic purchase was made anticipating strong demand for office space, given the improved access and upcoming new stations on the Sotetsu Main Line and Tokyu Toyoko Line.
- Strong demand for new office space in Shin-Yokohama was evident, with a leading chemical manufacturer expressing early interest in leasing the entire building.
- The project was completed swiftly, attracting immediate interest from a major real estate company and leading to a successful sale. This project demonstrated our strengths, completing the entire process of purchasing, developing, leasing, and selling a 2,300 tsubo scale office development in just two years.

Case study of property sold in FY Ending March 2024 (5/5)

Improving NOI for a landmark property in ueno

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Property Overview

Name	Ueno Okachimachi Commercial Building
Principal value improvement method	Increase NOI
Other value improvement method	Create land for development, coordinate/consolidate land rights
Age (at time of purchase)	39 years
Land area	Approx. 400 tsubo (1,320m^2)
Floor area	Approx. 2,100 tsubo (6,930m^2)
Leasable area	Approx. 1,100 tsubo (3,636m^2)
Floor area ratio	700%
Number of stories	5 floors above ground/1 basement floor
Asset class	Commercial
Month and year of purchase	October 2022
Month and year of sale	March 2024
Sale value	Over 10 billion yen

Photo

Project Highlights

- The landmark property in Ueno was acquired from a major foreign fund.
- The strategy focused on the potential to reduce management costs in a commercial complex hosting approximately 100 tenants. Amidst rising electricity costs exacerbated by the COVID-19 pandemic, we engaged in detailed discussions with tenants to clarify ambiguities in rental agreements, significantly boosting the NOI. This initiative demonstrated the proficiency of our PM team.
- Ultimately, a major railway company expressed interest in purchasing the property, appreciating its excellent visibility and the steady coordination of rights. The buyer highly valued the relationship between our PM team and the tenants, and has entrusted us with ongoing management. This sale involves our company retaining ownership of the building while continuing to manage it throughout the term. This project confirmed our ongoing relationship with a major railway company.

Expected Dividend per Share for This Fiscal Year: 196 Yen

Shareholder return policy designed to maximize corporate value

Based on the company's projected net income of 14 billion yen for the current fiscal year and a dividend payout ratio of 40%, the anticipated dividend per share for this period is 196 yen.

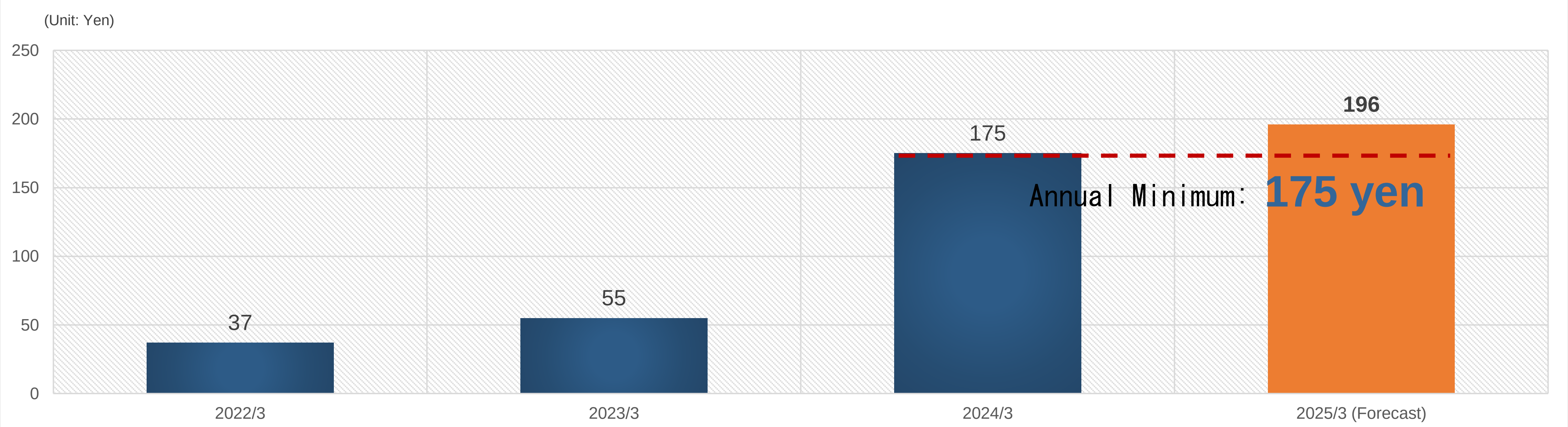
2024/3 Shareholder return strategy

- The annual dividend per share has been set with a minimum of 175 yen, increased by 120 yen from the previous fiscal year to 175 yen
- Targeted a dividend payout ratio of 40%, with the actual payout ratio settling at 43.1%.

2025/3 Direction of Shareholder Returns

- The annual dividend per share will have a minimum of 175 yen, with this fiscal year's dividend forecast increasing by 21 yen from the previous period to 196 yen.
- The dividend payout ratio is targeted at 40%.

Dividend per share



For reference: An analysis of stock price and dividend yield based on a dividend of 196 yen per share.

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Implied stock price
(Dividend Per Share of 196 Yen ÷ Dividend Yield)

Dividend Yield	Implied stock price (Unit: Yen)
2.00%	9,800
2.11% (Standard market average)	9,289
2.45% (Prime market average)	8,789
3.00%	6,533
4.00%	4,900
4.73% (Company’s recent level)	4,144
5.00%	3,920
6.00%	3,267
7.00%	2,800

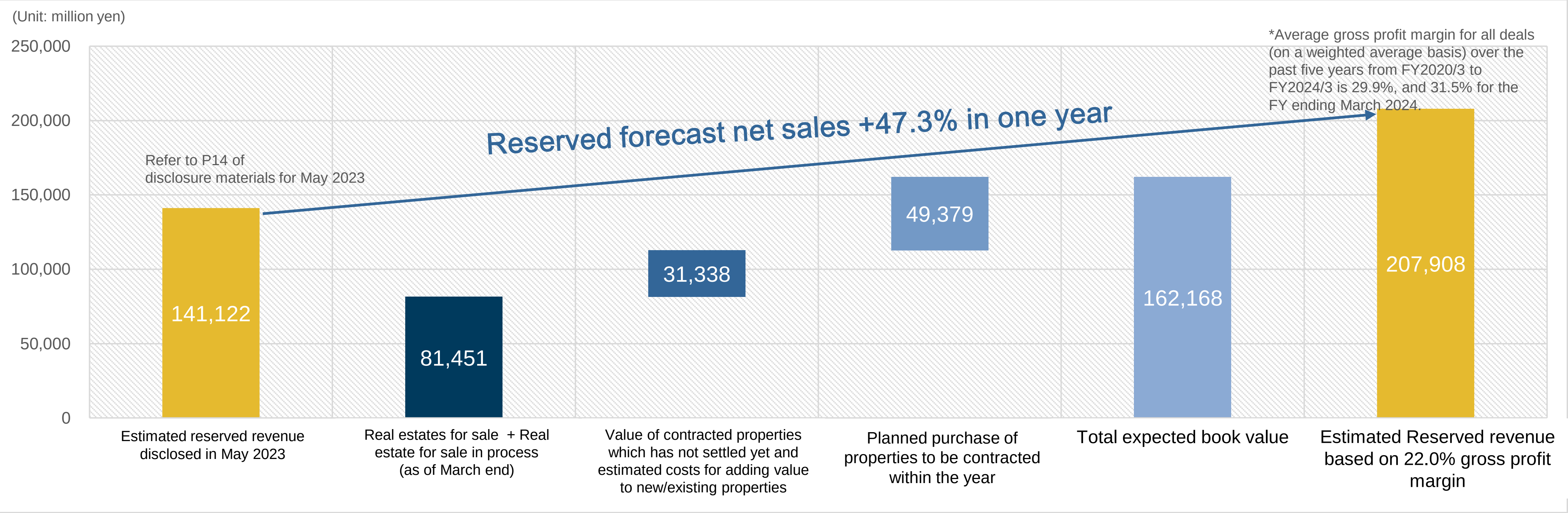
Note: The averages for the Standard and Prime markets, as well as the company’s recent level, are all as of May 8, 2024.

Steady Build-up of Inventory
Significant Increase in Reserved Forecast Net Sales

In Value Creation Services, sales amount reached to 86.8 billion yen for the FY ending March 2024, which exceeded plans. Furthermore, reserved forecast revenue as of May 2023 was about 141.1 billion yen. This figure grew over one year to **approximately 207.9 billion yen**. (**+66.8 billion yen or +47% in about one year**.)

For the FY ending March 2025, with a corporate plan targeting an operating profit of 23 billion yen, the Value Creation Services contributed substantially to the operating profit for the fiscal year ending March 2024, which was approximately 22.8 billion yen. With the company's plan set nearly at the same level as last year, the reserved forecast net sales has significantly expanded, **ensuring purchases are on track to fully achieve the company's objectives.**

Reserved forecast revenue based on current inventory status and revenues required to achieve target



Enhanced Operating Leverage with Upscaling of Projects

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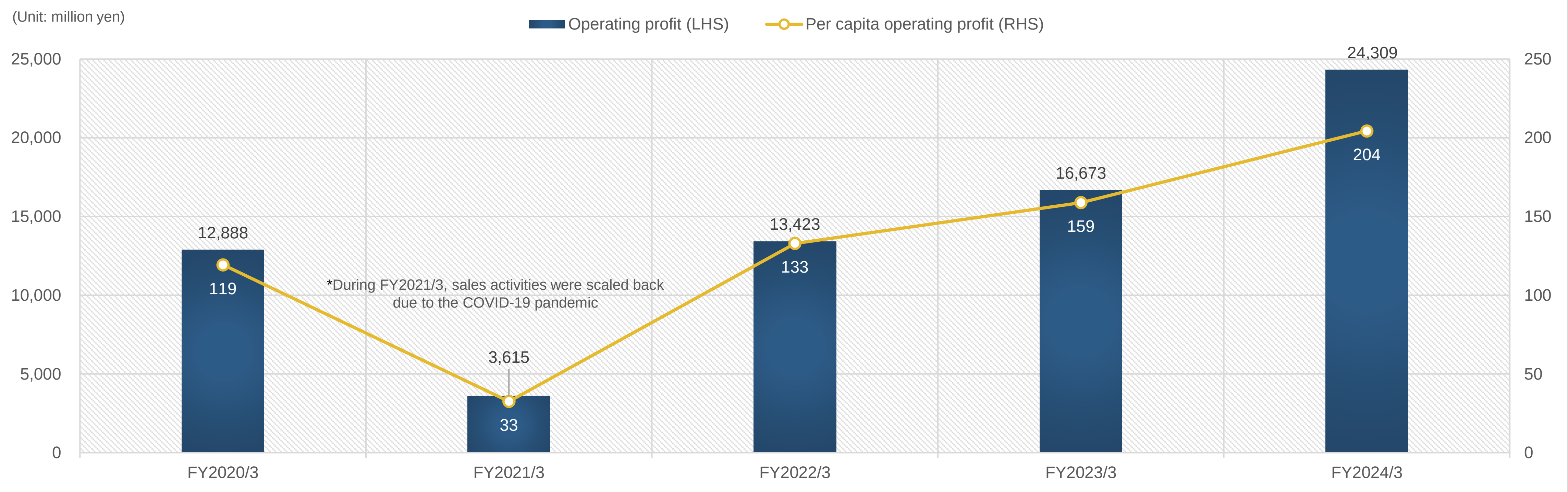
The personnel resources that are allocated to each real estate project **are not determined by the size of the transaction**

In our Value Creation and Value-Add Services, the shift towards larger properties has resulted in operating leverage. Consequently, the real estate business has achieved **an average annual growth rate of approximately +14.4% in per capita operating profit over the past five years**.

Changes in operating profit and operating profit per employee in the real estate business (Value Creation Services, Value-Add Services, head office costs)



Notes: Operating profit and employee numbers exclude Future Value Creation Services.

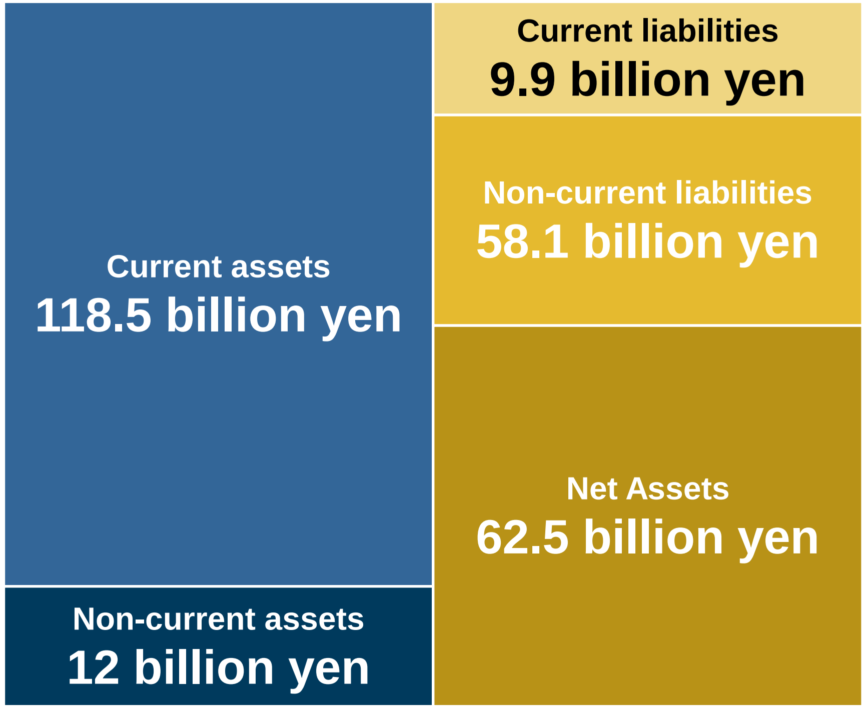
Maintaining a Strong Balance Sheet

As the business expanded, the borrowing balance increased by approximately 12.1 billion yen (+28.2%) compared to the same period last year, while a robust equity ratio of **about 47.8%** was maintained, ensuring a very strong balance sheet. The current ratio is sustained at a high level of **11.9 times**.

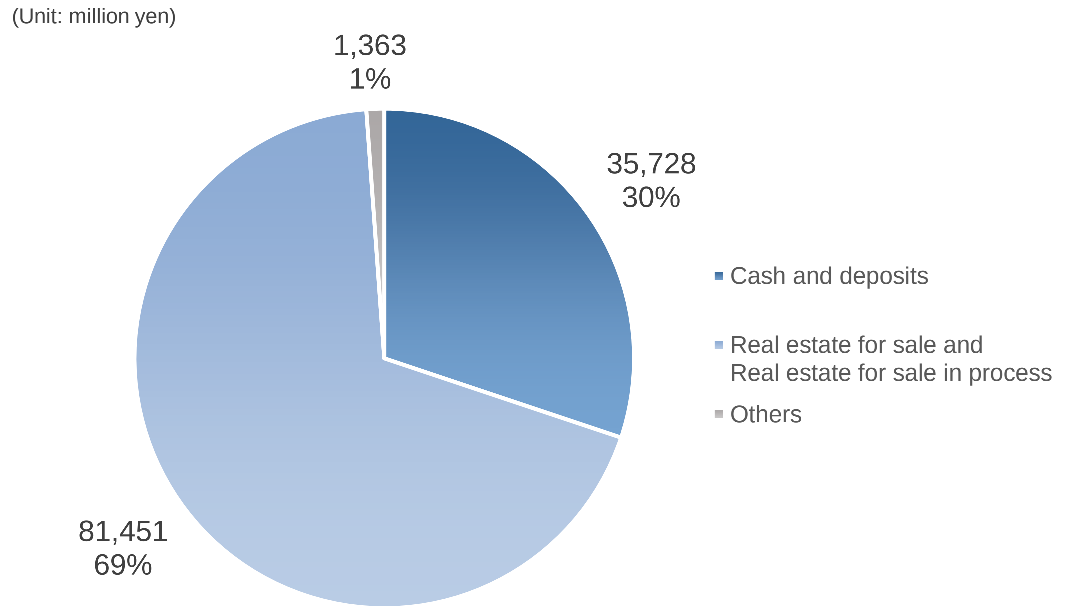
Interest expenses currently amount to only **about 600 million yen**, and the anticipated impact of potential interest rate increases is expected to be minimal.

The terms of our bank loans have no restrictive covenants and primarily consist of long-term loans.
This arrangement offers substantial flexibility for expansion and resilience against macroeconomic downturns.

Balance Sheet for FY Ending March 2024



Current Assets



Customer base is expanding as a result of the utilization of small-lot products (RAYEX) with real estate trust beneficiary interests

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At the end of 2021, we launched RAYEX, a small-lot product with real estate trust beneficiary interests based on the concept of making real estate investment more accessible at a price of approx. 50 million yen per unit.

- The first series, (generating sales of about 6 billion yen with investment units totaling about 3 billion yen,) and the second series, (with sales of about 10 billion yen and investment units of about 5 billion yen,) have both sold out.
- The third series is currently on the market, (featuring sales of about 10 billion yen and investment units of about 5 billion yen,) and is progressing smoothly.

RAYEX is structured to enhance the asset value of real estate over an operational period of up to 10 years.Based on targeting properties with **significant NOI upside** potential and leveraging our expertise in adding value to assets, we aim for an “increase in yield over the investment period” and a “capital gain upon exit.” A virtuous cycle is created whereby investors who appreciate our ability to improve NOI become interested in larger physical real estate assets.

Throughout the operational period of each product (7-10 years), our company performs AM duties. Therefore, any capital gains that are generated on exit are shared between investors and the Company. In this way, investors and Raysum collaborate in a win-win relationship to increase asset value.

Attractions of RAYEX for buyers

Direct investment in large-scale real estate eligible for securitization

Leverage without the need for borrowing (Raysum handles all the complex issues)

Convenience and peace of mind since Raysum manages the assets

Benefit of attractive yields and twice yearly dividends (prospective capital gains on NOI improvement when properties are sold)

Recording Special Losses in the Future Value Creation Services

-RayPower and We Base-

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In the Future Value Creation Services, we recorded a total special loss of approximately 4.59 billion yen for the RayPower and We Base projects. **These losses, classified as proactive restructuring expenses, aim to stabilize future performance, with a significant deficit reduction expected shortly after FY ending March 2025.**

	Business Details	Reasons for special losses recorded	Future Outlook
RayPower (Emergency Power Generator Business)	✓ Production and sale of 3 kVA and 50 kVA emergency gas engine generators ✓ Operates under a fabless system	✓ Recorded approximately 3.05 billion yen in restructuring losses and non-current assets in the associated company and 0.21 billion yen of impairment loss. ✓ Sales of smaller units (3 kVA) have already begun, and development and sales of the first large unit (50 kVA) are complete. ✓ A comprehensive overhaul of the production and maintenance systems is deemed necessary to stabilize and significantly expand sales.	✓ Allocated about 1 billion yen for restructuring costs in FY ending March 2023 and impaired all inventory and non-current assets in FY 2024, resulting in very limited future impairment losses. ✓ There is high demand for BCP solutions, with numerous inquiries from major clients. ✓ The goal is to build a robust business foundation to support medical facilities, senior care facilities, and shelters nationwide for emergency preparedness.
We Base/ Etajima Resort (Accommodation Business)	✓ Managing seven accommodation facilities	✓ Renovations were undertaken in anticipation of demand resurgence during the pandemic. ✓ Occupancy rates are recovering, and revenue is up year-over-year; however, due to delayed profit recovery at some facilities, conservative impairment losses of approximately 1.33 billion yen were recorded for fixed assets.	✓ The aim is to attract both domestic guests and a growing number of international visitors, which surpassed 3 million in March 2024 for the first time. ✓ The continuation of an increasing ADR and a recovery trend in occupancy rates almost ensures further revenue growth.

Significant Improvement in Tradable Share Ratio Through a Series of Corporate Actions Including Share Buyback and Public Offering

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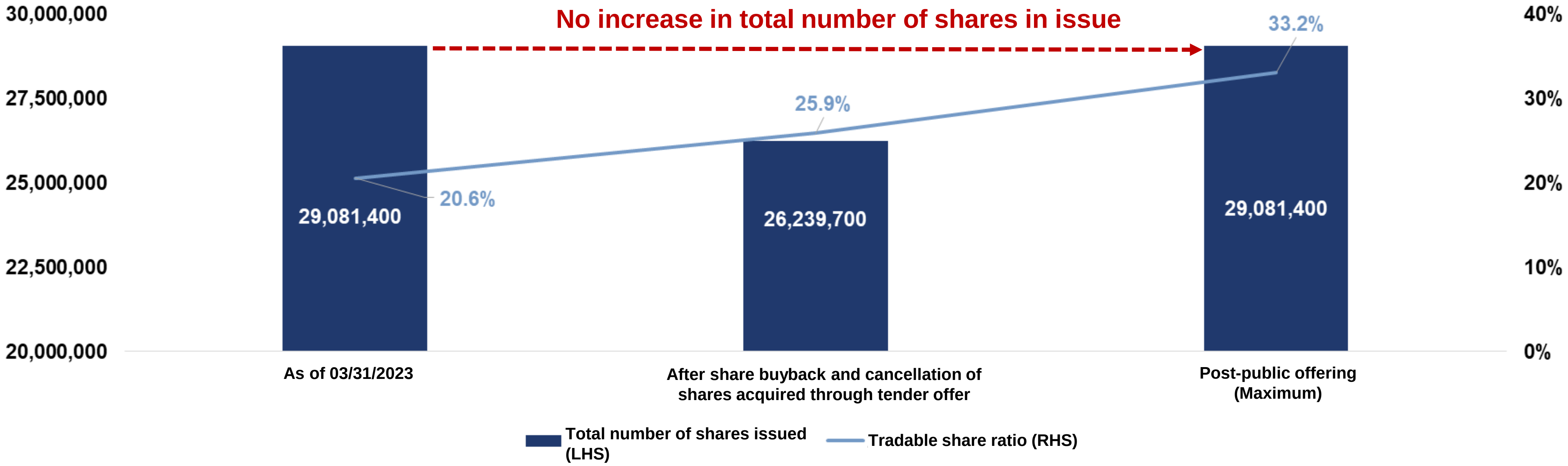
During the third quarter of the FY ending March 2024, we executed a Share Buyback and a public offering. We acquired and canceled shares from Japan Investment Inc., our second-largest shareholder, through a tender offer, followed by a public offering, which **significantly improved the tradable share ratio**.

The number of shares repurchased through the share buyback was exactly offset by the number of shares issued during the public offering, **effectively preventing any dilution of shares** from these corporate actions.

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



Note: Figures are based on our assumption

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Appendix

Raysum Business Segments

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	Details	Revenue FY Ending March 2024 (Percentage of total)	Operating Profit FY Ending March 2024 (Operating profit margin)
Asset value Value Creation	**Real estate sales business** ✓ Our core business ✓ We utilize the following methods to enhance value with a focus on increasing NOI. The methods used in 106 property sales over the past 5 years are as follows. (For some cases, methods overlap or do not belong to any of the below categories) Increase NOI: 59 cases; Change of use/ increase floor area ratio: 6 cases; Large-scale Renovation: 26 cases; Create land for development: 19 cases; New construction development: 20 cases; Coordinate/consolidate land rights: 23 cases ✓ 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 as shown below (measured by value). Commercial 45%; Offices 28%; Residential 14% ✓ By region, the majority of our projects are in major cities, with Tokyo accounting for about 60% 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	**86,841** 92.1%	**23,938** 27.6%
Value-Add Services	**Real estate leasing and building management** ✓ 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 **182 Properties/ 1,960 Rooms**	**5,223** 5.5%	**1,427** 27.3%
Future Value Creation Services	**Various business activities leveraging our accumulated real estate expertise** ✓ 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 ✓ Currently operating at a loss, there are signs of improvement, with very limited risk of future impairments. We expect to reduce losses by the FY ending March 2025.	**2,201** 2.3%	**-1,485** (NM)

Key Features of Properties Sold Over the Past Five Years

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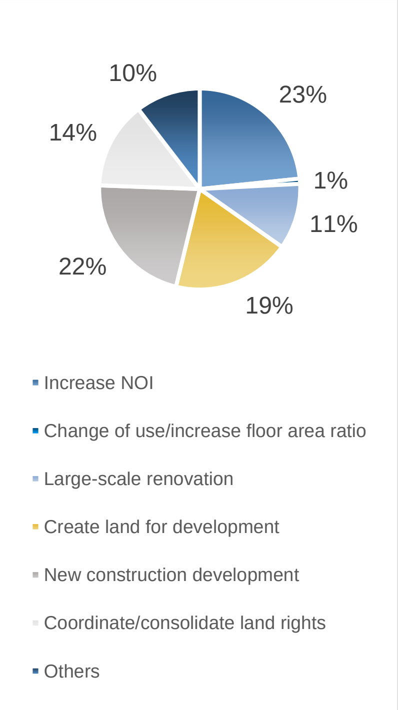
We use various methods of value enhancement to increase the value of our properties

Office and commercial projects **account for about 70%** of our projects. The Tokyo Metropolitan area **accounts for about 60%** of our projects

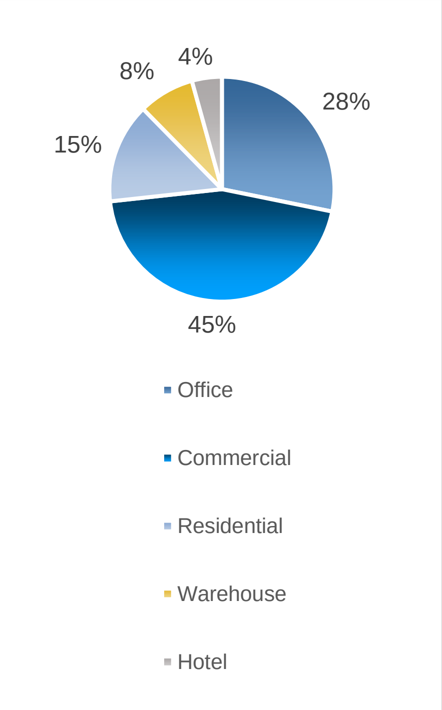
In particular, the Company specializes in properties that are older than 20 years old. 70% of our projects, excluding development projects based on land or leasehold land, are properties that are over 20 years old

Domestic investors account for about 85% of our property buyers (of which around 23% are individual buyers and 64% are corporate buyers)

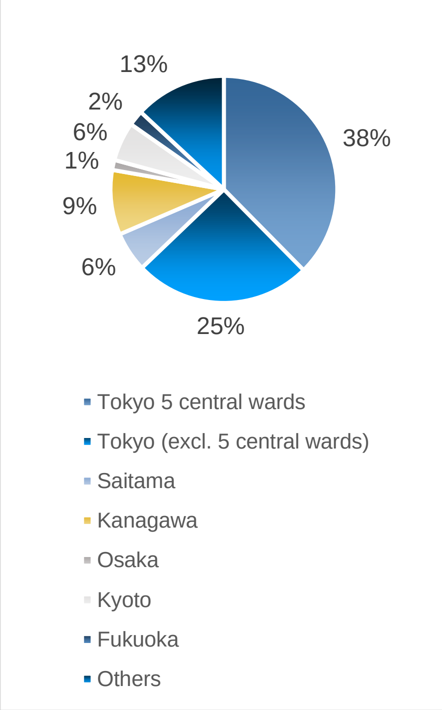
Value improvement method (by value)



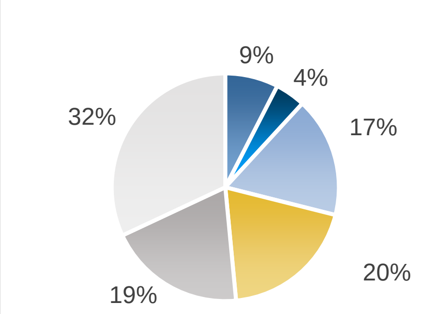
Asset class (by value)



Region (by value)

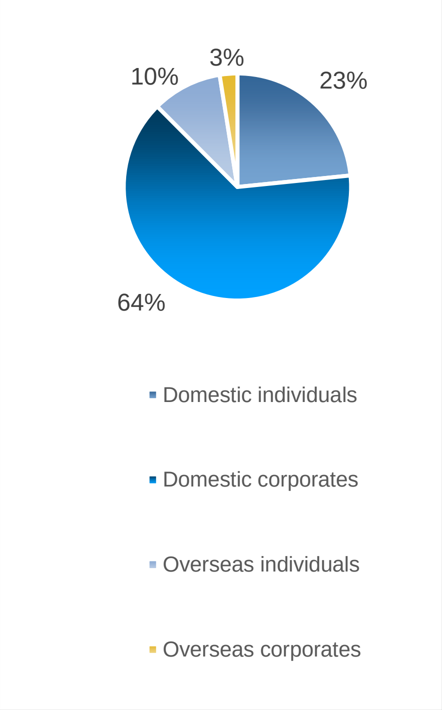


Age (by value)



*Excluding development projects starting from land or land with leasehold interest

Buyer base (By value)



Strong Purchase and Sales Structure, Securing Sufficient Profits Even During the COVID-19 Pandemic Over the Past Five Years

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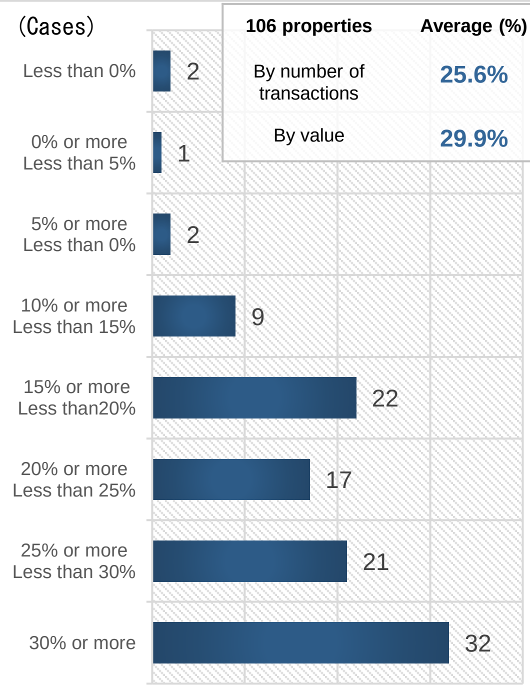
Over the past five years in the Value Creation Services segment which is our core driver of earnings, we have sold **106 properties**

The average gross margin is **29.9%**, with gross profitability tending to be higher for larger projects

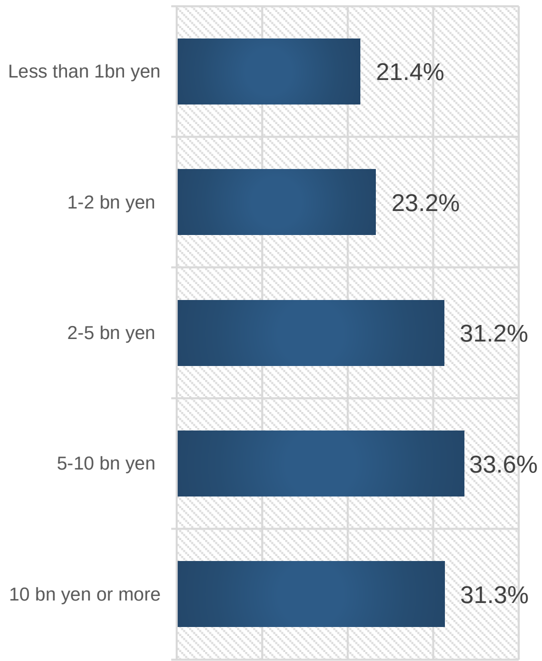
By number of transactions, **approximately 65%** of total properties sold were valued **under 2 billion yen**. By value, deals of **2 billion yen or more** account for about **80%** of the total.

Gross profit margin of properties sold in past 5 years

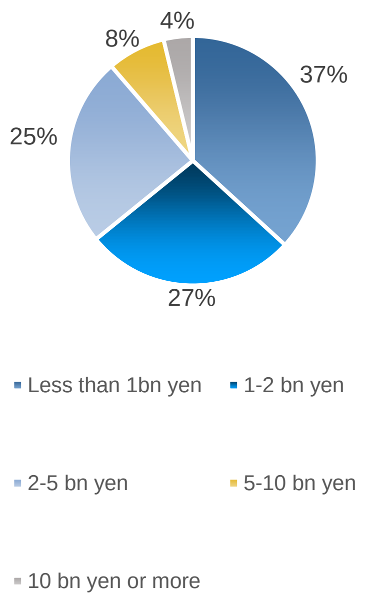


106 properties	Average (%)
By number of transactions	25.6%
By value	29.9%

Gross profit margin of properties sold in past 5 years by price range

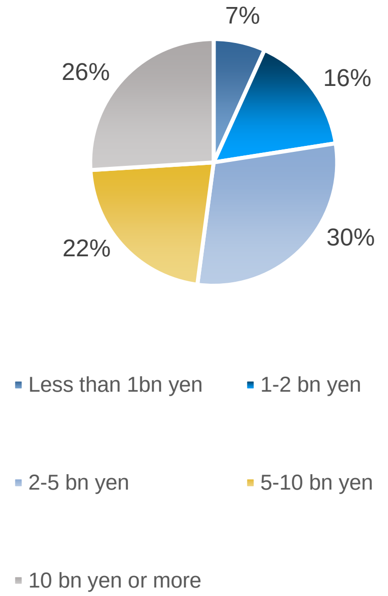


Sale price range of properties sold over past 5 years (by number of properties)



Note: Excluding minor transactions. All bulk transactions and separately settled land and buildings transactions are each counted as one case.

Sale price range of properties sold over past 5 years (by transaction value)

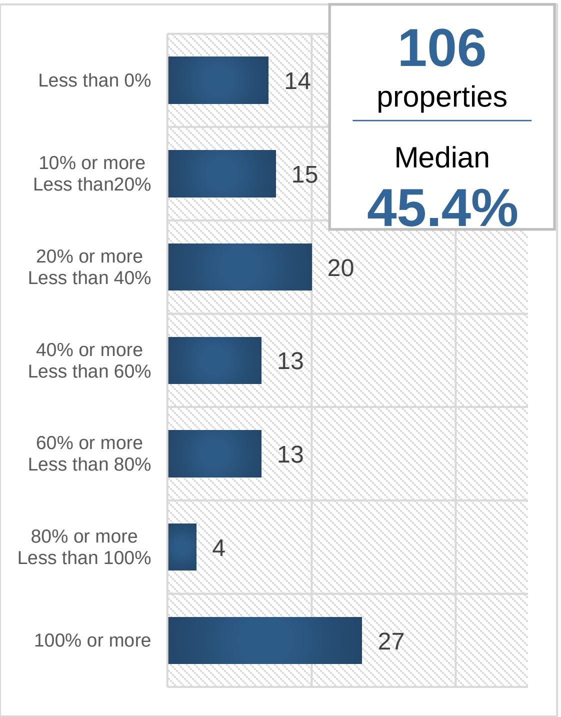


Emphasizing Not Only Gross Margin but Also Property Turnover Rate, Achieving High IRR

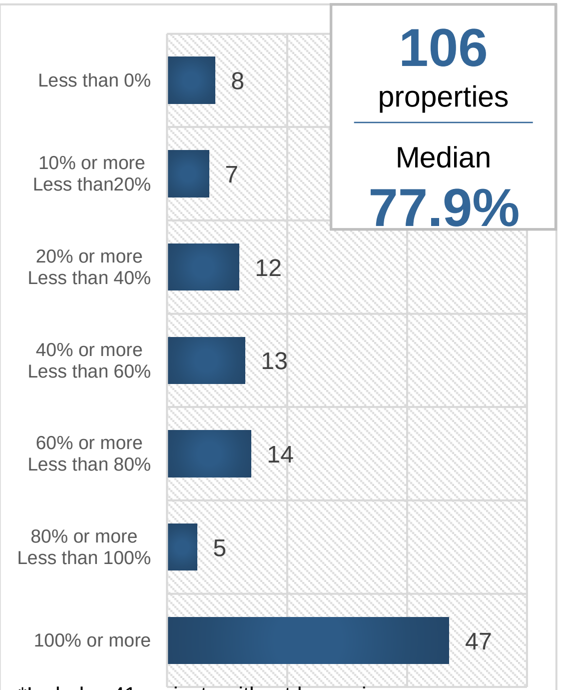
We are especially proud of our high median IRR on transactions over the past 5 years: **The median IRR is 45.4% (unlevered) and 77.9% (levered)**

Within the product mix, smaller projects tend to have higher unlevered IRR due to higher turnover, while larger projects tend to have higher levered IRR because they use more debt and less equity capital (See P.35 for the definition of each IRR)

Unlevered IRR for Properties Sold Over the Past Five Years

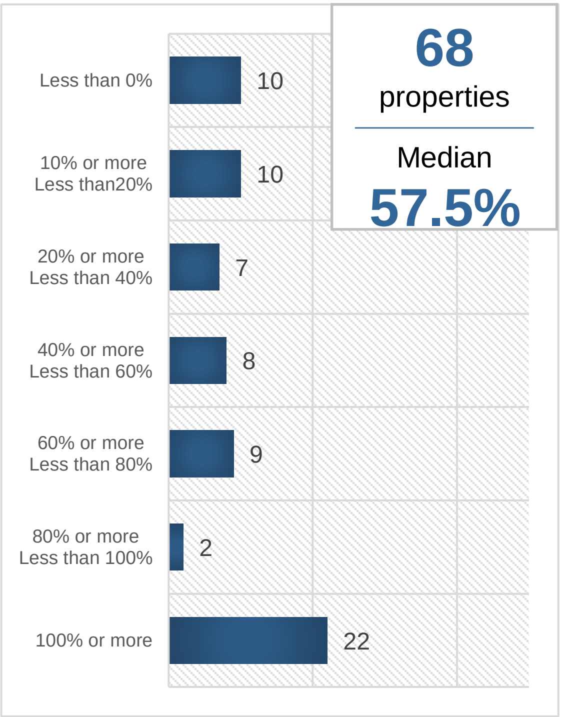


Levered IRR for Properties Sold Over the Past Five Years

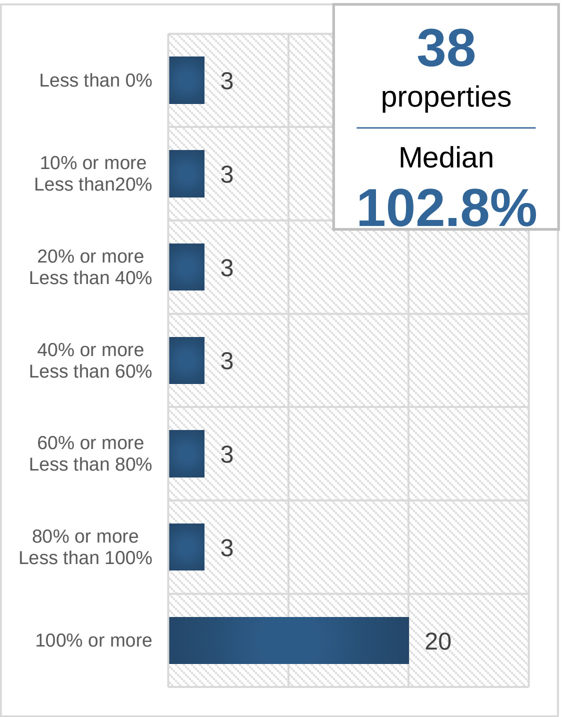


*Includes 41 projects without borrowing.

Unlevered IRR for Properties Sold Under 2 Billion Yen Over the Past Five Years

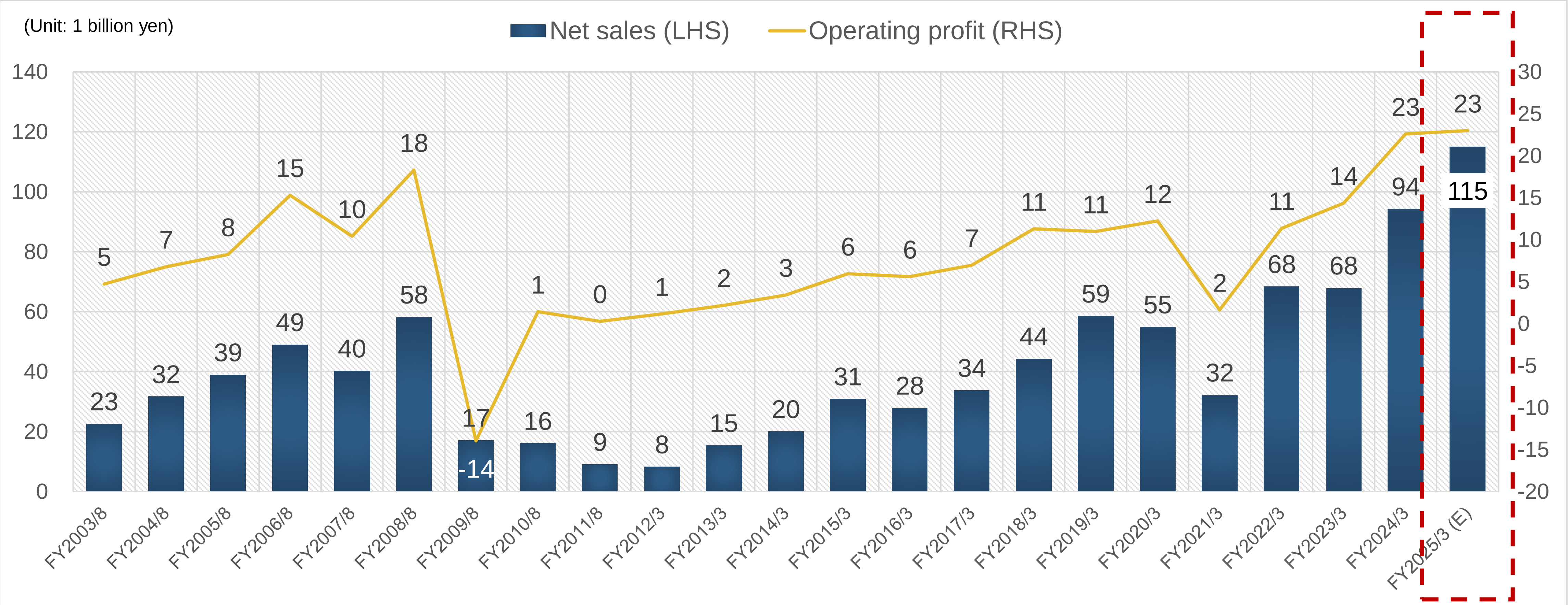


Levered IRR for Properties Sold Over 2 Billion Yen Over the Past Five Years



Forecast for Record-High Profits

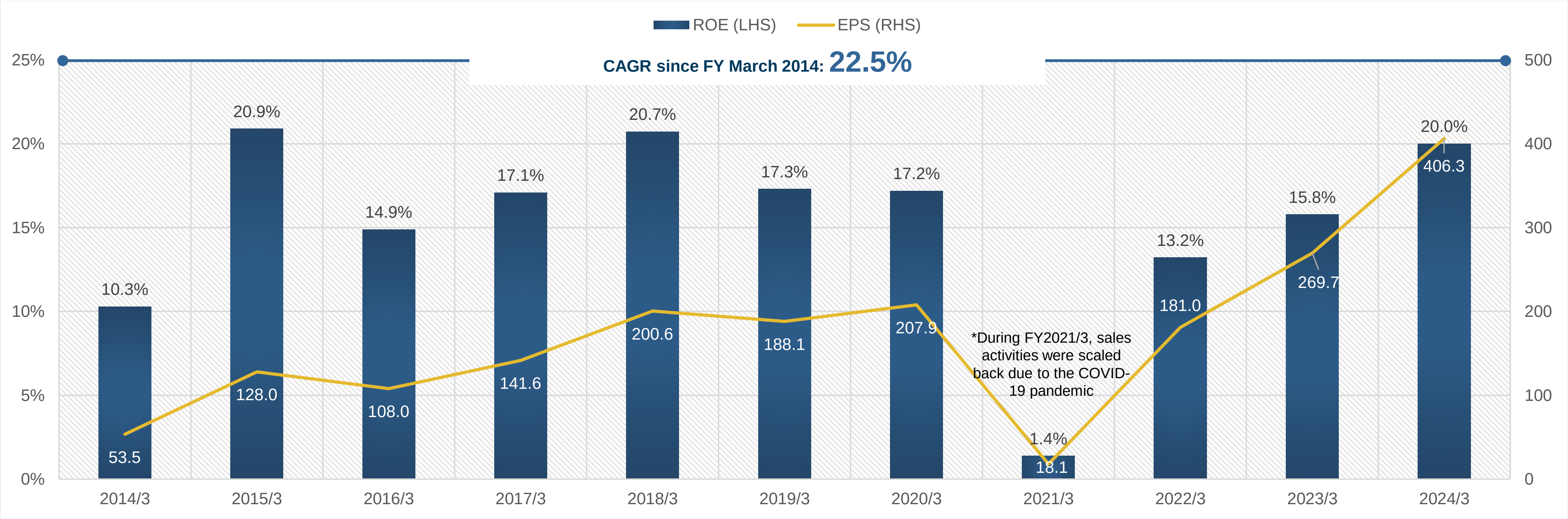
**Having fully recovered from the GFC, FY ending March 2024 has marked our company's highest profits ever.
As we enter the final year of our current medium-term plan, we expect to surpass these record earnings again in FY March 2025.**



Achieved ROE Exceeding Target of Over 20%

Our ROE and EPS growth rate, key metrics for our company, have **far exceeded the 8% ROE target set by the Ito Report for Japanese companies. Currently, our ROE is at 20.0%, with an average annual EPS growth rate of approximately 23% since FY ending March 2014.** We are committed to driving further growth.

Trends in the Company's ROE and EPS since the FY ending March 2014



Our Commitment to Value Creation

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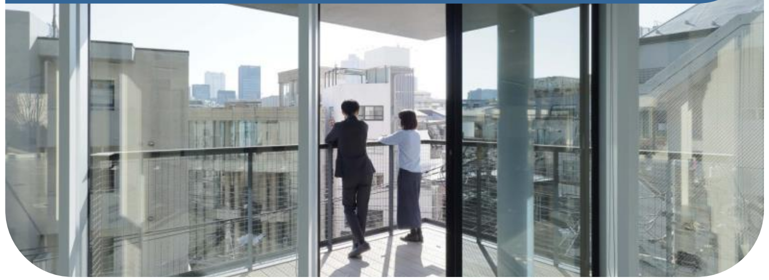
A real estate company that has been focused on "Creating Value for Customers" since its founding, and has a value as one and only platform that solves issues faced by customers and society

1 Ability to solve issues, gained by continuously engaging head-on with the value creation for customers

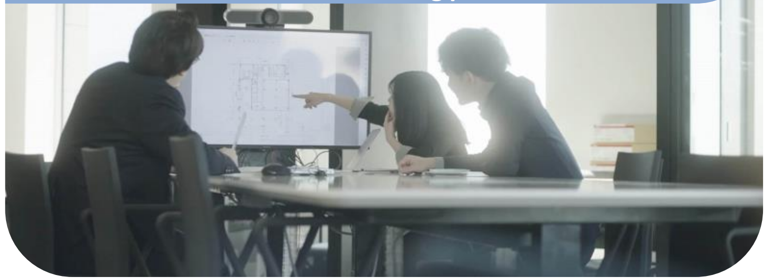
- The ability to source properties and to "transform properties", nurtured through our experience handling highly complex projects (coordinating and consolidating land rights, and/or resolving the mismatch between tenants and the property) which are hard for peers to engage with
- Our property management capabilities, continuously enhancing the intrinsic value of properties, as a result of our track record of directly managing and operating various properties
- By continuously engaging in leasing activities that are not bound by comparable properties nearby and precedents, attained the ability to secure high levels of rent that last into the future. The ability to increase NOI through synergies with our property management expertise

Strong relationship of trust with customers, built up by providing them with high scarcity properties.
Distinct from companies that deal in real estate as a commodity

2 Strong balance sheet supporting our business, as well as our funding capability backed by long-term relationship with financial institutions, and future expectations for business expansion



3 Strong senior management team, rich in experience and the will to take on challenges, that serves as the foundation for our value creation ability overwhelming peers



A Unique Platform with the Capability to Increase Real Estate NOI

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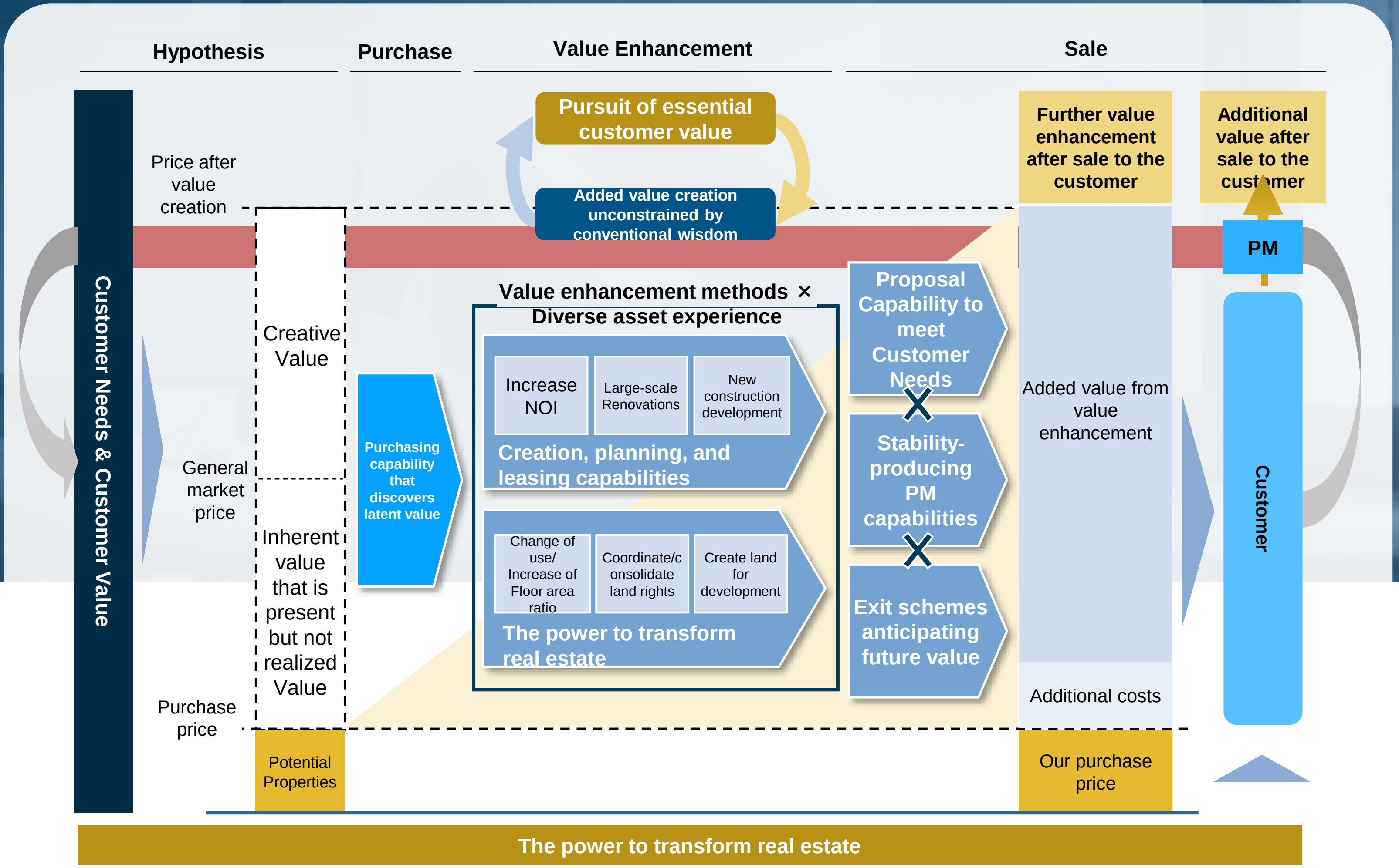
We have the "ability to transform properties" thinking back from the needs of customers and tenants, and making full use of various value creation methods



Mission and Vision : Creating Value for Our Customers

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What constitutes value and quality assets for our customers (Customer Value)

1 Long-Term Stability

The succession of assets is inherently a long-term plan. Therefore, the real estate our customers own must generate stable, long-term income. We focus on identifying properties that can yield stable, long-term profits. By enhancing and transforming initially unstable properties, Raysum ensures that these assets provide enduring stability for our customers post-acquisition.

2 High Liquidity

Real estate is typically viewed as a highly illiquid asset under tax laws, yet incorporating it strategically into asset succession plans can prove beneficial. Properties developed by Raysum undergo meticulous renovations, conversions, and new developments to optimize tenant compatibility, thereby enhancing their marketability and liquidity. This transformation repositions these assets as vibrant social assets, adding substantial value for our customers.

3 Uniqueness

Each property possesses its own unique characteristics. However, those that are universally admired not only retain a high rarity value but also enrich the surrounding community, evolving into valuable social capital. Like diamonds, the more these properties are retained and cared for, the more their inherent value shines through, making them uniquely valuable assets for our customers.

The source of Raysum's value creation (Our Value)

1 Unmatched Individual Strength (Challenge)

Many of our projects originate from the foresight and spirit of challenge exhibited by individual employees. Our team members embrace changing times not as obstacles but as significant opportunities to unearth value. This culture fosters a strong ability to tackle and overcome challenges independently, unlocking Raysum's greatest potential.

2 Unified Diversity (Teamwork)

The creation and maintenance of high-quality real estate assets demand a broad spectrum of experiences, knowledge, and execution capabilities—too complex for any one person to manage alone. At Raysum, the synergy of diverse individual strengths through teamwork is not just instrumental but essential. Each member contributes their best, earnestly leveraging one another's capabilities to maximize the collective potential of our company.

3 Overwhelming Speed (Speed)

To keep pace with rapid external changes, we adopt a proactive approach that emphasizes "speed" in all our operations, surpassing the rate of external fluctuations. This agility in action leads to swift market responses. This maximizes the business value of Raysum created by Unified Diversity, facilitating new encounters with customers and partners, and expanding the horizons of new business areas.

The Source of Our Power to Transform Real Estate

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Due diligence and sourcing capability accumulated through the acquisition of non-performing assets.

Experience and track record of providing tailor-made Added Value to high-net-worth individuals

Accumulation of Strengths

Foundation to IPO 1992-2001

We capitalized on recognizing and unlocking inherent but unrealized property values, generating profit through value recovery.

Built a track record with a broad range of value-enhancement methods and assets.

Post-IPO to Lehman Shock 2001-2011

We capitalized on recognizing and unlocking inherent values while pioneering creative approaches to value creation. Enhanced our purchasing capabilities by identifying latent values overlooked by others.

2012-2018

Built the power to transform real estate. (expansion of creative value)

Grew our scale and developed relationships with institutional investors and business corporations.

New Management Structure 2018-2023

Strengthened our partnerships with financial institutions and business partners. Expanded our reach to overseas corporates and affluent individuals

- Transactions with overseas corporates and affluent international individuals
- Flexible exit schemes anticipating future value
- Corporate Customer Base (Personal expertise elevated to serve corporate clients.)
- Purchasing capability to discover further potential value.
- Diverse value-enhancement practices and experiences due to the increasing variety of handled property types
- PM capabilities that ensure stability while continuously working to enhance value.
- A solid customer base of individual high-net-worth clients
- Property evaluation (DD) skills developed through the ancestral non-performing loan acquisition business
- Proposal Capability to meet Customer Needs

Individual Needs

Affluent Individuals → Business Succession (Inheritance) / Income-generating assets / Personal use / Others → Our Company

We have continuously met the needs of individual high-net-worth clients and established a foundation for value enhancement methods.

Increase NOI	Large-scale renovation
New construction development	Change of use/increase floor area ratio
Coordinate/consolidate land rights	Create land for development

Our Market Share of the Real Estate Industry is Still Small

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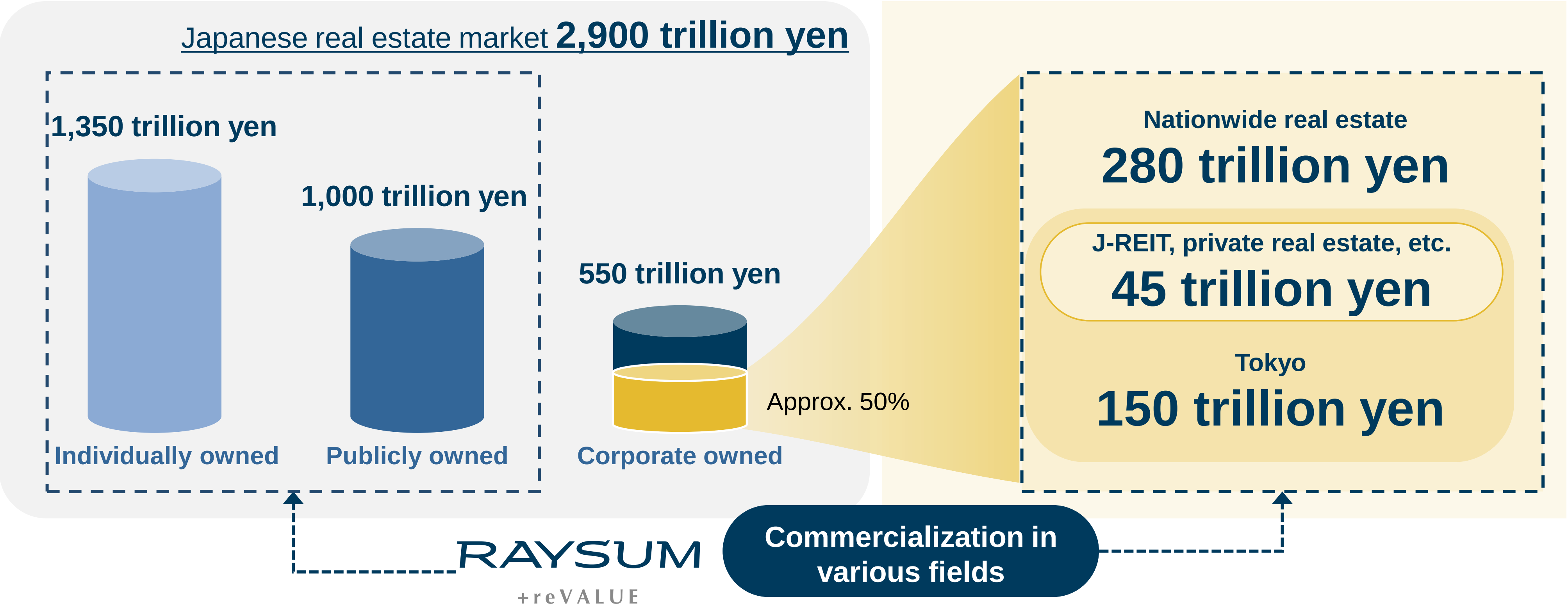
The Japanese real estate market is said to be worth approx. 2,900 trillion yen. **We can satisfy the needs of all types of clients, including individuals, public institutions and corporations**

In FY2023/3, our revenue in the Value Creation Services segment were 61.4 billion yen, and the value of transactions in the real estate market in 2020 was 4.363 trillion yen. On this basis, **our revenue only accounted for 1.4% of the real estate transaction market. Therefore, we see significant upside potential**



Source: Compiled by Raysum from the Ministry of Land, Infrastructure, Transport and Tourism's "National Accounts 2020", NLI Research Institute's "Japanese Real Estate Investment Market", and Mitsui Trust's "Survey on Private Real Estate Funds."

Our Specialty Area is Old and Small/Medium-Size Properties. This is the fastest-growing segment in the real estate industry

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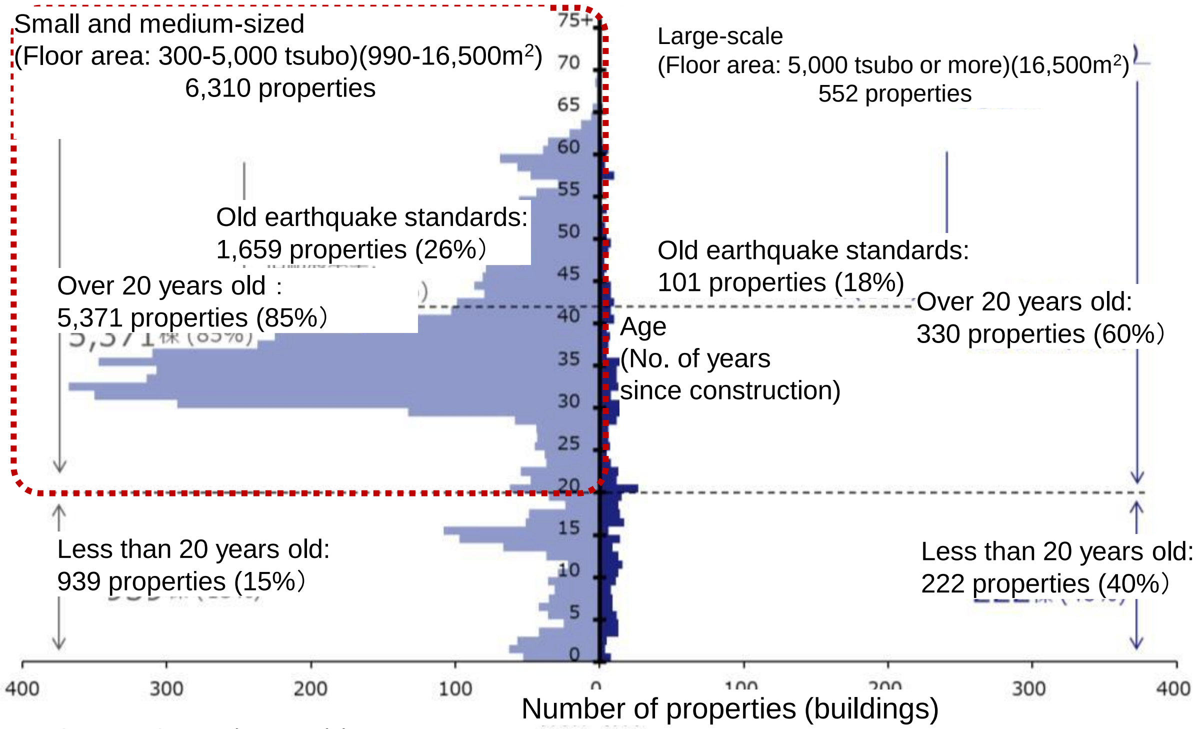
The market for leased office space is **worth more than 20 trillion yen**. Offices of less than 5,000 tsubo (16,500m²) in buildings that are 20 years old or more **account for more than 80%** of the total office space in the five central wards of Tokyo. **This market will continue to grow as the buildings age**

Although we handle a wide range of projects, **70%** of our transactions in terms of value are for **properties over 20 years old**, making us the strongest and most established player in this growing market. **We have an unrivaled track record of accumulated expertise and are well-placed to capitalize on growth opportunities**

Age Pyramid of Offices in the Five Central Wards of Tokyo (Total 6,862 Buildings)



Source: Compiled by Raysum from XYMAX REAL ESTATE INSTITUTE Corporation materials.

Definitions of Unlevered IRR and Levered IRR

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Unlevered IRR

A metric that assesses the total return on a real estate investment without taking account of borrowings or borrowing costs

Example 1

Sell a property at 100 in one year at a gross profit margin of 15%

	2022/1/1	2023/1/1
Purchase cost	(100.0)	
Sale value		115.0
Total CF	(100.0)	115.0

Gross profit	15.0
No. of days owned	366
Unlevered IRR	*15.0%*

Example 2

Invest 20 to increase the value of a property valued at 100 and sell in six months with a gross profit margin of 15%

	2022/1/1	2022/2/1	2022/7/1
Purchase cost	(100.0)		
Investment in enhancing value		(20.0)	
Sale value			138.0
Total CF	(100.0)	(20.0)	138.0

Gross profit	18.0
No. of days owned	182
Unlevered IRR	*33.6%*

We have a policy of not making investments based on the rental income generated by properties, and we do not include rental income in our IRR calculation (we believe this is more conservative than calculation of actual IRR)

Levered IRR

A metric that assesses the return on a real estate investment based on funds available taking into account the leverage effect of debt

Example 1

Purchase a property for 100 utilizing 70% debt. Sell the property within one year of purchase with an interest rate of 2% per annum and a gross profit margin of 15%

	2022/1/1	2022/7/1	2023/1/1
Purchase cost	(100.0)		
Borrowing	70.0		
Interest		(0.7)	(0.7)
Sale value			115.0
Repayment of borrowings			(70.0)
Total CF	(30.0)	(0.7)	44.3

Gross profit	13.6
No. of days owned	366
Levered IRR	*44.9%*

Example 2

Purchase property for 100 utilizing 70% debt. Invest 20 to increase the value. The interest rate on the loan is 2% per annum, gross profit margin is 15%, and the property is sold within six months of purchase

	2022/1/1	2022/2/1	2022/7/1
Purchase cost	(100.0)		
Borrowing	70.0		
Investment in enhancing value		(20.0)	
Interest			(0.7)
Sale value			138.0
Repayment of borrowings			(70.0)
Total CF	(30.0)	(20.0)	67.3

Gross profit	17.3
No. of days owned	182
Levered IRR	*90.1%*

Notes: All monthly cash flows are assumed to occur on the last day of the month.

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