



**Six months ended June 30, 2019**  
**Earnings Briefing**

Loadstar Capital K.K.

Securities code: 3482  
August 2019

# **1. Overview of Financial Results for the Six months Ended June 30, 2019**

## Consolidated Financial Results

- Net sales **+45%** y-o-y
- Ordinary profit **+25%** y-o-y

## Corporate Funding

- Net sales increased due to increasing of properties handled **+41%** y-o-y
- Solid property build-up and value enhancement

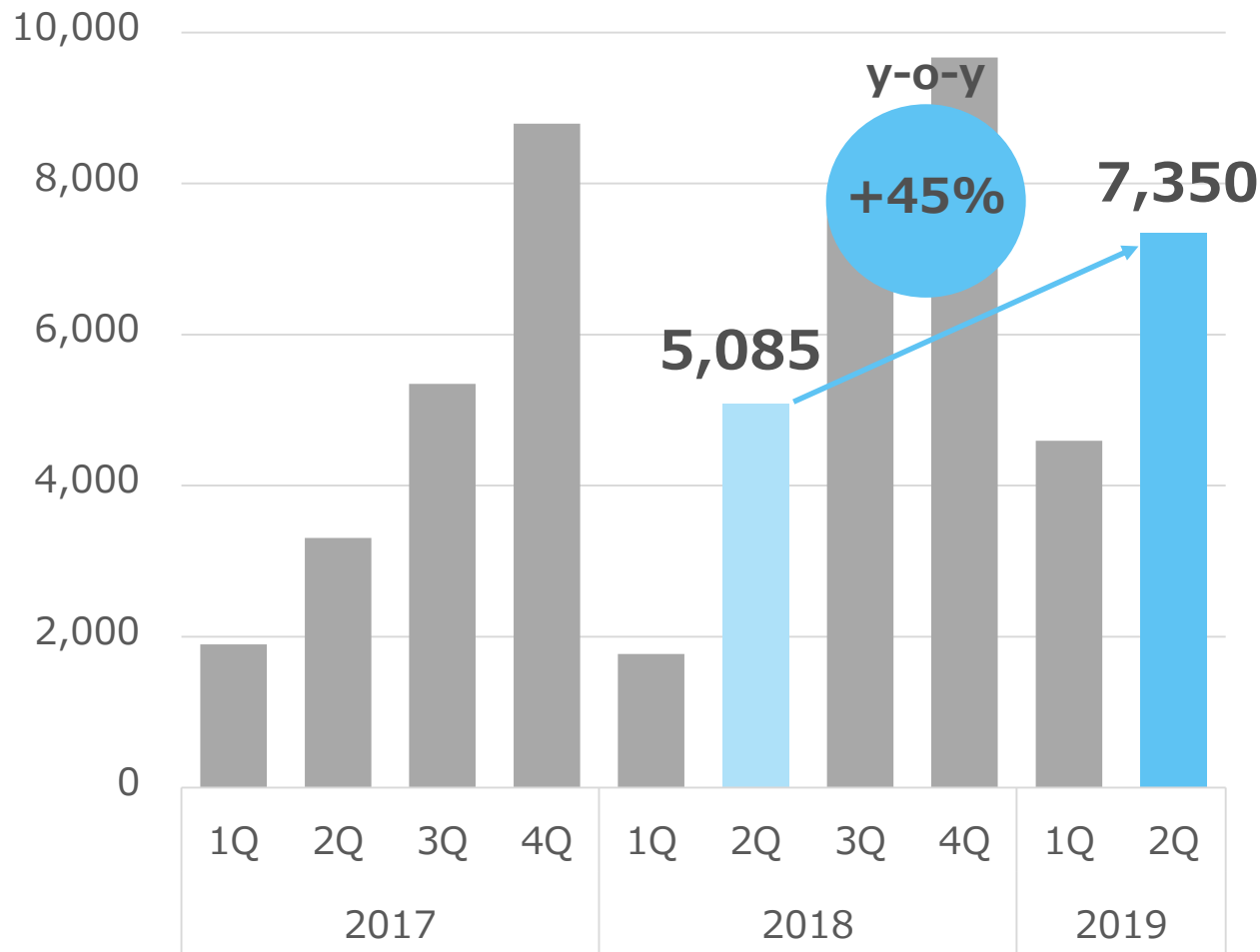
## Crowdfunding

- Net sales increased due to steady growth  
**+109%** y-o-y
- investor members and transactions grew rapidly

# Consolidated Sales

Net sales rose significantly as the size of properties handled increased with the growth of our business, and real estate brokerage sales also contributed.

(¥ millions)

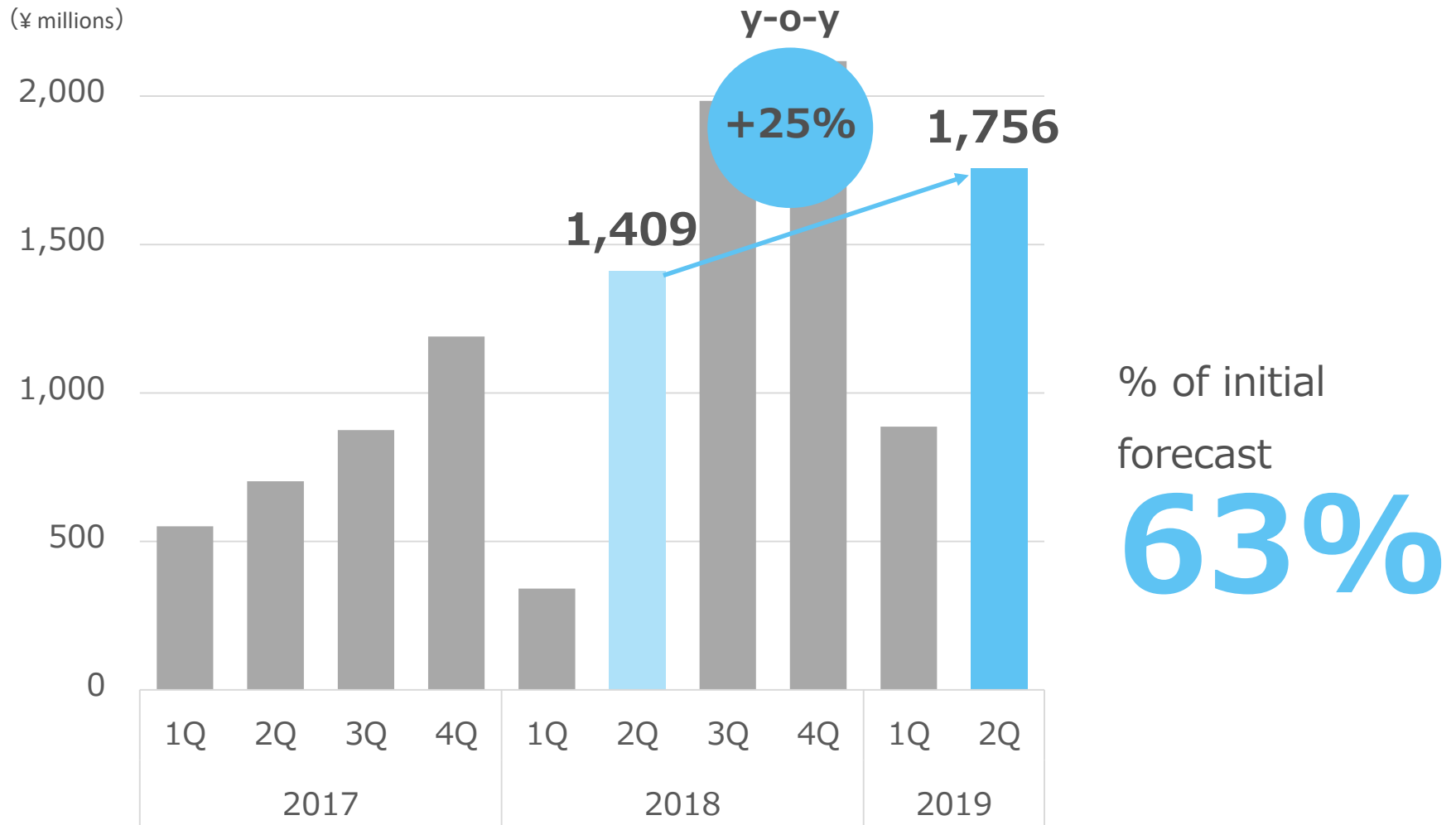


% of initial forecast

**54%**

# Consolidated Ordinary Profit

Although the corporate funding business had a high profit margin in the same period last year and the cost increased due to changing the accounting method for loan fees, consolidated ordinary income increased by 25% due to sales growth.



## 2. Business Overview

Mission

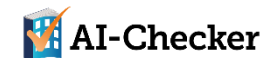
## Real Estate X Tech to Open Up a New Market

Real Estate Tech

CROWDFUNDING  
(Equity Investment-type / Loan-Type)



AI  
×  
REAL ESTATE  
INVESTMENTS



Real Estate  
Investments

**CORPORATE FUNDING**  
(Real Estate Principal Investment)

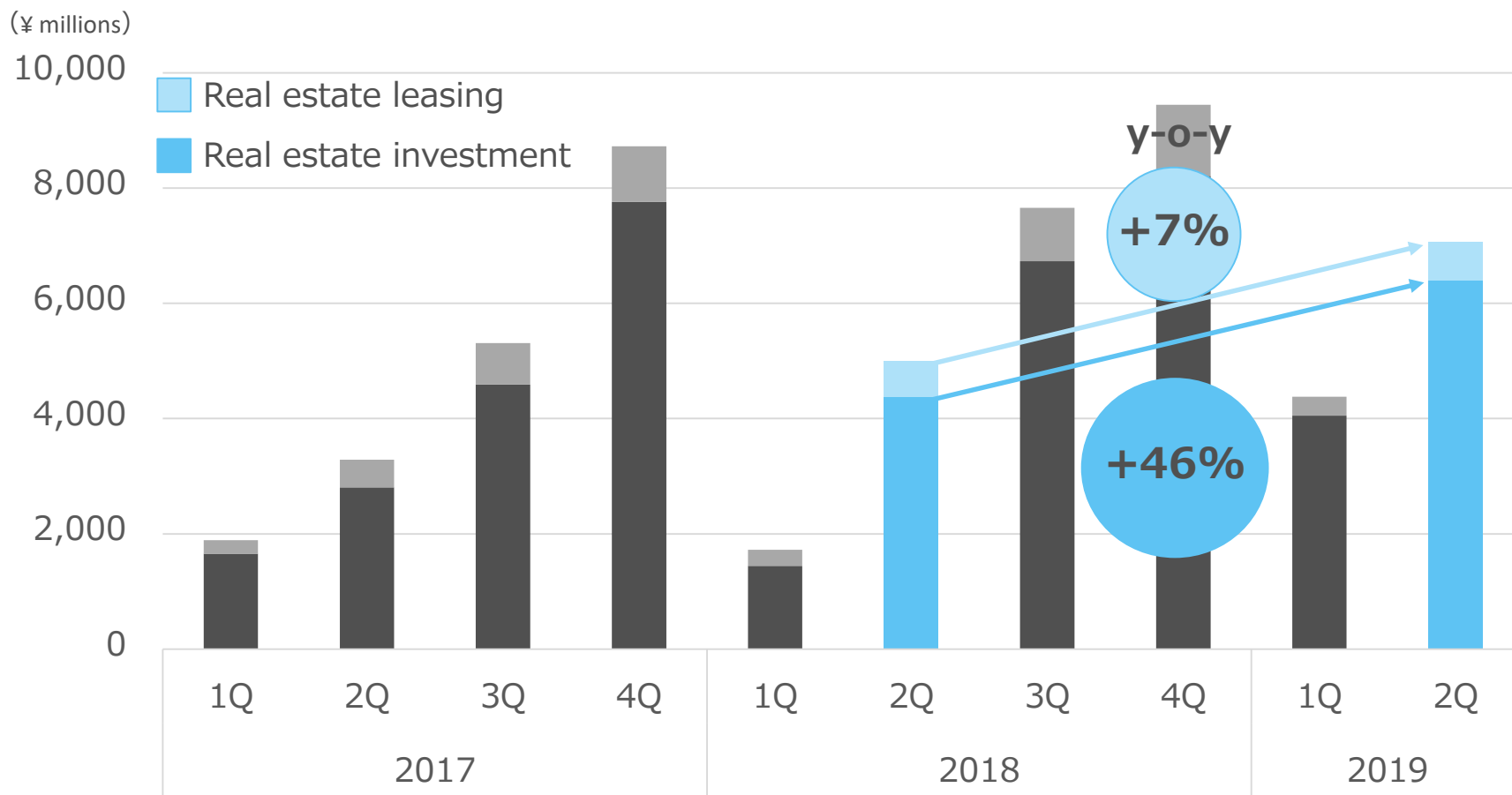
**ASSET MANAGEMENT**

**BROKERAGE  
/ ADVISORY**

# Corporate Funding Business Results

- Realized earnings by adding value to properties and with speedy decision-making
- While income from rental properties temporarily stagnated following the acquisition of an extremely rare vacant building in central Tokyo, we successfully leases and this will be reflected in earnings from the 4th quarter.

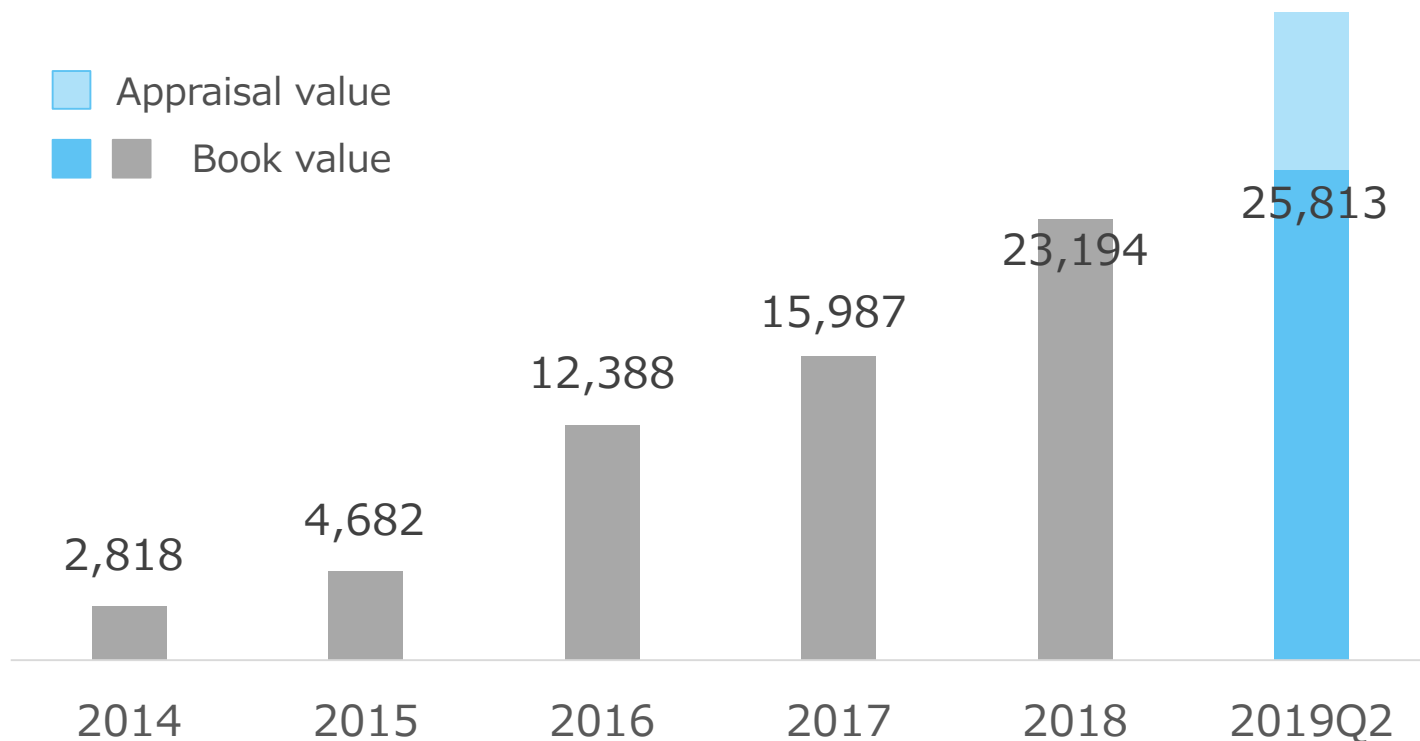
## Net Sales





- Cost-effectiveness improved as the size of acquired properties increased
- Secured earnings for next year and beyond by accumulating properties

## Real estate as inventory (Book value) (¥ millions)



## ● Domestic Financial Institutions' Lending Stance

The lending stance among domestic financial institutions has tightened somewhat due to the problems with SURUGA Bank and Seibu Shinkin Bank, but demand for office real estate is high and our situation has not been significantly affected. We will continue to monitor movements by the Financial Services Agency and financial institutions' lending stances.

In addition, the FRB has decided to cut interest rates for the first time since 2008, so we will closely monitor the impact of this on the real estate investment market.

## ● Strengthening of Asset Management Business

In addition to our Corporate Funding Business and Crowdfunding Business, we will strengthen our Asset Management Business, the third pillar of our business. Employees well-versed in asset management will work to build up assets under management (AUM) for domestic and overseas investors'.

Mission

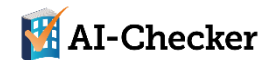
## Real Estate X Tech to Open Up a New Market

Real Estate Tech

### CROWDFUNDING (Equity Investment-type / Loan-Type)



### AI × REAL ESTATE INVESTMENTS



Real Estate  
Investments

CORPORATE FUNDING  
(Real Estate Principal Investment)

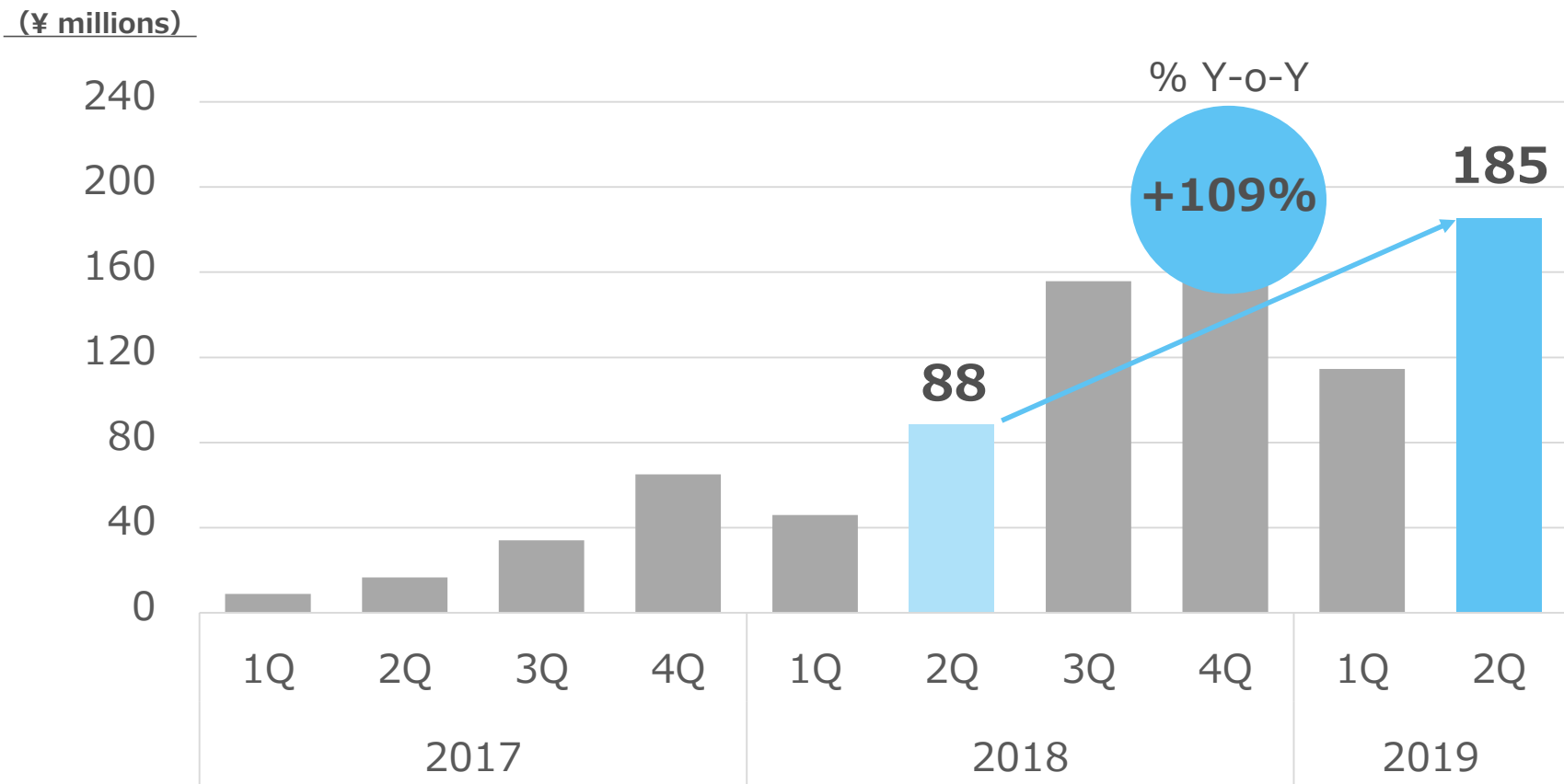
ASSET MANAGEMENT

BROKERAGE / ADVISORY

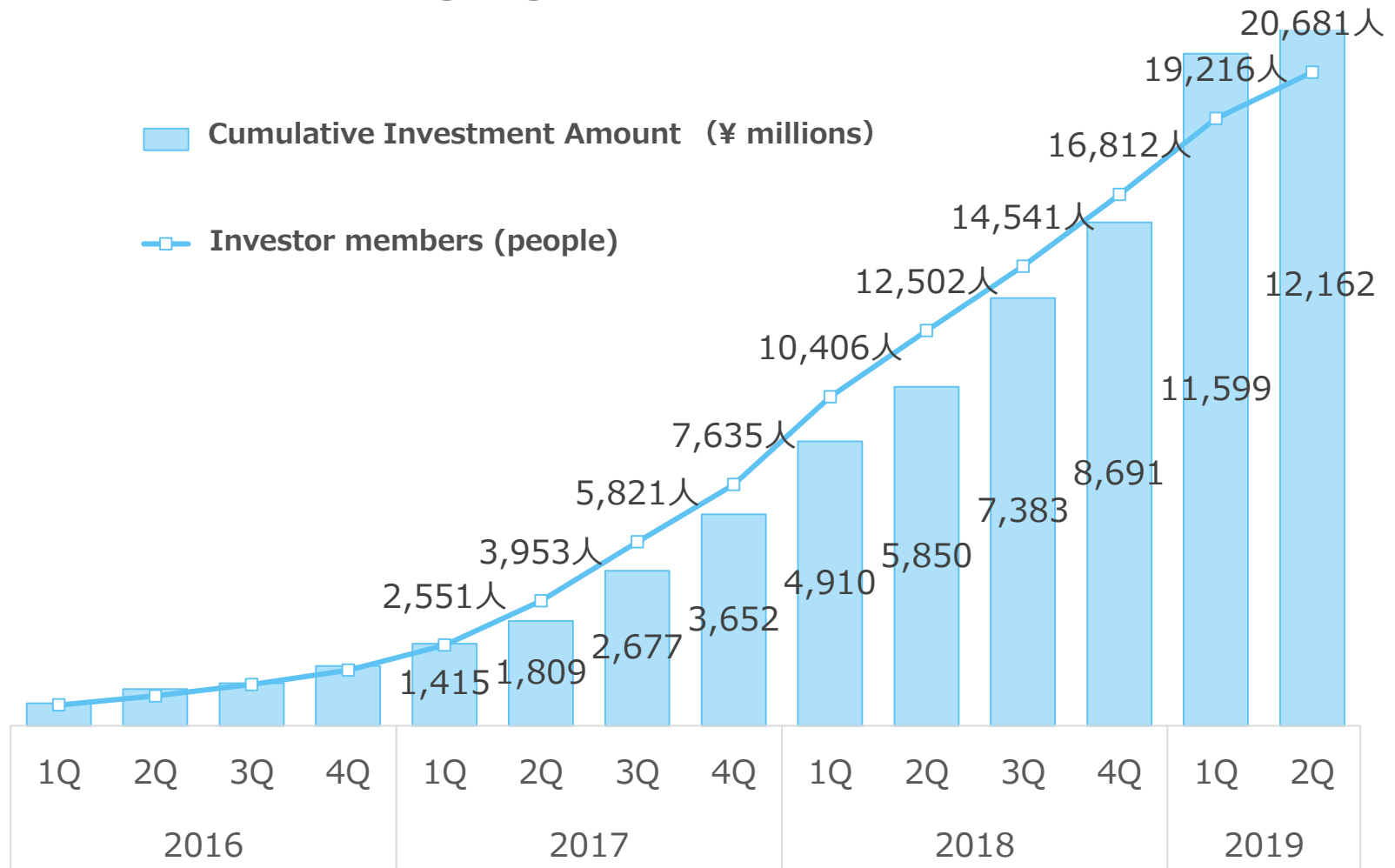
# Crowdfunding Business Results

The Crowdfunding Business has rapidly expanded along with the large-scale project composition and expansion of investor members who can recruit large-scale projects

## Net Sales



The number of investor members and cumulative investment amount are steadily increasing due to the growing recognition of the company as well as crowdfunding in general.



## ● Ending of Anonymity and Multiple Borrowers in Loan-type Crowdfunding

The Type II Financial Instruments Firms Association has published a “Q&A on Loan-Type Funds”, and the need for anonymity and multiple borrowers, considered to be a concern due to a series of scandals involving loan-type crowdfunding, has been removed. We will comply with the Q&A and work to ensure transparency, aiming for disclosure that will be of benefit to investors.

## ● Expansion of Crowdfunding Business Overseas

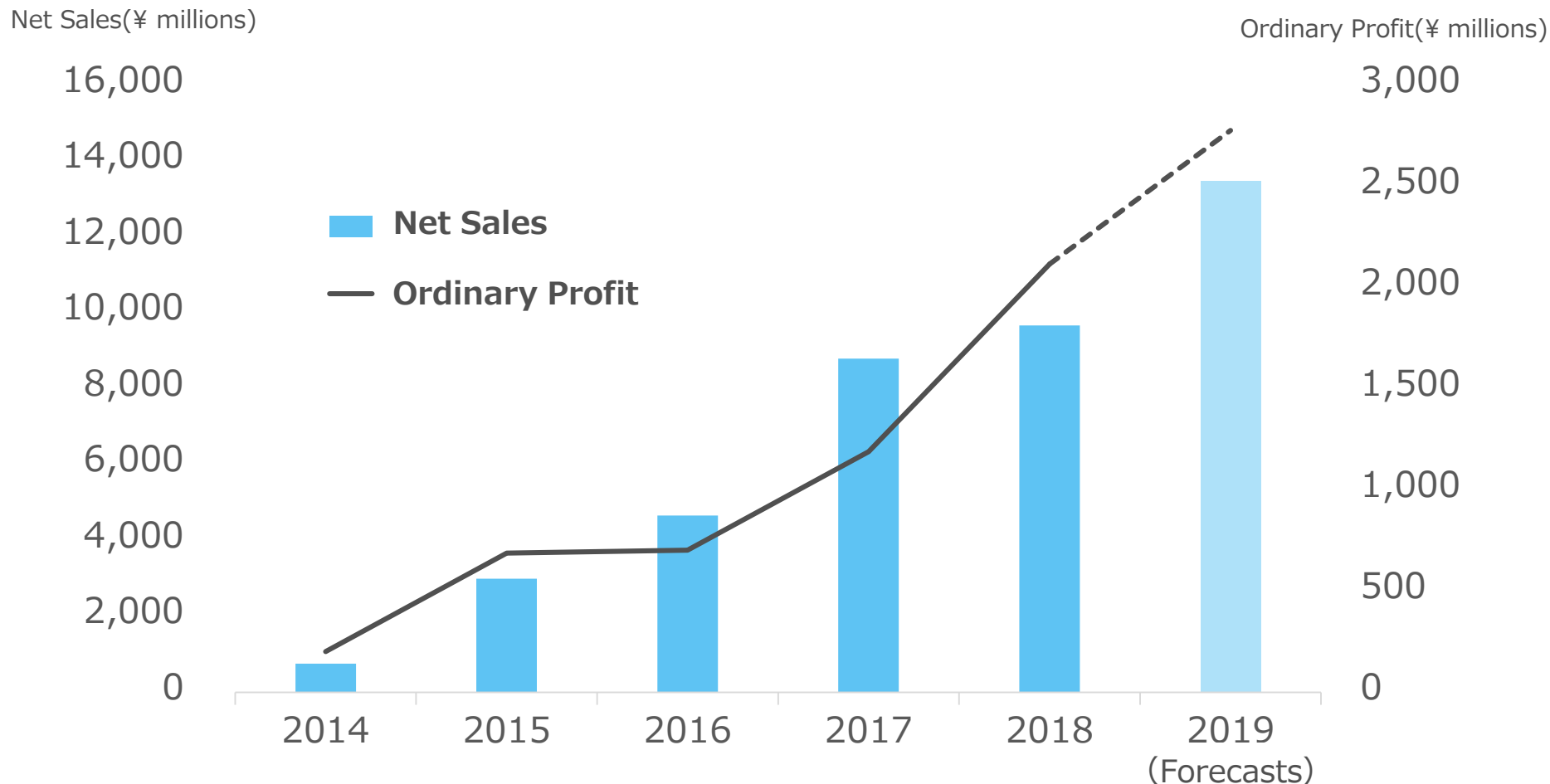
We have entered into a business alliance with Fundrise\*, a company engaged in real estate crowdfunding in the U.S., and we are currently investigating specific product design and focusing on putting together our first project as soon as we can.

\*Fundrise, LLC (Head office in Washington D.C., USA, Co-Founder and CEO: Ben Miller, <https://fundrise.com/>)

Pioneering real estate tech company in the U.S., that has been involved in the partial procurement of funds to rebuild the World Trade Center following its collapse in a terrorist attack in 2001, as well as the development of a system for unlisted REIT (eREIT). Expert on the U.S. real estate market that works with major U.S. real estate developers, astute company that employs professional in all fields, including IT engineers and financial experts.

# **3. Forecast for the FY2019 and Results of the FY2019 Q1-Q2**

**Maintain increase in sales and profits since founding and aim to over net sales ¥10 billion and ordinary profit ¥2.5 billion.**





# Consolidated Statements of Income

(¥ millions)

	FY2019 1Q-2Q Results				FY2019 (Forecasts)		
	Amount	% of Net Sales	% Y-o-Y	% of FY2019 Forecast	Amount	% of Net Sales	% Y-o-Y
<b>Net Sales</b>	7,350	100.0%	144.5%	54.5%	13,487	100.0%	139.5%
<b>Cost of sales</b>	4,850	66.0%	149.5%	53.4%	9,090	67.4%	142.0%
<b>Gross Profit</b>	2,500	34.0%	135.7%	56.9%	4,396	32.6%	134.5%
<b>SG&amp;A expenses</b>	513	7.0%	156.2%	40.8%	1,258	9.3%	143.6%
<b>Operating profit</b>	1,987	27.0%	131.3%	63.3%	3,137	23.3%	131.1%
<b>Ordinary Profit</b>	1,756	23.9%	124.6%	63.2%	2,777	20.6%	131.2%
<b>Profit</b>	1,126	15.3%	121.7%	67.9%	1,659	12.3%	122.1%

# Consolidated Financial Position

(¥ millions)

	12/31/2018		6/30/2019		
	Amount	% of total	Amount	% of total	% vs. 12/31/2018
<b>Current assets</b>	32,785	99.3%	38,087	99.2%	116.2%
Cash and deposits	5,871	17.8%	7,635	19.9%	130.0%
Operating loans	3,340	10.1%	4,501	11.7%	134.8%
Real estate as inventory	23,194	70.2%	25,813	67.2%	111.3%
<b>Non-current assets</b>	242	0.7%	304	0.8%	125.4%
<b>Total assets</b>	33,028	100.0%	38,391	100.0%	116.2%
<b>Current liabilities</b>	5,359	16.2%	1,727	4.5%	32.2%
<b>Non-current liabilities</b>	21,787	66.0%	29,821	77.7%	136.9%
long-term loans	14,751	44.7%	20,779	54.1%	140.9%
Deposits received from silent partnership	6,358	19.3%	7,978	20.8%	125.5%
<b>Total liabilities</b>	27,147	82.2%	31,548	82.2%	116.2%
<b>Net assets</b>	5,880	17.8%	6,842	17.8%	116.4%
Retained earnings	3,150	9.5%	4,075	10.6%	129.4%
<b>Total liabilities and net assets</b>	33,028	100.0%	38,391	100.0%	116.2%

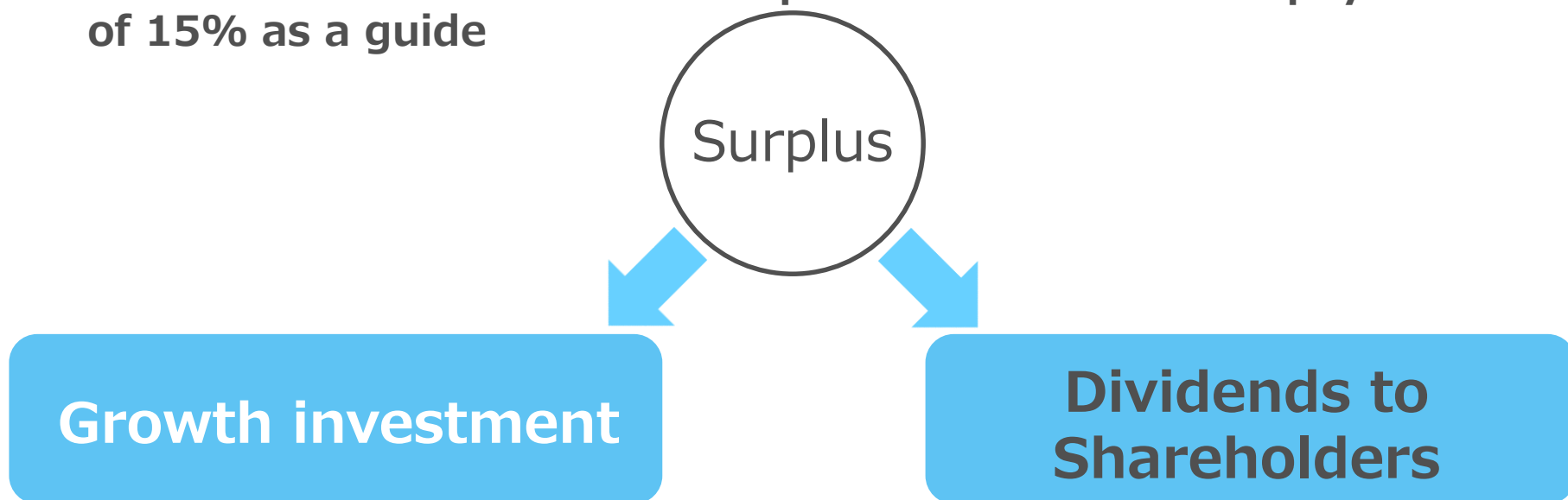
# Consolidated Statements of Cash Flows

(¥ millions)

	FY2018 1Q-2Q	FY2019 1Q-2Q	Amt. Changed
<b>CF from operating activities</b>	△ 3,533	△ 408	3,125
Profit before income taxes	1,342	1,627	285
Decrease (increase) in operating loans receivable	△ 1,499	△ 1,161	338
Decrease (increase) in real estate as inventory	△ 4,908	△ 2,822	2,086
Increase (decrease) in deposits received from silent partnership	1,755	1,620	△ 135
Other	△ 223	328	551
<b>CF from investing activities</b>	△ 14	△ 4	10
<b>CF from financing activities</b>	3,671	2,176	△ 1,495
Net increase (decrease) in short-term borrowings	3,775	2,408	△ 1,367
Other	△ 105	△ 233	△ 128
<b>Net increase (decrease) in cash and cash equivalents</b>	124	1,764	1,640
<b>Cash and cash equivalents at beginning of period</b>	4,615	5,871	1,256
<b>Cash and cash equivalents at end of period</b>	4,739	7,635	2,896

## 《Basic dividend policy》

- We strive to improve corporate value and shareholder profit by expanding business performance
- Perform stable and continuous profit reduction with a payout ratio of 15% as a guide



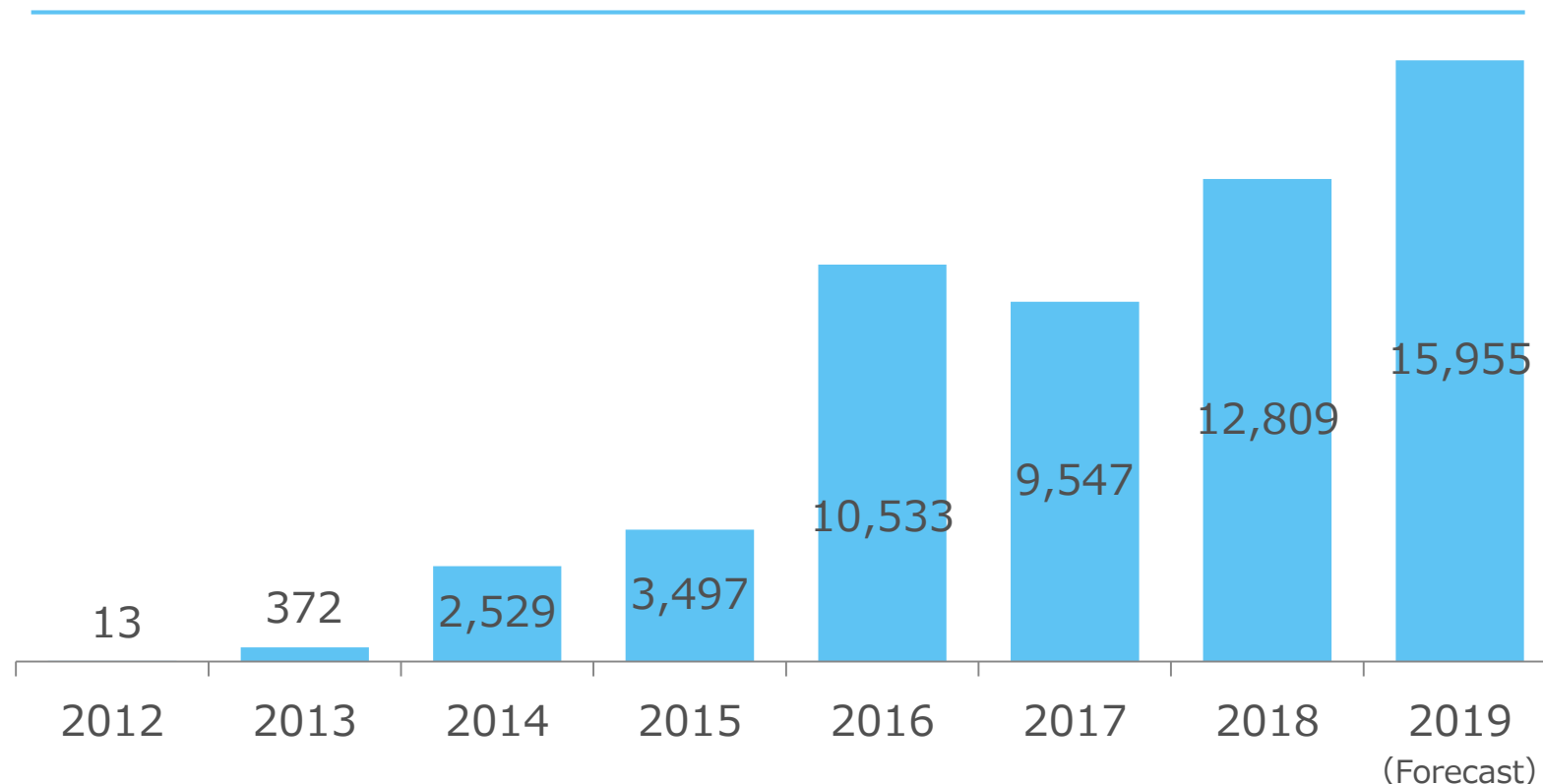
	2012	...	2016	2017	2018	2019 (Forecast)
Dividends pre share	-	...	-	※¥5.5	¥9.5	¥11.5
Payout ratio	-	...	-	14.5%	14.8%	14.7%

※Consider stock split(2:1) on 11/30/2018

# 4. Future Growth Strategy

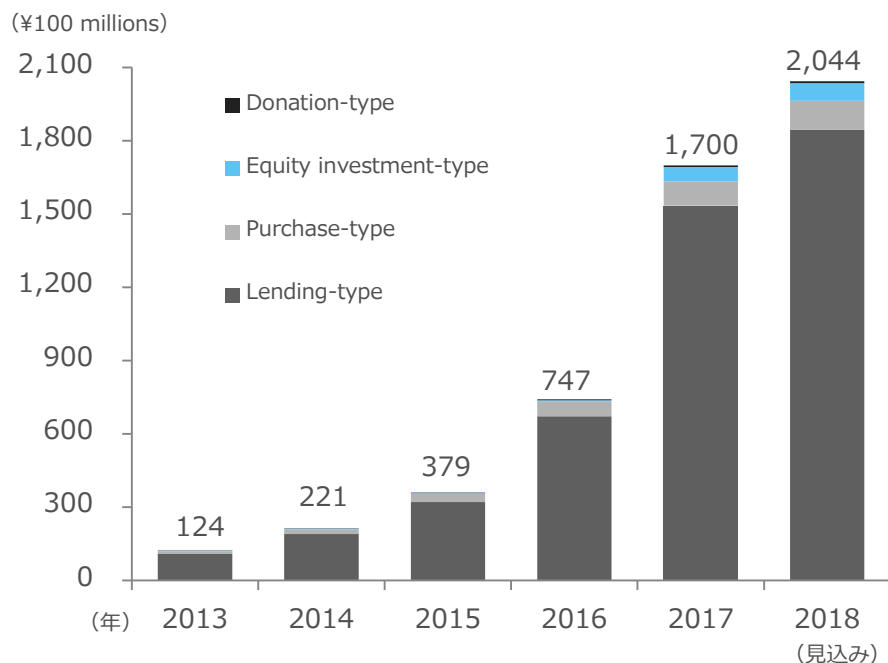
In FY2019 we will accumulate more properties, aiming for a level at which leasing income can cover the company's fixed costs, however, we will assess the real estate investment market and not accumulate properties excessively.

Annual investment amount (¥ millions)



Japanese market is expanding, and going forward equity investment-type crowdfunding is expected to grow as overseas market has been.

## Japan's crowdfunding market

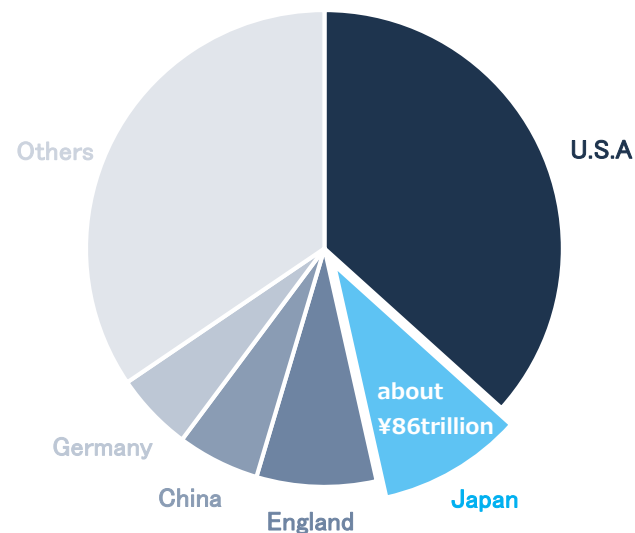


Source: Yano Research Institute "Crowdfunding Market 2018"  
(Released 12/3/2018)

Note: Composition ratios for 2015 and prior years calculated by Loadstar Capital K.K. using same composition ratio as FY2016  
Composition ratio for 2018 calculated by Loadstar Capital K.K. using same composition ratio as FY2017

## Real estate market size

Real estate occupies a large proportion of loan-type cloud funding investment targets. Japan's investment property market is second only to the world after America.

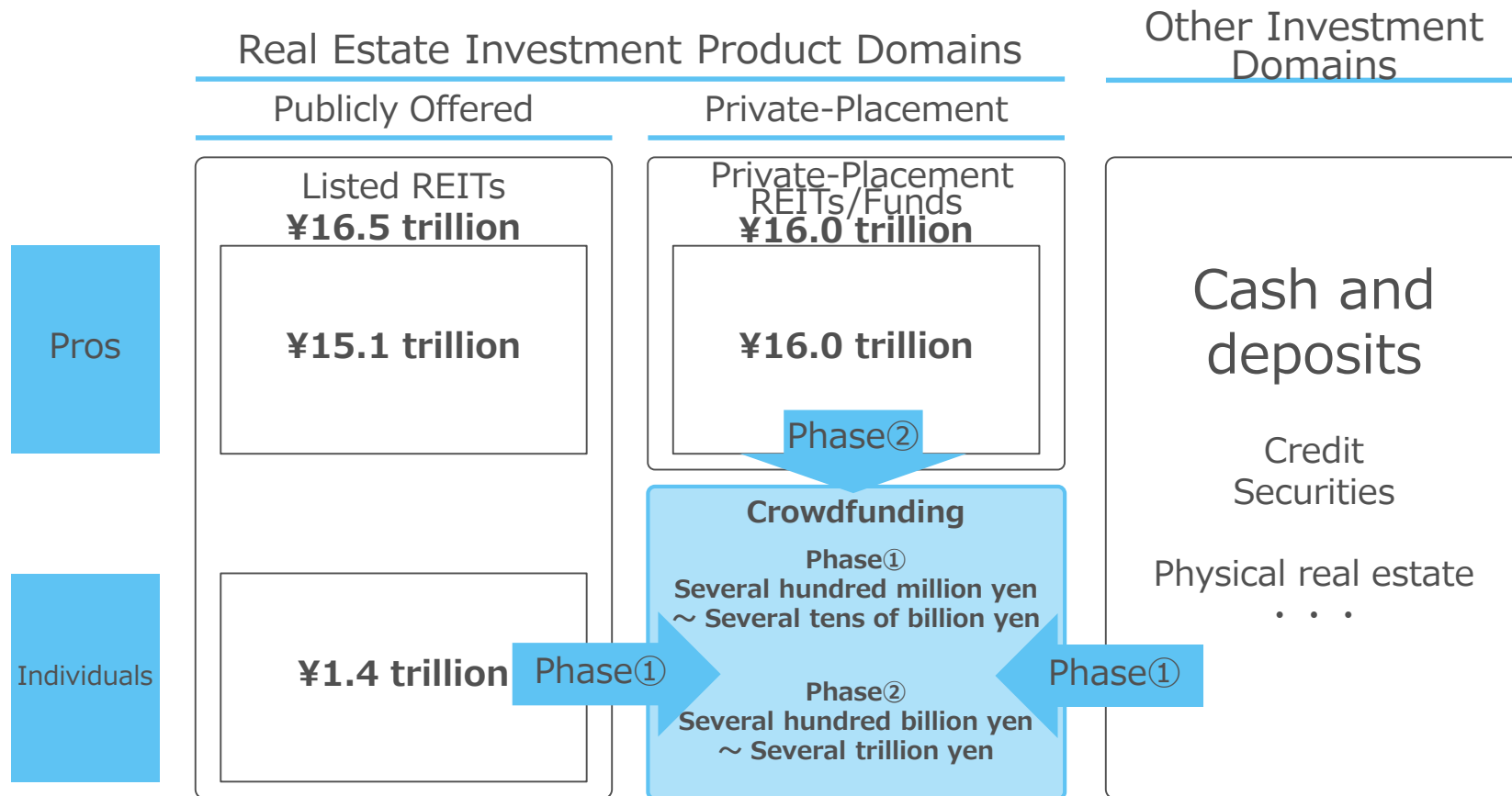


Real estate market size (as of 2018, estimated)

出典: "REAL ESTATE MARKET SIZE 2017" MSCI RESEARCH REPORT.  
Converted \$1 = ¥110

# Factors of Growth Potential in Japan

Going forward, there is a chance that professional investors will start to get involved due to the growth of the platform.

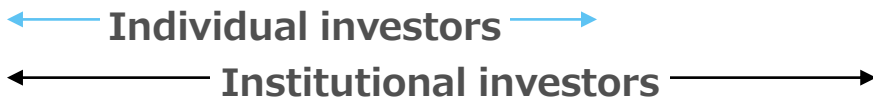
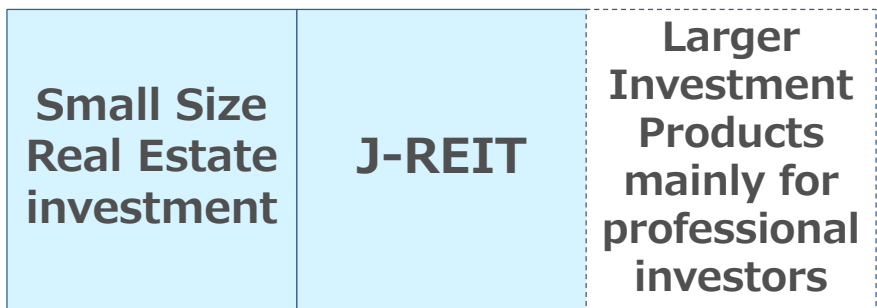


**Phase①** : At launch, increase scale centered on individual investors (Several hundred million yen ~ Several tens of billion yen)  
**Phase②** : Professional investors start to join due to platform expansion (Several hundred billion yen ~ Several trillion yen)

Source for market size: <https://j-reit.jp/market/12.html>  
<https://www.nri.com/jp/knowledge/report/1st/2018/cc/1127>



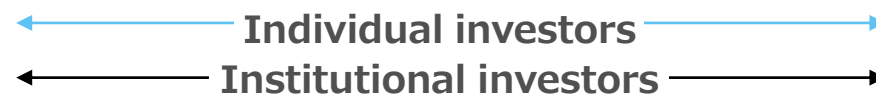
## Historically



Only professional institutional investors are investing in certain domains

- × Need large amount of funds
- × Information Limited outside the Investor community.

## The Aim of OwnersBook



An increase in domains that individual investors can invest in

- ✓ Can invest with small amounts of money
- ✓ Information is made open to OwnersBook members.

- ✓ Starting with small amounts of money, individuals can participate in large investment deals
- ✓ Having individual investors join in the investment segment that have traditionally only been open to institutional investors will help to stabilize the real estate market

We will continue to strengthen cooperation with financial institutions



**OwnersBook**



Acquire investor members

**Matsui Securities**

Introduce borrowers

**THE SEIBU SHINKIN BANK**

**ORIX Bank Corporation**

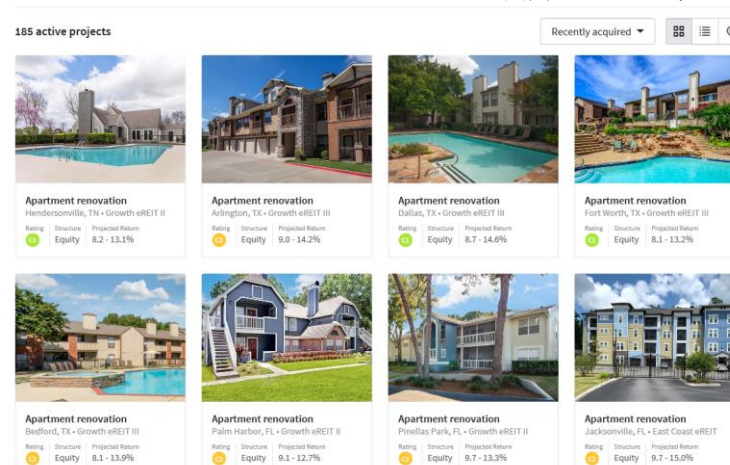
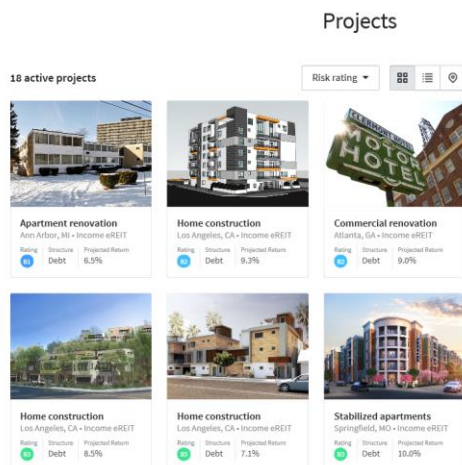
**SAISON FUNDEX CORPORATION**

**Shinsei Investment & Finance Limited**

**AEON Bank, Ltd.**

- Announced business alliance with Fundrise, a U.S. company on June 27
- We will be able to offer OwnersBook investors unprecedented unique investment opportunities

出典：Fundrise社 HP



## ● Fundrise's Strengths:

- Carefully selects small projects to invest thereby avoiding competition with institutional investors and funds
- Maximizes the use of IT to scout out and manage projects

## ● Investment opportunities in funds managed by real-estate professionals:

- Investment products previously unheard of in overseas and small-lot products
- Has provided steady returns since its founding in 2010

- **Leverage the Company's competitive advantages and expertise to expand business**
- **Expand the service lineup in line with investors' needs**



- **Crowdfunding Business:**
  - See previous page
- **Asset Management Business:**
  - Promote outsourced sales targeting institutional investors and affluent demographics, particularly in Southeast Asia, and provide asset management services

# Appendix

# Company Profile (as of June 30, 2019)

<b>Company Name</b>	Loadstar Capital K.K.
<b>Address</b>	Ginza First Building 2F, 1-10-6 Ginza, Chuo-ku, Tokyo, Japan
<b>Founded</b>	March 14, 2012
<b>Representative</b>	President & CEO Tatsushi Iwano
<b>Share Capital</b>	¥1,388 million
<b>Number of Officers and Employees</b>	63

<b>Main Shareholders</b>	Renren Lianhe Holdings	Ownership stake	35.7%
	Tatsushi Iwano		15.7%
	Yasuhiro Morita		14.1%



## Tatsushi Iwano President

April 1996    Joined Japan Real Estate Institute  
April 2000    Joined Goldman Sachs Realty Japan Ltd.  
August 2004    Joined Rockpoint Management Japan LLC  
March 2012    Founded Loadstar Capital K.K. Assumed office as President (current)  
May 2014    Assumed office as President of Loadstar Funding K.K. (current)  
Certifications: Certified Real Estate Appraiser



## Yasuhiro Morita Chief Operating Officer

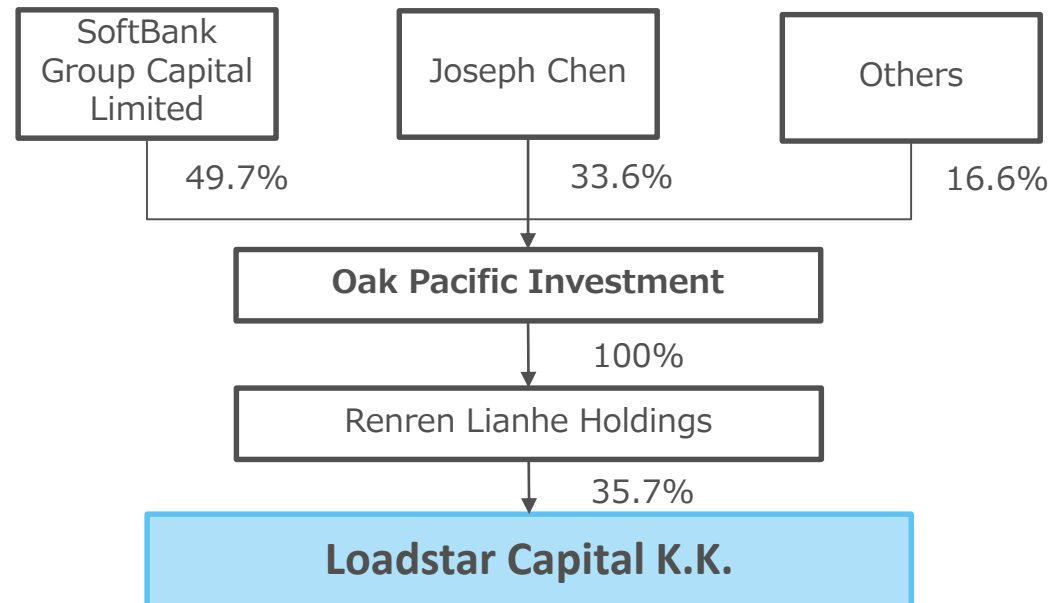
April 1992    Joined Yasuda Trust Bank (currently, Mizuho Trust & Banking)  
November 1996    Joined Japan Real Estate Institute  
January 2003    Joined Goldman Sachs Realty Japan Ltd.  
April 2012    Assumed office as Chief Operating Officer of Loadstar Capital K.K. (current)  
May 2014    Assumed office as Vice President of Loadstar Funding K.K. (current)  
Certifications: Certified Real Estate Appraiser

# History and Major shareholders

## History

<b>March 2012</b>	Established Loadstar Capital K.K. in Ebisu, Shibuya-ku, Tokyo
<b>March 2014</b>	Accepted capital increase through third-party allocation by Renren Lianhe Holdings (see chart below)
<b>May 2014</b>	Established Loadstar Funding K.K. (wholly owned subsidiary)
<b>September 2014</b>	Launched crowdfunding service on the internet under the brand name "OwnersBook"
<b>April 2015</b>	Relocated head office to Ginza, Chuo-ku, Tokyo
<b>September 2017</b>	Listed on Tokyo Stock Exchange Mothers market (Securities code: 3482)
<b>January 2018</b>	Publicly registered investment management business and electronic-based application type electronic public offering services (equity investment-type crowdfunding)
<b>October 2018</b>	Relocated within Ginza, Chuo-ku, Tokyo
<b>June 2019</b>	Business alliance with Fundrise, LLC (US)

## Major shareholders



# Our strengths and characteristics



# Loadstar capital's Strength

Ability to respond to market changes,  
Supported by a stable financial base



Barrier to entry due to government approval and licenses  
First-mover advantage as we entered the crowdfunding market at an early stage

Fast investment decision-making by professionals  
Fast system improvement by IT professionals  
The possibility of overseas expansion by Foreign-affiliated human resources

- **Supply side**

We have obtained the approvals and licenses necessary to engage in the equity investment-type crowdfunding business

- **Demand side**

Careful selection of projects by real estate specialists and listing on TSE Mothers, established trust as an company in the cloud funding market

- **Opportunity**

Realization of access to individual money not established in the real estate market

- **Expertise**

Speedy decision making use of knowledge and experience

**With a high level of expertise in both real estate and IT, we are able to accurately grasp the market's needs and quickly provide services.**

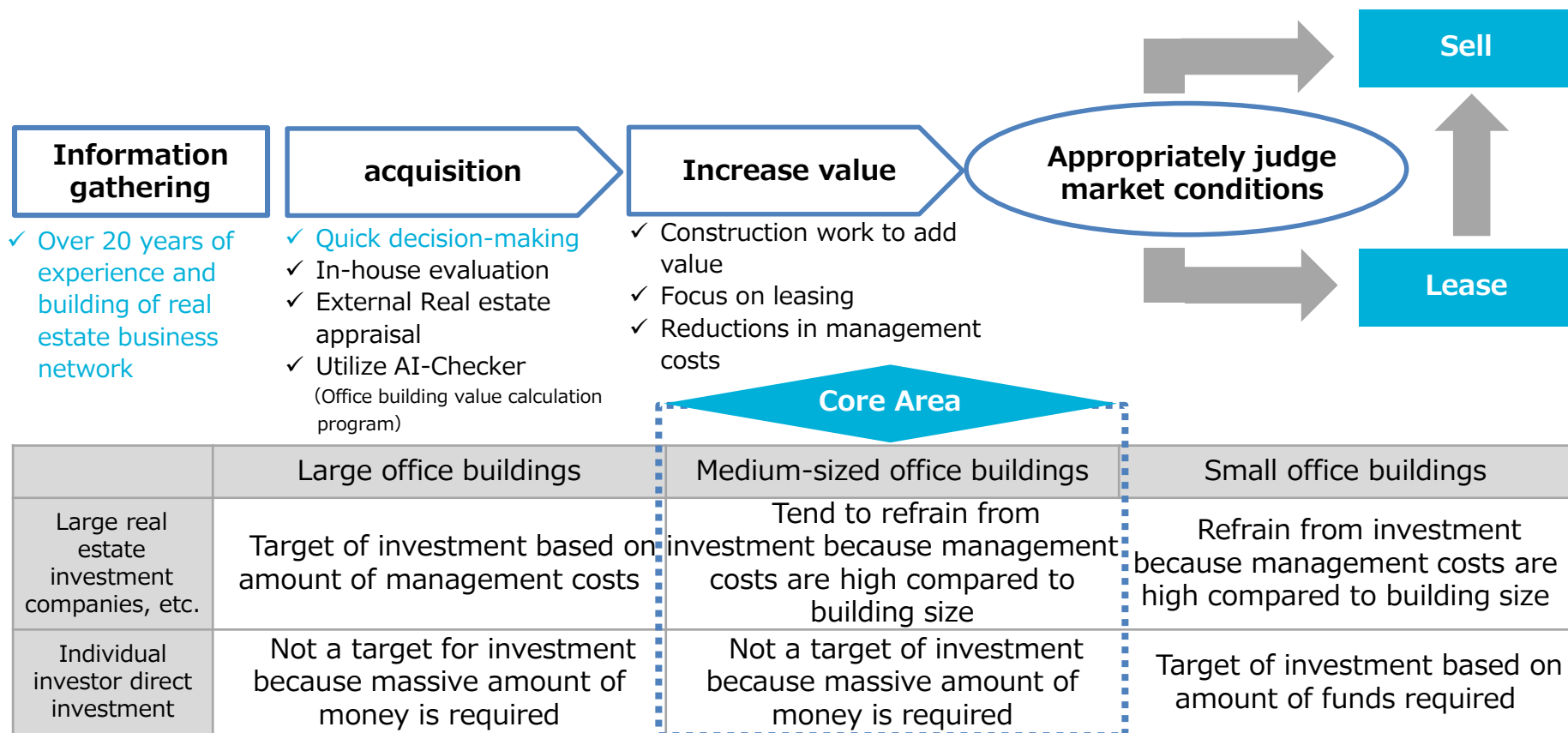
## Real Estate Pros

- Many of our members have more than 20 years of experience in the real estate business (experienced the Lehman Shock)
- Abundant connections, strong information-gathering capabilities  
Use internal/external resources to increase business
- Speedy decision-making based on reliable judgment
- Stable business relationships, centered on megabanks

## IT Pros

- Experts with more than 15 years in the IT industry create and manage systems internally
- The first in the industry to release a smartphone app
- Through in-house development and management of systems, we can quickly address investors demands  
We have stringent security and personal information protection measures

## Acquire mainly medium-sized office buildings within Tokyo's 23 wards, and value up

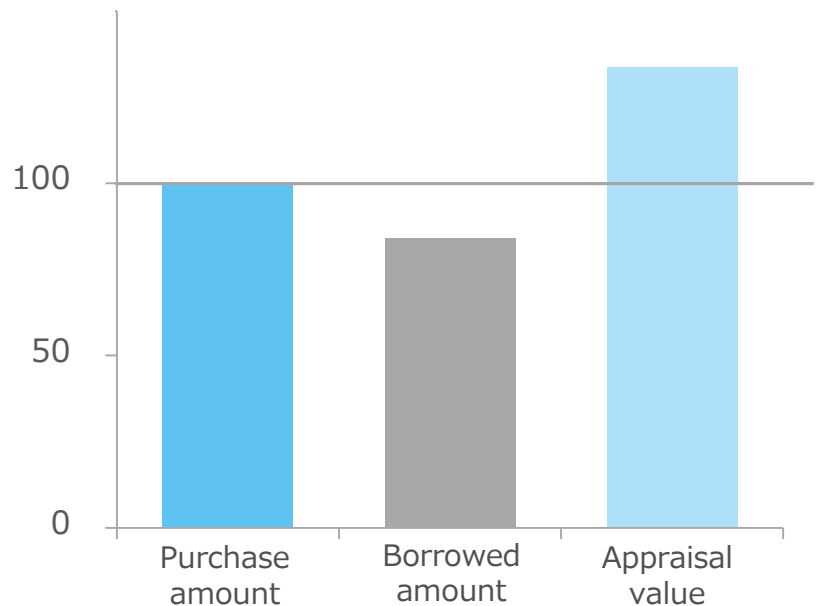


# Stable Financial Base

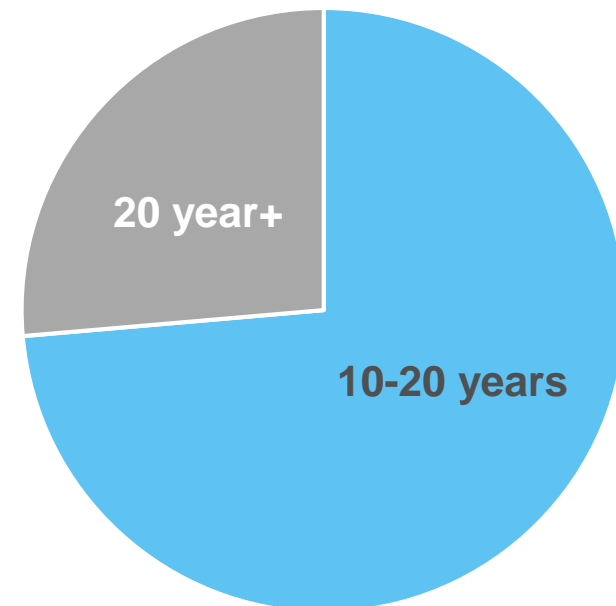
- Long-term borrowings based on high level of creditworthiness from financial institutions  
Our financial base allows us to flexibly respond to changes in the market.
- The increase in value of properties themselves due to the decline in vacancy rates and other factors is viewed positively

Creditworthiness  
backed by appraisal track record

Weighted average borrowing period  
= 18 years



Indexed with cumulative real estate purchase value = 100.  
As of June 30, 2019



\* As of June 30, 2019

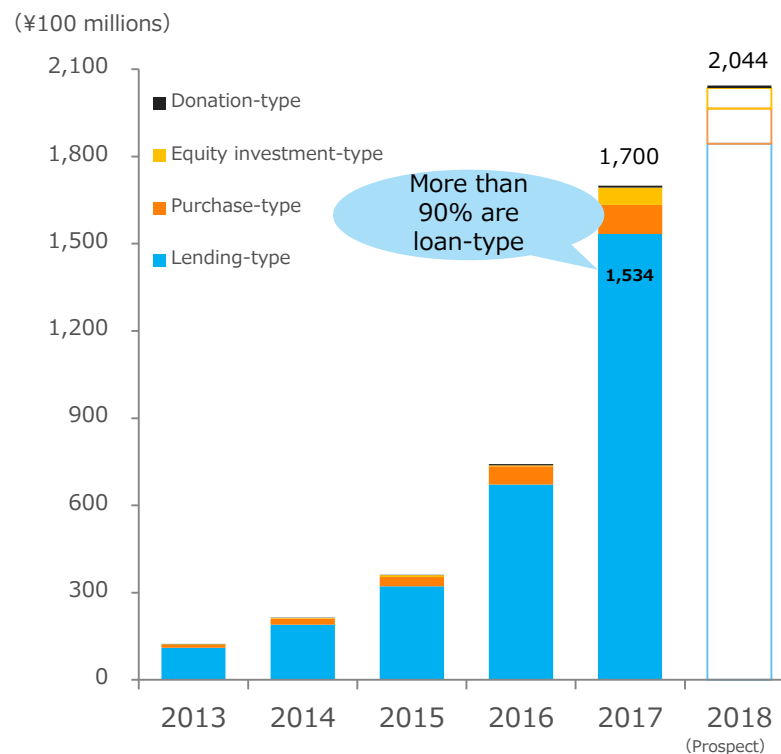
# Social lending industry and OwnersBook

- Social lending = Loan-type crowdfunding
- Revolutionary for investors and persons seeking funds, market is expanding rapidly

## Reasons Supported

Investors	<b>High return on investment</b> (Banks: 0.01% - 0.3%, SL3% - 8%)
	<b>Low bad debt rate</b>
	<b>Convenient</b> (Complete transaction online using PC or smartphone)
	<b>Can invest small sums</b> (From JPY 10,000)
Persons Seeking Funds	<b>Flexible lending stance</b> = can consult even when it is difficult to borrow from conventional financial institutions (Inception, short-term, working capital, refinancing, etc.)
	<b>Collateral evaluated from a professional perspective</b>

## Japan's crowdfunding market



Source: Yano Research Institute "Crowdfunding Market 2018"  
 (Released 12/3/2018)

Note: Composition ratios for 2015 and prior years calculated by Loadstar Capital K.K. using same composition ratio as FY2016  
 Composition ratio for 2018 calculated by Loadstar Capital K.K. using same composition ratio as FY2017

Combination of anonymity and multiple borrowers, easy to raise funds on the internet  
→ Since 2017, arrears and loss of principle, number of administrative dispositions

## Administrative Disposition (Examples)

- "Indication that gives false impression that loan claims are secured despite no collateral having been set"
- "Investments from other funds are appropriated to fund redemption"
- "Representatives of type II financial instruments business operators use investments to repay own borrowing, etc."
- "Investments are appropriated to Group capital increases"
- "Posting real estate collateral evaluation that differs from collateral evaluation in disclosable form and giving indications that give a false impression regarding collateral evaluation"
- "Not confirming whether indications on the use of funds on a website match the actual use of funds, and displaying false information that continues to display untruths to solicit acquisition"
- "False indications that the business stated on a website does not exist"
- "Fund capital is flowing out, and a management system to confirm the actual situation and grasp how funds are used has not been established"

## Common Background

**Difficult for investors to assess whether a project is good or bad due to "project anonymity"**

**Management company's lack of compliance and lack of a business management system**

**Management operations close to being license lending**

**→A correctly operated personnel system and skills are extremely important**



## New legal interpretation concerning social lending investor behavior

March 18, 2019 Financial Services Agency

“Acts by investors that are corporate lending-type crowdfunding investors do not fall under money loans provided for in paragraph 1 of Article 2 of the Money Lending Business Act, and such investors do not fall under money lenders provided for in such paragraph.

May 2019 Type II Financial Instruments Firms Association published a “Q&A on Loan-Type Funds”

▼ In the following cases, investor money lending registration is not necessary even if borrower information is disclosed

- **Borrower is a corporation, and**
- **Business schemes are based on a silent partnership agreement under the commercial law**
- **Measures have been taken to prohibit contact between investors and borrowers**

**We will comply to this new rule and work to ensure transparency, aiming for disclosure that will be of benefit to investors.**

# OwnersBook Features



## Small investment amounts

Makes it easy to invest in real estate through small investments



## Less time and effort to invest


No price movements, unlike stocks and investment trusts, and dividends are paid regularly



## Online platform allows for lower investor costs

Free-of-charge member registration, no investment fees, free annual membership

## All transactions are backed by real estate (Loan-type)




Self-assessment + external assessment  
Careful selection of transactions based on stringent evaluations by real estate professionals



## Can invest according to risk tolerance level

Product lineup based on investors' risk tolerance levels

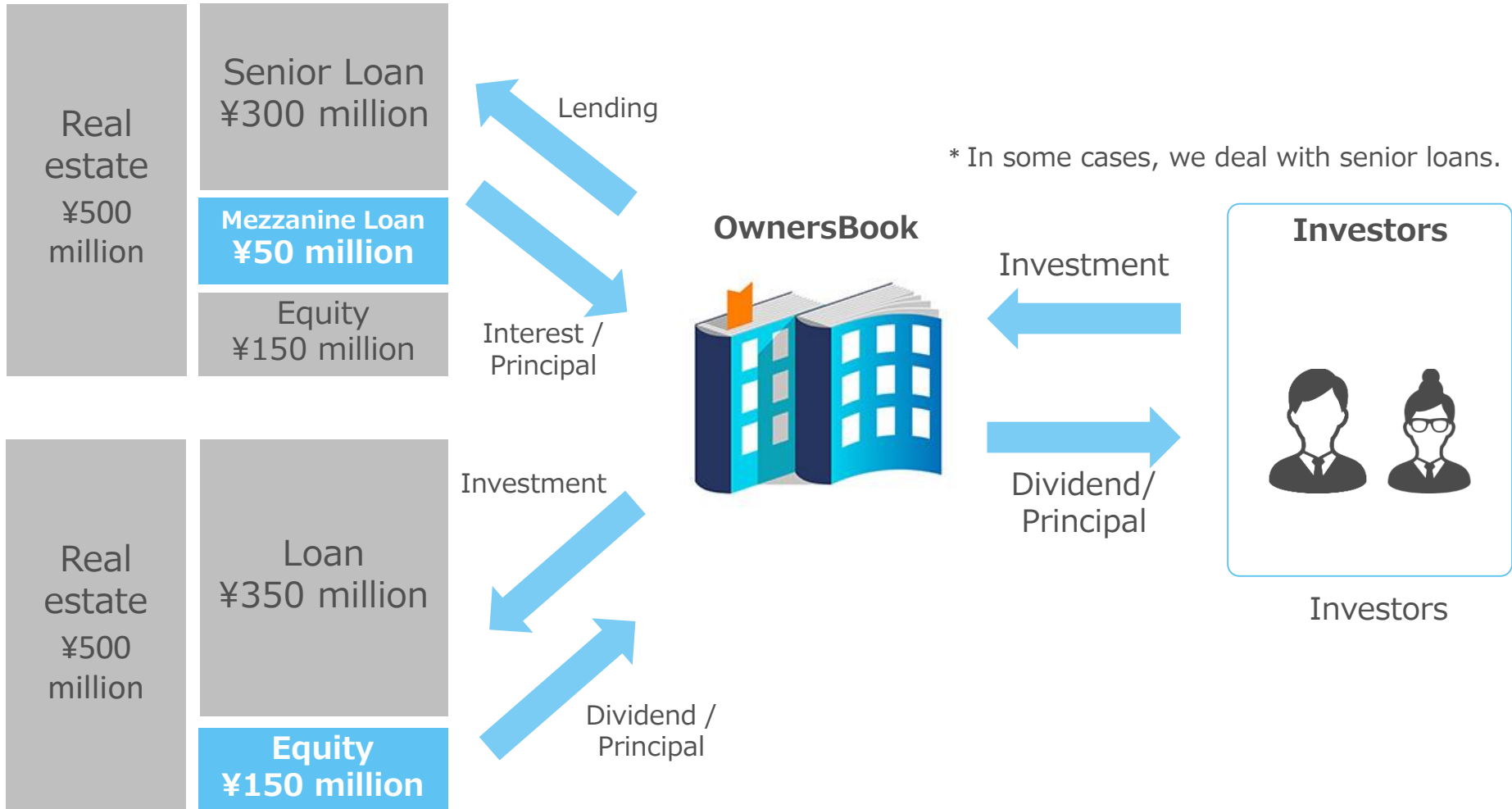
## Entry into professional investing domain (Equity investment-type)



Opening of real estate investment domain that individuals were unable to participate in



## Loan-type : Lending for real estate-backed/loans\*



## Equity Investment-type : Open up investment areas closed to individual investors

Investment Type	Investment Amount	Target Property	Characteristics
OwnersBook Loan-type	Can invest starting from one investment unit of ¥10,000	Target of loan is unknown (concealed) At least two or more entities are targets of loan (pluralized)	Compared to equity investment-type, this is a low-risk/middle-return
<b>OwnersBook Equity investment-type</b>	<b>Abundant funds are unnecessary</b>	<b>An entire building, or a condominium titled building.</b>	<b>Can invest easily by the Internet, and can expect comparatively higher returns</b>
J-REIT	Can invest with relatively small amounts of money	Multiple properties owned by an investment corporation <small>*No control over adding / reducing an asset to / from the portfolio.</small>	High level of transparency, but NAV is more correlated with stock market than real estate market.
Fee Simple Real Estate Investment	May require larger amount of capital.	An entire building, or a residential condominium.	May produce high returns, but property management burden is high.

## ● Profit structure

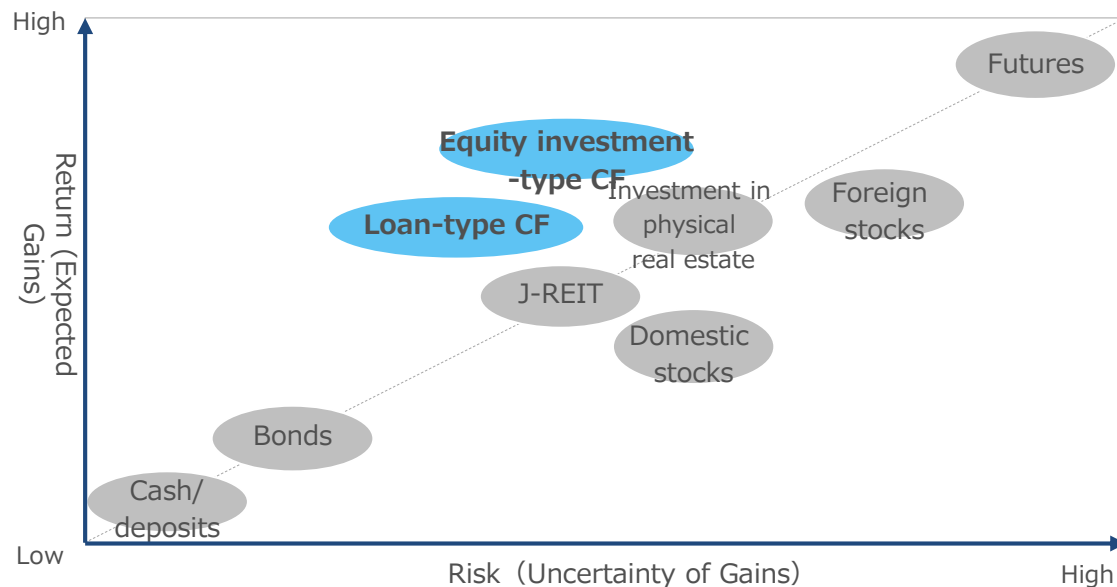
<u>Model</u>	<u>Up-front fee</u>	<u>Asset Management fee</u>	<u>Disposition fee</u>
Loan-type	Loan amount × 2%	—	—
Equity Investment-type	Equity Amount × 2%	<b>Real Estate Price × 1%</b>	<b>Real Estate Sales Price × 1%</b>

\* The above fee condition is a typical sample.

## ● Risk and Return

### 【Target return】

- Loan-Type is **3.5%~**、
- Equity investment-type aims for returns of approximately **6-10%**

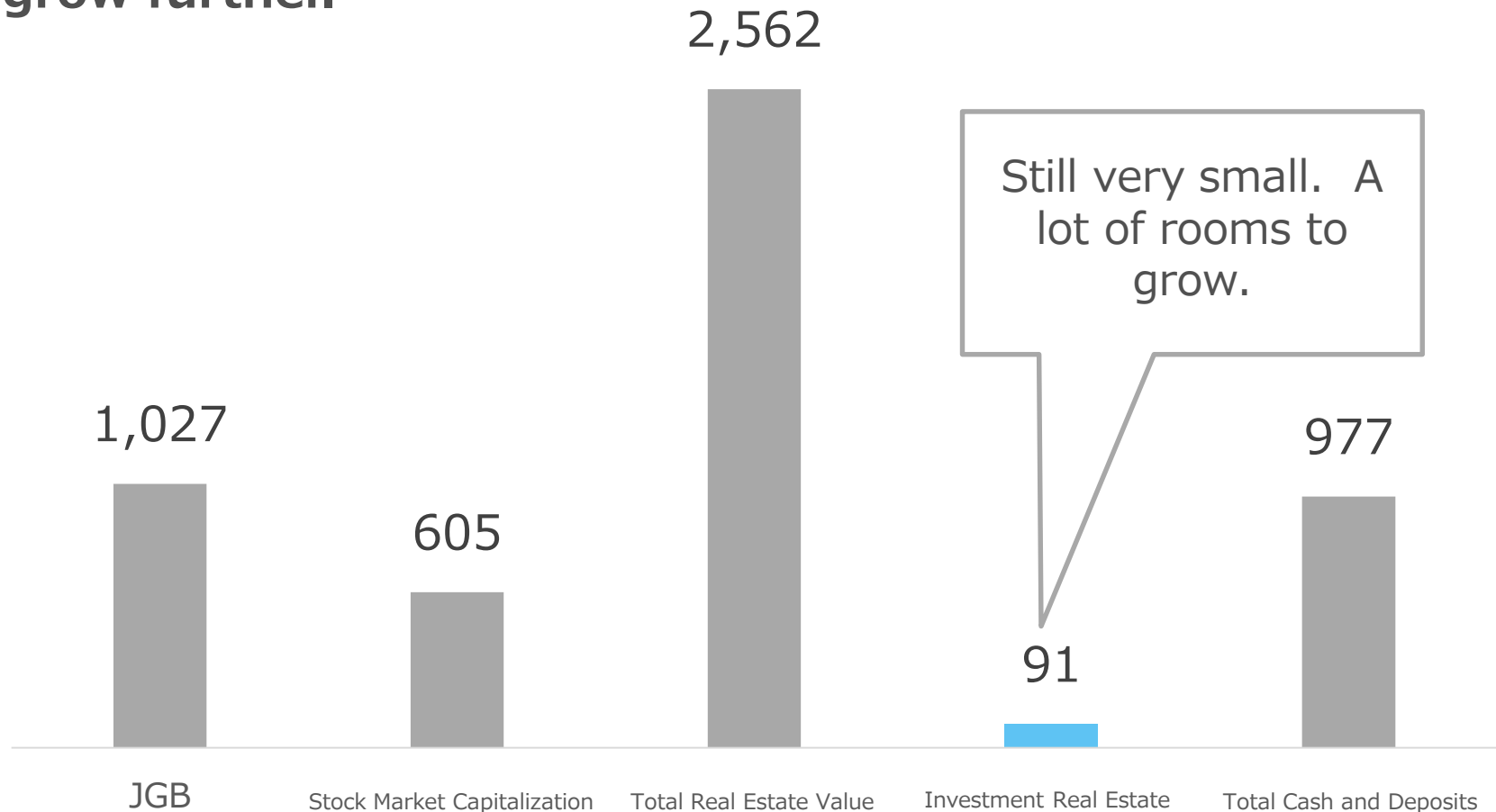


※ Image created by our company

# Real Estate Market Analysis

**Japan's position in the real estate market and Our Advantages in our Core Domains**

Japan's investment real estate market has a lot of room to grow further.

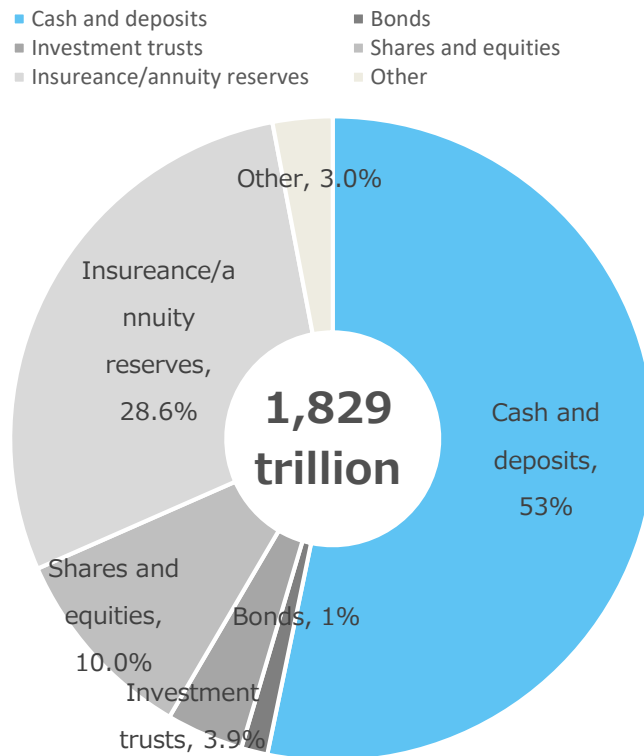


JGB (balance as of March 31, 2019), Stock Market capitalization (based on shares issued on TSE Section 1, Section 2, and JASDAQ as of June 28, 2019), Total Real Estate Value (2016 data based on Ministry of Land, Infrastructure, Transport and Tourism materials), Investment Real Estate (Taken from MSCI Real Estate Market Size 2018. Converted at \$1 = ¥110), Total Cash and Deposits (based on values as of March 29, 2019) prepared by Loadstar Capital.

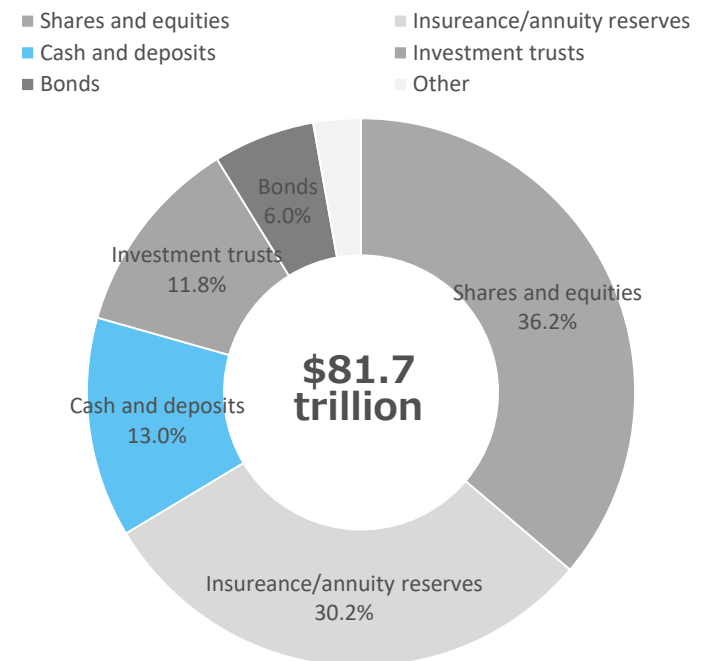
More than half of Japan's household financial assets are waiting on the sidelines, not being invested.

Cash and deposits total ¥977 trillion\* 1

Composition of Japan's Household Financial Assets \* 1



Composition of U.S. Household Financial Assets \* 2

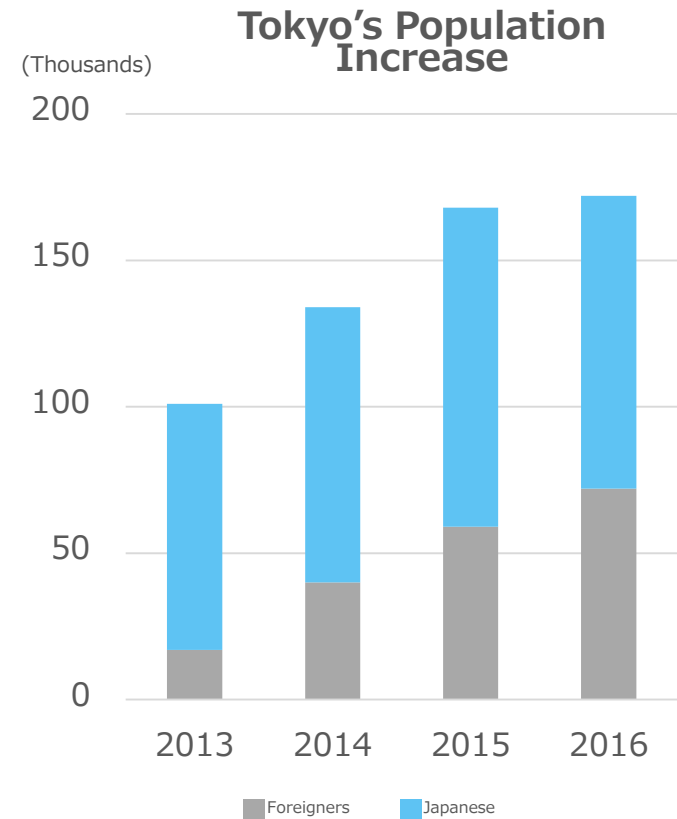
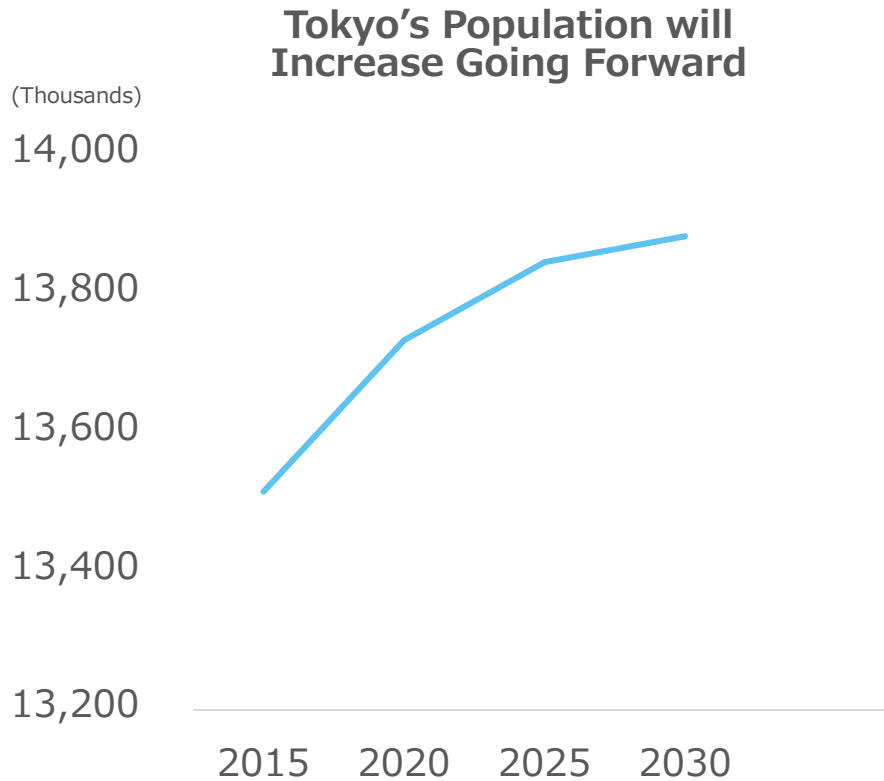


Source: \*1 The Bank of Japan Research and Statistics Department "Flow of Funds Accounts (Q1 2019, Preliminary Figures)" (Released on June 27, 2019)

\*2 The Bank of Japan "2018 Q1 Flow of Funds -Overview of Japan, the United States, and the Euro area-" (Released on August 14, 2018)



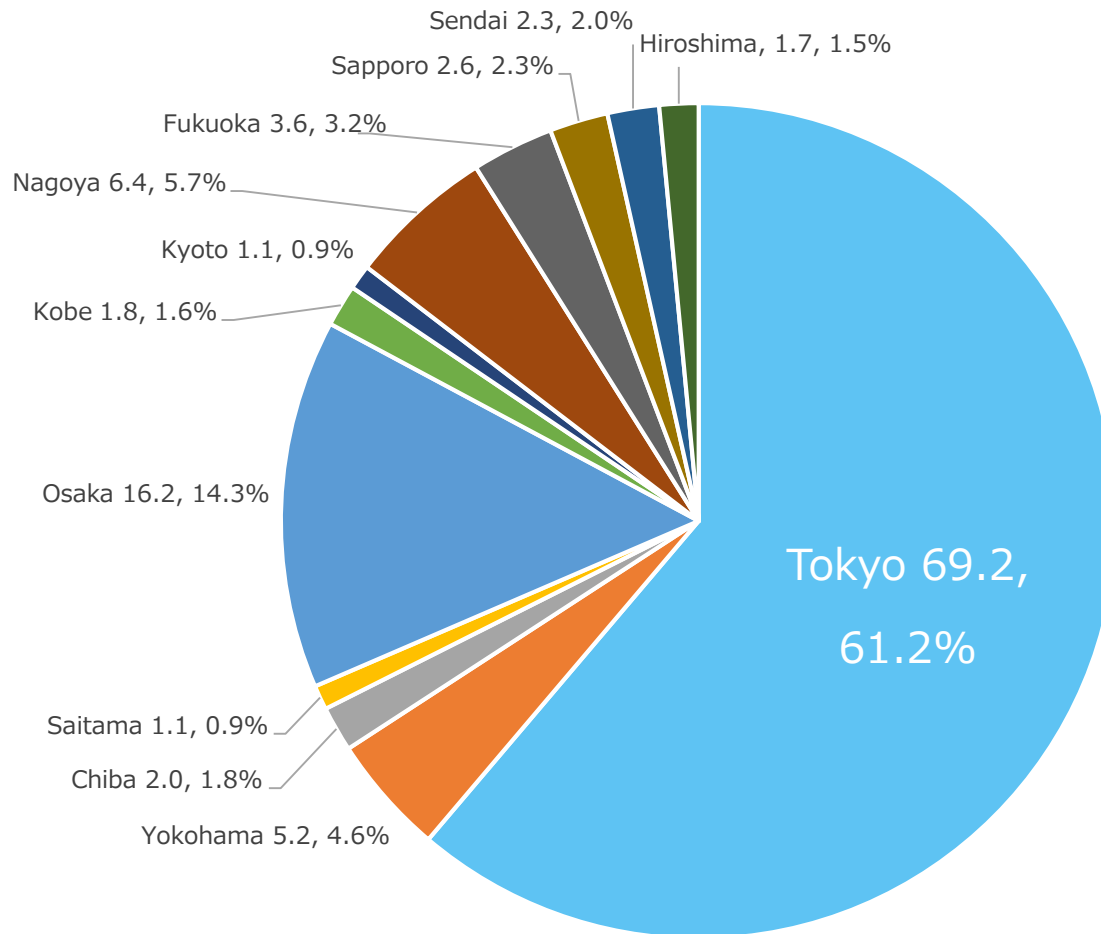
Only Tokyo has an infrastructure that can compete with major cities overseas.



Source: Loadstar Capital K.K., based on data from Ministry of Justice "Statistical Survey of Registered Foreigners," and Ministry of Internal Affairs and Communications "Basic Resident Register"

About 70% of investable assets stay in the greater Tokyo area.

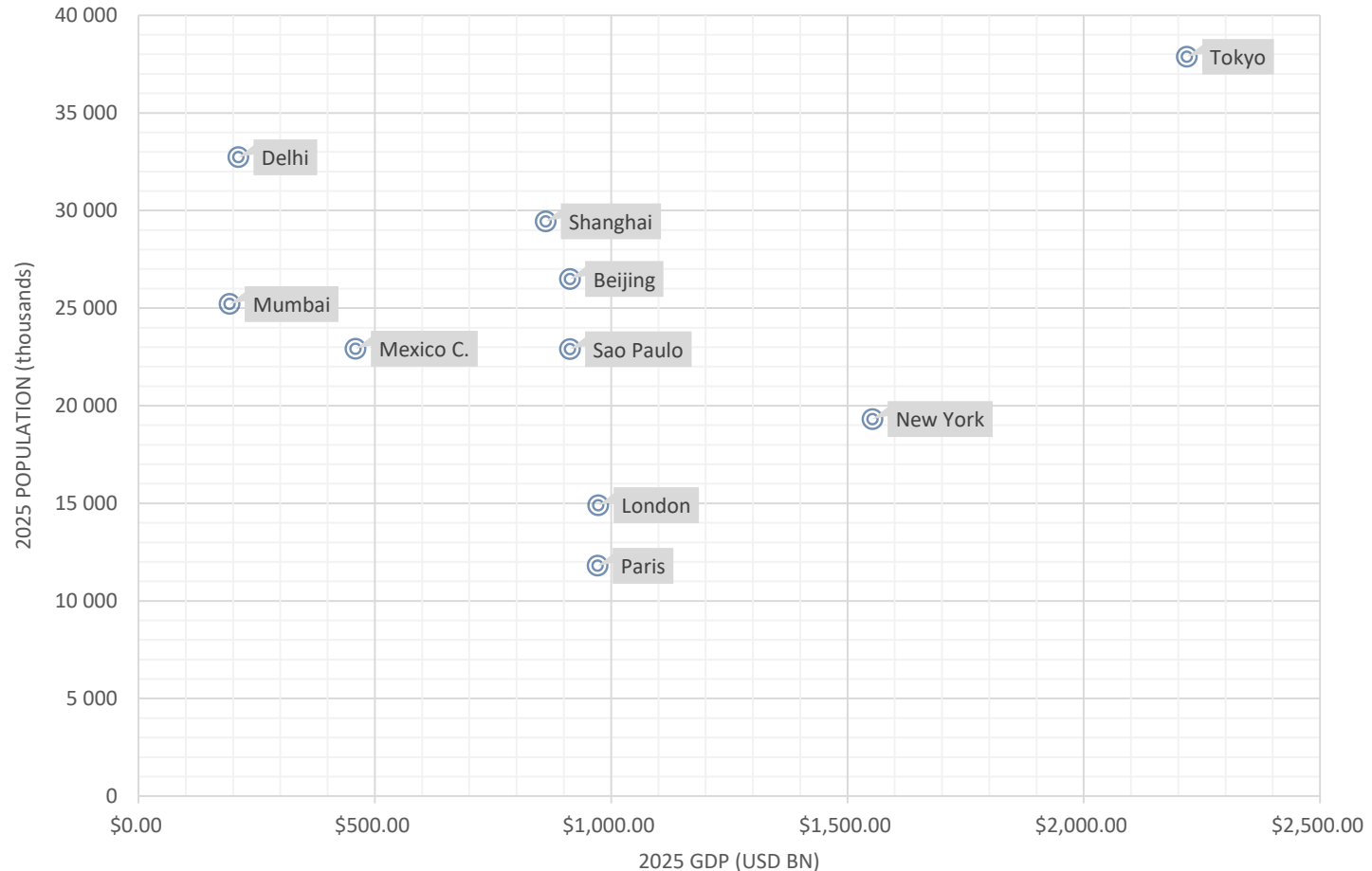
## Ratio of office floor space in Japanese cities



Source: Loadstar Capital K.K., based on data from Japan Real Estate Institute's "The Annual Japanese Office Buildings Survey (as of January 2018)"

Invest with an eye to the future.

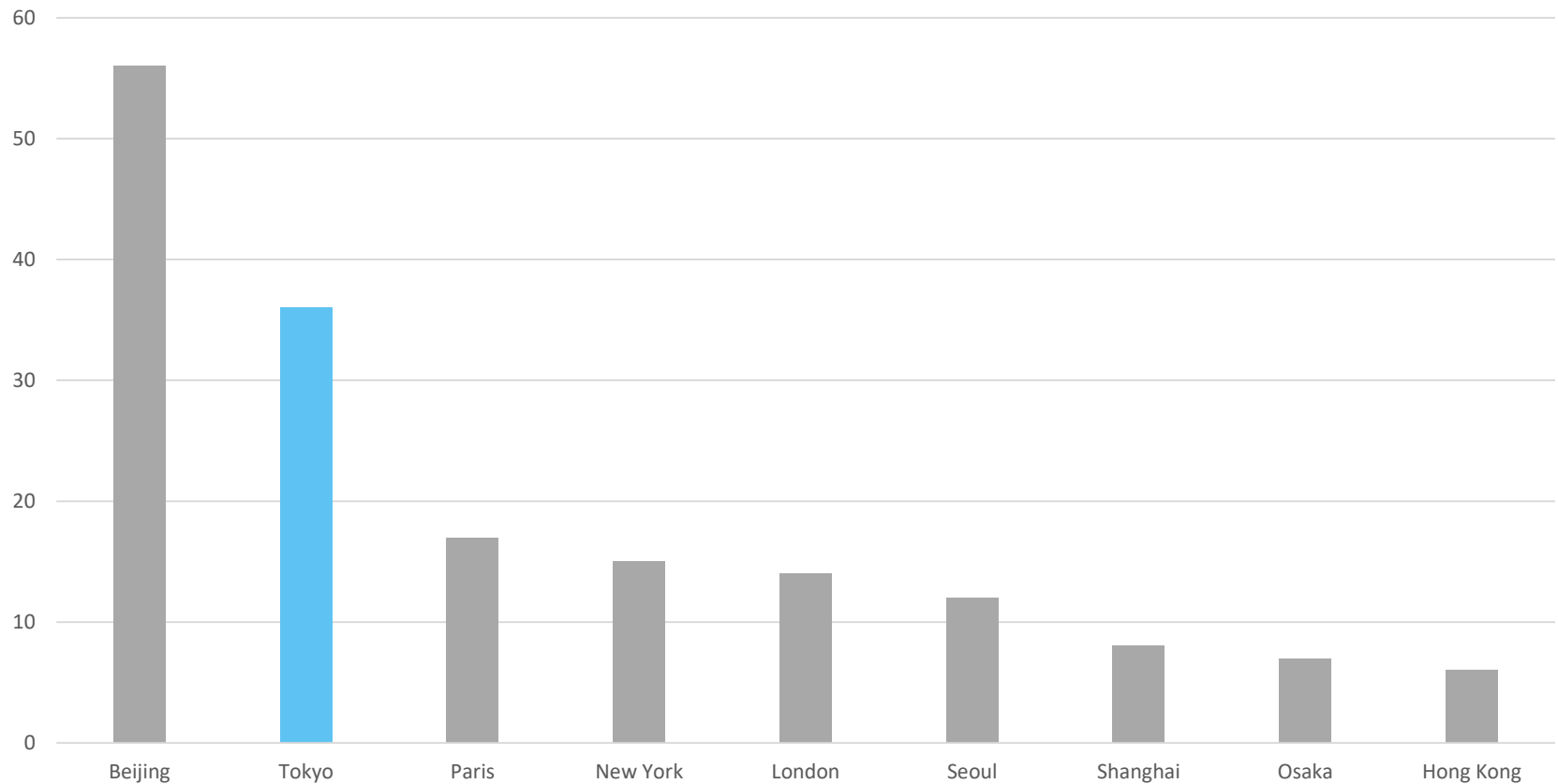
The Tokyo economic area continues to have the largest urban population and GDP in the world.



(Population) Population Dept., United Nations [World Urbanization Prospects], (GDP) McKinsey Global Institute Cityscope database 2.0.  
Prepared by Loadstar Capital K.K.

Tokyo has the second highest concentration of large companies in the world.

## Fortune 500 Companies by City (Ranking)

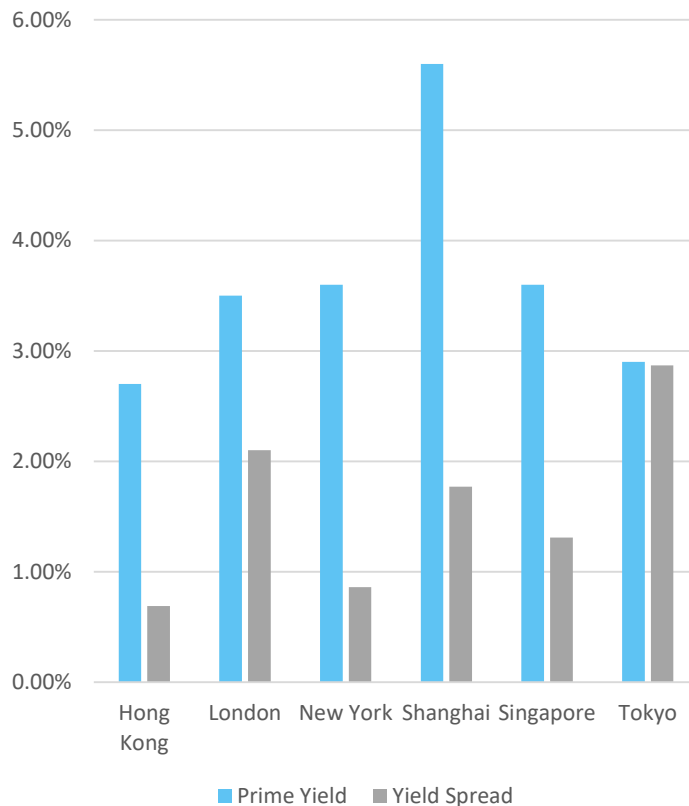


Source: Loadstar Capital K.K., based on data from Fortune Global 500 (2017)

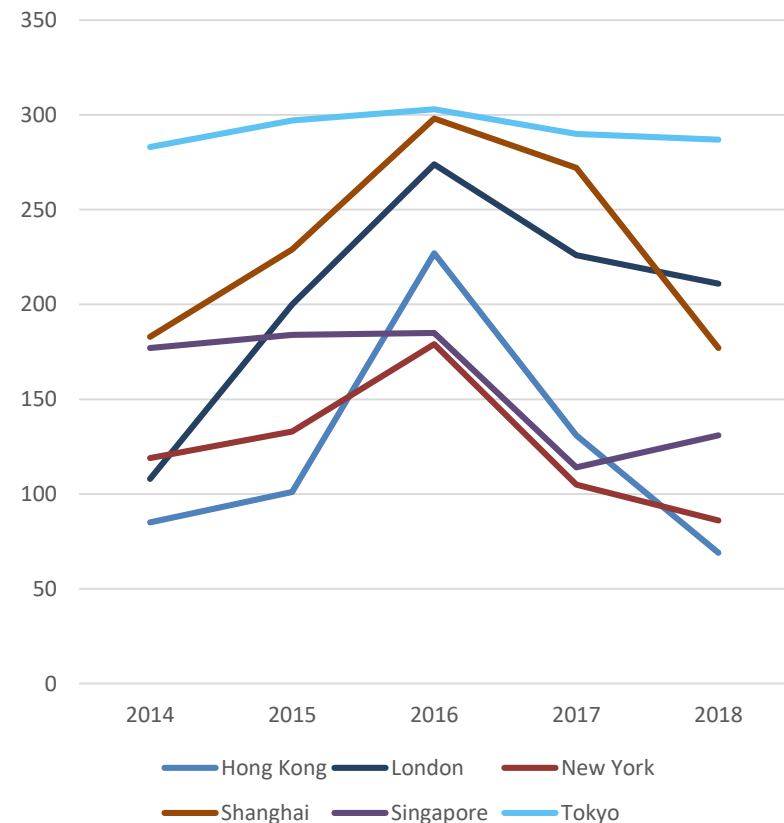
# Global Comparison of Investment Real Estate Performance

Tokyo has a favorable environment.

Prime Office Yield to Gov't Bond  
Yield Spread



Historical Yield Spread by Major Cities  
(unit: bps)



Source: Loadstar Capital K.K., based on data from Jones Lang Lasalle (Global Market Perspective) 2014 – 2018