



**Loadstar Capital**

# **Six months ended June 30, 2021 Earnings Briefing**

**Loadstar Capital K.K.**

**Securities code: 3482  
August 2021**

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# 1. Our Business

## Mission

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

Real Estate Tech

CROWDFUNDING  
(Equity Investment-type / Loan-Type)



**OwnersBook**



Real Estate  
Investments

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

**ASSET MANAGEMENT**

**BROKERAGE  
/ ADVISORY SERVICES**

# **2. 2<sup>nd</sup> Quarter Topics and Strategies Responding to Transition to New Market Segments at the Tokyo Stock Exchange**

Net sales

(¥ billions)

**9.9**

% Y-o-Y

△ **2%**

% of Forecast

**53.7%**

Profit before  
tax

(¥ billions)

**3.1**

% Y-o-Y

**+19.1%**

% of Forecast

**68.5%**

Profit

(¥ billions)

**2.1**

% Y-o-Y

**+18.7%**

% of Forecast

**68.4%**

## ● Performance Exceeded Forecasts

We sold three of the eight properties, which were proactively acquired last year amid the COVID-19 pandemic (one of which will be recorded in 3Q). The properties sold were ones with smaller acquisition costs (about 20% of the total investment).

The total sales price was nearly double the total acquisition price, and we expect that the five properties at hand (representing about 80% of the total investment) have considerable latent profit potential. This indicates that last year's investment decisions were highly appropriate.

In addition, the sales price of each of the three properties sold was significantly higher than the appraisal value, which is used to determine unrealized gains. This is indicative of just how strong the real estate market is.

As a result, profit until 2Q is 68% of the annual budget.

Property	Acquisition price	Appraisal value	Sales price
A	100	147.2	161.4
B	100	156.1	226.6
C	100	163.2	215.8
Total	100	154.7	198.3

- **Launched "Initiatives to Achieve SDGs" Webpage**

Responding to moves throughout society aimed at working toward achieving the SDGs, we have added a webpage to our corporate website titled "Initiatives to Achieve SDGs". The webpage presents the Company's various measures and activities aimed at helping to realize a sustainable society.

<https://loadstarcapital.com/ja/company/sdgs.html>



- **Business alliance for a carbon-free society**

Through a business alliance with afterFIT Co., Ltd., a company developing renewable energy businesses, we are incrementally switching our properties to green power as we aim for zero net CO<sub>2</sub> emissions (also in compliance with the revised Corporate Governance Code).

# ★ We are aiming for the Prime Market

(We made no decision on our application the new market segment.)

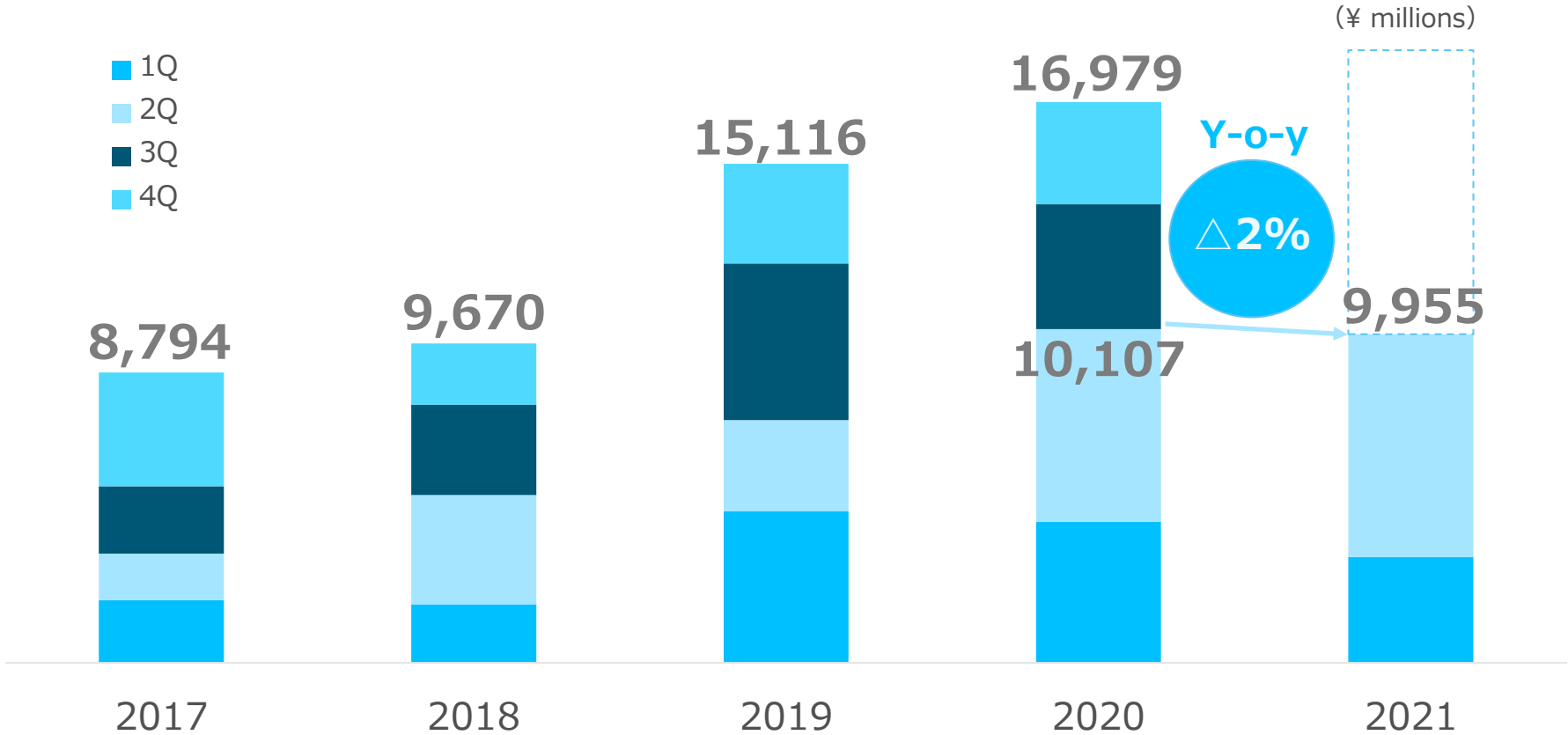
## ● Responses to Revised Corporate Governance Code

- Nomination and Compensation Committee (a non-statutory advisory body) → Already established
- BoD comprised of at least 1/3 independent directors → Secured
- Climate change countermeasures → Achieved through alliance with afterFIT
- In addition, we will work on meeting the other Code requirements for Prime Market-listed companies.

# **3. Overview of Financial Results for the Six months Ended June 30, 2021**

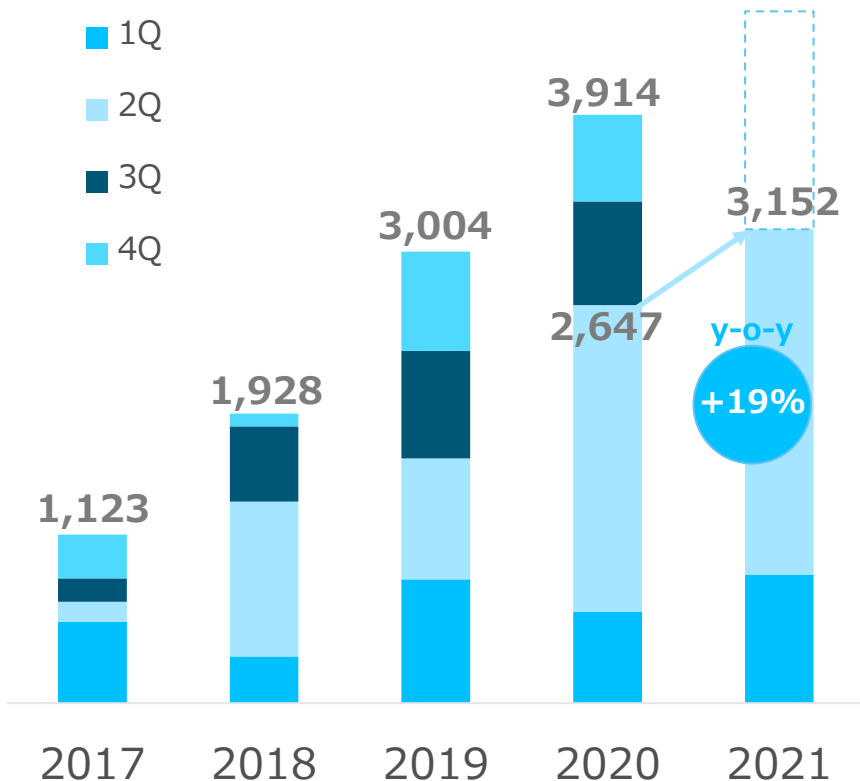
# Consolidated Sales

- Sales trending favorably as COVID-19 had almost no impact on the real estate market. Given the market sentiment that prices will rise in the future, we emphasize profit over sales.
- Leasing income, a recurring revenue source, increased sharply.

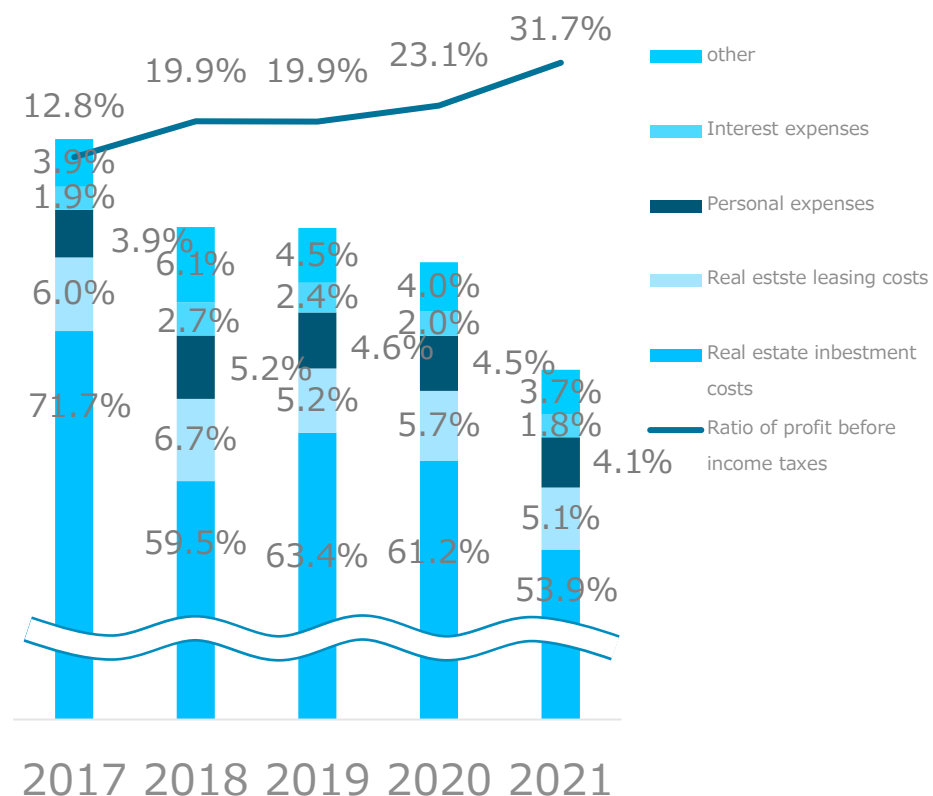


- Gains on property sales/rental income from property acquired last year contributed significantly to profits. Consolidated Profit before income taxes increased 19% y-o-y. First-half pre-tax profit is greater than 2019's full-year result and amounts to an annual target achievement rate of 68%.

## Consolidated Profit before income taxes (¥ millions)



## Cost structure (¥ millions)



# Consolidated Statements of Income

(¥ millions)	FY2021 1Q-2Q Results				FY2021 (Forecasts)		
	Amount	% of Net Sales	% Y-o-Y	% of FY2021 Forecast	Amount	% of Net sales	% Y-o-Y
Net sales	9,955	100.0%	98.5%	53.7%	18,554	100.0%	109.3%
Cost of sales	5,867	58.9%	89.2%	50.5%	11,615	62.6%	102.4%
Gross Profit	4,087	41.1%	115.8%	58.9%	6,938	37.4%	123.2%
SG&A expenses	634	6.4%	113.6%	43.0%	1,476	8.0%	128.5%
Operating Profit	3,452	34.7%	116.2%	63.2%	5,462	29.4%	121.8%
Ordinary Profit	3,290	33.1%	117.8%	65.8%	4,997	26.9%	119.9%
Profit before income taxes	3,152	31.7%	119.1%	68.5%	4,600	24.8%	117.5%
Profit	2,174	21.8%	118.7%	68.4%	3,178	17.1%	117.7%

# 4. Business Overview

## Mission

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Real Estate Tech

CROWDFUNDING  
(Equity-type / Loan-Type)



**OwnersBook**



Real Estate  
Investments

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

**ASSET MANAGEMENT**

**BROKERAGE  
/ ADVISORY SERVICES**

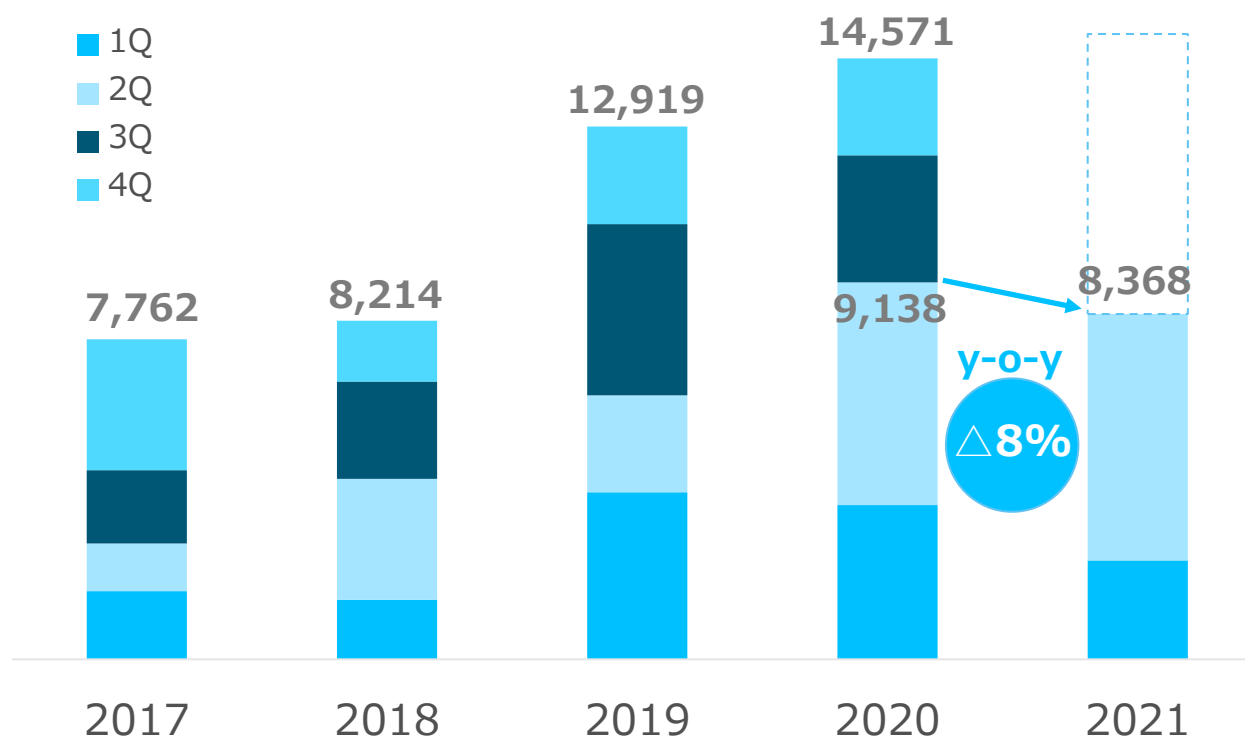


## 【Real estate investment sales】

- We took advantage of improving sentiment in the office market to dispose four properties (one of which will be recorded in 3Q). Second-half property sales activities are proceeding smoothly.
- Purchase decisions are made based rational judgement on each property. We are not intending to make unreasonable purchase to meet the budget.

## Net sales (Real estate investment)

(¥ millions)



## Percentage of sales

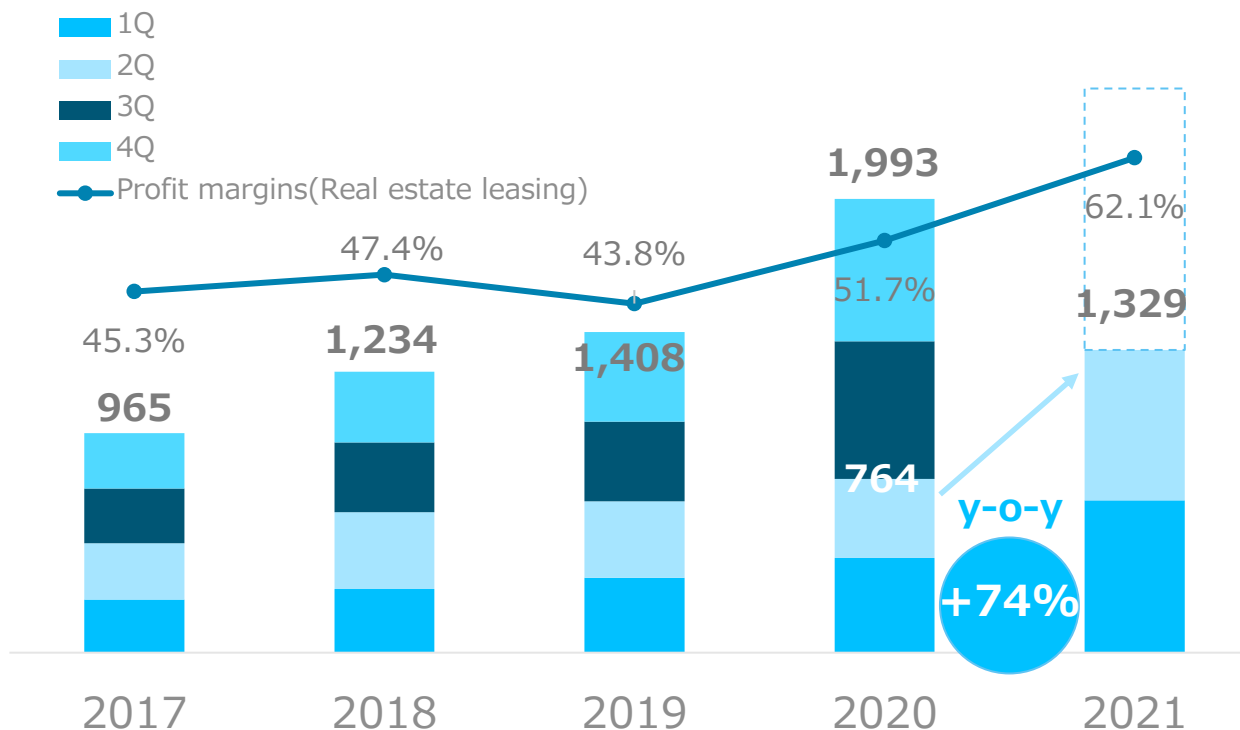


## 【 Real estate leasing sales 】

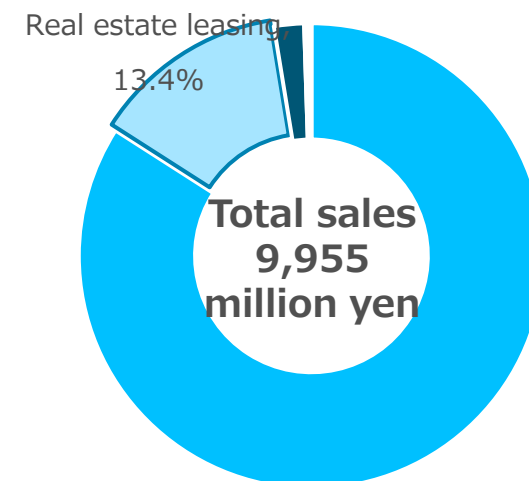
- Properties acquired last year contributed significantly to leasing income and profit margin, and sales increased 74% YoY.
- In light of the composition of our property holdings portfolio, the impact of our commercial tenants and the hotel property is limited.

## Net sales (Real estate leasing)

(¥ millions)



## Percentage of sales

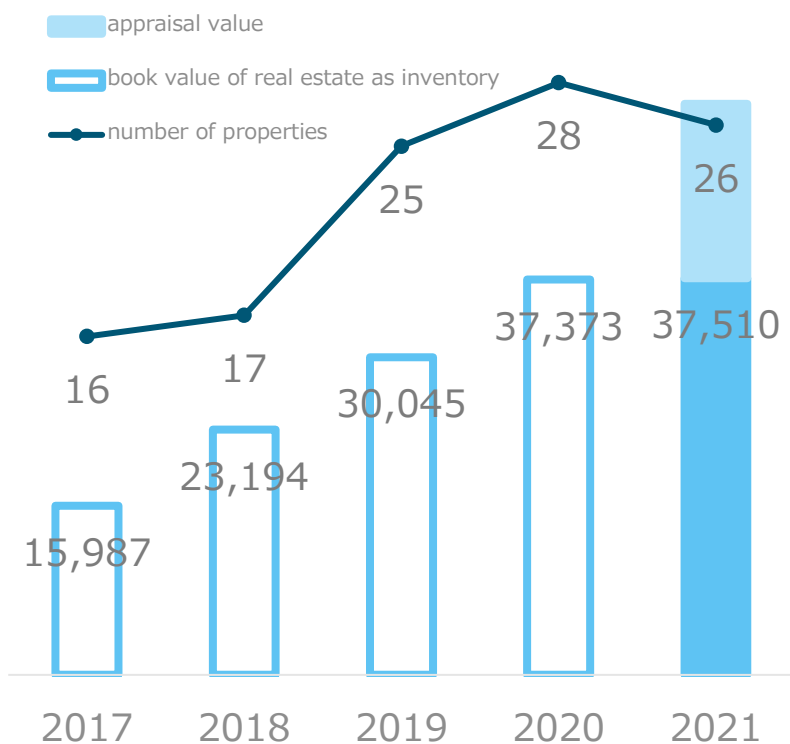


# Corporate Funding Business Results

## 【Shareholder Value Enhancement through Property Acquisition】

- In recognition of growing demand for satellite offices, we acquired a large office building in Shin-Yokohama.
- Unrealized gains have also increased considerably due to thorough scrutiny and selection of properties and property management, thereby strengthening the Company's foundations for sustainable growth.

## Changes in the book value of real estate as inventory and the number of properties



Track Record	Sale price/purchase price (excluding expenses, depreciation, etc.)
2017	129%
2018	154%
2019	136%
2020	147%
<b>2021</b>	<b>157%</b>

Number of properties:	Possession	Cumulative sale
Five wards in central Tokyo	18	21
Other wards	6	17
Yokohama	2	1

Main purpose	Office	Logistics /Factory	Retail	Residence	Hotel
Five wards in central Tokyo	13		4	1	
Other wards	3	2		1	
Yokohama	1				1

\* Five wards in central Tokyo : Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku, Shinjuku-ku



# Asset Management Business

- Since 2019, we received mandate of asset management business for a fund launched by a global asset management firm CBRE Global Investors.

\*The asset management referred above is aimed at increasing the investment efficiency of real estate invested and maximizing returns for investor clients, and involves supporting clients in everything from drafting investment strategies through to property acquisition, revenue management of held properties, and the disposition of properties.

<b>Property</b>	<b>Harumi Island Triton Square Office Tower Z 8-11F (34 stories with 4 basement floors)</b>
<b>Location</b>	<b>1-8-12 Harumi, Chuo-ku, Tokyo</b>
<b>Build</b>	<b>Oct-01</b>
<b>Zoning</b>	<b>Commercial - Office</b>
<b>Buyer</b>	<b>Harumi TMK</b>



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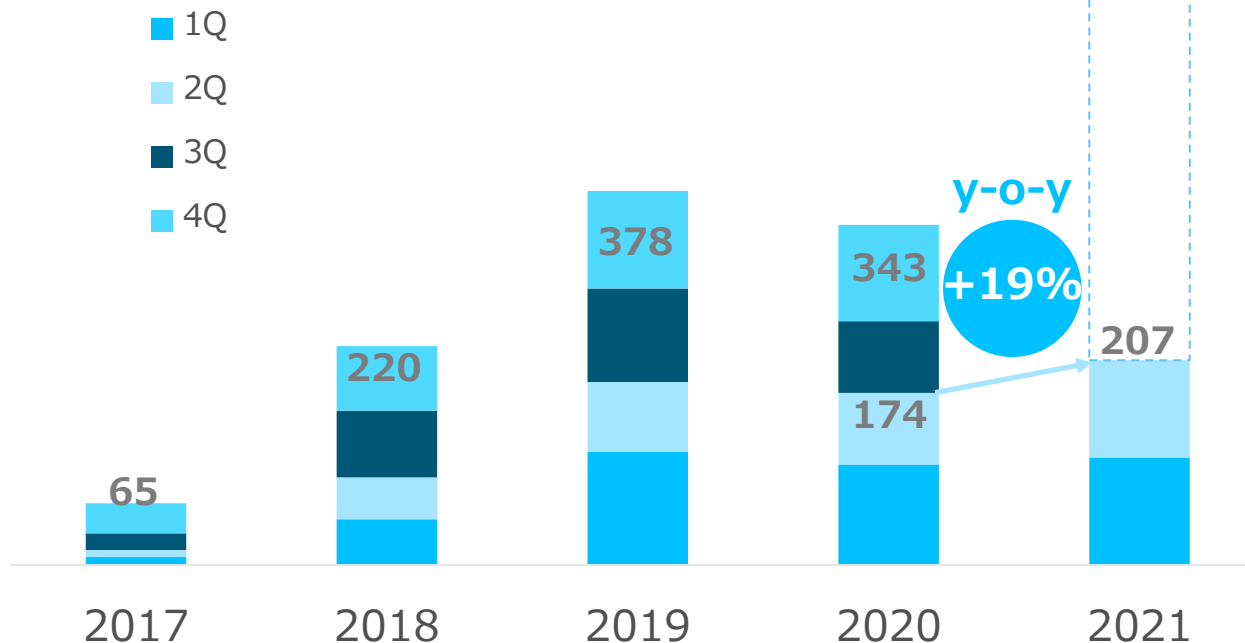
**BROKERAGE  
/ ADVISORY SERVICES**

# Crowdfunding Business Results

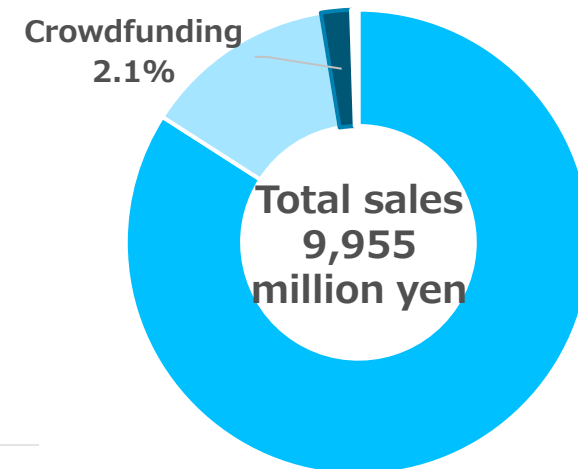
- Supported by continued strong investor demand, sales increased YoY.
- The number of investors with shareholder benefits (priority investment rights) has increased due to changes to the details of shareholder benefits.
- We will focus on offering more transactions to achieve our targets.

## Net sales

(¥ millions)

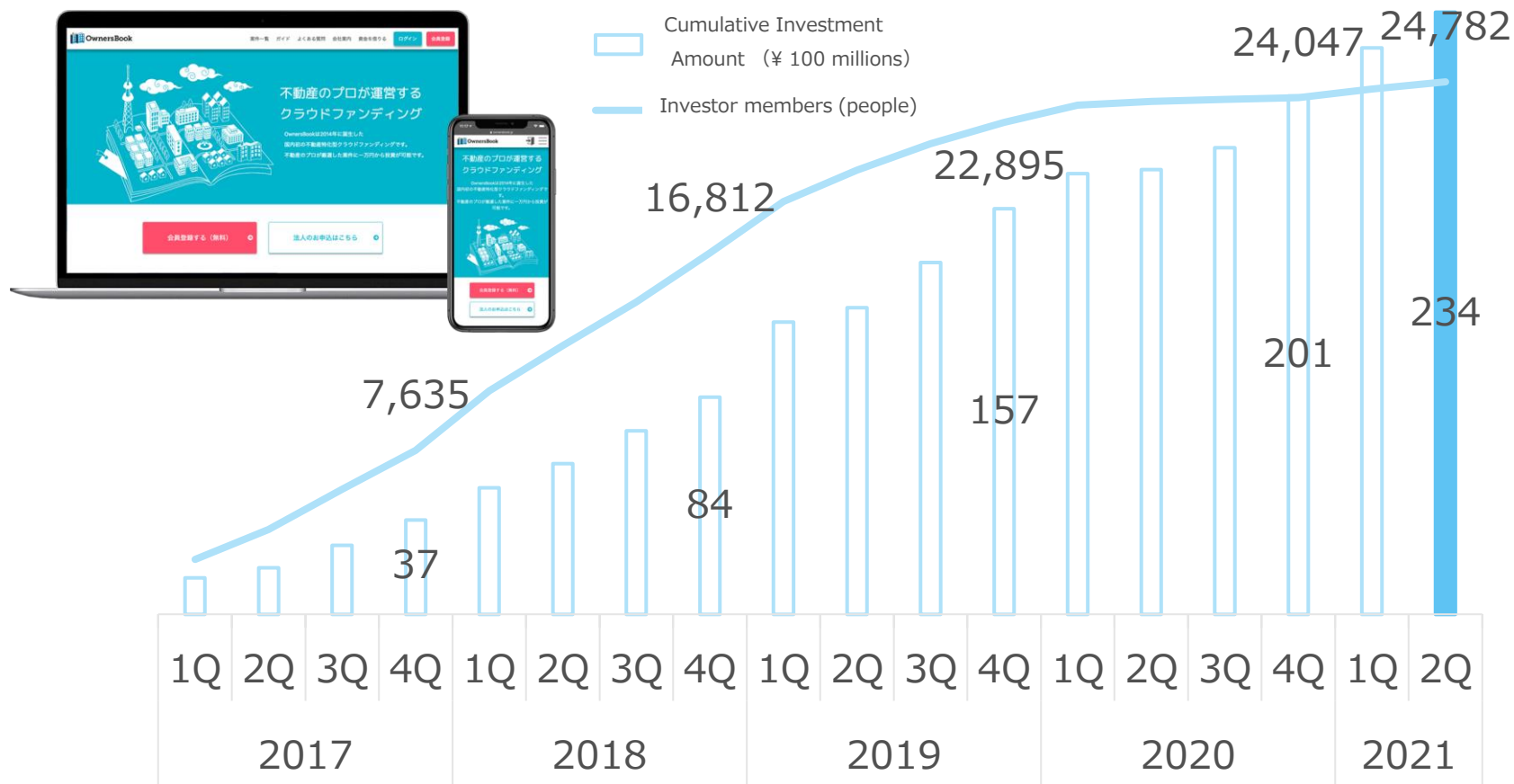


## Percentage of sales

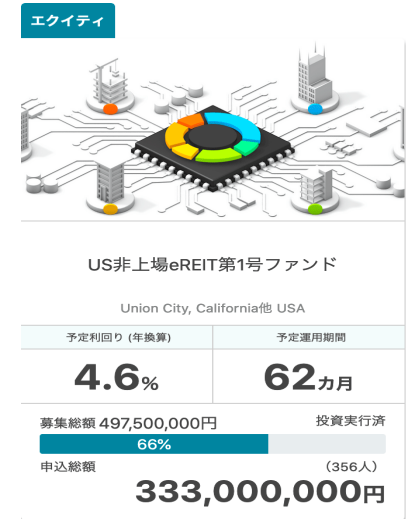


# Investor Members / Cumulative Investment Amount

- Investor members and the cumulative investment amount continue to increase steadily, although the pace has moderated due to COVID-19.
- Our priority is to avoid excessive risk burdens being placed on investor members. We aim to expand our business while carefully monitoring the market.



# OwnersBook Growth



Projects are becoming larger due to an increase in number of investor members.



**¥1.1bn in offering**  
(more than 3,000 investors)



Implementation of lottery projects



Lottery ratio:  
**Several times**



Overseas Deal Formation



Seeking new kinds of equity-type products.



**Remarkable growth in funding power with projects worth several hundred million yen completely funded within a few minutes.**



# 5. Forecast for the FY2021 and Future Growth Strategy

**Corporate funding business** : Accumulate properties to strengthen earnings base

**Crowdfunding business** : Offer diverse products and expand scale

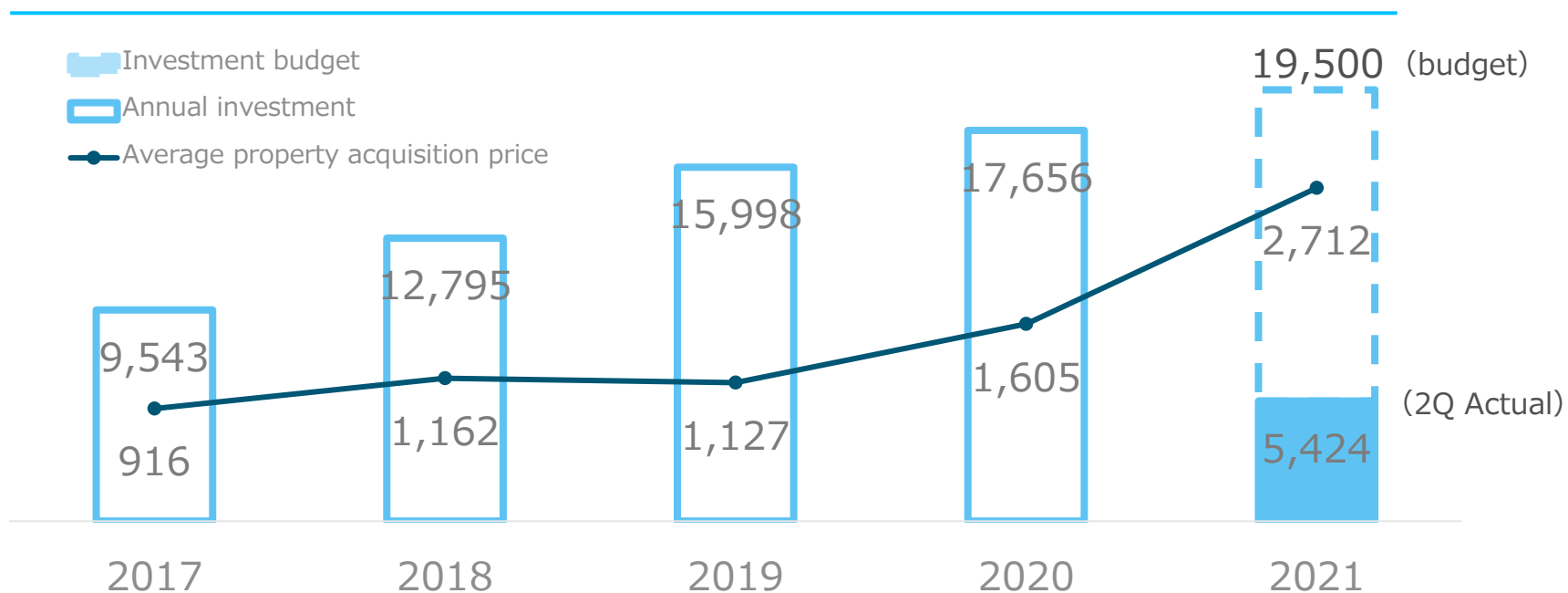
**Asset management business** : Increase AUM

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## Sustainable growth of Corporate Funding business

- We aim to build up property holdings, mainly focusing on offices but also looking closely at logistics facilities and hotels, by harnessing our strengths in property appraisal and speedy decision-making.
- We will make a fair decision on the acquisition. We may reduce or stop acquiring if we determine that the market is overheated.

Annual investment amount and Average property acquisition price (¥ millions)



## Expanding the Asset Management Business

The impact of COVID-19 on Tokyo's office market has been relatively limited from a global perspective, and investment appetite among overseas investors remains strong thanks to market and forex stability. Also, in the low-interest-rate environment that continues to linger worldwide, investment options outside of stocks and bonds (real estate risk premium) are attracting a lot of attention in Japan and overseas.

Under these circumstances, we aim to improve the performance of existing projects and focus on establishing relationships with investors and financial institutions in order to secure new projects.

### Assets Under Management (AUM) \*

\*Assets under management (AUM) is the balance of investment properties for which management has been entrusted to us by our clients. AUM is a KPI in the asset management industry because management fees based on AUM equate to asset management sales.



## Development of Crowdfunding Business

The inclination of individual investors to invest in our Crowdfunding Business (OwnersBook) remains strong and we completed investor recruitment in a matter of minutes for a number of deals with hundreds of millions of yen.

For loan-type transactions, corporate demand for capital is recovering after the so-called COVID-19 lending ran its course. We also intend to form some large projects in light of the aforementioned investor demand and expand the business by diversifying our product lineup with non-recourse loan deals, for example.

For equity-type products, we will also consider off-balance-sheet transactions for our property holdings, either in Japan or overseas, and aim to stabilize the formation of projects.

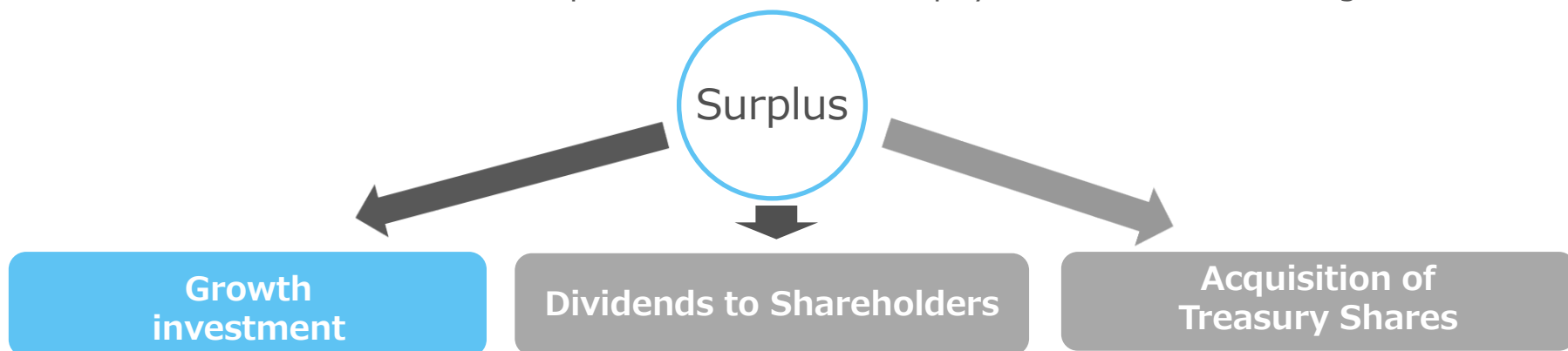
Moreover, we consider security token offerings (STOs)\* to be an important framework for driving growth in the crowdfunding market, so to that end, we will continue to study their practical application.

\* This is a framework for providing, through the evolution of technology, law/regulation-compliant services that meet the demand for new fund procurement methods to replace traditional equity and debt financing, as well as the demand for new financial products that provide alternatives to stocks and corporate bonds.

Source: Japan Security Token Offering Association

## 《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



	2017	2018	2019	2020 (Forecast)	2021 (Forecast)
Dividends per share	¥5.5	¥9.5	¥14.5	¥24.5	29.0¥
Payout ratio	14.5%	14.8%	15.0%	*14.9%	14.9%

\*Calculation based on number of shares as of fiscal year-end, not including treasury shares  
A calculation based on average number of shares during the fiscal year yields 16.1%

## Shareholder benefits

We offered a special OwnersBook investment allotment to shareholders that have held at least 1,000 shares for at least half year.


# Status of shareholders

## • Growth in total shareholders

2020Q2	2020Q4	2021Q2
2,747	4,438	6,171

Number of shareholders have increased 220% over past year.  
We will conduct business to meet shareholder expectations.

**2021Q2  
Ratio of  
Tradable shares  
More than 35%**



## • Major shareholders (Created from securities report)

株主名	2020Q4 (1,000 share/% of total shares)	2021Q2 (1,000 share/% of total shares)	Note
岩野 達志	3,360 (20.5%)	3,360(20.5%)	President
Renren Lianhe Holdings	2,540(15.5%)	2,540(15.5%)	Not Tradable shares
森田 泰弘	1,502(9.1%)	1,234(7.5%)	Tradable shares
藤岡 義久	1,456(8.8%)	—	Tradable shares*4
キャピタルジェネレーション(株)	1,100(6.7%)	1,100(6.7%)	Tradable shares
佐藤 由紀子	559(3.4%)	—	Tradable shares*4
(株)ライブスター証券	514(3.1%)	—	Tradable shares*4
久保 直之	280(1.7%)	280(1.7%)	Executive Director
成田 洋	248(1.5%)	248(1.5%)	Executive Director
南原 貴裕	222(1.3%)	—	Tradable shares*4
MSIP CLIENT SECURITIES	—	321(1.9%)	Tradable shares
(株)S B I証券	—	309(1.8%)	Tradable shares
楽天証券(株)	—	295(1.8%)	Tradable shares
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	—	254(1.5%)	Tradable shares

Note1: Percentage of total shares calculated after deduction of treasury shares.

Note2: "—" indicates that it is not on the list of major shareholders in the securities report.

Note3: We continue to enjoy a good relationship with both Renren Lianhe Holdings and Yasuhiro Morita .

Note4: We cannot disclose the current status of shareholdings, but the table shows the status, if they hold shares.

# Key Risk Information

Recognized risk	Related business	Likelihood	Degree of impact	Countermeasures
The risk of being unable to secure talented personnel to support the Group's sustained growth.	All	Low	Low	As a matter of course, we will strengthen our recruiting, but to prevent the outflow of talent from the organization, we will endeavor to foster an open corporate culture and provide a workplace environment in which every individual can achieve growth.
The risk of an increase in new market entrants and more intense competition with current competitors as a result of regulatory easing or other factors.	Crowd funding business	Low-medium	Low	We are bolstering our sales force and making every effort to win more projects by promoting digital transformation, such as SFA (sales force automation) In the Crowdfunding Business we are bolstering our systems, working to improve UI and UX, and focusing our efforts on raising awareness of OwnersBook through media exposure and seminars.
The risk of the Group's business being restricted by amendments to, or the establishment of, laws and regulations related to our business operations.	Crowd funding business	Low	High	Our Compliance Officer and attorneys within and outside the Company have assessed the potential impacts of legal amendments on the Group's business and are taking appropriate steps as required.
The risk of significant damage to the value of the properties we hold as a result of an earthquake or other natural disaster.	Corporate funding business	Low	High	We try to mitigate this risk by selecting properties built to the new seismic resistance standards or higher, obtaining earthquake risk assessments above a certain level, and taking out earthquake insurance.



# **Appendix 1.**

## **Our strengths and characteristics**

# Loadstar Capital's Strength

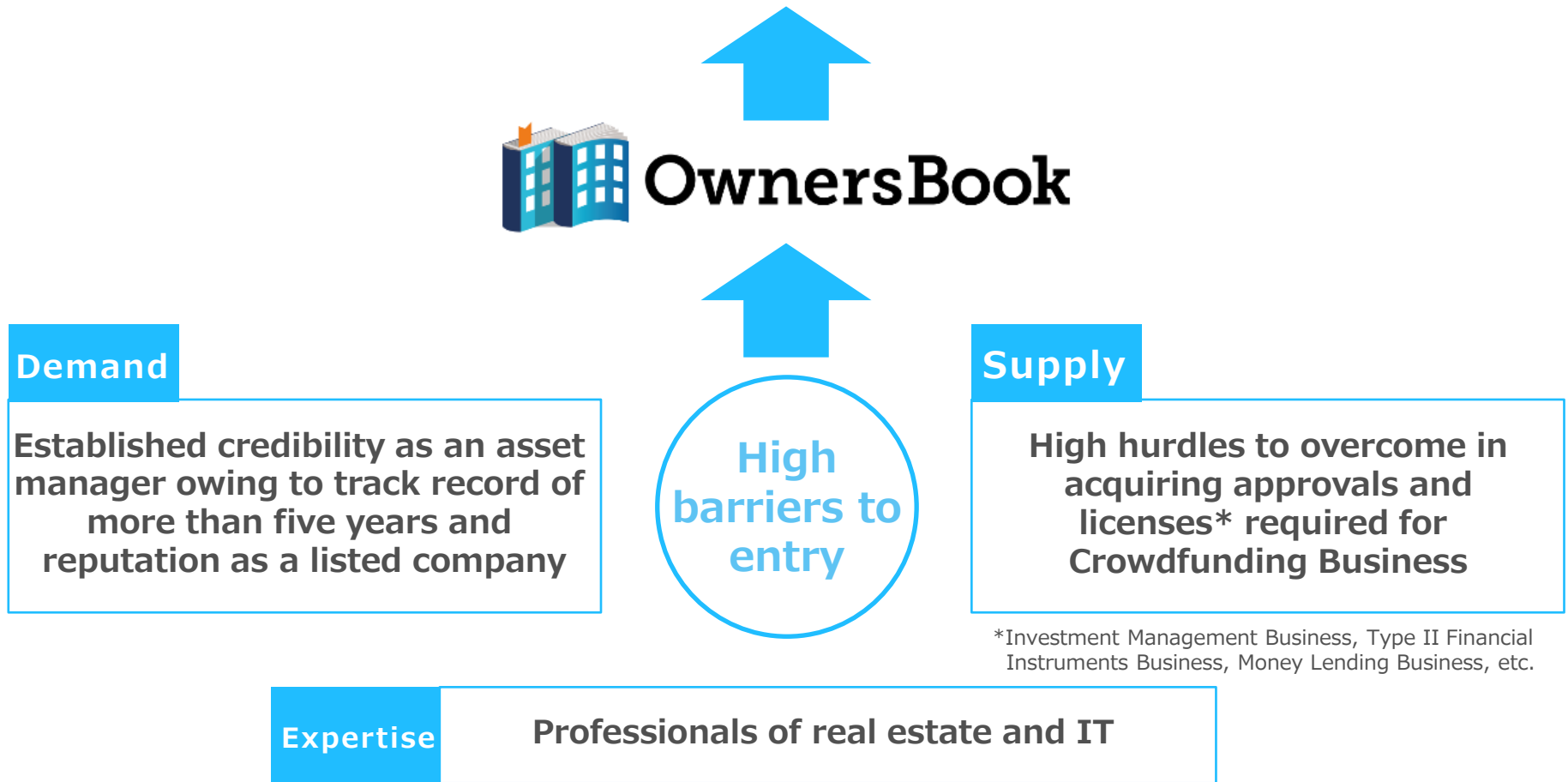
Ability to respond to market changes,  
Supported by a stable financial base



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

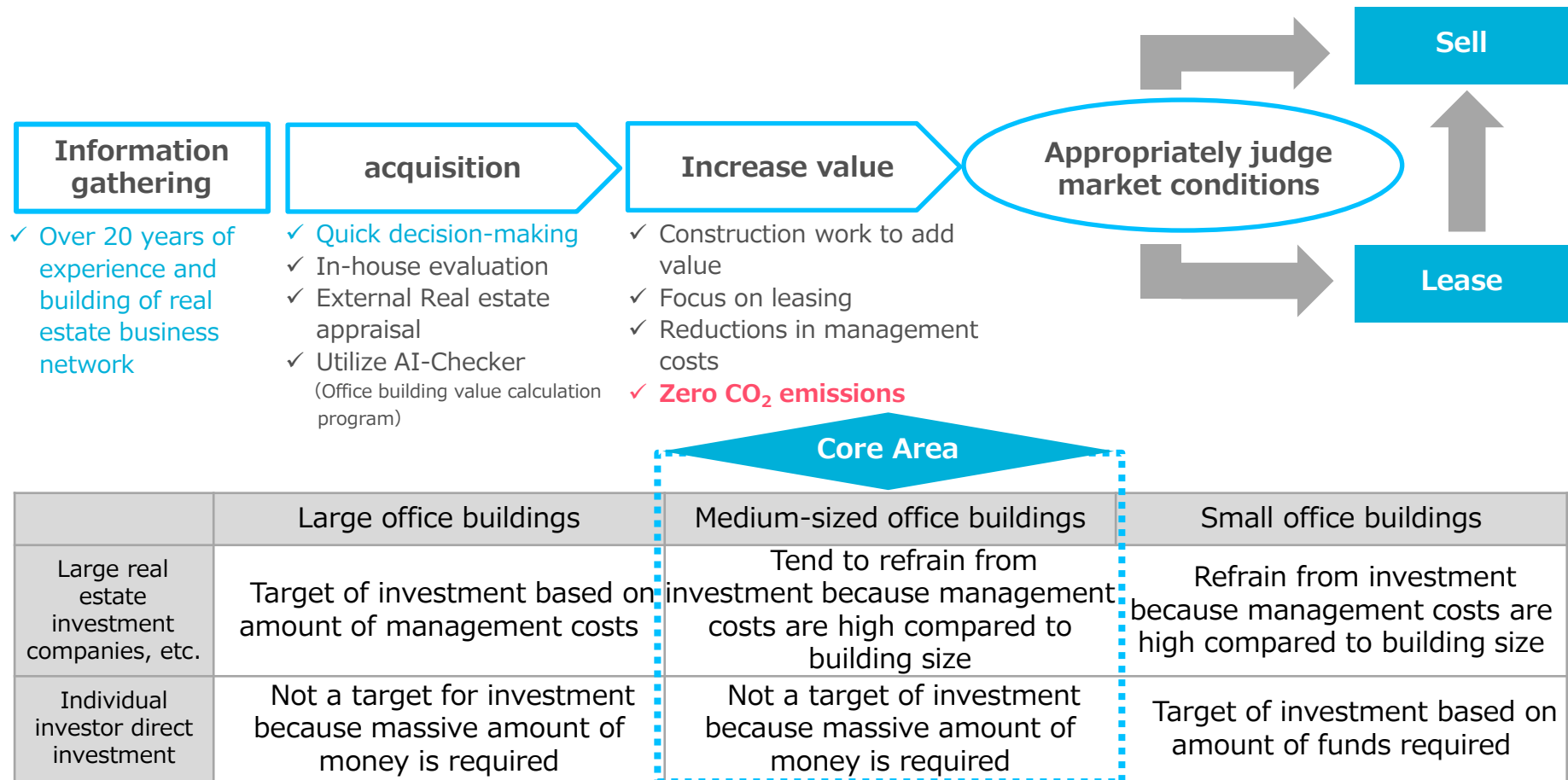
Fast investment decision-making  
by Real Estate professionals  
Fast system improvement  
by IT professionals  
The possibility of overseas expansion by  
Foreign-affiliated human resources

## Realizing access to personal money not established in the real estate investment market



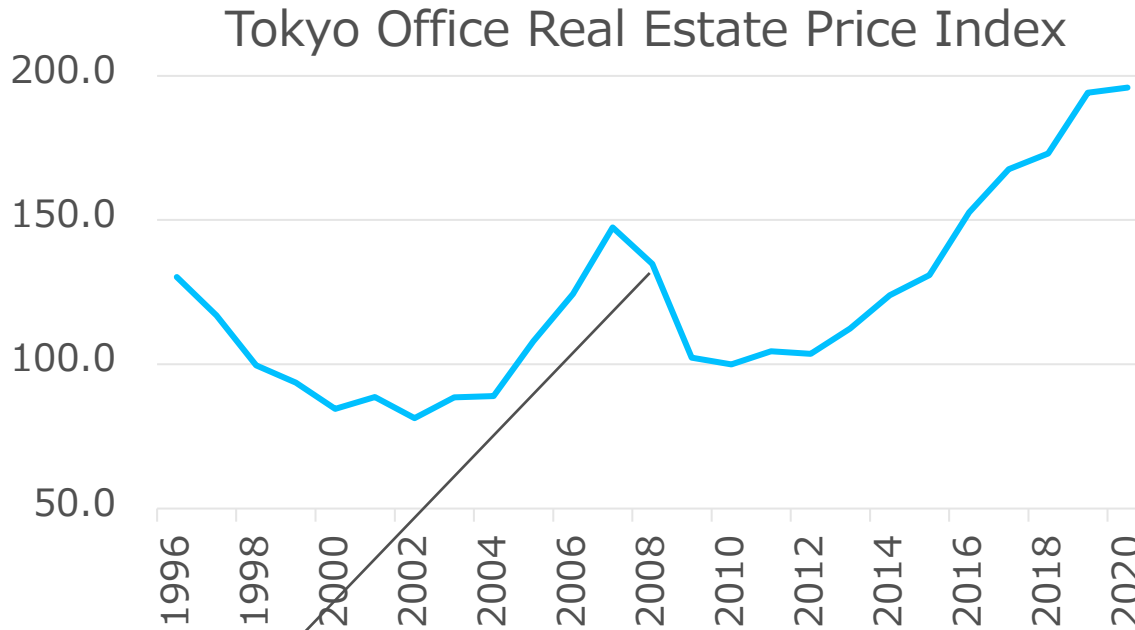
# Competitive advantage of Corporate Funding Business

While harnessing our speedy real estate appraisal and decision-making, we will acquire **mainly medium-sized office buildings** with high liquidity **within Tokyo's 23 wards**, and work to enhance their value.



# Stable Financial Base

- Long-term borrowings to cover short-term real estate price fluctuations and secure our stable financial base

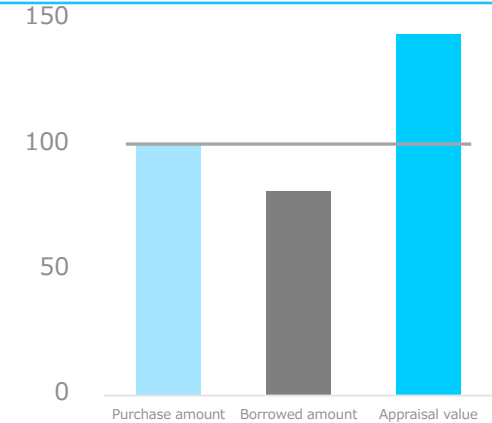


出典：国土交通省 不動産価格指数（東京 オフィス）

Risk that refinancing could become difficult during a downtrend in real estate prices

- By earning a high level of creditworthiness from financial institutions owing to unrealized gains on our property holdings, and by taking out long-term loans, we have been able to reduce refinancing concerns stemming from short-term volatility in real estate prices.

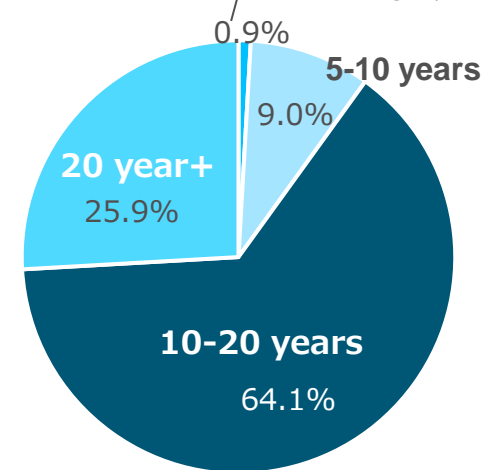
## Creditworthiness backed by appraisal track record



Indexed with cumulative real estate purchase value = 100. As of December 31, 2020

## Weighted average borrowing period = 17 years

Less than 5 years \*Working capital

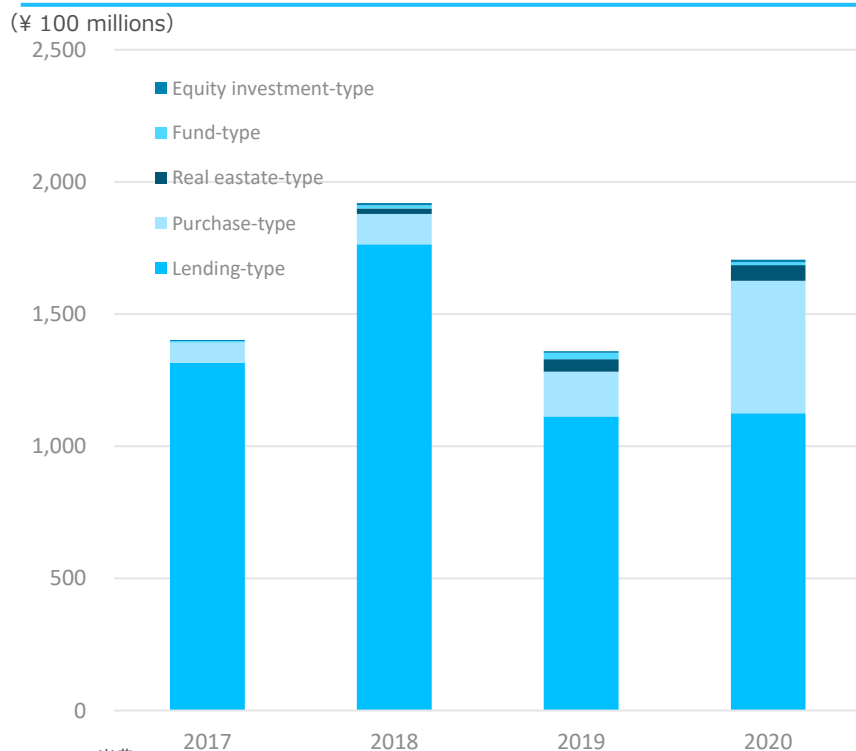


※As of June 30,2021

# Appendix 2. Crowdfunding market and “OwnersBook”

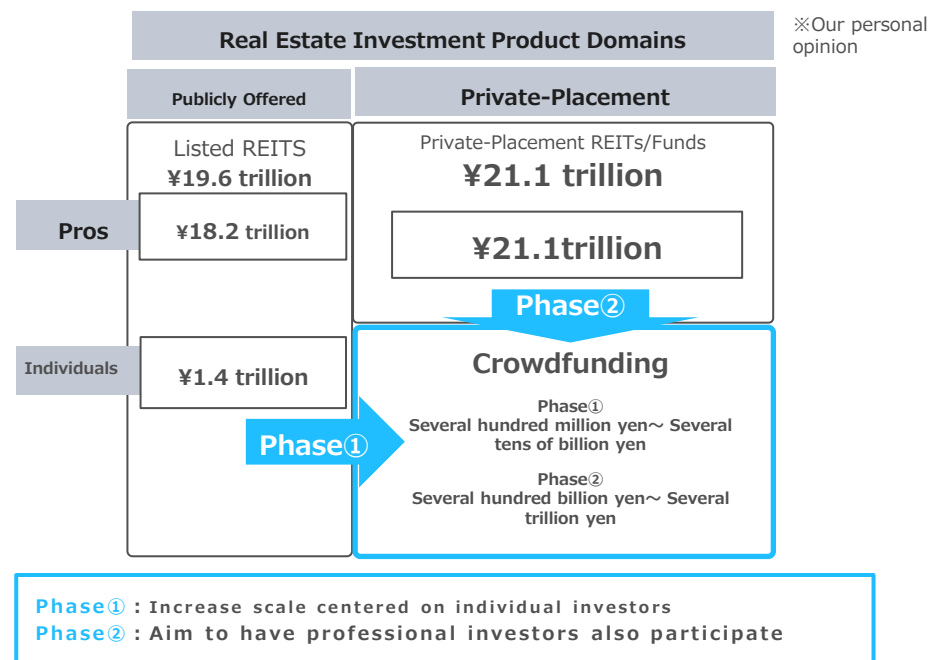
- Market scale is expected to expand up ahead because the number of lending-type crowdfunding business operators is increasing year after year.
- Crowdfunding may become an investment source for private equity real estate market in the future.

## Japan's crowdfunding market



<http://safe-crowdfunding.jp/wp-content/uploads/2021/07/CrowdFunding-market-report-20210709.pdf> (一般社団法人 日本クラウドファンディング協会「クラウドファンディング市場調査報告書」 2021年7月9日 より当社作成)

## Growth Potential of Crowdfunding

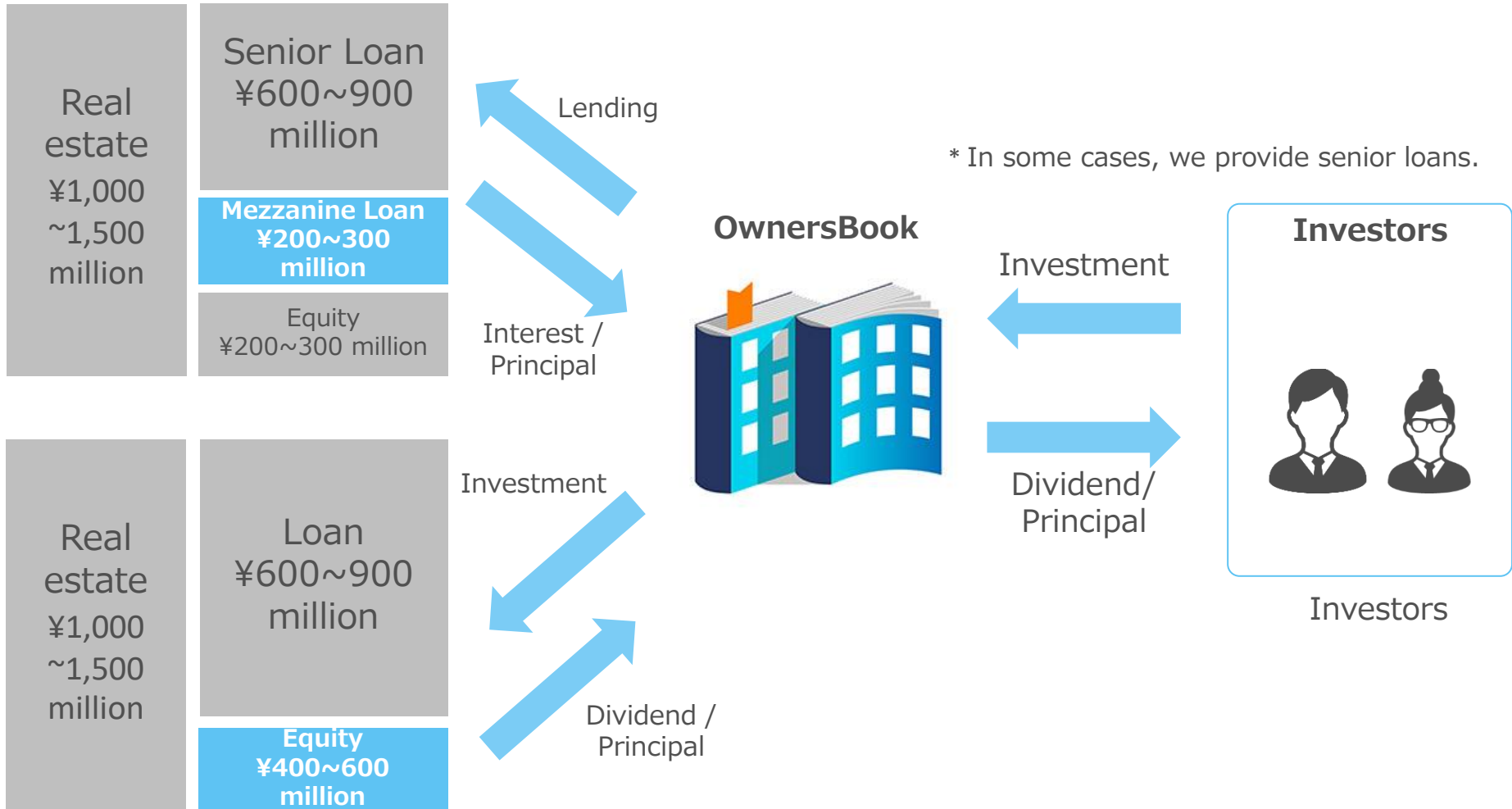


市場規模出典 :

<https://j-reit.jp/market/12.html> (2020年2月末時点)

<https://www.smtri.jp/news/pdf/20201006.pdf> (㈱三井住友トラスト基礎研究所「不動産私募ファンドに関する実態調査 2020年7月」 2020年6月末時点 より当社作成)

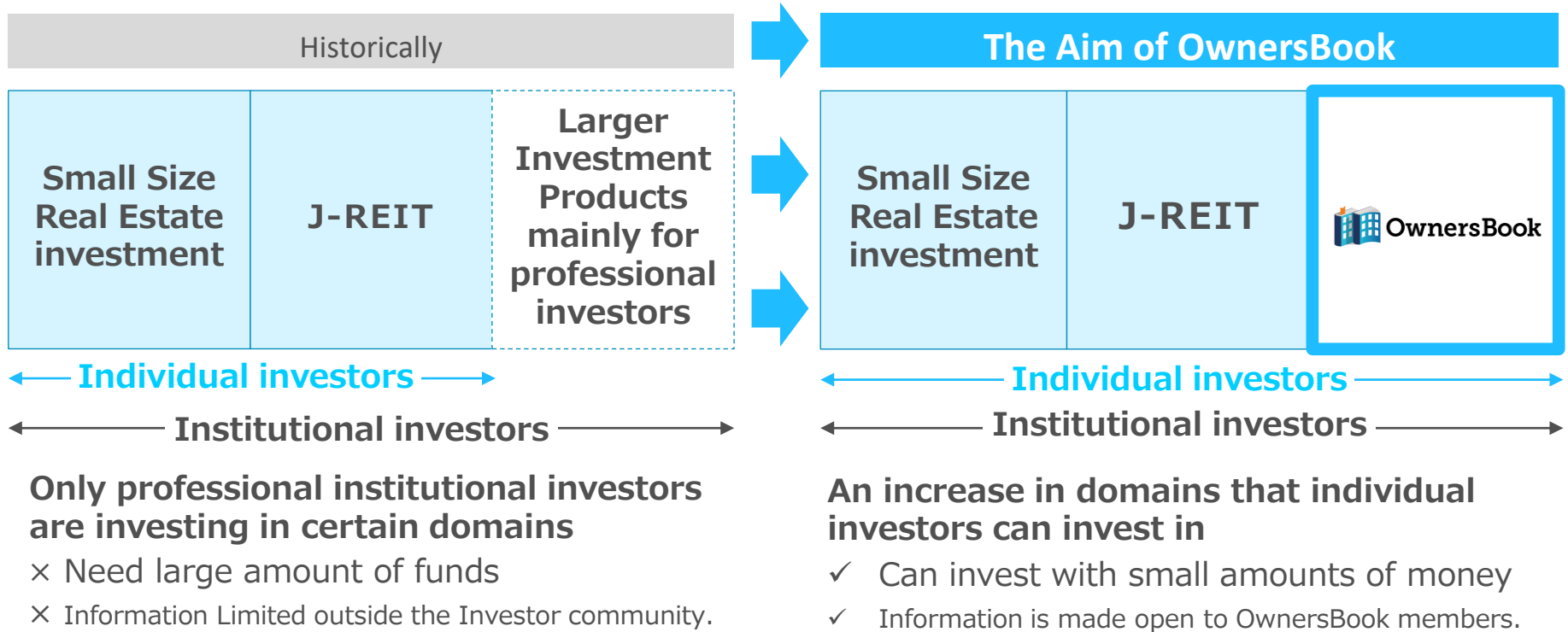
## Loan-type : Lending for real estate-backed/loans



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



# Equity-type ~ The world we aim for ~



- ✓ 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

# OwnersBook Features

## Small investment amounts

Makes it easy to invest in real estate through small investments

## 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



## Investor base for a wide range of ages

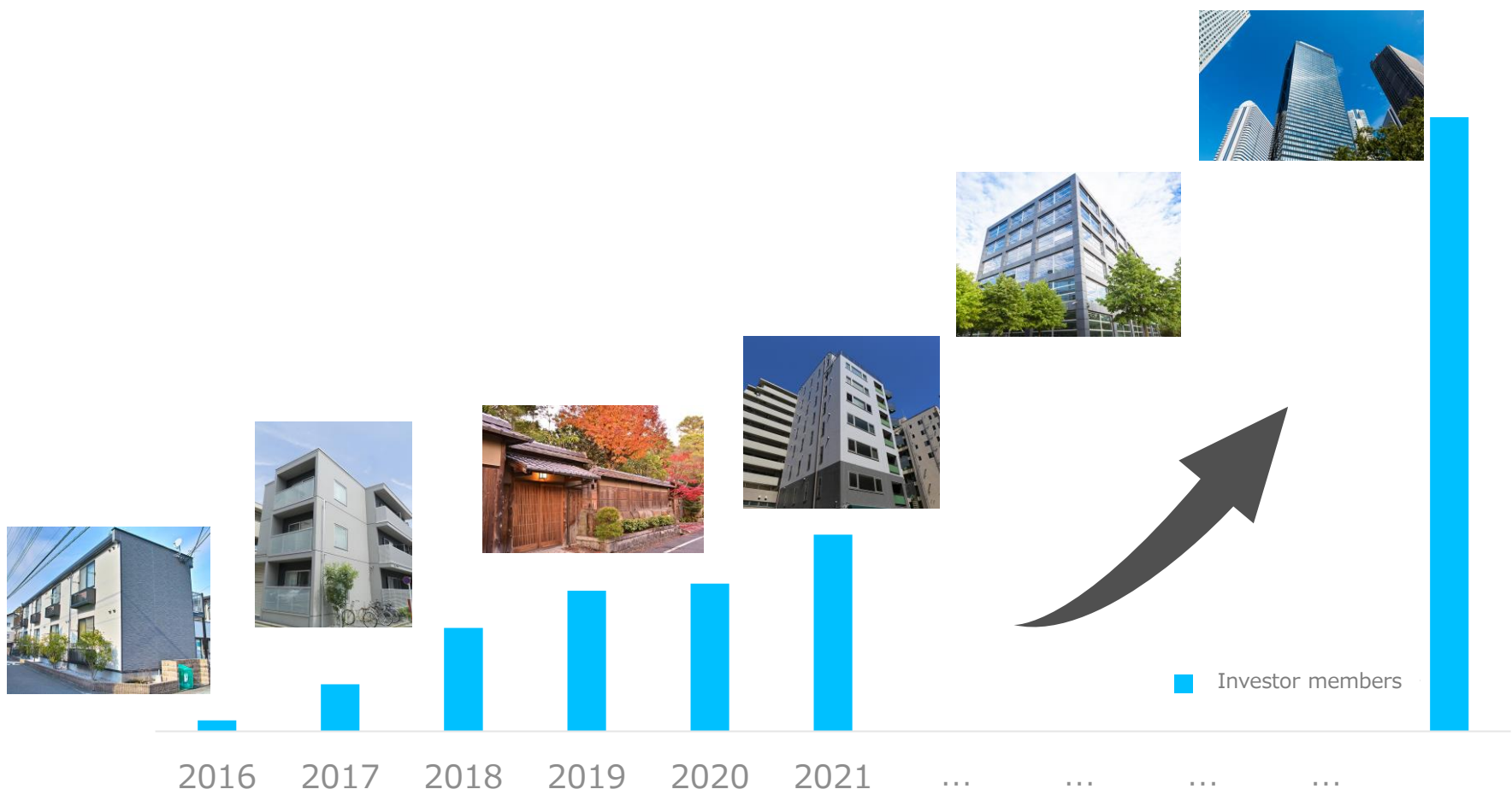
Wide range of investors in their 20s to 70s (Mostly in the 30s to 40s). Investors all over Japan, mainly in the Greater Tokyo Area

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

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

# Growth Potential in Japan

- Aim to have professional investors also participate in the future by expanding the platform
- Also, an increased number of members will open up the possibility of individual investors investing in A-class and S-class properties



# Crowdfunding ~ Profit structure ~

## ● Profit structure

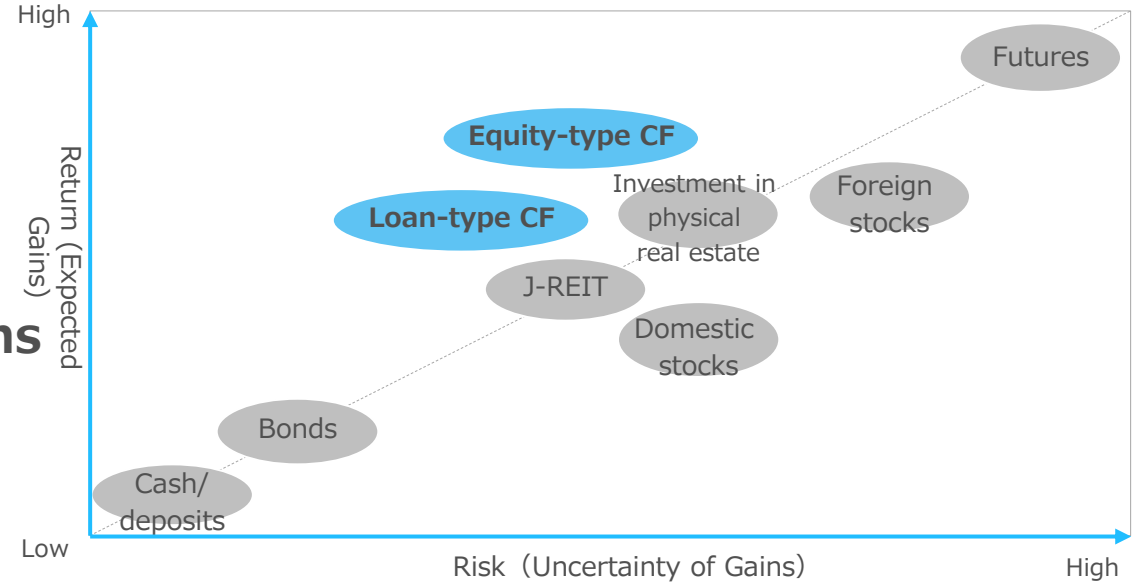
	Up-front fee	Asset Management fee	Disposition fee
<b>Loan-type</b>	Loan amount × 2%	—	—
<b>Equity-type</b>	Equity Amount × 1-2%	AUM × 0.3-1%	Real Estate Sales Price × 1%

\* The above fee condition is a typical sample.

## ● Risk and Return

### 【Target return】

- Loan-Type 2.5%-5.0%
- Equity-type aims for returns of approximately 4-10%



※ Image created by our company

# Appendix 3. Company Profile

# Company Profile (as of June 30, 2021)

<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>Number of Directors</b>	8 (including three outside directors)
<b>Number of Officers and Employees</b>	About 70



## 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, Real Estate Transaction Agent



## Hiroyasu Kaizuka

Hiroyasu Kaizuka was named Executive Director, Investment Management in March 2018. Prior to joining Loadstar, he had been with Goldman Sachs since March 1999. Hiroyasu was the Regional Head of the Asset Management Group, Goldman Sachs Realty Japan since 2002, and managed the Real Estate and Hotel Asset Management teams in Tokyo. He also played a significant role in the establishment of Goldman Sachs Consulting Co., Ltd. in China, and managing real estate investments in Singapore. He was named Managing Director in 2012. He was transferred to Goldman Sachs Asset Management in 2013 and built a Real Estate Core Fund Management Platform in Tokyo. Succeeded to grow AUM from US\$0.5bn in Nov. 2013 to US\$3.8bn in November 2017. Before joining Goldman Sachs, Hiroyasu worked at Richard Ellis and the Royal Bank of Canada in Tokyo.

Master of Business Administration, Washington State University  
Real Estate Broker



## Naoyuki Kubo

Naoyuki Kubo was named Executive Director in March 2019. Since joining Loadstar Capital in 2014, he has been responsible for Investment Sourcing & Disposition Department. Prior to Loadstar Capital, he worked at Japan Real Estate Institute for 15 years, mostly recently as a Director and took a lead for Global valuations. Prior to Japan Real Estate Institute, he worked at the Norinchukin Bank for 2 years.

Bachelor of Agriculture, the University of Tokyo,  
Master of Business Administration, University of North Carolina at Chapel Hill  
MAI, CCIM, Licensed Real Estate Appraiser, Real Estate Broker



## Yo Narita

Yo Narita was named Executive Director in March 2019.

Since joining Loadstar Capital in 2014, he has been responsible for developing and managing OwnersBook.

Prior to Loadstar Capital, he was an asset manager at Touchstone Capital Management Co., Ltd., where he managed JPY 100Bn of real estate portfolio. Prior to Touchstone, he was an analyst at Financial Security Assurance Inc.

Bachelor of Law, the University of Tokyo  
CFA Charterholder



## Takuya Kawabata

Takuya Kawabata has been our Chief Financial Officer since January 2019, and was named Executive Director in March 2021. Since joining Loadstar Capital in 2016, he has overseen budget, accounting and finance management, and has been engaged in preparing for public listing on the Mothers market of the Tokyo Stock Exchange in 2017. After the listing, he has also been engaged in investor relations. Prior to Loadstar Capital, he belonged to the Financial Business Division at ERNST & YOUNG SHINNIHON LLC and was engaged in accounting audits and internal control audits of NYSE listed financial institutions, real estate companies, REIT, etc.

Bachelor of Economics, the University of Tokyo  
Certified Public Accountant

**Mar 2012**

Established Loadstar Capital K.K. in Ebisu, Shibuya-ku, Tokyo

**May 2014**

Established Loadstar Funding K.K. (wholly owned subsidiary)

**Sep 2014**

Launched crowdfunding service on the internet under the brand name "OwnersBook"

**Apr 2015**

Relocated head office to Ginza, Chuo-ku, Tokyo

**Sep 2017**

Listed on Tokyo Stock Exchange Mothers market (Securities code: 3482)

**Jan 2018**

Publicly registered investment management business and electronic-based application type electronic public offering services (equity-type crowdfunding)

**Oct 2018**

Relocated within Ginza, Chuo-ku, Tokyo

**Aug 2019**

Established Loadstar Investments K.K. (wholly owned subsidiary)

**Nov 2020**

Selected as a constituent stock in JPX-Nikkei Mid and Small Cap Index



# Consolidated Financial Position

(¥ millions)	2021Q2		
	Amount	% of total	% vs. 12/31/2020
<b>Current assets</b>	52,361	99.5%	102.9%
Cash and deposits	8,452	16.1%	115.3%
Operating loans	6,286	11.9%	111.4%
Real estate as inventory	37,510	71.3%	100.4%
<b>Non-current assets</b>	284	0.5%	110.1%
<b>Total assets</b>	52,645	100.0%	102.9%
<b>Current liabilities</b>	6,539	12.4%	123.7%
Short-term borrowings	2,460	4.7%	149.3%
<b>Non-current liabilities</b>	36,585	69.5%	95.9%
long-term borrowings	28,574	54.3%	94.4%
Deposits received from silent partnership investors	6,418	12.2%	102.5%
<b>Total liabilities</b>	43,124	81.9%	99.3%
<b>Net assets</b>	9,520	18.1%	123.3%
Retained earnings	9,188	17.5%	123.9%
Treasury shares	△2,511	△4.8%	-
<b>Total liabilities and net assets</b>	52,645	100.0%	102.9%

- This shows the amount of loans outstanding in the Crowdfunding business

- A considerable amount of unrealized gains have accrued, as we hold properties with high appraisal values.
- High liquidity since we have no development projects, and our properties are tenanted buildings located in Tokyo.
- Under the guidance of the accounting auditor, real estate holdings reported as inventory irrespective of holding purposes.

- This shows the amount that has been invested in OwnersBook projects.

- Usage of Treasury shares will be determined based on market conditions.

# Consolidated Statements of Cash Flows

(¥ millions)	2020Q2	2021Q2	Amount Changed
<b>CF from operating activities</b>	△5,993	2,394	8,387
Profit before income taxes	2,647	3,152	505
Decrease (increase) in operating loans receivable	652	△644	△1,296
Decrease (increase) in Real estate as inventory	△9,611	△380	9,231
Increase (decrease) in deposits received from silent partnership investors	△1,220	157	1,377
Increase (decrease) in deposits received	388	510	121
<b>CF from investing activities</b>	—	△0	△0
<b>CF from financing activities</b>	4,472	△1,292	△5,764
Net increase (decrease) in borrowings	7,377	△884	△8,261
Purchase of treasury shares	△2,529	—	2,529
<b>Net increase (decrease) in cash and cash equivalents</b>	△1,521	1,120	2,642
<b>Cash and cash equivalents at beginning of period</b>	7,766	7,331	△435
<b>Cash and cash equivalents at end of period</b>	6,245	8,452	2,206

# Appendix 4.

## Real Estate Market Analysis

Impact of COVID-19 on the real estate market and advantages in our area of focus (Tokyo)

## ● Outlook for the Tokyo Real Estate Market

Vacancy rates in the Tokyo rental office market continue to rise and rent levels continue to fall. Nonetheless, buoyed by the monetary easing policies of the world's major central banks, the Tokyo real estate market continues to see strong activity, with overseas investors, in particular, proactively seeking to acquire office buildings in Tokyo.

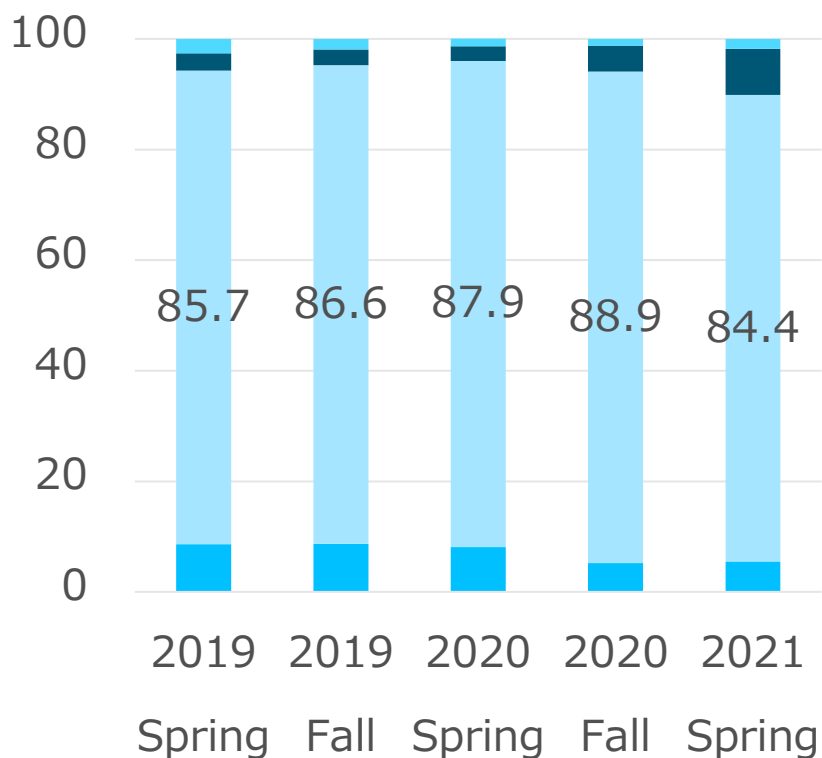
With progress being made with the COVID-19 vaccination rollout, the Tokyo office market may heat up even more after the Tokyo Olympics.

On the other hand, COVID-19's impact on the office market is not yet entirely clear, so we will continue to closely monitor market trends as well as developments in the financial markets.

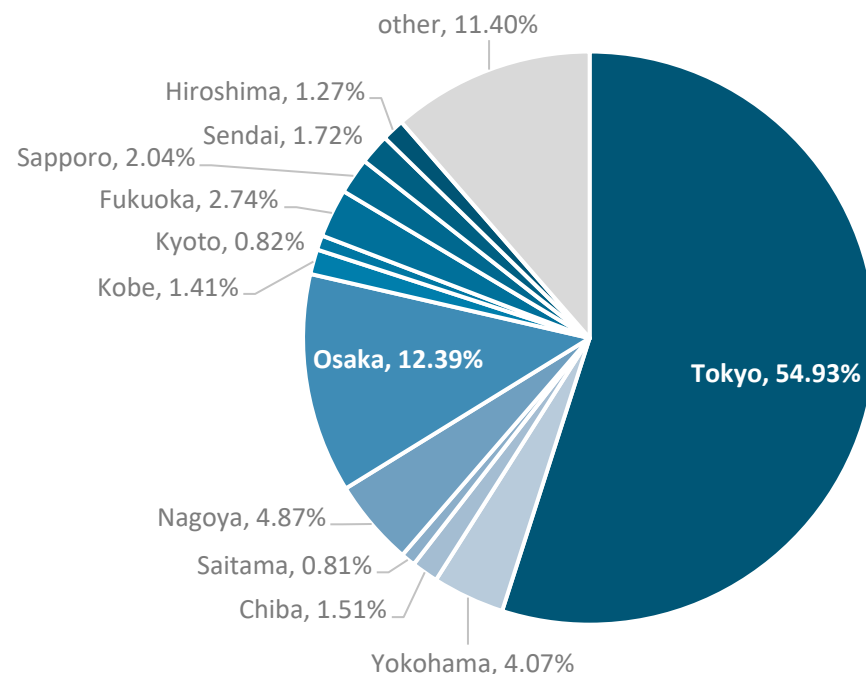
# COVID-19: Changes in the Office Market

- The impact on office floor space is minimal.
- About 61% of investable assets stay in the greater Tokyo area.

## Change in office floor space



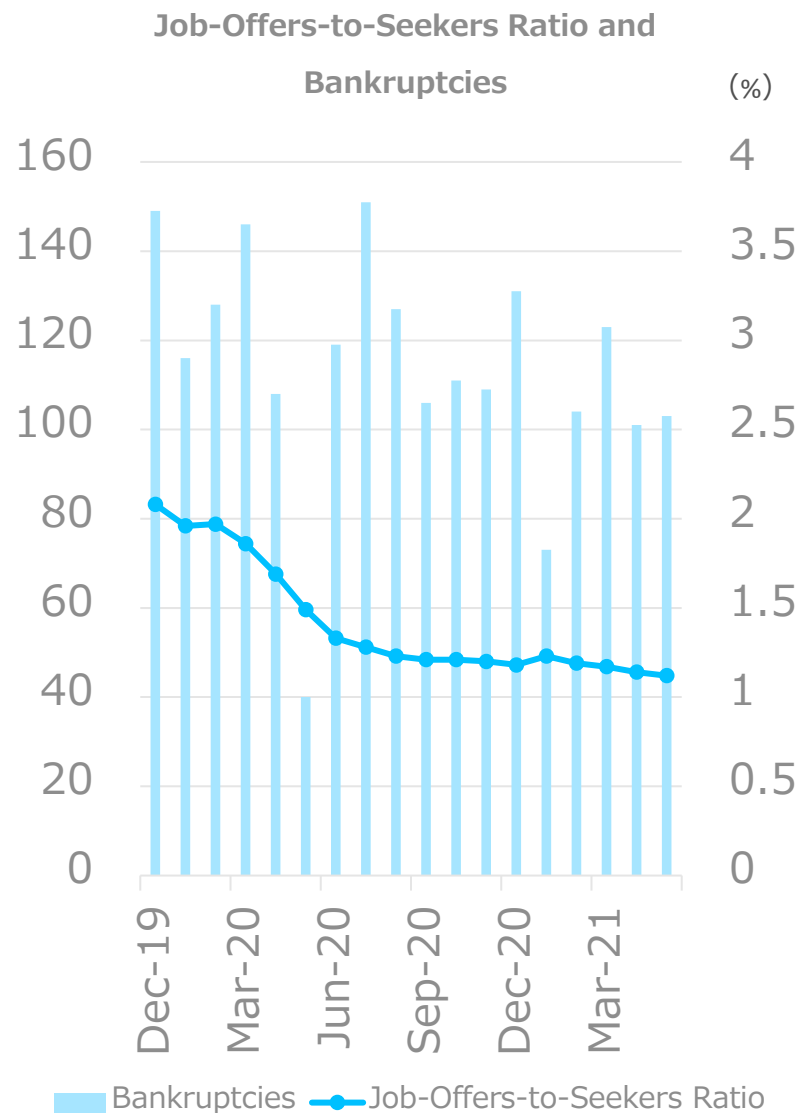
## Ratio of office floor space in Japanese cities



出典：ザイマックス不動産総合研究所 大都市圏オフィス需要調査2021春

出典：日本不動産研究所「全国オフィスビル調査（2020年1月現在）」より当社作成

- Hiring is currently subdued owing to the clouded economic outlook, but recent news indicates that companies are resuming and bolstering hiring.
- The number of bankruptcies have been limited compared to when Japan's bubble economy burst and the 2007/2008 financial crisis. The job-offers-to-seekers ratio will likely recover once the COVID-19 crises eases.

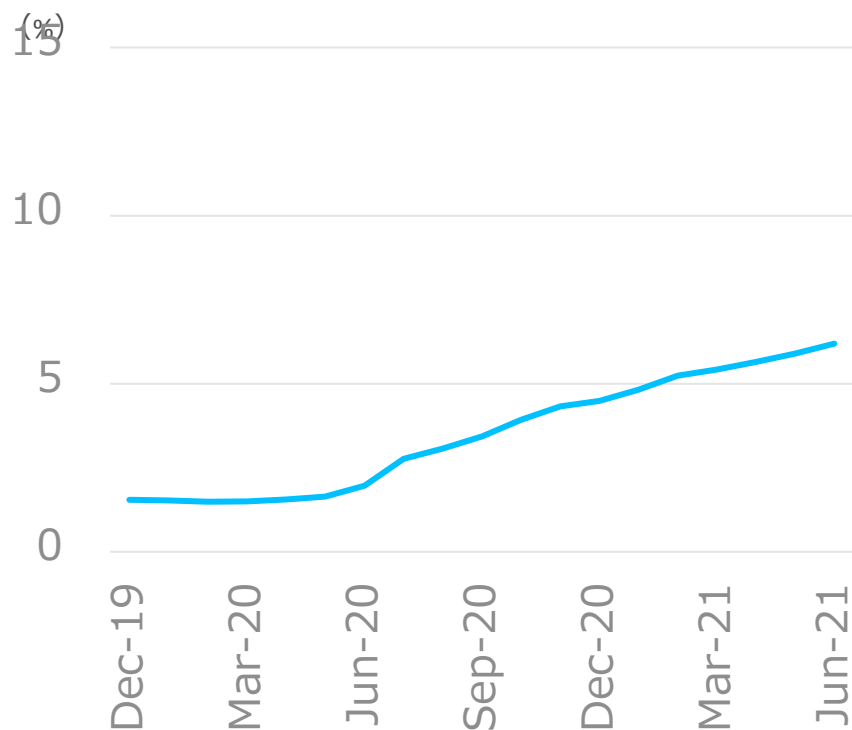


出典：有効求人倍率 独立行政法人労働政策研究・研修機構職業紹介-都道府県別有効求人倍率  
 倒産件数 東京商工リサーチ 全国企業倒産状況

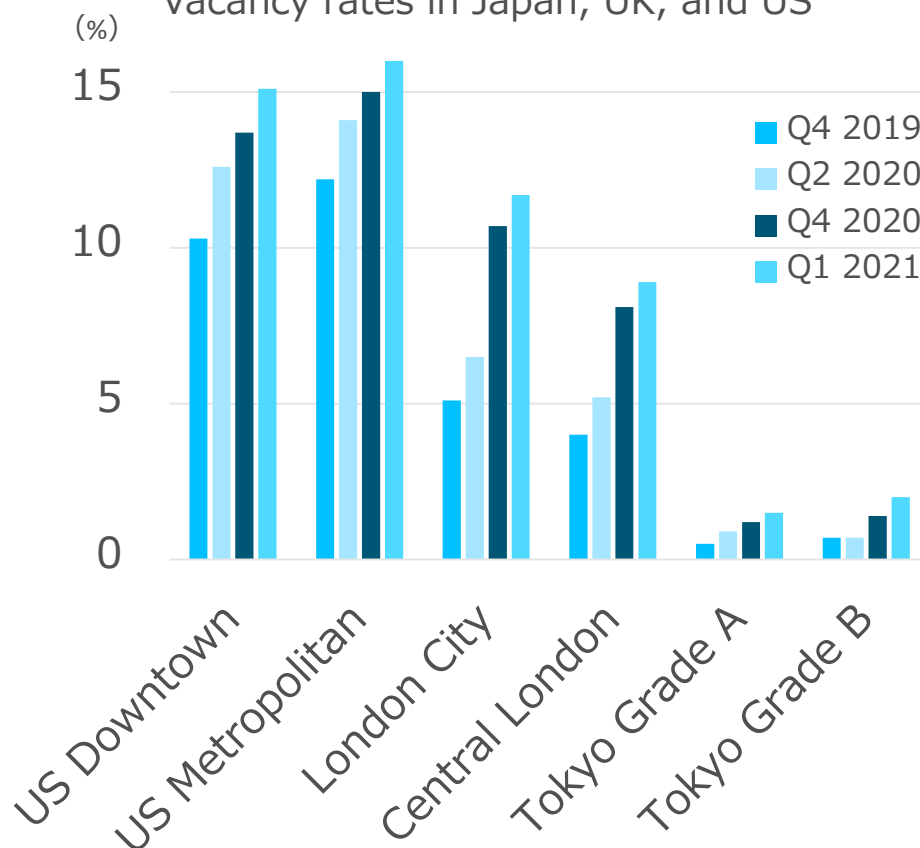
# COVID-19: Vacancy Rates

- Vacancy rates for Tokyo's business districts are rising (had been trending at low levels until recently).
- However, compared to the UK and the US, vacancy rates and the rate of increase are quite low.

Overall vacancy rate for Tokyo's 5 major wards



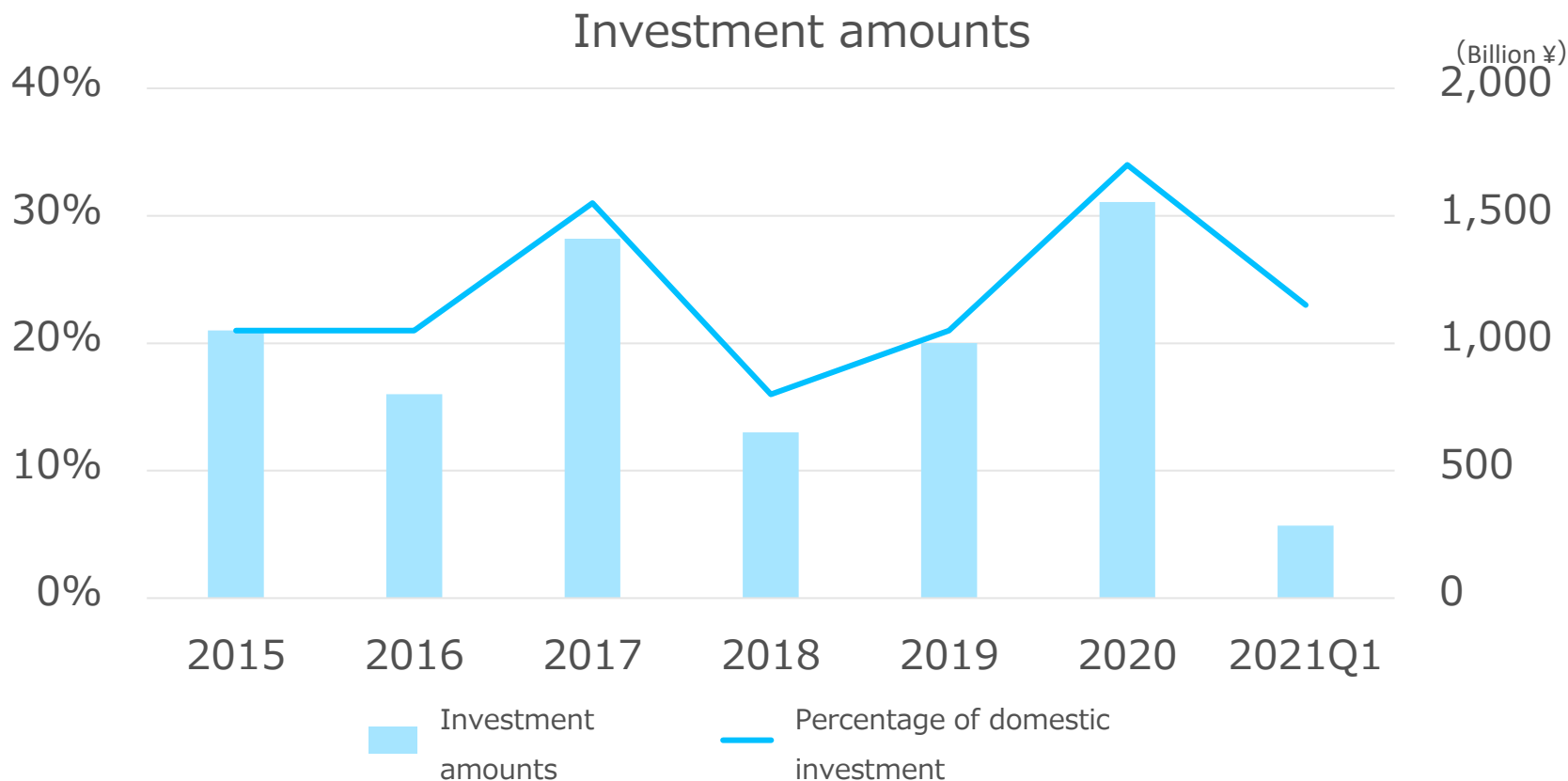
Vacancy rates in Japan, UK, and US



出典：東京ビジネス地区 三鬼商事 オフィスマーケットデータ

日英米の空室率 CBRE U.S. Office Figures Q1 2021, Central London Office, Q1 2021, Japan\_Office\_MarketView Q1 2021

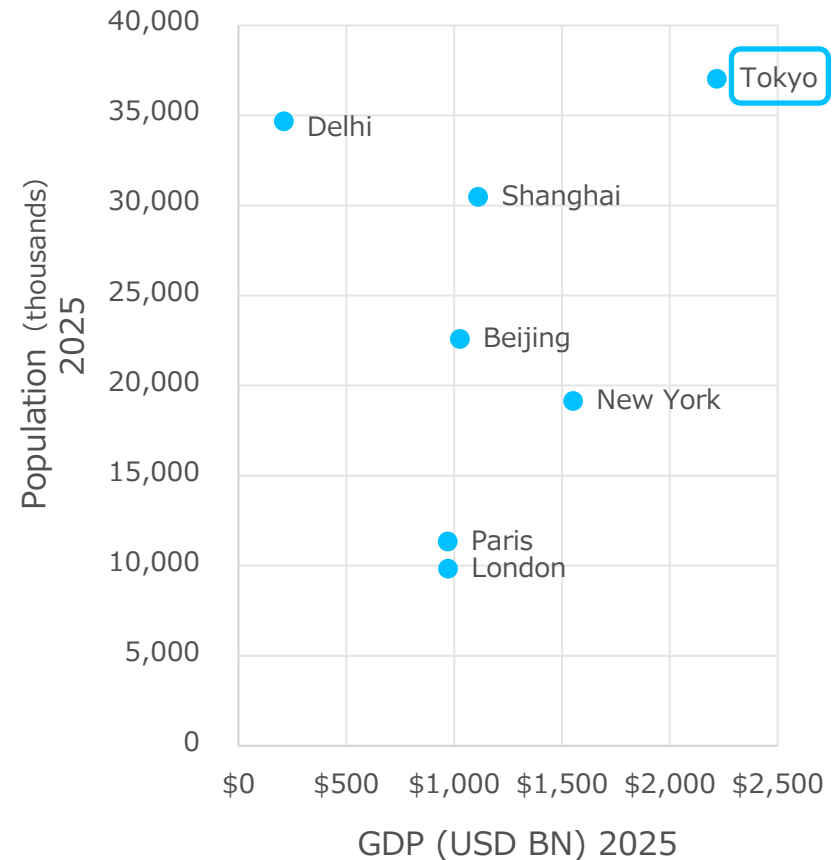
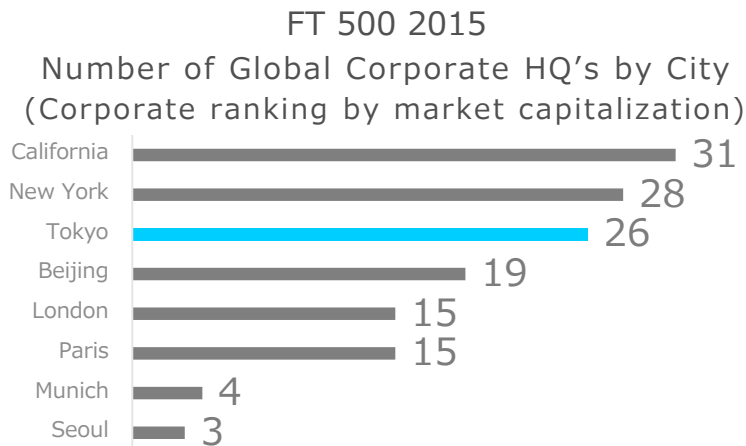
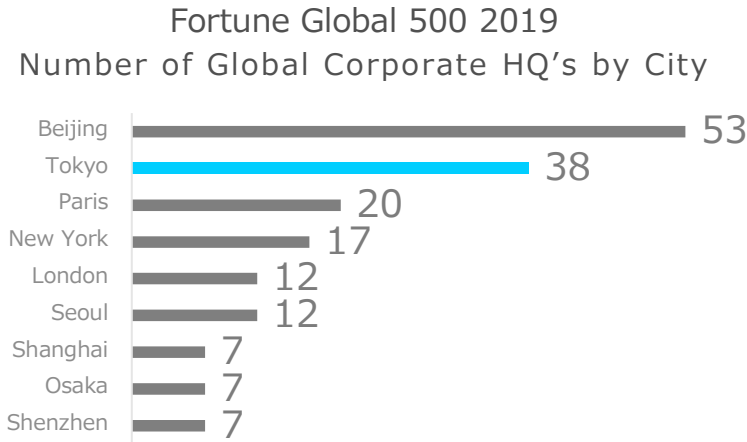
- In the first quarter of 2021, Tokyo ranked 2nd in investment by overseas property investors (London was 1st).
- Overseas property investors are considered to have a very strong appetite for investment.



出典 : JLL Japan Capital Flows 2021Q1



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



出典: 国交省「各国の主要都市への集中の現状」2019年12月6日 より当社作成  
<https://www.mlit.go.jp/kokudoseisaku/content/001319312.pdf>

(人口) Population Dept., United Nations [World Urbanization Prospects], (GDP) McKinsey Global Institute Cityscope database 2.0. より当社作成

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