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Loadstar Capital K.K.

Consolidated Financial Results for the Six Months ended June 30, 2018 (Japanese GAAP)

August 10, 2018

Stock listing:	Tokyo Stock Exchange	Securities code: 3482
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(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months ended June 30, 2018 (January 1, 2018 to June 30, 2018)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended June 30, 2018	5,085	53.8	1,513	90.2	1,409	100.7	925	99.2
Six months ended June 30, 2017	3,306	-	795	-	702	-	464	-

Note: Comprehensive income: Six months ended June 30, 2018: ¥925 million, 90.4%
Six months ended June 30, 2017: ¥486 million, -%

	Earnings per share	Diluted earnings per share
	yen	yen
Six months ended June 30, 2018	88.50	86.47
Six months ended June 30, 2017	54.74	-

Notes: As the Company did not prepare the consolidated financial statements for the six months ended June 30, 2016, the results for the period and year-on-year changes are not provided.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	million yen	million yen	%
June 30, 2018	28,525	5,378	18.9
December 31, 2017	21,979	4,557	20.7

Reference: Total equity: June 30, 2018: ¥5,376 million, December 31, 2017: ¥4,557 million

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2017	-	-	-	11.00	11.00
FY2018	-	-			
FY2018 (forecast)			-	17.50	17.50

Note: Revisions from the latest release of dividend forecasts: None

3. Forecast for the FY2018 (January 1, 2018 to December 31, 2018)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	10,585	20.4	2,325	70.4	2,089	75.6	1,261	58.8	120.50

Note: Revisions from the latest release of forecasts: None

*Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries causing changes in scope of consolidation): None
- (2) Adoption of simplified accounting methods and special accounting practices to preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
- 1) Changes in accordance with revisions to accounting and other standards: Applicable
 - 2) Changes other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Number of shares issued (common stock)

	June 30, 2018	December 31, 2017
1) Number of shares issued (including treasury stock)	10,478,000	10,448,000
2) Number of shares held in treasury	35	-
	Six months ended June 30, 2018	Six months ended June 30, 2017
3) Average number of shares outstanding during the period	10,458,213	4,244,000

*This report is exempt from the quarterly review.

*Appropriate Use of Forecasts and Other Important Information

The above forecasts, which constitute forward-looking statements, are based on information available to the Company as of the date of the release of this document. Loadstar Capital makes no assurances as to the actual results, which may differ materially from the above forecasts due to a range of factors. For information related to the forecast, please refer to “(3) Forecasts on operating performance” on page 3 in section “1. Qualitative Information Regarding Financial Results” in the Appendix.

In addition, the Company has scheduled to hold the quarterly earnings briefing on August 13, 2018 for institutional investors and analysts. The presentation materials for the earnings briefing will be posted on the Company’s website later.

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1. Qualitative Information Regarding Financial Results

(1) Summary of operating performance

In the six months ended June 30, 2018, the Japanese economy was solid overall due to the improvement in the labor market in conjunction with the improvement in corporate earnings. Meanwhile, the impacts on the global economy of the U.S. Federal Reserve Board's interest rate hikes, concerns about prolonged trade friction between the U.S. and China, and other factors remain uncertain.

In the real estate and real estate finance sectors, to which the Group belongs, office building occupancy rates and rents were solid against the backdrop of a strong employment environment. In addition, the financing environment is stable, as financial institutions have continued to proactively lend, while the appetite for acquiring properties remains robust. As a result, the market environment has become suitable for selling real estate investment properties.

In this environment, in the Corporate Funding Business, we increased the assets held on our balance sheet by investing in mid-size office buildings in central Tokyo, our core market. In the real estate Crowdfunding Business, the number of investor members and the cumulative investment amount both increased, as awareness of both crowdfunding and Loadstar Capital have increased.

As a result of these activities, net sales in the six months ended June 30, 2018, totaled ¥5,085 million (up 53.8% compared with the previous six months 2017), operating profit was ¥1,513 million (up 90.2%), ordinary profit was ¥1,409 million (up 100.7%), and profit attributable to owners of the parent amounted to ¥925 million (up 99.2%).

Overviews of operating performance by key services are as follows. Because the Group has a single segment, information is categorized by service rather than by segment.

(a) Corporate Funding Business

1) Real estate investment

Real estate investment sales totaled ¥4,378 million (up 55.9% compared with the previous six months 2017), due to the sale of four properties.

2) Real estate leasing

Although four properties were sold as mentioned above, six new properties were acquired, resulting in real estate leasing sales of ¥618 million (up 28.6%).

(b) Crowdfunding Business

Sales in the Crowdfunding Business totaled ¥88 million (up 433.1%), due to the fact that operating loans increased to ¥2,666 million.

(c) Other

The total was ¥0 million (down 61.6%) due to administrative fee revenue, etc.

(2) Financial Position

(Assets)

As of June 30, 2018, total assets were ¥28,525 million (up 29.8% compared with the end of fiscal 2017). This was mainly due to the acquisition of real estate as inventory and the increase of operating loans receivable.

(Liabilities)

As of June 30, 2018, total liabilities were ¥23,146 million (up 32.9%). This was mainly due to the increase in both borrowings and deposits received from silent partnership.

(Net Assets)

As of June 30, 2018, net assets were ¥5,378 million (up 18.0%). This was mainly due to the increase in retained earnings resulting from profit attributable to owners of the parent, and the decline in retained earnings due to dividends.

(Overview of Cash flows)

As of June 30, 2018, the outstanding balance of cash and cash equivalents (hereinafter, "cash") was ¥4,739 million, an increase of ¥123 million from December 31, 2017.

The cash flows during the six months ended June 30, 2018, and the factors behind these cash flows, are discussed below.

(a) Cash flows from operating activities

Net cash used in operating activities was ¥3,532 million. The main sources of operating cash flow were ¥1,342 million from profit before income taxes, and a ¥1,754 million increase in deposits received from silent partnership. On the other hand, major uses of operating cash flow included a ¥4,908 million increase in real estate as inventory resulting from steady up-front investment in property acquisitions, and a ¥1,498 million increase in operating loans due to the expansion of the Crowdfunding Business.

(b) Cash flows from investment activities

Net cash used in investment activities was ¥14 million. This was mainly due to ¥10 million in expenditure from the payments for investments in capital.

(c) Cash flows from financing activities

Net cash provided by financing activities was ¥3,670 million yen. This was mainly due to proceeds of ¥6,170 million from long-term borrowings, repayments of ¥2,466 million from long-term borrowings, and a ¥114 million in outflow due to the payment of dividends, and other factors.

(3) Forecasts on operating performance

Consolidated operating performance in the six months ended June 30, 2018, was generally in line with the operating performance forecasts announced on June 26, 2018.

2. Consolidated Financial Statements and Notes

(1) Consolidated Financial Position

(Millions of yen)

	As of December 31, 2017	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	4,615	4,739
Operating loans	1,167	2,666
Real estate as inventory	15,987	20,724
Other	78	227
Total current assets	21,849	28,357
Non-current assets		
Property, plant and equipment	5	6
Intangible assets	11	10
Investments and other assets	112	151
Total non-current assets	130	167
Total assets	21,979	28,525
Liabilities		
Current liabilities		
Short-term borrowings	50	122
Current portion of long-term borrowings	452	1,327
Income taxes payable	255	450
Other	347	245
Total current liabilities	1,105	2,145
Non-current liabilities		
Long-term borrowings	12,757	15,585
Deposits received from silent partnership	2,989	4,744
Other	569	670
Total non-current liabilities	16,316	21,001
Total liabilities	17,421	23,146
Net assets		
Shareholders' equity		
Share capital	1,330	1,335
Capital surplus	1,320	1,325
Retained earnings	1,905	2,716
Treasury stock	-	(0)
Total shareholders' equity	4,557	5,376
Stock acquisition rights to shares	0	1
Total net assets	4,557	5,378
Total liabilities and net assets	21,979	28,525

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Net sales	3,306	5,085
Cost of sales	2,272	3,243
Gross profit	1,033	1,842
Selling, general and administrative expenses	237	328
Operating profit	795	1,513
Non-operating income		
Penalty Charges	-	3
Insurance income	-	2
Consumption tax difference	0	2
Other	0	0
Total non-operating income	1	8
Non-operating expenses		
Interest expenses	63	89
Loss on valuation of derivatives	28	14
Other	2	9
Total non-operating expenses	94	112
Ordinary profit	702	1,409
Profit before dividend distribution from silent partnerships and income taxes	702	1,409
Dividends distribution from silent partnership	28	67
Profit before income taxes	674	1,342
Income taxes - current	224	425
Income taxes - deferred	(14)	(8)
Total income taxes	209	416
Profit	464	925
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of the parent	464	925

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Profit	464	925
Other comprehensive income		
Deferred gains or losses on hedges	21	-
Total other comprehensive income	21	-
Comprehensive income	486	925
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	486	925
Comprehensive income attributable to non- controlling interests	-	-

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Cash flows from operating activities		
Profit before income taxes	674	1,342
Depreciation and amortization	126	176
Interest and dividends income	(0)	(0)
Insurance income	-	(2)
Interest expenses	63	89
Decrease (increase) in operating loans receivable	(156)	(1,498)
Decrease (increase) in Real estate as inventory	(788)	(4,908)
Increase (decrease) in deposits received from silent partnership	685	1,754
Decrease/increase in consumption taxes receivable	238	(164)
Other	144	(4)
Subtotal	989	(3,215)
Interest and dividends income received	0	0
Interest expenses paid	(63)	(89)
Income taxes paid	(83)	(230)
Proceeds from insurance income	-	2
Net cash provided by (used in) operating activities	841	(3,532)
Cash flows from investing activities		
Purchase of property, plant and equipment	(0)	(0)
Payments for investments in capital	-	(10)
Other	1	(3)
Net cash provided by (used in) investing activities	0	(14)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(60)	71
Proceeds from long-term borrowings	2,069	6,170
Repayment of long-term borrowings	(1,717)	(2,466)
Cash dividends paid	-	(114)
Other	(0)	10
Net cash provided by (used in) financing activities	291	3,670
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	1,134	123
Cash and cash equivalents at beginning of period	1,269	4,615
Cash and cash equivalents at end of period	2,403	4,739

(4) Notes to quarterly consolidated financial statements

(Note on the going-concern assumption)

Not applicable

(Note on significant change in shareholders' equity)

Not applicable

(Changes in accounting policies)

(Application of Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc.)

Starting on and after April 1, 2018, the Company has applied Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc. (PITF No. 36, January 12, 2018, "PITF No. 36.") and its relevant guidance, and accounts for transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions, in accordance with the Accounting Standard for Share-based Payment (ASBJ Statement No. 8, December 27, 2005) and its relevant guidance.

However, with regard to the application of PITF No. 36, in accordance with the transitional treatment provided in Paragraph 10 (3) of PITF No. 36, transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions that have been granted prior to the application of PITF No. 36 continue to be accounted for using the previous method.

(Segment and other information)

Segment information is omitted here, as all operations of the Group belong to a single segment of real estate related business.