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Loadstar Capital K.K. Consolidated Financial Results for the Nine Months ended September 30, 2022 (Japanese GAAP)

October 28, 2022

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 Nine Months ended September 30, 2022 (January 1, 2022 to September 30, 2022)

(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	%
Nine months ended September 30, 2022	15,959	17.8	5,964	26.2	5,712	26.9	3,848	30.3
Nine months ended September 30, 2021	13,553	(2.4)	4,727	23.5	4,500	27.3	2,953	28.1

Note: Comprehensive income: Nine months ended September 30, 2022: ¥3,848 million, 30.3%
 Nine months ended September 30, 2021: ¥2,953 million, 28.1%

	Earnings per share	Diluted earnings per share
	yen	yen
Nine months ended September 30, 2022	239.79	234.12
Nine months ended September 30, 2021	180.34	177.45

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	million yen	million yen	%
September 30, 2022	63,579	13,682	21.3
December 31, 2021	56,983	10,847	18.9

Reference: Total equity: September 30, 2022: ¥13,541 million, December 31, 2021: ¥10,784 million

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2021	-	0.00	-	32.00	32.00
FY2022	-	0.00			
FY2022 (forecast)			-	40.50	40.50

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

3. Forecast for the FY2022 (January 1, 2022 to December 31, 2022)

(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	18,517	3.3	7,154	27.3	6,696	25.7	4,409	27.2	268.44

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 special 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)

	September 30, 2022	December 31, 2021
1) Number of shares issued (including treasury shares)	21,444,000	21,444,000
2) Number of shares held in treasury	5,393,950	5,016,130
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
3) Average number of shares outstanding during the period	16,051,346	16,378,200

*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.

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1. Qualitative Information Regarding Financial Results

(1) Summary of operating performance

In the nine months ended September 30, 2022, the Bank of Japan released its three-month Tankan survey on October 3, 2022, declaring that the Japanese economy is showing signs of deterioration due to concerns about the global economic outlook and rising resource prices.

However, we also see some expectations of an inbound recovery due to an easing of the border restriction and the weaker yen.

In the real estate and real estate finance sectors, to which the Loadstar Group belongs, particularly in the B to B office real estate market, according to Miki Shoji Co., Ltd.'s latest office building market data (for September 2022), the vacancy rate for existing office buildings in Tokyo's five central wards (Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, and Shibuya-ku) is 6.09%, which has been almost flat since September 2021.

In its seventh urgent survey on the impact of COVID-19 on teleworking released by Persol Research and Consulting Co., Ltd. on August 30, 2022, the teleworking adoption rate was 41.2% for companies with 10,000 or more employees, 24.1% for companies with 100-999 employees, and 14.2% for companies with 10-99 employees. This shows a slight decline from the previous survey, indicating a trend toward returning to the office. We do not expect any significant impact on occupancy rates in medium-sized office buildings, our core business, because there is continuing demand from small and mid-size companies.

In addition, the average rent per tsubo in Tokyo's five central wards was ¥20,156 as of September 30, 2022. The average rent for existing office buildings that we invest in was down only 3.5% from September 2021, a more moderate fall than the 10.2% decline in rent for new office buildings.

In the Tokyo office building trading market, the investment appetite among domestic and overseas real estate companies and funds remains strong due to the aggressive lending stance of domestic financial institutions, a high yield gap reflecting lower interest rates compared to other countries, and favorable effects of the weaker yen.

In this environment, in the Corporate Funding Business we sold our properties while also acquiring new properties that will provide a foundation for future growth.

In the Asset Management Business, we received multiple mandates for asset management services, including deals relating to large buildings in central Tokyo.

In the real estate Crowdfunding Business, we have been facing some challenges in structuring loan-type products due to the aggressive lending stance of other financial institutions. However, inquiries have been steadily increasing, and we expect to strike new deals in the future. Moreover, investment appetite among individual investors in this business remains strong as some deals worth hundreds of millions of yen are fully funded in less than a few minutes.

As a result of these activities, operating performance in the nine months ended September 30, 2022, are as follows.

(Sales)

Net sales increased 17.8% year on year to ¥15,959 million in the Corporate Funding Business due to the sale of Company-owned properties and growth of assets under management (AUM) in the Asset Management business.

Overviews of operating performance by key services are as follows. Because the Loadstar 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 ¥13,720 million (up 21.9%) due to the sale of three properties. For two of these properties, we received a mandate to manage the assets after disposal, securing ongoing revenues.

2) Real estate leasing

Three properties were sold and six new properties were acquired. Real estate leasing sales were ¥1,594 million (down 15.3%) due to the sale of large properties and aggressive investment for future growth in empty buildings etc. Furthermore, we have been actively investing with the aim of capturing inbound demand. We opened Chisun Hotel Yokohama Isezakicho in June 2022, and then

newly acquired Nest Hotel Tokyo Hanzomon in July 2022. We expect these investments to contribute to future earnings.

(b) Asset Management Business

Asset Management Business sales totaled ¥359 million (up 621.3%). The sales increase was derived from the acquisition of new asset management deals. As of September 30, 2022, assets under management (AUM) totaled approximately ¥76,000 million (AUM of approximately ¥29,000 million as of the end of fiscal 2021), surpassing the original forecast.

(c) Crowdfunding Business

During the nine months ended September 30, 2022, 22 loan-type transactions totaling ¥4,650 million were executed (down 18.2%), while loans totaling ¥4,273 million were redeemed. As a result, the operating loans were ¥6,647 million (up 6.0% compared with the end of fiscal 2021) and Crowdfunding Business sales totaled ¥275 million (down 20.1%).

(d) Other

The total was ¥10 million due to property management revenue, etc.

(Operating Profit)

Operating profit was ¥5,964 million (up 26.2%), due to the increase of gross profit, etc. A ¥66 million transfer to provision for doubtful accounts relating to loan recovery concerns in the Crowdfunding Business was recorded as Selling, general and administrative expenses.

(Ordinary Profit)

Ordinary profit was ¥5,712 million (up 26.9%), due to the increase of operating profit, etc.

(Profit attributable to owners of the parent)

Profit attributable to owners of the parent was ¥3,848 million (up 30.3%), due to the increase of ordinary profit, etc.

The same amount as the ¥66 million transfer to provision for doubtful accounts relating to loan recovery concerns in the Crowdfunding Business was recorded as revenue under Dividends distribution from silent partnerships.

(2) Financial Position

(Assets)

As of September 30, 2022, total assets were ¥63,579 million (up 11.6% compared with the end of fiscal 2021). This was mainly due to the acquisition of real estate as inventory.

(Liabilities)

As of September 30, 2022, total liabilities were ¥49,897 million (up 8.2%). This was mainly due to the increase of borrowings by acquiring the real estate as inventory. The increase in the current portion of long-term borrowings is due to the transfer of funds from long-term borrowings after concluding an agreement to sell property in or after the fourth quarter.

(Net Assets)

As of September 30, 2022, net assets were ¥13,682 million (up 26.1%). This was mainly due to an increase in retained earnings of ¥3,323 million (an increase of ¥3,848 million due to net income attributable to owners of the parent company and a decrease of ¥525 million yen due to the payment of dividends), and treasury shares increased ¥694 million and net assets decreased by the same amount.

(3) Forecasts on operating performance

Consolidated operating performance in the nine months ended September 30, 2022, basically remained stable as planned and there is no change on the full-year consolidated earnings forecasts since the last announcement.

2. Consolidated Financial Statements and Notes

(1) Consolidated Financial Position

(Millions of yen)

	As of December 31, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	7,926	8,763
Operating loans	6,270	6,647
Real estate as inventory	42,023	47,251
Other	523	583
Allowance for doubtful accounts	-	(66)
Total current assets	56,744	63,178
Non-current assets		
Property, plant and equipment	41	18
Intangible assets	4	3
Investments and other assets	194	379
Total non-current assets	239	400
Total assets	56,983	63,579
Liabilities		
Current liabilities		
Short-term borrowings	216	666
Current portion of long-term borrowings	1,541	4,273
Income taxes payable	1,009	1,071
Provision for bonuses	-	136
Deposits received	2,757	1,867
Other	427	474
Total current liabilities	5,953	8,490
Non-current liabilities		
Long-term borrowings	31,584	33,083
Deposits received from silent partnership investors	6,959	7,057
Other	1,638	1,266
Total non-current liabilities	40,182	41,406
Total liabilities	46,136	49,897
Net assets		
Shareholders' equity		
Share capital	1,402	1,402
Capital surplus	1,392	1,457
Retained earnings	10,477	13,800
Treasury shares	(2,488)	(3,118)
Total shareholders' equity	10,784	13,541
Share acquisition rights	63	141
Total net assets	10,847	13,682
Total liabilities and net assets	56,983	63,579

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

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Net sales	13,553	15,959
Cost of sales	7,850	8,704
Gross profit	5,703	7,255
Selling, general and administrative expenses	975	1,290
Operating profit	4,727	5,964
Non-operating income		
Gain on investments in silent partnerships	0	13
Gain on valuation of derivatives	17	48
Foreign exchange gains	19	-
Other	0	19
Total non-operating income	38	82
Non-operating expenses		
Interest expenses	244	256
Commission expenses	19	74
Other	2	3
Total non-operating expenses	265	334
Ordinary profit	4,500	5,712
Profit before dividend distribution from silent partnerships and income taxes	4,500	5,712
Dividends distribution from silent partnerships	213	115
Profit before income taxes	4,286	5,597
Income taxes - current	1,366	1,800
Income taxes - deferred	(33)	(52)
Total income taxes	1,332	1,748
Profit	2,953	3,848
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of the parent	2,953	3,848

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Profit	2,953	3,848
Comprehensive income	2,953	3,848
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,953	3,848
Comprehensive income attributable to non- controlling interests	-	-

(3) Notes to quarterly consolidated financial statements
(Note on the going-concern assumption)
Not applicable

(Note on significant change in shareholders' equity)
Not applicable

(Note on changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied from the start of the first quarter of FY2022. Accordingly, revenue is recognized when control of the promised goods or services has been transferred to the customer at the amount expected to be received in exchange for those goods or services.

The main impact of the above is on revenue associated with utilities expenses received from tenants. Previously, this amount was deducted from cost of sales, but we have changed to recognizing the total amount as revenue because of our role (as principal or agent) in providing goods or services to the customer.

The application of the Accounting Standard for Revenue Recognition is in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the first quarter of fiscal 2022 was reflected in retained earnings at the beginning of the first quarter of fiscal 2022, and the new accounting policy applied to this amount. However, we have applied the method set forth in Paragraph 86 of the Accounting Standard for Revenue Recognition, and have not retrospectively applied the new accounting policy prior to the beginning of the first quarter of fiscal 2022 to contracts that recognize the full amount of revenue under the previous treatment.

As a result of the application of the Accounting Standard for Revenue Recognition, net sales and cost of sales increased by ¥96 million, respectively, but operating profit, ordinary profit, profit before income taxes, and retained earnings were not affected.

A breakdown of the revenue arising from contracts with customers in the nine months ended September 30, 2021 is not provided in accordance with the transitional treatment set forth in Paragraph 28-15 of the Accounting Standard for Revenue Recognition.

(Application of Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) has been applied from the start of the first quarter of fiscal 2022. In accordance with transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Group has opted to apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement prospectively. This has no impact on financial results in the nine months ended September 30, 2022.

(Segment and other information)

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