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Loadstar Capital K.K. Consolidated Financial Results for the Six Months ended June 30, 2019 (Japanese GAAP)

August 5, 2019

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, 2019 (January 1, 2019 to June 30, 2019)

(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, 2019	7,350	44.5	1,987	31.3	1,756	24.6	1,126	21.7
Six months ended June 30, 2018	5,085	53.8	1,513	90.2	1,409	100.7	925	99.2

Note: Comprehensive income: Six months ended June 30, 2019: ¥1,126 million, 21.7%
 Six months ended June 30, 2018: ¥925 million, 90.4%

	Earnings per share	Diluted earnings per share
	yen	yen
Six months ended June 30, 2019	53.00	52.51
Six months ended June 30, 2018	44.25	43.23

Notes: Based on the decision made at the Board of Directors meeting held on October 30, 2018, the Company conducted a 2-for-1 stock split on November 30, 2018. Earnings per share was calculated assuming that the stock split took effect at the beginning of the fiscal year ended December 31, 2018 (January 1, 2018).

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	million yen	million yen	%
June 30, 2019	38,391	6,842	17.8
December 31, 2018	33,028	5,880	17.8

Reference: Total equity: June 30, 2019: ¥6,841 million, December 31, 2018: ¥5,879 million

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2018	-	0.00	-	9.50	9.50
FY2019	-	0.00			
FY2019 (forecast)			-	11.50	11.50

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

3. Forecast for the FY2019 (January 1, 2019 to December 31, 2019)

(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	13,487	39.5	3,137	31.1	2,777	31.2	1,659	22.1	78.17

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: None
 - 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, 2019	December 31, 2018
1) Number of shares issued (including treasury stock)	21,384,000	21,224,000
2) Number of shares held in treasury	112	112
	Six months ended June 30, 2019	Six months ended June 30, 2018
3) Average number of shares outstanding during the period	21,252,971	10,458,213

*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 6, 2019 for institutional investors and analysts.

Appendix

Contents

1. Qualitative Information Regarding Financial Results	2
(1) Summary of operating performance	2
(2) Financial Position	3
(3) Forecasts on operating performance	3
2. Consolidated Financial Statements and Notes	4
(1) Consolidated Financial Position	4
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	5
Consolidated Statements of Income	5
Consolidated Statements of Comprehensive Income	6
(3) Consolidated Statement of Cash Flows	7
(4) Notes to quarterly consolidated financial statements	8
(Note on the going-concern assumption)	8
(Note on significant change in shareholders' equity)	8
(Additional Information)	8
(Segment and other information)	8

1. Qualitative Information Regarding Financial Results

(1) Summary of operating performance

In the six months ended June 30, 2019, the Japanese economy was solid overall due to the improvement in the labor market in conjunction with the improvement in corporate earnings. On the other hand, with the fear of prolonged China–United States trade war, the United States Federal Reserve Board (FRB) has decided to cut interest rates for the first time since 2018 and the Chinese economy is expected to slow down, and uncertainty in the EU including the Brexit issue, need to be watched closely.

In the real estate and real estate finance sectors, to which the Group belongs, particularly in the B to B office real estate market, the financing environment is favorable due to the Bank of Japan maintaining its monetary easing policy, and financial institutions have continued to proactively lend while the appetite for acquiring properties remains robust. According to Miki Shoji Co., Ltd.'s latest office building market data (for June 2019), the vacancy rate for existing office buildings in Tokyo's five central wards (Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, and Shibuya-ku) remains low at 1.72%, while the average rent is ¥21,518 per tsubo, and has been rising for 66 consecutive months. Meanwhile, according to Yano Research Institute Ltd.'s "Crowdfunding Market in Japan: Key Research Findings 2018" webpage (published on December 3, 2018) (URL: https://www.yano.co.jp/press-release/show/press_id/2036), the domestic crowdfunding market is expanding at a high growth rate, as the market size in fiscal 2018 is projected to have been ¥2,044 billion, representing a 20.3% increase versus the previous year.

In this environment, in the Corporate Funding Business, we increased the assets held on our balance sheet by investing in mid-size office buildings ranging in price from roughly several hundred million yen to approximately three billion yen in central Tokyo, our core market. In the real estate Crowdfunding Business, in which we lend to companies which hold real estate, the number of investor members and the cumulative investment amount both increased.

As a result of these activities, operating performance in the six months ended June 30, 2019, are as follows.

(Sales)

net sales in the six months ended June 30, 2019, totaled ¥7,350 million (up 44.5% compared with the previous six months 2018),

This was mainly due to the increase of real estate investments sales and real estate leasing revenue in the Corporate Funding Business, the increase of sales in the crowdfunding business, and the generation in brokerage revenue.

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 ¥6,400 million (up 46.2%), due to the sale of two properties.

2) Real estate leasing

Although two properties were sold as mentioned above, five new properties were acquired, resulting in real estate leasing sales of ¥664 million (up 7.5%).

(b) Crowdfunding Business

Sales in the Crowdfunding Business totaled ¥185 million (up 109.3%), due to the fact that operating loans increased to ¥4,501 million.

(c) Other

The total was ¥100 million due to brokerage revenue, etc.

(Operating Profit)

Although the sales increased, selling, general and administrative expenses was ¥513 million (up 56.2%) due to the increase of personnel expenses related to our business expansion, resulting in operating profit of ¥1,987 million (up 31.3%).

(Ordinary Profit)

Ordinary profit was ¥1,756 million (up 24.6%), due to the increase of operating profit, etc.

(Profit attributable to owners of the parent)

Profit attributable to owners of the parent was ¥1,126 million (up 21.7%), due to the increase of ordinary profit, etc.

(2) Financial Position

(Assets)

As of June 30, 2019, total assets were ¥38,391 million (up 16.2% compared with the end of fiscal 2018). This was mainly due to the acquisition of real estate as inventory and the increase of operating loans receivable.

(Liabilities)

As of June 30, 2019, total liabilities were ¥31,548 million (up 16.2%). This was mainly due to the increase in both borrowings and deposits received from silent partnership.

(Net Assets)

As of June 30, 2019, net assets were ¥6,842 million (up 16.4%). 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, 2019, the outstanding balance of cash and cash equivalents (hereinafter, "cash") was ¥7,635 million, an increase of ¥1,764 million from December 31, 2018.

The cash flows during the six months ended June 30, 2019, and the factors behind these cash flows, are discussed below.

(a) Cash flows from operating activities

Net cash used in operating activities was ¥407 million. The main sources of operating cash flow were ¥1,627 million from profit before income taxes, and a ¥1,619 million increase in deposits received from silent partnership. On the other hand, major uses of operating cash flow included a ¥2,821 million increase in real estate as inventory resulting from steady up-front investment in property acquisitions, and a ¥1,161 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 ¥4 million. This was mainly due to ¥4 million the acquisition of intangible assets.

(c) Cash flows from financing activities

Net cash provided by financing activities was ¥2,175 million yen. This was mainly due to proceeds of ¥6,480 million from long-term borrowings, repayments of ¥4,167 million from long-term borrowings, and a ¥201 million in outflow due to the payment of dividends.

(3) Forecasts on operating performance

Consolidated operating performance in the six months ended June 30, 2019, 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, 2018	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	5,871	7,635
Operating loans	3,340	4,501
Real estate as inventory	23,194	25,813
Other	350	137
Total current assets	32,756	38,087
Non-current assets		
Property, plant and equipment	71	65
Intangible assets	8	11
Investments and other assets	191	227
Total non-current assets	271	304
Total assets	33,028	38,391
Liabilities		
Current liabilities		
Short-term borrowings	50	146
Current portion of long-term borrowings	4,365	651
Income taxes payable	454	573
Provision for bonuses	-	56
Other	488	300
Total current liabilities	5,359	1,727
Non-current liabilities		
Long-term borrowings	14,751	20,779
Deposits received from silent partnership	6,358	7,978
Other	677	1,063
Total non-current liabilities	21,787	29,821
Total liabilities	27,147	31,548
Net assets		
Shareholders' equity		
Share capital	1,369	1,388
Capital surplus	1,359	1,378
Retained earnings	3,150	4,075
Treasury stock	(0)	(0)
Total shareholders' equity	5,879	6,841
Stock acquisition rights to shares	1	1
Total net assets	5,880	6,842
Total liabilities and net assets	33,028	38,391

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

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Net sales	5,085	7,350
Cost of sales	3,243	4,850
Gross profit	1,842	2,500
Selling, general and administrative expenses	328	513
Operating profit	1,513	1,987
Non-operating income		
Penalty Charges	3	-
Insurance income	2	0
Consumption tax difference	2	-
Interest on refund	-	1
Other	0	0
Total non-operating income	8	1
Non-operating expenses		
Interest expenses	89	107
Loss on valuation of derivatives	14	53
Commission Charge	9	69
Other	0	2
Total non-operating expenses	112	232
Ordinary profit	1,409	1,756
Profit before dividend distribution from silent partnerships and income taxes	1,409	1,756
Dividends distribution from silent partnership	67	129
Profit before income taxes	1,342	1,627
Income taxes - current	425	541
Income taxes - deferred	(8)	(40)
Total income taxes	416	500
Profit	925	1,126
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of the parent	925	1,126

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Profit	925	1,126
Comprehensive income	925	1,126
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	925	1,126
Comprehensive income attributable to non- controlling interests	-	-

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Cash flows from operating activities		
Profit before income taxes	1,342	1,627
Depreciation and amortization	176	212
Interest expenses	89	107
Decrease (increase) in operating loans receivable	(1,498)	(1,161)
Decrease (increase) in Real estate as inventory	(4,908)	(2,821)
Increase (decrease) in deposits received from silent partnership	1,754	1,619
Increase (decrease) in advances received	58	(180)
Increase (decrease) in provision for bonuses	-	56
Decrease/increase in consumption taxes receivable/payable	(275)	301
Increase (decrease) in guarantee deposits received	87	332
Other	(41)	32
Subtotal	(3,215)	127
Interest and dividends income received	0	0
Interest expenses paid	(89)	(107)
Income taxes paid	(230)	(428)
Proceeds from insurance income	2	0
Net cash provided by (used in) operating activities	(3,532)	(407)
Cash flows from investing activities		
Purchase of property, plant and equipment	(0)	(1)
Purchase of intangible assets	(0)	(4)
Payments for investments in capital	(10)	-
Payments of leasehold and guarantee deposits	(7)	-
Proceeds from refund of leasehold and guarantee deposits	4	2
Net cash provided by (used in) investing activities	(14)	(4)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	71	95
Proceeds from long-term borrowings	6,170	6,480
Repayment of long-term borrowings	(2,466)	(4,167)
Proceeds from issuance of shares	9	36
Cash dividends paid	(114)	(201)
Other	1	(67)
Net cash provided by (used in) financing activities	(3,670)	2,175
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	123	1,764
Cash and cash equivalents at beginning of period	4,615	5,871
Cash and cash equivalents at end of period	4,739	7,635

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

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

(Additional information)

Application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting,"
The group has applied the "Partial Amendments to Accountings Standard for Tax Effect Accounting"(ASBJ Statements NO.28, February 16,2018) and other related pronouncements from the beginning of the first quarter of 2019. Accordingly, deferred tax assets have been presented in the investments and other assets section of the balance sheets.

(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.