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Loadstar Capital K.K. Consolidated Financial Results for the Fiscal year ended December 31, 2020 (Japanese GAAP)

February 12, 2021

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(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal year ended December 31, 2020 (January 1, 2020 to December 31, 2020)

(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	%
Fiscal year ended December 31, 2020	16,979	12.3	4,484	22.7	4,168	27.4	2,700	30.0
Fiscal year ended December 31, 2019	15,116	56.3	3,653	52.7	3,272	54.5	2,077	52.8

Note: Comprehensive income: Fiscal year ended December 31, 2020: ¥2,700 million, 30.0%
Fiscal year ended December 31, 2019: ¥2,077 million, 52.8%

	Earnings per share	Diluted earnings per share	ROE	Ordinary profit on Total assets	Operating profit on Net sales
	yen	yen	%	%	%
Fiscal year ended December 31, 2020	152.48	151.67	34.8	8.7	26.4
Fiscal year ended December 31, 2019	97.42	96.77	30.3	8.5	24.2

Note: Income on equity method investments: Fiscal year ended December 31, 2020: -
Fiscal year ended December 31, 2019: -

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2020	51,156	7,721	15.0	469.92
December 31, 2019	44,337	7,821	17.6	364.69

Reference: Total equity: December 31, 2020: ¥7,693 million, December 31, 2019: ¥7,820 million,

(3) Consolidated Statement of Cash Flows

	Cash flows from operating activities	Cash flows from investment activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
December 31, 2020	△4,118	0	3,688	7,731
December 31, 2019	△3,986	△31	5,913	7,766

2. Dividends

	Dividend per share					Total amount of dividends	Payout ratio (Consolidated)	Ratio of dividend to equity attributable to owners of the parent (Consolidated)
	End-Q1	End-Q2	End-Q3	Year-end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
FY2019	-	-	-	14.50	14.50	310	15.0	4.5
FY2020	-	-	-	24.50	24.50	401	16.1	5.2
FY2021 (forecast)	-	-	-	29.0	29.0		14.9	

3. Forecast for the FY2021 (January 1, 2021 to December 31, 2021)

(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	18,554	9.3	5,462	21.8	4,997	19.9	3,178	17.7	194.12

*Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries causing changes in scope of consolidation): None
- (2) 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
- (3) Number of shares issued (common stock)

	December 31, 2020	December 31, 2019
1) Number of shares issued (including treasury stock)	21,444,000	21,444,000
2) Number of shares held in treasury	5,072,130	112

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019
3) Average number of shares outstanding during the period	17,711,904	21,322,222

[For Reference] Overview of Non-consolidated Results

Non-consolidated Results for the Fiscal year ended December 31, 2020 (January 1, 2020 to December 31, 2020)

(1) Non-consolidated Operations Results (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended December 31, 2020	16,644	12.9	4,150	26.2	3,836	33.5	2,649	33.1
Fiscal year ended December 31, 2019	14,747	55.9	3,288	51.0	2,874	55.3	1,989	53.0

	Earnings per share	Diluted earnings per share
	yen	yen
Fiscal year ended December 31, 2020	149.59	148.80
Fiscal year ended December 31, 2019	93.33	92.70

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2020	44,665	7,494	16.7	456.04
December 31, 2019	37,986	7,645	20.1	356.48

Reference: Total equity: December 31, 2020: ¥7,466 million, December 31, 2019: ¥7,644 million,

*This report is exempt from the audit.

*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 "(4) Future Outlook" on page 4 in section "1. Qualitative Information Regarding Financial Results" in the Appendix.

In addition, the Company has scheduled to hold the earnings briefing on February 12, 2021 for institutional investors and analysts. The presentation materials for the earnings briefing will be posted on the Company's website later.

Appendix

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1. Qualitative Information Regarding Financial Results

(1) Summary of operating performance

In 2020, the Japanese economy slumped due to the decline in consumption and stagnation in corporate activities resulting from the impact of COVID-19. Overseas, COVID-19 is more rampant than in Japan. Between this and other factors, developments in the global economic downturn require close monitoring.

In the real estate and real estate finance sectors to which the Group belongs, particularly in the B to B office real estate market, real estate-related transactions were somewhat more subdued than usual, even though some hold the view that the impact of COVID-19 on property valuations is limited. Meanwhile, considering that the Bank of Japan is maintaining its monetary easing policy and no major changes in the lending stances of financial institutions have been observed, coupled with the fact that Tokyo's property market remains relatively stable from a global perspective, a recovery in the Tokyo office real estate market is very probable once the COVID-19 situation eases. According to Miki Shoji's latest office building market data (as of December 2020), the vacancy rate for existing office buildings in Tokyo's five central wards (Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, and Shibuya-ku) stands at 4.49%, while average rent has increased 0.93% year on year to ¥21,999 per tsubo.

In this environment, in the Corporate Funding Business, we made progress on sales of Company-owned properties in line with our annual plan. Also, despite the COVID-19 crisis, we fully leveraged our strength in purchasing to the fullest extent possible to acquire the largest amounts of properties since our founding, in the second quarter of the FY2020, thereby securing a foundation for earnings for the second half of the FY2020 and thereafter.

In the real estate Crowdfunding Business, demand for loan-type transactions waned in the first half because real estate transactions were sluggish in response to an uncertain economic outlook owing to the COVID-19 situation, as well as the impact of the government's COVID-19 emergency lending scheme. Nevertheless, demand for capital rebounded in the second half and we made steady progress on executing transactions. Moreover, investment appetite among individual investors in this business remains strong. In the lending-type crowdfunding (social lending) sector, the Financial Services Agency approved the requirements for removing the anonymity and plurality of borrowers in social lending businesses in 2019 as part of prior confirmation procedures for the application of laws and regulations (the No Action Letter System). In conjunction with this, the Type II Financial Instruments Firms Association, a self-regulatory body, announced detailed rules to abide by when following these requirements. We expect individual investor demand to grow strongly and steadily up ahead because the aforementioned developments will enhance the transparency of borrower information in OwnersBook, our lending-type crowdfunding service. We expect this to contribute to the growth and development of the Company.

In the Asset Management Business, we were entrusted with no new transactions mainly because COVID-19-related immigration restrictions have prevented foreign investors from entering Japan.

Also, at the shareholders meeting held on March 31, 2020, a resolution was passed on the acquisition of treasury stock, comprehensively taking into account improvements in capital efficiency and the execution of a flexible capital policy that is responsive to the operating environment. Accordingly, 5.1 million treasury shares (approx. ¥2.5 billion) were acquired.

As a result of these activities, net sales in the Fiscal year ended December 31, 2020, totaled ¥16,979 million (up 12.3% compared with the previous fiscal 2019), operating profit was ¥4,484 million (up 22.7%), ordinary profit was ¥4,168 million (up 27.4%), and profit attributable to owners of the parent amounted to ¥2,700 million (up 30.0%).

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 ¥14,571 million (up 12.8%), due to the sale of seven properties.

2) Real estate leasing

Although seven properties were sold as mentioned above, eleven new properties were acquired, resulting in real estate leasing sales of ¥1,993 million (up 41.5%).

(b) Crowdfunding Business

21 loan-type transactions totaling ¥4,377 million were executed. As a result, the operating loans were ¥5,642 million (down 7.9%) and Crowdfunding Business sales totaled ¥343 million (down 9.2%).

(c) Asset Management Business

Asset Management Business sales came to ¥60 million (down 60.6%) based on existing assets under management (AUM) of ¥10,980 million.

(d) Other

The total was ¥9 million due to brokerage revenue, etc.

(2) Financial Position

(Assets)

As of December 31, 2020, total assets were ¥51,156 million (up 15.4% compared with the end of fiscal 2019). This was mainly due to the acquisition of real estate as inventory.

(Liabilities)

As of December 31, 2020, total liabilities were ¥43,434 million (up 18.9%). This was mainly due to the increase in loans payable.

(Net Assets)

As of December 31, 2020, net assets were ¥7,721 million (down 1.3%). This was due to an increase in retained earnings of ¥2,388 million (an increase of ¥2,700 million due to net income attributable to owners of the parent company and a decrease of ¥310 million yen due to the payment of dividends), and treasury shares increased ¥2,529 million and net assets decreased by the same amount.

(3) Overview of Cash flows

As of December 31, 2020, the outstanding balance of cash and cash equivalents (hereinafter, "cash") was ¥7,331 million, a decrease of ¥435 million from December 31, 2019.

The cash flows during the fiscal year ended December 31, 2020, and the factors behind these cash flows, are discussed below.

(Cash flows from operating activities)

Net cash used in operating activities was ¥4,118 million. The main sources of operating cash flow were ¥3,914 million from profit before income taxes. On the other hand, major uses of operating cash flow included a ¥7,796 million increase in Real estate as inventory resulting from steady up-front investment mainly focused on property acquisitions, and a ¥1,078 million Income taxes paid.

(Cash flows from investment activities)

Net cash provided in investment activities was ¥0 million.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥3,688 million yen. This was mainly due to proceeds of ¥16,555 million from long-term borrowings, repayments of ¥9,974 million from long-term borrowings and short-term borrowings, outflows of ¥2,529 million due to the acquisition of treasury shares, and a ¥310 million in outflow due to the payment of dividends.

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Equity-to-asset ratio	15.3	20.7	17.8	17.6	15.0
Equity-to-asset ratio on a market capitalization basis	-	71.4	48.2	54.4	37.7

(Notes)

1. The above indicators have been calculated based on the following formulas, using consolidated financial figures for each.

Equity-to-asset ratio: Total equity / Total assets

Equity-to-asset ratio on a market capitalization basis: Market capitalization / Total assets

2. The equity-to-asset ratio on a market capitalization basis for the fiscal year ended December 31, 2016 has been omitted due to the fact that the Company's shares were not listed at the time.

(4) Future Outlook

Given that economic activity will gradually recover as the COVID-19 crisis eases and as the Bank of Japan will maintain its monetary easing policy, we expect the domestic real estate market to normalize. That said, because we are beginning to see an increase in vacancy rates in Tokyo's business districts (after having trended at low levels) and a decrease in rent levels, we will continue to closely monitor what impact these developments have on the office real estate market, along with any changes in the lending stances of financial institutions. Under such environment, we will move quickly to increase the balance of assets held in our property portfolio to establish a stable management platform. We will also aim to secure income by driving growth in the Crowdfunding Business and to boost the weighting of stable earnings by bolstering the Asset Management Business. For the upcoming fiscal year (the fiscal year ending December 31, 2021), we are forecasting consolidated net sales of ¥18,554 million, consolidated operating profit of ¥5,462 million, consolidated ordinary profit of ¥4,997 million, and consolidated profit attributable to owners of parent of ¥3,178 million.

2. Basic Rationale for Selecting Accounting Standards

The Group plans to continue to use Japanese accounting standards in the near term, as doing so allows for comparison with other domestic companies in the same industry. Going forward, the Group will address the issue of the possible adoption of IFRS (International Financial Reporting Standards) as appropriate, taking into consideration the situation both in Japan and overseas.

3. Consolidated Financial Statements and Notes

(1) Consolidated Financial Position

(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	7,766	7,331
Operating loans	6,128	5,642
Real estate as inventory	30,045	37,373
Other	106	551
Total current assets	44,048	50,898
Non-current assets		
Property, plant and equipment	61	50
Intangible assets	9	6
Investments and other assets	218	201
Total non-current assets	289	258
Total assets	44,337	51,156
Liabilities		
Current liabilities		
Short-term loans	849	149
Current portion of long-term loans	1,526	1,498
Income taxes payable	702	860
Deposits received	2,038	1,941
Other	409	835
Total current liabilities	5,526	5,286
Non-current liabilities		
Long-term loans	22,962	30,271
Deposits received from silent partnerships	7,022	6,260
Other	1,004	1,616
Total non-current liabilities	30,989	38,148
Total liabilities	36,516	43,434
Net assets		
Shareholders' equity		
Share capital	1,402	1,402
Capital surplus	1,392	1,392
Retained earnings	5,025	7,414
Treasury shares	(0)	(2,515)
Total shareholders' equity	7,820	7,693
Share acquisition rights	1	27
Total net assets	7,821	7,721
Total liabilities and net assets	44,337	51,156

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

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Net sales	15,116	16,979
Cost of sales	10,378	11,346
Gross profit	4,738	5,632
Selling, general and administrative expenses	1,084	1,148
Operating profit	3,653	4,484
Non-operating income		
Dividend income	0	0
Gain on investments in silent partnerships	0	0
Interest on tax refund	1	0
Insurance claim income	0	11
Gain on reversal of Repair reserve fund	-	54
Other	0	2
Total non-operating income	2	70
Non-operating expenses		
Interest expenses	219	273
Loss on valuation of derivatives	16	26
Commission fee	144	66
Other	3	18
Total non-operating expenses	384	385
Ordinary profit	3,272	4,168
Profit before dividend distribution from silent partnerships and income taxes	3,272	4,168
Dividends distribution from silent partnerships	267	253
Profit before income taxes	3,004	3,914
Income taxes - current	959	1,235
Income taxes - deferred	(32)	(21)
Total income taxes	927	1,214
Profit	2,077	2,700
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of the parent	2,077	2,700

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Profit	2,077	2,700
Comprehensive income	2,077	2,700
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,077	2,700
Comprehensive income attributable to non- controlling interests	-	-

(3) Consolidated Statements of Changes in Net Assets
Year ended December 31, 2019 (January 1, 2019 to December 31, 2019)

(Millions of yen)

	Shareholders' Equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,369	1,359	3,150	(0)	5,879
Changes during period					
Issuance of new shares	32	32	-	-	65
Dividends of surplus	-	-	(201)	-	(201)
Profit attributable to owners of the parent	-	-	2,077	-	2,077
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes during period	32	32	1,875	-	1,940
Balance at end of period	1,402	1,392	5,025	(0)	7,820

	Share acquisition rights	Total net assets
Balance at beginning of period	1	5,880
Changes during period		
Issuance of new shares	-	65
Dividends of surplus	-	(201)
Profit attributable to owners of the parent	-	2,077
Net changes of items other than shareholders' equity	(0)	(0)
Total changes during period	(0)	1,940
Balance at end of period	1	7,821

Year ended December 31, 2020 (January 1, 2020 to December 31, 2020)

(Millions of yen)

	Shareholders' Equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,402	1,392	5,025	(0)	7,820
Changes during period					
Dividends of surplus	-	-	(310)	-	(310)
Purchase of treasury shares	-	-	-	(2,529)	(2,529)
Disposal of treasury shares	-	-	(0)	13	12
Profit attributable to owners of the parent	-	-	2,700	-	2,700
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes during period	-	-	2,388	(2,515)	(126)
Balance at end of period	1,402	1,392	7,414	(2,515)	7,693

	Share acquisition rights	Total net assets
Balance at beginning of period	1	7,821
Changes during period		
Dividends of surplus	-	(310)
Purchase of treasury shares	-	(2,529)
Disposal of treasury shares	-	12
Profit attributable to owners of the parent	-	2,700
Net changes of items other than shareholders' equity	26	26
Total changes during period	26	(99)
Balance at end of period	27	7,721

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020
Cash flows from operating activities		
Profit before income taxes	3,004	3,914
Depreciation and amortization	439	482
Interest expenses	219	273
Commission expenses	144	65
Decrease (increase) in operating loans receivable	(2,788)	486
Decrease (increase) in Real estate as inventory	(7,272)	(7,796)
Increase (decrease) in deposits received from silent partnership	664	(762)
Increase (decrease) in deposits received	2,005	(97)
Decrease (increase) in advance payments - trade	10	(445)
Increase (decrease) in accounts payable-other and accrued expenses	(6)	(12)
Decrease/increase in consumption taxes receivable/payable	251	506
Increase (decrease) in guarantee deposits received	310	585
Other	(24)	21
Subtotal	(3,042)	(2,777)
Interest and dividends income received	0	0
Interest expenses paid	(219)	(273)
Income taxes paid	(725)	(1,078)
Proceeds from insurance income	0	11
Net cash provided by (used in) operating activities	(3,986)	(4,118)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4)	-
Purchase of intangible assets	(4)	-
Purchase of investment securities	(21)	-
Payments for lease and guarantee deposits	(0)	-
Proceeds from refund of leasehold and guarantee deposits	-	0
Net cash provided by (used in) investing activities	(31)	0
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	798	(699)
Proceeds from long-term loans payable	13,640	16,555
Repayment of long-term loans payable	(8,268)	(9,274)
Commission of loans payable	(119)	(65)
Proceeds from issuance of common shares	64	-
Cash dividends paid	(201)	(310)
Purchase of treasury shares	-	(2,529)
Proceeds from disposal of treasury shares	-	12
Other	-	0
Net cash provided by (used in) financing activities	5,913	3,688
Effect of exchange rate change on cash and cash equivalents	-	(5)
Net increase (decrease) in cash and cash equivalents	1,895	(435)
Cash and cash equivalents at beginning of period	5,871	7,766
Cash and cash equivalents at end of period	7,766	7,331

(5) Notes to consolidated financial statements

(Note on the going-concern assumption)

Not applicable

(Segment and other information)

【Segment information】

Year ended December 31, 2019 (January 1, 2019 to December 31, 2019)

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

Year ended December 31, 2020 (January 1, 2020 to December 31, 2020)

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

【Related information】

Year ended December 31, 2019 (January 1, 2019 to December 31, 2019)

(1) Information by product and service

(Millions of yen)

	Corporate Funding (real estate investment)	Corporate Funding (real estate leasing)	Crowdfunding	Asset Management	Other	Total
Sales to outside customers	12,919	1,408	378	153	256	15,116

(2) Information by geographic area

1) Net sales

Information is omitted here, as sales to outside customers in Japan exceeds 90% of the total net sales in the consolidated statements of income.

2) Property, plant and equipment

Information is omitted here, as property, plant and equipment held in Japan exceeds 90% of the total property, plant and equipment in the consolidated balance sheets.

Year ended December 31, 2020 (January 1, 2020 to December 31, 2020)

(1) Information by product and service

(Millions of yen)

	Corporate Funding (real estate investment)	Corporate Funding (real estate leasing)	Crowdfunding	Asset Management	Other	Total
Sales to outside customers	14,571	1,993	343	60	9	16,979

(2) Information by geographic area

1) Net sales

Information is omitted here, as sales to outside customers in Japan exceeds 90% of the total net sales in the consolidated statements of income.

2) Property, plant and equipment

Information is omitted here, as property, plant and equipment held in Japan exceeds 90% of the total property, plant and equipment in the consolidated balance sheets.

(Per Share Information)

	Year ended December 31, 2019 (January 1, 2019 to December 31, 2019)	Year ended December 31, 2020 (January 1, 2020 to December 31, 2020)
Net assets per share	364.69 yen	469.92 yen
Earnings per share	97.42 yen	152.48 yen
Diluted earnings per share	96.77 yen	151.67 yen

Notes: Earnings per share and diluted earnings per share were calculated based on the following data.

	Year ended December 31, 2019 (January 1, 2019 to December 31, 2019)	Year ended December 31, 2020 (January 1, 2020 to December 31, 2020)
Earnings per share		
Profit attributable to owners of the parent (millions of yen)	2,077	2,700
Amount not attributable to common stockholders (millions of yen)	-	-
Profit attributable to common stockholders of the parent (millions of yen)	2,077	2,700
Average number of common stock during period (shares)	21,322,222	17,711,904
Diluted earnings per share		
Adjustments to profit attributable to owners of the parent (millions of yen)	-	-
Increase in the number of common stock (shares)	144,993	94,321
Residual securities that are not dilutive and not included in the calculation for earnings per share	The number of stock acquisition rights to shares:136 (common shares:272,000)	The number of stock acquisition rights to shares:584 (common shares:720,000)

(Material subsequent events)

Not applicable