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Loadstar Capital K.K.
Consolidated Financial Results for the
Six Months ended June 30, 2021 (Japanese GAAP)

August 6, 2021

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, 2021 (January 1, 2021 to June 30, 2021)

(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, 2021	9,955	(1.5)	3,452	16.2	3,290	17.8	2,174	18.7
Six months ended June 30, 2020	10,107	37.5	2,972	49.6	2,792	59.0	1,832	62.7

Note: Comprehensive income: Six months ended June 30, 2021: ¥2,174 million, 18.7%
 Six months ended June 30, 2020: ¥1,832 million, 62.7%

	Earnings per share	Diluted earnings per share
	yen	yen
Six months ended June 30, 2021	132.84	130.73
Six months ended June 30, 2020	95.98	95.68

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	million yen	million yen	%
June 30, 2021	52,645	9,520	18.0
December 31, 2020	51,156	7,721	15.0

Reference: Total equity: June 30, 2021: ¥9,471 million, December 31, 2020: ¥7,693 million

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2020	-	0.00	-	24.50	24.50
FY2021	-	0.00			
FY2021 (forecast)			-	29.00	29.00

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

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

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: 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, 2021	December 31, 2020
1) Number of shares issued (including treasury shares)	21,444,000	21,444,000
2) Number of shares held in treasury	5,064,130	5,072,130
	Six months ended June 30, 2021	Six months ended June 30, 2020
3) Average number of shares outstanding during the period	16,373,240	19,090,042

*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, 2021 for institutional investors and analysts.

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1. Qualitative Information Regarding Financial Results

(1) Summary of operating performance

In the six months ended June 30, 2021, the Japanese economy continued to be impacted by COVID-19, and the short-term economic outlook still requires close monitoring. However, Japan's vaccination drive is now in full swing, and COVID-19 infections are expected to eventually subside. Meanwhile, the outlook for the global economy remains uncertain as COVID-19 infections, and infections due to variants, are more rampant overseas than in Japan. Nonetheless, restrictions on people's activities are being eased in countries where progress is being made with vaccinations, and momentum toward a full-scale recovery in the global economy is building.

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, the impact of COVID-19 has led to rising vacancy rates, and a downward trend in rents has been observed. According to Miki Shoji Co., Ltd.'s latest office building market data (for June 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) has increased to 6.19%, which is a 4.22% year-on-year increase. In addition, the average rent in the abovementioned wards as of June 30, 2021, was ¥21,160 per tsubo, which is a 7.52% year-on-year decline, and a trend that requires continued close monitoring. Meanwhile, with the world's central banks maintaining their accommodative monetary policies, the lending stances of Japan's financial institutions remaining largely unchanged, and Tokyo's office building market still stable and attractive from a global perspective, the investment appetite of overseas investors is strong and has been driving robust activity particularly in the real estate trading market.

In this environment, in the Corporate Funding Business, we made progress with sales of Company-owned properties while also acquiring new properties that will provide a foundation for future growth. In the real estate Crowdfunding Business, demand for capital rebounded beginning from the end of the previous fiscal year, and we made steady progress in executing transactions. Moreover, investment appetite among individual investors in this business remains strong, and the number of investor members rose to 24,782.

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. As a result of these activities, operating performance in the six months ended June 30, 2021, are as follows.

(Sales)

Net sales in the six months ended June 30, 2021, totaled ¥9,955 million (down 1.5% year on year), with sales supported by the selling off of real estate by the Corporate Funding Business, while profit was up year on year due to increased profit margins on real estate sales and real estate leasing. 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 ¥8,368 million (down 8.4%), due to the sale of four properties.

2) Real estate leasing

Although four properties were sold as mentioned above, two new properties were acquired. Real estate leasing sales totaled ¥1,329 million, up 73.8% year on year thanks to the significant contribution from properties acquired in the previous fiscal year.

(b) Crowdfunding Business

During the six months ended June 30, 2021, 11 loan-type transactions totaling ¥3,249 million were executed (up 113.6% year on year), while 18 loans totaling ¥2,605 million were redeemed. As a result, the operating loans were ¥6,286 million (up 11.4%) and Crowdfunding Business sales totaled ¥207 million (up 18.9%).

(c) Asset Management Business

Asset Management Business sales came to ¥27 million (down 2.2%) based on existing assets under management (AUM) of ¥10,980 million.

(d) Other

The total was ¥22 million due to advisory revenue, etc.

(Operating Profit)

Operating profit was ¥3,452 million (up 16.2%), due to the increase of gross profit, etc.

(Ordinary Profit)

Ordinary profit was ¥3,290 million (up 17.8%), due to the increase of operating profit, etc.

(Profit attributable to owners of the parent)

Profit attributable to owners of the parent was ¥2,174 million (up 18.7%), due to the increase of ordinary profit, etc.

(2) Financial Position

(Assets)

As of June 30, 2021, total assets were ¥52,645 million (up 2.9% compared with the end of fiscal 2020). This was mainly due to the increase of cash and deposits associated by operating activities.

(Liabilities)

As of June 30, 2021, total liabilities were ¥43,124 million (down 0.7%). This was mainly due to the decrease of borrowings.

(Net Assets)

As of June 30, 2021, net assets were ¥9,520 million (up 23.3%). This was mainly due to an increase in retained earnings and a decrease due to the payment of dividends.

(Overview of Cash flows)

As of June 30, 2021, the outstanding balance of cash and cash equivalents (hereinafter, "cash") was ¥8,452 million, an increase of ¥1,120 million from December 31, 2020.

The cash flows during the six months ended June 30, 2021, and the factors behind these cash flows, are as follows.

(a) Cash flows from operating activities

Net cash provided by operating activities was ¥2,394 million. The main sources of operating cash flow were ¥3,152 million from profit before income taxes, and a ¥510 million increase in deposits received. On the other hand, major uses of operating cash flow included a ¥818 million income taxes paid, and a ¥644 million increase in operating loans.

(b) Cash flows from investment activities

Net cash used in investment activities was ¥0 million.

(c) Cash flows from financing activities

Net cash used in financing activities was ¥1,292 million. This was mainly due to proceeds of ¥4,600 million from long-term borrowings, repayments of ¥5,617 million from long-term borrowings and short-term borrowings, ¥401 million in outflow due to the payment of dividends.

(3) Forecasts on operating performance

Consolidated operating performance in the six months ended June 30, 2021, 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, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	7,331	8,452
Operating loans	5,642	6,286
Real estate as inventory	37,373	37,510
Other	551	113
Total current assets	50,898	52,361
Non-current assets		
Property, plant and equipment	50	45
Intangible assets	6	5
Investments and other assets	201	233
Total non-current assets	258	284
Total assets	51,156	52,645
Liabilities		
Current liabilities		
Short-term borrowings	149	282
Current portion of long-term borrowings	1,498	2,177
Income taxes payable	860	1,065
Provision for bonuses	-	77
Deposits received	1,941	2,451
Other	835	484
Total current liabilities	5,286	6,539
Non-current liabilities		
Long-term borrowings	30,271	28,574
Deposits received from silent partnership investors	6,260	6,418
Other	1,616	1,592
Total non-current liabilities	38,148	36,585
Total liabilities	43,434	43,124
Net assets		
Shareholders' equity		
Share capital	1,402	1,402
Capital surplus	1,392	1,392
Retained earnings	7,414	9,188
Treasury shares	(2,515)	(2,511)
Total shareholders' equity	7,693	9,471
Share acquisition rights	27	49
Total net assets	7,721	9,520
Total liabilities and net assets	51,156	52,645

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

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Net sales	10,107	9,955
Cost of sales	6,576	5,867
Gross profit	3,530	4,087
Selling, general and administrative expenses	558	634
Operating profit	2,972	3,452
Non-operating income		
Insurance income	5	-
Gain on valuation of derivatives	-	1
Foreign exchange gains	-	19
Other	0	0
Total non-operating income	6	21
Non-operating expenses		
Interest expenses	113	168
Loss on valuation of derivatives	2	-
Commission expenses	64	12
Other	5	2
Total non-operating expenses	186	183
Ordinary profit	2,792	3,290
Profit before dividend distribution from silent partnerships and income taxes	2,792	3,290
Dividends distribution from silent partnerships	145	138
Profit before income taxes	2,647	3,152
Income taxes - current	865	1,013
Income taxes - deferred	(50)	(35)
Total income taxes	814	977
Profit	1,832	2,174
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of the parent	1,832	2,174

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Profit	1,832	2,174
Comprehensive income	1,832	2,174
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,832	2,174
Comprehensive income attributable to non- controlling interests	-	-

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Cash flows from operating activities		
Profit before income taxes	2,647	3,152
Depreciation and amortization	238	249
Interest expenses	113	168
Commission expenses	64	11
Decrease (increase) in operating loans receivable	652	(644)
Decrease (increase) in real estate as inventory	(9,611)	(380)
Increase (decrease) in deposits received from silent partnership investors	(1,220)	157
Increase (decrease) in deposits received	388	510
Decrease (increase) in account advance payments	-	445
Increase (decrease) in accounts payable-other and accrued expenses	32	119
Increase (decrease) in advances received	363	5
Increase (decrease) in provision for bonuses	72	77
Decrease/increase in consumption taxes receivable/payable	304	(509)
Increase (decrease) in guarantee deposits received	733	(21)
Other	(3)	39
Subtotal	(5,224)	3,381
Interest and dividends income received	0	0
Interest expenses paid	(113)	(168)
Income taxes paid	(661)	(818)
Proceeds from insurance income	5	-
Net cash provided by (used in) operating activities	(5,993)	2,394
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(0)
Net cash provided by (used in) investing activities	-	(0)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(651)	133
Proceeds from long-term borrowings	13,005	4,600
Repayment of long-term borrowings	(4,976)	(5,617)
Commission of loans payable	(64)	(11)
Cash dividends paid	(310)	(401)
Purchase of treasury shares	(2,529)	-
Proceeds from disposal of treasury shares	-	3
Other	0	-
Net cash provided by (used in) financing activities	4,472	(1,292)
Effect of exchange rate change on cash and cash equivalents	(0)	19
Net increase (decrease) in cash and cash equivalents	(1,521)	1,120
Cash and cash equivalents at beginning of period	7,766	7,331
Cash and cash equivalents at end of period	6,245	8,452

(4) Notes to quarterly consolidated financial statements

(Note on the going-concern assumption)

Not applicable

(Note on significant change in shareholders' equity)

Not applicable

(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.