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Loadstar Capital K.K. Consolidated Financial Results For the Six-Month Period Ended June 30, 2024 (Japanese GAAP)

August 9, 2024

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-Month Period Ended June 30, 2024 (January 1, 2024 to June 30, 2024)

(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-month period ended June 30, 2024	15,212	4.6	4,870	13.1	4,707	28.6	2,955	24.0
Six-month period ended June 30, 2023	14,536	7.3	4,307	(18.8)	3,660	(28.8)	2,383	(32.3)

Note: Comprehensive income: Six-month period ended June 30, 2024: 2,955 million yen, 24.0%
 Six-month period ended June 30, 2023: 2,383 million yen, (32.3%)

	Earnings per share	Diluted earnings per share
	yen	yen
Six-month period ended June 30, 2024	179.43	175.90
Six-month period ended June 30, 2023	147.99	145.07

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	million yen	million yen	%
As of June 30, 2024	85,185	21,554	24.8
As of December 31, 2023	75,473	19,293	25.1

Reference: Total equity: As of June 30, 2024: 21,139 million yen, As of December 31, 2023: 18,961 million yen

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2023	-	0.00	-	52.50	52.50
FY2024	-	0.00			
FY2024 (forecast)			-	70.00	70.00

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

3. Forecast for the FY2024 (January 1, 2024 to December 31, 2024)

(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	37,658	31.1	11,567	40.2	10,490	40.7	6,895	41.2	419.10

Note: Revisions from the latest release of forecasts: None

*Notes

- (1) Significant changes in scope of consolidation during the period: Yes
Newly consolidated: Tokumei Kumiai ("TK") operated by LD1 Godo Kaisha
Excluded from consolidation: None

Note:

For details, please refer to page 9 of 2. *Consolidated Financial Statements and Notes (4) Notes to quarterly consolidated financial statements (Changes in scope of consolidation or application of equity method)*.

- (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)

	<u>As of June 30, 2024</u>	<u>As of December 31, 2023</u>
1) Number of shares issued (including treasury shares)	21,444,000	21,444,000
2) Number of shares held in treasury	4,948,060	4,990,970
	<u>Six-month period ended June 30, 2024</u>	<u>Six-month period ended June 30, 2023</u>
3) Average number of shares outstanding during the period	16,470,417	16,105,144

*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 page 4 of 1. *Qualitative Information Regarding Financial Results (3) Forecasts on operating performance*. In addition, the Company has scheduled to hold the quarterly earnings briefing on August 9, 2024 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) Description of operating performance

[1] Overview of operating performance

In our business, we made steady progress in the acquisition and sale of real estate as inventory as well as in the Asset Management Business. As a result, for the six-month period ended June 30, 2024, net sales totaled 15,212 million yen (up 4.6% year on year) and operating profit was 4,870 million yen (up 13.1% year on year). Ordinary profit was 4,707 million yen (up 28.6% year on year), mainly due to a 203 million yen valuation gain on interest rate swap contracts entered into in preparation for a possible interest rate hike and 276 million yen in interest expenses. Net income attributable to owners of the parent was 2,955 million yen (up 24.0% year on year) mainly due to a 125 million yen loss on mark-to-market valuation of Hiramatsu Inc. shares and other securities.

We acquired the six hotels operated by Hiramatsu Inc. on July 1, 2024, and this acquisition will be recorded in the financial results for the third quarter of the current fiscal year.

Overviews by key business segment are as follows. Segment information is omitted here as the Loadstar Group has a single segment.

Net sales by key business segment

Business Segment	Q2 FY2023	Q2 FY2024	Change YoY
	Amount (millions of yen)	Amount (millions of yen)	Change (%)
Corporate Funding Business (Real Estate Investment)	12,811	12,820	0.1
Corporate Funding Business (Real Estate Leasing)	1,215	1,358	11.8
Asset Management Business	264	714	169.8
Crowdfunding Business	238	306	28.4
Other Business	6	12	96.6
Total	14,536	15,212	4.6

(a) Corporate Funding Business

1) Real estate investment

Real estate investment sales totaled 12,820 million yen (up 0.1 % year on year) due to the sale of four properties.

2) Real estate leasing

We sold the above four properties and acquired four properties including two newly built office buildings and one newly built business hotel in Tokyo. Rent revenue from the existing hotels also increased due to the demand from travelers to Japan. As a result, real estate leasing sales totaled 1,358 million yen (up 11.8% year on year).

(b) Asset Management Business

Asset Management Business sales were 714 million yen (up 169.8% year on year) mainly due to the new mandates and the sale of some of our assets under management.

(c) Crowdfunding Business

In the period under review, we saw strong demand for financing from real estate businesses from the first quarter, and we made a total of 6,349 million yen in loans (up 59.1% year on year). At the same time, a total of 3,929 million yen was redeemed. As a result, operating loans totaled 9,354 million yen (up 34.9% compared with the end of fiscal 2023), and Crowdfunding Business sales totaled 306 million yen (up 28.4% year on year).

[2] Overview of Real estate market

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 (as of June 2024), the vacancy rate for existing office buildings in Tokyo's five central wards (Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, and Shibuya-ku) was 4.89%, and the average rent per tsubo was 19,782 yen. This indicates a moderate recovery trend.

In the Tokyo office building transaction market, demand has been robust. This is mainly due to the fact that interest rates in Japan have remained lower compared to other countries, the spread between real estate cap rate and government bond yield has been and will continue to be wide, geopolitical risks are not as high as in other countries. However, the capital market has seen high volatility following the Bank of Japan's recent announcement of interest rate hike, and we therefore will continue to proceed with our business while keeping a close eye on the market conditions.

In the hotel market, according to the Overnight Travel Statistics Survey published by the Japan Tourism Agency, the total number of overnight guests in Japan in 2024 exceeded that of fiscal 2019, the record high since the survey began, in all months through April, which is the latest data currently available. This indicates that the hotel market is booming.

(2) Financial Position

(Assets)

As of June 30, 2024, total assets were 85,185 million yen (up 12.9% compared with the previous year-end). This was mainly due to the acquisition of real estate as inventory.

(Liabilities)

As of June 30, 2024, total liabilities were 63,631 million yen (up 13.3% compared with the previous year-end). This was mainly due to an increase in borrowings related to the acquisition of real estate as inventory.

(Net Assets)

As of June 30, 2024, net assets were 21,554 million yen (up 11.7% compared with the previous year-end). This was mainly due to an increase in retained earnings from net income attributable to owners of the parent and a decline in retained earnings due to the payment of dividends.

(Overview of Cash flows)

As of June 30, 2024, the outstanding balance of cash and cash equivalents was 11,481 million yen, a decrease of 445 million yen from the end of the previous year.

The cash flows during the six-month period ended June 30, 2024, and the factors are discussed below.

(a) Cash flows from operating activities

Net cash used in operating activities was 5,689 million yen. The main factor was a cash inflow of 4,339 million yen from profit before income taxes. On the other hand, there was a cash outflow due to an increase in real estate as inventory of 8,165 million yen resulting from steady up-front investment in property acquisitions, an increase in operating loans of 2,419 million yen, and payments of income taxes of 1,286 million yen.

(b) Cash flows from investment activities

Net cash used in investment activities was 3million yen.

(c) Cash flows from financing activities

Net cash provided by financing activities was 5,248 million yen. This was mainly due to a cash inflow of 13,060 million yen from long-term borrowings, a cash outflow of 7,525 million yen in repayments of long-term borrowings, and a cash outflow of 863 million yen in dividends payment.

(3) Forecasts on operating performance

Consolidated operating performance in the six-month period ended June 30, 2024, was generally in line with the original plan. Therefore, we have not revised our previous forecast for the full year.

The current fiscal year is the final year of the current medium-term management plan set out in 2022, and we strive to achieve the targets.

Note:

Medium-term management plan: [Medium-Term Management Plan](#) | [Investor Relations](#) | [Loadstar Capital K.K.](#)

2. Consolidated Financial Statements and Notes

(1) Consolidated Financial Position

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	11,927	11,481
Operating loans	6,935	9,354
Real estate as inventory	55,128	62,944
Other	853	373
Allowance for doubtful accounts	(85)	(25)
Total current assets	74,759	84,128
Non-current assets		
Property, plant and equipment	127	119
Intangible assets	1	0
Investments and other assets	584	937
Total non-current assets	713	1,057
Total assets	75,473	85,185
Liabilities		
Current liabilities		
Short-term borrowings	382	*1,036
Current portion of long-term borrowings	4,894	2,347
Income taxes payable	1,348	1,636
Provision for bonuses	-	109
Deposits received	2,138	1,570
Contract liabilities	598	-
Other	503	621
Total current liabilities	9,866	7,322
Non-current liabilities		
Long-term borrowings	36,583	44,664
Deposits received from silent partnerships investors	8,217	10,095
Other	1,512	1,548
Total non-current liabilities	46,313	56,308
Total liabilities	56,180	63,631
Net assets		
Shareholders' equity		
Share capital	1,402	1,402
Capital surplus	1,570	1,632
Retained earnings	18,874	20,966
Treasury shares	(2,885)	(2,861)
Total shareholders' equity	18,961	21,139
Share acquisition rights	331	414
Non-controlling interests	-	0
Total net assets	19,293	21,554
Total liabilities and net assets	75,473	85,185

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

(Millions of yen)

	Six-month period ended June 30, 2023	Six-month period ended June 30, 2024
Net sales	14,536	15,212
Cost of sales	9,294	9,498
Gross profit	5,241	5,713
Selling, general and administrative expenses	*934	*842
Operating profit	4,307	4,870
Non-operating income		
Gain on valuation of derivatives	-	203
Penalty income	0	-
Other	0	1
Total non-operating income	1	204
Non-operating expenses		
Interest expenses	224	276
Commission expenses	177	91
Loss on valuation of derivatives	246	-
Other	0	0
Total non-operating expenses	648	368
Ordinary profit	3,660	4,707
Extraordinary losses		
Loss on valuation of investment securities	-	125
Total extraordinary losses	-	125
Profit before dividend distribution from silent partnerships and income taxes	3,660	4,581
Dividends distribution from silent partnerships	160	242
Profit before income taxes	3,500	4,339
Income taxes - current	1,361	1,570
Income taxes - deferred	(244)	(186)
Total income taxes	1,116	1,383
Profit	2,383	2,955
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of the parent	2,383	2,955

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six-month period ended June 30, 2023	Six-month period ended June 30, 2024
Profit	2,383	2,955
Comprehensive income	2,383	2,955
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,383	2,955
Comprehensive income attributable to non- controlling interests	-	-

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Six-month period ended June 30, 2023	Six-month period ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	3,500	4,339
Depreciation and amortization	345	363
Interest expenses	224	276
Commission expenses	173	88
Loss (gain) on valuation of derivatives	246	(203)
Loss (gain) on valuation of investment securities	-	125
Share-based payment expenses	119	95
Decrease (increase) in operating loans receivable	1,877	(2,419)
Decrease (increase) in real estate as inventory	(16,830)	(8,165)
Increase (decrease) in deposits received from silent partnership investors	(661)	1,878
Increase (decrease) in deposits received	1,447	(567)
Increase (decrease) in accounts payable -other and accrued expenses	541	(2)
Increase (decrease) in contract liabilities	-	(598)
Decrease (increase) in accounts receivable -other	45	(100)
Decrease (increase) in deposit paid	-	598
Increase (decrease) in provision for bonuses	106	109
Decrease/increase in consumption taxes receivable/payable	(161)	6
Increase (decrease) in guarantee deposits received	223	105
Increase (decrease) in allowance for doubtful accounts	-	(59)
Other	47	5
Subtotal	(8,753)	(4,126)
Interest and dividends income received	0	0
Interest expenses paid	(224)	(276)
Income taxes paid	(1,448)	(1,286)
Net cash provided by (used in) operating activities	(10,426)	(5,689)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1)	(4)
Other	-	0
Net cash provided by (used in) investing activities	(1)	(3)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	31	654
Proceeds from long-term borrowings	18,600	13,060
Repayment of long-term borrowings	(7,430)	(7,525)
Commission of loans payable	(173)	(88)
Cash dividends paid	(803)	(863)
Proceeds from disposal of treasury shares	65	11
Other	-	0
Net cash provided by (used in) financing activities	10,288	5,248
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(139)	(445)
Cash and cash equivalents at beginning of period	9,403	11,927
Cash and cash equivalents at end of period	*9,263	*11,481

(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 scope of consolidation or application of equity method)

Significant changes in scope of consolidation

During the period under review, Loadstar Capital K.K. invested in LD1 Godo Kaisha via TK (silent partnership) investments. LD1 Godo Kaisha and the TK, operated by LD1 Godo Kaisha, were included in the scope of consolidation.

(Note on Consolidated Balance Sheets)

*Overdraft agreement

We have entered into an overdraft agreement with a major financial institution to efficiently raise working capital. The following are unused lines of credit based on the overdraft agreement.

	As of December 31, 2023	As of June 30, 2024
Overdraft limit	1,000 million yen	1,000 million yen
Loan balance	-	600 million yen
Balance (of an account)	1,000 million yen	399 million yen

(Note on Consolidated Statements of Income)

* Major items and amounts of selling, general and administrative expenses are as follows

	Six-month period ended June 30, 2023	Six-month period ended June 30, 2024
Salaries and allowances	263 million yen	259 million yen

(Note on Consolidated Statements of Cash Flows)

* Cash and cash equivalents and the items shown in the consolidated balance sheets as of June 30 are as follows.

	Six-month period ended June 30, 2023	Six-month period ended June 30, 2024
Cash and deposits	9,263 million yen	11,481 million yen
Cash equivalents	9,263 million yen	11,481 million yen

(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.

(Material subsequent events)

Not applicable