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Loadstar Capital K.K. Consolidated Financial Results for the Three Months ended March 31, 2023 (Japanese GAAP)

April 28, 2023

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 Three Months ended March 31, 2023 (January 1, 2023 to March 31, 2023)

(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	%
Three months ended March 31, 2023	4,193	14.9	1,078	(15.3)	876	(28.6)	525	(37.7)
Three months ended March 31, 2022	3,648	13.9	1,273	28.0	1,227	32.5	843	43.4

Note: Comprehensive income: Three months ended March 31, 2023: 525 million, (37.7) %
 Three months ended March 31, 2022: 843 million, 43.4%

	Earnings per share	Diluted earnings per share
	yen	yen
Three months ended March 31, 2023	32.69	32.01
Three months ended March 31, 2022	52.13	51.02

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	million yen	million yen	%
March 31, 2023	72,723	14,552	19.6
December 31, 2022	65,704	14,769	22.2

Reference: Total equity: March 31, 2023: 14,286 million, December 31, 2022: 14,564 million

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2022	-	0.00	-	50.00	50.00
FY2023	-				
FY2023 (forecast)		0.00	-	52.50	52.50

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

3. Forecast for the FY2023 (January 1, 2023 to December 31, 2023)

(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	29,342	24.1	8,114	7.5	7,619	5.4	4,965	2.5	308.91

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)

	March 31, 2023	December 31, 2022
1) Number of shares issued (including treasury shares)	21,444,000	21,444,000
2) Number of shares held in treasury	5,369,950	5,369,950
	Three months ended March 31, 2023	Three months ended March 31, 2022
3) Average number of shares outstanding during the period	16,074,050	16,178,639

*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 three months ended March 31, 2023, the Japanese economy showed signs of picking up as inbound demand recovers due to easing of immigration restrictions and a weaker yen, despite concerns about the global economic outlook. In Japan, the new Bank of Japan (BOJ) governor announced that the BOJ will maintain its monetary easing policy, indicating that the existing monetary policy is expected to continue. Meanwhile, we need to continue to closely monitor economic trends abroad, such as rising inflation and concerns about the economic downturn.

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 March 2023), the vacancy rate for existing office buildings in Tokyo's central five wards (Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, and Shibuya-ku) is 6.01%, showing a moderate recovery trend. 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 decrease 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, as the continuing demands from small and mid-size companies are solid.

The average rent per tsubo in Tokyo's central five wards was ¥19,991 as of March 31, 2023. The average rent for existing office buildings that we invest in continued to be a softening trend since mid-2020, but has recently remained almost flat.

In the Tokyo office building transaction market, the investment appetite among domestic and overseas real estate companies and funds has remained robust as there has been no major change in the lending attitude of domestic financial institutions. In addition, the yield gap is high as interest rates remain low compared to other countries despite the ongoing global inflation and rising interest rates, and the weak yen has also provided a tailwind.

In the hotel market, according to the Overnight Travel Statistics Survey (March 31, 2023) published by the Japan Tourism Agency, the total number of overnight guests in January 2023 was returning to near pre-COVID levels. In particular, in Tokyo and Kanagawa, where we own hotels, the number of overnight guests increased 14.2% from the same month of 2019 (up 84.4% year-on-year) and 8.6% from the same month of 2019 (up 25.3% year-on-year), respectively. These figures show that the hotel market is booming, and we expect this trend to continue through February 2023 onward.

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 Asset Management Business, we received multiple mandates for asset management services, including transactions relating to large buildings in central Tokyo. Assets under management (AUM) exceeded 100 billion yen at the end of the three months ended March 31, 2023.

In the Crowdfunding Business, we made steady progress in structuring loan-type products as a result of deals with both existing clients and a new client.

As a result of these activities, operating performance in the three months ended March 31, 2023 are as follows.

(a) Corporate Funding Business

1) Real estate investment

Real estate investment sales totaled ¥3,365 million (up 20.2% year-on-year) due to the sale of three properties.

2) Real estate leasing

Although we sold three properties, we acquired four new properties (one hotel and three offices). In addition, Nest Hotel Tokyo Hanzomon, which we acquired last year, significantly contributed to the increase in sales. As a result, real estate leasing sales increased to ¥569 million (up 0.2% year-on-year).

(b) Asset Management Business

Asset Management Business sales were ¥124 million (down 35.9% year-on-year), mainly as a result of less new mandates during the quarter. Since the amount of new acquisition during quarter was less, compared to the first quarter of the previous year, the sales decreased year on year. However, assets under management (AUM) showed a steady increase and exceeded ¥100 billion as of March 31, 2023.

(c) Crowdfunding Business

During the three months ended March 31, 2023, we provided a total of ¥2,219 million in loans (up 104.9% year-on-year), while a total of ¥ 3,080 million was redeemed. As a result, operating loans were ¥ 7,559 million (down 10.2% compared with the end of fiscal 2022), and Sales in the Crowdfunding business totaled ¥130 million (up 55.5% year-on-year).

(d) Other

The total was ¥3 million due to property management revenue, etc.

(Operating Profit)

Operating profit was ¥1,078 million, mainly due to the sales of properties in the Corporate Funding Business and the acquisition fees related to new mandates in the Asset Management Business. However, operating profit decreased 15.3% year on year due to the sales of high-margin properties in the first quarter of the previous fiscal year.

(Ordinary Profit)

Ordinary profit was ¥876 million (down 28.6% year-on-year), mainly due to the decrease in operating profit.

(Profit attributable to owners of the parent)

Profit attributable to owners of the parent was ¥525 million (down 37.7% year-on-year), mainly due to the decrease in ordinary profit.

(2) Financial Position

(Assets)

As of March 31, 2023, total assets were ¥72,723 million (up 10.7% compared with the end of fiscal 2022). This was mainly due to the acquisition of real estate as inventory.

(Liabilities)

As of March 31, 2023, total liabilities were ¥58,170 million (up 14.2% year-on-year). This was mainly due to the increase of borrowings by acquiring the real estate as inventory.

(Net Assets)

As of March 31, 2023, net assets were ¥14,552 million (down 1.5% year-on-year). The main factor was the increase in retained earnings resulting from net income attributable to owners of the parent, and the decline in retained earnings due to the payment of dividends.

(3) Forecasts on operating performance

Consolidated operating performance in the three months ended March 31, 2023, 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, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	9,403	7,600
Operating loans	8,420	7,559
Real estate as inventory	47,186	56,801
Other	254	415
Allowance for doubtful accounts	(91)	(91)
Total current assets	65,172	72,284
Non-current assets		
Property, plant and equipment	152	146
Intangible assets	2	2
Investments and other assets	376	289
Total non-current assets	532	438
Total assets	65,704	72,723
Liabilities		
Current liabilities		
Short-term borrowings	459	1,320
Current portion of long-term borrowings	1,748	2,459
Income taxes payable	1,517	255
Provision for bonuses	-	54
Deposits received	1,499	1,882
Other	467	644
Total current liabilities	5,691	6,617
Non-current liabilities		
Long-term borrowings	35,564	40,804
Deposits received from silent partnership investors	8,458	9,265
Other	1,219	1,483
Total non-current liabilities	45,243	51,553
Total liabilities	50,935	58,170
Net assets		
Shareholders' equity		
Share capital	1,402	1,402
Capital surplus	1,472	1,472
Retained earnings	14,794	14,516
Treasury shares	(3,105)	(3,105)
Total shareholders' equity	14,564	14,286
Share acquisition rights	204	266
Total net assets	14,769	14,552
Total liabilities and net assets	65,704	72,723

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

(Millions of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Net sales	3,648	4,193
Cost of sales	1,942	2,668
Gross profit	1,705	1,525
Selling, general and administrative expenses	432	446
Operating profit	1,273	1,078
Non-operating income		
Gain on investments in silent partnerships	13	-
Gain on reversal of Restoration Cost	10	-
Gain on valuation of derivatives	24	-
Penalty charges	-	0
Other	5	0
Total non-operating income	54	0
Non-operating expenses		
Interest expenses	78	99
Commission expenses	20	62
Loss on valuation of derivatives	-	40
Other	2	0
Total non-operating expenses	101	202
Ordinary profit	1,227	876
Profit before dividend distribution from silent partnerships and income taxes	1,227	876
Dividends distribution from silent partnerships	(0)	85
Profit before income taxes	1,228	790
Income taxes - current	364	241
Income taxes - deferred	20	24
Total income taxes	384	265
Profit	843	525
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of the parent	843	525

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Profit	843	525
Comprehensive income	843	525
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	843	525
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

(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