

FINANCIAL REPORT FOR THE FISCAL PERIOD ENDING OCTOBER 2014 (May 1, 2014 – October 31, 2014)

Ichigo Real Estate Investment Corporation (“Ichigo REIT” Tokyo Stock Exchange, 8975)

Representative: Yoshihiro Takatsuka, Executive Director

www.ichigo-reit.co.jp/english

Ichigo Real Estate Investment Advisors Co., Ltd. (Ichigo REIT Asset Management Company)

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Submission of Financial Report (*Yuka Shoken Hokokusho*): January 27, 2015 (expected)

Dividend Payment: January 23, 2015 (expected)

Supplemental Material to Financial and Business Results: Yes (Corporate Presentation)

Financial and Business Results Briefing: Yes (for institutional investors and analysts)

1. Financial Results for the Fiscal Period Ending October 2014

(Monetary figures are rounded down to the nearest million yen)

(1) Earnings

(million yen; period-on-period change)

	Operating Revenue	Change	Operating Profit	Change	Recurring Profit	Change	Net Income	Change
October 2014	4,615	(0.5 %)	2,139	(2.2%)	1,410	7.9%	1,409	7.9%
April 2014	4,637	1.4 %	2,187	(4.6%)	1,307	(12.3%)	1,306	(12.3%)

	Net Income per Share (yen)	Ratio of Net Income to Equity	Ratio of Recurring Profit to Total Assets	Ratio of Recurring Profit to Operating Revenue
October 2014	1,373	2.3%	1.1%	30.6%
April 2014	1,295	2.2%	1.1%	28.2%

(2) Dividends

	Dividend per Share (not including dividends in excess of earnings) (yen)	Total Dividends (million yen)	Dividend per Share in Excess of Earnings (yen)	Total Dividends in Excess of Earnings (million yen)	Payout Ratio (%)	Ratio of Dividends to Net Assets (%)
October 2014	1,547	1,587	0	0	112.6	2.6
April 2014	1,541	1,581	0	0	121.0	2.6

(Note 1) The April 2014 dividend reflects a 275 million yen dividend reserve reversal and thus differs from Net Income.

(Note 2) The October 2014 dividend includes a dividend reserve reversal of 177 million yen and thus differs from Net Income.

(3) Assets and Equity

	Total Assets (million yen)	Net Assets (million yen)	Equity Ratio (%)	Net Assets per Share (yen)
October 2014	123,668	61,098	49.4	59,531
April 2014	124,399	61,270	49.3	59,698

(4) Cash Flow

	Cash Flow from Operating Activities (million yen)	Cash Flow from Investment Activities (million yen)	Cash Flow from Financing Activities (million yen)	Cash and Cash Equivalents at End of the Period (million yen)
October 2014	2,923	(578)	(2,054)	10,485
April 2014	8,111	(8,447)	854	10,195

2. Earnings Forecast for the Fiscal Period ending April 2015 (November 1, 2014 to April 30, 2015)

(million yen; period-on-period change)

	Operating Revenue	Change	Operating Income	Change	Recurring Profit	Change	Net Income	Change
April 2015	4,973	7.7%	2,278	6.5%	1,265	(10.3%)	1,264	(10.3%)

(yen)

	Dividend per Share (not including dividends in excess of earnings)	Dividend per Share in Excess of Earnings
April 2015	1,590	0

(Note 1) The forecast Net Income per share for April 2015 is 1,118 yen.

(Note 2) The April 2015 dividend includes a dividend reserve reversal of 537 million yen and thus differs from Net Income.

3. Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement

(i) Changes Accompanying Amendments to Accounting Standards:	None
(ii) Changes Not Listed in (i):	None
(iii) Changes in Accounting Estimates:	None
(iv) Retrospective Restatement:	None

(2) Number of Shares Issued and Outstanding

- (i) The number of shares issued and outstanding (including treasury shares) was 1,026,323 shares at the end of April 2014 and at the end of October 2014.
- (ii) There were no treasury shares at either the end of April 2014 or at the end of October 2014.

Completion Status of Auditing Procedures

This document is not subject to the auditing requirements set forth in the Financial Instruments and Exchange Law of Japan. The auditing procedures in accordance with those requirements have thus not been completed as of the date of the publication of this document.

Appropriate Use of Performance Forecasts and Other Matters of Special Note

The forecasts presented above are current figures based on certain preconditions. Accordingly, the actual operating revenue, operating income, recurring profit, net income, dividend per share, and dividend per share in excess of earnings may vary due to changes in circumstances. Moreover, these forecasts should not be construed as a guarantee of such performance or results.

For details on preconditions, please refer to the “Preconditions for Earnings Forecast of the Fiscal Period ending April 2015” on page 4.

This English version is a translation of the original Japanese notice and is provided solely for informational purposes. Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

Preconditions for Earnings Forecast for the Fiscal Period ending April 2015

Item	Preconditions
Period	November 1, 2014 – April 30, 2015 (181 days)
Portfolio Assets	<ul style="list-style-type: none"> • 66 assets in total. 70 assets as of October 31, 2014 and the 11 assets to be newly acquired, minus 15 assets to be sold, as announced in the release “Asset Acquisitions and Sales” on November 14, 2014. The forecast assumes there will be no additional acquisitions or sales before the end of April 2015. • The number of assets may change due to acquisitions or sales.
Number of Shares	<ul style="list-style-type: none"> • 1,130,323 shares: the sum of 1,122,003 shares issued and outstanding as of December 18, 2014 plus a maximum of 8,320 shares to be issued from a third-party allotment. The forecast assumes there will be no additional new issuance before the end of April 2015.
Operating Revenue	<ul style="list-style-type: none"> • Rent revenue is calculated conservatively based on lease contracts that are in effect as of October 31, 2014 while taking into consideration such factors as historical rents, the competitiveness of the properties, and market conditions.
Operating Expenses	<ul style="list-style-type: none"> • Among rental activity expenses, Ichigo REIT’s principal operating expenses and expenses other than depreciation are calculated based on historical data while taking into consideration variable expenses. • The anticipated amount of property tax and city planning tax is 324 million yen for the April 2015 period. The prorated property tax and city planning tax related to these acquisitions will be included in the acquisition cost and shall be excluded from operating expenses. • The amount for building maintenance and repair expenses is estimated to be 99 million yen for the April 2015 period. However, expenses for each period could differ significantly from these estimated amounts for reasons including the variability of maintenance and repair expenses, costs due to unexpected building damage, etc. • Service provider expenses including property management fees, etc., are estimated to be 461 million yen for the April 2015 period. • Depreciation has been calculated using the straight-line method. Depreciation is calculated by including the depreciation for future additional capital expenditures in the amortization amount. Depreciation of 663 million yen has been anticipated for the April 2015 period. • Actual operating expenses may differ significantly from assumptions due to unforeseeable factors.
Non-operating Expenses	<ul style="list-style-type: none"> • Interest expenses of 416 million yen are anticipated for the April 2015 period. • Borrowing-related expenses of 569 million yen are anticipated for the April 2015 period. • Expenses related to the new share issuance of 28 million yen are anticipated for the April 2015 period.
Borrowings	<ul style="list-style-type: none"> • Ichigo REIT’s balance of loans payable stands at 55,936 million yen as of October 31, 2014. • 5,500 million yen of new borrowing occurred on December 10, 2014. • 7,000 million yen of new borrowing occurred on December 15, 2014. • 1,500 million yen of new borrowing on January 9, 2015 is assumed. • 8,771 million yen from the sales of 15 assets will be used for partial loan prepayment. • 1,100 million yen of partial prepayment on January 31, 2015 is assumed. • The maturities of the Aozora Bank Syndicate Loan (4,525 million yen) and SMBC Syndicate Loan I (4,992 million yen) arrive during the April 2015 period. The forecast assumes refinancings of the same amounts.
Dividend per Share	<ul style="list-style-type: none"> • Dividends are based on the assumption that distribution will comply with the dividend distribution policy stipulated in Ichigo REIT’s Articles of Incorporation. • The dividend for April 2015 is assumed to be 1,802 million yen, which is the total amount of retained earnings of 1,264 million yen plus a dividend reserve reversal of 537 million yen. • The dividend per share is subject to change due to factors such as changes in rental revenue associated with tenant turnover, the occurrence of unexpected maintenance and repair costs, fluctuations in interest rates, as well as additional share issuance.
Dividend in Excess of Earnings per Share	<ul style="list-style-type: none"> • Ichigo REIT does not plan on making any dividend distribution in excess of earnings per share or retained earnings.

Other	<ul style="list-style-type: none">• Performance forecasts are based on the assumption that impactful revisions will not be made to laws and ordinances, the tax system, accounting standards, listing rules, and rules of the Investment Trusts Association, Japan, etc.• Performance forecasts are also based on the assumption that there will be no unexpected material change in general economic trends, real estate market conditions, etc.
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Financial Statements

(1) Balance Sheet

(Thousand yen)

	April 2014 (as of April 30, 2014)	October 2014 (as of October 31, 2014)
Assets		
Current assets		
Cash and deposits	4,580,896	4,961,374
Cash and deposits in trust	5,642,712	5,556,132
Operating accounts receivable	25,988	49,147
Prepaid expenses	310,710	258,899
Deposit paid	387,267	-
Other	4,984	4,936
Total current assets	10,952,559	10,830,491
Noncurrent assets		
Property, plant, and equipment		
Buildings	8,665,447	8,691,090
Accumulated depreciation	(637,619)	(764,033)
Buildings, net	8,027,828	7,927,057
Structures	35,882	35,882
Accumulated depreciation	(11,440)	(13,659)
Structures, net	24,442	22,222
Machinery and equipment	263,166	263,899
Accumulated depreciation	(51,338)	(62,048)
Structures, net	211,828	201,850
Fixtures	52,554	58,482
Accumulated depreciation	(16,804)	(21,782)
Fixtures, net	35,750	36,700
Land	19,555,504	19,555,504
Buildings in trust	28,261,033	28,462,782
Accumulated depreciation	(2,662,911)	(3,079,859)
Buildings in trust, net	25,598,122	25,382,922
Structures in trust	69,903	72,649
Accumulated depreciation	(13,864)	(15,393)
Structures in trust, net	56,039	57,255
Machinery and equipment in trust	237,226	255,300
Accumulated depreciation	(62,834)	(75,535)
Machinery and equipment in trust, net	174,391	179,765
Fixtures in trust	663,541	677,481
Accumulated depreciation	(191,039)	(209,765)
Fixtures in trust, net	472,502	467,715
Land in trust	54,371,985	54,108,394
Construction in progress in trust	2,785	3,206
Total property, plant, and equipment	108,531,180	107,942,596
Intangible assets		
Leasehold rights in trust	4,494,579	4,494,579
Total Intangible assets	4,494,579	4,494,579

(Thousand yen)

	April 2014 (as of April 30, 2014)	October 2014 (as of October 31, 2014)
Investments and other assets		
Tenant leasehold and security deposits	15,227	15,227
Long-term prepaid expenses	400,515	375,687
Other	5,378	9,482
Total investments and other assets	421,120	400,397
Total noncurrent assets	113,446,881	112,837,572
Total assets	124,399,440	123,668,064
Liabilities		
Current liabilities		
Operating accounts payable	389,423	188,335
Current portion of long-term loans payable	10,633,000	17,345,410
Accounts payable – others	288,992	278,806
Accrued expenses	59,131	44,607
Income taxes payable, etc.	605	605
Accrued consumption taxes, etc.	52,163	133,230
Advances received	680,062	749,636
Other	16,423	13,576
Total current liabilities	12,119,801	18,754,207
Noncurrent liabilities		
Long-term loans payable	45,776,883	38,591,161
Tenant leasehold and security deposits	1,764,447	1,771,515
Tenant leasehold and security deposits in trust	3,463,403	3,447,888
Asset retirement obligations	4,782	4,799
Total noncurrent liabilities	51,009,517	43,815,364
Total liabilities	63,129,318	62,569,572
Net assets		
Shareholders' equity		
Shareholders' capital	25,782,839	25,782,839
Surplus		
Capital surplus	20,566,420	20,566,420
Dividend reserve	13,613,797	13,338,498
Unappropriated retained earnings /loss	1,307,064	1,410,732
Total surplus	35,487,282	35,315,652
Total shareholders' equity	61,270,121	61,098,491
Total net assets	61,270,121	61,098,491
Total liabilities and net assets	124,399,440	123,668,064

(2) Income Statement

(Thousand yen)

	April 2014 (November 1, 2013 to April 30, 2014)	October 2014 (May 1, 2014 to October 31, 2014)
Operating revenue		
Rental revenue	4,151,072	4,080,532
Other rental revenue	432,086	477,585
Gain on sales of real estate	54,282	57,807
Total operating revenue	4,637,441	4,615,924
Operating expenses		
Expenses related to rent business	1,911,499	1,982,518
Asset management fee	412,529	383,510
Asset custody fee	9,315	9,463
Administrative service fees	30,401	33,565
Directors' compensation	6,300	5,929
Other operating expenses	79,485	61,641
Total operating expenses	2,449,531	2,476,627
Operating profit	2,187,910	2,139,296
Non-operating income		
Interest income	1,009	1,018
Reversal of distribution payable	469	548
Insurance Income	303	25
Interest on tax refund	797	384
Total non-operating income	2,579	1,977
Non-operating expenses		
Interest expenses	553,529	457,393
Borrowing related expenses	303,141	273,341
Share issuance expenses	26,753	-
Total non-operating expenses	883,425	730,735
Recurring profit	1,307,064	1,410,538
Income (losses) before income taxes	1,307,064	1,410,538
Income taxes – current	605	605
Total income taxes	605	605
Net income	1,306,459	1,409,933
Retained earnings brought forward	604	799
Unappropriated retained earnings/loss	1,307,064	1,410,732

(3) Statement of Shareholders' Equity

April 2014 (November 1, 2013 to April 30, 2014)

(Thousand yen)

	Shareholders' equity						Balance at start of the period
	Shareholders' capital	Surplus				Total shareholders' equity	
		Capital surplus	Dividend reserve	Unappropriated retained earnings/loss	Total surplus		
Balance at start of the period	20,360,120	20,566,420	13,558,219	1,489,931	35,614,571	55,974,691	55,974,691
Changes during the period							
Issuance of new shares	5,422,719					5,422,719	5,422,719
Reversal of dividend reserve			55,577	(55,577)	—	—	—
Dividends from surplus				(1,433,748)	(1,433,748)	(1,433,748)	(1,433,748)
Net income				1,306,459	1,306,459	1,306,459	1,306,459
Total changes during the period	5,422,719	—	55,577	(182,866)	(127,289)	5,295,430	5,295,430
Balance at end of the period	25,782,839	20,566,420	13,613,797	1,307,064	35,487,282	61,270,121	61,270,121

October 2014 (May 1, 2014 to October 31, 2014)

(Thousand yen)

	Shareholders' equity						Balance at start of the period
	Shareholders' capital	Surplus				Total shareholders' equity	
		Capital surplus	Dividend reserve	Unappropriated retained earnings/loss	Total surplus		
Balance at start of the period	25,782,839	20,566,420	13,613,797	1,307,064	35,487,282	61,270,121	61,270,121
Changes during the period							
Reversal of dividend reserve			(275,298)	275,298	—	—	—
Dividends from surplus				(1,581,563)	(1,581,563)	(1,581,563)	(1,581,563)
Net income				1,409,933	1,409,933	1,409,933	1,409,933
Total changes during the period	—	—	(275,298)	103,668	(171,630)	(171,630)	(171,630)
Balance at end of the period	25,782,839	20,566,420	13,338,498	1,410,732	35,315,652	61,098,491	61,098,491

(4) Cash Flow Statement

(Thousand yen)

	April 2014 (November 1, 2013 to April 30, 2014)	October 2014 (May 1, 2014 to October 31, 2014)
Cash flows from operating activities		
Income before income taxes	1,307,064	1,410,538
Depreciation and amortization	591,914	605,639
Share issuance expenses	26,753	-
Interest income	(1,009)	(1,018)
Interest expenses	553,529	457,393
Decrease (increase) in operating accounts receivable	(11,875)	(23,159)
Decrease (increase) in consumption taxes receivable	94,383	-
Decrease (increase) in prepaid expenses	16,344	51,810
Decrease (increase) in long-term advance charges	67,411	24,828
Decrease (increase) in deposit paid	(140,686)	387,267
Increase (decrease) in accrued consumption taxes	38,339	81,067
Increase (decrease) in operating accounts payable	4,175	(22,278)
Increase (decrease) in accounts payable – others	23,083	(10,186)
Increase (decrease) in advances received	25,647	69,844
Decrease by sale of property, plant, and equipment in trust	6,095,227	377,532
Other, net	(4,847)	(13,915)
Subtotal	8,685,457	3,395,363
Interest income received	1,009	1,018
Interest expenses paid	(574,190)	(471,917)
Income taxes paid	(605)	(605)
Net cash provided by (used in) operating activities	8,111,670	2,923,859
Cash flows from investment activities		
Purchase of property, plant, and equipment	(100,093)	(38,552)
Purchase of property, plant, and equipment in trust	(3,946,343)	(534,296)
Purchase of intangible assets in trust	(4,494,579)	-
Increase in tenant leasehold and security deposits	50,054	57,362
Decrease in tenant leasehold and security deposits	(40,213)	(47,793)
Increase in tenant leasehold and security deposits in trust	469,301	94,962
Decrease in tenant leasehold and security deposits in trust	(385,293)	(110,432)
Net cash provided by (used in) investment activities	(8,447,167)	(578,749)
Cash flows from financing activities		
Increase in long-term loans payable	6,000,000	6,500,000
Decrease in long-term loans payable	(9,109,250)	(6,973,312)
Proceeds from issuance of shares	5,395,966	-
Dividends paid	(1,432,689)	(1,581,233)
Net cash provided by (used in) financing activities	854,027	(2,054,545)
Net increase (decrease) in cash and cash equivalents	518,529	290,564
Cash and cash equivalents at beginning of the period	9,676,732	10,195,262
Cash and cash equivalents at end of the period	10,195,262	10,485,827