



Ichigo Preserves and Improves Real Estate



[Provisional Translation Only]

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## FY18/2 Q1 Earnings

July 13, 2017

**Ichigo Inc.** (Tokyo Stock Exchange First Section, 2337)

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Submission of the Financial Report (*Shihanki Hokokusho*): July 14, 2017 (expected)

Dividend Payment: N/A

Supplemental Materials to Financial and Business Results: Yes

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

### 1. FY18/2 Q1 Consolidated Financial Results (March 1, 2017 to May 31, 2017)

#### (1) Consolidated Financial Results

(YOY = year-on-year % change)

	Revenue (JPY million) YOY		Operating Profit (JPY million) YOY		Recurring Profit (JPY million) YOY		Net Income (JPY million) YOY	
FY18/2 Q1	12,915	-72.2%	2,810	-48.1%	2,097	-56.4%	2,237	-59.9%
FY17/2 Q1	46,415	+421.3%	5,412	+117.2%	4,806	+115.2%	5,585	+135.1%

Note: Comprehensive income FY18/2 Q1: JPY 2,135 million (-60.5% YOY)

FY17/2 Q1: JPY 5,404 million (+131.8% YOY)

	Net Income per Share (basic, JPY)	Net Income per Share (diluted, JPY)
FY18/2 Q1	4.46	4.45
FY17/2 Q1	11.13	11.08

#### (2) Consolidated Financial Condition

	Total Assets (JPY million)	Net Assets (JPY million)	Equity Ratio (%)	Net Assets per Share (JPY)
FY18/2 Q1	275,154	81,622	28.5	157.34
FY17/2	273,459	83,443	29.4	159.60

Note: Shareholders' equity FY18/2 Q1: JPY 78,486 million FY17/2: JPY 80,339 million

## 2. Dividends

	Dividend per Share (JPY)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
FY17/2	—	—	—	5	5
FY18/2 (Forecast)	—	—	—	6	6

Changes since the previously announced forecast: None

## 3. FY18/2 Full-Year Consolidated Forecast (March 1, 2017 to February 28, 2018)

(YOY = year-on-year % change)

	Revenue (JPY million) YOY		Operating Profit (JPY million) YOY		Recurring Profit (JPY million) YOY	
FY18/2	75,500	-30.9%	20,600	-5.4%	18,300	-7.4%
	Net Income (JPY million) YOY		Net Income per Share (JPY)			
FY18/2	13,500	-9.4%	26.98			

Changes since the previously announced forecast: None

Note: Ichigo provides a full-year earnings forecast, but not a half-year forecast, because Ichigo believes the longer full-year forecast is more consistent with global best practice and the focus of Japan's Corporate Governance Code on growing long-term sustainable corporate value.

## 4. Other

### (1) Changes in significant consolidated subsidiaries (material changes in scope of consolidation):

New subsidiary:

Yes

SA3 GK Tokumei Kumiai

Subsidiaries removed from consolidation:

None

### (2) Changes in accounting standards/principles, changes in accounting estimates, and revisions to previous financial statements

(i) Changes in accounting standards/principles:

None

(ii) Changes in accounting principles other than the above:

Yes

(iii) Changes in accounting estimates:

None

(iv) Revisions of previous financial statements:

None

(3) Number of outstanding common shares

(i) Number of outstanding shares including treasury shares

FY18/2 Q1:	503,777,700
FY17/2:	503,712,300

(ii) Number of treasury shares

FY18/2 Q1:	4,943,000
FY17/2:	329,600

(iii) Average number of outstanding shares

FY18/2 Q1:	501,810,195
FY17/2 Q1:	501,679,223

Note on Appropriate Use of Forecasts

Forward-looking statements contained in these materials are based on judgments regarding information that was available to Ichigo as of the announcement date. However, these statements involve risk and uncertainties, and actual earnings may differ significantly from the indicated forecasts.

5. Segment Information

Asset Management generates fee income via the management of Ichigo Office REIT (8975), Ichigo Hotel REIT (3463), Ichigo Green Infrastructure Investment Corporation (“Ichigo Green,” 9282), and providing real estate services related to real estate acquisition, operations, and disposition.

Value-Add preserves and improves real estate. Ichigo receives rental income during the period it is carrying out its value-add, along with earning profits on sale that reflect the real estate’s higher value after the value-add is complete.

Clean Energy is utility-scale solar power production that supplies clean energy and brings productive use to idle land.

Other is primarily legacy securities investments that are not related to the above three segments.

## Consolidated Balance Sheet (FY18/2 Q1)

(JPY million)

	FY17/2 (Feb 28, 2017)	FY18/2 Q1 (May 31, 2017)
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	47,678	45,542
Trade notes and accounts receivable	913	1,250
Operational loan investments	1,324	1,324
Operational securities investments	1,433	1,960
Real estate for sale	167,805	170,799
Power plants for sale	—	996
Deferred tax assets	516	515
Other	3,125	3,105
Less: allowance for doubtful accounts	-453	-445
<b>Total Current Assets</b>	<b>222,344</b>	<b>225,049</b>
<b>Fixed Assets</b>		
<b>Property, Plant, and Equipment</b>		
Buildings and structures (net)	7,375	7,296
Solar power plant equipment (net)	7,246	6,193
Land	18,627	18,899
Buildings under construction	9	14
Solar power plants under construction	12,308	12,813
Other (net)	85	81
<b>Total Property, Plant, and Equipment</b>	<b>45,654</b>	<b>45,299</b>
<b>Intangible Assets</b>		
Goodwill	1,864	1,301
Leasehold rights	62	62
Other	29	27
<b>Total Intangible Assets</b>	<b>1,956</b>	<b>1,391</b>
<b>Investments and Other Assets</b>		
Securities investments	1,426	1,416
Long-term loans receivable	10	10
Deferred tax assets	339	343
Other	1,820	1,735
Less: allowance for doubtful accounts	-92	-91
<b>Total Investments and Other Assets</b>	<b>3,504</b>	<b>3,413</b>
<b>Total Fixed Assets</b>	<b>51,115</b>	<b>50,105</b>
<b>Total Assets</b>	<b>273,459</b>	<b>275,154</b>

(JPY million)

	FY17/2 (Feb 28, 2017)	FY18/2 Q1 (May 31, 2017)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade notes and accounts payable	110	—
Short-term loans	805	1,385
Short-term non-recourse loans	611	611
Bonds (due within one year)	112	112
Long-term loans (due within one year)	5,209	5,439
Long-term non-recourse loans (due within one year)	6,825	6,271
Income taxes payable	1,655	731
Deferred tax liabilities	62	68
Accrued bonuses	36	138
Other current liabilities	4,119	3,163
<b>Total Current Liabilities</b>	<b>19,548</b>	<b>17,922</b>
<b>Long-Term Liabilities</b>		
Bonds	632	632
Non-recourse bonds	100	100
Long-term loans	91,604	104,962
Long-term non-recourse loans	68,319	59,950
Deferred tax liabilities	1,147	1,146
Long-term security deposits received	8,038	7,986
Other long-term liabilities	624	833
<b>Total Long-Term Liabilities</b>	<b>170,467</b>	<b>175,610</b>
<b>Total Liabilities</b>	<b>190,015</b>	<b>193,532</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Capital	26,650	26,654
Capital reserve	11,056	11,057
Retained earnings	42,840	42,561
Treasury shares	-15	-1,511
<b>Total Shareholders' Equity</b>	<b>80,532</b>	<b>78,762</b>
<b>Accumulated Other Comprehensive Income</b>		
Valuation gain (loss) on other securities	117	90
Deferred gain (loss) on long-term interest rate hedges	-365	-401
Foreign currency translation adjustment	55	35
<b>Total Accumulated Other Comprehensive Income</b>	<b>-192</b>	<b>-275</b>
<b>Stock Options</b>	<b>491</b>	<b>541</b>
<b>Minority Interests</b>	<b>2,612</b>	<b>2,593</b>
<b>Total Net Assets</b>	<b>83,443</b>	<b>81,622</b>
<b>Total Liabilities and Net Assets</b>	<b>273,459</b>	<b>275,154</b>

## Consolidated Income Statement (FY18/2 Q1)

(JPY million)

	FY17/2 Q1 (Mar 1, 2016 to May 31, 2016)	FY18/2 Q1 (Mar 1, 2017 to May 31, 2017)
<b>Revenue</b>	<b>46,415</b>	<b>12,915</b>
<b>Cost of Goods Sold</b>	<b>39,803</b>	<b>8,914</b>
<b>Gross Profit</b>	<b>6,612</b>	<b>4,001</b>
<b>SG&amp;A</b>	<b>1,200</b>	<b>1,191</b>
<b>Operating Profit</b>	<b>5,412</b>	<b>2,810</b>
<b>Non-Operating Income</b>		
Interest income	—	—
Dividend income	3	20
Other	5	17
<b>Total Non-Operating Income</b>	<b>8</b>	<b>37</b>
<b>Non-Operating Expenses</b>		
Interest expense	381	288
Valuation loss on derivatives	—	256
Debt financing-related fees	202	156
Other	30	48
<b>Total Non-Operating Expenses</b>	<b>614</b>	<b>750</b>
<b>Recurring Profit</b>	<b>4,806</b>	<b>2,097</b>
<b>Extraordinary Gains</b>		
Gain on sale of securities investments	2,427	—
Gain on sale of shares in affiliate	—	1,135
<b>Total Extraordinary Gains</b>	<b>2,427</b>	<b>1,135</b>
<b>Extraordinary Losses</b>		
Earthquake-related damages	242	—
<b>Total Extraordinary Losses</b>	<b>242</b>	<b>—</b>
<b>Pre-Tax Net Income</b>	<b>6,990</b>	<b>3,232</b>
<b>Income Taxes</b>	<b>1,103</b>	<b>1,001</b>
<b>Pre-Minority Interest Net Income</b>	<b>5,886</b>	<b>2,231</b>
<b>Net Income Attributable to Minority Interests</b>	<b>301</b>	<b>-6</b>
<b>Net Income</b>	<b>5,585</b>	<b>2,237</b>

# **Consolidated Statement of Comprehensive Income (FY18/2 Q1)**

(JPY million)

	FY17/2 Q1 (Mar 1, 2016 to May 31, 2016)	FY18/2 Q1 (Mar 1, 2017 to May 31, 2017)
<b>Net Income</b>	<b>5,886</b>	<b>2,231</b>
<b>Other Comprehensive Income</b>		
Valuation gain (loss) on other securities	-263	-38
Deferred gain (loss) on long-term interest rate hedges	-211	-36
Foreign currency translation adjustment	-8	-21
<b>Total Other Comprehensive Income</b>	<b>-482</b>	<b>-95</b>
<b>Comprehensive Income</b>	<b>5,404</b>	<b>2,135</b>
Comprehensive income attributable to shareholders	5,135	2,154
Comprehensive income attributable to minority interests	268	-18

## Consolidated Cash Flow Statement (FY18/2 Q1)

(JPY million)

	FY17/2 Q1 (Mar 1, 2016 to May 31, 2016)	FY18/2 Q1 (Mar 1, 2017 to May 31, 2017)
<b>Cash Flows from Operating Activities:</b>		
Pre-tax net income	6,990	3,232
Depreciation	224	189
Share-based compensation expenses	56	53
Amortization of goodwill	35	25
Increase (decrease) in accrued bonuses	142	138
Increase (decrease) in allowance for doubtful accounts	-6	-4
Interest and dividend income	-3	-20
Interest expense	381	288
Loss (gain) on sale of securities investments	-2,427	—
Loss (gain) on sale of shares in affiliate	—	-1,135
Decrease (increase) in trading notes and receivables	-802	-623
Decrease (increase) in operational securities investments	814	73
Decrease (increase) in real estate for sale	13,451	-2,991
Decrease (increase) in advances paid	10	200
Decrease (increase) in prepaid expenses	151	-94
Decrease (increase) in accounts receivable	-393	26
Increase (decrease) in accounts payable	-872	-777
Increase (decrease) in accrued expenses	44	-168
Increase (decrease) in security deposits received	-1,740	-52
Other	-191	216
<b>Sub-total</b>	<b>15,865</b>	<b>-1,424</b>
Interest and dividend income received	3	20
Interest expense paid	-327	-216
Income taxes paid	-547	-1,747
<b>Net Cash from (Used for) Operating Activities</b>	<b>14,994</b>	<b>-3,368</b>



(JPY million)

	FY17/2 Q1 (Mar 1, 2016 to May 31, 2016)	FY18/2 Q1 (Mar 1, 2017 to May 31, 2017)
<b>Cash Flows from Investing Activities:</b>		
Payments into time deposits	—	—
Payments for securities investments	—	-29
Proceeds from sale of securities investments	6,021	—
Acquisition of property, plant, and equipment	-1,045	-879
Acquisition of intangible assets	—	-2
Payments of SPC capital contributions	-2	—
Payments of security deposits	—	-10
Acquisition of subsidiary shares resulting in change of consolidation scope	-89	—
Sale of subsidiary shares resulting in change of consolidation scope	—	1,665
Other	—	-16
<b>Net Cash from (Used for) Investing Activities</b>	<b>4,884</b>	<b>727</b>
<b>Cash Flows from Financing Activities:</b>		
Net increase (decrease) in short-term loans	-763	580
Proceeds from long-term loans	25,870	18,630
Repayment of long-term loans	-27,504	-5,093
Proceeds from long-term non-recourse loans	4,350	—
Repayment of long-term non-recourse loans	-10,140	-9,023
Proceeds from employee exercise of stock options	22	6
Payments to minority interests	-2,000	—
Share buyback	—	-1,499
Dividends paid	-1,425	-2,402
Dividends paid to minority interests	-39	—
<b>Net Cash from (Used for) Financing Activities</b>	<b>-11,630</b>	<b>1,198</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>-5</b>	<b>-3</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>8,242</b>	<b>-1,447</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>28,368</b>	<b>41,369</b>
<b>Cash and Cash Equivalents Resulting from Exclusion from Consolidation</b>	<b>-1,838</b>	<b>-689</b>
<b>Cash and Cash Equivalents at End of Quarter</b>	<b>34,772</b>	<b>39,232</b>

## **Revenue, P&L, and Assets by Segment (Current FY18/2 Q1)**

(March 1, 2017 to May 31, 2017)

(JPY million)

	Segment					Adjustment <sup>2</sup>	Amount Recorded in Consolidated Financial Statements <sup>1</sup>
	Asset Management	Value-Add	Clean Energy	Other	Total		
Revenue							
Revenue from External Customers	681	11,773	373	86	12,915	—	12,915
Inter-Segment Activities or Reclassifications	238	—	—	—	239	-239	—
Total	920	11,774	373	86	13,155	-239	12,915
Segment P&L	504	2,269	52	-43	2,782	27	2,810
Segment Assets	1,884	216,553	22,731	1,836	243,006	32,148	275,154
Other							
Depreciation	—	80	102	—	183	6	189
Increase in Property, Plant, and Equipment and Intangible Assets	—	18	836	—	854	9	863

<sup>1</sup> Segment P&L is on an Operating Profit basis.

<sup>2</sup> The Adjustment to Segment P&L (JPY 27 million) reflects transaction eliminations and corporate expenses that were not allocated to the segments. The Adjustment to Segment Assets (JPY 32,148 million) reflects corporate assets, such as cash and reserves, that were not allocated to the segments. The Adjustment to Depreciation (JPY 6 million) reflects depreciation of corporate assets that were not allocated to the segments. The Adjustment to Increase in Property, Plant, and Equipment and Intangible Assets (JPY 9 million) reflects corporate assets that were not allocated to the segments.

## **Revenue, P&L, and Assets by Segment (Previous FY17/2 Q1)**

(March 1, 2016 to May 31, 2016)

(JPY million)

	Segment					Adjustment <sup>2</sup>	Amount Recorded in Consolidated Financial Statements <sup>1</sup>
	Asset Management	Value-Add	Clean Energy	Other	Total		
Revenue							
Revenue from External Customers	1,185	44,667	556	5	46,415	—	46,415
Inter-Segment Activities or Reclassifications	546	1	—	—	547	-547	—
Total	1,732	44,668	556	5	46,963	-547	46,415
Segment P&L	800	4,404	143	-14	5,334	77	5,412
Segment Assets	3,103	194,547	20,050	2,276	219,978	24,059	244,037
Other							
Depreciation	1	56	157	—	216	8	224
Increase in Property, Plant, and Equipment and Intangible Assets	—	5	1,690	—	1,695	—	1,695

<sup>1</sup> Segment P&L is on an Operating Profit basis.

<sup>2</sup> The Adjustment to Segment P&L (JPY 77 million) reflects transaction eliminations and corporate expenses that were not allocated to the segments. The Adjustment to Segment Assets (JPY 24,059 million) reflects corporate assets, such as cash and reserves, that were not allocated to the segments. The Adjustment to Depreciation (JPY 8 million) reflects depreciation of corporate assets that were not allocated to the segments.