

[Provisional Translation Only]

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Issuer

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FY18/6 Earnings Forecast Revision

Ichigo Green is revising up its FY18/6 earnings forecast announced in the February 14, 2018 release “FY18/6 H1 Earnings.”

1. FY18/6 Earnings Forecast Revision

(JPY million)

	Operating Revenue	Operating Profit	Recurring Profit	Net Income	Dividend per Share (excluding DEE) (JPY)	DEE per Share (JPY)	Dividend per Share (JPY)
Previous Forecast (A)	1,095	262	147	146	1,410	2,180	3,590
New Forecast (B)	1,153	325	212	210	2,046	2,180	4,226
Difference (B) - (A)	+58	+62	+64	+63	+636	—	+636
% Change	+5.3%	+23.9%	+43.6%	+43.6%	+45.1%	—	+17.7%
Reference: FY17/6 Actual ^{1, 2}	566	158	97	94	1,738	2,540	4,278

Period-end number of shares outstanding: 102,966 shares Net Income per Share: JPY 2,046

DEE = Dividend in Excess of Earnings. The DEE is being paid from Ichigo Green’s solar power production revenues (which Ichigo Green receives in cash) that are not treated as income under Japanese tax rules, because they are offset by non-cash depreciation expenses.

¹ Although Ichigo Green’s FY17/6 ran from October 1, 2016 to June 30, 2017, its actual operating timeframe was the 7-month period from December 1, 2016, the day it acquired its first power plants, to June 30, 2017.

² Ichigo Green executed a two-for-one stock split on January 1, 2018 (record date: December 31, 2017). Per Share data is calculated on a post-stock split basis.

Notes:

Ichigo Green has an annual fiscal year running from July to June. Because there is no regulatory framework in Japan for Investment Corporations to pay dividends at half-year, Ichigo Green therefore pays an annual dividend once a year. The annual dividend results both in lower administrative costs and a dividend that is not impacted by seasonal changes in solar power generation (as a semi-annual dividend would be).

For details on the preconditions of the FY18/6 earnings forecast, please refer to the “Preconditions for the FY18/6 Earnings Forecast” on pages 3 and 4.

2. FY18/6 Earnings Forecast Revision Rationale

Ichigo Green is revising up its FY18/6 recurring profit and net income forecasts by 43.6% and dividend forecast by 17.7% to reflect significantly above-forecast power generation at the Ichigo Kiryu Okuzawa, Ichigo Nakashibetsu Midorigaoka, Ichigo Nago Futami, Ichigo Toyokawa Mitocho Sawakihama, Ichigo Yamaguchi Aionishi, and Ichigo Yamaguchi Sayama ECO Power Plants, and below-forecast SG&A and power plant operating expenses.

There are no changes to the earnings forecasts for FY19/6 through FY26/6 announced in the November 28, 2017 release “Stock Split.”

Preconditions for the FY18/6 Earnings Forecast

	Preconditions
Period	FY18/6 : July 1, 2017 to June 30, 2018 (365 days)
Number of Shares	<ul style="list-style-type: none"> 102,966 shares issued and outstanding as of the end of FY18/6.
Number of Power Plants	<ul style="list-style-type: none"> 15 power plants
Operating Revenue	<ul style="list-style-type: none"> Power production revenue is based on actual power generation. Specifically, power production revenue is calculated by adding base revenue (electricity sales revenue based on the annual P85 production forecast minus forecast operating expenses) to actual power generation revenue (electricity sales revenue based on actual power generation minus base revenue, forecast operating expenses, and actual additional operating expenses). There has been no suspension of renewable energy supply without compensation through FY18/6. The P85 annual production is a third-party, 85% probability mean annual production forecast. P85-based electricity sales revenue is the assumed electricity sales revenue calculated by multiplying the annual P85 production forecast by the FIT (Feed-In Tariff) for each plant. Forecast operating expenses are the total of renewable energy plant operation and maintenance expenses (including fees paid to maintenance service providers and repair costs), operator fees, rent paid, insurance premiums, management costs (including administration and tax fees), property, city planning, and consumption taxes, and other expenses related to the power generation business, renewable energy plants, and site leases. Power production revenue has not been finalized yet, because Ichigo Green is currently auditing its FY18/6 results.
Operating Expenses	<ul style="list-style-type: none"> While property and city planning taxes with respect to the acquisition and sale of renewable energy plants are, in general, pro-rated between the previous owner and the buyer based on period of ownership and settled at the time of acquisition, because Ichigo Green included such estimated taxes in its acquisition cost, it will not recognize these taxes as operating expenses in the 2017 tax year with respect to the 2 power plants it acquired on July 3, 2017. Owners of renewable energy plants are generally charged a 1.4% property (depreciable asset tax) tax rate on the assessment value of their plants. However, for certain approved renewable energy plants newly acquired before March 31, 2016, the assessment value used in calculating such property tax is reduced to two-thirds for three fiscal years following acquisition. Because this reduction in assessment value applies to the 15 power plants Ichigo Green owns as of July 27, 2018, the property tax is reduced by JPY 33 million to JPY 97 million for FY18/6. Depreciation (including incidental costs) is calculated using the straight-line method and is forecast to be JPY 636 million for FY18/6.
Non-Operating Expenses	<ul style="list-style-type: none"> Ichigo Green plans to amortize expenses associated with its December 2016 Tokyo Stock Exchange (TSE) listing and new share issuance for 36 months, and expenses for the establishment of Ichigo Green for 60 months, using the straight-line method. Ichigo Green anticipates such expenses to be JPY 34 million for FY18/6. Interest expenses and other borrowing-related expenses of JPY 76 million are anticipated for FY18/6.
Loans	<ul style="list-style-type: none"> Ichigo Green assumes outstanding debt of JPY 7.16 billion as of the end of FY18/6. Loan to value (“LTV”) as of the end of FY18/6 is anticipated at 58.5%. LTV is calculated using the following formula: $LTV = \text{Total interest-bearing debt} / \text{total assets} * 100$

Dividend per Share (excluding DEE)	<ul style="list-style-type: none"> • The Dividend per Share forecast assumes that dividends will comply with the dividend policy stipulated in Ichigo Green's Articles of Incorporation. • Because Ichigo Green's third fiscal year ended in June 2018 and Ichigo Green is currently auditing its financial results, the Dividend per Share is subject to change.
DEE per Share	<ul style="list-style-type: none"> • Ichigo Green calculates its DEE per Share based on its Articles of Incorporation and dividend policy set forth in Ichigo Investment Advisors' internal Operating Guidelines. • It is Ichigo Green's general policy to pay a cash dividend in excess of earnings equivalent to c. 40% of annual depreciation expenses, subject to the dividend not adversely affecting Ichigo Green's financial standing. The policy assumes a) such dividend shall not affect Ichigo Green's long-term maintenance policy, taking into consideration planned capital expenditure for each fiscal year, and b) a certain amount of retained cash is necessary to cover items such as acquisition of new power plants, maintenance of existing power plants, working capital needs, and loan repayments. • Ichigo Green expects to pay a DEE equivalent to 35.3% of annual depreciation expense for FY18/6. • Because a dividend in excess of earnings will decrease cash-on-hand, it may result in a possible cash shortfall when there is a sudden and unexpected need for capital expenditure, or may limit flexibility in financing power plants acquisitions. Any dividend in excess of earnings will be deducted from paid-in capital or retained earnings.
Other	<ul style="list-style-type: none"> • This forecast assumes that there are no material revisions to laws and regulations, tax rules, accounting standards, listing rules of the Tokyo Stock Exchange, and rules of the Investment Trusts Association, Japan, and no material changes in the state of the economy and real estate market conditions.