JPX-NIKKEI 400

Ichigo Preserves and Improves Real Estate

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FY18/2 Earnings

April 18, 2018

Ichigo Inc. (Tokyo Stock Exchange First Section, 2337)
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Annual Shareholders Meeting: May 27, 2018 (expected)
Submission of the Financial Report (*Yuka Shoken Hokokusho*): May 28, 2018 (expected)
Dividend Payment: May 28, 2018
Supplemental Materials to Financial and Business Results: Yes
Financial and Business Results Briefing: Yes (for institutional investors and analysts)

1. FY18/2 Consolidated Financial Results (March 1, 2017 to February 28, 2018)

(1) Consolidated Financial Results (Full Year)

(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	57,846	-47.1%	20,858	-4.2%	19,185	-2.9%	14,018	-5.9%
FY17/2	109,253	+119.8%	21,781	+41.3%	19,755	+42.2%	14,894	+15.2%

Note: Comprehensive Income FY18/2: JPY 14,548 million (+0.6% YOY)
FY17/2: JPY 14,463 million (+19.0% YOY)

	Net Income per Share (Basic, JPY)	Net Income per Share (Diluted, JPY)	Return on Equity (%)	Return on Assets (%)	Operating Profit Margin (%)
FY18/2	28.12	28.10	16.5	6.7	36.1
FY17/2	29.66	29.59	20.2	7.5	19.9

(2) Consolidated Financial Condition

	Total Assets (JPY million)	Net Assets (JPY million)	Equity Ratio (%)	Net Assets per Share (JPY)
FY18/2	296,512	92,725	30.1	180.20
FY17/2	273,459	83,443	29.4	159.60

Note: Shareholders' Equity FY18/2: JPY 89,336 million FY17/2: JPY 80,339 million

(3) Consolidated Cash Flow

	Cash Flow from Operations (JPY million)	Cash Flow from Investments (JPY million)	Cash Flow from Financing (JPY million)	Cash and Cash Equivalents (JPY million)
FY18/2	10,603	-5,645	-6,124	39,365
FY17/2	21,547	-11,933	6,377	41,369

Note: Cash Flow from Operations excluding impact of growth in Real Estate for Sale
FY18/2: JPY 23,587 million FY17/2: JPY 28,708 million

2. Dividends

	Dividend per Share (JPY)					Total Dividend (JPY million)	Payout Ratio (Consolidated) (%)	Dividend on Equity Ratio (Consolidated) (%)
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total			
FY17/2	–	–	–	5	5	2,516	16.9	3.4
FY18/2	–	–	–	6	6	2,974	21.3	3.5
FY19/2 (Forecast)	–	–	–	7	7		23.3	

3. FY19/2 Full-Year Consolidated Earnings Forecast (March 1, 2018 to February 28, 2019)
(YOY = year-on-year % change)

	Operating Profit (JPY million)	YOY	Recurring Profit (JPY million)	YOY	Net Income (JPY million)	YOY	Net Income per Share (JPY)	
FY19/2	25,000	+19.9%	22,000	+14.7%	15,000	+7.0%	30.10	+7.0%

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. In addition, Ichigo is focused on growing shareholder earnings (not revenue), with a particular focus on EPS, so from this year Ichigo will not be issuing a Revenue forecast.

4. Other

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

New subsidiaries (3): SA3 GK Tokumei Kumiai, Carpe Diem GK Tokumei Kumiai, Kinjo GK Tokumei Kumiai

Subsidiaries removed from consolidation: Tiger Gate TMK

(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: None
(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:	504,484,200
FY17/2:	503,712,300

(ii) Number of treasury shares

FY18/2:	8,706,500
FY17/2:	329,600

(iii) Average number of outstanding shares

FY18/2:	498,475,625
FY17/2:	502,257,080

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 (8975), Ichigo Hotel (3463), 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)

(JPY million)

	FY17/2 (Feb 28, 2017)	FY18/2 (Feb 28, 2018)
Assets		
Current Assets		
Cash and cash equivalents	47,678	45,510
Trade notes and accounts receivable	913	1,097
Operational loan investments	1,324	1,324
Operational securities investments	1,433	2
Real estate for sale	167,805	180,789
Deferred tax assets	516	342
Other	3,125	2,643
Less: allowance for doubtful accounts	-453	-28
Total Current Assets	**222,344**	**231,681**
Fixed Assets		
Property, Plant, and Equipment		
Buildings and structures	10,173	14,273
Depreciation	-2,797	-3,673
Buildings and structures (net)	7,375	10,600
Solar power plant equipment	7,822	20,895
Depreciation	-575	-1,122
Solar power plant equipment (net)	7,246	19,773
Land	18,627	26,993
Buildings under construction	9	97
Solar power plants under construction	12,308	969
Other	416	483
Depreciation	-331	-359
Other (net)	85	124
Total Property, Plant, and Equipment	**45,654**	**58,558**
Intangible Assets		
Goodwill	1,864	1,600
Leasehold rights	62	135
Other	29	233
Total Intangible Assets	**1,956**	**1,968**
Investments and Other Assets		
Securities investments	1,426	2,184
Long-term loans receivable	10	10
Deferred tax assets	339	68
Other	1,820	2,132
Less: allowance for doubtful accounts	-92	-91
Total Investments and Other Assets	**3,504**	**4,303**
Total Fixed Assets	**51,115**	**64,831**
Total Assets	**273,459**	**296,512**

(JPY million)

	FY17/2 (Feb 28, 2017)	FY18/2 (Feb 28, 2018)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	110	–
Short-term loans	805	1,042
Short-term non-recourse loans	611	–
Bonds (due within one year)	112	112
Long-term loans (due within one year)	5,209	4,449
Long-term non-recourse loans (due within one year)	6,825	3,921
Income taxes payable	1,655	1,609
Deferred tax liabilities	62	494
Accrued bonuses	36	34
Other current liabilities	4,119	4,652
Total Current Liabilities	**19,548**	**16,316**
Long-Term Liabilities		
Bonds	632	520
Non-recourse bonds	100	–
Long-term loans	91,604	112,366
Long-term non-recourse loans	68,319	63,588
Deferred tax liabilities	1,147	1,744
Long-term security deposits received	8,038	8,492
Other long-term liabilities	624	758
Total Long-Term Liabilities	**170,467**	**187,470**
Total Liabilities	**190,015**	**203,787**
Net Assets		
Shareholders' Equity		
Capital	26,650	26,723
Capital reserve	11,056	11,113
Retained earnings	42,840	54,324
Treasury shares	-15	-2,995
Total Shareholders' Equity	**80,532**	**89,165**
Accumulated Other Comprehensive Income		
Valuation gain (loss) on other securities	117	543
Deferred gain (loss) on long-term interest rate hedges	-365	-372
Foreign currency translation adjustment	55	–
Total Accumulated Other Comprehensive Income	**-192**	**171**
Stock Options	**491**	**666**
Minority Interests	**2,612**	**2,722**
Total Net Assets	**83,443**	**92,725**
Total Liabilities and Net Assets	**273,459**	**296,512**

Consolidated Income Statement (FY18/2)

(JPY million)

	FY17/2 (Mar 1, 2016 to Feb 28, 2017)	FY18/2 (Mar 1, 2017 to Feb 28, 2018)
Revenue	**109,253**	**57,846**
Cost of Goods Sold	**82,446**	**31,920**
Gross Profit	**26,806**	**25,925**
SG&A	**5,025**	**5,067**
Operating Profit	**21,781**	**20,858**
Non-Operating Income		
Interest income	–	3
Dividend income	85	57
Other	32	100
Total Non-Operating Income	**118**	**161**
Non-Operating Expenses		
Interest expense	1,303	1,266
Mark-to-market loss on long-term interest rate hedges	38	244
Debt financing-related fees	585	159
Other	216	165
Total Non-Operating Expenses	**2,144**	**1,835**
Recurring Profit	**19,755**	**19,185**
Extraordinary Gains		
Gain on sale of shares in affiliates	–	1,221
Gain on sale of securities investments	2,466	–
Other	–	41
Total Extraordinary Gains	**2,466**	**1,263**
Extraordinary Losses		
Office move expenses	31	–
Loss on disposal of fixed assets	–	11
Impairment loss	1,090	327
Earthquake-related damages	244	–
Other	224	–
Total Extraordinary Losses	**1,590**	**339**
Pre-Tax Net Income	**20,630**	**20,109**
Income Taxes - Current	**4,863**	**5,665**
Income Taxes - Deferred	**573**	**258**
Total Income Taxes	**5,436**	**5,923**
Pre-Minority Interest Net Income	**15,194**	**14,185**
Net Income Attributable to Minority Interests	**299**	**167**
Net Income	**14,894**	**14,018**

Consolidated Statement of Comprehensive Income (FY18/2)

(JPY million)

	FY17/2 (Mar 1, 2016 to Feb 28, 2017)	FY18/2 (Mar 1, 2017 to Feb 28, 2018)
Net Income	**15,194**	**14,185**
Other Comprehensive Income		
Valuation gain (loss) on other securities	-644	415
Deferred gain (loss) on long-term interest rate hedges	-113	-7
Foreign currency translation adjustment	27	-45
Total Other Comprehensive Income	**-730**	**362**
Comprehensive Income	**14,463**	**14,548**
Comprehensive income attributable to shareholders	14,169	14,392
Comprehensive income attributable to minority interests	294	155

Consolidated Statement of Changes in Shareholders' Equity

(FY18/2 – Current Period)

(JPY million)

	Shareholders' Equity				
	Capital	Capital Reserve	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance as of March 1, 2017	26,650	11,056	42,840	-15	80,532
Changes in the Current Fiscal Year					
Share Issuance	72	72			145
Dividend Payment			-2,516		-2,516
Net Income			14,018		14,018
Change in Consolidated Subsidiaries			-17		-17
Share Buyback				-2,999	-2,999
Sale of Treasury Shares[1]		-15		19	4
Changes in Items other than Shareholders' Equity					
Total Changes	72	57	11,483	-2,980	8,633
Balance as of February 28, 2018	26,723	11,113	54,324	-2,995	89,165

	Other Comprehensive Income				Stock Options	Minority Interests	Total Net Assets
	Valuation Gain (Loss) on Other Securities	Deferred Gain (Loss) on Long-Term Interest Rate Hedges	Foreign Currency Translation Adjustment	Total Other Compre-hensive Income			
Balance as of March 1, 2017	117	-365	55	-192	491	2,612	83,443
Changes in the Current Fiscal Year							
Share Issuance							145
Dividend Payment							-2,516
Net Income							14,018
Change in Consolidated Subsidiaries							-17
Share Buyback							-2,999
Sale of Treasury Shares[1]							4
Changes in Items other than Shareholders' Equity	426	-7	-55	363	175	110	649
Total Changes	426	-7	-55	363	175	110	9,282
Balance as of February 28, 2018	543	-372	–	171	666	2,722	92,725

(FY17/2 – Previous Period)

(JPY million)

	Shareholders' Equity				
	Capital	Capital Reserve	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance as of March 1, 2016	26,575	10,968	29,454	-41	66,956
Changes in the Current Fiscal Year					
Share Issuance	74	74			149
Dividend Payment			-1,504		-1,504
Net Income			14,894		14,894
Change in Consolidated Subsidiaries			-3		-3
Share Buyback					
Sale of Treasury Shares[1]		13		26	39
Changes in Items other than Shareholders' Equity					
Total Changes	74	88	13,386	26	13,575
Balance as of February 28, 2017	26,650	11,056	42,840	-15	80,532

	Other Comprehensive Income				Stock Options	Minority Interests	Total Net Assets
	Valuation Gain (Loss) on Other Securities	Deferred Gain (Loss) on Long-Term Interest Rate Hedges	Foreign Currency Translation Adjustment	Total Other Compre-hensive Income			
Balance as of March 1, 2016	761	-251	23	533	319	4,357	72,166
Changes in the Current Fiscal Year							
Share Issuance							149
Dividend Payment							-1,504
Net Income							14,894
Change in Consolidated Subsidiaries							-3
Share Buyback							
Sale of Treasury Shares[1]							39
Changes in Items other than Shareholders' Equity	-643	-113	32	-725	172	-1,745	-2,298
Total Changes	-643	-113	32	-725	172	-1,745	11,277
Balance as of February 28, 2017	117	-365	55	-192	491	2,612	83,443

[1] Treasury Shares sold to Ichigo employees at the exercise price of employee stock options.

Consolidated Cash Flow Statement (FY18/2)

(JPY million)

	FY17/2 (Mar 1, 2016 to Feb 28, 2017)	FY18/2 (Mar 1, 2017 to Feb 28, 2018)
Cash Flow from Operations:		
Pre-tax net income	20,630	20,109
Depreciation	778	1,015
Share-based compensation expenses	223	215
Amortization of goodwill	141	111
Increase (decrease) in accrued bonuses	23	32
Increase (decrease) in allowance for doubtful accounts	-3	-355
Interest and dividend income	-85	-61
Interest expense	1,303	1,266
Loss (gain) on sale of shares in affiliates	–	-1,221
Loss (gain) on sale of securities investments	-2,466	–
Impairment loss	1,090	327
Decrease (increase) in trading notes and receivables	-367	-468
Decrease (increase) in operational securities investments	2,727	1,663
Decrease (increase) in real estate for sale	-6,303	-8,112
Decrease (increase) in solar power plants for sale	7,251	996
Decrease (increase) in advances paid	-190	871
Decrease (increase) in prepaid expenses	138	-13
Decrease (increase) in accounts receivable	-193	-10
Increase (decrease) in accounts payable	204	573
Increase (decrease) in accrued expenses	92	-285
Increase (decrease) in advances received	-49	30
Increase (decrease) in security deposits received	-667	125
Other	1,183	722
Sub-Total	**25,460**	**17,532**
Interest and dividend income received	85	61
Interest expense paid	-1,146	-1,135
Income taxes paid	-4,005	-5,868
Income taxes refunded	1,153	14
Net Cash from (Used for) Operations	**21,547**	**10,603**

(JPY million)

	FY17/2 (Mar 1, 2016 to Feb 28, 2017)	FY18/2 (Mar 1, 2017 to Feb 28, 2018)
Cash Flow from Investments:		
Payments into time deposits	-6,100	-6
Redemptions of time deposits	201	–
Acquisition of securities investments	-300	-140
Proceeds from sale of securities investments	6,136	–
Acquisition of property, plant, and equipment	-11,719	-4,796
Acquisition of intangible assets	-1	-83
Payments of SPC capital contributions	-63	-28
Payments of security deposits	-5	-36
Redemptions of security deposits	10	–
Acquisition of subsidiary shares resulting in change of consolidation scope	-93	-2,619
Sale of subsidiary shares resulting in change of consolidation scope	–	2,096
Other	1	-32
Net Cash from (Used for) Investments	**-11,933**	**-5,645**
Cash Flow from Financing:		
Net increase (decrease) in short-term loans	-1,383	-306
Net increase (decrease) in short-term non-recourse loans	532	-611
Proceeds from bond issuance	785	–
Repayment of maturing bond principal to bondholders	-56	-112
Repayment of maturing non-recourse bond principal to bondholders	–	-100
Proceeds from long-term loans	55,674	32,660
Repayment of long-term loans	-61,221	-13,402
Proceeds from long-term non-recourse loans	30,850	3,518
Repayment of long-term non-recourse loans	-15,400	-22,366
Proceeds from employee exercise of stock options	137	110
Share buyback	–	-2,999
Payments to minority interests	-2,000	–
Dividends paid	-1,501	-2,513
Dividends paid to minority interests	-39	–
Net Cash from (Used for) Financing	**6,377**	**-6,124**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**-2**	**-3**
Increase (Decrease) in Cash and Cash Equivalents	**15,988**	**-1,169**
Cash and Cash Equivalents at Beginning of Period	**28,368**	**41,369**
Cash and Cash Equivalents Resulting from Exclusion from Consolidation	**-2,988**	**-834**
Cash and Cash Equivalents at End of Period	**41,369**	**39,365**

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

(Mar 1, 2017 to Feb 28, 2018) (JPY million)

	Segment					Adjustment[2]	Amount Recorded in Consolidated Financial Statements
	Asset Management	Value-Add	Clean Energy	Other	Total		
Revenue							
Revenue from External Customers	2,433	51,864	3,426	122	57,846	–	57,846
Inter-Segment Activities or Reclassification	1,006	1	–	–	1,008	-1,008	–
Total	3,440	51,865	3,426	122	58,855	-1,008	57,846
Segment P&L[1]	2,043	17,993	847	-50	20,833	25	20,858
Segment P&L Details[1]							
Stock Earnings (Rental Income, Ongoing AM Fees, FIT Solar Power Sale Earnings, etc.)	1,662	7,900	555	–	–	–	–
Flow Earnings (Profits on Value-Add Real Estate Sales, Profits on Solar Power Plant Sales, AM Performance Fees, etc.)	380	10,092	292	–	–	–	–
Segment Assets	1,664	239,935	25,854	2,112	269,567	26,945	296,512
Other							
Depreciation	–	380	609	–	990	25	1,015
Impairment loss	–	327	–	–	327	–	327
Increase in Property, Plant, and Equipment and Intangible Assets	–	7,525	3,384	–	10,909	218	11,127

[1] Segment P&L is on an Operating Profit basis.

[2] The Adjustment to Segment P&L (JPY 25 million) reflects transaction eliminations and corporate expenses that were not allocated to the segments. The Adjustment to Segment Assets (JPY 26,945 million) reflects corporate assets, such as cash and cash equivalents, that were not allocated to the segments. The Adjustment to Depreciation (JPY 25 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 218 million) reflects corporate assets that were not allocated to the segments.

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

(Mar 1, 2016 to Feb 28, 2017) (JPY million)

	Segment					Adjustment[2]	Amount Recorded in Consolidated Financial Statements
	Asset Management	Value-Add	Clean Energy	Other	Total		
Revenue							
Revenue from External Customers	4,747	92,138	12,352	14	109,253	–	109,253
Inter-Segment Activities or Reclassification	1,422	4	–	–	1,427	-1,427	–
Total	6,170	92,143	12,352	14	110,680	-1,427	109,253
Segment P&L[1]	2,326	16,213	3,301	-165	21,676	104	21,781
Segment P&L Details[1]							
Stock Earnings (Rental Income, Ongoing AM Fees, FIT Solar Power Sale Earnings, etc.)	1,612	7,657	843	–	–	–	–
Flow Earnings (Profits on Value-Add Real Estate Sales, Profits on Solar Power Plant Sales, AM Performance Fees, etc.)	714	8,555	2,457	–	–	–	–
Segment Assets	2,821	213,245	22,208	1,906	240,182	33,277	273,459
Other							
Depreciation	6	241	505	–	753	24	778
Impairment loss	–	1,090	–	–	1,090	–	1,090
Increase in Property, Plant, and Equipment and Intangible Assets	3	58	11,499	–	11,561	41	11,603

[1] Segment P&L is on an Operating Profit basis.

[2] The Adjustment to Segment P&L (JPY 104 million) reflects transaction eliminations and corporate expenses that were not allocated to the segments. The Adjustment to Segment Assets (JPY 33,277 million) reflects corporate assets, such as cash and cash equivalents, that were not allocated to the segments. The Adjustment to Depreciation (JPY 24 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 41 million) reflects corporate assets that were not allocated to the segments.

Goodwill and Amortization by Segment (Current FY18/2)

(Mar 1, 2017 to Feb 28, 2018)

Goodwill

(JPY million)

	Segment					Adjustment	Amount Recorded in Consolidated Financial Statements
	Asset Management	Value-Add	Clean Energy	Other	Total		
Amortization during the fiscal year	70	25	15	–	111	–	111
Outstanding balance as of the end of the period	912	454	234	–	1,600	–	1,600

Negative Goodwill

N/A

Goodwill and Amortization by Segment (Previous Period FY17/2)

(Mar 1, 2016 to Feb 28, 2017)

Goodwill

(JPY million)

	Segment					Adjustment	Amount Recorded in Consolidated Financial Statements
	Asset Management	Value-Add	Clean Energy	Other	Total		
Amortization during the fiscal year	111	15	14	–	141	–	141
Outstanding balance as of the end of the period	1,519	94	249	–	1,864	–	1,864

Negative Goodwill

N/A

Per Share Information

(JPY)

FY17/2 (March 1, 2016 to February 28, 2017)		FY18/2 (March 1, 2017 to February 28, 2018)	
Net Assets per Share	159.60	Net Assets per Share	180.20
Net Income per Share	29.66	Net Income per Share	28.12
Diluted Net Income per Share	29.59	Diluted Net Income per Share	28.10

Calculation of net income per share and diluted net income per share is as follows:

	FY17/2 (March 1, 2016 to February 28, 2017)	FY18/2 (March 1, 2017 to February 28, 2018)
Net Income per Share		
Net Income Attributable to Shareholders (JPY million)	14,894	14,108
Amount Not Attributable to Common Shareholders	–	–
Net Income Attributable to Shareholders in Regards to Common Shares (JPY million)	14,894	14,108
Average Number of Shares Outstanding	502,257,080	498,475,625
Number of Potentially Dilutive Shares Outstanding	1,185,685	316,463
(of which are employee stock options)	(1,185,685)	(316,463)
Details of Potentially Dilutive Shares Outstanding	Jan 13, 2016 Employee Stock Option Issuance: 1,460,000 shares Jan 13, 2017 Employee Stock Option Issuance: 2,000,000 shares	Jan 13, 2015 Employee Stock Option Issuance: 1,676,500 shares Jan 13, 2016 Employee Stock Option Issuance: 1,373,200 shares Jan 13, 2017 Employee Stock Option Issuance: 1,904,500 shares Jan 12, 2018 Employee Stock Option Issuance: 1,800,000 shares