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ICHIGO

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Ichigo
(2337)

Additional Accounting Notes
for the Twentieth Annual Shareholder Meeting

- **Business Report**
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Pursuant to Japanese law and Article 14 of Ichigo's Articles of Incorporation, these Notes are posted on Ichigo's website at www.ichigo.gr.jp/en

Employee Stock Options

1. Stock Options Issued as Compensation for Execution of Duties by Officers

		12th Stock Option Plan	
Date of resolution		January 10, 2014	
Number of stock options		383,382 units[1]	
Type and number of shares		383,382 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 337 per share	
Exercise period		January 12, 2016 – January 10, 2021	
Exercise conditions[2]			
Holding Details	Directors (excluding Independent Directors)	Number of stock options: Number of shares: Number of holders:	61,654 units 61,654 shares 2
	Independent Directors	Number of stock options: Number of shares: Number of holders:	– – –
	Statutory Executive Officers (excluding those who are Directors)	Number of stock options: Number of shares: Number of holders:	83,928 units 83,928shares 7

[1] Of the total stock options 145,582 units have been issued to Directors. (110,988 units have been exercised in the fiscal year ending February 2020.)

[2] Exercise Conditions

(i) Any person who is allotted stock options is required to remain in the position of Director, Statutory Executive Officer, or employee of Ichigo, or Director, Statutory Executive Officer, Auditor or employee of Ichigo's subsidiaries and other similar positions until the rights are exercised, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.

(ii) Pledges and other disposition of stock options are not permitted.

(iii) If a person who is allotted stock options should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Options Allotment Agreement as described in (iv).

(iv) Other conditions are subject to the Stock Options Allotment Agreement entered into between Ichigo and recipient of stock options pursuant to the resolution of Ichigo's Board of Directors.

		13th Stock Option Plan	
Date of resolution		January 13, 2015	
Number of stock options		1,255,600 units[1]	
Type and number of shares		1,255,600 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 382 per share	
Exercise period		January 14, 2017 – January 13, 2022	
Exercise conditions[2]			
Holding Details	Directors (excluding Independent Directors)	Number of stock options: Number of shares: Number of holders:	287,700 units 287,700 shares 3
	Independent Directors	Number of stock options: Number of shares: Number of holders:	12,000 units 12,000 shares 1
	Statutory Executive Officers (excluding those who are Directors)	Number of stock options: Number of shares: Number of holders:	221,000 units 221,000 shares 8

[1] Of the total stock options 520,700 units have been issued to Officers.

[2] Exercise Conditions

(i) Any person who is allotted stock options is required to remain in the position of Director, Statutory Executive Officer, or employee of Ichigo, or Director, Statutory Executive Officer, Auditor or employee of Ichigo's subsidiaries and other similar positions until the rights are exercised, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.

(ii) Pledges and other disposition of stock options are not permitted.

(iii) If a person who is allotted stock options should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Options Allotment Agreement as described in (iv).

(iv) Other conditions are subject to the Stock Options Allotment Agreement entered into between Ichigo and recipient of stock options pursuant to the resolution of Ichigo's Board of Directors.

		14th Stock Option Plan	
Date of resolution		January 13, 2016	
Number of stock options		1,240,200 units[1]	
Type and number of shares		1,240,200 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 474 per share	
Exercise period		January 14, 2018 – January 13, 2023	
Exercise conditions[2]			
Holding Details	Directors (excluding Independent Directors)	Number of stock options: Number of shares: Number of holders:	215,000 units 215,000 share 3
	Independent Directors	Number of stock options: Number of shares: Number of holders:	24,000 units 24,000 shares 3
	Statutory Executive Officers (excluding those who are also Directors)	Number of stock options: Number of shares: Number of holders:	181,000 units 181,000 shares 9

[1] Of the total stock options 420,000 units have been issued to Officers.

[2] Exercise Conditions

(i) Any person who is allotted stock options is required to remain in the position of Director, Statutory Executive Officer, or employee of Ichigo, or Director, Statutory Executive Officer, Auditor or employee of Ichigo's subsidiaries and other similar positions until the rights are exercised, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.

(ii) Pledges and other disposition of stock options are not permitted.

(iii) If a person who is allotted stock options should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Options Allotment Agreement as described in (iv).

(iv) Other conditions are subject to the Stock Options Allotment Agreement entered into between Ichigo and recipient of stock options pursuant to the resolution of Ichigo's Board of Directors.

		15th Stock Option Plan	
Date of resolution		January 13, 2017	
Number of stock options		1,743,700 units[1]	
Type and number of shares		1,743,700 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 423 per share	
Exercise period		January 14, 2020 – January 13, 2025	
Exercise conditions[2]			
Holding Details	Directors (excluding Independent Directors)	Number of stock options: Number of shares: Number of holders:	260,000 units 260,000 shares 3
	Independent Directors	Number of stock options: Number of shares: Number of holders:	60,000 units 60,000 shares 4
	Statutory Executive Officers (excluding those who are also Directors)	Number of stock options: Number of shares: Number of holders:	270,000 units 270,000 shares 9

[1] Of the total stock options 590,000 units have been issued to Officers.

[2] Exercise Conditions

(i) Any person who is allotted stock options is required to remain in the position of Director, Statutory Executive Officer, or employee of Ichigo, or Director, Statutory Executive Officer, Auditor or employee of Ichigo's subsidiaries and other similar positions until the rights are exercised, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.

(ii) Pledges and other disposition of stock options are not permitted.

(iii) If a person who is allotted stock options should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Options Allotment Agreement as described in (iv).

(iv) Other conditions are subject to the Stock Options Allotment Agreement entered into between Ichigo and recipient of stock options pursuant to the resolution of Ichigo's Board of Directors.

		16th Stock Option Plan	
Date of resolution		January 12, 2018	
Number of stock options		1,692,800 units[1]	
Type and number of shares		1,692,800 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 519 per share	
Exercise period		January 13, 2021 – January 12, 2026	
Exercise conditions[2]			
Holding Details	Directors (excluding Independent Directors)	Number of stock options: Number of shares: Number of holders:	218,700 units 218,700 shares 3
	Independent Directors	Number of stock options: Number of shares: Number of holders:	67,500 units 67,500 shares 5
	Statutory Executive Officers (excluding those who are also Directors)	Number of stock options: Number of shares: Number of holders:	255,900 units 255,900 shares 9

[1] Of the total stock options 542,100 units have been issued to Officers.

[2] Exercise Conditions

(i) Any person who is allotted stock options is required to remain in the position of Director, Statutory Executive Officer, or employee of Ichigo, or Director, Statutory Executive Officer, Auditor or employee of Ichigo's subsidiaries and other similar positions until the rights are exercised, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.

(ii) Pledges and other disposition of stock options are not permitted.

(iii) If a person who is allotted stock options should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Options Allotment Agreement as described in (iv).

(iv) Other conditions are subject to the Stock Options Allotment Agreement entered into between Ichigo and recipient of stock options pursuant to the resolution of Ichigo's Board of Directors.

		17th Stock Option Plan	
Date of resolution		January 11, 2019	
Number of stock options		1,781,600 units[1]	
Type and number of shares		1,781,600 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 432 per share	
Exercise period		January 12, 2022 – January 11, 2027	
Exercise conditions[2]			
Holding Details	Directors (excluding Independent Directors)	Number of stock options: Number of shares: Number of holders:	177,300 units 177,300 shares 3
	Independent Directors	Number of stock options: Number of shares: Number of holders:	67,500 units 67,500 shares 5
	Statutory Executive Officers (excluding those who are also Directors)	Number of stock options: Number of shares: Number of holders:	257,900 units 257,900 shares 9

[1] Of the total stock options 502,700 units have been issued to employees.

[2] Exercise Conditions

(i) Any person who is allotted stock options is required to remain in the position of Director, Statutory Executive Officer, or employee of Ichigo, or Director, Statutory Executive Officer, Auditor or employee of Ichigo's subsidiaries and other similar positions until the rights are exercised, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.

(ii) Pledges and other disposition of stock options are not permitted.

(iii) If a person who is allotted stock options should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Options Allotment Agreement as described in (iv).

(iv) Other conditions are subject to the Stock Options Allotment Agreement entered into between Ichigo and recipient of stock options pursuant to the resolution of Ichigo's Board of Directors.

2. Stock Options Issued for Compensation for Execution of Duties by Officers and Employees during the Current Fiscal Year

N/A

3. Other Material Matters regarding Stock Options

N/A

Controls to Ensure Appropriate Business Conduct

Pursuant to Article 416 of the Company Law and Article 112 of the Enforcement Regulation of the Company Law, Ichigo's Board of Directors approved and enacted a "Basic Policy for the Establishment of Structure of Internal Controls," with details shown below. Pursuant to Article 14 of Ichigo's Articles of Incorporation, Ichigo has made this policy available on its corporate website:
www.ichigo.gr.jp/en/ir/management_policies/internal_controls.html

1. Internal Controls to Ensure that Statutory Executive Officers and Employees Execute Their Duties in Full Compliance with Japanese Law and Ichigo's Articles of Incorporation (Article 416, Paragraph 1, Item 1 of the Company Law, Article 112, Paragraph 2, Item 4 of the Enforcement Regulation of the Company Law)

   Overview

   (1) The Board of Directors complies with relevant laws and regulations, the Articles of Incorporation, resolutions adopted at shareholders' meetings, Ichigo's mission, Ichigo's Code of Corporate Ethics, and Ichigo's Code of Conduct in making its decisions and delegating daily management to the Statutory Executive Officers, that in turn supervise employees within their respective delegated areas of management. The Board of Directors supervises the Statutory Executive Officers by receiving periodic reports on the status of business execution. The Audit Committee audits the performance of duties for both Statutory Executive Officers and employees.

   (2) The Board of Directors sets internal rules, establishes relevant divisions and appoints Statutory Executive Officers, and engages external experts with respect to establishing compliance, financial reporting controls, internal audit, prevention of dealings with anti-social forces, and prevention of insider trading.

   Status

   (1) The Board of Directors is comprised of five independent and four internal Directors, and had a total of 10 meetings during FY20/2 with a 100% attendance rate. Statutory Executive Officers make decisions and/or seek board approval through board proposals, and report their activities to the Board of Directors at least quarterly. The Audit Committee is comprised of three Independent Directors, and held a total of 19 meetings during FY20/2 with a 100% attendance rate.

   (2) (a) Compliance – The Compliance Committee held two meetings to deliberate material compliance matters and conducted training sessions based on the company's Code of Corporate Ethics and Code of Conduct. A whistle-blowing system exists, including the ability to directly notify an external lawyer.

   (b) Financial Reporting Controls – The President and Statutory Executive Officers of each division and subsidiary work to ensure compliance with internal controls and the evaluation thereof.

   (c) Internal Audit Department – The objective of the Internal Audit Department for FY20/2 was to contribute to management level decision-making through a group-wide, risk-based approach along with the Audit Committee and auditors of subsidiaries. Specifically, the Internal Audit Department examined the execution of management duties, the status of overall system maintenance and operations, and the status of information management.

(d) Prevention of Dealings with Anti-Social Forces – Ichigo has written manuals on how to handle Anti-Social Forces as well as rules that require Anti-Social Force clauses to be included in contracts. Furthermore, Ichigo works with the Tokyo Metropolitan Police Department and other external experts in conducting due diligence of business counterparties. (See "System Against Anti-Social Forces.")

(e) Prevention of Insider Trading – Through its internal rules on the management of insider information, Ichigo strictly manages all critical corporate information and ensures proper disclosure thereof. Internal rules require that all officers and employees must pre-clear any transaction in designated securities with the Statutory Executive Officer of their respective divisions.

2. Systems to Ensure Proper Storage and Management of Information Required for Execution of Duty by Statutory Executive Officers (Article 112, Paragraph 2, Item 1 of the Enforcement Regulation of the Company Law)

Overview

Ichigo has internal rules with respect to the creation, management, and storage of information and documents pertaining to the execution of duties by Statutory Executive Officers. Ichigo remains fully compliant with all relevant laws and regulations.

Status

Handling of information is stipulated in the Information Management Policy and handling of documents is stipulated in the Document Management Policy, and all officers and employees conduct business in full compliance with both policies.

3. Risk Management Policies and Systems (Article 112, Paragraph 2, Item 2 of the Enforcement Regulation of the Company Law)

Overview

Ichigo's policy is that the Statutory Executive Officer of each division is responsible for the compliance of respective business operations and for managing business risks. In addition, a Chief Risk Officer has been appointed and a Risk Management Division established in order to ensure a proper risk management framework exists across the entire group and to deal with any significant risks that arise. Ichigo's risk management framework also prescribes how to respond to any loss of basic business functions as a result of natural disasters or accidents.

Status

Ichigo continually monitors business execution and the risk thereof, and the Chief Risk Officer reports monitoring results to the Board. Ichigo has business continuity plans that specify how to recover from natural disasters and accidents, and all officers and employees are fully aware of these plans.

4. Systems to Ensure Effective Execution of Duties by Statutory Executive Officers (Article 112, Paragraph 2, Item 3 of the Enforcement Regulation of the Company Law)

Overview

Ichigo provides for efficient and agile execution of duties by establishing clarity with respect to scope of responsibilities and associated authority. Ichigo sets business plans and monitors progress based on the group's management philosophy and mission, annual group policies, and annual business targets. Furthermore, Ichigo holds a regular Senior Management Meeting comprised of the Chairmen, President, Executive Vice President, and representatives of each subsidiary to evaluate and make decisions on material business matters.

Status

Statutory Executive Officers execute their duties within their respective delegated scopes of responsibilities without any undue overlap or negligence. For FY20/2, Statutory Executive Officers set their business policies and targets in accordance with the Ichigo 2030 long-term vision announced in April 2019 and successfully achieved these targets. The Head of Finance provides analytic support to the Senior Management Meeting to support its effectiveness as a forum for vigorous discussion and review of key business issues.

5. Audit Committee and Audit Systems (Article 416, Paragraph 1, Item 1 of the Company Law, Article 112, Paragraph 1, Items 1~7 of the Enforcement Regulation of the Company Law)

Overview

(1) Ichigo appoints Directors and employees that assist the Audit Committee in the execution of its duties. Such Directors and employees are carry out their duties independent from the Board of Directors, other Directors, and Statutory Executive Officers, with any change in appointment requiring the authorization of the Audit Committee.

(2) Audit Committee Members attend important meetings, and can request explanations from officers and employees as well as view all related materials.

(3) Officers and employees must report to the Audit Committee or Audit Committee Members matters that have material impact on the business and financial situation of Ichigo. Any person making such report shall not receive disadvantageous treatment for making such report.

(4) The Audit Committee maintains a close relationship with the Internal Audit Department by discussing audit plans and receiving reports on audit results. The Audit Committee also receives periodic reports from the Independent Auditor as well as exchanges views on any material audit matters.

(5) The Audit Committee holds meetings with Audit Committee Members and auditors of subsidiaries, attends important meetings at subsidiaries, and receives explanations and reports from subsidiaries in order to assess the appropriate execution of duties by Directors and Statutory Executive Officers of subsidiaries.

(6) The Audit Committee, at its sole discretion, can appoint external specialists necessary for the execution of audits and can request that Ichigo bear associated costs.

Status

(1) In accordance with internal rules pertaining to Directors and employees assisting in the duties of the Audit Committee, Ichigo has appointed several employees to assist the Audit Committee and has ensured their independence. Furthermore, the prior consent from the Audit Committee has been sought for any organizational or compensation matter with respect to these appointed individuals.

(2) In accordance with Audit Committee Rules, the Audit Committee attended important management meetings and received explanations as well as reviewed any relevant materials. In addition, officers and employees have made all required reporting to the Audit Committee, and no disadvantageous treatment has resulted from such reporting.

(3) The Audit Committee approved internal audit plans and received reports on the results of audits. Furthermore, the Audit Committee has received periodic reports from the external auditor and has engaged in discussion of material audit matters.

(4) The Audit Committee holds two liaison meetings a year with Audit Committee Members and auditors of subsidiaries, and receives explanations and reports from the officers and employees of subsidiaries.

(5) The Audit Committee has requested that Ichigo bear the costs associated with auditing of subsidiaries.

6. Systems to Ensure Fully Appropriate Business Activities by Ichigo and its Subsidiaries (Article 112, Paragraph 2, Item 5 of the Enforcement Regulation of the Company Law)

Overview

(1) Ichigo and all subsidiaries share Ichigo's Management Philosophy, Code of Corporate Ethics, and Code of Conduct, and have executed a management agreement requiring that they work collaboratively in dealing with corporate governance, compliance, risk management, and prevention of dealings with Anti-Social Forces.

(2) Ichigo has appointed a Statutory Executive Officer and established a Business Management Division responsible for monitoring business activities of subsidiaries, and requires each subsidiary to provide business reports.

(3) With respect to any transaction with Ichigo Trust Pte. Ltd., the major shareholder of Ichigo, Ichigo takes special care to protect the interests of minority shareholders by having the Board of Directors evaluate the purpose, process, and price of any such transactions and ensure that they contribute to increasing Ichigo's corporate value and protect all Ichigo shareholders.

(4) Ichigo supports, advises, and manages its subsidiaries to ensure their business activities are fully compliant with the Company Law. Ichigo oversees appropriate business conduct of subsidiaries by receiving periodic reports with respect to their business operations as well as execution of duties by Directors and officers.

(5) Through its internal rules on the management of insider information, Ichigo strictly manages all critical corporate information and ensures proper disclosure thereof. Internal rules require that all officers and employees must pre-clear any transaction in designated securities with the Statutory Executive Officer of their respective divisions.

Status

(1) Structure to Ensure that Ichigo Subsidiaries Execute Their Duties in Compliance with Laws and Regulations and Ichigo's Articles of Incorporation

The Boards of each subsidiary have approved a "Basic Policy for the Establishment of Structure of Internal Controls," pursuant to the one established by Ichigo. Audit Committee Members and internal auditors of respective subsidiaries attend Board of Directors meetings as well as any other important management meetings and examine related materials to ensure Directors and officers are executing their duties in compliance with laws and regulations, and Ichigo's Articles of Incorporation.

(2) Structure for Ichigo Subsidiaries to Report to Ichigo on the Execution of Their Duties

The President receives a report every three months from the presidents of each subsidiary with respect to business operations and the execution of duties by Directors and officers.

(3) Structure of Risk Management at Ichigo Subsidiaries

Each subsidiary monitors business risks pursuant to their respective risk management policies, and reports results to Ichigo's Risk Management Division. The Head of Ichigo's Risk Management Division, in turn, reports this information to Ichigo's Board. The Chief Risk Officer provides the Board of Directors with a comprehensive update on the status of group-wide risk management.

(4) Structure to Ensure Efficient Execution of Duties at Ichigo Subsidiaries

Each subsidiary has policies in place to ensure clarity of scope of responsibilities, with management decisions being made in line with such policies, therefore resulting in the efficient execution of duties.

Reference: Establishment and Status of Internal Structures to Prevent Dealings with Anti-Social Forces

As part of its internal control systems, Ichigo has established an internal structure to prevent dealings with Anti-Social Forces:

(1) Ichigo and its subsidiaries have clear policies on preventing dealings with Anti-Social Forces stipulated within its Code of Corporate Ethics.

(2) Ichigo has appointed the Executive Vice President and the Corporate Operations Division as being responsible in handling requests from Anti-Social Forces, and also receives advice on this issue from external legal counsel. Furthermore, Ichigo augments its efforts in this area by collaborating with external experts such as the Organized Crime Control Division of the Tokyo Metropolitan Police Department, the Marunouchi Police Station, and the National Center for Removal of Criminal Organizations.

(3) Ichigo's Statutory Executive Officer (Corporate Operations) centrally manages group-wide information pertaining to Anti-Social Forces.

(4) Under no circumstance will Ichigo heed to the request from an Anti-Social Force, and working together with external experts Ichigo shall firmly reject any request. All contracts with external parties will include language that aims to prevent dealings with Anti-Social Forces. Ichigo will terminate business relationships with any existing counterparty that is identified as being an Anti-Social Force.

(5) All officers and employees of Ichigo and subsidiaries receive compliance training, and are made fully aware of their obligation to prevent dealings with Anti-Social Forces and escalate any concerns on this matter.

Notes to the Consolidated Financial Statements

I. Material Matters for Preparation of the Consolidated Financial Statements

A. Scope of Consolidation

1. Consolidated Subsidiaries

   Number of consolidated subsidiaries: 53

   Major Consolidated Subsidiaries
   Ichigo Investment Advisors Co., Ltd.
   Ichigo Estate Co., Ltd.
   Ichigo ECO Energy Co., Ltd.
   Ichigo Owners Co., Ltd.
   Ichigo Land Shinchiku Co., Ltd.
   Ichigo Real Estate Services Fukuoka Co., Ltd.
   Ichigo Marché Co., Ltd.
   Miyako City Co., Ltd.
   Centro Co., Ltd.
   Storage Plus Corporation
   Ichigo Animation KK
   Hakata Hotels Inc.

   Ichigo Animation KK has been added to the scope of consolidation, because it was established in FY20/2.

   Hakata Hotels Inc. has been added to the scope of consolidation, because its materiality increased during FY20/2.

   Six investment partnerships have been excluded from the scope of consolidation, because their materiality decreased during FY20/2.

   One investment partnership which was dissolved during 20/2 has excluded from the scope of consolidation.

2. Major Non-Consolidated Subsidiaries

   N/A

3. Reason Why Some Companies Were Not Classified as Subsidiaries Despite the Possession of a Majority of their Voting Rights

   N/A

B. Equity-Method Accounting

1. Equity-Method Affiliates

   Number of Equity-Method Affiliate(s): 1

   Major Equity-Method Affiliate(s): I Think Rent Co., Ltd.

2. Non-Consolidated Subsidiaries Accounted for Under the Equity-Method

   N/A

3. Material Non-Consolidated Subsidiaries Not Accounted for Under the Equity-Method

N/A

4. Non-Equity-Method Affiliates

N/A

5. Reason Why Some Companies Were Not Classified as Affiliates despite Ichigo Possessing between 20% and 50% of Their Voting Rights

N/A

C. Fiscal Year of Consolidated Subsidiaries

The fiscal year-ends of consolidated subsidiaries are as follows:

January-end	23 companies
February-end	10 companies
March-end	2 companies
December-end	18 companies

For subsidiaries whose fiscal year-ends are in December or January, financial data as of that date have been used. For subsidiaries whose fiscal year-ends are in March, provisional financial data (created at a point in time within three-months from March-end) have been used. All necessary adjustments for consolidation have been made with respect to significant transactions which occurred in FY20/2.

D. Accounting Standards

1. Valuation of Material Assets

a. Other Securities

Securities with market prices	Mark-to-market on the last day of the fiscal year (Valuation difference is reported as a component of shareholders' equity; the cost is calculated using the moving average cost method.)
Securities without market prices	Moving average cost method (The valuation method for investment partnerships is noted in 6. (c) Investment Partnerships.)
b. Derivatives	Mark-to-market
c. Real Estate for Sale	Cost (however, impair assets whose profitability declines)

2. Depreciation Methods for Material Depreciable Assets

Property, Plant, and Equipment	Primarily straight-line method
Useful life	Buildings and structures: 7~45 years Solar power plant equipment: 20 years

3. Accounting Standards for Material Allowances

a. Allowance for Doubtful Accounts

Reserved based on the record of bad debts with respect to ordinary receivables and loans, plus an estimate of uncollectible amounts determined with reference to specific doubtful receivables from customers experiencing financial difficulties.

b. Allowance for Employee Bonuses

Reserved based on an estimated amount for the current fiscal year.

4. Material Hedge Accounting Method

a. Hedge Accounting Method

In general, Ichigo adopts the deferral hedge accounting method. However, interest rate swaps and interest rate caps that meet the criteria for special treatment are accounted for under the special treatment method.

b. Hedging Instruments and Hedging Targets

Hedging instruments	Interest rate swaps and interest rate caps
Hedging targets	Loans

c. Hedging Policy

Pursuant to its internal rules, Ichigo hedges against interest rate risks that arise from its business activities.

d. Evaluation Method of the Effectiveness of Hedges

Ichigo evaluates the effectiveness of hedging activities with reference to the accumulated gain or loss on the hedging instruments and related hedging targets for a period from the commencement of the hedges to the time of evaluation. Interest-rate swaps and interest rate caps accounted for under the special treatment method are omitted from this evaluation.

5. Goodwill Amortization Period and Method

Goodwill is amortized on a straight-line basis for a period of 10 to 20 years depending on the specific characteristics of each subsidiary.

6. Other Material Matters Related to the Preparation of the Financial Statements

a. Consumption Tax

For most items, consumption taxes are excluded from the relevant revenue, costs, or expenses.

Non-deductible consumption taxes are generally accounted for as costs in the current fiscal year; however, certain items paid in connection with the acquisition of assets are amortized over 5 years using the straight-line method or are included in acquisition costs.

b. Operational Investments

Operational investments are separated from non-operational investments and are accounted for under Operational Securities Investments and Operational Loan Investments within Current Assets. Profits and losses arising from operational

investments are accounted for under Operating Profits and Losses.

Although Ichigo may control the decision-making body of investment vehicles or hold significant influence over them by holding shares, shares are held solely for operational investment purposes and Ichigo has no intention of holding them as subsidiaries or affiliates. Therefore, such investment vehicles are excluded from subsidiaries or affiliates.

c. Investment Partnerships

Ichigo accounts for investments in investment partnerships as Operational Securities Investments. Such investments are recorded at the time the investments are made. Gains and losses distributed from the investment partnerships are recorded as Revenue, and Operational Securities Investments increases or decreases by the same amount. Refunds received from the investment partnerships are credited to Operational Securities Investments.

d. Consolidated Tax Treatment

Ichigo qualifies for consolidated tax treatment.

E. Changes in Accounting Treatment

Changes due to Amendments to Japanese Tax Accounting Standards

Due to a change in Japanese tax accounting standards applicable from the current fiscal year, Deferred Tax Assets are accounted for as Investments and Other Assets and Deferred Tax Liabilities are accounted for as Long-Term Liabilities.

Consolidated Income Statement

Insurance income has become material from the current fiscal year and therefore is accounted as a separate line item under Non-Operating Income instead of aggregating it in Non-Operating Income – Other. For reference, Insurance income in the previous fiscal year (FY19/2) was JPY 25 million.

F. Additional Information

Covid-19 Writedown of Real Estate for Sale

The Covid-19 global pandemic is dramatically lowering hotel demand and putting pressure on real estate tenants across-the-board. Given these market conditions, Ichigo conducted a systematic review of the current market values of all of its Real Estate for Sale, and wrote down assets (primarily hotel and retail) that are significantly impacted by current business conditions. Ichigo thus recorded a JPY 7.49 billion writedown of Real Estate for Sale in the current fiscal year.

Covid-19 Writedown of Goodwill

Ichigo recorded the following goodwill writedown in the current fiscal year.

(1) Writedown

Asset	Type	Location	Writedown Amount
Other	Goodwill	Chuo-ku, Fukuoka	JPY 210 million

(2) Writedown Rationale

Ichigo impairs the values of assets to their respective recoverable amount based on the current business environment. An equivalent amount has been recorded as a loss under Extraordinary Losses.

Note that Ichigo calculates the recoverable amount based on value-in-use. For assets that are not expected to generate future cash flows, the recoverable amount is set to zero.

Reclassification of Certain Real Estate for Sale Assets to Fixed Assets

Ichigo has reclassified to Fixed Assets the following Real Estate for Sale assets that are not expected to be sold in the short-term. Real Estate for Sale assets for which sales activities are underway or sale plans are in place remain as Real Estate for Sale assets.

(JPY million)

	FY20/2 (Feb 29, 2020)
Buildings and structures	33,136
Land	70,112
Buildings under construction	1,304
Other	94
Leasehold rights	284
Total	104,931

Reclassification of Certain Fixed Assets to Real Estate for Sale Assets

Ichigo has reclassified to Real Estate for Sale the following Fixed Assets that are expected to be sold in the short-term, including some assets acquired as Fixed Assets during FY20/2.

(JPY million)

	FY20/2 (Feb 29, 2020)
Buildings and structures	905
Depreciation	-222
Buildings and structures (net)	682
Other	11
Depreciation	-7
Other (net)	3
Land	1,222
Leasehold rights	32
Total	1,941

II. Notes to the Consolidated Balance Sheet

A. Assets Provided as Collateral and Secured Obligations

Assets Provided as Collateral

Cash and deposits	JPY 3,166 million
Trade notes and accounts receivable	JPY 124 million
Operational loan investments	JPY 1,324 million
Real estate for sale	JPY 37,436 million
Current assets – other	JPY 3 million
Buildings and structures	JPY 35,728 million
Solar power plant equipment	JPY 5,917 million
Land	JPY 79,120 million
Buildings under construction	JPY 145 million
Buildings under construction (reserved for collateral)	JPY 119 million
Property, plant, and equipment – other	JPY 853 million
Leasehold rights	JPY 474 million
Total	JPY 164,415 million

Figures shown in Buildings and structures, Solar power plant equipment, and Property, plant, and equipment – other are net amounts.

Secured Obligations

Short-term loans	JPY 106 million
Long-term loans (due within one year)	JPY 4,247 million
Long-term loans	JPY 125,180 million
Total	JPY 129,533 million

B. Non-Recourse Loans

Non-recourse loans are borrowings where funds for repayment are limited only to the value of the underlying real estate and profits from such real estate. The lender has no recourse to Ichigo in the event of a failure of payment.

Assets provided as collateral and the related non-recourse loans are as follows:

Assets Provided as Collateral

Cash and deposits	JPY 4,769 million
Trade notes and accounts receivable	JPY 137 million
Current assets – other	JPY 1 million
Buildings and structures	JPY 12,860 million
Solar power plant equipment	JPY 9,842 million
Land	JPY 29,582 million
Investment and other assets – other	JPY 358 million
Total	JPY 57,553 million

Figures shown in Buildings and structures and Solar power plant equipment are net amounts.

Non-Recourse Loans

Long-term non-recourse loans (due within one year)	JPY 1,178 million
Long-term non-recourse loans	JPY 39,156 million
Total	JPY 40,334 million

C. Deferred Gains (Losses) on Long-Term Interest Rate Hedges

Using interest rate swaps and interest rate caps, Ichigo has significantly reduced its interest rate risk should Japanese interest rates rise. Unrealized gains or losses on these hedges are recorded as a deferred gains (losses) on long-term interest rate hedges.

D. Overdraft, Loan Commitment, and Term Loan Agreements

To secure funding flexibility and stability, Ichigo has overdraft, loan commitment, and term loan agreements with financial institutions.

Unused balance of the above agreements (as of the end of FY20/2)

Total amount of overdraft, loan commitment, and term loan agreements	JPY	36,615	million
Draw-down amount	JPY	23,186	million
Unused balance	JPY	13,428	million

III. Notes to the Consolidated Income Statement

Valuation Gains (Losses) on Derivatives

Using interest rate swaps and interest rate caps, Ichigo has significantly reduced its interest rate risk should Japanese interest rates rise. Any increase (decrease) in the market value of these instruments is recorded as a valuation gains (losses) on derivatives.

IV. Notes to the Consolidated Statement of Changes in Shareholders' Equity

A. Type and Number of Shares Issued and Type and Number of Treasury Shares

	Number of shares at the beginning of FY20/2	Increase in shares during FY20/2[1]	Decrease in shares during FY20/2[2]	Number of shares at the end of FY20/2
Shares issued				
Common shares	505,066,430	302,488	–	505,368,918
Total	505,066,430	302,488	–	505,368,918
Treasury shares				
Common shares	16,556,200	7,081,200	–	23,637,400
Total	16,556,200	7,081,200	–	23,637,400

[1] Increase in shares issued due to employee exercise of stock options: 302,488 shares

[2] Increase in treasury shares due to share buyback: 7,081,200 shares

B. Employee Stock Options

Stock Options	Share Type	Underlying Number of Shares				Value (as of February 29, 2020)
		March 1, 2019	Increase in FY20/2	Decrease in FY20/2	February 29, 2020	
11th stock option issuance	Common shares	46,200	–	46,200	–	–
12th stock option issuance	Common shares	530,970	–	147,588	383,382	JPY 60 million
13th stock option issuance	Common shares	1,522,700	–	267,100	1,255,600	JPY 122 million
14th stock option issuance	Common shares	1,330,700	–	90,500	1,240,200	JPY 234 million
15th[1] stock option issuance	Common shares	1,854,400	–	110,700	1,743,700	JPY 283 million
16th[1] stock option issuance	Common shares	1,765,600	–	72,800	1,692,800	JPY 239 million
17th[1] stock option issuance	Common shares	1,800,000	–	18,400	1,781,600	JPY 47 million
Total	–	8,850,570	–	753,288	8,097,282	JPY 988 million

[1] The 16th and 17th stock option issuances are currently not exercisable, because their exercise dates are in the future.

C. Dividends

1. Dividends Paid

Ichigo's Board of Directors approved the following dividend on April 17, 2019:

(a)	Total Dividend	JPY 3,419 million
(b)	Source	Retained earnings
(c)	Dividend per Share	JPY 7
(d)	Record Date	February 28, 2019
(e)	Payment Date	May 27, 2019

2. Dividends where the Record Date is in FY20/2, but the Payment Date is in FY21/2

Ichigo's Board of Directors approved the following dividend on April 16, 2020:

(a)	Total Dividend	JPY 3,372 million
(b)	Source	Retained earnings
(c)	Dividend per Share	JPY 7
(d)	Record Date	February 29, 2020
(e)	Payment Date	May 25, 2020

V. Notes on Financial Instruments

A. Matters Concerning Status of Financial Instruments

1. Policies on Financial Instruments

Ichigo funds itself primarily via bank loans and bonds, taking into account Ichigo's asset acquisition and disposition activity. Short-term excess funds are managed in liquid financial instruments such as bank deposits, and short-term working capital is financed via bank loans. Ichigo's policy is to use derivatives only for hedging purposes and not for speculative transactions.

2. Details and Risks of Financial Instruments

Trade notes, accounts receivable, and operational loan investments are operating receivables that are exposed to customer credit risks. Foreign currency-denominated financial instruments in overseas business operations are exposed to currency risks.

Operational securities investments are primarily investments in Japanese and foreign equities, and securities investments primarily take the form of equity and are typically investments in companies with which Ichigo has a business relationship. All of these investments are exposed to issuer credit risk, interest rate risk, and market price fluctuation risk.

Bank loans, bonds, and non-recourse loans are for the purpose of financing investments and capital expenditures, and are expected to be redeemed or repaid within approximately thirty years after the fiscal year-end. Floating-rate loans are exposed to interest rate risk, a part of which is hedged using derivative transactions (e.g. interest rate swaps and interest rate caps). Please refer to (I) Material Matters for Preparation of the Consolidated Financial Statements (D) Accounting Standards, (4) Material Hedge Accounting Method.

3. Risk Management of Financial Instruments

(a) Management of Credit Risk

Operating receivables exist primarily at subsidiaries. Responsible departments monitor the collection status pursuant to the designated procedure for mitigation of collection risk. Other operating receivables arise irregularly, e.g. at the time of investment monetization, and the responsible department determines the execution of the transaction based on the time needed for collection and the credit worthiness of the counterparty and monitors the receivable until it is collected in accordance with the agreement. Ichigo monitors operational securities investments and securities investments with respect to the financial status of the issuers and reviews holding policies, as necessary and appropriate.

(b) Management of Market Risk

Ichigo uses interest rate swaps and interest rate caps for the purpose of reducing interest rate risk on corporate and non-recourse loans. Ichigo monitors operational securities investments and securities investments which have market risks (e.g. real estate funds) or are denominated in foreign currencies regularly for the impact from changes in market value and currency rates and reviews the holding policies as necessary. Derivative transactions are executed and controlled in the Finance Department in accordance with the designated procedure.

(c) Management of Liquidity Risk

Ichigo establishes and updates its funding plan as necessary based on new investment and disposition plans set by the responsible departments, and manages liquidity risk by maintaining short-term liquidity.

4. Supplement to Matters Concerning Market Values of Financial Instruments

Market values of financial instruments include prices based on market prices as well as prices calculated based on rational assumptions where market prices are not available. Such prices may fluctuate, since their calculations include variables that can vary based on assumptions.

B. Adjustments to Market Values of Financial Instruments

Amounts recorded on the consolidated balance sheet, corresponding market values, and their differences as of February 29, 2020 are shown below. Items for which it is deemed highly difficult to obtain market values are not included. (See Note 2 on page 29).

(JPY million)

	Amount Recorded on Consolidated Balance Sheet	Market Value	Difference
Assets			
(1) Cash and deposits	41,067	41,067	–
(2) Trade notes and accounts receivable	2,308	2,308	–
(3) Operational loan investments	1,324	1,324	–
(4) Securities investments	1,338	1,338	–
(5) Long-term loan receivable[1]	500	502	2
Total Assets	46,539	46,542	2
Liabilities			
(1) Short-term loans	3,086	3,086	–
(2) Bonds (due within one year)	274	274	–
(3) Long-term loans (due within one year)	12,277	12,277	–
(4) Long-term non-recourse loans (due within one year)	1,178	1,178	–
(5) Income taxes payable	2,416	2,416	–
(6) Bonds	6,082	6,160	77
(7) Long-term loans	151,483	151,771	288
(8) Long-term non-recourse loans	39,156	40,292	1,136
Total Liabilities	215,955	217,457	1,502
Derivative Transactions[2]	-822	-822	–

[1] Excluding allowance for doubtful accounts which are recorded separately.

[2] The receivables and payables related to derivative transactions are shown as a net amount.

(Note 1) Calculation Method of Market Value of Financial Instruments and Matters Concerning Securities and Derivatives Transactions

Assets

(1) Cash and Deposits

Carried at book value due to short settlement period.

(2) Trade Notes and Accounts Receivable

Carried at book value less allowance for doubtful accounts due to short settlement period and because allowance for doubtful accounts appropriately takes into consideration credit risks.

(3) Operational Loan Investments

Carried at book value less allowance for doubtful accounts due to short settlement period and because allowance for doubtful accounts appropriately takes into consideration credit risks.

(4) Securities Investments

The market values of equities are the last traded exchange price, and bonds are the last-traded exchange price or dealer-indicated price.

(5) Long-Term Loans

The market values of long-term loans are calculated based on the present value of the total amount of the principal and interest using a discount rate for similar new loans. Certain debts such as loans with default risk are at book value less the estimated doubtful accounts.

Liabilities

(1) Short-Term Loans, (2) Bonds due within One Year, (3) Long-Term Loans due within One Year, (4) Long-Term Non-Recourse Loans due within One Year, and (5) Income Tax Payable

Carried at book value due to short settlement period.

(6) Bonds

The fair value of bonds issued by Ichigo is calculated based on the current value by applying a discount rate to the total of principal and interest.

(7) Long-Term Loans, and (8) Long-Term Non-Recourse Loans

Floating-rate borrowings for long-term loans, and long-term non-recourse loans are carried at book value because their book values closely track their market values. Partial floating-rate long-term loans and long-term non-recourse loans are subject to the special accounting treatment of interest rate swaps, and their market values are calculated by taking the present value of their principal and interest along with the corresponding interest rate swap, using a discount rate for similar new loans.

The market values of fixed-rate loans are calculated based on the present value of the total amount of principal and interest using a discount rate for similar new loans.

Derivative Transactions

The market values of derivative transactions are the prices presented by financial institutions. The market value of interest rate swaps under special treatment is included in long-term loans and long-term non-recourse loans since it is accounted for with the instrument it hedges.

(Note 2) Financial Instruments for which it is Difficult to Obtain Market Values

(JPY million)

Classification	Amount Recorded in Consolidated Balance Sheet
(1) Operational Securities Investments	902
(2) Securities Investments[1]	2,907
(3) Long-term Security Deposits Received	8,118

[1] Excluding allowance for doubtful accounts which are recorded separately

(1) Operational Securities Investments are foreign non-listed bonds and Japanese real estate funds that don't have market prices, and are not subject to market value disclosures.

(2) Securities Investments are investment in Japanese non-listed bonds and equities that don't have market prices and whose future cash flow cannot be easily estimated, and are not subject to market value disclosures.

(3) Long-term Security Deposits Received which are security deposits received from tenants of rental properties are not subject to market value disclosures because they are not priced in the market and it is difficult to estimate future cash flow because the actual period of deposit is not known.

VI. Notes on Leased Real Estate Not Currently Held for Sale

A. Income from Leased Real Estate Not Currently Held for Sale

Ichigo and some of its consolidated subsidiaries own leased real estate mainly in Tokyo Metropolitan area that are not currently held for sale. Income on this leased real estate in FY20/2 was JPY 8,127 million (rental revenue is recorded in Revenue and the cost of lease is recorded in Costs of Goods Sold).

B. Market Value of Leased Real Estate Not Currently Held for Sale

(JPY million)

Book Value on Consolidated Balance Sheet[1]			Market Value as of Feb 29, 2020[3]
Mar 1, 2019	Increase/Decrease[2]	Feb 29, 2020	
70,531	108,374	178,906	226,289

[1] Book Value on Consolidated Balance Sheet = Acquisition Cost – (Cumulative Depreciation + Cumulative Impairment Loss)

[2] The main components of the increase for the fiscal year is JPY 104,931 million transferred from Real Estate for Sale due to a change in the purpose of ownership, JPY 5,947 million due to the acquisition of real estate, and JPY 851 million from Capital Expenditures. The main components of the decrease for the fiscal year is JPY 1,941 million transferred to Real Estate for Sale due to a change in the purpose of ownership, and JPY 1,383 million of Depreciation.

[3] Market value as of February 29, 2020 is based upon third-party real estate appraisals and calculated by Ichigo using reasonable indices reflecting market prices.

VII. Per Share Data

Net Assets per Share	JPY 208.49
Net Income per Share	JPY 16.89
Net Income per Share (fully diluted)	JPY 16.88

VIII. Material Subsequent Events

N/A

Notes to the Parent Financial Statements

I. Material Accounting Policies

A. Valuation Method for Securities

1. Shares in subsidiaries and affiliates	Moving average cost method
2. Other securities	
Securities with market prices	Mark-to-market on the last day of the fiscal year (Valuation difference is reported as a component of shareholders' equity; the cost is calculated using the moving average cost method.)
Securities without market prices	Moving average cost method (Valuation method for investment partnerships is noted in (F) Other Material Matters Related to the Preparation of the Financial Statements (3) Investment Partnerships.)
3. Derivatives	Mark-to-market
4. Real estate for sale	Cost (however, impair assets whose profitability declines)

B. Depreciation Method for Fixed Assets

1. Property, Plant, and Equipment	Primarily straight-line method
Useful life	Buildings and Structures: 8~39 years
2. Intangible Assets	Straight-line method
Useful life	Software: 5 years

C. Amortization of Deferred Assets

Issuance cost of shares: Full amount is recorded as cost.

D. Accounting Standards for Allowances

Allowance for doubtful accounts

Reserved based on the record of bad debts with respect to ordinary receivables and loans, plus an estimate of uncollectible amounts determined with reference to specific doubtful receivables from customers experiencing financial difficulties.

E. Hedge Accounting Method

1. Hedge Accounting Method

In general, Ichigo adopts the deferral hedge accounting method. However, interest rate swaps that meet the criteria for special treatment are accounted for under the special treatment method.

2. Hedging Instruments and Hedging Targets

Hedging instruments	Interest rate swaps
Hedging targets	Loans

3. Hedging Policy

Pursuant to its internal rules, Ichigo hedges against interest rate risks that arise from its business activities.

4. Evaluation of Hedge Effectiveness

Ichigo evaluates the effectiveness of hedging activities with reference to the accumulated gain or loss on the hedging instruments and related hedging targets for a period from the commencement of the hedges to the time of evaluation. Interest-rate swaps accounted for under the special treatment method are omitted from this evaluation.

F. Other Material Matters Related to the Preparation of the Financial Statements

1. Consumption Tax

Consumption taxes are excluded from the relevant revenue, costs or expenses. Non-deductible consumption taxes are generally accounted for as costs in the current fiscal year; however, certain items paid in connection with the acquisition of assets are amortized over 5 years using the straight-line method.

2. Operational Investments

Operational investments are separated from non-operational investments and are accounted for under Operational Securities Investments and Operational Loan Investments within Current Assets. Profits and losses arising from operational investments are accounted for under Operating Profits and Losses.

Although Ichigo may control the decision-making body of investment vehicles or hold significant influence over them by holding shares, shares are held solely for operational investment purposes and Ichigo has no intention of holding them as subsidiaries or affiliates. Therefore, such investment vehicles are excluded from subsidiaries or affiliates.

3. Investment Partnerships

Ichigo accounts for investments in investment partnerships as Operational Securities Investments or Investment Securities in Other Affiliates. Such investments are recorded at the time the investments are made. Gains and losses distributed from the investment partnerships are recorded as Revenue, and the corresponding balance sheet item increases or decreases by the same amount. Refunds received from the investment partnerships are credited to the corresponding balance sheet item.

4. Consolidated Tax Treatment

Ichigo qualifies for consolidated tax treatment.

G. Changes in Accounting Treatment

Changes due to Amendments to Japanese Tax Accounting Standards

Due to a change in Japanese tax accounting standards applicable from the current fiscal year, Deferred Tax Assets are accounted for as Investments and Other Assets and Deferred Tax Liabilities are accounted for as Long-Term Liabilities. Details are provided in "V. Taxes" below.

H. Additional Information

Covid-19 Writedown of Real Estate for Sale

The Covid-19 global pandemic is dramatically lowering hotel demand and putting pressure on real estate tenants across-the-board. Given these market conditions, Ichigo conducted a systematic review of the current market values of all of its Real Estate for Sale, and wrote down assets (primarily hotel and retail) that are significantly impacted by current business conditions. Ichigo thus recorded a JPY 7.49 billion writedown of Real Estate for Sale in the current fiscal year.

Reclassification of Certain Real Estate for Sale Assets to Fixed Assets

Ichigo has reclassified to Fixed Assets the following Real Estate for Sale assets that are not expected to be sold in the short-term. Real Estate for Sale assets for which sales activities are underway or sale plans are in place remain as Real Estate for Sale assets.

(JPY million)

	FY20/2 (Feb 29, 2020)
Buildings and structures	1,777
Land	1,562
Total	3,340

II. Notes to the Balance Sheet

A. Assets Provided as Collateral and Secured Obligations

Assets provided as collateral

Cash and deposits	JPY 41 million
Buildings and structures	JPY 162 million
Land	JPY 2,099 million
Buildings under construction	JPY 4 million
Property, plant, and equipment – other	–
Shares of affiliated companies	JPY 1 million
Long-term loans to affiliates	JPY 1,399 million
Total	JPY 3,709 million

Figures in Buildings and structures and Property, plant, and equipment – other are net amounts.

Secured obligations

Long-term loans (due within one year)	JPY 100 million
Long-term loans	JPY 1,025 million
Total	JPY 1,125 million

B. Contingent Liabilities

Ichigo is guaranteeing the following subsidiaries' loans from financial institutions:

Ichigo Estate Co., Ltd.	JPY 36,065 million
Ichigo ECO Energy Co., Ltd.	JPY 6,452 million
Ichigo Real Estate Services Fukuoka Co, Ltd.	JPY 15,076 million
Ichigo Land Shinchiku Co., Ltd.	JPY 2,478 million
Ichigo Owners Co., Ltd.	JPY 12,906 million
Centro Co., Ltd.	JPY 481 million
Storage Plus Corp.	JPY 503 million
Getter LAB Inc.	JPY 327 million
OSMIC Co., Ltd.	JPY 500 million
GK Daiba Jisho	JPY 8,000 million
GK SA3	JPY 2,070 million
GK Asakusa Jisho	JPY 1,500 million
GK Chouan	JPY 2,988 million
GK Gyoutatsu	JPY 568 million
GK Azabu Juban Jisho	JPY 630 million
GK Kawabata Holdings	JPY 3,349 million
GK Nakasu Holdings	JPY 2,383 million
GK Cosmos	JPY 1,610 million
GK ACZ	JPY 5,446 million
GK Ichigo Yubetsu Barou ECO Power Plant	JPY 203 million
GK Ichigo Toyokoro Sasadamachi ECO Power Plant	JPY 115 million
GK Ichigo Betsukai Kawakamicho ECO Power Plant	JPY 165 million
GK Ichigo Akkeshi Shirahama ECO Power Plant	JPY 152 million
GK Ichigo Minakami Aramaki ECO Power Plant	JPY 3,300 million
GK Ichigo Yonago Izumi ECO Power Plant	JPY 533 million
GK Sera Aomizu Ushinoro ECO Power Plant	JPY 431 million
GK Ichigo Hamanaka Bokujo ECO Power Plant	JPY 1,073 million
GK Ichigo Toki Oroshicho ECO Power Plant	JPY 299 million
GK Ichigo Toride Shimotakai ECO Power Plant	JPY 305 million
GK Ichigo Kijo Takajo ECO Power Plant	JPY 191 million
Total	JPY 110,108 million

C. Affiliate Receivables and Payables (excluding items separately indicated)

Short-term receivables from affiliates	JPY 1,625 million
Short-term payables to affiliates	JPY 118 million
Long-term payables to affiliates	JPY 44 million

D. Deferred Gains (Losses) on Long-Term Interest Rate Hedges

Using interest rate swaps and caps, Ichigo has significantly reduced its interest rate risk should Japanese interest rates rise. Any unrealized gains (losses) on these hedges is recorded as a deferred gains (losses) on long-term interest rate hedges.

III. Income Statement

A. Transactions with affiliates

Operational Transactions	
Revenue	JPY 20,518 million
Operating expenses	JPY 36 million
Non-Operational Transactions	JPY 574 million

B. Mark-to-market gains (losses) on long-term interest rate hedges

Using interest rate swaps and interest rate caps, Ichigo has significantly reduced its interest rate risk should Japanese interest rates rise. Any increase (decrease) in the market value is recorded as a mark-to-market gains (losses) on long-term interest rate hedges.

IV. Statement of Changes in Shareholders' Equity

Type and Number of Treasury Shares	
Common shares	23,637,400 shares

V. Taxes

Breakdown of Deferred Tax Assets and Liabilities

Deferred Tax Assets	
Accrued business taxes	JPY 227 million
Surplus for provision of allowance for doubtful accounts	JPY 26 million
Valuation loss on securities investments	JPY 86 million
Valuation loss on investments in real estate	JPY 1,833 million
Valuation loss on securities of affiliates	JPY 575 million
Deferred gains (losses) on long-term interest rate hedges	JPY 171 million
Other	JPY 214 million
Sub-total	JPY 3,136 million
Allowance for valuation	-JPY 2,704 million
Deferred Tax Assets Total	JPY 432 million
Deferred Tax Liabilities	
Valuation gain on other securities	-JPY 52 million
Asset retirement obligation expense	–
Deferred Tax Liabilities Total	-JPY 52 million
Net Deferred Tax Assets	JPY 379 million

VI. Related Party Transactions

(JPY million)

Affiliation	Name	Voting Rights Held by Ichigo	Nature of Relationship	Transaction	Transaction Amount	Account	Balance Outstanding
Subsidiary	Ichigo Estate Co., Ltd.	100%	Service contract	Lending[1]	8,428	Short-term loans to affiliates	12,255
						Long-term loans to affiliates	16,881
				Interest received	275	Current assets – other	66
						Current liabilities – other	–
				Provision of credit guarantee[2]	36,065	–	–
				Receipt of credit guarantee[3,4]	1,682	–	–
				Receipt of credit guarantee and collateral[6,7]	2,456	–	–
				Receipt of credit guarantee and collateral[7]	3,284	–	–
				Payment of credit guarantee fee to guarantor	–	Prepaid expenses	–
						Investment and other assets – other	1
Subsidiary	Ichigo ECO Energy Co., Ltd.	100%	Service contract	Lending[1]	1,800	Short-term loans to affiliates	4,034
				Interest received	42	Current assets – other	13
				Provision of credit guarantee[2]	6,452	–	–

(JPY million)

Affiliation	Name	Voting Rights Held by Ichigo	Nature of Relationship	Transaction	Transaction Amount	Account	Balance Outstanding
Subsidiary	Ichigo Real Estate Services Fukuoka Co., Ltd.	100%	Service contract	Lending[1]	6,250	Short-term loans to affiliates	3,800
						Long-term loans to affiliates	2,422
				Interest received	49	Current assets - other	16
				Provision of credit guarantee[2]	15,076	–	–
				Receipt of credit guarantee and collateral[6,7]	1,618		–
Subsidiary	Ichigo Land Shinchiku Co., Ltd.	100%	Service contract	Lending[1]	2,100	Short-term loans to affiliates	2,660
				Provision of credit guarantee[2]	2,478	–	–
				Interest received	23	Current assets - other	8
Subsidiary	Ichigo Owners Co., Ltd.	100%	Service contract	Lending[1]	18,580	Short-term loans to affiliates	14,850
						Long-term loans to affiliates	2,587
				Interest received	126	Current assets – other	41
				Provision of credit guarantee[2]	12,906	–	–
Subsidiary	GK Daiba Jisho	0[10]	TK Equity	Provision of credit guarantee[2]	8,000	–	–
				Receipt of credit guarantee fee	2	Advances received	15

(JPY million)

Affiliation	Name	Voting Rights Held by Ichigo	Nature of Relationship	Transaction	Transaction Amount	Account	Balance Outstanding
Subsidiary	GK Kawabata Holdings	0[10]	TK Equity	Provision of credit guarantee[2]	3,349	–	–
				Receipt of credit guarantee fee	1	Advances received	6
Subsidiary	GK Nakasu Holdings	0[10]	TK Equity	Provision of credit guarantee[2]	2,383	–	–
				Receipt of credit guarantee fee	–	Advances received	4
Subsidiary	GK SA3	0[10]	TK Equity	Provision of credit guarantee[2]	2,070	–	–
				Receipt of collateral[6]	2,776	–	–
				Receipt of credit guarantee fee	–	Advances received	4
Subsidiary	GK Asakusa Jisho	0[10]	TK Equity	Provision of credit guarantee[2]	1,500	–	–
				Receipt of collateral[6]	1,859	–	–
				Receipt of credit guarantee fee	–	Advances received	3
Subsidiary	GK Chouan	0[10]	TK Equity	Provision of credit guaranteel[2]	2,988	–	–
Subsidiary	GK Cosmos	0[10]	TK Equity	Provision of credit guarantee[2]	1,610	–	–
				Receipt of credit guarantee fee	–	Advances received	4

(JPY million)

Affiliation	Name	Voting Rights Held by Ichigo	Nature of Relationship	Transaction	Transaction Amount	Account	Balance Outstanding
Subsidiary	GK ACZ	0[10]	TK Equity	Provision of credit guarantee[2]	5,446	–	–
				Receipt of credit guarantee fee	1	Advances received	14
Subsidiary	GK Ichigo Minakami Aramaki ECO Power Plant	0[10]	TK Equity	Provision of credit guarantee[2]	3,300	–	–
Subsidiary	GK Ichigo Showamura Ogose ECO Power Plant	0[10]	TK Equity	Provision of collateral[9]	1,374	–	–
Subsidiary	GK Shinsaibashi Jisho	0[10]	TK Equity	Payment of credit guarantee fee to guarantor	2	Prepaid expenses	2
						Investment and other assets – other	18
				Receipt of credit guarantee fee	3	–	–
				Additional investment for refinance	2,152	Other investment securities of affiliates	2,855
				Receipt of credit guarantee and collateral[6,7]	2,719	–	–
Subsidiary	GK Sunrise	0[10]	TK Equity	Payment of credit guarantee fee to guarantor	2	Prepaid expenses	2
						Investment and other assets – other	18
				Receipt of credit guarantee and collateral[6,7]	2,884	–	–
Subsidiary	KK Kimura Building	100% (Indirectly held)	Subsidiary TK Equity	Receipt of credit guarantee and collateral[4,7]	1,682	–	–

(JPY million)

Affiliation	Name	Voting Rights Held by Ichigo	Nature of Relationship	Transaction	Transaction Amount	Account	Balance Outstanding
Subsidiary	GK Minami Ikebukuro Jisho	0[10]	TK Equity	Receipt of credit guarantee and collateral[4,7]	1,682	–	–
Subsidiary	GK Kichijoji Holdings	0[10]	TK Equity	Payment of credit guarantee fee to guarantor	5	Prepaid expenses	1
				Receipt of collateral[5,8]	5,076	Investment and other assets – other	8
Subsidiary	GK Akihabara Jisho	0[10]	TK Equity	Payment of credit guarantee fee to guarantor	–	Prepaid expenses	–
				Receipt of collateral[5,8]	2,007	Investment and other assets – other	6

[1] The interest rate on loans from Ichigo to affiliates is based upon Ichigo's actual borrowing costs, with due consideration to the particular circumstances of the affiliates.
[2] Ichigo has provided credit guarantees to banks on loans to the subsidiary.
[3] The subsidiary has received credit guarantees from Ichigo on loans from banks.
[4] Ichigo has received credit guarantees or collateral from its subsidiaries for a loan of JPY 1,682 million from banks.
[5] The subsidiary has received collateral from Ichigo for loans from banks.
[6] Ichigo has received collateral from its subsidiaries for a loan of JPY 7,653 million from banks.
[7] The subsidiary has received both guarantees and collateral from Ichigo for the loans from banks.
[8] Ichigo has received collateral from its subsidiaries for a loan of JPY 6,568 million from banks.
[9] Ichigo has provided collateral for loans from banks.
[10] Although Ichigo holds 0% of the voting rights, its wholly-owned subsidiary holds 100% of managerial authority over the investment partnership (aka TK or Tokumei Kumiai). However, the entity is considered to be Ichigo's subsidiary, because Ichigo has adopted the accounting standard "Practical Solutions on Application of Control Criteria and Influence Criteria to Investment Partnerships" (Accounting Standards Board of Japan Practical Issues Task Force No. 20, March 25, 2011).
[11] The above amounts do not include consumption tax and other taxes. However, the amounts recorded on the balance sheet do include consumption tax and other taxes.

XIII. Per Share Data

Net Assets per Share	JPY 176.98
Net Income per Share	JPY 19.40
Net Income per Share (fully diluted)	JPY 19.40

IX. Material Subsequent Events

N/A