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FY16/2 Q3 Earnings Summary

January 13, 2016

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

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Submission of the Quarterly Report (*Shihanki Hokokusho*): January 14, 2016 (expected)

Dividend Payment: N/A

Supplemental Materials to Financial and Business Results: Yes

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

1. FY16/2 Q3 Consolidated Financial Results (March 1, 2015 to November 30, 2015)

(1) Consolidated Financial Results

(YOY = year-on-year % change)

	Revenues		Operating Profit		Recurring Profit		Net Income	
	(million yen)	YOY	(million yen)	YOY	(million yen)	YOY	(million yen)	YOY
FY16/2 Q3	44,500	+201.7%	13,602	+201.8%	12,450	+220.2%	11,598	+225.4%
FY15/2 Q3	14,748	-48.6%	4,506	+40.8%	3,888	+27.4%	3,564	-3.6%

Note: Comprehensive income FY16/2 Q3: 11,244 million yen (+146.2% YOY)

FY15/2 Q3: 4,566 million yen (+27.0% YOY)

	Net Income per Share (basic, yen)	Net Income per Share (diluted, yen)
FY16/2 Q3	23.22	23.08
FY15/2 Q3	7.16	7.10

(2) Consolidated Financial Condition

	Total Assets (million yen)	Net Assets (million yen)	Equity Ratio (%)	Net Assets per Share (yen)
FY16/2 Q3	232,195	71,153	28.6	132.86
FY15/2	172,744	58,377	32.2	111.54

Note: Shareholders' equity FY16/2 Q3: 66,481 million yen FY15/2 : 55,673 million yen

2. Dividends

	Dividend per Share (yen)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
FY15/2	—	0	—	1.30	1.30
FY16/2	—	0	—		
FY16/2 (Forecast)				3.00	3.00

Changes since the previously announced forecast: None

Note: Breakdown of forecast FY16/2 dividend: ordinary 2 yen; special 1 yen

3. FY16/2 Full-Year Consolidated Forecast (March 1, 2015 to February 29, 2016)

(YOY = year-on-year % change)

	Revenues		Operating Profit		Recurring Profit	
	(million yen)	YOY	(million yen)	YOY	(million yen)	YOY
FY16/2	49,000	+14.7%	14,800	+80.7%	13,200	+81.9%
	Net Income		Net Income per Share			
	(million yen)	YOY	(yen)			
FY16/2	12,000	+77.5%	24.00			

Changes since the previously announced forecast: Yes

Note: Net Income per Share for FY16/2 is based on a forecast number of shares that reflects a partial exercise of existing stock options.

4. Other

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

New subsidiaries (3) : GK Kichijoji Holdings Tokumei Kumiai, GK Motoazabu Holdings Tokumei Kumiai, and GK Ikenohata Holdings Tokumei Kumiai

Exclusion from consolidation (1): GK Sapporo Holdings Tokumei Kumiai

(2) Application of special accounting methods: None

(3) 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

(4) Number of outstanding common shares

(i) Number of outstanding shares including treasury shares

FY16/2 Q3: 501,524,400

FY15/2: 500,804,600

(ii) Number of treasury shares

FY16/2 Q3: 1,138,000

FY15/2: 1,670,000

(iii) Average number of outstanding shares

FY16/2 Q3: 499,417,927

FY15/2 Q3: 497,744,978

***Explanation on Appropriate Use of Earnings Projection**

Forward-looking statements contained in these materials are based on judgments regarding information that was available to the Company and the Group as of the announcement date. However, these statements involve risk and uncertainties. Therefore, please note that actual earnings may differ significantly from the indicated earnings projection as a result of various factors.

5. Segment Information

Segment Overview

Asset Management generates fee income via the management of the Ichigo Office REIT (8975), Ichigo Hotel REIT (3463), and private funds and providing real estate services related to real estate acquisition, operation (property management/building maintenance), and disposition.

Value-Add deploys the Company's expertise to acquire and improve real estate assets, generating rental income during the value-add period and profits on sale that reflect the higher value of the assets after the Company's improvements.

Clean Energy generates long-term income primarily via utility-scale solar power production that makes purposeful use of unused real estate nationwide and contributes to Japan's energy self-sufficiency.

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

Revenues, P&L, Assets, and Other Items by Segment (FY16/2 Q3 – Current Period)

(March 1, 2015 to November 30, 2015) (Million Yen)

	Segment					Adjustment ¹	Amount Recorded in Consolidated Financial Statements ²
	Asset Management	Value-Add	Clean Energy	Other	Total		
Revenues							
Revenues from External Customers	4,178	38,955	1,315	51	44,500	—	44,500
Inter-Segment Activities or Reclassifications	1,002	3	—	0	1,005	(1,005)	—
Total	5,180	38,958	1,315	51	45,506	(1,005)	44,500
Segment Profits or Losses	2,527	11,011	362	(16)	13,884	(282)	13,602
Segment Assets	3,235	185,165	15,980	6,473	210,854	21,340	232,195
Other							
Depreciation	6	181	364	—	552	24	576
Impairment Loss	—	—	—	—	—	—	—
Increase in Property, Plant, and Equipment and Intangible Assets	3	34	3,966	—	4,003	33	4,037

¹ The Adjustment to Segment Profits or Losses (-282 million yen) reflects transaction eliminations and company expenses that were not allocated to the segments. The Adjustment to Segment Assets (21,340 million yen) reflects company assets, such as cash and reserves, that were not allocated to the segments. The Adjustment to Depreciation (24 million yen) reflects depreciation of company assets that were not allocated to the segments. The Adjustment to Increase in Property, Plant, and Equipment and Intangible Assets (33 million yen) reflects company assets that were not allocated to the segments.

² Segment Profits or Losses are calculated for each segment from consolidated operating profit.

Revenues, P&L, Assets, and Other Items by Segment (FY15/2 Q3 – Previous Period)

(March 1, 2014 to November 30, 2014) (Million Yen)

	Segment					Adjustment ¹	Amount Recorded in Consolidated Financial Statements ²
	Asset Management	Value-Add	Clean Energy	Other	Total		
Revenues							
Revenues from External Customers	2,974	11,308	440	25	14,748	—	14,748
Inter-Segment Revenues or Reclassifications	628	2	—	0	630	(630)	—
Total	3,602	11,310	440	25	15,379	(630)	14,748
Segment Profits or Losses	438	4,517	(68)	(45)	4,841	(334)	4,506
Segment Assets	2,954	130,540	11,298	6,212	151,006	10,954	161,961
Other							
Depreciation	8	258	119	—	386	16	402
Impairment Loss	—	—	—	—	—	—	-
Increase in Property, Plant, and Equipment and Intangible Assets	4	9,658	4,626	—	14,289	13	14,302

¹ The Adjustment to Segment Profits or Losses (-344 million yen) reflects transaction eliminations and company expenses that were not allocated to the segments. The Adjustment to Segment Assets (10,954 million yen) reflects company assets, such as cash and reserves, that were not allocated to the segments. The Adjustment to Depreciation (16 million yen) reflects depreciation of company assets that were not allocated to the segments. The Adjustment to Increase in Property, Plant, and Equipment and Intangible Assets (13 million yen) reflects company assets that were not allocated to the segments.

² Segment Profits or Losses are calculated for each segment from consolidated operating profit.

Revenues, P&L, Assets, and Other Items by Segment (FY16/2 Q3 Stand-Alone – Current Period)

(September 1, 2015 to November 30, 2015) (Million Yen)

	Segment					Adjustment ¹	Amount Recorded in Consolidated Financial Statements ²
	Asset Management	Value-Add	Clean Energy	Other	Total		
Revenues							
Revenues from External Customers	1,213	28,196	445	38	29,893	—	29,893
Inter-Segment Activities or Reclassifications	352	1	—	—	354	(354)	—
Total	1,566	28,198	445	38	30,247	(354)	29,893
Segment Profits or Losses	672	7,868	71	15	8,627	60	8,688
Segment Assets	3,235	185,165	15,980	6,473	210,854	21,340	232,195
Other							
Depreciation	2	60	129	—	192	9	201
Impairment Loss	—	—	—	—	—	—	—
Increase in Property, Plant, and Equipment and Intangible Assets	0	15	2,569	—	2,584	14	2,599

¹ The Adjustment to Segment Profits or Losses (60 million yen) reflects transaction eliminations and company expenses that were not allocated to the segments. The Adjustment to Segment Assets (21,340 million yen) reflects company assets, such as cash and reserves, that were not allocated to the segments. The Adjustment to Depreciation (9 million yen) reflects depreciation of company assets that were not allocated to the segments. The Adjustment to Increase in Property, Plant, and Equipment and Intangible Assets (14 million yen) reflects company assets that were not allocated to the segments.

² Segment Profits or Losses are calculated for each segment from consolidated operating profit.

Revenues, P&L, Assets, and Other Items by Segment (FY15/2 Q3 Stand-Alone – Previous Period)

(September 1, 2014 to November 30, 2014) (Million Yen)

	Segment					Adjustment ¹	Amount Recorded in Consolidated Financial Statements ²
	Asset Management	Value-Add	Clean Energy	Other	Total		
Revenues							
Revenues from External Customers	931	3,790	146	0	4,869	—	4,869
Inter-Segment Revenues or Reclassifications	193	0	—	—	194	(194)	—
Total	1,125	3,791	146	0	5,063	(194)	4,869
Segment Profits or Losses	66	1,421	(25)	(22)	1,439	(57)	1,382
Segment Assets	2,954	130,540	11,298	6,212	151,006	10,954	161,961
Other							
Depreciation	2	88	43	—	134	5	140
Impairment Loss	—	—	—	—	—	—	—
Increase in Property, Plant, and Equipment and Intangible Assets	—	808	1,629	—	2,437	0	2,437

¹ The Adjustment to Segment Profits or Losses (-57 million yen) reflects transaction eliminations and company expenses that were not allocated to the segments. The Adjustment to Segment Assets (10,954 million yen) reflects company assets, such as cash and reserves, that were not allocated to the segments. The Adjustment to Depreciation (5 million yen) reflects depreciation of company assets that were not allocated to the segments.

² Segment Profits or Losses are calculated for each segment from consolidated operating profit.

Consolidated Balance Sheet (FY16/2 Q3)

(Million Yen)

	FY15/2 (Feb 28, 2015)	FY16/2 Q3 (Nov 30, 2015)
Assets		
Current Assets		
Cash and cash equivalents	19,383	31,078
Trade notes and accounts receivable	519	1,447
Operational investments in loans	2,330	1,324
Operational investments in securities	1,965	2,485
Real estate for sale	109,769	152,275
Deferred tax assets	1,200	1,300
Other	2,657	3,235
Less: allowance for doubtful accounts	(484)	(491)
Total Current Assets	137,342	192,656
Fixed Assets		
Property, Plant, and Equipment		
Buildings and structures (net)	4,021	3,869
Equipment (net)	9,168	9,869
Land	12,142	12,192
Other (net)	989	3,851
Total Property, Plant, and Equipment	26,321	29,783
Intangible Assets		
Goodwill	2,082	1,977
Leasehold rights	392	392
Other	27	34
Total Intangible Assets	2,502	2,404
Investments and Other Assets		
Investments in securities	5,266	5,799
Long-term loans receivable	12	12
Deferred tax assets	2	16
Other	1,392	1,617
Less: allowance for doubtful accounts	(95)	(94)
Total Investments and Other Assets	6,578	7,351
Total Fixed Assets	35,402	39,538
Total Assets	172,744	232,195

(Million Yen)

	FY15/2 (Feb 28, 2015)	FY16/2 Q3 (Nov 30, 2015)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	124	105
Short-term borrowings	1,416	1,255
Short-term non-recourse loans	48	522
Long-term borrowings (due within one year)	3,488	7,723
Long-term non-recourse loans (due within one year)	786	2,995
Income taxes payable	284	484
Deferred tax liabilities	30	32
Accrued bonuses	16	352
Other current liabilities	3,677	3,954
Total Current Liabilities	9,872	17,425
Long-Term Liabilities		
Non-recourse bonds	100	100
Long-term borrowings	53,409	77,332
Long-term non-recourse loans	43,004	56,371
Deferred tax liabilities	1,402	1,236
Long-term security deposits received	6,391	8,227
Negative goodwill	90	22
Other long-term liabilities	96	325
Total Long-Term Liabilities	104,494	143,616
Total Liabilities	114,367	161,041
Net Assets		
Shareholders' Equity		
Capital	26,499	26,529
Capital reserve	10,873	10,915
Retained earnings	17,201	28,126
Treasury shares	(78)	(53)
Total Shareholders' Equity	54,496	65,518
Accumulated Other Comprehensive Income		
Unrealized gain on other securities, net	1,208	1,090
Deferred gain (loss) on hedges	(36)	(153)
Foreign currency translation adjustment	6	25
Total Accumulated Other Comprehensive Income	1,177	962
Stock Options	198	300
Minority Interests	2,505	4,370
Total Net Assets	58,377	71,153
Total Liabilities and Net Assets	172,744	232,195

Consolidated Income Statement (FY16/2 Q3)

(Million Yen)

	FY15/2 Q3 (Mar 1, 2014 to Nov 30, 2014)	FY16/2 Q3 (Mar 1, 2015 to Nov 30, 2015)
Revenues	14,748	44,500
Cost of Goods Sold	7,292	27,458
Gross Profit	7,456	17,041
SG&A	2,949	3,439
Operating Profit	4,506	13,602
Non-Operating Profit		
Interest income	4	1
Dividend income	72	74
Amortization of negative goodwill	67	67
Other	16	34
Total Non-Operating Profit	161	177
Non-Operating Expenses		
Interest expense	699	950
Other	79	379
Total Non-Operating Expenses	779	1,329
Recurring Profit	3,888	12,450
Extraordinary Gain		
Gain on sales of investment securities	—	223
Gain on redemptions of equity holdings in subsidiaries	57	—
Total Extraordinary Gain	57	223
Extraordinary Loss		
Office move expenses	—	9
Total Extraordinary Loss	—	9
Profit before Income Taxes	3,946	12,664
Income Taxes – Current	324	1,185
Income Taxes – Deferred	(37)	(223)
Total Income Taxes	287	962
Profit before Gain on Minority Interests	3,658	11,702
Gain on Minority Interests	94	104
Net Income	3,564	11,598

Consolidated Income Statement (FY16/2 Q3 Stand-Alone)

(Million Yen)

	FY15/2 Q3 (Sep 1, 2014 to Nov 30, 2014)	FY16/2 Q3 (Sep 1, 2015 to Nov 30, 2015)
Revenues	4,869	29,893
Cost of Goods Sold	2,523	20,015
Gross Profit	2,345	9,878
SG&A	963	1,189
Operating Profit	1,382	8,688
Non-Operating Profit		
Interest income	1	0
Dividend income	61	60
Amortization of negative goodwill	22	22
Other	5	9
Total Non-Operating Profit	91	92
Non-Operating Expenses		
Interest expense	276	372
Other	23	309
Total Non-Operating Expenses	300	682
Recurring Profit	1,173	8,099
Extraordinary Gain		
Gain on redemptions of equity holdings in subsidiaries	57	–
Total Extraordinary Gain	57	–
Profit before Income Taxes	1,230	8,099
Income Taxes – Current	131	676
Income Taxes – Deferred	0	(3)
Total Income Taxes	131	672
Profit before Gain on Minority Interests	1,098	7,426
Gain on Minority Interests	25	50
Net Income	1,073	7,376

Consolidated Statement of Comprehensive Income (FY16/2 Q3)

(Million Yen)

	FY15/2 Q3 (Mar 1, 2014 to Nov 30, 2014)	FY16/2 Q3 (Mar 1, 2015 to Nov 30, 2015)
Profit before Gain on Minority Interests	3,658	11,702
Other Comprehensive Income		
Valuation gain (loss) on other securities	919	(337)
Deferred gain (loss) on hedges	(19)	(116)
Foreign currency translation adjustment	7	(2)
Total Other Comprehensive Income	907	(457)
Comprehensive Income	4,566	11,244
(Breakdown)		
Comprehensive income for shareholders of the parent company	4,337	11,361
Comprehensive income for minority interests	228	(116)

Consolidated Statement of Comprehensive Income (FY16/2 Q3 Stand-Alone)

(Million Yen)

	FY15/2 Q3 (Sep 1, 2014 to Nov 30, 2014)	FY16/2 Q3 (Sep 1, 2015 to Nov 30, 2015)
Profit before Gain on Minority Interests	1,098	7,426
Other Comprehensive Income		
Valuation gain (loss) on other securities	624	90
Deferred gain (loss) on hedges	9	(117)
Foreign currency translation adjustment	14	(4)
Total Other Comprehensive Income	648	(31)
Comprehensive Income	1,746	7,394
(Breakdown)		
Comprehensive income for shareholders of the parent company	1,716	7,353
Comprehensive income for minority interests	30	40

Consolidated Cash Flow Statement (FY16/2 Q3)

(Million Yen)

	FY15/2 Q3 (Mar 1, 2014 to Nov 30, 2014)	FY16/2 Q3 (Mar 1, 2015 to Nov 30, 2015)
Cash Flows from Operating Activities:		
Pre-tax net income	3,946	12,664
Depreciation	393	576
Share-based compensation expenses	87	126
Amortization of goodwill	104	104
Amortization of negative goodwill	(67)	(67)
Increase (decrease) in accrued bonuses	207	336
Increase (decrease) in allowance for doubtful accounts	63	6
Interest and dividend income	(76)	(75)
Interest expense	699	950
Loss (gain) on sales of investment securities	—	(223)
Decrease (increase) in trading notes and receivables	(371)	(928)
Decrease (increase) in operating loan receivables	(1,000)	1,006
Decrease (increase) in operational investments in securities	1,078	587
Decrease (increase) in real estate for sale	(36,594)	(42,505)
Decrease (increase) in prepaid expenses	(322)	(327)
Decrease (increase) in accounts receivable	(489)	(860)
Increase (decrease) in accounts payable	400	(309)
Increase (decrease) in accrued expenses	(273)	130
Increase (decrease) in security deposits received	1,853	1,901
Other	586	243
Sub-total	(29,773)	(26,664)
Interest and dividend income received	76	75
Interest expenses paid	(625)	(910)
Income taxes paid	(47)	(301)
Income taxes refund	539	804
Net Cash from (Used for) Operating Activities	(29,831)	(26,996)

(Million Yen)

	FY15/2 Q3 (Mar 1, 2014 to Nov 30, 2014)	FY16/2 Q3 (Mar 1, 2015 to Nov 30, 2015)
Cash Flows from Investing Activities:		
Payments into time deposits	(325)	(0)
Proceeds from withdrawal of time deposits	325	—
Acquisition of investment securities	(210)	(671)
Proceeds from sales of investment securities	—	296
Proceeds from redemptions of investment securities	0	—
Acquisition of property and equipment	(8,319)	(4,135)
Acquisition of intangible assets	(22)	(10)
Payments for investments	(4)	(9)
Proceeds from redemptions of investments	0	0
Payments of security deposits	(127)	(37)
Proceeds from redemptions of security deposits	—	9
Payments for acquisitions of newly consolidated subsidiaries	(1,349)	—
Other	2	0
Net Cash from (Used for) Investing Activities	(10,030)	(4,557)
Cash Flows from Financing Activities:		
Increase (decrease) in short-term bank loans, net	262	(161)
Increase (decrease) in short-term non-recourse loans, net	48	474
Proceeds from long-term bank loans	37,362	46,423
Repayment of long-term bank loans	(4,241)	(18,264)
Proceeds from long-term non-recourse loans	4,200	18,150
Repayment of long-term non-recourse loans	(3,058)	(2,573)
Proceeds from exercise of stock options	69	73
Proceeds from minority interests	—	2,000
Cash dividends paid	(542)	(645)
Cash dividends paid to minority interests	—	(17)
Net Cash from (Used for) Financing Activities	34,100	45,456
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(67)	0
Increase (Decrease) in Cash and Cash Equivalents	(5,829)	13,903
Cash and Cash Equivalents at Beginning of Period	24,581	18,972
Cash and Cash Equivalents Resulting from New Entity Consolidation	280	—
Cash and Cash Equivalents Resulting from Exclusion from Consolidation	(345)	(2,208)
Cash and Cash Equivalents at End of Period	18,687	30,667

Consolidated Cash Flow Statement (FY16/2 Q3 Stand-Alone)

(Million Yen)

	FY15/2 Q3 (Sep 1, 2014 to Nov 30, 2014)	FY16/2 Q3 (Sep 1, 2015 to Nov 30, 2015)
Cash Flows from Operating Activities:		
Pre-tax net income	1,230	8,099
Depreciation	137	201
Share-based compensation expenses	20	42
Amortization of goodwill	34	34
Amortization of negative goodwill	(22)	(22)
Increase (decrease) in accrued bonuses	103	151
Increase (decrease) in allowance for doubtful accounts	49	6
Interest and dividend income	(62)	(60)
Interest expense	276	372
Decrease (increase) in trading notes and receivables	(230)	(333)
Decrease (increase) in operational investments in securities	(19)	1,111
Decrease (increase) in real estate for sale	(4,390)	13,838
Decrease (increase) in prepaid expenses	21	123
Decrease (increase) in accounts receivable	(130)	(762)
Increase (decrease) in accounts payable	258	(7)
Decrease (increase) in accrued expenses	(100)	69
Increase (decrease) in security deposits received	298	(322)
Other	241	(163)
Sub-total	(2,284)	22,378
Interest and dividend income received	62	60
Interest expenses paid	(247)	(351)
Income taxes paid	(24)	(92)
Net Cash from (Used for) Operating Activities	(2,493)	21,994

(Million Yen)

	FY15/2 Q3 (Sep 1, 2014 to Nov 30, 2014)	FY16/2 Q3 (Sep 1, 2015 to Nov 30, 2015)
Cash Flows from Investing Activities:		
Payments into time deposits	(0)	(0)
Proceeds from withdrawal of time deposits	325	—
Acquisition of investment securities	(43)	(371)
Proceeds from redemptions of investment securities	0	—
Acquisition of property and equipment	(2,803)	(2,263)
Acquisition of intangible assets	—	(10)
Payments for investments	(1)	(1)
Proceeds from redemptions of investments	—	0
Payments of security deposits	(4)	(13)
Proceeds from security deposits	—	0
Payments for acquisitions of newly consolidated subsidiaries	(1,349)	—
Other	1	0
Net Cash from (Used for) Investing Activities	(3,874)	(2,658)
Cash Flows from Financing Activities:		
Increase (decrease) in short-term bank loans, net	(240)	515
Increase (decrease) in short-term non-recourse loans, net	—	79
Proceeds from long-term bank loans	7,490	4,751
Repayment of long-term bank loans	(692)	(13,254)
Proceeds from long-term non-recourse loans	—	1,650
Repayment of long-term non-recourse loans	(985)	(2,067)
Proceeds from exercise of stock options	52	52
Cash dividends paid	(0)	(0)
Cash dividends paid to minority interests	—	(17)
Net Cash from (Used for) Financing Activities	5,623	(8,292)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(97)	(1)
Increase (Decrease) in Cash and Cash Equivalents	(841)	11,042
Cash and Cash Equivalents at Beginning of Period	19,529	21,503
Cash and Cash Equivalents Resulting from Exclusion from Consolidation	—	(1,878)
Cash and Cash Equivalents at End of Period	18,687	30,667