



Ichigo Preserves and Improves Real Estate



[Provisional Translation Only]

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FY17/2 Q1 Earnings Summary

July 14, 2016

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

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Submission of the Quarterly Report (*Shihanki Hokokusho*): July 15, 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. FY17/2 Q1 Consolidated Financial Results (March 1, 2016 to May 31, 2016)

(1) Consolidated Financial Results

(YOY = year-on-year % change)

	Revenues (million yen) YOY		Operating Profit (million yen) YOY		Recurring Profit (million yen) YOY		Net Income (million yen) YOY	
	FY17/2 Q1	46,415	+421.3%	5,412	+117.2%	4,806	+115.2%	5,585
FY16/2 Q1	8,903	+36.4%	2,492	+11.5%	2,233	+8.6%	2,375	+27.4%

Note: Comprehensive income FY17/2 Q1: 5,404 million yen (+131.8% YOY)

FY16/2 Q1: 2,331 million yen (+12.2% YOY)

	Net Income per Share (basic, yen)	Net Income per Share (diluted, yen)
FY17/2 Q1	11.13	11.08
FY16/2 Q1	4.76	4.72

(2) Consolidated Financial Condition

	Total Assets (million yen)	Net Assets (million yen)	Equity Ratio (%)	Net Assets per Share (yen)
FY17/2 Q1	244,037	74,103	29.2	141.78
FY16/2	251,757	72,166	26.8	134.54

Note: Shareholders' equity FY17/2 Q1: 71,151 million yen FY16/2 : 67,489 million yen

2. Dividends

	Dividend per Share (yen)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
FY16/2	—	0.00	—	3.00	3.00
FY17/2 (Forecast)	—	0.00	—	5.00	5.00

Changes since the previously announced forecast: None

3. FY17/2 Full-Year Consolidated Forecast (March 1, 2016 to February 28, 2017)

(YOY = year-on-year % change)

	Revenues (million yen)		Operating Profit (million yen)		Recurring Profit (million yen)	
		YOY		YOY		YOY
FY17/2	125,600	+152.7%	18,500	+20.0%	16,400	+18.1%
	Net Income (million yen) YOY		Net Income per Share (yen)			
FY17/2	13,300	+2.9%		26.43		

Changes since the previously announced forecast: None

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

4. Other

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

Subsidiaries removed from consolidation: GK Motozabu Holdings Tokumei Kumiai
GK Ikenohata 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

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|---|--------------------------|
| (i) Changes in accounting standards/principles: | Yes (no earnings impact) |
| (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

FY17/2 Q1:	502,688,900
FY16/2:	502,523,100

(ii) Number of treasury shares

FY17/2 Q1:	845,200
FY16/2:	884,200

(iii) Average number of outstanding shares

FY17/2 Q1:	501,679,223
FY16/2 Q1:	499,184,654

Note on Appropriate Use of Forecasts

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

5. Segment Information

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

Value-Add preserves and improves real estate. The Company receives rental income during the period it is carrying out its value-add, along with 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.

Revenues, P&L, Assets, and Other Items by Segment (FY17/2 Q1 – Current Period)

(March 1, 2016 to May 31, 2016) (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	1,185	44,667	556	5	46,415	—	46,415
Inter-Segment Revenues or Reclassifications	546	1	—	—	547	(547)	—
Total	1,732	44,668	556	5	46,963	(547)	46,415
Segment Profits or Losses	800	4,404	143	(14)	5,334	77	5,412
Segment Assets	3,103	194,547	20,050	2,276	219,978	24,059	244,037
Other							
Depreciation	1	56	157	—	216	8	224
Increase in Property, Plant, and Equipment and Intangible Assets	—	5	1,690	—	1,695	—	1,695

¹ The Adjustment to Segment Profits or Losses (77 million yen) reflects transaction eliminations and company expenses that were not allocated to the segments. The Adjustment to Segment Assets (24,059 million yen) reflects company assets, such as cash and reserves, that were not allocated to the segments. The Adjustment to Depreciation (8 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.

Revenues, P&L, Assets, and Other Items by Segment (FY16/2 Q1 – Previous Period)

(March 1, 2015 to May 31, 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	1,529	6,988	379	6	8,903	—	8,903
Inter-Segment Activities or Reclassifications	209	0	—	0	210	(210)	—
Total	1,738	6,989	379	6	9,114	(210)	8,903
Segment Profits or Losses	875	1,572	96	(16)	2,527	(34)	2,492
Segment Assets	2,971	139,705	13,600	6,077	162,356	14,032	176,388
Other							
Depreciation	2	60	111	—	174	7	181
Increase in Property, Plant, and Equipment and Intangible Assets	0	9	626	—	636	—	636

¹ The Adjustment to Segment Profits or Losses (-34 million yen) reflects transaction eliminations and company expenses that were not allocated to the segments. The Adjustment to Segment Assets (14,032 million yen) reflects company assets, such as cash and reserves, that were not allocated to the segments. The Adjustment to Depreciation (7 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 (FY17/2 Q1)

(Million Yen)

	FY16/2 (Feb 29, 2016)	FY17/2 Q1 (May 31, 2016)
Assets		
Current Assets		
Cash and cash equivalents	28,779	35,183
Trade notes and accounts receivable	691	1,494
Operational investments in loans	1,324	1,324
Operational investments in securities	1,784	2,617
Real estate for sale	172,833	159,384
Deferred tax assets	1,766	1,173
Other	3,966	4,669
Less: allowance for doubtful accounts	(458)	(447)
Total Current Assets	210,687	205,401
Fixed Assets		
Property, Plant, and Equipment		
Buildings and structures (net)	3,830	3,773
Equipment (net)	12,267	13,099
Land	12,192	12,192
Buildings under construction	3,173	3,872
Other (net)	82	81
Total Property, Plant, and Equipment	31,546	33,020
Intangible Assets		
Goodwill	1,942	1,969
Leasehold rights	392	392
Other	38	35
Total Intangible Assets	2,373	2,398
Investments and Other Assets		
Investments in securities	5,486	1,734
Long-term loans receivable	12	10
Deferred tax assets	39	33
Other	1,736	1,532
Less: allowance for doubtful accounts	(124)	(93)
Total Investments and Other Assets	7,149	3,217
Total Fixed Assets	41,069	38,635
Total Assets	251,757	244,037

(Million Yen)

	FY16/2 (Feb 29, 2016)	FY17/2 Q1 (May 31, 2016)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	80	81
Short-term borrowings	2,188	1,425
Short-term non-recourse loans	79	79
Long-term borrowings (due within one year)	8,161	10,171
Long-term non-recourse loans (due within one year)	2,975	931
Income taxes payable	631	250
Deferred tax liabilities	53	75
Accrued bonuses	13	155
Other current liabilities	3,979	3,906
Total Current Liabilities	18,161	17,077
Long-Term Liabilities		
Non-recourse bonds	100	100
Long-term borrowings	94,409	91,011
Long-term non-recourse loans	56,193	52,447
Deferred tax liabilities	1,543	1,590
Long-term security deposits received	8,707	6,965
Other long-term liabilities	475	742
Total Long-Term Liabilities	161,430	152,857
Total Liabilities	179,591	169,934
Net Assets		
Shareholders' Equity		
Capital	26,575	26,589
Capital reserve	10,968	10,983
Retained earnings	29,454	33,534
Treasury shares	(41)	(39)
Total Shareholders' Equity	66,956	71,068
Accumulated Other Comprehensive Income		
Valuation gain (loss) on other securities	761	503
Deferred gain (loss) on hedges	(251)	(440)
Foreign currency translation adjustment	23	20
Total Accumulated Other Comprehensive Income	533	83
Stock Options	319	365
Minority Interests	4,357	2,586
Total Net Assets	72,166	74,103
Total Liabilities and Net Assets	251,757	244,037

Consolidated Income Statement (FY17/2 Q1)

(Million Yen)

	FY16/2 Q1 (Mar 1, 2015 to May 31, 2015)	FY17/2 Q1 (Mar 1, 2016 to May 31, 2016)
Revenues	8,903	46,415
Cost of Goods Sold	5,276	39,803
Gross Profit	3,627	6,612
SG&A	1,134	1,200
Operating Profit	2,492	5,412
Non-Operating Profit		
Interest income	0	0
Dividend income	4	3
Amortization of negative goodwill	22	—
Other	13	5
Total Non-Operating Profit	41	8
Non-Operating Expenses		
Interest expense	265	381
Debt financing-related fees, etc.	7	202
Other	27	30
Total Non-Operating Expenses	300	614
Recurring Profit	2,233	4,806
Extraordinary Gain		
Gain on sales of investment securities	223	2,427
Total Extraordinary Gain	223	2,427
Extraordinary Loss		
Earthquake damages	—	242
Total Extraordinary Loss	—	242
Pre-Tax Net Income	2,456	6,990
Income Taxes – Current	179	548
Income Taxes – Deferred	(124)	555
Total Income Taxes	55	1,103
Pre-Minority Interest Net Income	2,401	5,886
Net Income Attributable to Minority Interests	25	301
Net Income	2,375	5,585

Consolidated Statement of Comprehensive Income (FY17/2 Q1)

(Million Yen)

	FY16/2 Q1 (Mar 1, 2015 to May 31, 2015)	FY17/2 Q1 (Mar 1, 2016 to May 31, 2016)
Net Income	2,401	5,886
Other Comprehensive Income		
Valuation gain (loss) on other securities	(64)	(263)
Deferred gain (loss) on hedges	(1)	(211)
Foreign currency translation adjustment	(3)	(8)
Total Other Comprehensive Income	(69)	(482)
Comprehensive Income	2,331	5,404
Comprehensive income attributable to shareholders	2,318	5,135
Comprehensive income attributable to minority interests	12	268

Consolidated Cash Flow Statement (FY17/2 Q1)

(Million Yen)

	FY16/2 Q1 (Mar 1, 2015 to May 31, 2015)	FY17/2 Q1 (Mar 1, 2016 to May 31, 2016)
Cash Flows from Operating Activities:		
Pre-tax net income	2,456	6,990
Depreciation	181	224
Share-based compensation expenses	42	56
Amortization of goodwill	34	35
Amortization of negative goodwill	(22)	—
Increase (decrease) in accrued bonuses	166	142
Increase (decrease) in allowance for doubtful accounts	14	(6)
Interest and dividend income	(5)	(3)
Interest expense	265	381
Loss (gain) on sales of investment securities	(223)	(2,427)
Decrease (increase) in trading notes and receivables	(643)	(802)
Decrease (increase) in operating loan receivables	1,006	—
Decrease (increase) in operational investments in securities	283	814
Decrease (increase) in real estate for sale	(2,392)	13,451
Decrease (increase) in advances paid	—	10
Decrease (increase) in prepaid expenses	(50)	151
Decrease (increase) in accounts receivable	(130)	(393)
Increase (decrease) in accounts payable	(444)	(872)
Increase (decrease) in accrued expenses	69	44
Increase (decrease) in security deposits received	72	(1,740)
Other	345	(191)
Sub-total	1,027	15,865
Interest and dividend income received	5	3
Interest expenses paid	(268)	(327)
Income taxes paid	(207)	(547)
Net Cash from (Used for) Operating Activities	556	14,994

(Million Yen)

	FY16/2 Q1 (Mar 1, 2015 to May 31, 2015)	FY17/2 Q1 (Mar 1, 2016 to May 31, 2016)
Cash Flows from Investing Activities:		
Payments into time deposits	(0)	(0)
Proceeds from sales of investment securities	296	6,021
Acquisition of property and equipment	(1,223)	(1,045)
Payments for investments	(6)	(2)
Payments of security deposits	(19)	—
Proceeds from redemptions of security deposits	9	—
Proceeds from acquisitions of subsidiaries resulting in the change of consolidation scope	—	(89)
Other	0	(0)
Net Cash from (Used for) Investing Activities	(943)	4,884
Cash Flows from Financing Activities:		
Increase (decrease) in short-term bank loans, net	(681)	(763)
Increase (decrease) in short-term non-recourse loans, net	(48)	—
Proceeds from long-term bank loans	7,651	25,870
Repayment of long-term bank loans	(3,819)	(27,504)
Proceeds from long-term non-recourse loans	—	4,350
Repayment of long-term non-recourse loans	(109)	(10,140)
Proceeds from exercise of stock options	8	22
Proceeds from minority interests	—	(2,000)
Cash dividends paid	(601)	(1,425)
Cash dividends paid to minority interests	—	(39)
Net Cash from (Used for) Financing Activities	2,400	(11,630)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	0	(5)
Increase (Decrease) in Cash and Cash Equivalents	2,013	8,242
Cash and Cash Equivalents at Beginning of Period	18,972	28,368
Cash and Cash Equivalents Resulting from Exclusion from Consolidation	(330)	(1,838)
Cash and Cash Equivalents at End of Period	20,655	34,772