



Ichigo Preserves and Improves Real Estate



[Provisional Translation Only]

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FY17/2 H1 Earnings Summary

October 14, 2016

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

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Submission of the Quarterly Report (*Shihanki Hokokusho*): October 17, 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 H1 Consolidated Financial Results (March 1, 2016 to August 31, 2016)

(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
FY17/2 H1	85,991	+488.7%	14,984	+205.0%	13,834	+217.9%	11,935	+182.7%
FY16/2 H1	14,607	+47.9%	4,913	+57.3%	4,351	+60.2%	4,221	+69.5%

Note: Comprehensive income FY17/2 H1: JPY 11,308 million (+193.7% YOY)

FY16/2 H1: JPY 3,849 million (+36.5% YOY)

	Net Income per Share (basic, yen)	Net Income per Share (diluted, yen)
FY17/2 H1	23.79	23.67
FY16/2 H1	8.46	8.39

(2) Consolidated Financial Condition

	Total Assets (million yen)	Net Assets (million yen)	Equity Ratio (%)	Net Assets per Share (yen)
FY17/2 H1	229,612	80,072	33.6	153.57
FY16/2	251,757	72,166	26.8	134.54

Note: Shareholders' equity FY17/2 H1: JPY 77,080 million FY16/2: JPY 67,489 million

2. Dividends

	Dividend per Share (yen)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
FY16/2	–	–	–	3	3
FY17/2 (Forecast)	–	–	–	5	5

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 Motoazabu 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

- | | |
|---|--------------------------|
| (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 H1:	502,767,200
FY16/2:	502,523,100

(ii) Number of treasury shares

FY17/2 H1:	831,200
FY16/2:	884,200

(iii) Average number of outstanding shares

FY17/2 H1:	501,785,169
FY16/2 H1:	499,291,997

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.

Consolidated Balance Sheet (FY17/2 H1)

(Million Yen)

	FY16/2 (Feb 29, 2016)	FY17/2 H1 (Aug 31, 2016)
Assets		
Current Assets		
Cash and cash equivalents	28,779	46,473
Trade notes and accounts receivable	691	1,021
Operational investments in loans	1,324	1,324
Operational investments in securities	1,784	880
Real estate for sale	172,833	135,193
Power plants for sale	-	7,251
Deferred tax assets	1,766	407
Other	3,966	2,954
Less: allowance for doubtful accounts	-458	-414
Total Current Assets	210,687	195,093
Fixed Assets		
Property, Plant, and Equipment		
Buildings and structures (net)	3,830	3,734
Equipment (net)	12,267	6,850
Land	12,192	12,109
Buildings under construction	3,173	6,854
Other (net)	82	75
Total Property, Plant, and Equipment	31,546	29,624
Intangible Assets		
Goodwill	1,942	1,935
Leasehold rights	392	62
Other	38	33
Total Intangible Assets	2,373	2,032
Investments and Other Assets		
Investments in securities	5,486	1,583
Long-term loans receivable	12	10
Deferred tax assets	39	40
Other	1,736	1,322
Less: allowance for doubtful accounts	-124	-92
Total Investments and Other Assets	7,149	2,862
Total Fixed Assets	41,069	34,519
Total Assets	251,757	229,612

(Million Yen)

	FY16/2 (Feb 29, 2016)	FY17/2 H1 (Aug 31, 2016)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	80	72
Short-term borrowings	2,188	1,410
Short-term non-recourse loans	79	79
Bonds (due within one year)	–	112
Long-term borrowings (due within one year)	8,161	5,066
Long-term non-recourse loans (due within one year)	2,975	902
Income taxes payable	631	747
Deferred tax liabilities	53	48
Accrued bonuses	13	123
Other current liabilities	3,979	5,350
Total Current Liabilities	18,161	13,912
Long-Term Liabilities		
Bonds	–	688
Non-recourse bonds	100	100
Long-term borrowings	94,409	78,699
Long-term non-recourse loans	56,193	47,621
Deferred tax liabilities	1,543	1,398
Long-term security deposits received	8,707	6,239
Other long-term liabilities	475	881
Total Long-Term Liabilities	161,430	135,627
Total Liabilities	179,591	149,539
Net Assets		
Shareholders' Equity		
Capital	26,575	26,594
Capital reserve	10,968	10,988
Retained earnings	29,454	39,885
Treasury shares	-41	-39
Total Shareholders' Equity	66,956	77,429
Accumulated Other Comprehensive Income		
Valuation gain (loss) on other securities	761	178
Deferred gain (loss) on hedges	-251	-534
Foreign currency translation adjustment	23	6
Total Accumulated Other Comprehensive Income	533	-349
Stock Options	319	419
Minority Interests	4,357	2,573
Total Net Assets	72,166	80,072
Total Liabilities and Net Assets	251,757	229,612

Consolidated Income Statement (FY17/2 H1)

(Million Yen)

	FY16/2 H1 (Mar 1, 2015 to Aug 31, 2015)	FY17/2 H1 (Mar 1, 2016 to Aug 31, 2016)
Revenues	14,607	85,991
Cost of Goods Sold	7,443	68,522
Gross Profit	7,163	17,468
SG&A	2,250	2,484
Operating Profit	4,913	14,984
Non-Operating Profit		
Interest income	1	-
Dividend income	13	11
Amortization of negative goodwill	45	-
Other	25	14
Total Non-Operating Profit	85	26
Non-Operating Expenses		
Interest expense	577	722
Debt financing-related fees, etc.	7	346
Other	62	107
Total Non-Operating Expenses	647	1,175
Recurring Profit	4,351	13,834
Extraordinary Gain		
Gain on sales of investment securities	223	2,427
Total Extraordinary Gain	223	2,427
Extraordinary Loss		
Office move expenses	9	-
Earthquake damages	-	242
Total Extraordinary Loss	9	242
Pre-Tax Net Income	4,565	16,019
Income Taxes – Current	509	2,535
Income Taxes – Deferred	-219	1,277
Total Income Taxes	289	3,812
Pre-Minority Interest Net Income	4,275	12,206
Net Income Attributable to Minority Interests	53	271
Net Income	4,221	11,935

Consolidated Income Statement (FY17/2 Q2 Stand-Alone)

(Million Yen)

	FY16/2 Q2 (Jun 1, 2015 to Aug 31, 2015)	FY17/2 Q2 (Jun 1, 2016 to Aug 31, 2016)
Revenues	5,703	39,575
Cost of Goods Sold	2,167	28,719
Gross Profit	3,536	10,856
SG&A	1,115	1,284
Operating Profit	2,420	9,571
Non-Operating Profit		
Interest income	1	-
Dividend income	8	8
Amortization of negative goodwill	22	-
Other	11	8
Total Non-Operating Profit	44	17
Non-Operating Expenses		
Interest expense	312	340
Debt financing-related fees, etc.	-	143
Other	34	76
Total Non-Operating Expenses	347	560
Recurring Profit	2,118	9,028
Extraordinary Loss		
Office move expenses	9	-
Total Extraordinary Loss	9	-
Pre-Tax Net Income	2,108	9,028
Income Taxes – Current	329	1,986
Income Taxes – Deferred	-95	722
Total Income Taxes	233	2,709
Pre-Minority Interest Net Income	1,874	6,319
Net Income (Loss) Attributable to		
Minority	28	-30
Interests		
Net Income	1,845	6,350

Consolidated Statement of Comprehensive Income (FY17/2 H1)

(Million Yen)

	FY16/2 H1 (Mar 1, 2015 to Aug 31, 2015)	FY17/2 H1 (Mar 1, 2016 to Aug 31, 2016)
Net Income	4,275	12,206
Other Comprehensive Income		
Valuation gain (loss) on other securities	-427	-589
Deferred gain (loss) on hedges	-	-283
Foreign currency translation adjustment	1	-25
Total Other Comprehensive Income	-426	-898
Comprehensive Income	3,849	11,308
Comprehensive income attributable to shareholders	4,007	11,052
Comprehensive income attributable to minority interests	-157	255

Consolidated Statement of Comprehensive Income (FY17/2 Q2 Stand-Alone)

(Million Yen)

	FY16/2 Q2 (Jun 1, 2015 to Aug 31, 2015)	FY17/2 Q2 (Jun 1, 2016 to Aug 31, 2016)
Net Income	1,874	6,319
Other Comprehensive Income		
Valuation gain (loss) on other securities	-363	-326
Deferred gain (loss) on hedges	2	-71
Foreign currency translation adjustment	4	-17
Total Other Comprehensive Income	-356	-415
Comprehensive Income	1,518	5,903
Comprehensive income attributable to shareholders	1,688	5,917
Comprehensive income attributable to minority interests	-170	-13

Consolidated Cash Flow Statement (FY17/2 H1)

(Million Yen)

	FY16/2 H1 (Mar 1, 2015 to Aug 31, 2015)	FY17/2 H1 (Mar 1, 2016 to Aug 31, 2016)
Cash Flows from Operating Activities:		
Pre-tax net income	4,565	16,019
Depreciation	375	460
Share-based compensation expenses	83	114
Amortization of goodwill	69	70
Amortization of negative goodwill	-45	-
Increase (decrease) in accrued bonuses	185	110
Increase (decrease) in allowance for doubtful accounts	-	-33
Interest and dividend income	-14	-11
Interest expense	577	722
Loss (gain) on sales of investment securities	-223	-2,427
Decrease (increase) in trading notes and receivables	-594	-330
Decrease (increase) in operating loan receivables	1,006	-
Decrease (increase) in operational investments in securities	-523	2,571
Decrease (increase) in real estate for sale	-56,344	37,642
Decrease (increase) in advances paid	-	10
Decrease (increase) in prepaid expenses	-451	399
Decrease (increase) in accounts receivable	-98	-318
Increase (decrease) in accounts payable	-301	-581
Increase (decrease) in accrued expenses	61	17
Increase (decrease) in security deposits received	2,223	-2,466
Other	406	-202
Sub-total	-49,043	51,767
Interest and dividend income received	14	11
Interest expenses paid	-559	-633
Income taxes paid	-208	-549
Income taxes refunded	804	1,153
Net Cash from (Used for) Operating Activities	-48,991	51,748

(Million Yen)

	FY16/2 H1 (Mar 1, 2015 to Aug 31, 2015)	FY17/2 H1 (Mar 1, 2016 to Aug 31, 2016)
Cash Flows from Investing Activities:		
Payments into time deposits	-	-3,000
Redemptions of time deposits	-	201
Acquisition of investment securities	-300	-300
Proceeds from sales of investment securities	296	6,021
Acquisition of property, plant, and equipment	-1,872	-4,541
Acquisition of intangible assets	-	-
Payments for investments	-8	-2
Payments of security deposits	-24	-
Redemptions of security deposits	9	5
Acquisition of subsidiaries' shares resulting in change of consolidation scope	-	-93
Other	-	-
Net Cash from (Used for) Investing Activities	-1,899	-1,708
Cash Flows from Financing Activities:		
Increase (decrease) in short-term bank loans, net	-676	-778
Increase (decrease) in short-term non-recourse loans, net	395	-
Issuance of bonds	-	785
Proceeds from long-term bank loans	41,672	32,277
Repayment of long-term bank loans	-5,010	-51,323
Proceeds from long-term non-recourse loans	16,500	4,350
Repayment of long-term non-recourse loans	-505	-14,994
Proceeds from exercise of stock options	20	29
Dividends paid	-645	-1,499
Payments received from minority interests	2,000	0
Payments to minority interests	-	-2,000
Dividends paid to minority interests	-	-39
Net Cash from (Used for) Financing Activities	53,749	-33,193
Effect of Exchange Rate Changes on Cash and Cash Equivalents	2	-11
Increase (Decrease) in Cash and Cash Equivalents	2,861	16,835
Cash and Cash Equivalents at Beginning of Period	18,972	28,368
Cash and Cash Equivalents Resulting from Exclusion from Consolidation	-330	-1,939
Cash and Cash Equivalents at End of Period	21,503	43,264

Consolidated Cash Flow Statement (FY17/2 Q2 Stand-Alone)

(Million Yen)

	FY16/2 Q2 (Jun 1, 2015 to Aug 31, 2015)	FY17/2 Q2 (Jun 1, 2016 to Aug 31, 2016)
Cash Flows from Operating Activities:		
Pre-tax net income	2,108	9,028
Depreciation	193	236
Share-based compensation expenses	41	57
Amortization of goodwill	34	34
Amortization of negative goodwill	-22	-
Increase (decrease) in accrued bonuses	18	-31
Increase (decrease) in allowance for doubtful accounts	-14	-26
Interest and dividend income	-9	-8
Interest expense	312	340
Decrease (increase) in trading notes and receivables	49	472
Decrease (increase) in operational investments in securities	-807	1,756
Decrease (increase) in real estate for sale	-53,952	24,191
Decrease (increase) in prepaid expenses	-386	248
Decrease (increase) in accounts receivable	32	75
Increase (decrease) in accounts payable	142	291
Increase (decrease) in accrued expenses	-8	-27
Increase (decrease) in security deposits received	2,151	-726
Other	61	-10
Sub-total	-50,055	35,901
Interest and dividend income received	9	8
Interest expenses paid	-305	-307
Income taxes paid	-	-1
Income taxes refunded	804	1,153
Net Cash from (Used for) Operating Activities	-49,547	36,754

(Million Yen)

	FY16/2 Q2 (Jun 1, 2015 to Aug 31, 2015)	FY17/2 Q2 (Jun 1, 2016 to Aug 31, 2016)
Cash Flows from Investing Activities:		
Payments into time deposits	–	-3,000
Redemptions of time deposits	–	201
Acquisition of investment securities	-300	-300
Acquisition of property, plant, and equipment	-649	-3,496
Acquisition of intangible assets	–	–
Payments for investments	-2	–
Payments of security deposits	-5	–
Redemptions of security deposits	–	5
Acquisition of subsidiaries' shares resulting in change of consolidation scope	–	-3
Other	–	–
Net Cash from (Used for) Investing Activities	-956	-6,593
Cash Flows from Financing Activities:		
Increase (decrease) in short-term bank loans, net	5	-15
Increase (decrease) in short-term non-recourse loans, net	443	–
Issuance of bonds	–	785
Proceeds from long-term bank loans	34,021	6,407
Repayment of long-term bank loans	-1,191	-23,819
Proceeds from long-term non-recourse loans	16,500	–
Repayment of long-term non-recourse loans	-395	-4,854
Proceeds from exercise of stock options	12	7
Dividends paid	-44	-73
Dividends paid to minority interests	2,000	–
Net Cash from (Used for) Financing Activities	51,348	-21,562
Effect of Exchange Rate Changes on Cash and Cash Equivalents	2	-6
Increase (Decrease) in Cash and Cash Equivalents	847	8,593
Cash and Cash Equivalents at Beginning of Quarter	20,655	34,772
Cash and Cash Equivalents Resulting from Exclusion from Consolidation	–	-101
Cash and Cash Equivalents at End of Quarter	21,503	43,264

Revenues, P&L, Assets, and Other Items by Segment (FY17/2 H1 – Current Period)

(March 1, 2016 to August 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	2,460	82,305	1,214	10	85,991	–	85,991
Inter-Segment Revenues or Reclassifications	911	2	–	–	913	-913	–
Total	3,372	82,307	1,214	10	86,904	-913	85,991
Segment Profits or Losses	1,473	13,092	351	-135	14,781	202	14,984
Segment Assets	2,599	167,756	24,328	2,011	196,695	32,917	229,612
Other							
Depreciation	3	119	326	–	449	11	460
Increase in Property, Plant, and Equipment and Intangible Assets	–	26	5,434	–	5,461	1	5,462

¹ The Adjustment to Segment Profits or Losses (JPY 202 million) reflects transaction eliminations and company expenses that were not allocated to the segments. The Adjustment to Segment Assets (JPY 32,917 million) reflects company assets, such as cash and reserves, that were not allocated to the segments. The Adjustment to Depreciation (JPY 11 million) reflects depreciation of company assets that were not allocated to the segments. The Adjustment to Increase in Property, Plant, and Equipment and Intangible Assets (JPY 1 million) 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 H1 – Previous Period)

(March 1, 2015 to August 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	2,964	10,758	870	13	14,607	–	14,607
Inter-Segment Activities or Reclassifications	649	1	–	–	651	-651	–
Total	3,613	10,760	870	13	15,258	-651	14,607
Segment Profits or Losses	1,854	3,142	290	-31	5,256	-343	4,913
Segment Assets	2,880	198,705	14,429	6,006	222,022	10,290	232,312
Other							
Depreciation	4	121	234	–	360	15	375
Increase in Property, Plant, and Equipment and Intangible Assets	2	19	1,396	–	1,419	18	1,437

¹ The Adjustment to Segment Profits or Losses (JPY -343 million) reflects transaction eliminations and company expenses that were not allocated to the segments. The Adjustment to Segment Assets (JPY 10,290 million) reflects company assets, such as cash and reserves, that were not allocated to the segments. The Adjustment to Depreciation (JPY 15 million) reflects depreciation of company assets that were not allocated to the segments. The Adjustment to Increase in Property, Plant, and Equipment and Intangible Assets (JPY 18 million) 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

(FY17/2 Q2 Stand-Alone – Current Period)

(Jun 1, 2016 to August 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	1,274	37,637	658	4	39,575	–	39,575
Inter-Segment Revenues or Reclassifications	364	1	–	–	365	-365	–
Total	1,639	37,638	658	4	39,941	-365	39,575
Segment Profits or Losses	673	8,687	207	-121	9,447	124	9,571
Segment Assets	2,599	167,756	24,328	2,011	196,695	32,917	229,612
Other							
Depreciation	1	62	168	–	232	3	236
Increase in Property, Plant, and Equipment and Intangible Assets	–	20	3,744	–	3,765	1	3,766

¹ The Adjustment to Segment Profits or Losses (JPY 124 million) reflects transaction eliminations and company expenses that were not allocated to the segments. The Adjustment to Segment Assets (JPY 32,917 million) reflects company assets, such as cash and reserves, that were not allocated to the segments. The Adjustment to Depreciation (JPY 3 million) reflects depreciation of company assets that were not allocated to the segments. The Adjustment to Increase in Property, Plant, and Equipment and Intangible Assets (JPY 1 million) 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 Q2 Stand-Alone – Previous Period)

(Jun 1, 2015 to August 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	1,435	3,770	491	6	5,703	–	5,703
Inter-Segment Activities or Reclassifications	440	–	–	–	441	-441	–
Total	1,875	3,771	491	6	6,144	-441	5,703
Segment Profits or Losses	979	1,570	194	-15	2,729	-308	2,420
Segment Assets	2,880	198,705	14,429	6,006	222,022	10,290	232,312
Other							
Depreciation	2	60	122	–	185	7	193
Increase in Property, Plant, and Equipment and Intangible Assets	2	9	770	–	782	18	801

¹ The Adjustment to Segment Profits or Losses (-JPY 308 million) reflects transaction eliminations and company expenses that were not allocated to the segments. The Adjustment to Segment Assets (JPY 10,290 million) reflects company assets, such as cash and reserves, that were not allocated to the segments. The Adjustment to Depreciation (JPY 7 million) reflects depreciation of company assets that were not allocated to the segments. The Adjustment to Increase in Property, Plant, and Equipment and Intangible Assets (JPY 18 million) reflects company assets that were not allocated to the segments.

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