



Ichigo Preserves and Improves Real Estate



[Provisional Translation Only]

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FY17/2 Q3 Earnings Summary

January 13, 2017

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

Representative: Takuma Hasegawa, President

Inquiries: Go Watanabe, Executive Managing Director

Telephone: +81-3-3502-4818 www.ichigo.gr.jp/english

Submission of the Quarterly Report (*Shihanki Hokokusho*): January 16, 2017 (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 Q3 Consolidated Financial Results (March 1, 2016 to November 30, 2016)

(1) Consolidated Financial Results

(YOY = year-on-year % change)

	Revenue (million yen) YOY	Operating Profit (million yen) YOY	Recurring Profit (million yen) YOY	Net Income (million yen) YOY
FY17/2 Q3	93,835 +110.9%	17,042 +25.3%	15,375 +23.5%	12,837 +10.7%
FY16/2 Q3	44,500 +201.7%	13,602 +201.8%	12,450 +220.2%	11,598 +225.4%

Note: Comprehensive income

FY17/2 Q3: JPY 12,282 million (+9.2% YOY)

FY16/2 Q3: JPY 11,244 million (+146.2% YOY)

	Net Income per Share (basic, yen)	Net Income per Share (diluted, yen)
FY17/2 Q3	25.57	25.50
FY16/2 Q3	23.22	23.08

(2) Consolidated Financial Condition

	Total Assets (million yen)	Net Assets (million yen)	Equity Ratio (%)	Net Assets per Share (yen)
FY17/2 Q3	258,853	81,170	30.2	155.32
FY16/2	251,757	72,166	26.8	134.54

Note: Shareholders' equity FY17/2 Q3: JPY 78,125 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)

	Revenue (million yen) YOY		Operating Profit (million yen) YOY		Recurring Profit (million yen) 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: Ichigo provides a full-year earnings forecast, but not a half-year forecast, because Ichigo believes the longer full-year forecast is more consistent with global best practice and the focus of Japan's Corporate Governance Code on growing long-term sustainable corporate value.

4. Other

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

New subsidiary: GK Daiba Jisho Tokumei Kumiai
 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 Q3: 503,358,400
 FY16/2: 502,523,100

(ii) Number of treasury shares

FY17/2 Q3: 369,600
 FY16/2: 884,200

(iii) Average number of outstanding shares

FY17/2 Q3: 501,969,014
 FY16/2 Q3: 499,417,927

Note on Appropriate Use of Forecasts

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

5. Segment Information

Asset Management generates fee income via the management of Ichigo Office REIT (8975), Ichigo Hotel REIT (3463), Ichigo Green Infrastructure Investment Corporation (“Ichigo Green,” 9282), 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. Ichigo 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 Q3)

(Million Yen)

	FY16/2 (Feb 29, 2016)	FY17/2 Q3 (Nov 30, 2016)
Assets		
Current Assets		
Cash and cash equivalents	28,779	38,750
Trade notes and accounts receivable	691	1,382
Operational investments in loans	1,324	1,324
Operational investments in securities	1,784	982
Real estate for sale	172,833	168,869
Power plants for sale	—	7,259
Deferred tax assets	1,766	435
Other	3,966	2,866
Less: allowance for doubtful accounts	-458	-447
Total Current Assets	210,687	221,424
Fixed Assets		
Property, Plant, and Equipment		
Buildings and structures (net)	3,830	3,687
Solar power plant equipment (net)	12,267	6,771
Land	12,192	12,110
Solar power plants under construction	3,173	9,293
Other (net)	82	75
Total Property, Plant, and Equipment	31,546	31,937
Intangible Assets		
Goodwill	1,942	1,900
Leasehold rights	392	62
Other	38	32
Total Intangible Assets	2,373	1,994
Investments and Other Assets		
Investments in securities	5,486	1,565
Long-term loans receivable	12	10
Deferred tax assets	39	39
Other	1,736	1,974
Less: allowance for doubtful accounts	-124	-92
Total Investments and Other Assets	7,149	3,496
Total Fixed Assets	41,069	37,429
Total Assets	251,757	258,853

(Million Yen)

	FY16/2 (Feb 29, 2016)	FY17/2 Q3 (Nov 30, 2016)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	80	111
Short-term loans	2,188	600
Short-term non-recourse loans	79	611
Bonds (due within one year)	—	112
Long-term loans (due within one year)	8,161	4,645
Long-term non-recourse loans (due within one year)	2,975	1,370
Income taxes payable	631	727
Deferred tax liabilities	53	54
Accrued bonuses	13	247
Other current liabilities	3,979	5,534
Total Current Liabilities	18,161	14,014
Long-Term Liabilities		
Bonds	—	688
Non-recourse bonds	100	100
Long-term loans	94,409	87,337
Long-term non-recourse loans	56,193	65,365
Deferred tax liabilities	1,543	1,408
Long-term security deposits received	8,707	7,979
Other long-term liabilities	475	788
Total Long-Term Liabilities	161,430	163,668
Total Liabilities	179,591	177,682
Net Assets		
Shareholders' Equity		
Capital	26,575	26,625
Capital reserve	10,968	11,030
Retained earnings	29,454	40,786
Treasury shares	-41	-17
Total Shareholders' Equity	66,956	78,425
Accumulated Other Comprehensive Income		
Valuation gain (loss) on other securities	761	175
Deferred gain (loss) on long-term interest rate hedges	-251	-471
Foreign currency translation adjustment	23	-2
Total Accumulated Other Comprehensive Income	533	-299
Stock Options	319	449
Minority Interests	4,357	2,594
Total Net Assets	72,166	81,170
Total Liabilities and Net Assets	251,757	258,853

Consolidated Income Statement (FY17/2 Q3 – Cumulative 9 Months)

(Million Yen)

	FY16/2 Q3 (Mar 1, 2015 to Nov 30, 2015)	FY17/2 Q3 (Mar 1, 2016 to Nov 30, 2016)
Revenue	44,500	93,835
Cost of Goods Sold	27,458	73,045
Gross Profit	17,041	20,790
SG&A	3,439	3,748
Operating Profit	13,602	17,042
Non-Operating Income		
Interest income	1	—
Dividend income	74	80
Amortization of negative goodwill	67	—
Other	34	35
Total Non-Operating Income	177	115
Non-Operating Expenses		
Interest expense	950	1,034
Debt financing-related fees	86	580
Other	292	167
Total Non-Operating Expenses	1,329	1,782
Recurring Profit	12,450	15,375
Extraordinary Gains		
Gain on sales of investment securities	223	2,427
Total Extraordinary Gains	223	2,427
Extraordinary Losses		
Office move expenses	9	—
Earthquake-related damages	—	269
Total Extraordinary Losses	9	269
Pre-Tax Net Income	12,664	17,533
Income Taxes – Current	1,185	3,147
Income Taxes – Deferred	-223	1,250
Total Income Taxes	962	4,398
Pre-Minority Interest Net Income	11,702	13,135
Net Income Attributable to Minority Interests	104	297
Net Income	11,598	12,837

Consolidated Income Statement (FY17/2 Q3 – 3 Months)

(Million Yen)

	FY16/2 Q3 (Sep 1, 2015 to Nov 30, 2015)	FY17/2 Q3 (Sep 1, 2016 to Nov 30, 2016)
Revenue	29,893	7,844
Cost of Goods Sold	20,015	4,522
Gross Profit	9,878	3,321
SG&A	1,189	1,263
Operating Profit	8,688	2,058
Non-Operating Income		
Interest income	—	—
Dividend income	60	68
Amortization of negative goodwill	22	—
Other	9	20
Total Non-Operating Income	92	89
Non-Operating Expenses		
Interest expense	372	312
Debt financing-related fees	79	234
Other	230	59
Total Non-Operating Expenses	682	606
Recurring Profit	8,099	1,541
Extraordinary Losses		
Office move expenses	—	—
Earthquake-related damages	—	26
Total Extraordinary Losses	—	27
Pre-Tax Net Income	8,099	1,513
Income Taxes – Current	676	612
Income Taxes – Deferred	-3	-26
Total Income Taxes	672	585
Pre-Minority Interest Net Income	7,426	928
Net Income Attributable to Minority Interests	50	26
Net Income	7,376	902

Consolidated Statement of Comprehensive Income (FY17/2 Q3 – Cumulative 9 Months)

(Million Yen)

	FY16/2 Q3 (Mar 1, 2015 to Nov 30, 2015)	FY17/2 Q3 (Mar 1, 2016 to Nov 30, 2016)
Net Income	11,702	13,135
Other Comprehensive Income		
Valuation gain (loss) on other securities	-337	-588
Deferred gain (loss) on long-term interest rate hedges	-116	-220
Foreign currency translation adjustment	-2	-44
Total Other Comprehensive Income	-457	-853
Comprehensive Income	11,244	12,282
Comprehensive income attributable to shareholders	11,361	12,005
Comprehensive income attributable to minority interests	-116	276

Consolidated Statement of Comprehensive Income (FY17/2 Q3 – 3 Months)

(Million Yen)

	FY16/2 Q3 (Sep 1, 2015 to Nov 30, 2015)	FY17/2 Q3 (Sep 1, 2016 to Nov 30, 2016)
Net Income	7,426	928
Other Comprehensive Income		
Valuation gain (loss) on other securities	90	—
Deferred gain (loss) on long-term interest rate hedges	-117	62
Foreign currency translation adjustment	-4	-18
Total Other Comprehensive Income	-31	45
Comprehensive Income	7,394	973
Comprehensive income attributable to shareholders	7,353	952
Comprehensive income attributable to minority interests	40	21

Consolidated Cash Flow Statement (FY17/2 Q3 – Cumulative 9 Months)

(Million Yen)

	FY16/2 Q3 (Mar 1, 2015 to Nov 30, 2015)	FY17/2 Q3 (Mar 1, 2016 to Nov 30, 2016)
Cash Flows from Operating Activities:		
Pre-tax net income	12,664	17,533
Depreciation	576	615
Share-based compensation expenses	126	167
Amortization of goodwill	104	106
Amortization of negative goodwill	-67	—
Increase (decrease) in accrued bonuses	336	234
Increase (decrease) in allowance for doubtful accounts	6	—
Interest and dividend income	-75	-80
Interest expense	950	1,034
Loss (gain) on sales of investment securities	-223	-2,427
Decrease (increase) in trading notes and receivables	-928	-691
Decrease (increase) in operating loan receivables	1,006	—
Decrease (increase) in operational investments in securities	587	2,616
Decrease (increase) in real estate for sale	-42,505	3,956
Decrease (increase) in advances paid	—	-190
Decrease (increase) in prepaid expenses	-327	147
Decrease (increase) in accounts receivable	-860	-217
Increase (decrease) in accounts payable	-309	-638
Increase (decrease) in accrued expenses	130	40
Increase (decrease) in security deposits received	1,901	-726
Other	243	-1,573
Sub-total	-26,664	19,906
Interest and dividend income received	75	80
Interest expense paid	-910	-909
Income taxes paid	-301	-840
Income taxes refunded	804	1,153
Net Cash from (Used for) Operating Activities	-26,996	19,390

(Million Yen)

	FY16/2 Q3 (Mar 1, 2015 to Nov 30, 2015)	FY17/2 Q3 (Mar 1, 2016 to Nov 30, 2016)
Cash Flows from Investing Activities:		
Payments into time deposits	—	-6,100
Redemptions of time deposits	—	201
Acquisition of investment securities	-671	-300
Proceeds from sales of investment securities	296	6,021
Acquisition of property, plant, and equipment	-4,135	-5,604
Acquisition of intangible assets	-10	-1
Payments for investments	-9	-401
Proceeds from redemptions of investments	—	—
Payments of security deposits	-37	-5
Redemptions of security deposits	9	10
Acquisitions of subsidiary shares resulting in change of consolidation scope	—	-93
Other	—	8
Net Cash from (Used for) Investing Activities	-4,557	-6,263
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans	-161	-1,588
Net increase (decrease) in short-term non-recourse loans	474	532
Proceeds from bond issuance	—	785
Proceeds from long-term loans	46,423	49,177
Repayment of long-term loans	-18,264	-59,556
Proceeds from long-term non-recourse loans	18,150	22,350
Repayment of long-term non-recourse loans	-2,573	-15,232
Proceeds from employee exercise of stock options	73	99
Payments received from minority interests	2,000	—
Payments to minority interests	—	-2,000
Dividends paid	-645	-1,500
Dividends paid to minority interests	-17	-39
Net Cash from (Used for) Financing Activities	45,456	-6,972
Effect of Exchange Rate Changes on Cash and Cash Equivalents	—	-12
Increase (Decrease) in Cash and Cash Equivalents	13,903	6,141
Cash and Cash Equivalents at Beginning of Period	18,972	28,368
Cash and Cash Equivalents Resulting from Exclusion from Consolidation	-2,208	-2,068
Cash and Cash Equivalents at End of Quarter	30,667	32,441

Consolidated Cash Flow Statement (FY17/2 Q3 – 3 Months)

(Million Yen)

	FY16/2 Q3 (Sep 1, 2015 to Nov 30, 2015)	FY17/2 Q3 (Sep 1, 2016 to Nov 30, 2016)
Cash Flows from Operating Activities:		
Pre-tax net income	8,099	1,513
Depreciation	201	154
Share-based compensation expenses	42	52
Amortization of goodwill	34	35
Amortization of negative goodwill	-22	—
Increase (decrease) in accrued bonuses	151	123
Increase (decrease) in allowance for doubtful accounts	6	32
Interest and dividend income	-60	-68
Interest expense	372	312
Decrease (increase) in trading notes and receivables	-333	-360
Decrease (increase) in operational investments in securities	1,111	45
Decrease (increase) in real estate for sale	13,838	-33,685
Decrease (increase) in advances paid	—	-200
Decrease (increase) in prepaid expenses	123	-252
Decrease (increase) in accounts receivable	-762	100
Increase (decrease) in accounts payable	-7	-57
Increase (decrease) in accrued expenses	69	23
Increase (decrease) in security deposits received	-322	1,740
Other	-163	-1,371
Sub-total	22,378	-31,861
Interest and dividend income received	60	68
Interest expense paid	-351	-274
Income taxes paid	-92	-291
Refund of income taxes	—	—
Net Cash from (Used for) Operating Activities	21,994	-32,358

(Million Yen)

	FY16/2 Q3 (Sep 1, 2015 to Nov 30, 2015)	FY17/2 Q3 (Sep 1, 2016 to Nov 30, 2016)
Cash Flows from Investing Activities:		
Payments into time deposits	—	-3,100
Acquisition of investment securities	-371	—
Acquisition of property, plant, and equipment	-2,263	-1,062
Acquisition of intangible assets	-10	—
Payments for investments	-1	-399
Proceeds from redemptions of investments	—	—
Payments of security deposits	-13	-5
Redemptions of security deposits	—	5
Other	—	7
Net Cash from (Used for) Investing Activities	-2,658	-4,544
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans	515	-810
Net increase (decrease) in short-term non-recourse loans	79	532
Proceeds from long-term loans	4,751	16,900
Repayment of long-term loans	-13,254	-8,233
Proceeds from long-term non-recourse loans	1,650	18,000
Repayment of long-term non-recourse loans	-2,067	-238
Proceeds from employee exercise of stock options	52	69
Dividends paid	—	—
Dividends paid to minority interests	-17	—
Net Cash from (Used for) Financing Activities	-8,292	26,220
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-1	-1
Increase (Decrease) in Cash and Cash Equivalents	11,042	-10,694
Cash and Cash Equivalents at Beginning of Quarter	21,503	43,264
Cash and Cash Equivalents Resulting from Exclusion from Consolidation	-1,878	-128
Cash and Cash Equivalents at End of Quarter	30,667	32,441

Revenue, P&L, and Assets by Segment (Current FY17/2 Q3 – Cumulative 9 Months)

(March 1, 2016 to November 30, 2016) (Million Yen)

	Segment					Adjustment ¹	Amount Recorded in Consolidated Financial Statements ²
	Asset Management	Value-Add	Clean Energy	Other	Total		
Revenue							
Revenue from External Customers	3,556	88,481	1,783	14	93,835	—	93,835
Inter-Segment Activities or Reclassifications	1,177	3	—	—	1,181	-1,181	—
Total	4,734	88,485	1,783	14	95,017	-1,181	93,835
Segment Profits or Losses	1,859	14,637	537	-142	16,892	150	17,042
Segment Assets	3,049	203,635	26,386	1,982	235,052	23,800	258,853
Other							
Depreciation	4	180	412	—	597	17	615
Increase in Property, Plant, and Equipment and Intangible Assets	—	43	7,882	—	7,925	2	7,927

¹ The Adjustment to Segment Profits or Losses (JPY 150 million) reflects transaction eliminations and corporate expenses that were not allocated to the segments. The Adjustment to Segment Assets (JPY 23,800 million) reflects corporate assets, such as cash and reserves, that were not allocated to the segments. The Adjustment to Depreciation (JPY 17 million) reflects depreciation of corporate assets that were not allocated to the segments. The Adjustment to Increase in Property, Plant, and Equipment and Intangible Assets (JPY 2 million) reflects corporate assets that were not allocated to the segments.

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

Revenue, P&L, and Assets by Segment (Previous FY16/2 Q3 – Cumulative 9 Months)

(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		
Revenue							
Revenue from External Customers	4,178	38,955	1,315	51	44,500	—	44,500
Inter-Segment Activities or Reclassifications	1,002	3	—	—	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
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 (JPY -282 million) reflects transaction eliminations and corporate expenses that were not allocated to the segments. The Adjustment to Segment Assets (JPY 21,340 million) reflects corporate assets, such as cash and reserves, that were not allocated to the segments. The Adjustment to Depreciation (JPY 24 million) reflects depreciation of corporate assets that were not allocated to the segments. The Adjustment to Increase in Property, Plant, and Equipment and Intangible Assets (JPY 33 million) reflects corporate assets that were not allocated to the segments.

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

Revenue, P&L, Assets by Segment (Current FY17/2 Q3 – 3 Months)

(September 1, 2016 to November 30, 2016) (Million Yen)

	Segment					Adjustment ¹	Amount Recorded in Consolidated Financial Statements ²
	Asset Management	Value-Add	Clean Energy	Other	Total		
Revenue							
Revenue from External Customers	1,095	6,176	568	3	7,844	—	7,844
Inter-Segment Activities or Reclassifications	266	1	—	—	267	-267	—
Total	1,362	6,177	568	3	8,112	-267	7,844
Segment Profits or Losses	386	1,544	186	-6	2,110	-51	2,058
Segment Assets	3,049	203,635	26,386	1,982	235,052	23,800	258,853
Other							
Depreciation	1	60	86	—	148	5	154
Increase in Property, Plant, and Equipment and Intangible Assets	—	16	2,447	—	2,464	—	2,464

¹ The Adjustment to Segment Profits or Losses (JPY -51 million) reflects transaction eliminations and corporate expenses that were not allocated to the segments. The Adjustment to Segment Assets (JPY 23,800 million) reflects corporate assets, such as cash and reserves, that were not allocated to the segments. The Adjustment to Depreciation (JPY 5 million) reflects depreciation of corporate assets that were not allocated to the segments. The Adjustment to Increase in Property, Plant, and Equipment and Intangible Assets (JPY 0 million) reflects corporate assets that were not allocated to the segments.

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

Revenue, P&L, Assets by Segment (Previous FY16/2 Q3 – 3 Months)

(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		
Revenue							
Revenue 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
Increase in Property, Plant, and Equipment and Intangible Assets	—	15	2,569	—	2,584	14	2,599

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

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