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## FY19/2 Q1 Earnings

July 12, 2018

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

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Submission of the Financial Report (*Shihanki Hokokusho*): July 13, 2018 (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. FY19/2 Q1 Consolidated Financial Results (March 1, 2018 to May 31, 2018)

#### (1) Consolidated Financial Results

(YOY = year-on-year % change)

	Revenue (JPY million) YOY		Operating Profit (JPY million) YOY		Recurring Profit (JPY million) YOY		Net Income (JPY million) YOY	
FY19/2 Q1	16,108	+24.7%	5,992	+90.2%	5,217	+148.7%	3,547	+58.5%
FY18/2 Q1	12,915	-72.2%	3,150	-45.4%	2,097	-56.4%	2,237	-59.9%

Note: Comprehensive Income FY19/2 Q1: JPY 3,448 million (+61.5% YOY)  
FY18/2 Q1: JPY 2,135 million (-60.5% YOY)

	Net Income per Share (Basic, JPY)		Net Income per Share (Diluted, JPY)	
FY19/2 Q1	7.15	+60.4%	7.14	+60.4%
FY18/2 Q1	4.46	-59.9%	4.45	-59.8%

#### (2) Consolidated Financial Condition

	Total Assets (JPY million)	Net Assets (JPY million)	Equity Ratio	Net Assets per Share (JPY)
FY19/2 Q1	306,539	93,311	29.3%	181.21
FY18/2	296,512	92,725	30.1%	180.20

Note: Shareholders' Equity FY19/2 Q1: JPY 89,872 million FY18/2: JPY 89,336 million

### (3) Consolidated Cash Flow

	Cash Flow from Operations (JPY million)	Cash Flow from Investments (JPY million)	Cash Flow from Financing (JPY million)	Cash and Cash Equivalents (JPY million)
FY19/2 Q1	1,772	-953	7,433	46,857
FY18/2 Q1	-3,368	727	1,198	39,232

Note: Cash Flow from Operations excluding impact of growth in Real Estate for Sale

FY19/2 Q1: JPY 5,516 million FY18/2 Q1: JPY 1,882 million

### 2. Dividends

	Dividend per Share (JPY)					Total Dividend (JPY million)	Payout Ratio (Consolidated)	Dividend on Equity Ratio (Consolidated) (%)
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total			
FY18/2	–	–	–	6	6	2,974	21.3%	3.5
FY19/2 (Forecast)	–	–	–	7	7		23.3%	

Revisions to the previously announced forecast: None

### 3. FY19/2 Full-Year Consolidated Earnings Forecast (March 1, 2018 to February 28, 2019)

(YOY = year-on-year % change)

	Operating Profit (JPY million) YOY		Recurring Profit (JPY million) YOY		Net Income (JPY million) YOY		Net Income per Share (JPY)	
FY19/2	25,000	+19.9%	22,000	+14.7%	15,000	+7.0%	30.10	+7.0%

Revisions to 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. In addition, Ichigo is focused on growing earnings (not revenue), with a particular focus on growing long-term EPS, so from this year Ichigo is not issuing a Revenue forecast.

### 4. Other

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

New subsidiaries (1):

Yes

Hakata GK Tokumei Kumiai

Subsidiaries removed from consolidation:

None

#### (2) Special accounting treatments applied to consolidated financial statements:

Yes

#### (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

FY19/2 Q1: 504,666,200

FY18/2: 504,484,200

(ii) Number of treasury shares

FY19/2 Q1: 8,706,500

FY18/2: 8,706,500

(iii) Average number of outstanding shares

FY19/2 Q1: 495,835,604

FY18/2 Q1: 501,810,195

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.

Segment Information

Asset Management generates fee income via the management of Ichigo Office (8975), Ichigo Hotel (3463), Ichigo Green (9282), and providing real estate services related to real estate acquisition, operations, and disposition.

Value-Add preserves and improves real estate. Ichigo receives rental income during the period it carries out its value-add, along with earning 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.

Note: From FY19/2, the Other segment has been eliminated and its remaining items allocated to other segments and adjustments, because Ichigo finished selling off the legacy overseas private equity assets which had been the material constituents of Other in FY18/2. To facilitate comparison to FY19/2, the FY18/2 data on p. 11 has thus been restated with the Other segment eliminated.

Change in Accounting Treatment of Non-Recourse Loan Expenses from Cost of Goods Sold to Non-Operating Expenses

From FY19/2, non-recourse loan interest expenses (and related costs) are accounted as Non-Operating Expenses. Previously, in view of the non-recourse nature of the debt they had been included in Cost of Goods Sold, but treating them equivalently to corporate loan interest expenses (which are accounted as Non-Operating Expenses) will unify and simplify the accounting treatment.

To facilitate comparison to FY19/2, the FY18/2 data on pp. 1 & 6-9 has thus been restated under this accounting treatment. Cost of Goods Sold thus decreases by JPY 340 million and Gross Profit and Operating Profit increase by JPY 340 million. Within Non-Operating Expenses, Interest Expense, Debt-Financing Related Fees, and Mark-to-Market Loss on Long-Term Interest Rate Hedges increase by JPY 275 million, JPY 35 million, and JPY 29 million, respectively. Within Cash Flow from Operations, Interest Expense, Decrease (Increase) in Prepaid Expenses, Increase (Decrease) in Accounts Payable, Other, and Interest Expense Paid increase by JPY 275 million, JPY 72 million, JPY 206 million, JPY 35 million, and JPY 444 million, respectively.

**Consolidated Balance Sheet (FY19/2 Q1)**

(JPY million)

	FY18/2 (Feb 28, 2018)	FY19/2 Q1 (May 31, 2018)
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	45,510	53,045
Trade notes and accounts receivable	1,097	1,426
Operational loan investments	1,324	1,324
Operational securities investments	2	1,290
Real estate for sale	180,789	181,592
Deferred tax assets	342	344
Other	2,643	2,252
Less: allowance for doubtful accounts	-28	-2
<b>Total Current Assets</b>	<b>231,681</b>	<b>241,274</b>
<b>Fixed Assets</b>		
<b>Property, Plant, and Equipment</b>		
Buildings and structures (net)	10,600	10,638
Solar power plant equipment (net)	19,773	19,502
Land	26,993	27,091
Buildings under construction	97	241
Solar power plants under construction	969	1,547
Other (net)	124	153
<b>Total Property, Plant, and Equipment</b>	<b>58,558</b>	<b>59,173</b>
<b>Intangible Assets</b>		
Goodwill	1,600	1,549
Leasehold rights	135	135
Other	233	249
<b>Total Intangible Assets</b>	<b>1,968</b>	<b>1,933</b>
<b>Investments and Other Assets</b>		
Securities investments	2,184	2,034
Long-term loans receivable	10	10
Deferred tax assets	68	113
Other	2,132	2,091
Less: allowance for doubtful accounts	-91	-91
<b>Total Investments and Other Assets</b>	<b>4,303</b>	<b>4,157</b>
<b>Total Fixed Assets</b>	<b>64,831</b>	<b>65,264</b>
<b>Total Assets</b>	<b>296,512</b>	<b>306,539</b>

(JPY million)

	FY18/2 (Feb 28, 2018)	FY19/2 Q1 (May 31, 2018)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Short-term loans	1,042	4,929
Bonds (due within one year)	112	112
Long-term loans (due within one year)	4,449	5,045
Long-term non-recourse loans (due within one year)	3,921	2,937
Income taxes payable	1,609	1,128
Deferred tax liabilities	494	492
Accrued bonuses	34	258
Other current liabilities	4,652	4,408
<b>Total Current Liabilities</b>	<b>16,316</b>	<b>19,312</b>
<b>Long-Term Liabilities</b>		
Bonds	520	520
Long-term loans	112,366	121,659
Long-term non-recourse loans	63,588	61,190
Deferred tax liabilities	1,744	1,733
Long-term security deposits received	8,492	8,040
Other long-term liabilities	758	771
<b>Total Long-Term Liabilities</b>	<b>187,470</b>	<b>193,915</b>
<b>Total Liabilities</b>	<b>203,787</b>	<b>213,228</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Capital	26,723	26,764
Capital reserve	11,113	11,155
Retained earnings	54,324	54,896
Treasury shares	-2,995	-2,995
<b>Total Shareholders' Equity</b>	<b>89,165</b>	<b>89,821</b>
<b>Accumulated Other Comprehensive Income</b>		
Valuation gain (loss) on other securities	543	442
Deferred gain (loss) on long-term interest rate hedges	-372	-391
<b>Total Accumulated Other Comprehensive Income</b>	<b>171</b>	<b>51</b>
<b>Stock Options</b>	<b>666</b>	<b>694</b>
<b>Minority Interests</b>	<b>2,722</b>	<b>2,744</b>
<b>Total Net Assets</b>	<b>92,725</b>	<b>93,311</b>
<b>Total Liabilities and Net Assets</b>	<b>296,512</b>	<b>306,539</b>

**Consolidated Income Statement (FY19/2 Q1)**

(JPY million)

	FY18/2 Q1 (Mar 1, 2017 to May 31, 2017)	FY19/2 Q1 (Mar 1, 2018 to May 31, 2018)
<b>Revenue</b>	<b>12,915</b>	<b>16,108</b>
<b>Cost of Goods Sold</b>	<b>8,574</b>	<b>8,653</b>
<b>Gross Profit</b>	<b>4,341</b>	<b>7,454</b>
<b>SG&amp;A</b>	<b>1,191</b>	<b>1,461</b>
<b>Operating Profit</b>	<b>3,150</b>	<b>5,992</b>
<b>Non-Operating Income</b>		
Interest income	-	-
Dividend income	20	21
Valuation gain on foreign currency	-	15
Mark-to-market gain on long-term interest rate hedges	-	6
Other	17	14
<b>Total Non-Operating Income</b>	<b>37</b>	<b>57</b>
<b>Non-Operating Expenses</b>		
Interest expense	563	569
Mark-to-market loss on long-term interest rate hedges	286	-
Debt financing-related fees	191	226
Other	48	37
<b>Total Non-Operating Expenses</b>	<b>1,090</b>	<b>833</b>
<b>Recurring Profit</b>	<b>2,097</b>	<b>5,217</b>
<b>Extraordinary Gains</b>		
Gain on sale of securities investments	-	2
Gain on sale of shares in affiliates	1,135	-
<b>Total Extraordinary Gains</b>	<b>1,135</b>	<b>2</b>
<b>Pre-Tax Net Income</b>	<b>3,232</b>	<b>5,220</b>
<b>Income Taxes</b>	<b>1,001</b>	<b>1,651</b>
<b>Pre-Minority Interest Net Income</b>	<b>2,231</b>	<b>3,568</b>
<b>Net Income Attributable to Minority Interests</b>	<b>-6</b>	<b>21</b>
<b>Net Income</b>	<b>2,237</b>	<b>3,547</b>

**Consolidated Statement of Comprehensive Income (FY19/2 Q1)**

(JPY million)

	FY18/2 Q1 (Mar 1, 2017 to May 31, 2017)	FY19/2 Q1 (Mar 1, 2018 to May 31, 2018)
<b>Net Income</b>	<b>2,231</b>	<b>3,568</b>
<b>Other Comprehensive Income</b>		
Valuation gain (loss) on other securities	-38	-101
Deferred gain (loss) on long-term interest rate hedges	-36	-18
Foreign currency translation adjustment	-21	-
<b>Total Other Comprehensive Income</b>	<b>-95</b>	<b>-119</b>
<b>Comprehensive Income</b>	<b>2,135</b>	<b>3,448</b>
Comprehensive income attributable to shareholders	2,154	3,427
Comprehensive income attributable to minority interests	-18	21

### Consolidated Cash Flow Statement (FY19/2 Q1)

(JPY million)

	FY18/2 Q1 (Mar 1, 2017 to May 31, 2017)	FY19/2 Q1 (Mar 1, 2018 to May 31, 2018)
<b>Cash Flow from Operations:</b>		
Pre-tax net income	3,232	5,220
Depreciation	189	394
Share-based compensation expenses	53	51
Amortization of goodwill	25	51
Increase (decrease) in accrued bonuses	138	224
Increase (decrease) in allowance for doubtful accounts	-4	-26
Interest and dividend income	-20	-21
Interest expense	563	569
Loss (gain) on sale of securities investments	-	-2
Loss (gain) on sale of shares in affiliates	-1,135	-
Decrease (increase) in trading notes and receivables	-623	-329
Decrease (increase) in operational securities investments	73	-562
Decrease (increase) in real estate for sale	-2,991	-803
Decrease (increase) in advances paid	200	76
Decrease (increase) in prepaid expenses	-166	-124
Decrease (increase) in accounts receivable	26	-6
Decrease (increase) in consumption tax receivable	-158	413
Increase (decrease) in accounts payable	-777	-1,234
Increase (decrease) in accrued expenses	38	117
Increase (decrease) in deposits received	50	510
Increase (decrease) in security deposits received	-52	-497
Other	360	252
<b>Sub-Total</b>	<b>-980</b>	<b>4,272</b>
Interest and dividend income received	20	21
Interest expense paid	-660	-567
Income taxes paid	-1,747	-1,953
<b>Net Cash from (Used for) Operations</b>	<b>-3,368</b>	<b>1,772</b>



(JPY million)

	FY18/2 Q1 (Mar 1, 2017 to May 31, 2017)	FY19/2 Q1 (Mar 1, 2018 to May 31, 2018)
<b>Cash Flow from Investments:</b>		
Payments into time deposits	–	-54
Redemptions of time deposits	–	9
Acquisition of securities investments	-29	-25
Proceeds from sale of securities investments	–	32
Acquisition of property, plant, and equipment	-879	-733
Acquisition of intangible assets	-2	-142
Payments of security deposits	-10	-15
Sale of subsidiary shares resulting in change of consolidation scope	1,665	–
Other	-16	-23
<b>Net Cash from (Used for) Investments</b>	<b>727</b>	<b>-953</b>
<b>Cash Flow from Financing:</b>		
Net increase (decrease) in short-term loans	580	3,887
Proceeds from long-term loans	18,630	13,212
Repayment of long-term loans	-5,093	-3,248
Proceeds from long-term non-recourse loans	–	3,500
Repayment of long-term non-recourse loans	-9,023	-7,082
Proceeds from employee exercise of stock options	6	59
Share buyback	-1,499	–
Dividends paid	-2,402	-2,895
<b>Net Cash from (Used for) Financing</b>	<b>1,198</b>	<b>7,433</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>-3</b>	<b>–</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>-1,447</b>	<b>8,253</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>41,369</b>	<b>39,365</b>
<b>Cash and Cash Equivalents Resulting from Exclusion from Consolidation</b>	<b>-689</b>	<b>-760</b>
<b>Cash and Cash Equivalents at End of Quarter</b>	<b>39,232</b>	<b>46,857</b>

**Revenue, P&L, and Assets by Segment (Current FY19/2 Q1)**

(Mar 1, 2018 to May 31, 2018)

(JPY million)

	Segment				Adjustment <sup>2</sup>	Amount Recorded in Consolidated Financial Statements
	Asset Management	Value-Add	Clean Energy	Total		
Revenue						
Revenue from External Customers	550	14,546	1,012	16,108	-	16,108
Inter-Segment Activities or Reclassifications	243	-	-	243	-243	-
Total	793	14,546	1,012	16,351	-243	16,108
Segment P&L <sup>1</sup>	454	5,105	421	5,980	11	5,992
Segment P&L Details <sup>1</sup>						
Stock Earnings (Rental Income, Ongoing AM Fees, FIT Solar Power Sale Earnings, etc.)	398	2,310	421	3,129	-	-
Flow Earnings (Profits on Value-Add Real Estate Sales, Profits on Solar Power Plant Sales, AM Performance Fees, etc.)	56	2,794	-	2,851	-	-
Segment Assets	1,805	241,969	26,687	270,463	36,076	306,539
Other						
Depreciation	-	127	261	388	5	394
Increase in Property, Plant, and Equipment and Intangible Assets	-	345	669	1,014	11	1,025

<sup>1</sup> Segment P&L is on an Operating Profit basis.

<sup>2</sup> The Adjustment to Segment P&L (JPY 11 million) reflects transaction eliminations and corporate expenses that were not allocated to the segments. The Adjustment to Segment Assets (JPY 36,076 million) reflects corporate assets, such as cash and cash equivalents, 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 11 million) reflects corporate assets that were not allocated to the segments.

**Revenue, P&L, and Assets by Segment (Previous FY18/2 Q1)**

(Mar 1, 2017 to May 31, 2017)

(JPY million)

	Segment				Adjustment <sup>2,3</sup>	Amount Recorded in Consolidated Financial Statements
	Asset Management	Value-Add	Clean Energy	Total		
Revenue						
Revenue from External Customers	681	11,773	373	12,828	86	12,915
Inter-Segment Activities or Reclassifications	238	-	-	239	-239	-
<b>Total</b>	<b>920</b>	<b>11,774</b>	<b>373</b>	<b>13,068</b>	<b>-152</b>	<b>12,915</b>
Segment P&L <sup>1</sup>	504	2,609	52	3,166	-15	3,150
Segment P&L Details <sup>1</sup>						
Stock Earnings (Rental Income, Ongoing AM Fees, FIT Solar Power Sale Earnings, etc.)	357	1,921	52	2,331	-	-
Flow Earnings (Profits on Value-Add Real Estate Sales, Profits on Solar Power Plant Sales, AM Performance Fees, etc.)	147	687	-	834	-	-
Segment Assets	1,978	216,730	22,731	241,440	33,714	275,154
Other						
Depreciation	-	80	102	183	6	189
Increase in Property, Plant, and Equipment and Intangible Assets	-	18	836	854	9	863

<sup>1</sup> Segment P&L is on an Operating Profit basis.

<sup>2</sup> Other segment eliminated and data restated for consistency with FY19/2 per note on page 3.

<sup>3</sup> The Adjustment to Segment P&L (-JPY 15 million) reflects transaction eliminations and corporate expenses that were not allocated to the segments. The Adjustment to Segment Assets (JPY 33,714 million) reflects corporate assets, such as cash and cash equivalents, that were not allocated to the segments. The Adjustment to Depreciation (JPY 6 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 9 million) reflects corporate assets that were not allocated to the segments.