

[Provisional Translation Only]

This English translation of the original Japanese document is provided solely for information purposes.

Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

FY22/2 Q1 Earnings

July 14, 2021

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

Representative: Takuma Hasegawa, President

Inquiries: Takanori Sakamatsu, Senior Statutory Executive Officer

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

Submission of the Financial Report (*Shihanki Hokokusho*): July 15, 2021 (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. FY22/2 Q1 Consolidated Financial Results (March 1, 2021 to May 31, 2021)

(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	
FY22/2 Q1	12,674	-44.2%	3,159	-13.5%	2,384	-27.8%	1,546	-28.6%
FY21/2 Q1	22,730	-13.5%	3,650	-57.2%	3,303	-56.6%	2,164	-54.6%

Note: Comprehensive Income FY22/2 Q1: JPY 1,671 million (-13.6% YOY)

FY21/2 Q1: JPY 1,934 million (-65.8% YOY)

	Net Income per Share (Basic, JPY)		Net Income per Share (Diluted, JPY)	
FY22/2 Q1	3.28	-26.9%	—	—
FY21/2 Q1	4.49	-54.0%	—	—

(2) Consolidated Financial Condition

	Total Assets (JPY million)	Net Assets (JPY million)	Shareholder Equity Ratio	Net Assets per Share (JPY)
FY22/2 Q1	351,422	107,342	27.3%	205.13
FY21/2	347,076	110,255	28.5%	209.81

Note: Shareholders' Equity FY22/2 Q1: JPY 96,063 million FY21/2: JPY 99,050 million

(3) Consolidated Cash Flows

	Cash Flows from Operations (JPY million)	Cash Flows from Investments (JPY million)	Cash Flows from Financing (JPY million)	Cash and Cash Equivalents at Period-End (JPY million)
FY22/2 Q1	-2,559	-1,403	4,606	51,234
FY21/2 Q1	12,118	-10,640	1,617	43,922

Note: Economic Operating Cash Flow (Cash Flows from Operations excluding net change in Real Estate and Power Plants for Sale)

FY22/2 Q1: JPY 1,416 million FY21/2 Q1: JPY 1,780 million

2. Dividends

	Dividend per Share (JPY)					Total Dividend (JPY million)	Payout Ratio	Dividend on Equity (DOE)
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total			
FY21/2	-	-	-	7	7	3,304	66.8%	3.3%
FY22/2 (Forecast)	-	-	-	7	7		40.9%~ 65.5%	

3. FY22/2 Full-Year Consolidated Earnings Forecast (March 1, 2021 to February 28, 2022)

(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) YOY	
	FY22/2	9,100~ 12,000	-5.9%~ +24.1%	6,000~ 8,900	-16.4%~ +24.0%	5,000~ 8,000	-0.5%~ +59.1%	10.69~ 17.10

Note: Given Covid uncertainty, Ichigo is reporting its FY22/2 earnings forecast as a range.

4. Other

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

None

(2) 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

(3) Number of outstanding common shares

(i) Number of outstanding shares (including treasury shares) at period-end

FY22/2 Q1 : 505,381,018

FY21/2 : 505,381,018

(ii) Number of treasury shares at period-end

FY22/2 Q1: 37,063,200

FY21/2: 33,283,200

(iii) Average number of outstanding shares (excluding treasury shares) during the period

FY22/2 Q1: 471,211,514

FY21/2: 481,734,257

Segment Information

Asset Management (AM) generates fee income via the management of Ichigo Office (8975), Ichigo Hotel (3463), Ichigo Green (9282), and private real estate funds.

Sustainable Real Estate (SRE) preserves and improves real estate. Ichigo receives rental income during the period in which it carries out its value-add, along with earning gains on sales that reflect the real estate's higher value after the value-add is complete.

Note: The Sustainable Real Estate segment was formerly called Value-Add. In keeping with its Ichigo 2030 vision, Ichigo changed the segment name to Sustainable Real Estate in 2019 in order to put full focus on Ichigo's commitment to preserving and improving real estate as a sustainable infrastructure company.

Clean Energy (CE) is utility-scale solar and wind power production that supplies clean energy and brings productive use to idle land.

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.

Consolidated Balance Sheet (FY22/2 Q1)

(JPY million)

	FY21/2 (Feb 28, 2021)	FY22/2 Q1 (May 31, 2021)
Assets		
Current Assets		
Cash and deposits	50,832	51,477
Trade notes and accounts receivable	1,382	2,116
Operational loan investments	1,324	1,324
Operational securities investments	590	602
Real estate for sale	64,109	68,082
Other	2,698	2,193
Less: allowance for doubtful accounts	-167	-167
Total Current Assets	120,771	125,628
Fixed Assets		
Property, Plant, and Equipment		
Buildings and structures	68,277	68,348
Depreciation	-7,603	-8,350
Buildings and structures (net)	60,673	59,997
Solar and wind power plants	28,893	32,383
Depreciation	-4,702	-5,111
Solar and wind power plants (net)	24,191	27,271
Land	122,592	122,597
Buildings and structures under construction	277	321
Solar and wind power plants under construction	5,038	1,988
Other	2,745	2,732
Depreciation	-1,126	-1,254
Other (net)	1,619	1,478
Total Property, Plant, and Equipment	214,392	213,653
Intangible Assets		
Goodwill	968	931
Leasehold rights	1,272	1,272
Other	1,797	1,675
Total Intangible Assets	4,038	3,879
Investments and Other Assets		
Securities investments	5,147	5,349
Long-term loans receivable	10	292
Deferred tax assets	605	569

(JPY million)

	FY21/2 (Feb 28, 2021)	FY22/2 Q1 (May 31, 2021)
Other	2,202	2,141
Less: allowance for doubtful accounts	-91	-91
Total Investments and Other Assets	7,874	8,260
Total Fixed Assets	226,305	225,793
Total Assets	347,076	351,422

(JPY million)

	FY21/2 (Feb 28, 2021)	FY22/2 Q1 (May 31, 2021)
Liabilities		
Current Liabilities		
Short-term loans	4,879	7,989
Bonds (due within one year)	274	274
Long-term loans (due within one year)	9,751	9,870
Long-term non-recourse loans (due within one year)	1,358	1,358
Income taxes payable	573	801
Accrued bonuses	9	168
Other current liabilities	5,527	3,363
Total Current Liabilities	22,374	23,826
Long-Term Liabilities		
Bonds	5,878	5,837
Long-term loans	156,890	162,943
Long-term non-recourse loans	40,974	40,822
Deferred tax liabilities	1,868	1,844
Long-term security deposits received	7,795	7,685
Other long-term liabilities	1,039	1,119
Total Long-Term Liabilities	214,446	220,252
Total Liabilities	236,820	244,079
Net Assets		
Shareholders' Equity		
Capital	26,888	26,888
Capital reserve	11,275	11,275
Retained earnings	73,160	71,402
Treasury shares	-11,988	-13,286
Total Shareholders' Equity	99,335	96,278
Accumulated Other Comprehensive Income		
Valuation gains (losses) on other securities	90	145
Deferred gains (losses) on long-term interest rate hedges	-375	-360
Total Accumulated Other Comprehensive Income	-285	-214
Stock Options	1,007	1,026
Minority Interests	10,197	10,251
Total Net Assets	110,255	107,342
Total Liabilities and Net Assets	347,076	351,422

Consolidated Income Statement (FY22/2 Q1)

(JPY million)

	FY21/2 Q1 (Mar 1, 2020 to May 31, 2020)	FY22/2 Q1 (Mar 1, 2021 to May 31, 2021)
Revenue	22,730	12,674
Cost of Goods Sold	17,440	7,931
Gross Profit	5,289	4,743
SG&A	1,638	1,583
Operating Profit	3,650	3,159
Non-Operating Income		
Interest income	3	5
Dividend income	54	5
Mark-to-market gains on long-term interest rate hedges	239	8
Foreign exchange gains	–	18
Other	16	25
Total Non-Operating Income	314	62
Non-Operating Expenses		
Interest expense	573	593
Foreign exchange losses	9	–
Mark-to-market losses on long-term interest rate hedges	10	175
Debt financing-related fees	7	24
Other	59	44
Total Non-Operating Expenses	660	837
Recurring Profit	3,303	2,384
Extraordinary Losses		
Loss on disposal of fixed assets	–	–
Valuation losses on securities investments	114	–
Total Extraordinary Losses	115	–
Pre-Tax Income	3,188	2,384
Income Taxes	1,023	782
Pre-Minority Interest Net Income	2,165	1,601
Net Income Attributable to Minority Interests	1	55
Net Income	2,164	1,546

Consolidated Statement of Comprehensive Income (FY22/2 Q1)

(JPY million)

	FY21/2 Q1 (Mar 1, 2020 to May 31, 2020)	FY22/2 Q1 (Mar 1, 2021 to May 31, 2021)
Pre-Minority Interest Net Income	2,165	1,601
Other Comprehensive Income		
Valuation gains (losses) on other securities	-222	54
Deferred gains (losses) on long-term interest rate hedges	-8	15
Total Other Comprehensive Income	-231	70
Comprehensive Income	1,934	1,671
Comprehensive income attributable to common shareholders	1,933	1,616
Comprehensive income attributable to minority interests	1	55

Consolidated Cash Flow Statement (FY22/2 Q1)

(JPY million)

	FY21/2 Q1 (Mar 1, 2020 to May 31, 2020)	FY22/2 Q1 (Mar 1, 2021 to May 31, 2021)
Cash Flows from Operations:		
Pre-tax income	3,188	2,384
Depreciation	1,046	1,413
Share-based compensation expenses	8	19
Amortization of goodwill	27	36
Increase (decrease) in accrued bonuses	172	159
Increase (decrease) in allowance for doubtful accounts	-	-
Interest and dividend income	-58	-10
Interest expenses	573	593
Valuation losses on securities investments	114	-
Decrease (increase) in trading notes and receivables	622	-733
Decrease (increase) in operational securities investments	305	-11
Decrease (increase) in real estate for sale	10,114	-3,972
Valuation losses on SPC capital contributions	3	-
Decrease (increase) in advances paid	291	106
Decrease (increase) in prepaid expenses	-228	-131
Decrease (increase) in accounts receivable	-20	125
Decrease (increase) in consumption taxes receivable	-99	251
Increase (decrease) in accounts payable	-1,079	-1,075
Increase (decrease) in accrued expenses	97	29
Increase (decrease) in deposits received	-1	-209
Increase (decrease) in security deposits received	-67	-109
Increase (decrease) in accrued consumption taxes	312	-835
Other	-613	433
Sub-Total	14,710	-1,536
Interest and dividends received	58	10
Interest expense paid	-494	-504
Income taxes paid	-2,155	-528
Net Cash from (Used for) Operations	12,118	-2,559

(JPY million)

	FY21/2 Q1 (Mar 1, 2020 to May 31, 2020)	FY22/2 Q1 (Mar 1, 2021 to May 31, 2021)
Cash Flows from Investments:		
Payments into time deposits	-2	-2
Payments for securities investments	-46	-120
Acquisition of property, plant, and equipment	-9,612	-907
Acquisition of intangible assets	-611	-72
Payments of SPC capital contributions	-3	-3
Redemptions of SPC capital contributions	15	—
Payments of security deposits	—	-16
Payments of loans receivable	-368	-290
Payments received for loans receivable	—	8
Other	-11	—
Net Cash from (Used for) Investments	-10,640	-1,403

(JPY million)

	FY21/2 Q1 (Mar 1, 2020 to May 31, 2020)	FY22/2 Q1 (Mar 1, 2021 to May 31, 2021)
Cash Flows from Financing:		
Net increase (decrease) in short-term loans	1,280	3,110
Proceeds from bond issuance	70	—
Repayment of maturing bond principal to bondholders	-40	-40
Proceeds from long-term loans	13,515	11,087
Repayment of long-term loans	-9,858	-4,922
Repayment of long term non-recourse loans	-112	-151
Proceeds from employee exercise of stock options	1	—
Share buyback	—	-1,298
Dividends paid	-3,235	-3,177
Dividends paid to minority interests	-1	—
Net Cash from (Used for) Financing	1,617	4,606
Effect of Exchange Rate Change on Cash and Cash Equivalents	—	—
Increase (Decrease) in Cash and Cash Equivalents	3,095	644
Cash and Cash Equivalents at Beginning of Period	40,826	50,590
Cash and Cash Equivalents at End of Period	43,922	51,234

Additional Note

Restatement of Items in Consolidated Balance Sheet

From FY22/2 Q1, those items previously treated as “Solar power plants” and “Solar power plants under construction” under Fixed Assets are restated as “Solar and wind power plants” and “Solar and wind power plants under construction” to reflect the start of operations at Ichigo’s first wind power plant, the Ichigo Yonezawa Itaya ECO Power Plant.

As a result of the restatement, JPY 3,632 million of “Buildings and structures under construction” decreased, while JPY 3,632 million of “Solar and wind power plants under construction” increased in the FY21/2 Consolidated Balance Sheet.

Revenue, P&L, and Assets by Segment (Current FY22/2 Q1)

(Mar 1, 2021 to May 31, 2021)

(JPY million)

	Segment				Adjustment ²	Amount Recorded in Financial Statements
	Asset Management (AM)	Sustainable Real Estate (SRE)	Clean Energy (CE)	Total		
Revenue						
Revenue from External Customers	503	10,631	1,538	12,674	-	12,674
Inter-Segment Activities or Reclassifications	120	-	-	120	-120	-
Total	623	10,632	1,538	12,794	-120	12,674
Segment P&L ¹	353	2,061	743	3,158	-	3,159
Segment P&L Details ¹						
Stock Earnings (Rental Income, Base AM Fees, FIT Solar Power Earnings, etc.)	353	744	743	1,840	-	-
Flow Earnings (Gains on Sustainable Real Estate Sales, Gains on Solar Power Plant Sales, Spot AM Fees, etc.)	-	1,317	-	1,317	-	-
Segment Assets	1,969	282,077	35,937	319,984	31,437	351,422
Other						
Depreciation	-	986	412	1,399	14	1,413
Increase in Property, Plant, and Equipment and Intangible Assets	-	193	355	549	2	552

¹ Segment P&L is on an Operating Profit basis.

² The Adjustment to Segment Assets (JPY 31,437 million) reflects corporate assets, such as cash and deposits, that were not allocated to the segments. The Adjustment to Depreciation (JPY 14 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.

Revenue, P&L, and Assets by Segment (Previous FY21/2 Q1)

(Mar 1, 2020 to May 31, 2020)

(JPY million)

	Segment				Adjustment ²	Amount Recorded in Financial Statements
	Asset Management (AM)	Sustainable Real Estate (SRE)	Clean Energy (CE)	Total		
Revenue						
Revenue from External Customers	501	20,940	1,288	22,730	-	22,730
Inter-Segment Activities or Reclassifications	140	-	-	141	-141	-
Total	642	20,940	1,288	22,871	-141	22,730
Segment P&L ¹	334	2,748	594	3,677	-26	3,650
Segment P&L Details ¹						
Stock Earnings (Rental Income, Base AM Fees, FIT Solar Power Earnings, etc.)	301	1,206	594	2,102	-	-
Flow Earnings (Gains on Sustainable Real Estate Sales, Gains on Solar Power Plant Sales, Spot AM Fees, etc.)	32	1,541	-	1,574	-	-
Segment Assets	1,614	271,128	32,311	305,054	29,604	334,659
Other						
Depreciation	-	691	348	1,039	9	1,049
Increase in Property, Plant, and Equipment and Intangible Assets	-	9,027	507	9,534	54	9,589

¹ Segment P&L is on an Operating Profit basis.

² The Adjustment to Segment P&L (-JPY 26 million) reflects transaction eliminations and corporate expenses that were not allocated to the segments. The Adjustment to Segment Assets (JPY 29,604 million) reflects corporate assets, such as cash and deposits, 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 54 million) reflects corporate assets that were not allocated to the segments.