

[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.

FY23/2 Q1 Earnings

July 14, 2022

Ichigo Inc. (Tokyo Stock Exchange Prime, 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, 2022 (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. FY23/2 Q1 Consolidated Financial Results (March 1, 2022 to May 31, 2022)

(1) Consolidated Financial Results

(YOY = year-on-year % change)

	Revenue (JPY million) YOY		Operating Profit (JPY million) YOY		All-In Operating Profit (JPY million) YOY		Recurring Profit (JPY million) YOY	
FY23/2 Q1	16,638	+31.3%	2,723	-13.8%	2,723	-13.8%	2,367	-0.7%
FY22/2 Q1	12,674	-44.2%	3,159	-13.5%	3,159	-13.5%	2,384	-27.8%

Note: Comprehensive Income FY23/2 Q1: JPY 1,914 million (+14.5% YOY)

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

All-In Operating Profit = Operating Profit + Gains on Sale of Sustainable Real Estate Assets
Recorded as Extraordinary Gains

	Net Income (JPY million) YOY		Net Income per Share (Basic, JPY)		Net Income per Share (Diluted, JPY)	
FY23/2 Q1	1,534	-0.7%	3.29	+0.1%	—	—
FY22/2 Q1	1,546	-28.6%	3.28	-26.9%	—	—

(2) Consolidated Financial Condition

	Total Assets (JPY million)	Net Assets (JPY million)	Shareholders' Equity Ratio	Net Assets per Share (JPY)
FY23/2 Q1	336,658	109,746	29.2%	211.80
FY22/2	337,887	112,191	29.8%	215.46

Note: Shareholders' Equity FY23/2 Q1: JPY 98,301 million FY22/2: JPY 100,815 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)
FY23/2 Q1	1,017	-4,214	-380	42,637
FY22/2 Q1	-2,559	-1,403	4,606	51,234

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

FY23/2 Q1: JPY 777 million FY22/2 Q1: JPY 1,416 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			
FY22/2	–	–	–	7	7	3,275	50.7%	3.3%
FY23/2 (Forecast)	–	–	–	7	7		38.1%~ 49.9%	

3. FY23/2 Full-Year Consolidated Earnings Forecast (March 1, 2022 to February 28, 2023)

(YOY = year-on-year % change)

	Operating Profit (JPY million) YOY		All-In Operating Profit (JPY million) YOY		Recurring Profit (JPY million) YOY		Net Income (JPY million) YOY		Net Income per Share (JPY) YOY	
FY23/2	9,700~	-3.2%~	12,700~	-4.3%~	6,700~	-10.3%~	6,500~	+0.4%~	14.04~	+1.7%~
	10,600	+5.8%	15,600	+17.6%	7,600	+1.7%	8,500	+31.3%	18.36	+33.0%

Note: Ichigo is reporting its FY23/2 earnings forecast as a range.

4. Other

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

No

(2) Changes in accounting standards/principles, changes in accounting estimates, and revisions to previous financial statements

(i) Changes in accounting standards/principles:

Yes

(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

FY23/2 Q1: 505,381,018

FY22/2: 505,381,018

(ii) Number of treasury shares at period-end

FY23/2 Q1: 41,246,500

FY22/2: 37,466,500

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

FY23/2 Q1: 467,047,779

FY22/2 Q1: 471,211,514

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.

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 (FY23/2 Q1)

(JPY million)

	FY22/2 (Feb 28, 2022)	FY23/2 Q1 (May 31, 2022)
Assets		
Current Assets		
Cash and deposits	46,458	42,862
Trade notes and accounts receivable	1,819	2,464
Operational loan investments	1,324	1,324
Operational securities investments	2,547	72
Real estate for sale	68,666	68,425
Other	2,613	3,294
Less: allowance for doubtful accounts	-633	-49
Total Current Assets	122,798	118,395
Fixed Assets		
Property, Plant, and Equipment		
Buildings and structures	66,501	66,778
Depreciation	-10,292	-11,009
Buildings and structures (net)	56,208	55,768
Solar and wind power plants	34,298	34,752
Depreciation	-6,345	-6,815
Solar and wind power plants (net)	27,953	27,937
Land	116,079	119,336
Buildings and structures under construction	435	593
Solar and wind power plants under construction	2,095	2,036
Other	2,884	2,940
Depreciation	-1,618	-1,710
Other (net)	1,265	1,229
Total Property, Plant, and Equipment	204,038	206,902
Intangible Assets		
Goodwill	1,580	1,536
Leasehold rights	1,365	1,365
Other	605	521
Total Intangible Assets	3,551	3,424
Investments and Other Assets		
Securities investments	3,463	3,710
Long-term loans receivable	270	262
Deferred tax assets	883	781

(JPY million)

	FY22/2 (Feb 28, 2022)	FY23/2 Q1 (May 31, 2022)
Other	3,013	3,198
Less: allowance for doubtful accounts	-131	-16
Total Investments and Other Assets	7,498	7,936
Total Fixed Assets	215,089	218,263
Total Assets	337,887	336,658

(JPY million)

	FY22/2 (Feb 28, 2022)	FY23/2 Q1 (May 31, 2022)
Liabilities		
Current Liabilities		
Short-term loans	2,382	4,800
Bonds (due within one year)	274	274
Long-term loans (due within one year)	9,888	8,988
Long-term non-recourse loans (due within one year)	1,375	4,258
Income taxes payable	1,888	714
Accrued bonuses	39	173
Other current liabilities	5,012	3,654
Total Current Liabilities	20,861	22,863
Long-Term Liabilities		
Bonds	5,603	5,563
Long-term loans	150,389	149,937
Long-term non-recourse loans	39,489	39,465
Deferred tax liabilities	1,795	1,641
Long-term security deposits received	6,749	6,774
Other long-term liabilities	805	666
Total Long-Term Liabilities	204,833	204,048
Total Liabilities	225,695	226,912
Net Assets		
Shareholders' Equity		
Capital	26,888	26,888
Capital reserve	11,268	11,268
Retained earnings	76,310	74,570
Treasury shares	-13,423	-14,520
Total Shareholders' Equity	101,043	98,206
Accumulated Other Comprehensive Income		
Valuation gains (losses) on other securities	25	285
Deferred gains (losses) on long-term interest rate hedges	-254	-190
Total Accumulated Other Comprehensive Income	-228	95
Stock Options	961	974
Minority Interests	10,415	10,470
Total Net Assets	112,191	109,746
Total Liabilities and Net Assets	337,887	336,658

Consolidated Income Statement (FY23/2 Q1)

(JPY million)

	FY22/2 Q1 (Mar 1, 2021 to May 31, 2021)	FY23/2 Q1 (Mar 1, 2022 to May 31, 2022)
Revenue	12,674	16,638
Cost of Goods Sold	7,931	12,320
(Depreciation)	1,360	1,280
Gross Profit	4,743	4,317
SG&A	1,583	1,593
Operating Profit	3,159	2,723
Non-Operating Income		
Interest income	5	11
Dividend income	5	8
Foreign exchange gains	18	8
Mark-to-market gains on long-term interest rate hedges	8	186
Other	25	26
Total Non-Operating Income	62	242
Non-Operating Expenses		
Interest expense	593	534
Mark-to-market losses on long-term interest rate hedges	175	–
Debt financing-related fees	24	16
Other	44	48
Total Non-Operating Expenses	837	599
Recurring Profit	2,384	2,367
Pre-Tax Income	2,384	2,367
Total Income Taxes	782	776
Pre-Minority Interest Net Income	1,601	1,590
Net Income Attributable to Minority Interests	55	56
Net Income	1,546	1,534

Consolidated Statement of Comprehensive Income (FY23/2 Q1)

(JPY million)

	FY22/2 Q1 (Mar 1, 2021 to May 31, 2021)	FY23/2 Q1 (Mar 1, 2022 to May 31, 2022)
Pre-Minority Interest Net Income	1,601	1,590
Other Comprehensive Income		
Valuation gains (losses) on other securities	54	260
Deferred gains (losses) on long-term interest rate hedges	15	63
Total Other Comprehensive Income	70	323
Comprehensive Income	1,671	1,914
Comprehensive income attributable to common shareholders	1,616	1,858
Comprehensive income attributable to minority interests	55	56

Consolidated Cash Flow Statement (FY23/2 Q1)

(JPY million)

	FY22/2 Q1 (Mar 1, 2021 to May 31, 2021)	FY23/2 Q1 (Mar 1, 2022 to May 31, 2022)
Cash Flows from Operations:		
Pre-tax income	2,384	2,367
Depreciation	1,413	1,334
Amortization of goodwill	36	44
Increase (decrease) in accrued bonuses	159	134
Increase (decrease) in allowance for doubtful accounts	-	-
Interest and dividend income	-10	-20
Interest expense	593	534
Decrease (increase) in trading notes and receivables	-733	-644
Decrease (increase) in operational securities investments	-11	1,890
Decrease (increase) in real estate for sale	-3,972	240
Decrease (increase) in advances paid	106	-25
Decrease (increase) in prepaid expenses	-131	-220
Decrease (increase) in accounts receivable	125	-22
Decrease (increase) in consumption taxes receivable	251	310
Increase (decrease) in accounts payable	-1,075	-738
Increase (decrease) in accrued expenses	29	-4
Increase (decrease) in advances received	-70	-938
Increase (decrease) in deposits received	-209	735
Increase (decrease) in security deposits received	-109	24
Increase (decrease) in accrued consumption taxes	-835	-568
Other	523	-184
Sub-Total	-1,536	4,249
Interest and dividends received	10	20
Interest expense paid	-504	-471
Income taxes paid	-528	-2,781
Net Cash from (Used for) Operations	-2,559	1,017

(JPY million)

	FY22/2 Q1 (Mar 1, 2021 to May 31, 2021)	FY23/2 Q1 (Mar 1, 2022 to May 31, 2022)
Cash Flows from Investments:		
Payments into time deposits	-2	–
Redemptions of time deposits	–	20
Payments for securities investments	-120	-29
Acquisition of property, plant, and equipment	-907	-4,170
Acquisition of intangible assets	-72	-4
Payments of SPC capital contributions	-3	-6
Payments of security deposits	-16	–
Payments of loans receivable	-290	-32
Payments received for loans receivable	8	7
Other	–	2
Net Cash from (Used for) Investments	-1,403	-4,214

(JPY million)

	FY22/2 Q1 (Mar 1, 2021 to May 31, 2021)	FY23/2 Q1 (Mar 1, 2022 to May 31, 2022)
Cash Flows from Financing:		
Net increase (decrease) in short-term loans	3,110	2,417
Repayment of maturing bond principal to bondholders	-40	-40
Proceeds from long-term loans	11,087	10,984
Repayment of long-term loans	-4,922	-12,354
Proceeds from long-term non-recourse loans	–	3,000
Repayment of long-term non-recourse loans	-151	-141
Share buyback	-1,298	-1,096
Dividends paid	-3,177	-3,148
Dividends paid to minority interests	–	–
Net Cash from (Used for) Financing	4,606	-380
Effect of Exchange Rate Change on Cash and Cash Equivalents	–	–
Increase (Decrease) in Cash and Cash Equivalents	644	-3,576
Cash and Cash Equivalents at Beginning of Period	50,590	46,214
Cash and Cash Equivalents at End of Period	51,234	42,637

Changes in Accounting Policies

1. Application of Revenue Recognition Accounting Standard

The “Accounting Standard for Revenue Recognition” (Accounting Standard Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Accounting Standard”) has been applied from the beginning of FY23/2 Q1. Under this accounting standard, revenue is recognized in an amount expected to be received in exchange for goods or services when control of promised goods or services is transferred to a customer.

Ichigo applies the transitional treatment provided in the notes to Clause 84, and there is no impact from this change on retained earnings as of the beginning of FY23/2.

Accordingly, the impact from the change in Revenue Recognition Accounting Standard on FY23/2 Q1 earnings is minimal.

Pursuant to the transitional treatment provided in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Statements” (ASBJ Statement No. 12, March 31, 2020), details of earnings from contracts made with clients during the previous period (FY22/2 Q1) is not provided.

2. Application of Accounting Standard for Fair Value Measurement

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter the “Fair Value Measurement Accounting Standard”) has been applied from the beginning of FY23/2 Q1. In accordance with the transitional treatment provided for in Paragraph 19 of the “Accounting Standard for Fair Value Measurement” and Paragraph 44–2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Fair Value Measurement Accounting Standard will henceforth be applied on an ongoing basis.

Financial instruments such as corporate bonds and other bonds that are recognized as being difficult to obtain a market value for were previously recorded on the quarterly balance sheet based on acquisition price. Under the Fair Value Measurement Accounting Standard, these financial instruments will be recorded on the quarterly balance sheet using a market value derived from unobservable inputs based on best available information.

Revenue, P&L, and Assets by Segment (Current FY23/2 Q1)

(Mar 1, 2022 to May 31, 2022)

(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	471	14,591	1,574	16,638	-	16,638
Inter-Segment Activities or Reclassifications	106	-	-	106	-106	-
Total	578	14,592	1,574	16,745	-106	16,638
Operating Profit	322	1,751	659	2,733	-9	2,723
Gains on Sale of Sustainable Real Estate Assets Recorded as Extraordinary Gains	-	-	-	-	-	-
Segment P&L (All-In Operating Profit) ¹	322	1,751	659	2,733	-9	2,723
Segment P&L Details						
Stock Earnings (Rental Income, Base AM Fees, FIT Solar & Wind Power Earnings, etc.)	322	509	659	1,491	-	-
Flow Earnings (Gains on Sale of Sustainable Real Estate, Spot AM Fees, etc.)	-	1,241	-	1,241	-	-
Segment Assets	2,160	269,261	36,909	308,331	28,327	336,658
Other						
Depreciation	-	882	438	1,320	13	1,334
Increase in Property, Plant, and Equipment and Intangible Assets	-	3,750	361	4,112	3	4,116

¹ Segment P&L (All-In Operating Profit) = Operating Profit + Gains on Sale of Sustainable Real Estate Assets Recorded as Extraordinary Gains

² The Adjustment to Segment P&L of -JPY 9 million reflects transaction eliminations and corporate expenses that were not allocated to the segments. The Adjustment to Segment Assets (JPY 28,327 million) reflects corporate assets, such as cash and deposits, that were not allocated to the segments. The Adjustment to Depreciation (JPY 13 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 3 million) reflects corporate assets that were not allocated to the segments.

Revenue, P&L, and Assets by Segment (Previous 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
Operating Profit	353	2,061	743	3,158	-	3,159
Gains on Sale of Sustainable Real Estate Assets Recorded as Extraordinary Gains	-	-	-	-	-	-
Segment P&L (All-In Operating Profit) ^{1, 3}	353	2,061	743	3,158	-	3,159
Segment P&L (All-In) Details						
Stock Earnings (Rental Income, Base AM Fees, FIT Solar & Wind Power Earnings, etc.)	353	744	743	1,840	-	-
Flow Earnings (Gains on Sale of Sustainable Real Estate, 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 (All-In Operating Profit) = Operating Profit + Gains on Sale of Sustainable Real Estate Assets Recorded as Extraordinary Gains

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.

³ From FY23/2 Q1, Ichigo has adjusted the allocation of general corporate expenses to subsidiaries to more accurately reflect their use of corporate resources. If the new allocation methodology is applied to the previous FY22/2 Q1, Segment P&L would have been JPY 375 million for Asset Management, JPY 2,075 million for Sustainable Real Estate, and JPY 717 million for Clean Energy.