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## **Shift Up 2016 Mid-Term Business Plan Interview Summary**

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Ichigo Group Holdings (JASDAQ 2337)

This interview can be viewed on Ichigo's homepage: [www.net-presentations.com/2337/20140108E/](http://www.net-presentations.com/2337/20140108E/)

### **1. Background and Strategy**

- The market environment has changed dramatically post-Abenomics, creating a surge in real estate activity.
- To respond to the rapid market expansion, Ichigo has just released its Shift Up 2016 Mid-Term Business Plan.
- We completed a new share issuance in December of last year on the back of which we are going to drive substantial value creation for our shareholders.
- We expect to generate a 5X increase in our EPS from 3.7 yen per share last year to 18.3 yen per share by February 2016.

### **2. Concrete Steps**

- Ichigo will continue to adhere to its core activities—this is not a business plan that requires us to take on new and untried tasks.
- We have three main ongoing drivers of profitability:
  1. The first is the asset management business, which is increasingly focused on the public REIT (Ichigo REIT, TSE:8975), with its high transparency and liquidity for investors.
  2. The second driver is our real estate value-add business in which Ichigo repairs and improves buildings that may have building code problems, earthquake vulnerabilities, or dated exteriors, interiors, or equipment, and increases the quality and size of cash flows with an improved tenant base.
  3. The third driver is our renewable energy business. At this point, the business is primarily megasolar. Its economics are based on a guaranteed 20-year feed-in tariff which generates significant long-term earnings stability. Ichigo's renewable energy business generates significant value not only for our shareholders but for Japan generally. In addition to megasolar, we are considering market entry in wind power.
- Backed by these three key businesses and earnings drivers, we are very confident we will deliver our targeted 5X EPS increase.

### **3. Japanese Real Estate and Renewable Energy Market**

- The most important feature of Japanese real estate is its significant structural profitability due to the positive carry: we can borrow at 1.5% and buy assets that yield 5.5% or 6.0%.
- The second market feature is that Abenomics has transformed the Japanese real estate landscape. There is a flood of money out there, and prices have gone up substantially. At the same time, liquidity has gone up even more, so net-net the market change is a substantial positive for us because we are able to deploy our ability to add value as a real estate owner/operator over a much bigger pool of potential assets. To repeat, we are value-add operators, so more important than market-level pricing

(to the extent it is not a bubble—if it is, we step away) is the opportunity to acquire assets in a liquid market to which we can add value.

- While our existing projects have locked-in 20 year guaranteed economics and we expect to take on new projects that are currently approved that also have guaranteed 20-year economics, going forward, the renewable energy market is very dependent on government policy and technological progress.
- We all know that solar feed-in tariffs are going down—this past year there was a 10% cut. However, we have more than preserved our economics through cost-cutting and technological innovation.
- We are focused on growing our solar and other clean energy business so that it will be a very meaningful contributor to our earnings over the next couple years.

#### **4. Future Direction**

- We understand the responsibilities of a public company and our obligations to shareholders. We are fully committed to generating the returns that our shareholders deserve.
- We are proud to be a Japanese firm. We think Japan is a wonderful society and economy with ongoing dynamism and opportunities for us to serve our tenants and our shareholders. We are also a firm that's committed to generating and implementing global best practice.
- We believe we are best practice in our corporate governance, with the majority of our directors being independent, and we are very focused on delivering exceptional returns for our shareholders.
- We have ambitious goals as a company and are committed to meeting and beating them. We believe this is just the beginning of a very long upward trajectory. The whole firm is committed to delivering success for our shareholders and all stakeholders.