



*[Provisional Translation Only]*

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

May 10, 2012

**Ichigo Group Holdings Co., Ltd.** (JASDAQ, 2337)  
1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo  
Scott Callon, Chairman and Representative Statutory Executive Officer

## **Notice of the Twelfth Annual General Meeting of Shareholders**

Dear Shareholders:

We are pleased to invite you to attend the Twelfth Annual General Meeting of Shareholders of Ichigo Group Holdings Co., Ltd. (“the Company”) to be held per the below.

**If you are unable to attend the meeting, you may exercise your voting rights via postal mail or the internet. We would appreciate it if you could review the Reference Materials for the Annual General Meeting of Shareholders attached below and cast your vote by returning the enclosed voting form or by accessing our voting website (<http://www.evotep.jp>) no later than Friday, May 25, 2012, 6:30 p.m. JST.**

**1. Date and Time** Saturday, May 26, 2012 at 10:00 a.m.

**2. Place** Dai-ichi Hotel Tokyo, Fourth Floor, Primavera  
1-2-6 Shimbashi, Minato-ku, Tokyo

### **3. Agenda of the Meeting**

#### **Matters to be Reported**

1. Details of the business report, the consolidated financial statements, and the results of the audit of consolidated financial statements by the Independent Auditor and the Company’s Audit Committee for the twelfth term (from March 1, 2011 to February 29, 2012)
2. Report on the financial statements for the twelfth term (from March 1, 2011 to February 29, 2012)

#### **Matters to be Resolved**

**Proposal 1** Election of 7 Directors

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\* If you attend the meeting in person, please submit the enclosed voting form at the venue’s reception.

\* Please note that any amendments to the Reference Materials for the Annual General Meeting of Shareholders and the business report, financial statements, and consolidated financial statements will be posted on our website (<http://www.ichigo-holdings.co.jp/english>).

## **Voting via the Internet**

### **1. Handling of Concurrent Votes via Postal Mail and via the Internet**

If you cast multiple votes by using both the postal voting form and the Internet voting site, only the vote casted on the Internet will be deemed as effective.

### **2. Handling of Concurrent Votes on the Internet**

If you cast multiple votes on the Internet voting site, only the last vote will be deemed to be effective, whether from a PC or a mobile phone.

### **3. Voting via the Internet**

If you vote via the Internet, please review the following matters. If you attend the meeting, voting via postal mail (voting form) or via the Internet is unnecessary.

#### **(1) Voting Website**

- (i) You can only exercise your voting rights via the Internet by accessing and using the designated website (<http://www.evotep.jp/>) from a PC or mobile phone (i-mode, EZweb or Yahoo! Keitai\*). Please note that the website is not available from 2 a.m. to 5 a.m. JST daily.

(\*i-mode, EZweb, and Yahoo! are the trademarks or registered trademarks of NTT DoCoMo, Inc., KDDI Corporation, and Yahoo! Inc., U.S.A., respectively.)

- (ii) Please note that if you use a firewall, have antivirus software installed, or use a proxy server, etc., there may be technical difficulties in exercising your voting rights via the internet.
- (iii) To exercise your voting rights from a mobile phone, you must be able to use i-mode, EZweb or Yahoo! Keitai. To ensure security, you may not be able to vote from your mobile phone if the phone does not support encrypted transmission (SSL transmission) and mobile phone information transmission.
- (iv) We will accept votes submitted via the Internet up until 6:30 p.m. JST on Friday, May 25, 2012, but we would appreciate your promptness in voting. Please contact the help desk below if you have any questions.

#### **(2) How to Vote via the Internet**

- (i) Please access our voting website (<http://www.evotep.jp/>), and use the log-in ID and password shown on the enclosed voting form. Follow the on-screen instructions to indicate your consent or dissent
- (ii) To prevent unauthorized access (impersonation) and tampering of votes by any third party, please note that you will be required to change the temporary password on the voting website.
- (iii) We will inform you of your new login ID and temporary password for each Annual General Meeting of Shareholders.

#### **(3) Fees for Accessing the Voting Website**

Please note that you will bear expenses such as dial-up Internet access fees and telephone charges incurred by accessing the voting website. Please also note that you will bear expenses for the use of a mobile phone to cast your vote such as packet communication fees and other charges.

### **4. How to Receive Notices of our Future Annual General Meetings of Shareholders**

You can be notified by e-mail starting from the next Annual General Meeting of Shareholders, so please apply to receive such notification by accessing the voting website on your PC. (Please note that you may not apply for such notification by mobile phone nor can you designate your mobile phone e-mail address as the receiving address.)

Enquiries concerning the Voting Process

Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division (Help Desk)

Toll-free telephone (within Japan): 0120-173-027 (9:00 a.m. to 9:00 p.m. JST)

To Institutional Investors

You may use the electronic proxy-voting platform of the Tokyo Stock Exchange for electronic voting for the Annual General Meeting of Shareholders of the Company.

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## **Business Report**

[ From March 1, 2011 ]  
[ To February 29, 2012 ]

### **I. Current Condition of the Company**

#### **1. Business Conditions in the Current Fiscal Year**

##### (1) Progress and Business Results

Despite the impact of the Great East Japan earthquake, economic conditions in Japan began to improve gradually during the current fiscal year, with a recovery of production activities and individual consumption following a rebuilt supply-chain. At the same time, economic conditions remain unstable due to downward pressures from the Euro crisis, Iranian oil sanctions, and concerns about China's economic overheating.

The Japanese real estate market began to show signs of recovery, despite the slowing of real estate transactions, supported by enhanced bank credit lines, rebuilding-oriented real estate investments after the earthquake, and the Bank of Japan establishment of an asset purchase fund, including J-REITs, as part of a comprehensive package of monetary easing.

Taking these positive changes as a growth opportunity, the Company has continued to strengthen its finances and improve its profitability to drive stable financial performance as a full-service real estate asset manager providing services in private equity real estate funds, J-REIT asset management, property management, building management, and small-sized assets and ground leases. Specifically, the Company has taken the following actions:

- Launched new funds
- Won new “Rescue AM” mandates where the Company is brought in to replace an existing asset manager that has had a performance problem
- Established a bridge fund to support the strategic growth of Ichigo's J-REIT (Ichigo Real Estate Investment Corporation, “Ichigo REIT”)
- Enhanced asset values via strengthening earthquake resistance and improving building functions
- Pro-actively pursued tenant leasing
- Refinanced a large number of the Company's real estate funds
- Executed strategic M&A, buying Fund Creation REIT Advisers Co., Ltd. for the strategic growth of Ichigo's REIT business
- Merged two J-REIT asset managers
- Further pursued environmentally sensitive management of Ichigo assets
- Began significant Ichigo branding activities
- Promoted real estate business on small-sized assets and ground leases
- Executed strategic business tie-up for strengthening management of retail assets
- Executed strategic M&A for the Company's prudent growth
- Improved long-term debt ratio
- Disposed assets

As a result, the Company recorded revenues of ¥18,952 million in the current fiscal year (up 48.5% year-on-year); an operating profit of ¥1,050 million (down 22.3% year-on-year); a recurring profit of ¥979 million (down 39.4% year-on-year); and a net profit of ¥1,770 million (up 185.3% year-on-year).

The Company has thus been profitable for three consecutive fiscal years and fully expects that its strong financial base and new revenue structure will support the Company's profitability into the future.

(2) Capital Expenditure

Some assets within Real Estate Held for Sale have been reclassified to Fixed Assets due to the change in holding period. Thus, Fixed Assets on the consolidated balance sheet increased by ¥6,930 million during the current fiscal year

(3) Financing

In order to further strengthen its financial base, the Company has been reducing its corporate debt, and refinancing from short-term to long-term borrowing. The Company decreased interest-bearing corporate debt by ¥1.43 billion in the current fiscal year, and long-term borrowings as a proportion of total borrowing increased to 79.3% (up 21.7% year-on-year) and short-term borrowings decreased to 20.7% (down 21.7% year-on-year).

(4) Business Transfers, Absorption-Type Splits or Incorporation-Type Splits

N/A

(5) Transferred Businesses from Other Companies

N/A

(6) Succeeding to Rights and Obligations relating to the Business of Other Companies by Absorption-Type Merger or Absorption-Type Split

N/A

(7) Acquisition and Disposition of Shares and Other Interests in Other Companies and Stock Acquisition Rights, etc.

The Company acquired all shares of Fund Creation REIT Advisers Co., Ltd. ("FCRA") on August 15, 2011, making it a 100% subsidiary. FCRA was merged with Ichigo REIT Management Co., Ltd. ("IRM") on November 1, 2011 with IRM as the surviving company.

The Company acquired all shares of Nichibeï Building Services Co., Ltd. and Nichibeï Security Services Co., Ltd. on February 28, 2012, making them 100% subsidiaries.

## 2. Assets and Earnings in the Past Three Fiscal Years

Category	Ninth term (Year ending February 28, 2009)	Tenth term (Year ending February 28, 2010)	Eleventh term (Year ending February 28, 2011)	Twelfth term (Year ending February 29, 2012 - Current fiscal year)
Revenues (million yen)	50,444	21,112	12,760	18,952
Recurring Profit (Recurring Loss) (million yen)	(54,115)	573	1,616	979
Net Profit (Net loss) (million yen)	(48,171)	1,807	620	1,770
Net Profit per Share (Net loss per share) (yen)	(73,934.36)	1,771.74	317.64	775.14
Total Assets (million yen)	140,875	100,268	98,653	82,170
Net Assets (million yen)	12,945	23,523	27,771	28,187
Net Assets per Share (yen)	11,518.77	11,711.48	10,920.79	11,613.85

(Note) Net Profit per Share (Net loss per share) is calculated based on the average number of shares issued during the term. This figure does not include treasury shares.

### 3. Important Parent Company and Subsidiary Information

#### (1) Parent Company

N/A

#### (2) Important Subsidiaries

Name	Capital	Percentage Ownership of Voting Rights	Business Segment
Ichigo Real Estate Investment Advisors Co., Ltd.	¥100 million	100.00%	Private equity real estate funds asset management
Ichigo REIT Management Co., Ltd.	¥400 million	100.00%	J-REIT asset management
Ichigo Estate Co., Ltd.	¥30 million	100.00%	Real estate-related business (Small sized assets and ground leases)
Ichigo Solutions Co., Ltd.	¥500 million	100.00%	Dealing in financial instruments and money lending
Ichigo Marché Co., Ltd.	¥95 million	100.00%	Wholesale market property management
Miyako City Co., Ltd.	¥50 million	100.00%	Mall property management
Takara Building Maintenance Co., Ltd.	¥10 million	100.00%	Building maintenance
Nichibeï Building Services Co., Ltd. (Note 1)	¥16 million	100.00%	Total building management
Nichibeï Security Services Co., Ltd. (Note 2)	¥10 million	100.00%	Security services

(Note) 1. Nichibeï Building Services Co., Ltd. became a 100% subsidiary of the Company on February 28, 2012.

2. Nichibeï Security Services Co., Ltd. became a 100% subsidiary of the Company on February 28, 2012.

### 4. Key Business Priorities

Japan's financial and real estate markets has begun to show signs of recovery. However, future global economic and business conditions are still uncertain.

Despite this severe business environment, the Company continues to strive for further growth as an independent full-service real estate asset manager through maintaining its strong financial foundation as well as expanding stable fee income. In pursuit of this, the Company expects to (1) reorganize the real estate and finance functions of the group to focus on real estate asset management business; (2) increase its operating profits through maintaining and increasing AUM; (3) promote Ichigo REIT's strategic growth; (4) promote small-sized property and ground lease businesses; and (5) acquire sound businesses via M&A.

The Company also intends to further reinforce corporate governance and compliance to ensure sound management for our shareholders.

### 5. Key Business Segments (as of February 29, 2012)

As a long-term Japanese real estate asset manager, the Company has as its vision "Creating peace of mind through honest and committed management" and seeks to serve the needs of society by providing innovative asset management solutions.

The Company is principally engaged in management of private equity investment funds and a J-REIT, and also engages in related real estate investment, property management, and building maintenance services.

## 6. Principal Offices (as of February 29, 2012)

Ichigo Group Holdings Co., Ltd. Ichigo Real Estate Investment Advisors Co., Ltd. Ichigo REIT Management Co., Ltd. Ichigo Estate Co., Ltd. Ichigo Solutions Co., Ltd.	Headquarters: Chiyoda-ku, Tokyo
Ichigo Marché Co., Ltd.	Headquarters: Chiyoda-ku, Tokyo Office: Matsudo City, Chiba Prefecture
Miyako City Co., Ltd.	Headquarters: Miyazaki City, Miyazaki Prefecture
Takara Building Maintenance Co., Ltd.	Headquarters: Ryugasaki City, Ibaraki Prefecture
Nichibei Building Services Co., Ltd. Nichibei Security Services Co., Ltd.	Headquarters: Matsudo City, Chiba Prefecture

## 7. Employees (as of February 29, 2012)

### (1) Employees of the Company (Consolidated basis)

Number of employees	Increase/decrease from the end of previous fiscal year
246 (538) employees	Increased by 79 (167) employees

- (Note) 1. The number of employees is the number of full-time employees (excluding workers dispatched from Ichigo Group to other companies and including workers dispatched from other companies to Ichigo Group) including directors who are also employees.
2. The average number of non-full-time employees (including part-time and temporary staff) is presented in parentheses.
3. The number of employees increased by 79 for full-time and 167 for non-full-time from the previous fiscal year due to acquisitions of Nichibei Building Services Co., Ltd. and Nichibei Security Services Co., Ltd.

### (2) Employees of the Company (Parent basis)

Number of employees	Increase/decrease from the end of previous fiscal year	Average age	Average years of employment
39 (3) employees	Increased by 1 (-2) employees	39.3 years old	3.2 years

- (Note) 1. The number of employees is the number of full-time employees (excluding workers dispatched from the Company to other companies and including workers dispatched from other companies to Ichigo Group) including directors who are also employees.
2. The average number of non-full-time employees (including part-time and temp employees) is presented in parentheses.

## 8. Principal Lenders (as of February 29, 2012)

Lenders	Amount
Kansai Urban Banking Corporation	¥4,220 million
Sumitomo Mitsui Banking Corporation	¥1,925 million
Mizuho Bank, Ltd.	¥1,147 million
The Bank of Yokohama, Ltd.	¥700 million
Higashi-Nippon Bank, Ltd.	¥375 million

(Note) These amounts do not include non-recourse loans held by funds that the Company manages (e.g., *tokumei kumiai* partnerships, etc.)



## 9. Dividend and Distribution Policy

The Company deems generating positive returns for its shareholders one of its most important priorities, and has a basic principle of carrying out shareholder distributions in line with the Company's financial performance while securing retained earnings necessary for stable growth. During the fiscal year ending February 2012, the Company considered various shareholder distribution measures based upon the Company's earnings outlook and possible future growth funding needs. As a consequence, the Company twice executed share buybacks with a total acquisition cost of JPY 935 million and cancelled the repurchased shares. Given these share repurchases and cancellations, the Company has chosen not to pay a dividend for the fiscal year ending February 2012.

Meanwhile, the Company has successfully built a strong foundation of stable fee income, and SG&A and Non-Operating Expenses in the fiscal year ending February 2013 are expected to be fully covered by this fee income. The Company thus expects to resume dividend payments of 200 yen per share from the fiscal year ending February 2013.

## 10. Other Material Matters Regarding the Company

### Merger of Consolidated Subsidiaries

The Company ("IGH") decided at its Board of Directors on April 19, 2012 to reorganize its real estate and finance functions to support further growth as an independent full-service real estate asset manager. Furthermore, the Company will transfer its business development functions to its subsidiaries and transform itself into a pure holding company structure.

#### (1) Purpose of the Mergers

##### (i) Strengthen Real Estate Asset Management

Ichigo REIT Management Co., Ltd. ("IRM") is the asset manager for Ichigo Real Estate Investment Corporation ("Ichigo REIT") and supports its strategy of being a "Comprehensive J-REIT seeking stable profits and steady portfolio growth" in order to improve the portfolio on behalf of investors. In turn, Ichigo Real Estate Investment Advisors Co., Ltd. ("IRE") is a private equity real estate manager, and has managed real estate funds cumulatively worth over JPY 1 trillion across a variety of real estate investment products.

The IRM/IRE Merger will strengthen the Company's asset management capabilities by bringing together the human resources and know-how in asset management of both asset managers, while additionally transferring IGH's finance capabilities to IRM. The merged asset manager will seek to be one of the leading real estate asset management companies in Japan, with strong sourcing and fund raising ability, flexible product development, high-level structured finance skills, and significant architectural expertise to add value to IRE managed assets.

The IRM/IRE Merger will be an absorption-type merger and IRM will be the surviving corporation. The post-merger company name will be Ichigo Real Estate Investment Advisors Co., Ltd. ("New IRE"). Furthermore, the New IRE will be operated under the Japanese "company with committees" corporate structure that delegates management from board-level committees to the operating level in order to support enhanced corporate governance and facilitate prompt decision making.

##### (ii) Accelerate New Business Development (Small-Sized Assets, Ground Leases, etc.)

Ichigo Estate Co., Ltd. ("IES"), which was incorporated in January 2011, focuses on small-sized assets and ground-leases, and successfully closed multiple deals in its first year. IES will merge with Ichigo Solutions Co., Ltd. ("ISL"), the Company's real estate and financial solutions business, in order to enhance its product line-up by developing real estate financial product targeted at individual investors and launching ground lease funds. The New IES will also possess warehousing function for Ichigo REIT by combining ISL's financial function and IES's real estate function. Drawing upon these strengths, the New IES is expected to accelerate business expansion and grow to become one of the pillars of Ichigo Group's profit base. The IES/ISL Merger will be an absorption-type merger, and ISL will be the surviving corporation. The post-merger company name will be Ichigo Estate Co., Ltd.

## (2) Mergers Overview

### (i) Schedule

Approval of Board of Directors of Merger MOUs (IRM, IRE, ISL and IES):	April 19, 2012
Execution date of Merger MOUs:	April 19, 2012
Execution date of the merger agreements:	Mid-May 2012 (subject to change)
Effective date of mergers:	July 1, 2012 (subject to change)

Note: The Mergers are conditional upon regulatory authority approval.

### (ii) Method

The Mergers will be absorption-type mergers. Between IRM and IRE, IRM will be the surviving corporation, and IRE will be dissolved. Between ISL and IES, ISL will be the surviving corporation, and IES will be dissolved.

## (3) Subsidiaries Overview

### (i) Overview of IRM and IRE

	Surviving Corporation	Absorbed Corporation
Company Name	Ichigo REIT Management Co., Ltd.	Ichigo Real Estate Investment Advisors Co., Ltd.
Address	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
Representative	Wataru Orii President & Representative Director	Takumi Naito President & Representative Director
Business	J-REIT Asset Management	Private Equity Real Estate Fund Asset Management
Paid-in Capital	400 million yen	100 million yen
Date of Incorporation	December 15, 2004	April 25, 2007
# of Shares Outstanding	8,000 shares	2,000 shares
Fiscal Year-End	February	February
Shareholder	Ichigo Group Holdings Co., Ltd. 100%	Ichigo Group Holdings Co., Ltd. 100%
Relationship between IRM and IRE	Both corporations are 100% subsidiaries of the Company.	

### (ii) Overview of ISL and IES

	Surviving Corporation	Absorbed Corporation
Company Name	Ichigo Solutions Co., Ltd.	Ichigo Estate Co., Ltd.
Address	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
Representative	Takuma Hasegawa President & Representative Director	Takuma Hasegawa President & Representative Director
Business	Financial Instruments and Exchange Business, Money Lending, Real Estate Business	Real Estate Business Mainly Focusing on Small-Sized Assets and Ground-Lease
Paid-in Capital	500 million yen	30 million yen

Date of Incorporation	November 10, 2005	January 13, 2011
# of Shares Outstanding	62,000 shares	1,000 shares
Fiscal Year-End	February	February
Shareholder	Ichigo Group Holdings Co., Ltd. 100%	Ichigo Group Holdings Co., Ltd. 100%
Relationship between ISL and IES	Both corporations are 100% subsidiaries of the Company.	

(4) Financial Overview for the Last Three Fiscal Periods

(i) Financial Overview of IRM and IRE

(Million yen)

Fiscal Year End	Ichigo REIT Management Co., Ltd. (Surviving corporation)			Ichigo Real Estate Investment Advisors Co., Ltd. (Absorbed corporation)		
	March 2010	February 2011	February 2012	February 2010	February 2011	February 2012
Revenues	756	659	1,125	1,538	1,038	1,083
Operating Profit	354	330	506	-146	-180	8
Recurring Profit	363	341	522	-117	-176	12
Net Profit	211	177	301	-293	-203	-47
Net Profit per Share (yen)	26,380	22,132	37,719	-146,829	-101,589	-23,913
Dividends per Share (yen)	-	-	-	-	-	-
Total Assets	1,343	1,472	1,711	781	571	461
Net Assets	1,184	1,361	1,421	524	321	273
Net Assets per Share (yen)	148,105	170,237	177,720	262,406	160,816	136,903

(Note) IRM changed the fiscal-year-end from March to February in 2011. In addition, IRM merged with Fund Creation REIT Advisers Co., Ltd. on November 1, 2011.

(ii) Financial Overview of ISL and IES

(Million yen)

Fiscal Year Ending	Ichigo Solutions Co., Ltd. (Surviving corporation)			Ichigo Estate Co., Ltd. (Absorbed corporation)		
	February 2010	February 2011	February 2012		February 2011	February 2012
Revenues	57	15	113	-	-	221
Operating Profit	-50	-67	-117	-	-10	72
Recurring Profit	40	-22	-105	-	-10	68
Net Profit	35	-20	-103	-	-9	35
Net Profit per Share (yen)	574	-324	-1,664	-	-9,846	35,844
Dividends per Share (yen)	-	-	-	-	-	-

Total Assets	2,432	988	1,175	-	51	1,499
Net Assets	2,417	979	876	-	40	75
Net Assets per Share (yen)	38,993	15,804	14,139	-	40,153	75,997

(5) Overview of Post-Merger Subsidiaries

(i) New IRE Overview

	Surviving Corporation
Company Name	Ichigo Real Estate Investment Advisors Co., Ltd.
Address	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
Representative	Wataru Orii, President & Representative Statutory Executive Officer
Business	Asset Management of J-REIT and Private Equity Real Estate Funds
Paid-in Capital	400 million yen
Fiscal Year-End	February

IRM is the surviving corporation and the post-merger company name is expected to be changed to Ichigo Real Estate Investment Advisors Co., Ltd.

(ii) New IES Overview

	Surviving Corporation
Company Name	Ichigo Estate Co., Ltd.
Address	1-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo
Representative	Takuma Hasegawa, President & Representative Director
Business	Real Estate Business Mainly Focusing on Small-Sized Assets and Ground Leases, Investment Advisory and Agency Business, Financial Instruments and Exchange Business and Moneylending Business
Paid-in Capital	500 million yen
Fiscal Year-End	February

IES is the surviving corporation and the post-merger company name is expected to be changed to Ichigo Estate Co., Ltd.

(6) Prevention of Conflicts of Interest

In order to prevent conflicts of interests, IGH will enter a “Memorandum of Understanding on Real Estate First Refusal Rights within Ichigo Group,” with New IRE and New IES.

In addition, the New IRE will adopt a “Structure to Avoid Conflicts of Interest between Ichigo REIT and Private Equity Funds” establishing clear rules on how to handle information related to property acquisitions (“Information”) obtained by the New IRE.

Overview of “Memorandum of Understanding on Real Estate First Refusal Rights within Ichigo Group”

(i) When IGH obtains Information:

1. When IGH obtains Information from its vendors, Ichigo Group, or any other parties who possess Information, IGH will immediately provide this Information to the New IRE. However, if the projected transaction price is less than JPY 500 million, IGH will provide the Information to the New IES.
2. The New IRE, upon the receipt of Information as stipulated in the preceding clause, will immediately consider whether it needs the Information or not, and return the Information to IGH if the Information is considered not necessary.

3. IGH, upon the return of Information from the New IRE as stipulated in the preceding clause, will then immediately provide the information to the New IES.
- (ii) When either the New IRE or the New IES obtains Information:
    1. When either New IRE or New IES obtains Information, it will consider whether it needs the Information or not. However, the New IRE will generally provide the Information to New IES if the projected transaction price is less than JPY 500 million.
    2. The New IRE and the New IES will provide Information to the other if the Information is not considered necessary after the receipt of Information as stipulated in the preceding clause.

Overview of “Structure to Avoid Conflicts of Interest between Ichigo REIT and Private Equity Funds”

- (i) When the New IRE obtains Information, at initial stage, the Acquisition & Sales group, relying upon pre-determined rules, will decide whether it should proceed to investigate the Information and any attendant potential transaction more fully.
- (ii) When the Acquisition & Sales group make a determination to proceed, it determines which one of Ichigo REIT or Private Equity Fund has the First Refusal Right and provides Information to the relevant Fund Manager based upon either 1) the calendar year of the building completion date (where multiple properties, using the most recent) or 2) the address of the property in the case of land:
  1. When the completion year or address is an even number:

Ichigo REIT has First Refusal Right
  2. When the completion year or address is an odd number:

Private Equity Funds have First Refusal Right
- (iii) Should the Fund Manager of either Ichigo REIT or Private Equity Funds decide not to pursue the acquisition opportunity after gaining First Refusal Right as stipulated in the preceding clause, the other is alternately given the opportunity to consider the acquisition.
- (iv) The decision making processes which are stipulated in the proceeding clauses require approval from a Compliance Officer.
- (v) The Fund Manager of Ichigo REIT will also report the results of these considerations of acquisitions opportunities to committees of Ichigo REIT on a regular basis.

## II. Matters Regarding the Current Status of the Company

### 1. Matters Regarding Shares in the Company (as of February 29, 2012)

- (1) Number of Authorized Shares: 2,750,000 shares
- (2) Total Number of Shares Issued: 2,256,319 shares  
(Including treasury stock of 20,000 shares)
- (3) Number of Shareholders: 18,854
- (4) Major Shareholders (top 10)

Name	Investment in the Company	
	Number of shares held (shares)	Shareholding ratio (%)
ICHIGO TRUST	1,254,521	56.10%
ICHIGO TRUST PTE. LTD.	484,794	21.68%
J. P. MORGAN CLEARING CORP-SEC	33,996	1.52%
GOLDMAN SACHS INTERNATIONAL	26,886	1.20%
RBC DEXIA INVESTOR SERVICES TRUST, LONDON-CLIENTS ACCOUNT	18,485	0.83%
MELLON BANK TREATY CLIENTS OMNIBUS	11,600	0.52%
YOICHI AOYAMA	10,732	0.48%
CBNY-NATIONAL FINANCIALSERVICES LLC	6,450	0.29%
CBNY-FORUM FUNDS-ABSOLUTE OPPORTUNITIES FUND	6,004	0.27%
MONEX, INC.	5,620	0.25%
TOTAL	1,859,088	83.13%

(Note) The shareholding ratio is calculated excluding treasury stock (20,000 shares).

## 2. Stock Acquisition Rights (aka Stock Options)

(1) Stock Acquisition Rights Issued as Consideration for Execution of Duties by Officers of the Company  
(as of February 29, 2012)

Number		9th Stock Acquisition Right Plan	
Date of resolution		July 14, 2009	
Number of stock acquisition rights		16,824 units (Note 1)	
Type and number of shares		16,824 common shares (1 share per unit)	
Issue Price		No payment is required in exchange for stock acquisition rights	
Amount due upon exercise of each stock acquisition right		¥13,381 per share	
Period for exercise of rights		August 15, 2011 – August 14, 2016	
Exercise Conditions		(Note 2)	
Holding by Directors	Directors (excluding External Directors)	Number of stock acquisition rights:	5,400 units
		Number of shares:	5,400 shares
		Number of holders:	2
	External Directors	Number of stock acquisition rights:	300 units
		Number of shares:	300 shares
		Number of holders:	2
	Statutory Executive Officers (excluding those who are Directors)	Number of stock acquisition rights:	3,350 units
		Number of shares:	3,350 shares
		Number of holders:	3

(Note 1) Of the total stock acquisition rights, 9,050 have been issued to Directors.

(Note 2) Exercise Conditions

- (i) Any person who is allotted stock acquisition rights is required to remain in the position of Director, Statutory Executive Officer, Advisor or employee of the Company, or Director, Statutory Executive Officer, Auditor or Employee of the Company's subsidiaries and other similar positions, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.
- (ii) Pledges and other disposition of stock acquisition rights are not permitted.
- (iii) If a person who is allotted stock acquisition rights should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Acquisition Rights Allotment Agreement as described in (iv).
- (iv) Other conditions are subject to the Stock Acquisition Rights Allotment Agreement entered into between the Company and recipient of stock acquisition rights pursuant to the resolution of the Company's Board of Directors.

Number		10th Stock Acquisition Right Plan	
Date of resolution		August 8, 2011	
Number of stock acquisition rights		19,845 units (Note 1)	
Type and number of shares		19,845 common shares (1 share per unit)	
Issue Price		No payment is required in exchange for stock acquisition rights	
Amount due upon exercise of each stock acquisition right		¥11,000 per share	
Period for exercise of rights		August 9, 2013 – August 8, 2018	
Exercise Conditions		(Note 2)	
Holding by Directors	Directors (excluding External Directors)	Number of stock acquisition rights:	3,750 units
		Number of shares:	3,750 shares
		Number of holders:	2
	External Directors	Number of stock acquisition rights:	550 units
		Number of shares:	550 shares
		Number of holders:	5
	Statutory Executive Officers (excluding those who are Directors)	Number of stock acquisition rights:	4,395 units
		Number of shares:	4,395 shares
		Number of holders:	7

(Note 1) Of the total stock acquisition rights, 8,695 units have been issued to Directors.

(Note 2) Exercise Conditions

- (i) The Company must fully complete its buyback of either 61,693 shares or 616,930,000 yen in the share buyback approved on August 8, 2011.
- (ii) Any person who is allotted stock acquisition rights is required to remain in the position of Director, Statutory Executive Officer, Advisor or employee of the Company, or Director, Statutory Executive Officer, Auditor or employee of the Company's subsidiaries and other similar positions, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.
- (iii) Pledges and other disposition of stock acquisition rights are not permitted.
- (iv) If a person who is allotted stock acquisition rights should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Acquisition Rights Allotment Agreement as described in (v).
- (v) Other conditions are subject to the Stock Acquisition Rights Allotment Agreement entered into between the Company and recipient of stock acquisition rights pursuant to the resolution of the Company's Board of Directors.



(2) Stock Acquisition Rights Issued for the Consideration for Execution of Duties by Employees during the Current Fiscal Year

Number		10th Stock Acquisition Right Plan	
Date of resolution		August 8, 2011	
Number of stock acquisition rights		20,000 units (Note 1)	
Type and number of shares		20,000 common shares (1 share per unit)	
Issue Price		No payment is required in exchange for stock acquisition rights	
Amount due upon exercise of each stock acquisition right		¥11,000 per share	
Period for exercise of rights		August 9, 2013 – August 8, 2018	
Exercise Conditions		(Note 2)	
Holding by Employees	Employees (excluding those who are Directors and Statutory Executive Officers)	Number of stock acquisition rights:	11,305 units
		Number of shares:	11,305 shares
		Number of holders:	107
Holding by Employees	Directors and Employees of Subsidiaries	Number of stock acquisition rights:	- units
		Number of shares:	- shares
		Number of holders:	-

(Note 1) Of the total stock acquisition rights, 11,305 units have been issued to employees.

(Note 2) Exercise Conditions

- (i) The Company must fully complete its buyback of either 61,693 shares or 616,930,000 yen in the share buyback approved on August 8, 2011.
- (ii) Any person who is allotted stock acquisition rights is required to remain in the position of Director, Statutory Executive Officer, Advisor or employee of the Company, or Director, Statutory Executive Officer, Auditor or employee of the Company's subsidiaries and other similar positions, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.
- (iii) Pledges and other disposition of stock acquisition rights are not permitted.
- (iv) If a person who is allotted stock acquisition rights should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Acquisition Rights Allotment Agreement as described in (v).
- (v) Other conditions are subject to the Stock Acquisition Rights Allotment Agreement entered into between the Company and recipient of stock acquisition rights pursuant to the resolution of the Company's Board of Directors.

(3) Other Material Matters regarding Stock Acquisition Rights

N/A

### 3. Officers of the Company

#### (1) Corporate Directors (as of February 29, 2012)

Position	Name	Responsibility and other business affiliations
Director	Scott Callon	Chairman of the Board of Directors, Nominating Committee Member, Compensation Committee Member, Vice-Chairman of Compliance Committee Chairman & Representative Statutory Executive Officer of Ichigo Group Holdings Co., Ltd. Partner and Chief Executive Officer of Ichigo Asset Management, Ltd.
Director	Kenji Iwasaki	Chairman of Nominating Committee, Chairman of Compensation Committee, Vice-Chairman of Compliance Committee President & Representative Statutory Executive Officer of Ichigo Group Holdings Co., Ltd.
Director	Minoru Ishihara	Compliance Committee Member Executive Vice President & Statutory Executive Officer of Ichigo Group Holdings Co., Ltd. Senior Executive Managing Director of Ichigo Real Estate Investment Advisors Co., Ltd. President & Representative Director of Miyako City Co., Ltd.
External Director	Katsu Fujita	Chairman of Audit Committee, Nominating Committee Member, Compensation Committee Member Member of Conciliation of Civil Affairs, Tokyo District Court
External Director	Katsuhiko Hattori	Nominating Committee Member, Compensation Committee Member Director of Frontier Construction & Partners Inc.
External Director	Tetsuya Fujita	Chairman of Compliance Committee, Audit Committee Member, Auditor of St. Thomas University President of Remark Japan Co., Ltd.
External Director	Maki Kumagai	Nominating Committee Member, Compensation Committee Member, Compliance Committee Member, Partner of Nijubashi Partners
External Director	Noriko Kawate	Audit Committee Member President, CLEA Consulting Co., Ltd. Employee of Gracia Corporation
External Director	Rob Crawford	Partner of Ichigo Asset Management, International Pte. Ltd.
External Director	Makoto Fukuhara	Partner and Executive Vice President of Ichigo Asset Management, Ltd.

(Note) 1. Mr. Katsu Fujita of Chairman of the Audit Committee has served as the head of the division in charge of finance and accounting for nine years and thus has extensive knowledge of the finance and accounting fields.

2. Ms. Noriko Kawate is the Certified Public Accountant as well as the Certified Tax Accountant and thus has extensive knowledge of the finance and accounting fields.

3. The Company has registered with Osaka Securities Exchange that Messrs. Katsu Fujita, Katsuhiko Hattori, and Tetsuya Fujita and Mmes. Kumagai and Kawate are independent directors.

## (2) Statutory Executive Officers (as of February 29, 2012)

Position	Name	Responsibility and Other Business Affiliations
Chairman & Representative Statutory Executive Officer	Scott Callon	Overall Group Management Partner and Chief Executive Officer of Ichigo Asset Management, Ltd.
President & Representative Statutory Executive Officer	Kenji Iwasaki	Overall Group Management
Executive Vice President & Statutory Executive Officer	Wataru Orii	Business Development President & Representative Director of Ichigo REIT Management Co., Ltd.
Executive Vice President & Statutory Executive Officer	Kazuya Sahashi	Strategic Investment & International
Executive Vice President & Statutory Executive Officer	Minoru Ishihara	Administration Senior Executive Managing Director of Ichigo Real Estate Investment Advisors Co., Ltd. President & Representative Director of Miyako City Co., Ltd.
Senior Statutory Executive Officer	Takashi Minamikawa	Finance, Accounting & Business Planning
Statutory Executive Officer	Xu Zhijun	International Business
Statutory Executive Officer	Kenji Goto	Strategic Investment
Statutory Executive Officer	Yonezo Fukuoka	Compliance
Statutory Executive Officer	Kenichi Nagao	Business Development

## (3) Directors and Executive Officers who Retired during the Current Fiscal Year

Name	Retirement Date	Position, Responsibility, and Other Business Affiliations at Retirement
Takuma Hasegawa	May 28, 2011	Director President & Representative Director of Ichigo Estate Co., Ltd.
Kazuya Sahashi	May 28, 2011	Director Executive Vice President & Statutory Executive Officer (Finance, Strategic Investment & International)
Samuel T. W. Chu	May 28, 2011	External Director, Nominating Committee Member and Compensation Committee Member Chairman of International Business Communications, Inc., Taipei, Taiwan
Hidenao Toyoshima	May 28, 2011	External Director, Audit Committee Member Head of Toyoshima Law Office, Statutory Auditor of Saitama Resona Bank, Ltd., External Director for San-Ai Co., Ltd, External Director of Aisin Co., Ltd., Statutory Auditor of SHUFU TO SEIKATSU SHA CO., LTD., External Director of SC Investment Co., Ltd., External Director of Nissin Servicer Co., Ltd., External Director of Taiko Denki Co., Ltd., External Director of KOYO Shoji Corporation, Substitute Statutory Auditor of Takasago Thermal Engineering Co., Ltd., External Auditor of ZERO START COMMUNICATIONS Co., Ltd., and External Auditor of Ginza Kimuraya.
Akio Nakajima	May 28, 2011	Senior Statutory Executive Officer (Real Estate) & Head of Osaka Branch President & Representative Director of Ichigo Solutions Co., Ltd.
Hiroto Tasaki	May 28, 2011	Statutory Executive Officer (Real Estate Solutions)
Shoyo Ishimatsu	May 28, 2011	Statutory Executive Officer (Development & CRE Solutions) Executive Vice President & Director of Miyako City Co., Ltd.

(4) Total Remuneration Paid to Directors and Statutory Executive Officers

Category	Number of recipients	Amount paid
Directors (of whom are External Directors)	10 (7)	¥116 million (¥35 million)
Statutory Executive Officers	10	¥40 million
Total (of whom are External Directors)	20 (7)	¥156 million (¥35 million)

- (Note) 1. As of the end of the term, there are ten Directors (including seven External Directors) and ten Statutory Executive Officers (three of whom are also Directors), resulting in a total of seventeen officers. Since those who are both a Statutory Executive Officer and a Director do not receive Statutory Executive Officer's remuneration, the total amount and number of recipients are shown in the row of Directors and not in the row of Statutory Executive Officers.
2. The number of recipients does not include one Statutory Executive Officer who is also a Director and two external directors as they did not receive remuneration. Also, one Director who is also a President of a subsidiary is not included as he did not receive the remuneration of director.
3. The difference between a total of twenty four officers [four officers without director remuneration (one Statutory Executive Officer who is also a Director, two External Directors and one Director who is also a President of a subsidiary) plus the above twenty Directors and Statutory Executive Officers] and a total of seventeen officers as of the end of the term is because the number of officers stated above includes seven directors (two External Directors, one Director who is also a President of a subsidiary, one Director who is also a Statutory Executive Officer, and three Statutory Executive Officers who are not Directors) who have resigned.
4. The amount paid includes remuneration as stock options of ¥11 million for Directors (of which ¥1 million is for External Directors) and stock options of ¥2 million for Statutory Executive Officers.
5. In addition, the Company paid ¥83 million as employee compensation to seven Statutory Executive Officers. The amount includes remuneration in the form of stock options of ¥2 million.

(5) Policy on Determining Remuneration for Directors and Statutory Executive Officers

(i) Basic Policy

Remuneration for Directors and Statutory Executive Officers of the Company is determined based on the duties of each person, contribution to the Company, base compensation, prior experience, etc.

(ii) Specific Policies

- Remuneration for Directors

Remuneration for Directors consists of a monthly base salary and a performance-based bonus. The monthly base salary is a fixed amount based on the role and responsibilities of each Director, while the performance-based bonus is based on the Company's performance.

- Remuneration for Statutory Executive Officers

Remuneration for Statutory Executive Officers consists of a monthly base salary and a performance-based bonus. The monthly base salary is a fixed amount based on the role and responsibilities of each Statutory Executive Officer, whereas the performance-based bonus is based on the performance of the Company and the department and individuals for which each Statutory Executive Officer is responsible.

- Stock Options

Stock options are granted to Directors and Statutory Executive Officers to strengthen their motivation to improve performance for the benefit of shareholders. These stock options are granted in addition to the remuneration described above.

(6) Outside Officer Held

(i) Positions in Other Companies and the Relationship between the Company and these Other Companies

- Katsuhiko Hattori, External Director, is also Director of Frontier Construction & Partners Inc. The Company has no relationship with Frontier Construction & Partners Inc.
- Tetsuya Fujita, External Director, is also President of Remark Japan Co., Ltd. The Company has no relationship with Remark Japan Co., Ltd.
- Maki Kumagai, External Director, is also Partner of Nijubashi Partners. The Company has no relationship with Nijubashi Partners.
- Noriko Kawate, External Director, is also President of CLEA Consulting Co., Ltd. and an employee of Gracia Corporation. The Company has no relationship with CLEA Consulting Co., Ltd. and Gracia Corporation.
- Rob Crawford, External Director, is also Partner of Ichigo Asset Management International Pte. Ltd. Ichigo Asset Management International Pte. Ltd. has a discretionary investment contract with the Company's controlling shareholder, Ichigo Trust (1,254,521 shares, 56.1% holding)
- Makoto Fukuhara, External Director, is also Executive Vice President & Partner of Ichigo Asset Management, Ltd. Ichigo Asset Management, Ltd. has an investment advisory agreement with Ichigo Asset Management International Pte. Ltd. which has a discretionary investment contract with the Company's controlling shareholder, Ichigo Trust (1,254,521 shares, 56.1% holding)

(ii) Positions as External Directors in Other Companies

- Katsu Fujita, External Director, is a Member of Conciliation of Civil Affairs, Tokyo District Court. The Company has no relationship with the Tokyo District Court.
- Tetsuya Fujita, External Director, is Auditor of St. Thomas University. The Company has no relationship with St. Thomas University.

(iii) Relationship with the Company or Related Entities of the Company

The seven External Directors, to the best of the Company's knowledge, have no spouse or relatives in the third degree or closer who are Statutory Executive Officers of the Company or related entities of the Company.

## (iv) Principal Activities in the Current Fiscal Year

		Activities
External Director	Katsu Fujita	Attended 9 out of 9 meetings (attendance rate: 100%) of the Board of Directors held in the current fiscal year. Also attended 8 out of 8 meetings (attendance rate: 100%) of the Nominating Committee held in the current fiscal year. Also attended 17 out of 17 meetings (attendance rate: 100%) of the Audit Committee held in the current fiscal year and attended 8 out of 8 meetings (attendance rate: 100%) of the Compensation Committee held in the current fiscal year. Commented and advised on resolutions and discussions from an objective standpoint independent from the management team.
External Director	Katsuhiko Hattori	Attended 9 out of 9 meetings (attendance rate: 100%) of the Board of Directors held in the current fiscal year. Also attended 8 out of 8 meetings (attendance rate: 100%) of the Nominating Committee held in the current fiscal year and attended 8 out of 8 meetings (attendance rate: 100%) of the Compensation Committee held in the current fiscal year. Commented and advised on resolutions and discussions from an objective standpoint independent from the management team.
External Director	Tetsuya Fujita	Attended 9 out of 9 meetings (attendance rate: 100%) of the Board of Directors held in the current fiscal year. Also attended 17 out of 17 meetings (attendance rate: 100%) of the Audit Committee and attended 6 out of 6 meetings (attendance rate: 100%) of the Compliance Committee held in the current fiscal year. Commented and advised on resolutions and discussions from an objective standpoint independent from the management team.
External Director	Maki Kumagai	After becoming a Director, attended 7 out of 7 meetings (attendance rate: 100%) of the Board of Directors held in the current fiscal year. Also attended 8 out of 8 meetings (attendance rate: 100%) of the Nominating Committee held in the current fiscal year and attended 8 out of 8 meetings (attendance rate: 100%) of the Compensation Committee held in the current fiscal year. Also, attended 6 out of 6 meetings (attendance rate: 100%) of the Compliance Committee held in the current fiscal year. Commented and advised on resolutions and discussions from an objective standpoint independent from the management team.
External Director	Noriko Kawate	After becoming a Director, attended 7 out of 7 meetings (attendance rate: 100%) of the Board of Directors held in the current fiscal year. Also after becoming a member of a member of the Audit Committee, attended 11 out of 11 meetings (attendance rate: 100%) of the Audit Committee held in the current fiscal year. Commented and advised on resolutions and discussions from an objective standpoint independent from the management team.
External Director	Rob Crawford	After becoming a Director, attended 7 out of 7 meetings (attendance rate: 100%) of the Board of Directors held in the current fiscal year. Commented and advised on resolutions and discussions from an objective standpoint independent from the management team.
External Director	Makoto Fukuhara	After becoming a Director, attended 7 out of 7 meetings (attendance rate: 100%) of the Board of Directors held in the current fiscal year. Commented and advised on resolutions and discussions from an objective standpoint independent from the management team.

(v) Outline of Limited Liability Agreement with External Directors

The Company has entered into agreements to limit liability under Article 423, paragraph 1 of the Company Law pursuant to the provisions of Article 427, paragraph 1 thereof in order to retain talented persons as External Directors.

The extent of liability for compensation under the agreements is the minimum limited liability amount as defined in Article 425, paragraph 1 of the Company Law; provided that the liability is limited only when the External Directors have performed their duties in good faith and without gross negligence.

#### 4. Independent Auditor

##### (1) Grant Thornton Taiyo ASG

##### (2) Amount of Fees for the Independent Auditor

- |  |              |
|--|--------------|
| (i) Amount of fees for the Independent Auditor for the current fiscal year                                       | ¥80 million  |
| (ii) Total money and other financial benefits payable by the Company and subsidiaries to the Independent Auditor | ¥107 million |

(Note) Audit agreements between the Company and the Independent Auditor do not clearly itemize the amounts of audit fees for the audits under both the Company Law and the Financial Instruments and Exchange Law, and, as a matter of practicality, the Company is not able to itemize them. Therefore, the amount of fees for the Independent Auditor for the current fiscal year shows the total amount.

##### (3) Policy for the Determination of Removal or Non-Reappointment of the Independent Auditor

If there is any reasonable doubt about the Independent Auditor performing its duties, the Audit Committee will consider the removal or non-reappointment of the Independent Auditor based on the facts. If the Audit Committee determines that the removal or non-reappointment is appropriate, it will propose the same to the Annual General Meeting of Shareholders pursuant to the Regulations of the Audit Committee.

#### 5. Structure to Ensure Appropriate Business Activity

##### [1] Basic View on Internal Control System

The Company, pursuant to the Company Law, has set forth a “Basic Policy for the Establishment of Structure of Internal Controls,” established the required internal regulations, ensured the legality and efficiency of the business of the Company, and established an appropriate risk management system. The Company will strive to improve and reinforce these systems through continuous review.

##### (1) Internal Control to Ensure that Statutory Executive Officers and Employees Execute Their Duties in Conformity with Laws and Regulations and the Articles of Incorporation

###### (i) Corporate Governance

- The Board of Directors determines material matters regarding management and supervises the execution of duties by Statutory Executive Officers pursuant to laws and regulations, the Articles of Incorporation, the resolutions of the Annual General Meeting of Shareholders, the Regulations of the Board of Directors, the Ichigo Group’s Code of Corporate Ethics, the Ichigo Group’s Code of Conduct, the Regulations of Administrative Authority and other rules. The Board of Directors has established the Proposal and Reporting Standards to the Board of Directors and makes decisions on the execution of business to be determined by the Board of Directors pursuant to the Standards.
- The Statutory Executive Officers make decisions on the execution of business that are delegated by the Board of Directors, and perform their duties pursuant to these decisions, the resolution of the Board of Directors and internal regulations.
- In order for the Board of Directors to supervise the execution of duties by Statutory Executive Officers, the Statutory Executive Officers report on the status of the execution of business to the

Board of Directors at least once in three months. Statutory Executive Officers monitor and supervise the execution of each other's duties.

- The status of the execution of duties by Statutory Executive Officers will be audited by the Audit Committee.

(ii) Compliance

- The Company has established the Ichigo Group's Code of Corporate Ethics and the Ichigo Group's Code of Conduct which provide rules and regulations for action to be taken by officers and employees including Directors and Statutory Executive Officers.
- The Company has established the Compliance Committee to deliberate major issues regarding compliance. The Compliance Committee is independent from the Statutory Executive Officers.
- The Company has appointed Chairman & Representative Statutory Executive Officer and President & Representative Statutory Executive Officer, Statutory Executive Officer (Compliance), and division in charge of compliance management (Compliance) to promote compliance.
- The Company maintains an internal reporting system whereby Directors, Statutory Executive Officers, and employees may report any questionable acts in terms of compliance through internal reporting contacts or outside lawyers.

(iii) Structure to Ensure Appropriate Financial Reports

- The Company has established internal systems to ensure lawful, appropriate financial reports by establishing internal regulations and by complying with Financial Instruments and Exchange Act, accounting standards and other related laws and regulations.
- The President & Representative Statutory Executive Officer and Audit Department promote and establish an internal structure which complies with J-SOX.

(iv) Internal Audit

The Company has established the Internal Audit Department which reports directly to the Audit Committee. A person separately designated by the Audit Committee or the Internal Audit Office conducts an internal audit of business with respect to compliance with laws and regulations, the Articles of Incorporation, internal regulations, and the appropriateness of the execution of duties, and reports the results of such audit to the Audit Committee, the President & Representative Statutory Executive Officer, and the Board of Directors. The Internal Audit Office reports on the correction to and the improvement of matters indicated at the internal audit to the Audit Committee, the Chairman & Representative Statutory Executive Officer, the President & Representative Statutory Executive Officer, and the Board of Directors.

(v) Rejection of Anti-Social Forces

- In order to prevent anti-social forces from entering into the real estate and financial markets, the Company has established the Ichigo Group's Code of Corporate Ethics which prohibits interaction with anti-social forces in cooperation and coordination with the Police Department and other institutions.
- The Company has appointed Statutory Executive Officer (Compliance) and Compliance Department to eliminate interaction with anti-social forces by enhancing coordination and cooperation with the Police Department, lawyers, and other external experts; become a member of police-related institutions; gather information; screen business counterparties; include provisions against anti-social forces in agreements, etc.

**(2) Systems Regarding the Retention and Control of Information in the Execution of Duties by Statutory Executive Officers**

The Company properly retains and manages documents and other information in the execution of



duties by the Statutory Executive Officers with due care and in compliance with laws and regulations and internal regulations.

**(3) Regulations and Other Systems regarding Risk Management**

- (i) The Company controls the risk management of each department, establishes basic policies on risk management, and determines the execution of risk management and other material matters through the Business Management Department. The Business Management Department also supports each department in establishing a risk management system and establishes a company-wide, cross-departmental risk management system.
- (ii) The Company, in order to enhance its risk management, has appointed Chairman & Representative Statutory Executive Officer, Statutory Executive Officer (Compliance), and Compliance Department as the risk management head.
- (iii) Statutory Executive Officer (Compliance), and Compliance Department ensure risk management of material matters that involve management decisions. These require approvals from the President & Representative Statutory Executive Officer.
- (iv) With respect to natural disasters and other risk management systems, the Company is establishing systems with the cooperation of each department, primarily driven by the Business Management Department. The Company has established a system which creates a task force, prevents an expansion of damage, and allows for speedy recovery in the event of crisis.

**(4) System to Ensure Effective Execution of Duties by Statutory Executive Officers**

- (i) The Board of Directors authorizes the Statutory Executive Officers to make certain discretionary for the appropriate and agile execution of duties. In addition, in order to comprehensively discuss material management matters which require approvals from the Chairman & Representative Statutory Executive Officer, the President & Representative Statutory Executive Officer and each division head & Statutory Executive Officer, the Senior Statutory Executive Officer (Finance) convenes meetings including Statutory Executive Officers and ensures a smooth execution of duties.
- (ii) The Company creates a mid-term management plan, an annual President's objective, annual Group target, and annual division targets based on Ichigo Group principles. The Senior Statutory Executive Officer (Finance) ensures effective and efficient management by charting the progress against these objectives.

**(5) When the Audit Committee Requires Directors and Employees to Assist in the Performance of its Duties**

When required by the Audit Committee, Directors and Employees assist in the performance of its duties.

**(6) The Independence of Directors and Employees from Statutory Executive Officers**

Directors and employees who assist in the performance of the duties of the Audit Committee report to the Audit Committee. The appointment, transfer, appraisal, and disposition of the relevant employees requires the consent of the Audit Committee. This ensures independence from the Statutory Executive Officers. Other matters regarding the independence of such Directors and employees from the Statutory Executive Officers are pursuant to the internal regulations as separately provided.

**(7) System of Reports by Statutory Executive Officers and Employees to the Audit Committee and Other Systems regarding Reports to the Audit Committee**

- (i) The Audit Committee Member may attend the meetings of the Board of Directors, the Compliance Committee, and other important meetings and hear the status of the execution of duties by Statutory Executive Officers, inspect related materials, and ask for explanations and reports at the meetings.
- (ii) All Statutory Executive Officers, heads of departments, and other staff members must explain and report to the Audit Committee and Audit Committee Members as required.

(iii) Statutory Executive Officers and employees immediately report to the Audit Committee Members

1. Details of decisions which may have a material impact on finance and business (including matters regarding compliance or risk management)
2. Matters that damage the establishment of internal compliance systems
3. Matters that affect the operation of internal reporting systems
4. Other matters that the Audit Committee recognizes as material

**(8) Other Systems to Ensure Effective Audits by the Audit Committee**

- (i) The Internal Audit Office works closely with the Audit Committee and the Audit Committee Members by discussing the internal audit plan, conducting internal audits, and reporting the results to the President & Representative Statutory Executive Officer, the Audit Committee and the Audit Committee Members. Audit Committee Members and the Internal Audit Office also work closely with the independent auditor and exchange opinions about matters on internal audit.
- (ii) The Audit Committee or the Audit Committee Member designated by the Audit Committee may, if it deems necessary, retain any lawyers, certified public accountants, consultants and other outside advisors at the Company's cost without prior approval from the Board of Directors or the Statutory Executive Officers.
- (iii) The Audit Committee Member designated by the Audit Committee reports the status of the execution of duties by the Audit Committee to the Board of Directors at least once every three months.

**(9) System to Ensure Appropriate Business by the Company and its Subsidiaries**

- (i) Ichigo Group subsidiaries share the Ichigo Group's Management Philosophy, Code of Corporate Ethics, and Code of Conduct.
- (ii) The Company's subsidiaries, pursuant to internal regulations, are managed and controlled by the divisions that are in charge of managing subsidiaries, which are also responsible for providing advice on matters of each company's corporate governance, compliance, and risk management.
- (iii) The Audit Committee works closely with Group companies by holding liaison meetings with the auditors of the Group companies to exchange opinions about material matters on internal audit.
- (iv) The business activities of the Company's subsidiaries are subject to an internal audit by the Internal Audit Office to the extent that they do not conflict with laws and regulations.
- (v) The Company undertakes, in the case of a transaction with Ichigo Trust, the controlling shareholder of the Company, it takes special care to protect minority shareholders and has in place and follows appropriate procedures, including Board of Directors resolution or reporting.
- (vi) In order to prevent conflicts of interests, the Company sets the Conflict-of-Interest Control Policy, and takes measures to prevent damages to the Company's clients' interests.

**【2】 Policies Against Anti-Social Forces**

The Company has a policy against anti-social forces included in Ichigo Group's Code of Corporate Ethics, as well as established an internal system against anti-social forces based on its Basic Policies on Internal Control System.

**(1) Responsible Departments and Persons**

The Company has appointed the Statutory Executive Officer (Administration) as a responsible manager and Compliance department as a responsible department which handle against claims from anti-social forces in cooperation with relevant departments.

The Company also has former prosecutors and judges as external directors or advisors who help

supervise the Company's anti-social forces system.

(2) Cooperation and Coordination with External Experts

The Company has established a system against anti-social forces system in cooperation and coordination with external experts such as the Organized Crime Investigation Division of Tokyo Metropolitan Police Department, the Marunouchi Police Department, and external lawyers, and is a member of associations to combat anti-social forces in Tokyo and Osaka to receive guidance and share information.

(3) Collection and Management of Information on Anti-Social Forces

The Head of Compliance is responsible for managing information on anti-social forces gathered in and outside of the Company, and uses such information to ensure transaction counterparties are not anti-social forces.

(4) No Acceptance of Anti-Social Forces

The Company shall not accept any claims from anti-social forces but shall reject them with a firm attitude, in cooperation and coordination with external experts.

(5) Implementation of Provisions Against Anti-Social Forces

The Company shall set forth provisions against anti-social forces in standard written agreements, and terminate contracts if the counterparty is discovered to be an anti-social force.

(6) Anti-Social Forces Training

Directors and employees of the Company check their behavior based on the Compliance Check List submitted to Chairman and Representative Statutory Executive Officer and President and Representative Statutory Executive Officer on a yearly basis. This Compliance Check List contributes to raise awareness and check behavior of directors and employees and reinforce understanding of procedures against anti-social forces and money laundering. Guidance from external experts is also delivered to all directors and employees promptly to raise awareness and prevent anti-social forces.

**6. Policy on Corporate Control (Takeover Defenses)**

The Company has not adopted any takeover defense, poison pill, or any other policy with respect to persons who would seek to control decisions on the Company's financial and business policies.

## Consolidated Balance Sheet

(as of February 29, 2012)

(Million yen)

Item	Amount	Item	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current Assets</b>	<b>65,824</b>	<b>Current Liabilities</b>	<b>13,902</b>
Cash and cash equivalents	9,791	Trade notes and accounts payable	57
Trade notes and accounts receivable	1,069	Short-term borrowings	170
Operational investments in loans	2,527	Long-term loans (due within one year)	1,768
Operational investments in securities	4,226	Long-term non-recourse loans (due within one year)	8,793
Real estate for sale	49,674	Income taxes payable	115
Others	1,465	Accrued bonuses	22
Less: allowance for doubtful accounts	-2,930	Other current liabilities	2,974
<b>Fixed Assets</b>	<b>16,346</b>	<b>Long Term Liabilities</b>	<b>40,080</b>
<b>Fixed Assets</b>	<b>10,109</b>	Long-term borrowings	7,413
Buildings	2,903	Long-term non-recourse loans	28,899
Land	7,114	Long-term security deposits received	3,362
Others	91	Negative goodwill	360
<b>Intangible Assets</b>	<b>2,105</b>	Other long-term liabilities	43
Goodwill	2,077	<b>Total liabilities</b>	<b>53,982</b>
Others	27	<b>Net Assets</b>	
<b>Investments and Other Assets</b>	<b>4,131</b>	<b>Shareholders' Equity</b>	<b>26,584</b>
Investments in securities	3,589	Capital	18,078
Long-term loans receivable	14	Capital reserve	2,395
Other investments	623	Retained earnings	6,298
Less: allowance for doubtful accounts	-96	Treasury stock	-187
		<b>Other Comprehensive Income</b>	<b>-612</b>
		Unrealized gain on other securities, net	-604
		Foreign currency translation adjustment	-7
		<b>Stock acquisition rights</b>	<b>116</b>
		<b>Minority interests</b>	<b>2,099</b>
		<b>Total net assets</b>	<b>28,187</b>
<b>Total assets</b>	<b>82,170</b>	<b>Total liabilities and net assets</b>	<b>82,170</b>

(Amounts less than one million yen have been rounded off.)

## Consolidated Income Statement

〔 From March 1, 2011 〕  
〔 To February 29, 2012 〕

(Million yen)

Item	Amount	
<b>Revenues</b>		<b>18,952</b>
<b>Cost of revenues</b>		<b>15,030</b>
<b>Gross profit</b>		<b>3,921</b>
<b>SG&amp;A</b>		<b>2,871</b>
<b>Operating profit</b>		<b>1,050</b>
<b>Non-operating profit</b>		
Interest income	5	
Dividend income	20	
Earnings of affiliates	141	
Amortization of negative goodwill	90	
Others	33	291
<b>Non-operating expenses</b>		
Interest on debt	284	
Issuance of Corporate Bond	48	
Others	29	361
<b>Recurring profit</b>		<b>979</b>
<b>Extraordinary gain</b>		
Gain on sales of equity holdings in affiliates	1,173	
Others	75	1,248
<b>Extraordinary Loss</b>		
Loss on sales and retirement of fixed assets	38	
Loss on sale of investment securities	62	
Valuation loss on investments	41	
Loss on business liquidation	26	
Others	82	251
<b>Profit before Income Taxes</b>		<b>1,976</b>
Income taxes		159
<b>Profit before Gain on Minority Interest</b>		<b>1,817</b>
Gain on minority interests		47
<b>Net Profit</b>		<b>1,770</b>

(Amounts less than one million yen have been rounded off.)

## Consolidated Statement of Changes in Shareholders' Equity

〔 From March 1, 2011  
To February 29, 2012 〕

(Million yen)

	Shareholders' Equity				
	Common stock	Capital reserve	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of February 28, 2011	18,078	2,447	5,155	-36	25,644
Changes in the fiscal year					
Share Buyback				-935	-935
Share Cancellation		-52	-731	783	-
Change in consolidated subsidiaries			104		104
Net profit			1,770		1,770
Changes in items other than shareholders' equity					-
Total changes	-	-52	1,142	-151	939
Balance as of February 29, 2012	18,078	2,395	6,298	-187	26,584

	Other Comprehensive Income			Stock acquisition rights	Minority interests	Total net assets
	Unrealized gain on other securities, net	Foreign currency translation adjustment	Total Other Comprehensive Income			
Balance as of February 28, 2011	362	-492	-130	80	2,177	27,771
Changes in the fiscal year						
Share Buyback						-935
Share Cancellation						-
Change in consolidated subsidiaries						104
Net profit						1,770
Changes in items other than shareholders' equity	-967	485	-481	35	-77	-523
Total changes	-967	485	-481	35	-77	416
Balance as of February 29, 2012	-604	-7	-612	116	2,099	28,187

(Amounts less than one million yen have been rounded off.)

## **Notes to the Consolidated Financial Statements**

### **1. Material Matters for Preparation of Consolidated Financial Statements**

#### **(1) Scope of Consolidation**

(i) Consolidated Subsidiaries

- Number of consolidated subsidiaries	48 companies
- Major consolidated subsidiaries	Ichigo Real Estate Investment Advisors Co., Ltd. Ichigo REIT Management Co., Ltd. Ichigo Estate Co., Ltd. Ichigo Solutions Co., Ltd. Ichigo Marché Co., Ltd. Miyako City Co., Ltd. Takara Building Maintenance Co., Ltd. Nichibeï Building Services Co., Ltd. Nichibeï Security Services Co., Ltd.

Nichibeï Building Services Co., Ltd. and Nichibeï Security Services Co., Ltd., all shares of which the Company acquired during the fiscal year, have been included in the scope of consolidation.

Fund Creation REIT Advisers Co., Ltd., all shares of which the Company acquired during the fiscal year, has been included in the scope of consolidation. Later in the year, it was merged with Ichigo REIT Management Co., Ltd. (“IRM”), with IRM as the surviving company.

Four investment associations in which the Company newly invested during the fiscal year have been included in the scope of consolidation.

One investment association which the Company newly established during the fiscal year has been included in the scope of consolidation.

Five investment associations have been excluded from the scope of consolidation because the Company sold all of its investment during the fiscal year.

One investment association has been excluded from the scope of consolidation because it was dissolved during the fiscal year.

Three investment associations have been excluded from the scope of consolidation because they no longer qualify as being important.

Two investment associations have been excluded from the scope of consolidation because the Company’s control over them declined during the fiscal year.

(ii) Major Non-Consolidated Subsidiaries

N/A

(iii) Reason Why Some Companies Were Not Classified as Subsidiaries in Spite of the Company Possessing a Majority of their Voting Rights

N/A

(iv) Special Purpose Companies Subject to Disclosure

Ichigo Group loans to and holds preferred shares of two special purpose companies (pursuant to Japan's Asset Liquidation Law) related to its real estate investment and management business. Ichigo Group expects to earn returns on these investments via rental income and capital gains. The Company does not have voting rights in any of the special purpose companies.

The description of the companies and the details of transactions are per the following:

(Million yen)

	Transaction Amount / Outstanding Amount as of the End of February 2012	Profit / Loss	
		Item	Amount
Management	-	Operating Profit (Note 2)	64
Preferred Shares (Note 1)	1,517	Operating Profit (Note 3)	2

(Note 1) ¥1,517 million of transaction amount of Preferred Shares shows the outstanding balance of loans as of the end of February 2012.

If any loss occurs in the future, the amount of loss that Ichigo Group will bear will be limited to the above mentioned amount.

(Note 2) Ichigo Group is entrusted asset management contract from the two special purpose companies, and its asset management fee is included in Operating Profit.

(Note 3) Ichigo Group includes interest income in Operating Profit.

The below chart shows assets and liabilities of the aforementioned funds.

(Million yen)

Assets		Liabilities and Net Assets	
Real Estate	16,325	Debts and Others	13,840
Other	871	Deposits Payable	3,508
		Other	-151
Total	17,196	Total	17,196

**(2) Application of Equity Method**

(i) Affiliates under Equity Method

Number of affiliates accounted for under the equity method: zero

CITIC International Assets Management Limited has been excluded from the scope of equity method because the Company sold a part of its investment during the fiscal year.

Financial CI, Corp. has been excluded from the scope of equity method because the Company sold all of its investment in the partnership.

(ii) Non-Consolidated Subsidiaries under Equity Method

N/A

(iii) Major Non-Consolidated Subsidiaries not under Equity Method

N/A

(iv) Affiliates not under Equity Method

N/A



(v) Reason Why Some Companies Were Not Classified as Affiliates despite the Company Possessing 20% or 50% or More of Their Voting Rights

Company

Upfront Technology Co., Ltd. and one other company

Reason not classified as affiliates

Shares are held solely for operational investment purposes.

**(3) Fiscal Year of Consolidated Subsidiaries**

Fiscal year dates of consolidated subsidiaries are as follows:

End of January	10 companies
End of February	16 companies
End of December	22 companies

For subsidiaries whose fiscal year ends in December or January, financial data as of that date have been used. However, necessary adjustments for consolidation have been made with respect to significant transactions which occurred by the consolidated fiscal year end in February.

**(4) Accounting Standards**

(i) Valuation of Material Assets

a. Other Securities

- With available market quotations      Carried at fair value on the consolidated fiscal year date (unrealized gain or loss is included directly in net assets and the cost of other securities sold is calculated by the moving average method).

- Without available market quotations      Moving average cost method

However, investments in investment associations are detailed in (v) Other Material Matters for Preparation of Consolidated Financial Statements, c. Investment associations.

b. Derivatives      Mark-to-market

c. Inventories

- Real estate for sale: Stated at cost determined by the individual cost method:

Some consolidated subsidiaries amortize real estate for sale in the same way as that of property and equipment.

(ii) Depreciation and Amortization Methods for Material Depreciable Assets

- Fixed assets:      Straight-line method (in principal)

- Useful lives:      Buildings and structures    10–52 years

(iii) Accounting Standards for Material Allowances

a. Allowance for Doubtful Accounts      Reserved for based on the historical experience of bad debts with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.



#### **(4) Amortization of Goodwill and Negative Goodwill**

The Company amortizes goodwill and negative goodwill equally in appropriate timing within 10-20 years based on subsidiaries' conditions.

### **2. Changes in Material Matters for Preparation of Consolidated Financial Statements**

#### **(1) Changes in Scope of Consolidation and Application of Equity Method**

Specified in 1. Material Matters for Preparation of Consolidated Financial Statements (1) and (2).

#### **(2) Changes in Accounting Policy**

From the current fiscal year, the Company adopted the "Accounting Standard for Asset Retirement Obligations" (Financial Accounting Standard No. 18, March 31, 2008) and "Accounting Standard for Application of Consolidated Financial Statement" (Financial Accounting Standard No. 21, March 31, 2008). Due to the changes, Operating Profit and Recurring Profit decreased ¥0 respectively, and Net Profit before Income Tax decreased ¥10 million.

#### **(3) Changes in Presentation**

(Consolidated Balance Sheet)

From the current fiscal year, the Company presents "Profit before Gain on Minority Interest" in a separate item based on "Accounting Standard for Consolidated Financial Statement" (Financial Accounting Standard No. 22, December 26, 2008), applying a partial amendment on "Enforcement Regulations of the Corporate Law"(Ministry of Justice No.7, March 27, 2009).

"Gain on Foreign Currency" (0 million yen in the current fiscal year) and "Valuation Gain on Derivatives" (10 million yen in the current fiscal year) which were presented in separate items in the previous fiscal are presented as "Other" in the Non-Operating Profit.

"Issuance Cost of Corporate Bond" (10 million yen in the previous fiscal year) which was presented in "Other" in the Non-Operating Expenses in the previous fiscal year is presented in a separate item, as the amount of cost is over 10% of the Non-Operating Expenses in the current fiscal year.

"Loss on Sale of Fixed Assets" (26 million yen in the previous fiscal year) which was presented in "Other" in the Extraordinary Losses in the previous fiscal year is presented in a separate item, as the amount of loss is over 10% of the Extraordinary Losses in the current fiscal year.

#### **(4) Additional Information**

(Holding Period)

¥7,006 million of Real Estate Held for Sale has been reclassified to Fixed Assets: Buildings and Structures (¥1,459 million) and Land (¥5,546 million) due to the change in holding period. With this reclassification, ¥288 million of Guarantee Deposit in Current Liabilities is reclassified to Long Term Guarantee Deposit in Long Term Liabilities.

### **3. Notes to Consolidated Balance Sheet**

#### **(1) Investments in Securities**

Those related to non-consolidated subsidiaries and affiliates are as follows:

Investments in securities	¥2,097 million
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#### **(2) Assets Provided as Collateral**

- Assets Provided as Collateral

Cash and cash equivalents	¥1,125 million
Real estate assets for sale	¥3,784 million
Buildings and structures	¥1,214 million
Land	¥4,353 million
Investments in securities	¥237 million
Total	<u>¥10,715 million</u>

(Note) In addition to the above, ¥3,636 million of Shares in Affiliates and ¥4,279 million of Affiliates Securities are collateralized.

- Secured obligations

Long-term loans (due within one year)	¥1,708 million
Long-term borrowings	¥7,246 million
Total	<u>¥8,954 million</u>

**(3) Non-Recourse Loans and Non-Recourse Bonds**

Non-recourse loans are borrowings whose funds for repayment are limited only to the underlying real estate and profits from such real estate. The lender has no recourse to the Company in the event of a failure of payment.

Debts whose funds for repayment are likely to fall short are presented excluding such shortfall on the consolidated balance sheet. Debts, valuation account, and amounts recorded in consolidated balance sheet are as follows:

(Million yen)			
	Debts	Valuation	Amounts recorded in consolidated balance sheet
Long-term non-recourse loans (due within one year)	9,399	-605	8,793
Long-term non-recourse loans	30,064	-1,164	28,899
Total	39,463	-1,770	37,693

Assets provided as collateral and secured obligations with respect to the non-recourse loans and non-recourse bonds are as follows:

- Assets Provided as Collateral

Cash and cash equivalents	¥4,253 million
Real estate for sale	¥45,890 million
Buildings and structure	¥250 million
Land	¥484 million
Total	<u>¥50,878 million</u>

- Secured obligations

Long-term non-recourse loans (due within one year)	¥9,399 million
Long-term non-recourse loans	¥30,064 million
Total	<u>¥39,463 million</u>

#### (4) Breakdown of Operational Investments in Securities and Operational Investments in Loans

Shares	¥1,605 million
Bonds	¥287 million
Investments in <i>tokumei kumiai</i> partnerships	¥2,333 million
Total	¥4,226 million

(Note) Investments in *tokumei kumiai* partnerships include securities under Article 2 of the Financial Instruments and Exchange Law or rights which are deemed to be securities.

#### 4. Notes to Consolidated Statement of Changes in Shareholders' Equity

##### (1) Type and Number of Shares Issued and Type and Number of Treasury Stock

	Number of shares at the end of previous fiscal year	Increase in shares during the current fiscal year	Decrease in shares during the current fiscal year	Number of shares at the end of the current fiscal year
Shares issued				
Common stock	2,336,559	—	80,240	2,256,319
Total	2,336,559	—	80,240	2,256,319
Treasury stock				
Common stock	240	100,000	80,240	20,000
Total	240	100,000	80,240	20,000

(Note) Details of decreased number of common shares issued

Share cancelled: 80,240 shares

(Breakdown)

Shares bought back: 100,000 shares      Shares cancelled: 80,240 shares

##### (2) Stock Acquisition Rights

Category	Stock acquisition rights	Type of shares	Number of shares to be issued				Balance as of the end of the current fiscal year
			As of the end of the previous fiscal year	Increase in the current fiscal year	Decrease in the current fiscal year	As of the end of the current fiscal year	
The Company	9th stock acquisition right plan	Common stock	17,084	—	260	16,824	¥99 million
	10th stock acquisition right plan	Common stock	—	20,000	155	19,845	¥16 million
Total		—	17,084	20,000	415	36,669	¥116 million

##### (3) Distribution of Retained Earnings

(i) Amount of Dividends Paid

N/A

(ii) Dividends whose Record Date is in the Current Fiscal Year but the Effective Date is in the Next Fiscal Year

N/A

## 5. Notes on Financial Instruments

### (1) Matters Concerning Status of Financial Instruments

#### (i) Policies on Financial Instruments

Ichigo Group finances its necessary operating capital mainly via bank loans and corporate bonds in light of new investment and asset disposition plans. Short-term excess funds are managed in liquid financial instruments such as bank deposits, and short-term working capital is financed via bank loans. As Company policy, derivatives transactions are used for the purpose to avert risks mentioned below. Speculative derivatives transactions are not conducted.

#### (ii) Details and Risks of Financial Instruments

Notes receivable and accounts receivable are operating receivables that are exposed to customer credit risks. Foreign currency-denominated financial instruments in overseas business operations are exposed to currency risks.

Operational investments in securities include investments in corporate equities both inside and outside of Japan and domestic real estate funds, and investments in securities mainly take the form of equity and are typically investments in companies with which the Company has a business relationship. All of these investments are exposed to issuer credit risk, interest rate risk and price fluctuation risks. Financial instruments denominated in foreign currencies are exposed to currency risk.

Most of notes payable and accounts payable are operating payables that are due within three months and denominated in Japanese yen.

Borrowings and non-recourse loans are for the purpose of financing investments and capital expenditures, and are expected to be redeemed or repaid within approximately five years after the fiscal year end. Floating-rate loans are exposed to interest rate risk, a part of which is hedged utilizing derivatives transactions (e.g., interest rate swaps). Please refer to (iv) Material Hedge Accounting, (4) Accounting Standards of 1. Material Matters for Preparation of Consolidated Financial Statements for method, objects, policies, and evaluation of effectiveness of hedging activities.

#### (iii) Risk Management of Financial Instruments

##### a) Management of Credit Risk

Operating receivables exist mainly at subsidiaries. Responsible departments monitor the collection status pursuant to the designated procedure for mitigation of collection risk. Other operating receivables arise irregularly, e.g., at a time of investment monetization, the responsible department determines the execution of the transaction based on the term needed for disposition and credit worthiness of the counterparty, and monitors the receivable until it is collected in accordance with the agreement. The Company monitors operational investments in securities and investments in securities with respect to the financial status of the issuers and reviews holding policies, as necessary and appropriate.

##### b) Management of Market Risk

The Company utilizes interest rate swaps and interest rate caps for the purpose of reducing interest rate risk on interest payables. The Company monitors operational investments in securities and investments in securities, which have market risks (e.g., real estate funds) or are denominated in foreign currencies regularly for the impact from the market value and currency rate and review the holding policies as necessary. Derivative transactions are executed and controlled in the Finance Department in accordance with the designated procedure.

##### c) Management of Liquidity Risk

The Company establishes and updates its funding plan as necessary based on new investment and disposition plans established by the responsible departments, as well as manages liquidity risk by maintaining short-term liquidity.

(iv) Supplement to Matters Concerning Market Values of Financial Instruments

Market values of financial instruments include prices based on the market price as well as prices calculated based on rational assumptions if the market price is not available. Such prices may fluctuate, since they reflect the fluctuating variables and assumptions in the calculation process.

(2) Adjustments to Market Values of Financial Instruments

Amounts recorded on the consolidated balance sheet for market values and their differences are shown below. (Note that there are no differences recorded for this fiscal year.) Those which were deemed difficult to obtain the market value are not included in the table below (Refer to Note 2).

(Million yen)

	Amount Recorded on Consolidated Balance Sheet	Market Value	Difference
(1) Cash and cash equivalents	9,791	9,791	-
(2) Notes Receivables and Accounts Receivable (*)	1,002	1,002	-
(3) Operating Loans (*)	200	200	-
(4) Operating investments in securities (*)	1,019	1,019	-
(5) Investments in securities (*)	480	480	-
(6) Long-Term Loans (*)	4	3	0
Total Assets	12,498	12,498	0
(1) Notes Payable and Accounts Payable	57	57	-
(2) Short-Term Borrowings	170	170	-
(3) Long-Term Loans (due within one year)	1,768	1,768	-
(4) Non-Recourse Bonds (due within one year)	8,793	8,793	-
(5) Corporate Tax Payable	115	115	-
(6) Long-Term Corporate Debt	7,413	7,414	0
(7) Long-Term Non-Recourse Loans	28,899	29,092	193
Total Debt	47,218	47,411	193

(\*) Excluding allowance for doubtful accounts which are recorded separately.

(Note1) Calculation Method of Market Value of Financial Instruments and Matters Concerning Securities and Derivatives Transactions

Assets

(1) Cash and Cash Equivalents

Carried at book value because of the market value's closeness to book value due to a short settlement period.

(2) Notes Receivables and Accounts Receivable

Carried at market value which is the book value less any provision for loan losses.

(3) Operating Loans Receivable

Generally, loans are carried at book value because of the market value's closeness to book value due to a short settlement period. Certain debts such as loans with default risk are carried at book value less the estimated doubtful accounts.

(4) Operational Investments in Securities and (5) Investments in Securities

The market values of equities are the last traded exchange price, and bonds are the last-traded exchange price or dealer-indicated price.

(6) Long-Term Loans

The market values of long-term loans are calculated based on the present value of the total amount of the principal using an interest rate expected for similar new loans. Certain debts such as loans with default risk are at book value less the estimated doubtful accounts.

Debt

(1) Notes Payable and Accounts Payable, (2) Short-Term Loans, (3) Long-Term Loans with Maturity within 1 Year, and (5) Income Tax Payable within 1 Year Carried at book value because of the market value's closeness to book value due to a short settlement period.

(4) Non-Recourse Corporate Bonds with Maturity within 1 Year

Carried at book value because of the market value's closeness to book value due to a short settlement period.

Borrowings deemed to be short in repayment proceed is presented based on the discounted current value deducted with the shortage amount due to its closeness to the market value as of the fiscal year end.

(6) Long-Term Loans

Floating-rate borrowings among long-term borrowings are carried at book value because of the market value's closeness to the book value due to the floating-rate nature of the debt. The market values of fixed-rate borrowings are calculated based on the present value of the total amount of the principal using an interest rate expected for similar new loans.

(7) Long-Term Non-Recourse Loans

Floating-rate borrowings among long-term borrowings are carried at book value because of the market value's closeness to the book value due to the floating-rate nature of the debt. The market values of fixed-rate borrowings are calculated based on the present value of the total amount of the principal using an interest rate expected for similar new loans.

(Note 2) Financial Instruments for which it is Difficult to Obtain Market Values

(Million yen)

Classification	Amount Recorded in Consolidated Balance Sheet
(1) Operational investments in securities	2,919
(2) Investments in securities	3,034
(3) Long-term security deposits received	3,362

(1) Operational investments in securities are not subject to the market value disclosure despite being investment securities, since they are not priced in the market and it is difficult to estimate their market values.

(2) Investments in securities are not subject to the market value disclosure despite being securities of affiliates and non-listed securities, since they are not priced in the market, it is hard to estimate its future cash flows, and it is difficult to estimate their market values.

(3) Long-term security deposits received which are security deposits received from tenants of rental properties are not subject to the market value disclosure, since it is deemed highly difficult to estimate a reasonable cash flow since they are not priced in the market and it is difficult to know in advance the security deposit period.

**6. Notes on Rental Properties**

(1) Conditions of Rental Properties

The Company and its subsidiaries hold rental offices and retail properties. Profit and Loss on rental properties in the current fiscal year is ¥771 million (Rental profit is presented in Revenues and Rental Cost is presented in Cost of Revenues.)





## Parent Balance Sheet

(as of February 29, 2012)

(Million yen)

Item	Amount	Item	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current Assets</b>	<b>8,911</b>	<b>Current Liabilities</b>	<b>4,280</b>
Cash and cash equivalents	4,053	Short-term borrowings	135
Receivables	136	Short-term borrowings from affiliates	1,960
Operating loans	2,253	Long-term loans (due within one year)	1,694
Operating investment in securities	3,429	Accounts payable	190
Short-term loans to affiliates	1,525	Expenses payable	62
Advance payment	40	Income taxes payable	27
Other	650	Advances received	115
Allowance for doubtful accounts	-3,178	Deposits received	15
<b>Fixed Assets</b>	<b>25,083</b>	Other	78
<b>Fixed Assets</b>	<b>6,340</b>	<b>Fixed Liabilities</b>	<b>6,687</b>
Buildings and structure	1,490	Long-term borrowings	6,412
Land	4,839	Long-term borrowings guaranteed	260
Other	10	Other	14
<b>Intangible Assets</b>	<b>15</b>	<b>Total Liabilities</b>	<b>10,968</b>
Software	15	<b>Net Assets</b>	
<b>Investments and Other Assets</b>	<b>18,727</b>	<b>Shareholders' Equity</b>	<b>23,568</b>
Investment in securities	3,534	Capital	18,078
Investment in securities of subsidiaries and affiliates	5,730	Additional paid-in capital	2,395
Investment in securities of other affiliates	8,494	Capital reserve	2,395
Corporate bonds of affiliates	370	Retained earnings	3,282
Long-term investments in loans	10	Other retained earnings	3,282
Long-term loans to affiliates	570	Carried forward retained earnings	3,282
Other	101	Treasury stock	-187
Allowance for doubtful accounts	-85	<b>Revaluation and Adjustment</b>	<b>-657</b>
		Valuation adjustment in other securities	-657
		<b>Acquisition Rights</b>	<b>116</b>
		<b>Total Net Assets</b>	<b>23,027</b>
<b>Total Assets</b>	<b>33,995</b>	<b>Total Liabilities and Net Assets</b>	<b>33,995</b>

(Amounts less than one million yen have been rounded off.)

## Parent Income Statement

〔 From March 1, 2011 〕  
〔 To February 29, 2012 〕

(Million yen)

Item	Amount	
<b>Revenues</b>		<b>4,043</b>
<b>Cost of revenues</b>		<b>2,607</b>
<b>Gross profit</b>		<b>1,435</b>
<b>SG&amp;A</b>		<b>1,220</b>
<b>Operating profit</b>		<b>215</b>
<b>Non-operating profit</b>		
Interest income	18	
Dividend income	164	
Other	45	229
<b>Non-operating expenses</b>		
Interest on debt	286	
Interest on corporate bonds	30	
Issuance cost of corporate bonds	41	
Other	32	390
<b>Recurring Loss</b>		<b>54</b>
<b>Extraordinary gain</b>		
Gain on sales of investment in securities	879	
Gain on sales of equity holdings in affiliates	929	
Other	59	1,868
<b>Extraordinary Loss</b>		
Loss on sales of investment securities	62	
Valuation loss on investments	4	
Loss on business liquidation	330	
Other	64	462
<b>Profit before Income Taxes</b>		<b>1,460</b>
Income taxes		-212
<b>Net Profit</b>		<b>1,672</b>

(Amounts less than one million yen have been rounded off.)

## Statement of Parent Changes in Shareholders' Equity

〔 From March 1, 2011  
To February 29, 2012 〕

(Million yen)

	Shareholders' Equity							
	Common stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus	Carried forward retained earnings	Total retained earnings		
Balance as of February 28, 2011	18,078	2,395	52	2,447	2,341	2,341	-36	22,831
Changes in the fiscal year								
Share buyback							-935	-935
Share cancellation			-52	-52	-731	-731	783	-
Net profit					1,672	1,672		1,672
Changes in items other than shareholders' equity (net)								-
Changes in the current fiscal year	-	-	-52	-52	941	941	-151	737
Balance as of February 29, 2012	18,078	2,395	-	2,395	3,282	3,282	-187	23,568

	Revaluation and adjustment		Stock acquisition rights	Total net assets
	Unrealized gain on other securities, net	Total revaluation and adjustment		
Balance as of February 28, 2011	-376	-376	80	22,535
Changes in the fiscal year				
Share buyback				-935
Share cancellation				-
Net profit				1,672
Changes in items other than shareholders' equity (net)	-281	-281	35	-245
Changes in the current fiscal year	-281	-281	35	492
Balance as of February 29, 2012	-657	-657	116	23,027

(Amounts less than one million yen have been rounded off.)

## **Notes to the Parent Financial Statements**

### **1. Material Accounting Policies**

#### **(1) Valuation Standards and Method for Securities**

- (i) Shares in subsidiaries and affiliates: Moving average cost method
- (ii) Other Securities
- Shares with market value: Mark-to-market on the last date of fiscal year (valuation difference is reported as a component of shareholders' equity and cost of revenues is calculated with moving average cost method)
- Shares without market value: Moving average cost method. The valuation for investment associations is noted in (6)Material Changes in Presentation at (iii) Investment Associations.
- (iii) Derivatives: Mark-to-market
- (iv) Inventory Real estate assets for sale: Individual cost method (the amount on balance sheet is written down to reflect declines in profitability)

#### **(2) Depreciation Method for Property and Equipment**

- (i) Fixed Assets: Declining-balance method
- Useful lives are as follows:
- |                                  |             |
|----------------------------------|-------------|
| Buildings and Structure          | 8-42 years  |
| Equipments attached to Buildings | 10-15 years |
| Machinery and Equipment          | 4-20 years  |
- (ii) Intangible Assets: Straight-line method
- Useful life is as follows: Software 5 years

#### **(3) Amortization of Deferred Assets**

- Issuance cost of corporate bonds: Full amount is recorded as cost.

#### **(4) Accounting Standards for Allowances**

Allowance for doubtful accounts

The allowance is provided for doubtful accounts based on the historical experience for normal receivables and an estimate of the collectability for receivables from companies which are experiencing financial difficulties.

#### **(5) Hedge Accounting Method**

- (i) Hedge accounting method

In principle, the Company adopts the deferral hedge accounting method. However, with respect to some interest rate swaps which meet certain criteria, the Company uses an alternative accounting method, as reasonable and appropriate.

- (ii) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Borrowings

(iii) Hedging Policy

The Company uses derivative financial instruments in its financing activities to hedge possible future movements in interest rates.

(iv) Assessment of Hedge Effectiveness

The Company omits evaluating hedge effectiveness since it only applies to interest rate swaps which meet certain criteria.

**(6) Material Changes in Presentation**

(i) Consumption Tax

Consumption taxes are excluded from the relevant revenue, costs or expenses. Non-deductible consumption taxes are generally accounted for as expenses depreciated equally over five years.

(ii) Operating Investments

Operating investments in securities are included in operating investments in securities and operating loans in current assets, separate from non-operating investments. Profits and losses incurred from operating investments are recorded as operating profits and losses. Operating investments in which the Company has a control stake are not considered as subsidiaries or affiliates since the Company does not have an intention to control management.

(iii) Investment Associations

Assets held by investment associations are categorized as operating investments in securities and investment in securities of other affiliates (“Investments in investment associations”) in proportion to the holding percentage. Profits on dividends are recorded as revenues and an adjustment to Investments in investment associations. Redemption of principle is recorded as a decrease of Investments in investment associations.

(iv) Consolidated Tax Treatment

The Company qualified for consolidated tax treatment starting this fiscal year.

**2. Changes in Accounting Policy**

From the current fiscal year, the Company adopted the “Accounting Standard for Asset Retirement Obligations” (Financial Accounting Standard No. 18, March 31, 2008) and “Accounting Standard for Application of Consolidated Financial Statement” (Financial Accounting Standard No. 21, March 31, 2008).

There is no impact on the Operating Profit and Recurring Profit, however ¥4 million of Extraordinary Loss affects to ¥4 million decreases in Net Profit before Income Taxes.

**3. Changes in Presentation**

¥1 million of Gain on Foreign Currency Exchanges and ¥10 million of Valuation Gain on Derivatives are reported as Other in Non-Operating Profit in the current fiscal year as they are no longer significant.

**4. Additional Information**

¥6,299 million of Real Estate Held for Sale is reclassified to Fixed Assets: Buildings and Structures (¥1,459 million) and Land (¥4,839 million) due to the change in holding period. With this reclassification, ¥260 million of Guarantee Deposit in Current Liabilities is reclassified to Long Term Guarantee Deposit in Long Term Liabilities.

**5. Balance Sheet**

**(1) Assets Provided as Collateral and Secured Obligations**

Assets provided as collateral are as follows:

Cash and cash equivalents	¥891 million
Buildings and structure	¥1,214 million
Land	¥4,353 million
Investments in securities	¥237 million
Shares of affiliated companies	¥3,636 million

Investments in other affiliated companies	¥4,279 million
Total	<u>¥14,613 million</u>

Secured obligations are as follows:

Long-term borrowings (due within one year)	¥1,654 million
Long-term borrowings	¥5,982 million
Total	<u>¥7,637 million</u>

**(2) Accumulated Depreciation of Fixed Assets** ¥88 million

**(3) Contingent Liabilities**

The Company guarantees the following companies' borrowings from financial institutions.

Amethyst LLC	¥910 million
Takara Building Maintenance Co., Ltd.	¥162 million
Ichigo Estate Co., Ltd.	¥947 million
Total	<u>¥2,020 million</u>

**(4) Debts to Affiliates (excluding items separately indicated)**

Short-term debt to affiliates	¥454 million
Other short-term debt to affiliates	¥200 million

**6. Income Statement**

Transactions with affiliates

Revenues	¥1,500 million
Cost of Sales	¥81 million
Non-operational transactions	¥1,428 million

**7. Statement of Changes in Shareholders' Equity**

	Number of Shares Outstanding as of Feb 2011	Increased Shares	Decreased Shares	Number of Shares Outstanding as of Feb 2012
Treasury Shares				
Common Shares	240	100,000	80,240	20,000
Total	240	100,000	80,240	20,000

**8. Tax Effect**

**(1) Breakdown of Cause of Deferred Tax Assets and Liabilities**

Deferred tax assets

Maximum amount of allowance for doubtful accounts	¥1,277 million
Write-down of operating investments in securities	¥323 million
Write-down of investments in securities	¥1,114 million
Write-down of inventories	¥517 million
Write-down of investments in real estate	¥3,461 million
Write-down of securities of affiliates	¥1,229 million
Loss carried forward	¥6,490 million
Other	¥545 million
Subtotal	<u>¥14,958 million</u>

Allowance for valuation  
Deferred tax assets

- ¥14,958 million  
¥ - million

(2) Amendments on Deferred Assets and Deferred Liabilities due to Changes in the Effective Corporate Income Tax Rate

“Revision of the Income Tax in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure” (Law No. 114 of 2011) and “The Special Tax Law for the Great Eastern Japan Earthquake Disaster Construction” (Law No. 117 of 2011) were announced on December 2, 2011, and thus the corporate income tax will be reduced and the special tax for the disaster construction will be newly imposed from the next fiscal year. Due to the changes, the current effective corporate income tax rate of 40.69% for the Deferred Assets and Deferred Liabilities will be reduced to: 38.01% during the fiscal year starting March 1, 2013 through the fiscal year starting March 1, 2015; and to 35.64% from the fiscal year starting March 1, 2016. These tax rate changes will have limited impact on the Company’s earnings.

**6. Related Party Transactions**

(Million yen)

Type	Name	Voting Rights Held (%)	Connection with the Related Party	Transaction Type	Transaction Amount	Account	Balance Outstanding
Subsidiary	Ichigo Real Estate Investment Advisors Co., Ltd.	100	Service contract; Provide managerial guidance	Management administration fee	417	Receivables	49
Subsidiary	Ichigo Solutions Co., Ltd.	100	Service contract; Provide managerial guidance	Loan (Provided) (Note 2)	2,168	Short-Term Loans to Affiliates	68
				Loan (Provided) (Note 2)	200	Short-Term Loans to Affiliates	200
				Interest received	10	“Others” in Current Assets	0
				Borrowing (Note 1)	-	Short-term Borrowings from Affiliates	862
				Interest paid	13	Accrued expenses	4
				Management administration fee	102	Receivables	3
Subsidiary	Ichigo REIT Management Co., Ltd.	100	Service contract; Provide managerial guidance	Borrowing (Note 1)	-	Short-Term Borrowings from Affiliates	760
				Interest paid	13	Accrued expenses	4
				Management administration fee	286	Receivables	4
Subsidiary	Ichigo Estate Co., Ltd.	100	Service contract; Provide managerial guidance	Guarantee of liabilities (Note 6)	947	-	-
				Management administration fee	59	Receivables	19
Subsidiary	Miyako City Co., Ltd.	100	Financial support	Loan (Provided) (Note 2)	100	Long-term borrowings from affiliates	370
				Corporate bond purchase (Note 2)	50	Affiliates’ Corporate Bonds	370
				Interest received	1	“Others” in Current Assets	0
				Relieving account collectible	330	-	-



Subsidiary	Asset Managers (Asia) Co., Ltd.	70	-	Redemption gain on equity holdings in affiliates	879	-	-
Subsidiary	A. F. Co., Ltd.	100	Financial support	Loans (Note 2)	-	Short-Term Borrowings from Affiliates	1,207
				Interest received	-	“Others” in Current Asset	63
Subsidiary	Cronos LLC	100	-	Collateral provision (Note 4)	686	-	-
				Guarantee of liabilities (Note 7)	370	-	-
Subsidiary	Alan Light LLC	0 (Note 8)	-	Transferred TK equity interest (Note 9)	2,560	-	-
Subsidiary	Eomer LLC	0 (Note 8)	-	Collateral provision (Note 4)	568	-	-
Subsidiary	Tozai Holdings GK	0 (Note 8)	-	Collateral provision (Note 4)	1,498	-	-
				Guarantee of liabilities (Note 7)	742	-	-
				Guarantee payable	0	Fixed Assets	1
Subsidiary	Amethyst LLC	0 (Note 8)	-	Collateral provision (Note 3)	910	-	-
				Guarantee of liabilities (Note 3)	910	-	-
Major shareholder	Ichigo Trust (“IT”)	56.10% Owner of the Company	-	Issuance of corporate bonds to IT (Note 1)	8,200	-	-
				Interest paid to IT	28	-	-
				Issuance fee of corporate bonds to IT	41	-	-
				Corporate bonds guarantee payable	0	-	-
				Collateral received from IT (Note 5)	4,205	-	-

- (Note) 1. The interest rate on borrowings and corporate bonds is determined in consideration of the market interest rate.  
2. The interest rate on loans is determined in consideration of the market interest rate.  
3. The company has pledged real estate for sale as collateral for non-recourse loans secured from financial institutions.  
4. The Company has accepted real estate for sale as collateral for long-term borrowings from banks.  
5. The Company has received securities from IT for use as collateral for the Company’s long-term borrowings from banks.  
6. The Company is jointly guaranteeing long-term borrowing from banks.  
7. The Company has received a joint guarantee for long-term borrowing from banks.  
8. The voting right is stated as 0%; however, 100% of controlling rights are held by a subsidiary fully owned by the Company. Therefore, the company is treated as a subsidiary of the Company, pursuant to “Treatments of Standards of Control and Influence of Investment Associations” (Accounting Standards No. 20, September 8, 2006).  
9. The transfer price is determined in consideration of net asset price with asset valuation differences from mark-to-market prices based on the financial statements of the issuing company.  
10. The above transaction amounts do not include consumption taxes. The balances at the end of term include consumption taxes.

## 7. Per Share Data

(1) Net assets per share	¥10,245.12
(2) Net profits per share	¥732.60

## 8. Material Subsequent Events

N/A

## Auditor's Report on the Consolidated Financial Statements

### Report of Independent Auditors

April 15, 2012

To the Board of Directors of Ichigo Group Holdings Co., Ltd.

Grant Thornton Taiyo ASG

Satoru Endo, CPA, Designated and Engagement Partner (seal)

Tsutomu Nobechi, CPA, Designated and Engagement Partner (seal)

Hiroaki Ohkane, CPA, Designated and Engagement Partner (seal)

We have audited the consolidated financial statements of Ichigo Group Holdings Co., Ltd., namely the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in shareholders' equity and the notes to consolidated financial statements for the fiscal year from March 1, 2011 to February 29, 2012 pursuant to Article 444, paragraph 4 of the Company Law. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an independent opinion on these consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining on a test basis and assessing the accounting principles used and estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, properties and profit and loss of the Ichigo Group consisting of Ichigo Group Holdings Co., Ltd. and its consolidated subsidiaries for the period for the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

There are no interests to be specified pursuant to the provisions of the Certified Public Accountant Law between the Company and us or engagement partner.

## Auditor's Report on the Financial Statements

### Report of Independent Auditors

April 15, 2012

To the Board of Directors of Ichigo Group Holdings Co., Ltd.

Grant Thornton Taiyo ASG

Satoru Endo, CPA, Designated and Engagement Partner (seal)

Tsutomu Nobechi, CPA, Designated and Engagement Partner (seal)

Hiroaki Ohkane, CPA, Designated and Engagement Partner (seal)

We have audited the twelfth term financial statements of Ichigo Group Holdings Co., Ltd., namely the balance sheet, the income statement, the statement of changes in shareholders' equity and the notes to the financial statements and schedules for the fiscal year from March 1, 2011 to February 29, 2012 pursuant to Article 436, paragraph 2, item 1 of the Company Law. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an independent opinion on these financial statements and schedules.

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Those standards require that we obtain reasonable assurance about whether the financial statements and schedules are free of material misstatement. An audit includes examining on a test basis and assessing the accounting principles used and estimates made by management, as well as evaluating the overall financial statement and schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and schedules referred to above present fairly, in all material respects, properties and profit and loss for the period for the financial statements and schedules in conformity with accounting principles generally accepted in Japan.

There are no interests to be specified pursuant to the provisions of the Certified Public Accountant Law between the Company and us or engagement partner.

## Report of Audit Committee

Audit Report

April 19, 2012

Audit Committee, Ichigo Group Holdings Co., Ltd.

Katsu Fujita, Audit Committee Member (seal)

Tetsuya Fujita, Audit Committee Member (seal)

Noriko Kawate, Audit Committee Member (seal)

The Audit Committee has audited the execution of the duties of the Directors and Statutory Executive Officers during the twelfth fiscal year from March 1, 2011 to February 29, 2012. We report the method and results of this audit as follows:

### 1. Method and Description of Audit

The Audit Committee has received regular reports and has made requests for explanations as necessary from the Directors, Statutory Executive Officers, and employees of the Company regarding the details of resolutions by the Board of Directors with respect to Article 416, paragraph 1, item 1, b and e of the Company Law and the system established under the resolutions (internal control system) and in accordance with audit policy and duties prescribed by the Audit Committee. In cooperation with the Internal Audit Office and other internal control related departments of the Company, the Audit Committee has investigated the process and details of decision-making at important meetings, the details of principal-approved documents and other material documents relating to the execution of business, the execution of duties by Statutory Executive Officers and employees and reviewed the Company's business and assets. With respect to subsidiaries, we have communicated and exchanged information with directors and auditors of subsidiaries and received business reports from subsidiaries as necessary.

In addition, we have supervised and verified that the Independent Auditor was independent and conducting an appropriate audit and received reports on the execution of duties from the Independent Auditor and requested explanations as necessary. We have also received a report from the Independent Auditor that the structure to ensure appropriate performance of duties (matters described in Article 131, each item of the Company Calculation Rules) has been established pursuant to laws and regulations including the Standards for Quality Control of Audits (issued by Business Accounting Council on October 28, 2005) and that management structures have been properly established within the audit firm.

By these methods, we have reviewed the Company's own business report, financial statements (balance sheet, income statement, statement of changes in shareholders' equity and notes) and their schedules, along with the Company's consolidated financial statements (including the consolidated balance sheet, consolidated income statement, consolidated statement of changes in shareholders' equity and consolidated notes).

### 2. Results of Audit

#### (1) Audit Results of Business Report

- 1 We note that the business report and its schedules present the Company's status correctly pursuant to all laws and regulations and the Articles of Incorporation.
- 2 We note that there has been no misconduct with respect to the execution of duties by Directors and Statutory Executive Officers, nor have we discovered any material facts which violate laws and regulations or the Articles of Incorporation.
- 3 We note that the details of the resolution by the Board of Directors with respect to the internal control system are reasonable. Also, there is nothing material to be pointed out with respect to the execution of

duties on the internal control system by Statutory Executive Officers.

(2) Audit Results of Financial Statements and their Schedules

We note that the method and results of the audit conducted by the Independent Auditor, Grant Thornton Taiyo ASG, were reasonable.

(3) Audit Results of Consolidated Financial Statements

We note that the method and results of the audit conducted by the Independent Auditor, Grant Thornton Taiyo ASG, were reasonable.

3. Subsequent Events

At the Board of Directors meeting held on April 19, 2012, the Company approved a resolution to reorganize its real estate and finance functions and to merge consolidated subsidiaries.

(Note) All members of the Audit Committee are External Directors as provided in Article 2, item 15 and Article 400, paragraph 3 of the Company Law.

## Reference Materials for the Annual General Meeting of Shareholders

### Proposal 1 Election of 7 Directors

The terms of office of all ten Directors will expire at the conclusion of the Annual General Meeting of Shareholders. Accordingly, the Company proposes the election of the following seven Directors.

The candidates for Directors are as follows:

No.	Name (Date of birth)	History, Position, and Responsibility in the Company (Positions at other companies)	Number of Company's Shares Held
1	Scott Callon (Note 2) (December 6, 1964)	<p>April 1988 MIPS Computer Systems, Inc. September 1991 Asia-Pacific Research Center, Stanford University</p> <p>March 1994 Visiting researcher, Research Institute of Capital Formation, Japan Development Bank</p> <p>August 1994 Tokyo Branch, Bankers Trust Asia Securities Co., Ltd.</p> <p>March 1997 Morgan Stanley Securities Co., Ltd. June 2000 Representative of resident officers, Representative office in Japan, Prudential PLC</p> <p>May 2001 Representative Director, PCA ASSET Management Limited of the Prudential plc Group</p> <p>April 2002 Morgan Stanley Securities Co., Ltd. January 2003 Head of Equities, Morgan Stanley Securities Co., Ltd.</p> <p>May 2006 Partner and Chief Executive Officer, Ichigo Asset Management, Ltd. (current)</p> <p>October 2008 Chairman &amp; Representative Statutory Executive Officer of the Company (current)</p> <p>November 2008 Director, Chairman of Nominating Committee, Chairman of Compensation Committee, Vice Chairman of Compliance Committee of the Company (current)</p> <p>November 2011 Member of Nominating Committee and Member of Compensation Committee (current)</p> <p>(Positions at other companies) Partner and Chief Executive Officer, Ichigo Asset Management, Ltd.</p>	0

No.	Name (Date of birth)	History, Position, and Responsibility in the Company (Positions at other companies)	Number of Company's Shares Held
2	Kenji Iwasaki (April 10, 1968)	<p>April 1992      Joined Fujita Corporation</p> <p>May 2001      Joined the Company</p> <p>May 2004      Director, General Manager of Fund Business Division, Merchant Banking Group of the Company</p> <p>May 2005      Representative Director and Vice President of the Company</p> <p>May 2007      Director, Chairman of Nominating Committee and Chairman of Compensation Committee of the Company</p> <p>October 2008    President &amp; Representative Statutory Executive Officer (current)</p> <p>November 2008   Vice Chairman of Compliance Committee (current)</p> <p>May 2009      Director (current), Member of Nominating Committee and Member of Compensation Committee</p> <p>November 2011   Chairman of Nominating Committee, and Chairman of Compensation Committee (current)</p>	2,865
3	Minoru Ishihara (October 5, 1967)	<p>April 1990      Joined Hazama Corporation</p> <p>October 2005    Joined Creed Corporation</p> <p>May 2007      Joined the Company as Head of Human Resources and General Administration department</p> <p>March 2008     Executive Officer and Head of Human Resources and General Administration department of the Company</p> <p>October 2008    Chief Administrative Officer &amp; Statutory Executive Officer and Head of Business Management of the Company</p> <p>November 2008   Director, Asset Investment Advisors Co., Ltd. (currently Ichigo Real Estate Investment Advisors Co., Ltd.)</p> <p>May 2009      Senior Managing Director &amp; Statutory Executive Officer (Administration) and Member of Compliance Committee of the Company (current)</p> <p>October 2009    Senior Managing Director (Administration), Asset Investment Advisors Co., Ltd. (currently Ichigo Real Estate Investment Advisors Co., Ltd.)</p> <p>November 2009   President &amp; Representative Director, Asset Logistics Co., Ltd.(currently Ichigo Marché Co., Ltd.)</p>	204

No.	Name (Date of birth)	History, Position, and Responsibility in the Company (Positions at other companies)	Number of Company's Shares Held
		<p>May 2010 Director, Senior Managing Director &amp; Statutory Executive Officer (Administration) and Member of Compliance Committee of the Company</p> <p>January 2011 Senior Executive Managing Director &amp; Statutory Executive Officer (Administration, Environmental &amp; Architectural Solutions) and Senior Managing Director (Administration), Ichigo REIT Management Co., Ltd.</p> <p>April 2011 President &amp; Representative Director, Miyako City Co., Ltd. (current)</p> <p>May 2011 Senior Managing Director (Administration), Ichigo Real Estate Investment Advisors Co., Ltd.</p> <p>November 2011 Executive Vice President &amp; Statutory Executive Officer (Administration) (current)</p> <p>(Positions at other companies) Senior Managing Director (Administration), Ichigo Real Estate Investment Advisors Co., Ltd. President &amp; Representative Director, Miyako City Co., Ltd.</p>	
4	Katsu Fujita (June 30, 1944)	<p>April 1968 Joined The Long-Term Credit Bank of Japan, Limited (current Shinsei Bank, Limited)</p> <p>June 1995 Director, General Manager of Information System Group and Manager of System Planning of The Long-Term Credit Bank of Japan, Limited</p> <p>June 1997 Senior Managing Director and Director of Finance &amp; Accounting Division, Ishihara Sangyo Kaisha, Ltd.</p> <p>June 2002 Executive Managing Director and Director of Corporate Planning &amp; Administration Division, Ishihara Sangyo Kaisha, Ltd.</p> <p>October 2007 Member of Conciliation of Civil Affairs, Tokyo District Court (current)</p> <p>May 2008 External Director, Chairman of Nominating Committee and Chairman of Compensation Committee of the Company</p> <p>November 2008 External Director, Chairman of Audit Committee, Member of Nominating Committee, Member of Compensation Committee &amp; Member of Compliance Committee of the Company (current)</p> <p>(Positions at other companies) Member of Conciliation of Civil Affairs, Tokyo District Court</p>	229



No.	Name (Date of birth)	History, Position, and Responsibility in the Company (Positions at other companies)	Number of Company's Shares Held
5	Tetsuya Fujita (March 26, 1954)	<p>April 1976    Joined Taisho Marine and Fire Insurance Co., Ltd. (now Mitsui Sumitomo Insurance Co., Ltd.)</p> <p>April 2001    Executive Director, Taisho Marine &amp; Fire Insurance (Malaysia) Bhd. (now MSIG Insurance (Malaysia) Bhd)</p> <p>April 2002    Board Director, Skandia Life Insurance (Japan) (currently Tokyo Marine Nichido Financial Life Insurance Co., Ltd.)</p> <p>October 2006    Executive Director, AXA Life Insurance Co., Ltd.</p> <p>April 2007    Representative President &amp; CEO, AXA Financial Life Insurance Co., Ltd. (currently AXA Life Insurance Co., Ltd.)</p> <p>October 2009    Senior Advisor, AXA Life Insurance Co., Ltd.</p> <p>May 2010    External Director, Member of Audit Committee, and Member of Compliance Committee of the Company (current)</p> <p>February 2011    Auditor, St. Thomas University (current)</p> <p>March 2011    President, Remark Japan Co., Ltd. (current)</p> <p>May 2011    Chairman of Compliance Committee (current)</p> <p>(Positions at other companies) Auditor, St. Thomas University President, Remark Japan Co., Ltd.</p>	41
6	Maki Kumagai (February 11, 1974)	<p>April 2000    Qualified as Attorney at Law, joined Mitsui, Yasuda, Wani &amp; Maeda</p> <p>May 2003    Seconded to International Legal Affairs Bureau, Ministry of Foreign Affairs</p> <p>May 2005    Joined Mitsui Company</p> <p>January 2008    Appointed Partner, Mitsui Company</p> <p>May 2011    Director, Member of Nominating Committee, Member of Compensation Committee and Member of Compliance Committee (current)</p> <p>July 2011    Partner of Nijubashi Partners (current)</p> <p>(Positions at other companies) Partner, Nijubashi Partners</p>	0

No.	Name (Date of birth)	History, Position, and Responsibility in the Company (Positions at other companies)	Number of Company's Shares Held
7	Noriko Kawate (February 22, 1976)	<p>April 1999      Joined International Dept., Deloitte Touche Tohmatsu LLC</p> <p>July 2001      Qualified as Certified Public Accountant</p> <p>August 2004    Joined Cast &amp; Itoga (Currently Soga, Uryu, Itoga)</p> <p>November 2004 Qualified as Certified Tax Accountant</p> <p>February 2008 President, CLEA Consulting Co., Ltd. (current)</p> <p>January 2009    Joined Gracia Corporation (current)</p> <p>May 2011        Director, Member of Audit Committee</p> <p>November 2011 Qualified as American Institute of Certified Public Accountants (current)</p> <p>(Positions at other companies) President, CLEA Consulting Co., Ltd. Employee of Gracia Corporation</p>	0

- (Note) 1. There is no special relationship between the Company and any of the candidates for Directors.
2. The name of Mr. Scott Callon, candidate for Director, is written as “Callon Scott Anderberg” under Japan’s official name registration.
3. Mr. Katsu Fujita, Mr. Tetsuya Fujita, Ms. Maki Kumagai and Ms. Noriko Kawate are candidates for External Director. They meet the requirements for Independent Director under the requirements of the Osaka Securities Exchange. The Company intends to register them to the Osaka Securities Exchange as Independent Directors.
4. The Company’s reasons for proposing Mr. Katsu Fujita, Mr. Tetsuya Fujita, Ms. Maki Kumagai, and Ms. Noriko Kawate as candidates for External Directors are as follows:
- (i) The Company proposes Mr. Katsu Fujita as a candidate for External Director based upon his extensive knowledge and experience in the sales and management departments of a leading bank and in corporate management. He assumed the position as an External Director of the Company in May 2008, and his term of office will have been four years at the close of this General Meeting of Shareholders.
- (ii) The Company proposes Mr. Tetsuya Fujita as a candidate for External Director based upon his extensive knowledge and experience working for a leading insurance company and a leading life insurance company. He assumed the position as an External Director of the Company in May 2010, and his term of office will have been two years at the close of this General Meeting of Shareholders.
- (iii) The Company proposes Ms. Maki Kumagai as a candidate for External Director based upon her expertise and experience in legal advisory for institutional clients in finance law and corporate governance. She assumed the position as an External Director of the Company in May 2011, and her term of office will have been one year at the close of this General Meeting of Shareholders.
- (iv) The Company proposes Ms. Noriko Kawate as a candidate for External Director based upon her experience in statutory audit at a major auditing firm and her experience in accounting and tax advisory as a certified public accountant and tax accountant. She assumed the position as an External Director of the Company in May 2011, and her term of office will have been one year at the close of this General Meeting of Shareholders.
5. No candidate for External Director has been involved in inappropriate conduct while serving as a Director in other companies over the past five years

6. The independence of the candidates for External Directors is as follows:
  - (i) No candidate for External Director has managed operations (as defined in Article 2, paragraph 3, item 6 of the Enforcement Regulations of the Company Law; hereinafter the same) of the Company or its related entities (as defined in Article 2, paragraph 3, item 19 thereof; hereinafter the same) in the past.
  - (ii) No candidate for External Directors has received, nor will they receive, a large amount of money or other financial compensation (excluding any remuneration as a Director or Advisor before assuming the position of External Director) from the Company or related entities.
  - (iii) No candidate for External Directors is the spouse of, nor are they within three degrees of consanguinity related to the management of the Company or related entities.
7. In order to retain External Directors of high quality, the Company has entered into limited liability agreements with Mr. Katsu Fujita, Mr. Katsuhiko Hattori, Mr. Tetsuya Fujita, Ms. Maki Kumagai, Ms. Noriko Kawate, Mr. Rob Crawford, and Mr. Makoto Fukuhara. The extent of liabilities for compensation under the agreements is the minimum limited liability amount as defined in Article 425, paragraph 1 of the Company Law; provided that the liability is limited only when the External Directors have performed their duties which cause liability in good faith and without gross negligence. If the re-appointments as External Directors of Mr. Katsu Fujita, Mr. Tetsuya Fujita, Ms. Maki Kumagai and Ms. Noriko Kawate, the Company will enter into a new limited liability agreement with equivalent terms with each of them.