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## **Power Up 2019 Mid-Term Business Plan and Adoption of Progressive Dividend Policy**

The Board of Directors of Ichigo today approved Ichigo's new mid-term business plan (MTP), Power Up 2019, and adopted a progressive dividend policy to strengthen shareholder returns.

### 1. Shift Up 2016 Outcomes

Power Up 2019 follows on Ichigo's Shift Up 2016 MTP, which was announced with FY14/2 Q3 earnings on January 10, 2014. Shift Up 2016 covered the period through FY16/2, and its key focus was to significantly increase Ichigo's earnings.

Shift Up 2016's results follow:

	(million yen)		
	FY13/2 Results	FY16/2 Results	Three-Year Change
Operating Profit	1,844	15,417	8.4X
Recurring Profit	1,734	13,889	8.0X
Net Profit	1,637	12,925	7.9X
EPS (yen)	3.7	25.9	7.1X
ROE	6.0%	21.0%	3.5X

### 2. Power Up 2019 Overview

Power Up 2019's key goals are to: 1) drive further sustainable earnings growth in Ichigo's core businesses; 2) develop new Ichigo businesses that will be forward growth engines; and 3) deepen Ichigo's core capabilities and corporate strength.

Ichigo considers Power Up 2019's KPIs to be commitments to Ichigo's shareholders, and just as with Shift Up 2016, Ichigo intends to exceed them.

Power Up 2019 Key Performance Indicators (KPI)

(million yen)

	FY16/2 (Actual)	FY17/2 (Forecast)	FY19/2 (Plan)	vs FY16/2
Operating Profit	15,417	18,500	25,000	+62%
Recurring Profit	13,889	16,400	21,400	+54%
Effective Tax Rate <sup>1</sup>	6.9%	27.8%	30.0%	—
Net Profit	12,925	13,300	14,800	+14%
EPS (yen)	25.86	26.43	29.00	+12%
Dividend (yen)	3	5	7	+133%
ROE	21.0%	18.1%	15.6%	—

<sup>1</sup> From FY17/2, Ichigo will have consumed its tax loss carry-forwards and its tax rate will thus normalize.

Power Up 2019 Key Initiatives

(1) Core Business Growth

- List Ichigo's solar assets on the TSE's new Infrastructure Fund Market
- Support the on-going growth of Ichigo Office REIT (8975) and Ichigo Hotel REIT (3463)
- Expand the architecture and structural engineering team to deliver real estate that is high-function, safe, secure, and environmentally friendly
- Spin out a dedicated leasing team to drive tenant acquisition and rental income

(2) New Business Creation

- Extend Ichigo's REIT-focused asset management business into the much larger physical real estate market
- Grow Ichigo's hotel business synergistically with Ichigo Hotel REIT
- Launch one or more REtech businesses, fusing Ichigo's Real Estate and IT capabilities

(3) Finance as a Strategic Weapon

- Grow both financial stability and earnings
- De-collateralize loans, lengthen loan maturities, lower debt costs, get credit ratings, and issue bonds to diversify funding profile

(4) High Capital Efficiency and Organic Growth

- ROE >15%

(5) Best Place to Work

- Support employee health and wellness
- Goal: Japan's number one company in providing opportunities for employees

(6) Global Best Practice Governance and Compliance

### Power Up 2019 JPX-Nikkei 400 Target: Top 200 Ranking by August 2019

Carrying forward its Shift Up 2016 target, Ichigo is seeking to enter the JPX-Nikkei 400 this August in its annual index constituent rebalance. By August 2019, the final year of Power Up 2019, Ichigo will seek to rank within the JPX-Nikkei 400's top 200 companies.<sup>2</sup>

### 3. Progressive Dividend Policy

With today's board approval, Ichigo is adopting a progressive dividend policy. This policy underscores Ichigo's commitment to driving continued organic earnings and dividend growth for its shareholders. Under a progressive dividend policy, the previous year's dividend becomes the floor for the current year's dividend. The dividend will be raised (or kept flat) but not cut, providing shareholders downside dividend protection.

In addition to this progressive dividend policy, Ichigo is newly setting a minimum DOE (dividend on equity) payout ratio of >3 %. In contrast to a "dividend payout ratio policy," which calculates dividends based upon annual earnings which can be highly volatile, a DOE policy paying dividends based upon more stable shareholder equity is by its very nature more stable. Ichigo believes that the combination of a progressive dividend and a DOE-based payout policy will significantly increase the security, certainty, and visibility of its dividend to the benefit of Ichigo's shareholders.

<sup>2</sup> While the JPX-Nikkei 400 does not provide an official ranking of its 400 constituents, the ranking can be objectively calculated based upon the JPX-Nikkei 400's publically-available quantitative ranking formula, which rank orders the joint set of the 1,200 highest market capitalization and 1,200 highest value-traded Japanese companies by:

- (a) 3-year average ROE (40% weighting)
- (b) 3-year cumulative operating profit (40% weighting)
- (c) Market capitalization (20% weighting)

Reference: Shift Up 2016 Targets and Outcomes

1) Target: Key Performance Indicators (KPI)

Outcome: All KPIs achieved.

(million yen)

	FY14/2 (Plan)	<b>FY14/2 (Actual)</b>	FY15/2 (Plan)	<b>FY15/2 (Actual)</b>	FY16/2 (Plan)	<b>FY16/2 (Actual)</b>
Gross Profit	7,400	<b>7,435</b>	11,500	<b>12,166</b>	15,500	<b>19,863</b>
Operating Profit	3,900	<b>3,912</b>	7,700	<b>8,189</b>	11,400	<b>15,417</b>
Net Profit	4,000	<b>4,526</b>	6,040	<b>6,761</b>	9,050	<b>12,925</b>
EPS (yen)	8.69	<b>9.83</b>	12.17	<b>13.58</b>	18.25	<b>25.86</b>
ROE	-	<b>11.8%</b>	11.8%	<b>13.0%</b>	>15%	<b>21.0%</b>
Expense Coverage Ratio (Structural Profitability) <sup>1</sup>	139%	<b>141%</b>	150%	<b>175%</b>	165%	<b>223%</b>

<sup>1</sup> Ratio of fixed revenues (such as annual AM fees and contractually-fixed rental income) to fixed expenses (fixed SG&A + interest expenses)

2) Target: Move to Tokyo Stock Exchange First Section by February 2016

Outcome: Achieved. Entered TSE1 on November 17, 2015.

3) Target: Enter the JPX-Nikkei 400 Index by August 2016

Outcome: Pending. Awaiting annual index constituent rebalance in August 2016.