

*[Provisional Translation Only]*

*This English translation of the original Japanese document is provided solely for information purposes.  
Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.*

April 17, 2019

**Ichigo Inc.** (Tokyo Stock Exchange First Section, 2337)  
Representative: Scott Callon, Chairman  
Inquiries: Takeyuki Yoshimatsu, Executive Managing Director  
Telephone: +81-3-3502-4818 [www.ichigo.gr.jp/en](http://www.ichigo.gr.jp/en)

## **Power Up 2019 Mid-Term Business Plan Achievement & New Ichigo 2030 Vision**

Ichigo has achieved all of the goals of its three-year Power Up 2019 mid-term business plan (MTP), which ran from FY17/2 to FY19/2. To follow upon Power Up 2019, Ichigo has adopted Ichigo 2030 as its new, longer-term vision.

The central pillar of Ichigo 2030 is for Ichigo to build upon its capabilities in real estate and clean energy to expand its business domain and pursue new opportunities for growth and value creation for tenants, shareholders, and local communities. As a sustainable infrastructure company, Ichigo will work to fulfill its mission of Make The World More Sustainable.

### **1. Ichigo 2030 Rationale**

The revolution in IT and networks that has transformed industries globally has also reached real estate, creating opportunities for radical improvements in serving tenant needs. To invest in the potentially enormous growth opportunities from this technological change and drive significantly higher long-term growth for its shareholders, Ichigo has decided to pursue an 11-year vision that is significantly more transformative than a traditional three-year mid-term business plan.

In Ichigo 2030, Ichigo will work to grow both earnings and earnings stability, expanding beyond real estate to generate new earnings streams that are less sensitive to changes in real estate market conditions.

### **2. Power Up 2019 Mid-Term Business Plan (MTP) Achievement**

Power Up 2019 focused on driving sustainable growth, deepening Ichigo's core capabilities, and maximizing shareholder value over the three years from FY17/2 to FY19/2. Ichigo achieved all of the Power Up 2019 KPIs, as it also did in its preceding Shift Up 2016 three-year MTP. During the three years of Power Up 2019, Ichigo increased its operating profit by 60% (19% CAGR), and posted record FY19/2 Operating Profit, Recurring Profit, and Net Income.

Ichigo also achieved Power Up 2019's goal of increasing the profitability and sustainability of its business model by growing its Asset Management, Value-Add, and Clean Energy businesses.

In Asset Management, Ichigo accomplished its key target of listing its dedicated solar power vehicle, Ichigo Green (9282), on the Tokyo Stock Exchange. Ichigo also worked to create value for shareholders of Ichigo Office (8975) and Ichigo Hotel (3463) via supporting their public offerings, strategic sales and acquisitions, bond issuances to stabilize and diversify financing, and credit ratings. Reflecting its commitment to growing value for its shareholders, Ichigo Hotel also became the first J-REIT to adopt a

no fixed fee, performance fee-only structure.

In Value-Add, Ichigo continued to expand and strengthen its core capabilities in preserving and improving existing real estate, while generating record earnings with support from a strong real estate market. Despite a difficult acquisition environment, Ichigo has been acquiring high-quality assets by leveraging its Value-Add capabilities.

In Clean Energy, Ichigo completed construction of the Ichigo Showamura Ogoose ECO Power Plant, its largest solar power plant, contributing to growth in stable earnings. In addition, Ichigo expanded into wind power by launching development of its first wind power plant.

During Power Up 2019, Ichigo also carried out the following new business initiatives:

- (a) Launched Ichigo Owners, a provider of real estate investment services;
- (b) Launched Ichigo Land to expand Ichigo's real estate Value-Add business;
- (c) Acquired the Centro group (Centro, Storage Plus, and Tenuto), expanding into new real estate-related businesses, including self-storage and coin laundries, and entered into a business tie-up with Phil Company;
- (d) Launched THE KNOT, Ichigo's lifestyle hotel brand;
- (e) Developed PROPERA, an AI-based hotel revenue management system, Ichigo's first venture into REtech (real estate tech);
- (f) Expanded Ichigo's real estate portfolio into new asset types such as logistics and sports stadium management;
- (g) Launched the Ichigo Sustainable Lab, an in-house incubator comprised of three sub-labs: Community Lab, 100-Year Real Estate Lab, and Incubation Lab;
- (h) Raised productivity via IT investments and partnering with IT companies.

#### Power Up 2019 Outcomes

##### KPIs

(JPY million)

	FY16/2 (Actual)	FY19/2 (Plan)	FY19/2 (Actual)	vs. FY16/2
Operating Profit	16,387 <sup>1</sup>	25,000	26,279	+60%
Recurring Profit	13,889	21,400	23,076	+66%
Tax Rate	6.9%	30.0%	31.8%	—
Net Income	12,925	14,800	15,373	+19%
EPS	JPY 25.86	JPY 29	JPY 31.14	+20%
Dividend	JPY 3	JPY 7	JPY 7	+133%
ROE	21.0% <sup>2</sup> (Tax-Adjusted) 15.3%	15.6%	16.3%	—

<sup>1</sup> From FY19/2, SPC-related non-recourse loan interest expenses are accounted as Fixed Non-Operating Expenses rather than COGS. FY16/2 Operating Profit has therefore been restated using this new accounting treatment to facilitate an accurate YOY comparison.

<sup>2</sup> Ichigo's effective tax rate normalized from 6.9% in FY16/2 to 31.8% in FY19/2. At FY19/2's normalized 31.8% tax rate, FY16/2 ROE would have been 15.3%.

#### Continuous Inclusion in the JPX-Nikkei 400 Index & Top 200 Ranking by 2019

Ichigo successfully achieved inclusion in the JPX-Nikkei 400 three years in a row (2016, 2017, 2018), and based upon its operating results and market capitalization, fully expects to achieve inclusion this year. With respect to the Top 200 Company ranking, the result will be released in August 2019.\*

\* JPX-Nikkei 400 Ranking Calculation: While the JPX-Nikkei 400 does not provide an official ranking of its 400 constituents, it can be calculated based upon the JPX-Nikkei 400's publically-available quantitative ranking formula, which rank orders the top 1,000 companies from the joint set of the 1,200 highest market capitalization and 1,200 highest value-traded Japanese companies by:

- (a) Three-year average ROE (40% weighting)
  - (b) Three-year cumulative operating profit (40% weighting)
  - (c) Market capitalization (20% weighting)
- Total Score = 0.4 x (a) + 0.4 x (b) + 0.2 x (c)

### **3. Ichigo 2030: Ichigo as a Sustainable Infrastructure Company**

As a sustainable infrastructure company, Ichigo is growing and expanding its core real estate and clean energy capabilities into new areas. In doing so, Ichigo will generate new earnings streams and opportunities to serve clients while seeking to create a more sustainable society.

#### **a. Sustainable**

We have entered an era when humanity must tread more lightly on our planet and learn to do more with less. Ichigo already has an extensive track record in sustainable real estate through its business model of preserving and improving existing real estate, which challenges the wasteful cycle of demolition and redevelopment in Japanese real estate. With Ichigo 2030, Ichigo will continue its long-standing commitment to sustainability while developing new technologies to extend the lives of key social infrastructure beyond 100 years. Sustainability is integral to the healthy development of people, society, and the environment.

#### **b. Infrastructure**

Ichigo has moved beyond the traditional view of real estate as simply physical buildings and land to one in which Ichigo more broadly provides key infrastructure that is fundamental to people's lives. Ichigo first expanded beyond real estate in 2012, when it began developing solar power, offering sustainable energy to support a cleaner and safer Japan and world. Ichigo 2030 takes this strategy forward by expanding the scope of Ichigo's real estate and clean energy businesses into other types of infrastructure that contribute to creating richer, more fulfilling lives for the people of Japan.

Ichigo is now working to merge the physical infrastructure of daily life – offices, homes, hotels – with the networks and data-driven possibilities of the digital world in order to offer more enriching experiences to its clients, tenants, and other stakeholders. While continuing to grow Ichigo's existing businesses, Ichigo is increasing investments in new technologies and talent and developing new partnerships with other companies who share our sustainability vision.

## **Ichigo 2030 Details**

### **Time Period**

FY20/2 to FY30/2 (11 years)

### **KPIs**

#### **1. High Capital Productivity**

(a) FY20/2~FY30/2 Average ROE >15%

Although Ichigo's growth investments in IT and new businesses will initially lower ROE, Ichigo believes these investments will increase long-term ROE by driving higher capital productivity and earnings stability. Ichigo is focused on growing long-term EPS as a key driver of shareholder value.

(b) FY20/2~FY30/2 Continuous JPX-Nikkei 400 Index Inclusion

Ichigo is targeting continuous inclusion in the JPX-Nikkei 400 Index for the entire Ichigo 2030 period (11 years). The JPX-Nikkei 400 selects companies based on ROE, operating profit, and market capitalization, resulting in an index that is comprised of companies with high capital productivity and profitability.

#### **2. High Cash Flow Generation**

FY20/2~FY30/2 Continuous Economic Operating Cash Flow\* > Net Income

Ichigo's robust cash flows fund both growth investments and shareholder returns, so growing these cash flows is an important business priority. Ichigo is therefore setting a target of its annual Economic Operating Cash Flow exceeding its annual Net Income for the entire Ichigo 2030 period (11 years).

\* Economic Operating Cash Flow = Cash Flows from Operations +/- any changes in Real Estate and Power Plants for Sale

#### **3. High Earnings Stability**

FY30/2 Stock Earnings Ratio >60%

Ichigo is targeting increasing its Stock Earnings ratio from FY19/2's 53% to 60% in FY30/2. It is also working to increase and diversify its Flow Earnings in order to reduce the weighting of profits from Value-Add real estate sales, which can be sensitive to changes in the real estate market. As a result, Ichigo expects to significantly increase both its earnings and its earnings stability over the Ichigo 2030 period.

### **Shareholder Return Policy**

Ichigo will work to drive long-term shareholder value with a shareholder return policy that focuses on 1) dividend stability, transparency, and growth, and 2) flexible share buybacks.

#### **(a) Progressive Dividend Policy**

Ichigo will continue its progressive dividend policy, originally adopted in FY17/2, in Ichigo 2030. Ichigo's progressive dividend policy underscores its commitment to driving continued organic earnings and dividend growth for shareholders. Under this 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 protection.

#### **(b) DOE >3%**

In addition to its progressive dividend policy, Ichigo will continue its policy of a DOE (Dividend on Equity) payout ratio of greater than 3%. In contrast to a "dividend payout ratio policy," which calculates dividends based upon annual earnings which can be

highly volatile, a DOE policy pays dividends based upon far more stable shareholder equity. A DOE policy thus results in more stable dividends for shareholders. 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.

(c) Flexible Deployment of Share Buybacks

In addition to the above dividend policies, Ichigo is newly adopting a policy to flexibly conduct share buybacks to optimize its capital structure and drive shareholder value.

FY20/2 Initiatives

(a) Deepen Capabilities in Sustainable Real Estate

- Expand into new asset types (e.g., dormitories, sports facilities)
- Seek to be “Best Partner” to tenants via continually improving tenant services and solutions
- Strengthen group operating structure to deliver best-in-class outcomes

(b) Accelerate Creation of New Businesses

- Further develop Ichigo Sustainable Lab
- Develop first-in-class and best-in-class Ichigo apps and other software solutions to address client needs and launch new businesses

(c) Increase Productivity via Active Use of IT

- Build integrated asset database
- Deploy BPA solutions
- Streamline tasks and increase asset management business productivity

Ichigo as a Sustainable Infrastructure Company

Go Beyond Real Estate to Address Broad Needs

