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FY24/2 Q1 Earnings

July 13, 2023

Ichigo Inc. (Tokyo Stock Exchange Prime, 2337)

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Submission of the Financial Report (*Shihanki Hokokusho*): July 14, 2023 (expected)

Dividend Payment: N/A

Supplemental Materials to Financial and Business Results: Yes

Financial and Business Results Briefing: Yes (for institutional investors and analysts)

1. FY24/2 Q1 Consolidated Financial Results (March 1, 2023 to May 31, 2023)

(1) Consolidated Financial Results

(YOY = year-on-year % change)

	Revenue (JPY million) YOY		Operating Profit (JPY million) YOY		All-In Operating Profit (JPY million) YOY		Recurring Profit (JPY million) YOY	
FY24/2 Q1	10,152	-39.0%	2,445	-10.2%	2,691	-1.2%	1,469	-37.9%
FY23/2 Q1	16,638	+31.3%	2,723	-13.8%	2,723	-13.8%	2,367	-0.7%

Note: Comprehensive Income FY24/2 Q1: JPY 1,331 million (-30.4% YOY)

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

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

	Net Income (JPY million) YOY		Net Income per Share (Basic, JPY)		Net Income per Share (Diluted, JPY)	
FY24/2 Q1	1,455	-5.2%	3.21	-2.3%	—	—
FY23/2 Q1	1,534	-0.7%	3.29	+0.1%	—	—

(2) Consolidated Financial Condition

	Total Assets (JPY million)	Net Assets (JPY million)	Shareholders' Equity Ratio	Net Assets per Share (JPY)
FY24/2 Q1	355,198	112,083	28.3%	222.05
FY23/2	338,619	114,393	30.4%	227.24

Note: Shareholders' Equity FY24/2 Q1: JPY 100,673 million FY23/2: JPY 103,026 million

(3) Consolidated Cash Flows

	Cash Flows from Operations (JPY million)	Cash Flows from Investments (JPY million)	Cash Flows from Financing (JPY million)	Cash and Cash Equivalents at Period-End (JPY million)
FY24/2 Q1	-15,490	-3,404	16,223	37,642
FY23/2 Q1	1,017	-4,214	-380	42,637

Note: Economic Operating Cash Flow (Cash Flows from Operations, excluding net change in Real Estate and Power Plants for Sale, plus post-tax gains on sales of Sustainable Real Estate assets recorded as extraordinary gains)

FY24/2 Q1: JPY 1,079 million FY23/2 Q1: JPY 777 million

From FY24/2 Q1, gains on sales of Sustainable Real Estate assets recorded as extraordinary gains are included under Economic Operating Cash Flow. The FY23/2 Q1 figure reflects this change.

2. Dividends

	Dividend per Share (JPY)					Total Dividend (JPY million)	Payout Ratio	Dividend on Equity (DOE)
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total			
FY23/2	–	–	–	8	8	3,627	39.1%	3.6%
FY24/2 (Forecast)	–	–	–	8	8		36.3%	

3. FY24/2 Full-Year Consolidated Earnings Forecast (March 1, 2023 to February 29, 2024)

(YOY = year-on-year % change)

	Operating Profit (JPY million) YOY	All-In Operating Profit (JPY million) YOY	Recurring Profit (JPY million) YOY	Net Income (JPY million) YOY	Net Income per Share (JPY) YOY
FY24/2	9,500 -24.0%	18,000 +6.5%	6,000 -44.7%	10,000 +6.3%	22.06 +7.9%

4. Other

- (1) Changes in significant consolidated subsidiaries
(material changes in scope of consolidation): None
- (2) Changes in accounting standards/principles, changes in accounting estimates, and revisions to previous financial statements
- (i) Changes in accounting standards/principles: Yes
 - (ii) Changes in accounting principles other than the above: None
 - (iii) Changes in accounting estimates: None
 - (iv) Revisions of previous financial statements: None
- (3) Number of outstanding common shares
- (i) Number of outstanding shares (including treasury shares) at period-end
 - FY24/2 Q1: 505,381,018
 - FY23/2: 505,381,018
 - (ii) Number of treasury shares at period-end
 - FY24/2 Q1: 51,992,200
 - FY23/2: 51,992,200
 - (iii) Average number of outstanding shares (excluding treasury shares) during the period
 - FY24/2 Q1: 453,388,818
 - FY23/2: 467,047,779

Segment Information

Asset Management (AM) generates fee income via the management of Ichigo Office (8975), Ichigo Hotel (3463), Ichigo Green (9282), and private real estate funds.

Sustainable Real Estate (SRE) preserves and improves real estate. Ichigo receives rental income during the period in which it carries out its value-add, along with earning gains on sales that reflect the real estate's higher value after the value-add is complete.

Clean Energy (CE) is utility-scale solar and wind power production that supplies clean energy and brings productive use to idle land.

Note on Appropriate Use of Forecasts

Forward-looking statements contained in these materials are based on judgments regarding information that was available to Ichigo as of the announcement date. However, these statements involve risk and uncertainties, and actual earnings may differ significantly from the indicated forecasts.

Consolidated Balance Sheet (FY24/2 Q1)

(JPY million)

	FY23/2 (Feb 28, 2023)	FY24/2 Q1 (May 31, 2023)
Assets		
Current Assets		
Cash and deposits	40,536	37,865
Trade notes and accounts receivable	3,866	4,813
Operational loan investments	1,324	1,324
Operational securities investments	47	–
Real estate for sale	79,151	95,341
Other	3,197	3,428
Less: allowance for doubtful accounts	-66	-33
Total Current Assets	128,057	142,740
Fixed Assets		
Property, Plant, and Equipment		
Buildings and structures	66,790	66,528
Depreciation	-12,751	-13,413
Buildings and structures (net)	54,039	53,114
Solar and wind power plants	34,956	34,956
Depreciation	-8,094	-8,532
Solar and wind power plants (net)	26,862	26,423
Land	114,431	113,039
Buildings and structures under construction	679	1,802
Solar and wind power plants under construction	2,250	3,799
Other	3,040	3,045
Depreciation	-1,980	-2,055
Other (net)	1,060	989
Total Property, Plant, and Equipment	199,323	199,168
Intangible Assets		
Goodwill	717	696
Leasehold rights	1,397	1,397
Other	283	249
Total Intangible Assets	2,398	2,343
Investments and Other Assets		
Securities investments	4,455	6,489
Long-term loans receivable	240	232
Deferred tax assets	341	431

(JPY million)

	FY23/2 (Feb 28, 2023)	FY24/2 Q1 (May 31, 2023)
Other	3,937	3,928
Less: allowance for doubtful accounts	-133	-135
Total Investments and Other Assets	8,840	10,945
Total Fixed Assets	210,562	212,457
Total Assets	338,619	355,198

(JPY million)

	FY23/2 (Feb 28, 2023)	FY24/2 Q1 (May 31, 2023)
Liabilities		
Current Liabilities		
Short-term loans	962	3,500
Bonds (due within one year)	364	364
Long-term loans (due within one year)	8,539	14,285
Long-term non-recourse loans (due within one year)	4,218	4,220
Income taxes payable	949	864
Accrued bonuses	112	308
Other current liabilities	4,053	3,100
Total Current Liabilities	19,200	26,643
Long-Term Liabilities		
Bonds	5,239	5,198
Long-term loans	152,624	164,254
Long-term non-recourse loans	38,012	37,863
Deferred tax liabilities	1,589	1,590
Long-term security deposits received	7,163	7,078
Other long-term liabilities	396	485
Total Long-Term Liabilities	205,026	216,472
Total Liabilities	224,226	243,115
Net Assets		
Shareholders' Equity		
Capital	26,888	26,888
Capital reserve	11,266	11,266
Retained earnings	82,438	80,266
Treasury shares	-17,914	-17,914
Total Shareholders' Equity	102,678	100,506
Accumulated Other Comprehensive Income		
Valuation gains (losses) on other securities	296	261
Deferred gains (losses) on long-term interest rate hedges	51	-94
Total Accumulated Other Comprehensive Income	347	167
Stock Options	814	801
Minority Interests	10,552	10,607
Total Net Assets	114,393	112,083
Total Liabilities and Net Assets	338,619	355,198

Consolidated Income Statement (FY24/2 Q1)

(JPY million)

	FY23/2 Q1 (Mar 1, 2022 to May 31, 2022)	FY24/2 Q1 (Mar 1, 2023 to May 31, 2023)
Revenue	16,638	10,152
Cost of Goods Sold	12,320	5,915
(Depreciation)	1,280	1,213
Gross Profit	4,317	4,236
SG&A	1,593	1,791
Operating Profit	2,723	2,445
Non-Operating Income		
Interest income	11	11
Dividend income	8	14
Foreign exchange gains	8	–
Mark-to-market gains on long-term interest rate hedges	186	–
Government subsidy income	6	16
Other	20	4
Total Non-Operating Income	242	48
Non-Operating Expenses		
Interest expense	534	551
Mark-to-market losses on long-term interest rate hedges	–	393
Debt financing-related fees	16	11
Other	48	67
Total Non-Operating Expenses	599	1,024
Recurring Profit	2,367	1,469
Extraordinary Gains		
Gains on sale of fixed assets	–	246
Gains on sale of securities investments	–	85
Redevelopment up-front rental compensation	–	327
Other	–	46
Total Extraordinary Gains	–	705
Pre-Tax Income	2,367	2,175
Total Income Taxes	776	663
Pre-Minority Interest Net Income	1,590	1,511
Net Income Attributable to Minority Interests	56	56
Net Income	1,534	1,455

Consolidated Statement of Comprehensive Income (FY24/2 Q1)

(JPY million)

	FY23/2 Q1 (Mar 1, 2022 to May 31, 2022)	FY24/2 Q1 (Mar 1, 2023 to May 31, 2023)
Pre-Minority Interest Net Income	1,590	1,511
Other Comprehensive Income		
Valuation gains (losses) on other securities	260	-34
Deferred gains (losses) on long-term interest rate hedges	63	-145
Total Other Comprehensive Income	323	-180
Comprehensive Income	1,914	1,331
Comprehensive income attributable to common shareholders	1,858	1,274
Comprehensive income attributable to minority interests	56	56

Consolidated Cash Flow Statement (FY24/2 Q1)

(JPY million)

	FY23/2 Q1 (Mar 1, 2022 to May 31, 2022)	FY24/2 Q1 (Mar 1, 2023 to May 31, 2023)
Cash Flows from Operations:		
Pre-tax income	2,367	2,175
Depreciation	1,334	1,267
Amortization of goodwill	44	21
Increase (decrease) in accrued bonuses	134	196
Increase (decrease) in allowance for doubtful accounts	–	-31
Interest and dividend income	-20	-26
Interest expense	534	551
Losses (gains) on sale of securities investments	–	-85
Losses (gains) on sales of fixed assets	–	-246
Decrease (increase) in trading notes and receivables	-644	-947
Decrease (increase) in operational securities investments	1,890	47
Decrease (increase) in real estate for sale	240	-16,189
Decrease (increase) in advances paid	-25	-48
Decrease (increase) in prepaid expenses	-220	-313
Decrease (increase) in accounts receivable	-22	43
Decrease (increase) in consumption taxes receivable	310	-21
Increase (decrease) in accounts payable	-738	-1,164
Increase (decrease) in accrued expenses	-4	-12
Increase (decrease) in advances received	-938	23
Increase (decrease) in deposits received	735	242
Increase (decrease) in security deposits received	24	-84
Increase (decrease) in accrued consumption taxes	-568	-141
Other	-184	357
Sub-Total	4,249	-14,390
Interest and dividends received	20	26
Interest expense paid	-471	-462
Income taxes paid	-2,781	-665
Net Cash from (Used for) Operations	1,017	-15,490

(JPY million)

	FY23/2 Q1 (Mar 1, 2022 to May 31, 2022)	FY24/2 Q1 (Mar 1, 2023 to May 31, 2023)
Cash Flows from Investments:		
Payments into time deposits	–	–
Redemptions of time deposits	20	–
Payments for securities investments	-29	-2,094
Proceeds from sale of securities investments	–	100
Acquisition of property, plant, and equipment	-4,170	-2,031
Proceeds from sale of property, plant, and equipment	–	1,030
Acquisition of intangible assets	-4	-1
Payments of SPC capital contributions	-6	–
Payments of security deposits	–	-127
Payments of loans receivable	-32	-10
Payments received for loans receivable	7	7
Other	2	-277
Net Cash from (Used for) Investments	-4,214	-3,404

(JPY million)

	FY23/2 Q1 (Mar 1, 2022 to May 31, 2022)	FY24/2 Q1 (Mar 1, 2023 to May 31, 2023)
Cash Flows from Financing:		
Net increase (decrease) in short-term loans	2,417	2,537
Repayment of maturing bond principal to bondholders	-40	-40
Proceeds from long-term loans	10,984	21,264
Repayment of long-term loans	-12,354	-3,888
Proceeds from long-term non-recourse loans	3,000	–
Repayment of long-term non-recourse loans	-141	-147
Share buyback	-1,096	–
Dividends paid	-3,148	-3,499
Dividends paid to minority interests	–	-1
Net Cash from (Used for) Financing	-380	16,223
Effect of Exchange Rate Change on Cash and Cash Equivalents	–	–
Increase (Decrease) in Cash and Cash Equivalents	-3,576	-2,671
Cash and Cash Equivalents at Beginning of Period	46,214	40,313
Cash and Cash Equivalents at End of Period	42,637	37,642

Revenue, P&L, and Assets by Segment (Current FY24/2 Q1)

(Mar 1, 2023 to May 31, 2023)

(JPY million)

	Segment				Adjustment ²	Amount Recorded in Financial Statements
	Asset Management (AM)	Sustainable Real Estate (SRE)	Clean Energy (CE)	Total		
Revenue						
Revenue from External Customers	619	8,004	1,528	10,152	-	10,152
Inter-Segment Activities or Reclassifications	103	-	-	103	-103	-
Total	722	8,004	1,528	10,256	-103	10,152
Operating Profit ¹	386	1,480	576	2,442	2	2,445
Gains on Sale of Sustainable Real Estate Assets Recorded as Extraordinary Gains	-	246	-	246	-	246
Segment P&L (All-In Operating Profit) ¹	386	1,726	576	2,689	2	2,691
Segment P&L Details						
Stock Earnings (Rental Income, Base AM Fees, FIT Solar Power Earnings, etc.)	361	1,420	576	2,358	-	-
Flow Earnings (Gains on Sustainable Real Estate Sales, Gains on Solar Power Plant Sales, Spot AM Fees, etc.)	24	306	-	330	-	-
Segment Assets	3,643	287,770	37,038	328,452	26,746	355,198
Other						
Depreciation	-	808	439	1,248	15	1,263
Increase in Property, Plant, and Equipment and Intangible Assets	-	277	1,548	1,825	-	1,826

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

² The Adjustment to Segment P&L (JPY 2 million) reflects transaction eliminations and corporate expenses that were not allocated to the segments. The Adjustment to Segment Assets (JPY 26,746 million) reflects corporate assets, such as cash and deposits, that were not allocated to the segments. The Adjustment to Depreciation (JPY 15 million) reflects depreciation of corporate assets that were not allocated to the segments. The Adjustment to Increase in Property, Plant, and Equipment and Intangible Assets (less than JPY 1 million) reflects corporate assets that were not allocated to the segments.

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

(Mar 1, 2022 to May 31, 2022)

(JPY million)

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

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

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