

[Provisional Translation Only]

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Ichigo (2337)

Additional Accounting Notes for the Twenty-Fifth Annual Shareholder Meeting

- **Business Report**
 - **Employee Stock Option Details**
 - **Controls to Ensure Appropriate Business Conduct**
- **Notes to the Consolidated Financial Statements**
- **Notes to the Parent Financial Statements**

Pursuant to Japanese law and Article 14 of Ichigo's Articles of Incorporation, these Notes are posted on Ichigo's website at www.ichigo.gr.jp/en

Employee Stock Option Details

1. Stock Options Issued as Compensation for Execution of Duties by Officers

		16th Stock Option Plan
Date of resolution		January 12, 2018
Number of stock options		1,300,100 units ¹
Type and number of shares		1,300,100 common shares (1 share per unit)
Issue price		N/A
Exercise price		JPY 519 per share
Exercise period		January 13, 2021 – January 12, 2026
Exercise conditions ²		
Holding Details	Directors (excluding Independent Directors)	Number of stock options: 218,700 units
		Number of shares: 218,700 shares
		Number of holders: 3
	Independent Directors	Number of stock options: 40,500 units
		Number of shares: 40,500 shares
		Number of holders: 3
	Statutory Executive Officers (excluding those who are also Directors)	Number of stock options: 209,600 units
		Number of shares: 209,600 shares
		Number of holders: 9

¹ Of the total stock options, 468,800 units have been issued to Officers. (No units have been exercised in the fiscal year ending February 2025)

² Exercise Conditions

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

		17th Stock Option Plan	
Date of resolution		January 11, 2019	
Number of stock options		1,336,000 units ¹	
Type and number of shares		1,336,000 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 432 per share	
Exercise period		January 12, 2022 – January 11, 2027	
Exercise conditions ²			
Holding Details	Directors (excluding Independent Directors)	Number of stock options:	177,300 units
		Number of shares:	177,300 shares
		Number of holders:	3
	Independent Directors	Number of stock options:	40,500 units
		Number of shares:	40,500 shares
		Number of holders:	3
	Statutory Executive Officers (excluding those who are also Directors)	Number of stock options:	211,600 units
		Number of shares:	211,600 shares
		Number of holders:	9

¹ Of the total stock options, 429,400 units have been issued to Officers. (No units have been exercised in the fiscal year ending February 2025.)

² Exercise Conditions

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

		18th Stock Option Plan	
Date of resolution		October 14, 2020	
Number of stock options		1,462,400 units ¹	
Type and number of shares		1,462,400 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 340 per share	
Exercise period		October 15, 2023 – October 14, 2028	
Exercise conditions ²			
Holding Details	Directors (excluding Independent Directors)	Number of stock options:	204,800 units
		Number of shares:	204,800 shares
		Number of holders:	3
	Independent Directors	Number of stock options:	15,000 units
		Number of shares:	15,000 shares
		Number of holders:	1
	Statutory Executive Officers (excluding those who are also Directors)	Number of stock options:	246,000 units
		Number of shares:	246,000 shares
		Number of holders:	9

¹ Of the total stock options, 465,800 units have been issued to Officers. (65,200 units have been exercised in the fiscal year ending February 2025.)

² Exercise Conditions

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

		19 th Stock Option Plan	
Date of resolution		April 19, 2021	
Number of stock options		1,685,400 units ¹	
Type and number of shares		1,685,400 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 388 per share	
Exercise period		April 20, 2024 – April 19, 2029	
Exercise conditions ²			
Holding Details	Directors (excluding Independent Directors)	Number of stock options:	236,200 units
		Number of shares:	236,200 shares
		Number of holders:	3
	Independent Directors	Number of stock options:	45,000 units
		Number of shares:	45,000 shares
		Number of holders:	3
	Statutory Executive Officers (excluding those who are also Directors)	Number of stock options:	251,000 units
		Number of shares:	251,000 shares
		Number of holders:	9

¹ Of the total stock options, 532,200 units have been issued to Officers. (No units have been exercised in the fiscal year ending February 2025.)

² Exercise Conditions

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

		20 th Stock Option Plan	
Date of resolution		August 19, 2022	
Number of stock options		1,861,000 units ¹	
Type and number of shares		1,861,000 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 350 per share	
Exercise period		August 20, 2025 – August 19, 2030	
Exercise conditions ²			
Holding Details	Directors (excluding Independent Directors)	Number of stock options:	232,100 units
		Number of shares:	232,100 shares
		Number of holders:	3
	Independent Directors	Number of stock options:	45,000 units
		Number of shares:	45,000 shares
		Number of holders:	3
	Statutory Executive Officers (excluding those who are also Directors)	Number of stock options:	285,000 units
		Number of shares:	285,000 shares
		Number of holders:	9

¹ Of the total stock options, 562,100 units have been issued to Officers.

² Exercise Conditions

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

		21 st Stock Option Plan	
Date of resolution		April 19, 2023	
Number of stock options		2,390,000 units ¹	
Type and number of shares		2,390,000 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 296 per share	
Exercise period		April 20, 2026 – April 19, 2031	
Exercise conditions ²			
Holding Details	Directors (excluding Independent Directors)	Number of stock options:	325,000 units
		Number of shares:	325,000 shares
		Number of holders:	3
	Independent Directors	Number of stock options:	54,000 units
		Number of shares:	54,000 shares
		Number of holders:	3
	Statutory Executive Officers (excluding those who are also Directors)	Number of stock options:	370,000 units
		Number of shares:	370,000 shares
		Number of holders:	9

¹ Of the total stock options, 749,000 units have been issued to Officers.

² Exercise Conditions

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

		22nd Stock Option Plan	
Date of resolution		October 10, 2024	
Number of stock options		2,745,000 units ¹	
Type and number of shares		2,745,000 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 467 per share	
Exercise period		October 11, 2027 – October 10, 2032	
Exercise conditions ²			
Holding Details	Directors (excluding Independent Directors)	Number of stock options:	305,000 units
		Number of shares:	305,000 shares
		Number of holders:	3
	Independent Directors	Number of stock options:	90,000 units
		Number of shares:	90,000 shares
		Number of holders:	5
	Statutory Executive Officers (excluding those who are also Directors)	Number of stock options:	440,000 units
		Number of shares:	440,000 shares
		Number of holders:	10

¹ Of the total stock options, 835,000 units have been issued to Officers.

² Exercise Conditions

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

2. Stock Options Issued for Compensation for Execution of Duties by Officers and Employees during the Current Fiscal Year

		22nd Stock Option Plan	
Date of resolution		October 10, 2024	
Number of stock options		2,750,000 units ¹	
Type and number of shares		2,750,000 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 467 per share	
Exercise period		October 11, 2027 – October 10, 2032	
Exercise conditions ²			
Holding Details	Employees (excluding those who are Directors and Statutory Executive Officers)	Number of stock options:	1,799,000 units
		Number of shares:	1,799,000 shares
		Number of holders:	231
	Directors and Employees of Subsidiaries	Number of stock options:	18,000 units
		Number of shares:	18,000 shares
		Number of holders:	2

¹ Of the total stock options, 1,817,000 units have been issued to employees.

² Exercise Conditions

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

3. Other Material Matters regarding Stock Options

N/A

Controls to Ensure Appropriate Business Conduct

Pursuant to Article 416 of the Company Law and Article 112 of the Enforcement Regulation of the Company Law, Ichigo's Board of Directors approved and enacted a "Basic Policy for the Establishment of Structure of Internal Controls," with details shown below. Pursuant to Article 14 of Ichigo's Articles of Incorporation, Ichigo has made this policy available on its corporate website:

www.ichigo.gr.jp/en/ir/management_policies/internal_controls.html

1. Internal Controls to Ensure that Statutory Executive Officers and Employees Execute Their Duties in Full Compliance with Japanese Law and Ichigo's Articles of Incorporation (Article 416, Clause 1, Item 1 of the Company Law, Article 112, Clause 2, Item 4 of the Enforcement Regulation of the Company Law)

Overview

(1) The Board of Directors complies with relevant laws and regulations, the Articles of Incorporation, resolutions adopted at shareholders' meetings, Ichigo's mission, Ichigo's Code of Corporate Ethics, and Ichigo's Code of Conduct in making its decisions and supervising the business execution by the Statutory Executive Officers. The Statutory Executive Officers make decisions on the execution of business within their respective delegated areas of management and perform their duties pursuant to these decisions. The Board of Directors supervises the Statutory Executive Officers by receiving reports on the status of business execution at least once every three months. The Audit Committee audits the performance of both Statutory Executive Officers and employees.

(2) The Board of Directors sets basic policies, establishes relevant divisions and appoints Statutory Executive Officers, and engages external experts with respect to establishing compliance, reliability of financial reporting, internal audit, prevention of dealings with Anti-Social Forces, prevention of insider trading, and climate change initiatives.

Status

(1) The Board of Directors is comprised of five independent and four internal Directors, and had a total of 10 meetings during FY25/2 with a 100% attendance rate. Statutory Executive Officers make decisions and/or seek board approval through board proposals, and report their activities to the Board of Directors at least quarterly. The Audit Committee is comprised of three Independent Directors, and held a total of 18 meetings during FY25/2 with a 100% attendance rate.

(2) Controls to Assure Business Compliance

(a) Compliance – The Compliance Committee held three meetings to deliberate material compliance matters and conducted training sessions based on the company's Code of Corporate Ethics and Code of Conduct. A whistle-blowing system exists, including the ability to directly notify an external lawyer.

(b) Reliability of financial reporting – The President and Statutory Executive Officers of each division and subsidiary work to ensure compliance with internal controls and the evaluation thereof.

(c) Internal Audit Department – The objective of the Internal Audit Department for FY25/2 was to contribute to management level decision-making through a group-wide, risk-based approach along with the Audit Committee and auditors of subsidiaries. Specifically, the Internal Audit Department examined the execution of management duties, the status of investment securities, and the status of information management.

(d) Prevention of Dealings with Anti-Social Forces – Ichigo has written manuals on how to handle Anti-Social Forces as well as rules that require Anti-Social Force avoidance clauses to be included in Ichigo contracts. Furthermore, Ichigo works with the Tokyo Metropolitan Police Department and other external experts in conducting due diligence of business counterparties. (See “System Against Anti-Social Forces.”)

(e) Prevention of Insider Trading – Through its internal rules on the management of insider information, Ichigo strictly manages all critical corporate information and ensures proper disclosure thereof. Internal rules require that all officers and employees must pre-clear any transaction in designated securities with the Statutory Executive Officer of their respective divisions.

(f) Climate Change Initiatives – Ichigo has designated the President as responsible for climate change initiatives and sets greenhouse gas emission reduction targets (long-term and annual). The Statutory Executive Officer and the ReGeneration Group work with group companies to reduce greenhouse gas emissions, monitor progress towards targets, and report to the Board of Directors.

2. Systems to Ensure Proper Storage and Management of Information Required for Execution of Duty by Statutory Executive Officers (Article 112, Clause 2, Item 1 of the Enforcement Regulation of the Company Law)

Overview

Ichigo has internal rules with respect to the management and storage of information and documents pertaining to the execution of duties by Statutory Executive Officers. Ichigo remains fully compliant with all relevant laws and regulations.

Status

Handling of information is stipulated in the Information Management Policy, handling of documents is stipulated in the Document Management Policy, and rules on undisclosed information and internal information are stipulated in the Internal Information Management Policy, and all officers and employees conduct business in full compliance with these policies.

3. Risk Management Policies and Systems (Article 112, Clause 2, Item 2 of the Enforcement Regulation of the Company Law)

Overview

Ichigo's policy is that the Statutory Executive Officer of each division is responsible for the compliance of respective business operations and for managing business risks. In addition, a Chief Risk Officer has been appointed and a Risk Management Division established in order to ensure a proper risk management framework exists across the entire group and to deal with any significant risks that arise. Ichigo establishes a management structure for disaster and other crises. In the event of a crisis, a crisis management team will be established to speed business recovery.

Status

Ichigo continually monitors business execution and the risk thereof, and the Chief Risk Officer reports monitoring results to the Board. Ichigo has business continuity plans that specify how to recover from natural disasters and other crises, and all officers and employees are fully aware of these plans.

4. Systems to Ensure Effective Execution of Duties by Statutory Executive Officers (Article 112, Clause 2, Item 3 of the Enforcement Regulation of the Company Law)

Overview

Ichigo provides for efficient and agile execution of duties by establishing clarity with respect to scope of responsibilities and associated authority, and holds regular Senior Management Meetings comprised of the Chairman, President, Executive Vice President, heads of each division, and representatives of each subsidiary to evaluate and make decisions on material management matters.

To achieve Ichigo's mission and the Ichigo 2030 vision, Ichigo sets business plans and appropriately monitors progress towards annual group policies and annual business targets to ensure efficient business execution by the Statutory Executive Officers.

Status

Statutory Executive Officers execute their duties within their respective delegated scopes of responsibilities without any undue overlap or negligence. Furthermore, the Head of Finance Division organizes the Senior Management Meetings held to conduct productive discussions.

The Board of Directors monitors the business execution by the Statutory Executive Officers and progress towards company targets and each division's targets at the Board Meeting at least once every three months.

5. Audit Committee and Audit Systems (Article 416, Clause 1, Item 1 of the Company Law, Article 112, Clause 1, Items 1~7 of the Enforcement Regulation of the Company Law)

Overview

- (1) Ichigo appoints Directors and employees that assist the Audit Committee in the execution of its duties. Such Directors and employees carry out their duties independent from the Board of Directors, other Directors, and Statutory Executive Officers, with any change in appointment requiring the authorization of the Audit Committee.
- (2) Audit Committee Members attend important meetings, and can request explanations from officers and employees as well as view all related materials.
- (3) Officers and employees must report to the Audit Committee or Audit Committee Members matters that have material impact on the business and financial situation of Ichigo. Any person making such report shall not receive disadvantageous treatment for making such report.
- (4) The Audit Committee maintains a close relationship with the Internal Audit Department by discussing audit plans and receiving reports on audit results. The Audit Committee also receives periodic reports from the Independent Auditor as well as exchanges views on any material audit matters.

- (5) The Audit Committee holds meetings with Audit Committee Members and auditors of subsidiaries, attends important meetings at subsidiaries, and receives explanations and reports from subsidiaries in order to assess the appropriate execution of duties by Directors and Statutory Executive Officers of subsidiaries.
- (6) The Audit Committee, at its sole discretion, can appoint external specialists necessary for the execution of audits and can request that Ichigo bear associated costs.

Status

- (1) In accordance with internal rules pertaining to Directors and employees assisting in the duties of the Audit Committee, Ichigo has appointed several employees to assist the Audit Committee and has ensured their independence. Furthermore, the prior consent from the Audit Committee has been sought for any organizational or compensation matter with respect to these appointed individuals.
 - (2) In accordance with Audit Committee Rules, the Audit Committee attended important management meetings and received explanations as well as reviewed any relevant materials. In addition, officers and employees have made all required reporting to the Audit Committee, and no disadvantageous treatment has resulted from such reporting.
 - (3) The Audit Committee approved internal audit plans and received reports on the results of audits. Furthermore, the Audit Committee has received periodic reports from the external auditor and has engaged in discussions of material audit matters.
 - (4) The Audit Committee holds two liaison meetings a year with Audit Committee Members and auditors of subsidiaries, and receives explanations and reports from the officers and employees of subsidiaries.
 - (5) The Audit Committee has requested that Ichigo bear the costs associated with auditing of subsidiaries.
6. Systems to Ensure Fully Appropriate Business Activities by Ichigo and its Subsidiaries (Article 112, Clause 2, Item 5 of the Enforcement Regulation of the Company Law)

Overview

- (1) Ichigo and all subsidiaries share Ichigo's Management Philosophy, Code of Corporate Ethics, and Code of Conduct, and have executed a management agreement requiring that they work collaboratively in dealing with and providing guidance on corporate governance, compliance, risk management, and prevention of dealings with Anti-Social Forces, as well as the exercise of shareholder rights.
- (2) Ichigo has established a Corporate Operations Division responsible for monitoring business activities of subsidiaries and establishing group company management rules, and requires each subsidiary to provide business reports. Ichigo provides guidance to ensure sound management and achievement of business targets.

- (3) With respect to any transaction with Ichigo Trust Pte. Ltd., the major shareholder of Ichigo, Ichigo takes special care to protect the interests of minority shareholders by having the Board of Directors evaluate the purpose, process, and price of any such transactions and ensure that they contribute to increasing Ichigo's corporate value and protect all Ichigo shareholders. Ichigo and its subsidiaries established a conflict-of-interest control policy for intra-group transactions, and established and adopted a system to manage transactions that may cause adverse conflicts of interest.
- (4) Ichigo has established and operates a system for its subsidiaries to ensure their business activities are fully compliant with the Company Law.

Status

- (1) Ichigo and its subsidiaries adhere to Ichigo's mission, Code of Corporate Ethics, and Code of Conduct. Based on coordination with and advisory from Ichigo, Ichigo's subsidiaries have established or are establishing systems to handle matters regarding corporate governance and compliance.
- (2) The President receives a report every three months from the presidents of each subsidiary with respect to business operations and the execution of duties by Directors and officers. Pursuant to the group company management rules, the division in charge requests reports from subsidiaries regarding their management status and provides guidance to ensure sound management and the achievement of targets by each subsidiary.
- (3) There were no transactions between Ichigo and Ichigo Trust Pte. Ltd., the major shareholder of Ichigo during FY25/2. Intragroup transactions between Ichigo and its subsidiaries are managed and executed in accordance with the Ichigo Group's conflict of interest management policy to ensure that they are appropriate.
- (4) Major subsidiaries establish and operate systems for corporate governance, compliance (including a whistleblower system), reliability of financial reporting, internal audit, prevention of Anti-Social Forces, prevention of insider trading, and rules to manage the risk of losses, to ensure that compliance with the Company Law. Other subsidiaries are also in the process of establishing such systems.

Reference: Establishment and Status of Internal Structures to Prevent Dealings with Anti-Social Forces

As part of its internal control systems, Ichigo has established an internal structure to prevent dealings with Anti-Social Forces:

- (1) Ichigo and its subsidiaries have clear policies on preventing dealings with Anti-Social Forces stipulated within its Code of Corporate Ethics.
- (2) Ichigo has appointed the Executive Vice President and the Corporate Operations Division as being responsible for dealing with all issues potentially related to Anti-Social Forces, and also receives advice on this issue from external legal counsel. Furthermore, Ichigo augments its efforts in this area by collaborating with external experts such as the Organized Crime Control Division of the Tokyo Metropolitan Police Department, the Marunouchi Police Station, and the National Center for Removal of Criminal Organizations.
- (3) Ichigo's Statutory Executive Officer (Corporate Operations) centrally manages group-wide information pertaining to Anti-Social Forces.

- (4) Under no circumstance will Ichigo heed to any request from an Anti-Social Force, and will work together with external experts to firmly and totally reject any such request. All contracts with external parties includes language that prevents dealings with Anti-Social Forces. Ichigo will terminate business relationships with any existing counterparty that is identified as being an Anti-Social Force.
- (5) All officers and employees of Ichigo and subsidiaries receive compliance training, and are made fully aware of their obligation to prevent dealings with Anti-Social Forces and escalate any and all concerns.

Notes to the Consolidated Financial Statements

I. Material Matters for Preparation of the Consolidated Financial Statements

A. Scope of Consolidation

1. Consolidated Subsidiaries

Number of consolidated subsidiaries: 47

Major Consolidated Subsidiaries

Ichigo Investment Advisors Co., Ltd.

Ichigo Estate Co., Ltd.

Ichigo ECO Energy Co., Ltd.

Ichigo Owners Co., Ltd.

Ichigo Marché Co., Ltd.

Miyako City Co., Ltd.

Centro Co., Ltd.

Ichigo Animation Co., Ltd.

OneFive Hotels Inc.

Ichigo Si Co., Ltd.

Collinear Inc.

Ichigo Realty Management Co., Ltd.

Ichigo Realty Management Co., Ltd. has been added to the scope of consolidation because Ichigo acquired a 100% stake in the company during FY25/2.

2. Major Non-Consolidated Subsidiaries

N/A

3. Reason Why Some Companies Were Not Classified as Subsidiaries Despite the Possession of a Majority of their Voting Rights

N/A

4. Disclosure of Special Purpose Companies (SPC)

An overview of SPC, SPC transactions, and SPC transaction amounts are noted in X. Notes on Special Purpose Companies (SPC).

B. Equity-Method Accounting

1. Equity-Method Affiliates

Number of equity-method affiliate: 1

Major Equity-Method Affiliate

GIGA.GREEN GmbH

GIGA.GREEN GmbH became an equity-method affiliate during FY25/2 because Ichigo newly acquired equity interest in the company.

2. Non-Consolidated Subsidiaries Accounted for Under the Equity-Method

N/A

3. Material Non-Consolidated Subsidiaries Not Accounted for Under the Equity-Method

N/A

4. Non-Equity-Method Affiliates

N/A

5. Reason Why Some Companies Were Not Classified as Affiliates despite Ichigo Possessing between 20% and 50% of Their Voting Rights

N/A

C. Fiscal Year of Consolidated Subsidiaries

The fiscal year-ends of consolidated subsidiaries are as follows:

January-end	25 companies
February-end	10 companies
March-end	1 companies
November-end	1 company
December-end	10 companies

For subsidiaries whose fiscal year-ends are in December or January, financial data as of that date have been used. For subsidiaries whose fiscal year-ends are in March and November, provisional financial data (created at a point in time within three-months from March-end) have been used. All necessary adjustments for consolidation have been made with respect to significant transactions which occurred in FY25/2.

D. Accounting Standards

1. Valuation of Material Assets

a. Other Securities

Securities without market prices (excluding equities)	Mark-to-market (Any valuation difference is reported as a component of shareholders' equity; the cost is calculated using the moving average cost method.)
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Equities without market prices	Moving average cost method (The valuation method for investment partnerships is noted in 7. (c) Investment Partnerships.)
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b. Derivatives	Mark-to-market
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c. Real Estate for Sale	Cost (however, impair assets whose profitability declines)
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2. Depreciation Methods for Material Depreciable Assets

Property, Plant, and Equipment	Primarily straight-line method
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Useful life	Buildings and structures: 8~39 years Solar power plant equipment: 20 years
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3. Accounting Standards for Material Allowances

a. Allowance for Doubtful Accounts

Reserved based on the record of bad debts with respect to ordinary receivables and loans, plus an estimate of uncollectible amounts determined with reference to specific doubtful receivables from customers experiencing financial difficulties.

b. Allowance for Employee Bonuses

Reserved based on an estimated amount for the current fiscal year.

4. Standards for Recognition of Material Revenues and Costs

a. Recognition of Revenues

Details of the performance obligations and the fulfillment of performance obligations (i.e., time of revenue recognition) accounted for by its core businesses that arise from contracts with Ichigo's and Ichigo subsidiaries' clients are as follows:

Asset Management

Asset-Related Fee Revenue

With respect to fees received from the listed REITs and infrastructure fund and private funds, the performance obligation to operate and manage an asset arises based on the client contract. A performance obligation is satisfied over a certain period as stipulated in the contract, and revenue is recognized during that period. However, fees linked to asset acquisitions and sales are recognized as revenue at the time of the closing of the acquisition or sale, as the obligation is fulfilled all at once.

Sustainable Real Estate, Ichigo Owners, and Hotel

Revenue from Asset Sales

With respect to revenue from asset sales, the performance obligation to transfer ownership of an asset arises based on the purchase and sale agreement with the client. The performance obligation is fulfilled and revenue is recognized at the time of the closing of the sale.

The sale price is determined in the purchase and sale agreement, and part of the sale price is typically received as a deposit upon the signing of the contract, with the balance paid when the asset is transferred.

Real Estate Rental Revenue

Real estate rental revenue is recognized in accordance with the Accounting Standard for Lease Transactions (ASBJ Statement No. 13, March 30, 2007).

In addition, fees arising from the provision of ancillary services to lease contracts are recognized as revenue when the term of service ends or throughout the contract term depending on the details of the agreement.

Clean Energy

Power Production Revenue

Ichigo's consolidated subsidiary bears the performance obligation to supply electricity generated at its power plants based on its power supply contracts with its clients. The performance obligation is satisfied and revenue is recognized at the time electricity is supplied.

5. Material Hedge Accounting Method

a. Hedge Accounting Method

In general, Ichigo adopts the deferral hedge accounting method. However, interest rate swaps and interest rate caps that meet the criteria for special treatment are accounted for under the special treatment method.

b. Hedging Instruments and Hedging Targets

Hedging instruments	Interest rate swaps and interest rate caps
Hedging targets	Loans and other borrowings

c. Hedging Policy

Pursuant to its internal rules, Ichigo hedges against interest rate risks that arise from its business activities.

d. Evaluation Method of the Effectiveness of Hedges

Ichigo evaluates the effectiveness of hedging activities with reference to the accumulated gain or loss on the hedging instruments and related hedging targets for the period from the commencement of the hedges to the time of evaluation. Interest-rate swaps and interest rate caps accounted for under the special treatment method are omitted from this evaluation.

6. Goodwill Amortization Period and Method

Goodwill is amortized on a straight-line basis for a period of 10 to 20 years depending on the specific characteristics of each subsidiary.

7. Other Material Matters Related to the Preparation of the Financial Statements

a. Consumption Tax

For most items, consumption taxes are excluded from the relevant revenue, costs, or expenses.

Non-deductible consumption taxes are generally accounted for as costs in the current fiscal year; however, certain items paid in connection with the acquisition of assets are amortized over 5 years using the straight-line method or are included in acquisition costs.

b. Operational Investments

Operational investments are separated from non-operational investments and are accounted for as Operational Securities Investments and Operational Loan Investments within Current Assets. Profits and losses arising from operational investments are accounted for as Operating Profits and Losses.

Although Ichigo may control the decision-making body of investment vehicles or hold significant influence over them by holding shares, shares are held solely for operational investment purposes and Ichigo has no intention of holding them as subsidiaries or affiliates. Therefore, such investment vehicles are excluded from subsidiaries or affiliates.

c. Investment Partnerships

Ichigo accounts for investments in investment partnerships as Operational Securities Investments. Such investments are recorded at the time the investments are made. Gains and losses distributed from the investment partnerships are recorded as Revenue, and Operational Securities Investments increase or decrease by the same amount. Refunds received from the investment partnerships are credited to Operational Securities Investments.

d. Group Aggregate Tax Treatment

Ichigo qualifies for group aggregate tax treatment.

II. Notes on Changes in Accounting Policies

Application of Practical Solution on the Accounting for and Disclosure of the Issuance and Holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities

The “Practical Solution on the Accounting for and Disclosure of the Issuance and Holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities” (Accounting Standard Board of Japan (“ASBJ”) Statement Practical Solution No. 43, August 26, 2022) has been applied from the beginning of FY25/2.

There is no impact from this change.

III. Notes on Accounting Estimates

Valuation of Real Estate

A. Amount Recorded in FY25/2 Financial Statements

Real Estate for Sale	JPY 143,993 million
Fixed Assets	JPY 143,659 million

B. Information on Material Accounting Estimates for Specific Line Items

Ichigo and its subsidiaries invest in real estate including offices, hotels, residential assets, and retail assets, and have recorded real estate expected to be sold as Real Estate for Sale as of FY25/2-end. Real estate expected to be held over the longer term is recorded as Fixed Assets.

If the estimated mark-to-market value of Real Estate for Sale is less than the book value, the estimated mark-to-market value is recorded on the balance sheet, and the difference is recorded as a Valuation Loss on Real Estate for Sale under Cost of Goods Sold. With respect to Fixed Assets, for assets and asset groups that show indications of impairment, if the total undiscounted future cash flow is less than the book value, Ichigo impairs the book value to the asset’s recoverable amount. When recording the impairment, the estimated mark-to-market value is recorded as the recoverable amount.

Ichigo uses the lower of the internally-calculated valuation amount based on the direct capitalization method (income approach) and the third-party real estate appraisal value as the estimated mark-to-market value.

Both the internal valuation amount and third-party real estate appraisal value are calculated using the income approach based on the net income or the future cash flows expected to be generated by the real estate assets and the cap rate.

Net income and future cash flow forecasts are impacted by rent levels in the area where the asset is located and by the asset’s occupancy. The cap rate is impacted by interest rate fluctuations, land prices per region and asset type, real estate market conditions, and the age, grade, rights, and regulatory compliance of the asset. Due to sustained high real estate transaction prices, cap rates trended downward in FY25/2. As a result, the impact on the valuation of real estate is limited.

Ichigo makes efforts to reduce the uncertainty of its internally-calculated valuations that are based on publicly available data via means such as obtaining third-party verifications of the cap rates per region and asset type. However, because there exists a large number of factors that impact the estimated mark-to-market value, any change in the preconditions and assumptions of the valuation caused by a change in business environment may result in the recording of a Valuation Loss on Real Estate for Sale or an Impairment Loss.

IV. Notes to the Consolidated Balance Sheet

A. Assets Provided as Collateral and Secured Obligations

Assets Provided as Collateral

Cash and deposits	JPY 2,957 million
Accounts receivable	JPY 194 million
Operational loan investments	JPY 1,324 million
Real estate for sale	JPY 90,428 million
Real estate for sale (reserved for collateral)	JPY 5,735 million
Current assets – other	JPY 16 million
Buildings and structures	JPY 23,592 million
Solar and wind power plants	JPY 8,816 million
Land	JPY 59,776 million
Buildings and structures under construction	JPY 1,383 million
Buildings and structures under construction (reserved for collateral)	JPY 3,117 million
Property, plant, and equipment – other	JPY 409 million
Leasehold rights	JPY 1,220 million
Securities investments	JPY 9,476 million
Total	<u>JPY 208,448 million</u>

Figures shown in “Buildings and structures,” “Solar and wind power plants,” and “Property, plant, and equipment – other” are net amounts.

Secured Obligations

Short-term loans	JPY 162 million
Long-term loans (due within one year)	JPY 6,963 million
Long-term loans	<u>JPY 156,625 million</u>
Total	<u>JPY 163,750 million</u>

B. Non-Recourse Loans

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

Assets provided as collateral and the related non-recourse loans are as follows:

Assets Provided as Collateral

Cash and deposits	JPY 6,453 million
Accounts receivable	JPY 291 million
Current assets – other	JPY 20 million
Buildings and structures	JPY 13,780 million
Solar and wind power plants	JPY 16,041 million
Land	JPY 32,118 million
Buildings and structures under construction	JPY 188 million
Property, plant, and equipment – other	JPY 123 million
Investment and other assets – other	JPY 337 million
Total	<u>JPY 69,357 million</u>

Figures shown in “Buildings and structures,” “Solar and wind power plants,” and “Property, plant, and equipment – other” are net amounts.

Non-Recourse Loans

Long-term non-recourse loans (due within one year)	JPY 4,478 million
Long-term non-recourse loans	JPY 40,991 million
Total	<u>JPY 45,470 million</u>

C. Deferred Gains (Losses) on Long-Term Interest Rate Hedges

Using interest rate swaps and interest rate caps, Ichigo has significantly reduced its interest rate risk should Japanese interest rates rise. Unrealized gains or losses on these hedges are recorded as deferred gains (losses) on long-term interest rate hedges.

D. Overdraft, Loan Commitment, and Term Loan Agreements

To secure funding flexibility and stability, Ichigo has overdraft, loan commitment, and term loan agreements with financial institutions.

Unused balance of the above agreements (as of the end of FY25/2)

Total amount of overdraft, loan commitment, and term loan agreements	JPY 57,065 million
Draw-down amount	JPY 39,130 million
Unused balance	<u>JPY 17,934 million</u>

V. Notes to the Consolidated Income Statement

Valuation Gains (Losses) on Derivatives

Using interest rate swaps and interest rate caps, Ichigo has significantly reduced its interest rate risk should Japanese interest rates rise. Any increase (decrease) in the market value of these instruments is recorded as valuation gains (losses) on derivatives.

VI. Notes to the Consolidated Statement of Changes in Shareholders' Equity

A. Type and Number of Shares Issued and Type and Number of Treasury Shares

	Number of shares at the beginning of FY25/2	Increase in shares during FY25/2 ¹	Decrease in shares during FY25/2 ²	Number of shares at the end of FY25/2
Shares issued				
Common shares	505,402,018	263,100	60,000,000	445,665,118
Total	505,402,018	263,100	60,000,000	445,665,118
Treasury shares				
Common shares	64,982,000	14,607,711	60,000,000	19,589,711
Total	64,982,000	14,607,711	60,000,000	19,589,711

¹ Increase in treasury shares due to share buyback: 14,607,711 shares

² Decrease in treasury shares due to cancellation of treasury shares: 60,000,000 shares

B. Employee Stock Options

Stock Options	Share Type	Underlying Number of Shares				Value ² (JPY million)
		Mar 1, 2024	Increase in FY25/2	Decrease in FY25/2	Feb 28, 2025	
15 th stock option issuance	Common shares	1,377,700	—	1,377,700	—	—
16 th stock option issuance	Common shares	1,344,300	—	44,200	1,300,100	264
17 th stock option issuance	Common shares	1,390,200	—	54,200	1,336,000	98
18 th stock option issuance	Common shares	1,722,500	—	260,100	1,462,400	81
19 th stock option issuance	Common shares	1,782,200	—	96,600	1,685,400	98
20 th stock option issuance ¹	Common shares	1,933,800	—	72,800	1,861,000	87
21 st stock option issuance ¹	Common shares	2,474,000	—	84,000	2,390,000	63
22 nd stock option issuance ¹	Common shares	—	2,750,000	5,000	2,745,000	30
Total	—	12,024,500	2,750,000	1,994,600	12,779,900	724

¹ The 20th, 21st, and 22nd stock option issuances are currently not exercisable, because their exercise dates are in the future.

² Value is as of FY25/2 period-end (February 28, 2025).

C. Dividends

1. Dividends Paid

The following dividend was approved at the Annual Shareholder Meeting held on May 26, 2024:

(a) Total Dividend	JPY 3,963 million
(b) Source	Retained earnings
(c) Dividend per Share	JPY 9
(d) Record Date	February 29, 2024
(e) Payment Date	May 27, 2024

2. Dividends where the Record Date is in FY25/2, but the Payment Date is in FY26/2

The following dividend is subject to approval at the Annual Shareholder Meeting to be held on May 25, 2025:

(a) Total Dividend	JPY 4,473 million
(b) Source	Retained earnings
(c) Dividend per Share	JPY 10.5
(d) Record Date	February 28, 2025
(e) Payment Date	May 26, 2025

VII. Notes on Financial Instruments

A. Matters Concerning Status of Financial Instruments

1. Policies on Financial Instruments

Ichigo funds itself primarily via bank loans and bonds, taking into account Ichigo's asset acquisition and disposition activity. Short-term excess funds are managed in liquid financial instruments such as bank deposits, and short-term working capital is financed via bank loans. Ichigo's policy is to use derivatives only for hedging purposes and not for speculative transactions.

2. Details and Risks of Financial Instruments

Accounts receivable is an operating receivable that is exposed to customer credit risks. Foreign currency-denominated financial instruments in overseas business operations are exposed to currency risks.

Operational securities investments are primarily investments in Japanese and foreign equities, and securities investments primarily take the form of equity and are typically investments in companies with which Ichigo has a business relationship. All of these investments are exposed to issuer credit risk, interest rate risk, and market price fluctuation risk.

Bank loans, bonds, and non-recourse loans are for the purpose of financing investments and capital expenditures, and are expected to be redeemed or repaid within twenty-five years after the fiscal year-end. Floating-rate loans are exposed to interest rate risk, a part of which is hedged using interest rate swaps and interest rate caps. Please refer to I. Material Matters for Preparation of the Consolidated Financial Statements (D) Accounting Standards, (5) Material Hedge Accounting Method.

3. Risk Management of Financial Instruments

(a) Management of Credit Risk

Operating receivables exist primarily 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 the time of investment monetization, and the responsible department determines the execution of the transaction based on the time needed for collection and the credit worthiness of the counterparty and monitors the receivable until it is collected in accordance with the agreement. Ichigo monitors operational securities investments and securities investments with respect to the financial status of the issuers and reviews holding policies, as necessary and appropriate.

(b) Management of Market Risk

Ichigo uses interest rate swaps and interest rate caps for the purpose of reducing interest rate risk on corporate and non-recourse loans. Ichigo regularly monitors operational securities investments and securities investments which have market risks (e.g., real estate funds) or are denominated in foreign currencies for the impact from changes in market value and currency rates and reviews the holding policies as necessary. Derivative transactions are executed and controlled in the Finance Department in accordance with the designated procedures.

(c) Management of Liquidity Risk

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

4. Supplement to Matters Concerning Market Values of Financial Instruments

Market values of financial instruments include prices based on market prices as well as prices calculated based on rational assumptions where market prices are not available. Such prices may fluctuate, because their calculations include variables that can vary based on assumptions.

B. Adjustments to Market Values of Financial Instruments

Amounts recorded on the consolidated balance sheet, corresponding market values, and their differences as of February 28, 2025 are shown below.

(JPY million)

	Amount Recorded on Consolidated Balance Sheet	Market Value	Difference
Assets			
(1) Securities investments ¹	19,845	19,230	-614
Total Assets	19,845	19,230	-614
Liabilities			
(1) Bonds ²	7,306	6,978	-328
(2) Long-term loans ³	202,818	202,794	-23
(3) Long-term non-recourse loans ⁴	45,470	45,215	-255
Total Liabilities	255,595	254,988	-606
Derivative Transactions ⁵	2,044	2,044	—

Note: “Cash and deposits,” “Accounts receivable,” “Short-term loans,” and “Income taxes payable” are omitted because they are cash or items to be settled in the short term with market values generally equal to book value.

¹ The amounts of equities without market values and investment partnerships recorded on the consolidated balance sheet are shown below. Such figures are not included in (1) Securities investments. Equities without market values are not subject to disclosure as prescribed in Clause 5 of the Implementation Guidance on Disclosures of Fair Value of Financial Instruments (ASBJ Implementation Guidance No. 19, March 31, 2020). The market value of investment partnerships is not subject to disclosure as prescribed in the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Implementation Guidance No. 31, June 17, 2021) Article 24-16.

(JPY million)

	Amount Recorded on Consolidated Balance Sheet
Operational securities investments	10
Securities investments	4,455
Total	4,466

² “Bonds (due within one year)” are included in “(1) Bonds.”

³ “Long-term loans (due within one year)” are included in “(2) Long-term loans.”

⁴ “Long-term non-recourse loans (due within one year)” are included in “(3) Long-term non-recourse loans.”

⁵ Claims and obligations associated with derivative transactions are shown in net amounts. For figures whose net amounts are net obligations, the figure is shown in parentheses.

C. Breakdown of Financial Instruments by Market Value

Ichigo has classified the market values of financial instruments into three levels based on the observability and importance of the inputs used to calculate market value.

Level 1: Market value calculated based on observable inputs that reflect market prices for identical assets and liabilities in active markets

Level 2: Market value calculated based on observable inputs other than those included in Level 1

Level 3: Market value calculated based on unobservable inputs

If multiple significant inputs are used to calculate market value, the financial instrument is classified under the lowest level of the multiple inputs.

1. Financial Instruments Recorded at Market Value in Consolidated Balance Sheet

	Market Value (JPY million)			
	Level 1	Level 2	Level 3	Total
Securities investments ¹	16,248	476	–	16,725
Derivative transactions	–	2,044	–	2,044
Total Assets	16,248	2,521	–	18,770

2. Loans and Bonds Recorded at Market Value in Consolidated Balance Sheet

	Market Value (JPY million)			
	Level 1	Level 2	Level 3	Total
Corporate bonds	–	6,978	–	6,978
Long-term loans	–	202,794	–	202,794
Long-term non-recourse loans	–	45,215	–	45,215
Total Assets	–	254,988	–	254,988

¹ The securities investments above do not include REITs that are accounted for in accordance with the Implementation Guidance on Market Value Calculations Clause 24-9. The amount of REITs recorded on the Consolidated Balance Sheet is JPY 3,119 million.

(Note) Valuation Methods Applied to Market Value Calculations and Explanation of Inputs Used in Market Value Calculations

Securities Investments

Listed shares are valued using market price and classified as Level 1 because they are traded on an active market.

Because Ichigo's bonds are not traded on an active market and market prices are thus not available, the value of the bonds is calculated using the present value of future cash flows discounted by a discount rate, and the bonds are classified as Level 2.

Derivative Transactions

The market value of interest rate swaps and interest rate caps is calculated using information obtained from the lender banks, and the derivatives are classified as Level 2. The market value of interest rate swaps and interest rate caps under special treatment is included in long-term loans and long-term non-recourse loans because it is accounted for with the instrument it hedges.

Bonds (Due Within One Year)

The market value of bonds issued by Ichigo is calculated based on the present value of the total amount of principal and interest using a discount rate that accounts for the remaining period and credit risk of the bonds, and the bonds are classified as Level 2.

Long-Term Loans and Long-Term Non-Recourse Loans

The market value of long-term loans and long-term non-recourse loans is calculated based on the present value of the total amount of principal and interest using a discount rate that accounts for the remaining period and credit risk of the loans, and the loans are classified as Level 2.

VIII. Notes on Leased Real Estate Not Currently Held for Sale

A. Income From Leased Real Estate Not Currently Held for Sale

Ichigo and certain consolidated subsidiaries own leased real estate mainly in the Tokyo Metropolitan area that are not currently held for sale. Income on this leased real estate in FY25/2 was JPY 6,290 million (rental revenue is recorded in Revenue and leasing costs are recorded in Costs of Goods Sold). Gains and losses on sales of real estate not currently held for sale were JPY 7,943 million and were recorded as extraordinary gains and losses.

B. Market Value of Leased Real Estate Not Currently Held for Sale

(JPY million)

Book Value on Consolidated Balance Sheet ¹			Market Value as of Feb 28, 2025 ³
Mar 1, 2024	Increase/Decrease ²	Feb 28, 2025	
154,178	-9,266	144,911	199,566

¹ Book Value on Consolidated Balance Sheet = Acquisition Cost – Cumulative Depreciation – Cumulative Impairments

² The main components of the increase for the fiscal year are JPY 3,958 million from Capital Expenditures and JPY 336 million due to the acquisition of real estate. The main components of the decrease for the fiscal year are JPY 10,898 million resulting from asset sales and JPY 2,576 million of Depreciation.

³ Market value as of FY25/2 period-end (February 28, 2025) is calculated by Ichigo based upon third-party real estate appraisals and market prices.

IX. Notes to Revenue Recognition

A. Breakdown of Revenue From Contracts With Customers

(JPY million)

	Revenue From External Customers			Inter-Segment Activities or Reclassifications	Total
	Revenue From Client Contract	Revenue From Other Sources ¹	Total		
Asset Management	3,974	–	3,974	435	4,410
Asset-Related Fee Revenue	3,903	–	3,903	435	4,338
Other	71	–	71	–	71
Sustainable Real Estate	7,067	11,054	18,122	148	18,721
Revenue From Asset Sales	5,210	–	5,210	–	5,210
Real Estate Rental Revenue	1,298	9,928	11,226	1	11,228
Other	558	1,126	1,685	147	1,832
Ichigo Owners	4,366	35,097	39,464	–	39,464
Revenue From Asset Sales	4,364	33,607	37,971	–	37,971
Real Estate Rental Revenue	2	1,489	1,492	–	1,492
Other	–	–	–	–	–
Hotel	12,688	3,188	15,877	–	15,877
Revenue From Asset Sales	2,603	–	2,603	–	2,603
Real Estate Rental Revenue	10,042	3,188	13,231	–	13,231
Other	42	–	42	–	42
Clean Energy	6,117	19	6,137	–	6,137
Power Production Revenue	6,117	–	6,117	–	6,117
Other	–	19	19	–	19
Total	34,215	49,360	83,576	583	84,160
Adjustment	–	–	–	-583	-583
Amount Recorded in Financial Statements	34,215	49,360	83,576	–	83,576

¹ Revenue from other sources includes gains on sale of real estate based on the Accounting Treatment for Sellers Regarding Real Estate Securitization Using Special Purpose Companies (ASBJ Report No. 15, November 4, 2014) and rental income based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13, March 30, 2007).

B. Information on Understanding Revenue From Contracts With Customers

Please refer to I. Material Matters for Preparation of the Consolidated Financial Statements (D) Accounting Standards, (4) Recognition of Revenues and Costs for information regarding revenue.

C. Information on Understanding FY25/2 and FY26/2 Revenue

Financial Instruments Recorded at Market Value in Consolidated Balance Sheet

(JPY million)

	FY25/2
Liabilities from Client Contracts (as of Mar 1, 2024)	2,255
Liabilities from Client Contracts (as of Feb 28, 2025)	4,009
Contract Assets (as of Mar 1, 2024)	—
Contract Assets (as of Feb 28, 2025)	—
Contract Liabilities (as of Mar 1, 2024)	29
Contract Liabilities (as of Feb 28, 2025)	34

Contract liabilities are advances received as deposits from clients within the Sustainable Real Estate business. Contract liabilities decrease in line with revenue recognition. In FY25/2, the amount of revenue recognized for the satisfaction of performance obligations from prior periods is not material.

X. Notes on Special Purpose Companies (SPC)

A. Overview of SPC and SPC Transactions

Ichigo Owners, an Ichigo consolidated subsidiary providing real estate investment services to individual investors, has a business that allows investors to make diversified, small-scale investments in a broad array of real estate assets pursuant to the Act on Specified Joint Real Estate Ventures. This new business employs voluntary partnerships as part of its structure.

Under this business, investors invest in a voluntary partnership pursuant to a specified real estate venture agreement. The voluntary partnership receives distributions of the income generated from the real estate asset it acquires using the invested funds and dividends on the gains from the real estate purchased via the investments. Rental income and gains on sales associated with the real estate asset are allocated to the investors.

Pursuant to the voluntary partnership agreement, Ichigo Owners receives a fee for serving as managing partner. Ichigo Owners also engages in real estate transactions with the voluntary partnership.

	FY25/2
Number of Voluntary Partnerships	4
Total Assets as of Fiscal Period-end	JPY 2,363 million
Total Liabilities	JPY 4 million

B. SPC Transaction Amounts

(JPY million)

	Transaction Amount	Category	Amount
Managing Partner Fee ¹	10	Revenue	10

¹ The Managing Partner Fee is calculated as a percentage of the sale price and recorded under Revenue in the Consolidated Income Statement.

XI. Per Share Data

Net Assets per Share	JPY 260.49
Net Income per Share	JPY 34.86
Net Income per Share (fully diluted)	JPY 34.79

XII. Material Subsequent Events

N/A

Notes to the Parent Financial Statements

I. Material Accounting Policies

A. Valuation Method for Material Assets

- | | |
|--|--|
| 1. Shares in subsidiaries and affiliates | Moving average cost method |
| 2. Other securities | |
| Securities without market prices
(excluding equities) | Mark-to-market (Valuation difference is reported as a component of shareholders' equity; the cost is calculated using the moving average cost method.) |
| Equities without market prices | Moving average cost method (Valuation method for investment partnerships is noted in (G) Other Material Matters Related to the Preparation of the Financial Statements (3) Investment Partnerships.) |
| 3. Derivatives | Mark-to-market |
| 4. Real estate for sale | Cost (however, impair assets whose profitability declines) |

B. Depreciation Method for Fixed Assets

- | | |
|-----------------------------------|--------------------------------------|
| 1. Property, Plant, and Equipment | Primarily straight-line method |
| Useful life | Buildings and Structures: 8~39 years |
| 2. Intangible Assets | Straight-line method |
| Useful life | Software: 5 years |

C. Amortization of Deferred Assets

Issuance cost of shares: Full amount is recorded as cost.

D. Accounting Standards for Allowances

Allowance for doubtful accounts

Reserved based on the record of bad debts with respect to ordinary receivables and loans, plus an estimate of uncollectible amounts determined with reference to specific doubtful receivables from customers experiencing financial difficulties.

E. Accounting Standard for Recognition of Material Revenue and Costs

Details of the performance obligations and the fulfillment of performance obligation (i.e., time of revenue recognition) accounted for by its core businesses that arise from contracts with Ichigo's clients are as follows:

Management Advisory Fee

Ichigo receives a management advisory fee from some of its subsidiaries and its performance obligation is to provide management advice and guidance. The performance obligation is satisfied over a period of time, and revenue is recognized at the time it is satisfied.

Dividend Income

Dividend income consists of dividend income from Ichigo subsidiaries and gains and losses distributed from the investment partnerships. Dividend income from Ichigo subsidiaries is recognized as revenue on the payment date. For details of gains and losses distributed from the investment partnerships, please refer to I. Material Accounting Policies (G) Other Material Matters Related to the Preparation of the Financial Statements (3) Investment Partnerships.

As revenue from dividend income is a financial instruments transaction within the scope of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), it is not accounted for as revenue arising from contracts with clients.

Real Estate Rental Revenue

Real estate rental revenue is recognized as revenue when the term of the provision of ancillary services to the lease contract ends or throughout the contract term depending on the details of the agreement.

Real estate rental revenue is recognized in accordance with the Accounting Standard for Lease Transactions (ASBJ Statement No. 13, March 30, 2007).

F. Hedge Accounting Method

1. Hedge Accounting Method

In general, Ichigo adopts the deferral hedge accounting method. However, interest rate swaps that meet the criteria for special treatment are accounted for under the special treatment method.

2. Hedging Instruments and Hedging Targets

Hedging instruments	Interest rate swaps
Hedging targets	Loans and other borrowings

3. Hedging Policy

Pursuant to its internal rules, Ichigo hedges against interest rate risks that arise from its business activities.

4. Evaluation of Hedge Effectiveness

Ichigo evaluates the effectiveness of hedging activities with reference to the accumulated gain or loss on the hedging instruments and related hedging targets for the period from the commencement of the hedges to the time of evaluation. Interest-rate swaps accounted for under the special treatment method are omitted from this evaluation.

G. Other Material Matters Related to the Preparation of the Financial Statements

1. Non-Deductible Consumption Tax

Non-deductible consumption taxes are generally accounted for as costs in the current fiscal year; however, certain items paid in connection with the acquisition of assets are amortized over 5 years using the straight-line method.

2. Operational Investments

Operational investments are separated from non-operational investments and are accounted for as Operational Securities Investments within Current Assets. Profits and losses arising from operational investments are accounted for as Operating Profits and Losses.

Although Ichigo may control the decision-making body of investment vehicles or hold significant influence over them by holding shares, shares are held solely for operational investment purposes and Ichigo has no intention of holding them as subsidiaries or affiliates. Therefore, such investment vehicles are excluded from subsidiaries or affiliates.

3. Investment Partnerships

Ichigo accounts for investments in investment partnerships as Operational Securities Investments or Investment Securities in Other Affiliates. Such investments are recorded at the time the investments are made. Gains and losses distributed from the investment partnerships are recorded as Revenue, and the corresponding balance sheet item increases or decreases by the same amount. Refunds received from the investment partnerships are credited to the corresponding balance sheet item.

4. Group Aggregate Tax Treatment

Ichigo qualifies for group aggregate tax treatment.

II. Notes to Accounting Policies

Application of Practical Solution on the Accounting for and Disclosure of the Issuance and Holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities

The “Practical Solution on the Accounting for and Disclosure of the Issuance and Holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities” (Accounting Standard Board of Japan (“ASBJ”) Statement Practical Issues Task Force No. 43, August 26, 2022) has been applied from the beginning of FY25/2. There is no impact on the FY25/2 earnings results from this change.

III. Notes to Accounting Estimates

Valuation of Real Estate

A. Amount Recorded in FY25/2 Financial Statements

Fixed Assets	JPY 7,043 million
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B. Information on Material Accounting Estimates for Specific Line Items

Please see the Valuation of Real Estate section under III. Notes to Accounting Estimates for the Consolidated Financial Statements.

IV. Notes to the Balance Sheet

A. Assets Provided as Collateral and Secured Obligations

Assets provided as collateral

Cash and deposits	JPY 44 million
Buildings and structures	JPY 188 million
Land	JPY 2,099 million
Property, plant, and equipment – other	–
Securities investments	JPY 9,476 million
Shares of affiliated companies	JPY 1 million
Long-term loans to affiliates	JPY 1,399 million
Leasehold rights	JPY 162 million
Total	<u>JPY 13,371 million</u>

Figures in “Buildings and structures” and “Property, plant, and equipment – other” are net amounts.

Secured obligations

Long-term loans (due within one year)	JPY 1,300 million
Long-term loans	JPY 9,190 million
Total	<u>JPY 10,490 million</u>

B. Guarantees of Subsidiary Liabilities

Ichigo guarantees the following subsidiaries' loans from financial institutions:

Ichigo Estate Co., Ltd.	JPY 38,643	million
Ichigo ECO Energy Co., Ltd.	JPY 8,427	million
Ichigo Owners Co., Ltd.	JPY 27,923	million
Miyako City Co., Ltd.	JPY 910	million
Centro Co., Ltd.	JPY 398	million
OneFive Hotels Inc.	JPY 2	million
GK Daiba Jisho	JPY 8,000	million
GK Kawabata Holdings	JPY 2,711	million
GK Nakasu Holdings	JPY 3,387	million
GK ACZ	JPY 5,082	million
Ichigo Yubetsu Barou ECO Power Plant GK	JPY 114	million
Ichigo Toyokoro Sasadamachi ECO Power Plant GK	JPY 56	million
Ichigo Betsukai Kawakamicho ECO Power Plant GK	JPY 80	million
Ichigo Akkeshi Shirahama ECO Power Plant GK	JPY 78	million
Ichigo Yonago Izumi ECO Power Plant GK	JPY 296	million
Sera Aomizu Ushinoro ECO Power Plant GK	JPY 255	million
Ichigo Hamanaka Bokujo ECO Power Plant GK	JPY 606	million
Ichigo Toki Oroshicho ECO Power Plant GK	JPY 169	million
Ichigo Toride Shimotakai ECO Power Plant GK	JPY 175	million
Ichigo Kijo Takajo ECO Power Plant Co., Ltd.	JPY 124	million
Ichigo Private REIT Investment Corporation	JPY 10,000	million
Total	JPY 107,443	million

C. Affiliate Receivables and Payables (excluding items separately indicated)

Short-term receivables from affiliates	JPY 3,468	million
Short-term payables to affiliates	JPY 132	million
Long-term payables to affiliates	JPY 1,952	million

D. Deferred Gains (Losses) on Long-Term Interest Rate Hedges

Using interest rate swaps and caps, Ichigo has significantly reduced its interest rate risk should Japanese interest rates rise. Any unrealized gains (losses) on these hedges are recorded as deferred gains (losses) on long-term interest rate hedges.

V. Income Statement

A. Transactions with Affiliates

Operational Transactions

Revenue	JPY 14,375 million
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Operating expenses	JPY 187 million
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Non-Operational Transactions	JPY 1,253 million
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B. Mark-to-Market Gains (Losses) on Long-Term Interest Rate Hedges

Using interest rate swaps and interest rate caps, Ichigo has significantly reduced its interest rate risk should Japanese interest rates rise. Any increase (decrease) in the market value is recorded as a mark-to-market gain (loss) on long-term interest rate hedges.

VI. Statement of Changes in Shareholders' Equity

Type and Number of Treasury Shares

Common shares	19,589,711 shares
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VII. Taxes

A. Breakdown of Deferred Tax Assets and Liabilities

Deferred Tax Assets

Accrued business taxes	JPY 139 million
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Surplus for provision of allowance for doubtful accounts	JPY 345 million
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Valuation losses on securities investments	JPY 198 million
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Valuation loss on investments in real estate	JPY 1,516 million
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Valuation loss on securities of affiliates	JPY 870 million
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Other	JPY 229 million
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Sub-total	JPY 3,298 million
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Allowance for valuation	-JPY 2,731 million
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Deferred Tax Assets Total	JPY 567 million
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Deferred Tax Liabilities

Valuation gains (losses) on other securities	-JPY 201 million
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Deferred gains (losses) on long-term interest rate hedges	-JPY 60 million
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Other liabilities	-JPY 73 million
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Deferred Tax Liabilities Total	-JPY 335 million
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Net Deferred Tax Assets	JPY 232 million
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B. Accounting Treatment of Income Taxes and Tax Effect Accounting

Ichigo has adopted the group aggregate tax treatment, and the accounting treatment of income taxes and tax effect accounting are based on the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No.42, August 12, 2021.)

VIII. Related Party Transactions

(JPY million)

Affiliation	Name	Voting Rights Held by Ichigo	Nature of Relationship	Transaction	Transaction Amount	Accounting Treatment	Balance Outstanding
Subsidiary	Ichigo Estate Co., Ltd.	100%	Service contract	Lending ¹	21,700	Short-term loans to affiliates	700
						Long-term loans to affiliates (due within 1 year)	676
						Long-term loans to affiliates	63,897
				Interest received	580	Current assets – other	35
				Provision of credit guarantee ²	38,643	–	–
				Receipt of credit guarantee ^{6,7}	1,332	–	–
				Receipt of credit guarantee and collateral ⁴	34,405	–	–
				Management advisory fee ⁹	1,936	–	–
Subsidiary	Ichigo ECO Energy Co., Ltd.	100%	Service contract	Provision of credit guarantee ²	8,427	–	–

(JPY million)

Affiliation	Name	Voting Rights Held by Ichigo	Nature of Relationship	Transaction	Transaction Amount	Accounting Treatment	Balance Outstanding
Subsidiary	Ichigo Owners Co., Ltd.	100%	Service contract	Lending ¹	25,124	Short-term loans to affiliates	10,620
						Long-term loans to affiliates	9,871
				Interest received	178	Current assets – other	30
				Provision of credit guarantee ²	27,923	–	–
				Receipt of credit guarantee and collateral ⁴	6,962	–	–
				Receipt of collateral ³	2,200	–	–
Subsidiary	Satsuki Holdings Ltd.	100%	Financial support	Lending ¹	990	Short-term loans to affiliates	990
						Long-term loans to affiliates	1,399
				Interest received	61	Current assets – other	8
Subsidiary	OneFive Hotels Inc.	100%	Service contract	Bond underwriting ¹	–	Related party bonds	2,573
				Interest received	108	Current assets – other	107
Subsidiary	Centro Co., Ltd.	Indirect Ownership 100%	Service contract	Lending ¹	–	Short-term loans to affiliates	2,700
				Interest paid	27	Accrued expenses	7
Subsidiary	GK Daiba Jisho	None ⁸	TK Equity	Provision of credit guarantee ²	8,000	–	–
				Receipt of credit guarantee fee	2	Advances received	3

(JPY million)

Affiliation	Name	Voting Rights Held by Ichigo	Nature of Relationship	Transaction	Transaction Amount	Accounting Treatment	Balance Outstanding
Subsidiary	GK Kawabata Holdings	None ⁸	TK Equity	Provision of credit guarantee ²	2,711	—	—
				Receipt of credit guarantee fee	1	Advances received	1
Subsidiary	GK Nakasu Holdings	None ⁸	TK Equity	Provision of credit guarantee ²	3,387	—	—
				Receipt of credit guarantee fee	1	Advances received	1
Subsidiary	GK ACZ	None ⁸	TK Equity	Provision of credit guarantee ²	5,082	—	—
				Receipt of credit guarantee fee	1	Advances received	5
Subsidiary	GK LIFT2	100%	Borrowing & Payment of Interest	Borrowing ¹	332	Long-term loans of affiliates (due within 1 year)	10,797
				Interest paid	334	Accrued expenses	83
Subsidiary	GK Kichijoji Holdings	None ⁸	TK Equity	Payment of credit guarantee fee to guarantor	1	Prepaid expenses	1
				Receipt of collateral ^{3,5}	2,653	Investment and other assets – other	2
Subsidiary	GK Akihabara Jisho	None ⁸	TK Equity	Payment of credit guarantee fee to guarantor	—	Prepaid expenses	—
				Receipt of collateral ^{3,5}	1,970	Investment and other assets – other	1

(JPY million)

Affiliation	Name	Voting Rights Held by Ichigo	Nature of Relationship	Transaction	Transaction Amount	Account	Balance Outstanding
Subsidiary	Ichigo Private REIT Investment Corporation	100%	Equity	Provision of credit guarantee ²	10,000	—	—
				Receipt of credit guarantee fee	6	—	—
				Sale of securities ¹⁰	7,044	—	—
Related Party	GIGA.GREEN GmbH	24.39%	Equity	Ichigo equity investment	4,438 ¹¹	Long-term accounts payable	1,943

¹ The interest rate on loans and bonds from Ichigo to affiliates (and in certain cases, from affiliates to Ichigo) is based upon Ichigo's actual borrowing costs, with due consideration to the particular circumstances of the affiliates.

² Ichigo has provided credit guarantees to banks on loans to the subsidiary.

³ The subsidiary has received collateral from Ichigo for loans from banks.

⁴ The subsidiary has received both guarantees and collateral from Ichigo for bank loans.

⁵ Ichigo has received collateral from its subsidiaries for a loan of JPY 4,624 million from banks.

⁶ Ichigo has received credit guarantees from its subsidiaries for bank loans.

⁷ Ichigo has received credit guarantees and collateral from its subsidiaries for a loan of JPY 1,332 million from banks.

⁸ Although Ichigo holds 0% of the voting rights, its wholly-owned subsidiary holds 100% of managerial authority over the investment partnership (aka TK or Tokumei Kumiai). However, the entity is considered to be Ichigo's subsidiary, because Ichigo has adopted the accounting standard under the Practical Solutions on Application of Control Criteria and Influence Criteria to Investment Partnerships (ASBJ Practical Solution No. 20, March 25, 2011).

⁹ Ichigo receives fees for managing certain wholly-owned subsidiaries.

¹⁰ Ichigo sold Ichigo Private REIT shares via a private market transaction at a price equal to Net Assets per Share calculated based on Net Assets reflecting Unrealized Gains, i.e., the difference between the Book Value and Appraisal Value of assets held by Ichigo Private REIT during its most recent fiscal period. Ichigo believes the transaction price was reasonable.

¹¹ Calculated using the exchange rate on the transaction date, with the outstanding balance calculated using the exchange rate as of the fiscal year-end.

¹² The above amounts do not include consumption tax and other taxes. However, the amounts recorded on the balance sheet do include consumption tax and other taxes.

IX. Notes on Revenue Recognition

Information for understanding revenue recognition is provided in I. Material Accounting Policies, E. Accounting Standards for Material Revenue and Cost.

X. Per Share Data

Net Assets per Share	JPY	153.59
Net Income per Share	JPY	23.77
Net Income per Share (fully diluted)	JPY	23.72

XI. Material Subsequent Events

N/A