

## FINANCIAL REPORT FOR THE FISCAL PERIOD ENDING APRIL 2015 (November 1, 2014 - April 30, 2015)

**Ichigo Real Estate Investment Corporation** (“Ichigo REIT” Tokyo Stock Exchange, 8975)

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[www.ichigo-reit.co.jp/english](http://www.ichigo-reit.co.jp/english)

**Ichigo Real Estate Investment Advisors Co., Ltd.** (Ichigo REIT Asset Management Company)

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Submission of Financial Report (*Yuka Shoken Hokokusho*): July 24, 2015 (expected)

Dividend Payment: July 22, 2015 (expected)

Supplemental Material to Financial and Business Results: Yes (Corporate Presentation)

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

### 1. Financial Results for the Fiscal Period Ending April 2015

(Monetary figures are rounded down to the nearest million yen)

#### (1) Earnings

(million yen; period-on-period change)

	Operating Revenue	Change	Operating Profit	Change	Recurring Profit	Change	Net Income	Change
April 2015	5,020	8.8%	2,267	6.0%	1,005	(28.7%)	704	(50.0%)
October 2014	4,615	(0.5 %)	2,139	(2.2%)	1,410	7.9%	1,409	7.9%

	Net Income per Share (yen)	Ratio of Net Income to Equity	Ratio of Recurring Profit to Total Assets	Ratio of Recurring Profit to Operating Revenue
April 2015	634	1.1%	0.8%	20.0%
October 2014	1,373	2.3%	1.1%	30.6%

#### (2) Dividends

	Dividend per Share (not including dividends in excess of earnings) (yen)	Total Dividends (million yen)	Dividend per Share in Excess of Earnings (yen)	Total Dividends in Excess of Earnings (million yen)	Payout Ratio (%)	Ratio of Dividends to Net Assets (%)
April 2015	1,603	1,811	0	0	257.1	2.7
October 2014	1,547	1,587	0	0	112.6	2.6

(Note 1) The October 2014 dividend reflects a 177 million yen dividend reserve reversal and thus differs from Net Income.

(Note 2) The April 2015 dividend includes a dividend reserve reversal of 1,107 million yen and thus differs from Net Income.

(Note 3) The Payout Ratio is rounded down to one decimal point. The April 2015 payout ratio reflects the new share issuance and is calculated as follows: Payout Ratio = Total Dividends / Net Income x 100

(3) Assets and Equity

	Total Assets (million yen)	Net Assets (million yen)	Equity Ratio (%)	Net Assets per Share (yen)
April 2015	136,160	68,562	50.4	60,657
October 2014	123,668	61,098	49.4	59,531

(4) Cash Flow

	Cash Flow from Operating Activities (million yen)	Cash Flow from Investment Activities (million yen)	Cash Flow from Financing Activities (million yen)	Cash and Cash Equivalents at End of the Period (million yen)
April 2015	18,531	(25,920)	10,355	13,453
October 2014	2,923	(578)	(2,054)	10,485

2. Earnings Forecast for the Fiscal Period ending October 2015 (May 1, 2015 to October 31, 2015)

(million yen; period-on-period change)

	Operating Revenue	Change	Operating Income	Change	Recurring Profit	Change	Net Income	Change
October 2015	6,175	23.0%	2,843	25.4%	1,828	81.9%	1,828	159.5%

(yen)

	Dividend per Share (not including dividends in excess of earnings)	Dividend per Share in Excess of Earnings
October 2015	1,670	0

(Note 1) The forecast Net Income per share for October 2015 is 1,290 yen.

(Note 2) The October 2015 dividend includes a dividend reserve reversal of 543 million yen and thus differs from Net Income.

### 3. Other

#### (1) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement

(i) Changes Accompanying Amendments to Accounting Standards:	None
(ii) Changes Not Listed in (i):	None
(iii) Changes in Accounting Estimates:	None
(iv) Retrospective Restatement:	None

#### (2) Number of Shares Issued and Outstanding

- (i) The number of shares issued and outstanding (including treasury shares) was 1,026,323 shares at the end of October 2014 and 1,130,323 shares at the end of April 2015.
- (ii) There were no treasury shares at either the end of October 2014 or at the end of April 2015.

#### Completion Status of Auditing Procedures

This document is not subject to the auditing requirements set forth in the Financial Instruments and Exchange Law of Japan. The auditing procedures in accordance with those requirements have thus not been completed as of the date of the publication of this document.

#### Appropriate Use of Performance Forecasts and Other Matters of Special Note

The forecasts presented above are current figures based on certain preconditions. Accordingly, the actual operating revenue, operating income, recurring profit, net income, dividend per share, and dividend per share in excess of earnings may vary due to changes in circumstances. Moreover, these forecasts should not be construed as a guarantee of such performance or results.

For details on preconditions, please refer to the “Preconditions for Earnings Forecast of the Fiscal Period ending October 2015” on page 4.

This English version is a translation of the original Japanese notice and is provided solely for informational purposes. Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

Preconditions for Earnings Forecast for the Fiscal Period ending October 2015

Item	Preconditions
Period	May 1, 2015 – October 31, 2015 (184 days)
Portfolio Assets	<ul style="list-style-type: none"> <li>• 76 assets in total. 65 assets as of April 30, 2015 and the 12 assets to be newly acquired, minus 1 asset to be sold, as announced in the release “Asset Acquisitions and Sale” on April 9, 2015. The forecast assumes there will be no additional acquisitions or sales before the end of October 2015.</li> <li>• The number of assets may change due to acquisitions or sales.</li> </ul>
Number of Shares	<ul style="list-style-type: none"> <li>• The forecast assumes 1,416,323 shares issued and outstanding as of June 16, 2015.</li> </ul>
Operating Revenue	<ul style="list-style-type: none"> <li>• Rent revenue is calculated conservatively based on lease contracts that are in effect as of April 30, 2015 while taking into consideration such factors as historical rents, the competitiveness of the properties, and market conditions.</li> </ul>
Operating Expenses	<ul style="list-style-type: none"> <li>• Among rental activity expenses, Ichigo REIT’s principal operating expenses and expenses other than depreciation are calculated based on historical data while taking into consideration variable expenses.</li> <li>• The anticipated amount of property tax and city planning tax is 389 million yen. The prorated property tax and city planning tax related to these acquisitions will be included in the acquisition cost and shall be excluded from operating expenses.</li> <li>• The amount for building maintenance and repair expenses is estimated to be 101 million yen. However, expenses for each period could differ significantly from these estimated amounts for reasons including the variability of maintenance and repair expenses, costs due to unexpected building damage, etc.</li> <li>• Service provider expenses including property management fees, etc., are estimated to be 556 million yen for the April 2015 period.</li> <li>• Depreciation has been calculated using the straight-line method. Depreciation is calculated by including the depreciation for future additional capital expenditures in the amortization amount. Depreciation of 825 million yen has been anticipated for the April 2015 period.</li> <li>• Actual operating expenses may differ significantly from assumptions due to unforeseeable factors.</li> </ul>
Non-operating Expenses	<ul style="list-style-type: none"> <li>• Interest expenses of 517 million yen are anticipated.</li> <li>• Borrowing-related expenses of 463 million yen are anticipated.</li> <li>• Expenses related to the new share issuance of 35 million yen are anticipated.</li> </ul>
Borrowings	<ul style="list-style-type: none"> <li>• Ichigo REIT’s balance of loans payable stands at 59,580 million yen as of April 30, 2015.</li> <li>• 22,500 million yen of new borrowing occurred on May 7, 2015.</li> <li>• 1,419 million yen from the sale of one asset on May 8, 2015 will be used for partial loan prepayment.</li> <li>• SMBC Syndicate Loan I (4,047 million yen) comes due during the October 2015 period. The forecast assumes a refinancing of the same amount.</li> </ul>
Dividend per Share	<ul style="list-style-type: none"> <li>• Dividends are based on the assumption that distribution will comply with the dividend distribution policy stipulated in Ichigo REIT’s Articles of Incorporation.</li> <li>• The dividend for October 2015 is assumed to be 2,371 million yen, which is the total amount of retained earnings of 1,828 million yen plus a dividend reserve reversal of 543 million yen.</li> <li>• The dividend per share is subject to change due to factors such as changes in rental revenue associated with tenant turnover, the occurrence of unexpected maintenance and repair costs, fluctuations in interest rates, as well as additional share issuance.</li> </ul>
Dividend in Excess of Earnings per Share	<ul style="list-style-type: none"> <li>• Ichigo REIT does not plan on making any dividend distribution in excess of earnings per share or retained earnings.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• Performance forecasts are based on the assumption that impactful revisions will not be made to laws and ordinances, the tax system, accounting standards, listing rules, and rules of the Investment Trusts Association, Japan, etc.</li> <li>• Performance forecasts are also based on the assumption that there will be no unexpected material change in general economic trends, real estate market conditions, etc.</li> </ul>

# Financial Statements

## (1) Balance Sheet

(Thousand yen)

	October 2014 (as of October 31, 2014)	April 2015 (as of April 30, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	4,961,374	6,339,011
Cash and deposits in trust	5,556,132	7,146,522
Operating accounts receivable	49,147	36,814
Prepaid expenses	258,899	259,445
Other	4,936	2,840
Total current assets	10,830,491	13,784,634
Fixed assets		
Property, plant, and equipment		
Buildings	8,691,090	8,473,551
Accumulated depreciation	(764,033)	(851,537)
Buildings, net	7,927,057	7,622,013
Structures	35,882	32,545
Accumulated depreciation	(13,659)	(15,029)
Structures, net	22,222	17,515
Machinery and equipment	263,899	261,009
Accumulated depreciation	(62,048)	(71,268)
Structures, net	201,850	189,741
Fixtures	58,482	56,743
Accumulated depreciation	(21,782)	(23,816)
Fixtures, net	36,700	32,926
Land	19,555,504	18,825,582
Construction in progress	-	124
Buildings in trust	28,462,782	29,266,605
Accumulated depreciation	(3,079,859)	(2,563,456)
Buildings in trust, net	25,382,922	26,703,148
Structures in trust	72,649	52,575
Accumulated depreciation	(15,393)	(9,136)
Structures in trust, net	57,255	43,439
Machinery and equipment in trust	255,300	333,189
Accumulated depreciation	(75,535)	(96,927)
Machinery and equipment in trust, net	179,765	236,262
Fixtures in trust	677,481	254,089
Accumulated depreciation	(209,765)	(92,729)
Fixtures in trust, net	467,715	161,359
Land in trust	54,108,394	63,414,448
Construction in progress in trust	3,206	2,120
Total property, plant, and equipment	107,942,596	117,248,682
Intangible assets		
Leasehold rights in trust	4,494,579	4,494,579
Total Intangible assets	4,494,579	4,494,579

(Thousand yen)

	October 2014 (as of October 31, 2014)	April 2015 (as of April 30, 2015)
Investments and other assets		
Tenant leasehold and security deposits	15,227	15,227
Long-term prepaid expenses	375,687	603,770
Other	9,482	13,587
Total investments and other assets	400,397	632,584
Total Fixed assets	112,837,572	122,375,846
Total assets	123,668,064	136,160,481
Liabilities		
Current liabilities		
Operating accounts payable	188,335	334,839
Current portion of long-term loans payable	17,345,410	6,025,171
Accounts payable – other	278,806	366,502
Accrued expenses	44,607	9,622
Income taxes payable, etc.	605	605
Accrued consumption taxes, etc.	133,230	73,465
Advances received	749,636	801,153
Other	13,576	18,604
Total current liabilities	18,754,207	7,629,962
Noncurrent liabilities		
Long-term loans payable	38,591,161	53,555,141
Tenant leasehold and security deposits	1,771,515	1,723,922
Tenant leasehold and security deposits in trust	3,447,888	4,683,727
Asset retirement obligations	4,799	4,815
Total noncurrent liabilities	43,815,364	59,967,607
Total liabilities	62,569,572	67,597,570
Net assets		
Shareholders' equity		
Shareholders' capital	25,782,839	34,130,503
Surplus		
Capital surplus	20,566,420	20,566,420
Dividend reserve	13,338,498	13,160,756
Unappropriated retained earnings /loss	1,410,732	705,230
Total surplus	35,315,652	34,432,407
Total shareholders' equity	61,098,491	68,562,911
Total net assets	61,098,491	68,562,911
Total liabilities and net assets	123,668,064	136,160,481

## (2) Income Statement

(Thousand yen)

	October 2014 (May 1, 2014 to October 31, 2014)	April 2015 (November 1, 2014 to April 1, 2015)
Operating revenue		
Rental revenue	4,080,532	4,386,495
Other rental revenue	477,585	483,980
Gain on sales of real estate	57,807	150,311
Total operating revenue	4,615,924	5,020,788
Operating expenses		
Expenses related to rent business	1,982,518	2,133,086
Asset management fee	383,510	484,527
Asset custody fee	9,463	9,420
Administrative service fees	33,565	29,316
Directors' compensation	5,929	5,040
Other operating expenses	61,641	91,439
Total operating expenses	2,476,627	2,752,829
Operating profit	2,139,296	2,267,958
Non-operating income		
Interest income	1,018	1,153
Reversal of distribution payable	548	852
Insurance Income	25	10
Interest on tax refund	384	-
Other	-	142
Total non-operating income	1,977	2,159
Non-operating expenses		
Interest expenses	457,393	409,090
Borrowing related expenses	273,341	806,962
Share issuance expenses	-	48,576
Total non-operating expenses	730,735	1,264,629
Recurring profit	1,410,538	1,005,488
Extraordinary loss		
Impairment loss	-	300,406
Total extraordinary losses	-	300,406
Income (losses) before income taxes	1,410,538	705,082
Income taxes – current	605	605
Total income taxes	605	605
Net income	1,409,933	704,477
Retained earnings brought forward	799	753
Unappropriated retained earnings/loss	1,410,732	705,230

### (3) Statement of Shareholders' Equity

October 2014 (May 1, 2014 to October 31, 2014)

(Thousand yen)

	Shareholders' equity						Balance at start of the period
	Shareholders' capital	Surplus				Total shareholders' equity	
		Capital surplus	Dividend reserve	Unappropriated retained earnings/loss	Total surplus		
Balance at start of the period	25,782,839	20,566,420	13,613,797	1,307,064	35,487,282	61,270,121	61,270,121
Changes during the period							
Reversal of dividend reserve			(275,298)	275,298	—	—	—
Dividends from surplus				(1,581,563)	(1,581,563)	(1,581,563)	(1,581,563)
Net income				1,409,933	1,409,933	1,409,933	1,409,933
Total changes during the period	—	—	(275,298)	103,668	(171,630)	(171,630)	(171,630)
Balance at end of the period	25,782,839	20,566,420	13,338,498	1,410,732	35,315,652	61,098,491	61,098,491

April 2015 (November 1, 2014 to April 30, 2015)

(Thousand yen)

	Shareholders' equity						Balance at start of the period
	Shareholders' capital	Surplus				Total shareholders' equity	
		Capital surplus	Dividend reserve	Unappropriated retained earnings/loss	Total surplus		
Balance at start of the period	25,782,839	20,566,420	13,338,498	1,410,732	35,315,652	61,098,491	61,098,491
Changes during the period							
Issuance of new shares	8,347,664					8,347,664	8,347,664
Reversal of dividend reserve			(177,741)	177,741	—	—	—
Dividends from surplus				(1,587,721)	(1,587,721)	(1,587,721)	(1,587,721)
Net income				704,477	704,477	704,477	704,477
Total changes during the period	8,347,664	—	(177,741)	(705,502)	(883,244)	7,464,419	7,464,419
Balance at end of the period	34,130,503	20,566,420	13,160,756	705,230	34,432,407	68,562,911	68,562,911



#### (4) Cash Flow Statement

(Thousand yen)

	October 2014 (May 1, 2014 to October 31, 2014)	April 2015 (November 1, 2014 to April 1, 2015)
<b>Cash flows from operating activities</b>		
Income before income taxes	1,410,538	705,082
Depreciation and amortization	605,639	667,704
Share issuance expenses	-	48,576
Impairment loss	-	300,406
Interest income	(1,018)	(1,153)
Interest expenses	457,393	409,090
Decrease (increase) in operating accounts receivable	(23,159)	12,333
Decrease (increase) in prepaid expenses	51,810	(545)
Decrease (increase) in long-term advance charges	24,828	(228,083)
Decrease (increase) in deposit paid	387,267	-
Increase (decrease) in accrued consumption taxes	81,067	(59,765)
Increase (decrease) in operating accounts payable	(22,278)	37,944
Increase (decrease) in accounts payable – other	(10,186)	87,696
Increase (decrease) in advances received	69,844	51,517
Decrease by sale of property, plant, and equipment	-	958,825
Decrease by sale of property, plant, and equipment in trust	377,532	15,944,448
Other, net	(13,915)	41,376
Subtotal	3,395,363	18,975,454
Interest income received	1,018	1,153
Interest expenses paid	(471,917)	(444,076)
Income taxes paid	(605)	(605)
Net cash provided by (used in) operating activities	2,923,859	18,531,926
<b>Cash flows from investment activities</b>		
Purchase of property, plant, and equipment	(38,552)	(31,609)
Purchase of property, plant, and equipment in trust	(534,296)	(27,029,280)
Increase in tenant leasehold and security deposits	57,362	20,839
Decrease in tenant leasehold and security deposits	(47,793)	(79,173)
Increase in tenant leasehold and security deposits in trust	94,962	1,537,017
Decrease in tenant leasehold and security deposits in trust	(110,432)	(338,390)
Net cash provided by (used in) investment activities	(578,749)	(25,920,596)
<b>Cash flows from financing activities</b>		
Increase in long-term loans payable	6,500,000	31,610,500
Decrease in long-term loans payable	(6,973,312)	(27,966,758)
Proceeds from issuance of shares	-	8,299,087
Dividends paid	(1,581,233)	(1,586,939)
Net cash provided by (used in) financing activities	(2,054,545)	10,355,889
Net increase (decrease) in cash and cash equivalents	290,564	2,967,220
Cash and cash equivalents at beginning of the period	10,195,262	10,485,827
Cash and cash equivalents at end of the period	10,485,827	13,453,047