

FINANCIAL REPORT FOR THE FISCAL PERIOD ENDING APRIL 2014 (November 1, 2013 – April 30, 2014)

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

Representative: Yoshihiro Takatsuka, Executive Director

www.ichigo-reit.co.jp/english

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

Representative: Wataru Orii, President & Representative Statutory Executive Officer

Inquiries: Masanori Kubota, Statutory Executive Officer (Finance, Accounting)

Telephone: +81-3-3502-4891

Submission of *Yuka Shoken Hokokusho* (Financial Report): July 25, 2014 (expected)

Dividend Payment: July 22, 2014 (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 2014

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

(1) Earnings

(million yen; period-on-period change)

	Operating Revenue	Change	Operating Income	Change	Ordinary Income	Change	Net Income	Change
Fiscal Period Ending April 2014	4,637	1.4%	2,187	(4.6%)	1,307	(12.3%)	1,306	(12.3%)
Fiscal Period Ending October 2013	4,572	10.3%	2,293	12.6%	1,490	229.8%	1,489	230.1%

	Net Income per Share (yen)	Ratio of Net Income to Equity	Ratio of Ordinary Income to Total Assets	Ratio of Ordinary Income to Operating Revenue
Fiscal Period Ending April 2014	1,295	2.2%	1.1%	28.2%
Fiscal Period Ending October 2013	1,619	2.8%	1.3%	32.6%

(Note) Net income per share is calculated by dividing net income by the weighted average number of shares.

(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 (%)
Fiscal Period Ending April 2014	1,541	1,581	0	0	121.0	2.6
Fiscal Period Ending October 2013	1,537	1,433	0	0	96.2	2.6

(Note 1) The October 2013 dividend reflects a 55 million yen dividend reserve deduction and thus differs from Net Income.

(Note 2) The April 2014 dividend includes a dividend reserve reversal of 275 million yen and thus differs from Net Income.

(Note 3) The Payout Ratio is rounded down to one decimal. The October 2013 and April 2014 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)
Fiscal Period Ending April 2014	124,399	61,270	49.3	59,698
Fiscal Period Ending October 2013	121,924	55,974	45.9	60,005

(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)
Fiscal Period Ending April 2014	8,111	(8,447)	854	10,195
Fiscal Period Ending October 2013	2,866	(8,679)	7,203	9,676

2. Earnings Forecast for the Fiscal Period ending October 2014 (May 1, 2014 to October 31, 2014)

(million yen; period-on-period change)

	Operating Revenue	Change	Operating Income	Change	Ordinary Income	Change	Net Income	Change
Fiscal Period Ending October 2014	4,531	(2.3%)	2,112	(3.4%)	1,483	13.5%	1,482	13.5%

(yen)

	Dividend per Share (not including dividends in excess of earnings)	Dividend per Share in Excess of Earnings
Fiscal Period Ending October 2014	1,530	0

(Note 1) The forecast Net Income per share for October 2014 is 1,444 yen.

(Note 2) The October 2014 dividend includes a dividend reserve reversal of 90 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: | No |
| (ii) Changes Not Listed in (i): | No |
| (iii) Changes in Accounting Estimates: | No |
| (iv) Retrospective Restatement: | No |

(2) Number of Shares Issued and Outstanding

- (i) The number of shares issued and outstanding (including treasury shares) was 932,823 shares at the end of October 2013 and 1,026,323 shares at the end of April 2014.
- (ii) There were no treasury shares at either the end of October 2013 or at the end of April 2014.

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 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, ordinary income, 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 Forecasts of the Fiscal Periods ending October 2014” on pages 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 2014

Item	Preconditions
Periods	The Fiscal Period Ending October 2014: May 1, 2014 – October 31, 2014 (184 days)
Portfolio Assets	<ul style="list-style-type: none"> • 71 properties as of April 30, 2014, excluding the COI Shinbashi Building sold as of April 30, 2014, and based on the assumption that the number of assets will not change by the end of October 2014. • The number of assets may change due to acquisitions or sales.
Number of Shares	<ul style="list-style-type: none"> • The number of shares issued and outstanding at the time of this publication: 1,026,323
Operating Revenue	<ul style="list-style-type: none"> • Rental revenue is conservatively forecast based on leases that are in effect as of April 30, 2014, taking into consideration such factors as historical rents, property competitiveness, and market conditions.
Operating Expenses	<ul style="list-style-type: none"> • Ichigo REIT's principal operating expenses are related to its rental activities. Excepting depreciation, expenses are calculated based on historical data while taking into consideration variable expenses. • The anticipated amount of property tax and city planning tax is 345 million yen for October 2014. • Building maintenance and repair expenses are estimated to be 83 million yen for October 2014. However, expenses for each period could differ significantly from these estimated amounts for various reasons due to the irregularity of maintenance and repair expenses, costs due to unexpected building damage, etc., and year-to-year changes in costs. • Service provider expenses including property management fees, etc. are estimated to be 425 million yen for October 2014. • Depreciation has been calculated using the straight line method. For managed properties, depreciation is calculated by including the depreciation for future additional capital expenditures in the amortization amount. Depreciation for October 2014 is forecast at 600 million yen. • Due to unexpected circumstances, the actual operating expenses might differ significantly from the forecasts.
Non-operating Expenses	<ul style="list-style-type: none"> • Interest expenses for October 2014 are forecast at 479 million yen. • Borrowing-related expenses for October 2014 are forecast at 152 million yen.
Borrowings	<ul style="list-style-type: none"> • As of April 30, 2014, Ichigo REIT's balance of loans payable stands at 56,409 million yen.
Dividend per Share	<ul style="list-style-type: none"> • Dividends are based on the assumption that distribution will comply with the dividend distribution policy stipulated in Ichigo REIT's Articles of Incorporation. • Dividend for October 2014 is assumed to be 1,573 million yen, which is the total amount of retained earnings of 1,482 million yen plus a dividend reserve reversal of 90 million yen. • 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.
Dividend in Excess of Earnings per Share	<ul style="list-style-type: none"> • Ichigo REIT does not plan on making any dividend distribution in excess of earnings per share or retained earnings.
Other	<ul style="list-style-type: none"> • 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. • 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.

Financial Statements

(1) Balance Sheet

(Thousand yen)

	Fiscal Period Ending October 2013 (as of October 31, 2013)	Fiscal Period Ending April 2014 (as of April 30, 2014)
Assets		
Current assets		
Cash and deposits	4,356,603	4,580,896
Cash and deposits in trust	5,342,609	5,642,712
Operating accounts receivable	14,113	25,988
Prepaid expenses	327,054	310,710
Consumption taxes receivable	94,383	—
Deposit paid	246,580	387,267
Other	4,438	4,984
Total current assets	10,385,783	10,952,559
Noncurrent assets		
Property, plant, and equipment		
Buildings	8,618,744	8,665,447
Accumulated depreciation	(511,530)	(637,619)
Buildings, net	8,107,213	8,027,828
Structures	35,882	35,882
Accumulated depreciation	(9,220)	(11,440)
Structures, net	26,661	24,442
Machinery and equipment	262,686	263,166
Accumulated depreciation	(40,656)	(51,338)
Structures, net	222,030	211,828
Fixtures	51,387	52,554
Accumulated depreciation	(12,368)	(16,804)
Fixtures, net	39,019	35,750
Land	19,555,504	19,555,504
Construction in progress	270	—
Buildings in trust	26,019,249	28,261,033
Accumulated depreciation	(2,264,878)	(2,662,911)
Buildings in trust, net	23,754,371	25,598,122
Structures in trust	65,434	69,903
Accumulated depreciation	(12,232)	(13,864)
Structures in trust, net	53,201	56,039
Machinery and equipment in trust	210,882	237,226
Accumulated depreciation	(51,084)	(62,834)
Machinery and equipment in trust, net	159,797	174,391
Fixtures in trust	657,444	663,541
Accumulated depreciation	(175,380)	(191,039)
Fixtures in trust, net	482,064	472,502
Land in trust	58,650,437	54,371,985
Construction in progress in trust	3,267	2,785
Total property, plant, and equipment	111,053,839	108,531,180
Intangible assets		
Leasehold rights in trust	—	4,494,579
Total Intangible assets	—	4,494,579

(Thousand yen)

	Fiscal Period Ending October 2013 (as of October 31, 2013)	Fiscal Period Ending April 2014 (as of April 30, 2014)
Investments and other assets		
Tenant leasehold and security deposits	15,227	15,227
Long-term prepaid expenses	467,927	400,515
Other	1,709	5,378
Total investments and other assets	484,864	421,120
Total noncurrent assets	111,538,703	113,446,881
Total assets	121,924,487	124,399,440
Liabilities		
Current liabilities		
Operating accounts payable	263,893	389,423
Current portion of long-term loans payable	2,478,500	10,633,000
Accounts payable – others	265,909	288,992
Accrued expenses	79,792	59,131
Income taxes payable, etc.	605	605
Accrued consumption taxes, etc.	13,824	52,163
Advances received	668,264	680,062
Other	10,853	16,423
Total current liabilities	3,781,643	12,119,801
Noncurrent liabilities		
Long-term loans payable	57,040,633	45,776,883
Tenant leasehold and security deposits	1,754,471	1,764,447
Tenant leasehold and security deposits in trust	3,365,896	3,463,403
Asset retirement obligations	7,151	4,782
Total noncurrent liabilities	62,168,153	51,009,517
Total liabilities	65,949,796	63,129,318
Net assets		
Shareholders' equity		
Shareholders' capital	20,360,120	25,782,839
Surplus		
Capital surplus	20,566,420	20,566,420
Dividend reserve	13,558,219	13,613,797
Unappropriated retained earnings /loss	1,489,931	1,307,064
Total surplus	35,614,571	35,487,282
Total shareholders' equity	55,974,691	61,270,121
Total net assets	55,974,691	61,270,121
Total liabilities and net assets	121,924,487	124,399,440

(2) Income Statement

(Thousand yen)

	Fiscal Period Ending October 2013 (from May 1, 2013 to October 31, 2013)	Fiscal Period Ending April 2014 (from November 1, 2013 to April 30, 2014)
Operating revenue		
Rental revenue	3,942,328	4,151,072
Other rental revenue	465,120	432,086
Gain on sales of real estate	165,115	54,282
Total operating revenue	4,572,564	4,637,441
Operating expenses		
Expenses related to rent business	1,815,226	1,911,499
Asset management fee	364,251	412,529
Asset custody fee	8,769	9,315
Administrative service fees	27,676	30,401
Directors' compensation	6,300	6,300
Other operating expenses	57,058	79,485
Total operating expenses	2,279,281	2,449,531
Operating income	2,293,282	2,187,910
Non-operating income		
Interest income	879	1,009
Reversal of distribution payable	827	469
Insurance Income	—	303
Interest on tax refund	—	797
Other	65	—
Total non-operating income	1,772	2,579
Non-operating expenses		
Interest expenses	542,057	553,529
Borrowing related expenses	230,111	303,141
Share issuance expenses	32,537	26,753
Total non-operating expenses	804,706	883,425
Ordinary income	1,490,348	1,307,064
Income (losses) before income taxes	1,490,348	1,307,064
Income taxes – current	605	605
Total income taxes	605	605
Net income	1,489,743	1,306,459
Retained earnings brought forward	187	604
Unappropriated retained earnings/loss	1,489,931	1,307,064

(3) Statement of Shareholders' Equity

Fiscal Period Ending October 2013 (from May 1, 2013 to October 31, 2013)

(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	14,928,800	20,566,420	14,366,273	451,311	35,384,005	50,312,805	50,312,805
Changes during the period							
Issuance of new shares	5,431,320					5,431,320	5,431,320
Reversal of dividend reserve			(808,053)	808,053	—	—	—
Dividends from surplus				(1,259,177)	(1,259,177)	(1,259,177)	(1,259,177)
Net income				1,489,743	1,489,743	1,489,743	1,489,743
Total changes during the period	5,431,320	—	(808,053)	1,038,619	230,566	5,661,886	5,661,886
Balance at end of the period	20,360,120	20,566,420	13,558,219	1,489,931	35,614,571	55,974,691	55,974,691

Fiscal Period Ending April 2014 (from November 1, 2013 to April 30, 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	20,360,120	20,566,420	13,558,219	1,489,931	35,614,571	55,974,691	55,974,691
Changes during the period							
Issuance of new shares	5,422,719					5,422,719	5,422,719
Reversal of dividend reserve			55,577	(55,577)	—	—	—
Dividends from surplus				(1,433,748)	(1,433,748)	(1,433,748)	(1,433,748)
Net income				1,306,459	1,306,459	1,306,459	1,306,459
Total changes during the period	5,422,719	—	55,577	(182,866)	(127,289)	5,295,430	5,295,430
Balance at end of the period	25,782,839	20,566,420	13,613,797	1,307,064	35,487,282	61,270,121	61,270,121

(4) Cash Flow Statement

(Thousand yen)

	Fiscal Period Ending October 2013 (from May 1, 2013 to October 31, 2013)	Fiscal Period Ending April 2014 (from November 1, 2013 to April 30, 2014)
Cash flows from operating activities		
Income before income taxes	1,490,348	1,307,064
Depreciation and amortization	555,501	591,914
Share issuance expenses	32,537	26,753
Interest income	(879)	(1,009)
Interest expenses	542,057	553,529
Decrease (increase) in operating accounts receivable	16,412	(11,875)
Decrease (increase) in consumption taxes receivable	(94,383)	94,383
Decrease (increase) in prepaid expenses	15,727	16,344
Decrease (increase) in long-term advance charges	74,762	67,411
Decrease (increase) in deposit paid	37,351	(140,686)
Increase (decrease) in accrued consumption taxes	(48,756)	38,339
Increase (decrease) in operating accounts payable	48,558	4,175
Increase (decrease) in accounts payable – others	36,752	23,083
Increase (decrease) in advances received	78,579	25,647
Decrease by sale of property, plant, and equipment in trust	637,409	6,095,227
Amortization of security deposit	(158)	—
Other, net	(9,321)	(4,847)
Subtotal	3,412,500	8,685,457
Interest income received	879	1,009
Interest expenses paid	(545,793)	(574,190)
Income taxes paid	(605)	(605)
Net cash provided by (used in) operating activities	2,866,980	8,111,670
Cash flows from investment activities		
Purchase of property, plant, and equipment	(111,883)	(100,093)
Purchase of property, plant, and equipment in trust	(8,856,491)	(3,946,343)
Purchase of intangible assets in trust	—	(4,494,579)
Increase in tenant leasehold and security deposits	84,271	50,054
Decrease in tenant leasehold and security deposits	(105,068)	(40,213)
Increase in tenant leasehold and security deposits in trust	529,569	469,301
Decrease in tenant leasehold and security deposits in trust	(219,608)	(385,293)
Net cash provided by (used in) investment activities	(8,679,210)	(8,447,167)
Cash flows from financing activities		
Increase in long-term loans payable	3,700,000	6,000,000
Decrease in long-term loans payable	(638,866)	(9,109,250)
Proceeds from issuance of shares	5,398,782	5,395,966
Dividends paid	(1,256,698)	(1,432,689)
Net cash provided by (used in) financing activities	7,203,217	854,027
Net increase (decrease) in cash and cash equivalents	1,390,987	518,529
Cash and cash equivalents at beginning of the period	8,285,745	9,676,732
Cash and cash equivalents at end of the period	9,676,732	10,195,262