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# Earnings and Dividend Forecast Revisions for the June 2017 and June 2018 Fiscal Periods

Ichigo Green is revising its earnings and dividend forecasts for the June 2017 and June 2018 fiscal periods announced in the December 1, 2016 release "Earnings and Dividend Forecasts for the June 2017 and June 2018 Fiscal Periods."

I. June 2017 Earnings and Dividend Forecast Revision
(7 months from December 1, 2016 through June 30, 2017)

| | Operating Revenue (million yen) | Operating Profit (million yen) | Recurring Profit (million yen) | Net Income (million yen) | Dividend per Share excluding Dividend in Excess of Earnings per Share (yen) | Dividend in Excess of Earnings per Share (yen) | Dividend per Share (yen) |
|---|---|---|---|---|---|---|---|
| Previous Announced Forecast (A) | 545 | 110 | 43 | 40 | 673 | 2,547 | 3,220 |
| Current Amended Forecast (B) | 545 | 111 | 48 | 45 | 791 | 2,626 | 3,417 |
| Difference (B) - (A) | – | +1 | +5 | +5 | +118 | +79 | +197 |
| % Change | – | +0.6% | +11.4% | +12.1% | +17.5% | +3.1% | +6.1% |
| Reference: September 2016 Actual[1] | – | -3 | -6 | -4 | – | – | – |

(Reference) Forecast number of shares outstanding and EPS: 51,483 shares, JPY 884

[1] While Ichigo Green's fiscal period normally is from July to June, its first period ran from June 24, 2016 to September 30, 2016. Its second period runs from October 1, 2016 to June 30, 2017. Ichigo Green's actual operating timeframe during the second period is from December 1, 2016, the day of the asset acquisitions, to June 30, 2017.

II. June 2018 Half-Term Earnings and Dividend Forecast Revision
(6 months from July 1, 2017 through December 31, 2017)

| | Operating Revenue (million yen) | Operating Profit (million yen) | Recurring Profit (million yen) | Net Income (million yen) | Dividend per Share excluding Dividend in Excess of Earnings per Share (yen) | Dividend in Excess of Earnings per Share (yen) | Dividend per Share (yen) |
|---|---|---|---|---|---|---|---|
| Previous Announced Forecast (A) | 472 | 81 | 28 | 27 | – | – | – |
| Current Amended Forecast (B) | 472 | 82 | 31 | 30 | – | – | – |
| Difference (B) - (A) | – | +1 | +3 | +3 | – | – | – |
| % Change | – | +0.5% | +9.9% | +10.1% | – | – | – |

(Reference) Forecast number of shares outstanding and EPS: 51,483 shares, JPY 596

III. June 2018 Full-Term Earnings and Dividend Forecast Revision
(12 months from July 1, 2017 through June 30, 2018)

| | Operating Revenue (million yen) | Operating Profit (million yen) | Recurring Profit (million yen) | Net Income (million yen) | Dividend per Share excluding Dividend in Excess of Earnings per Share (yen) | Dividend in Excess of Earnings per Share (yen) | Dividend per Share (yen) |
|---|---|---|---|---|---|---|---|
| Previous Announced Forecast (A) | 963 | 181 | 76 | 75 | 1,428 | 4,366 | 5,794 |
| Current Amended Forecast (B) | 963 | 182 | 82 | 81 | 1,589 | 4,502 | 6,091 |
| Difference (B) - (A) | – | +1 | +6 | +6 | +161 | +136 | +297 |
| % Change | – | +0.5% | +7.6% | +7.7% | +11.3% | +3.1% | +5.1% |

(Reference) Forecast number of shares outstanding and EPS: 51,483 shares, JPY 1,589

Notes:

Ichigo Green has an annual fiscal period running from July to June. Because there is no regulatory framework in Japan for Investment Corporations to pay dividends at half-term, Ichigo Green therefore pays an annual dividend once a year. The annual dividend results both in lower administrative costs and a dividend that is not impacted by seasonal changes in solar power generation (as a semi-annual dividend would be).

The forecasts presented above for the June 2017 and June 2018 fiscal periods are based on certain preconditions set out below in "Preconditions for the June 2017, December 2017, and June 2018 Earnings Forecasts." The preconditions are subject to change due to such factors as future acquisitions and dispositions of renewable energy power plants, changes in the Tokyo Stock Exchange ("TSE") Infrastructure Fund market, fluctuations in interest rates, the issuance of additional shares, and changes in other factors related to Ichigo Green. The actual operating revenue, operating profit, recurring profit, net income, dividend per share (excluding the dividend in excess of earnings per share), dividend in excess of earnings per share, and dividend per share (including dividend in excess of earnings per share) may vary due to changes in circumstances. These forecasts should not be construed as a guarantee of such performance or results.

For the June 2017 fiscal period, JPY 40 million of unappropriated retained earnings, which is this period's net profit minus JPY 4 million of loss brought forward from the previous period, will be paid as a dividend.

Ichigo Green will make a forecast revision should there be a substantial discrepancy between the forecast and actual operating results.

## IV. Earnings and Dividend Forecast Revision Rationale

Ichigo Green is raising its forecasts due to lower-than-forecast expenses related to Ichigo Green's establishment, new share issuance, and TSE listing and the confirmation of the number of shares issued as part of the IPO's underwriter third-party allotment (Greenshoe). Ichigo Green's forecast dividend per share will thus increase by >5%.

Preconditions for the June 2017, December 2017, and June 2018 Earnings Forecasts

| Item | Preconditions |
| --- | --- |
| Period | June 2017 (Second Period): October 1, 2016 – June 30, 2017 (273 days)<br>December 2017 (Third Period Half-Term): July 1, 2017 – December 31, 2017 (184 days)<br>June 2018 (Third Period Full-Term): July 1, 2017 – June 30, 2018 (365 days) |
| Portfolio Assets | • 13 assets. The forecast assumes there will be no additional acquisitions or sales before the end of June 2018.<br>• The total number of portfolio assets may change due to acquisitions or sales. |
| Number of Shares | • 51,483 shares issued and outstanding as of today.<br>• The forecast assumes there will be no additional new issuance before the end of June 2018. |
| Operating Revenue | • Power production revenue is based on the annual P50 power production forecast of operating power plants.<br>• Specifically, power production revenue is calculated by adding base revenue (electricity sales revenue based on annual P85 production forecast minus operation and management expenses) to actual power production revenue (electricity sales revenue based on the annual P50 production forecast minus operation and management expenses as well as base revenue.) Power production revenue assumes that there is no suspension of renewable energy supply without compensation through June 2018.<br>• P85 is a third-party, 85% probability mean annual production forecast. P85-based electricity sales revenue is the assumed electricity sales revenue calculated by multiplying annual P85 production forecast by the feed-in tariff (FIT) for each plant.<br>• Renewable energy plant operation and maintenance expenses (including fees paid to maintenance service providers and repair costs) are hereinafter defined as the total of operator fees, rent paid, insurance premiums, management costs (including administration and tax fees), property, city planning, and consumption taxes, and other expenses related to the power generation business, renewable energy plants, land, or management. Maintenance expenses are as estimated by Ichigo Investment Advisors ("IIA"), the asset management company of Ichigo Green, based on third party reports. However, actual expenses for the period could differ significantly from these forecast amounts for reasons including the variability of maintenance and repair expenses, one-time costs due to unexpected maintenance needs, etc.<br>• Actual production is calculated by multiplying the annual P50 production forecast by the feed-in tariff (FIT) for each plant. P50 is a third-party, 50% probability mean annual production forecast that serves as the base forecast for each solar power plant's operating plan.<br>• Operating Revenue is based on the power production revenue of the portfolio assets, and does not assume the sale of the portfolio assets.<br>• Operating Revenue assumes that Ichigo Green fully receives its contractual power production revenues. |

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| Operating Expenses | • As explained above, operation and management expenses of solar power plants are deducted from the leaseholder's power production revenue, and therefore are not part of Ichigo Green's operating expenses.<br>• Property and city planning taxes and other operating expenses, excluding depreciation, are calculated based on historical data and information provided by the previous power plant owner(s), adjusted for anticipated expense variations.<br>• Depreciation is calculated based on acquisition price including incidental costs using the straight-line method. Depreciation of JPY 338 million has been anticipated for the June 2017 fiscal period, JPY 289 million for the December 2017 (half-term) fiscal period, and JPY 579 million for the June 2018 fiscal period.<br>• While property and city planning taxes with respect to the acquisition and sale of renewable energy plants are, in general, pro-rated between the previous owner and the buyer based on period of ownership and settled at the time of acquisition, Ichigo Green will include such estimated taxes in its acquisition cost and will therefore not recognize them as operating expenses for calendar year 2016. Owners of renewable energy plants are generally charged a 1.4% property (depreciable asset tax) tax rate on the assessment value of their plants. However, for certain approved renewable energy plants newly acquired before March 31, 2016, the assessment value used in calculating such property tax is reduced to two-thirds for three periods following acquisition. Because this reduction in assessment value applies to the Acquired Assets, the property tax is reduced by JPY 21 million for the June 2017 fiscal year and JPY 25 million for the June 2018 fiscal year. The anticipated amounts of property and city planning tax for the power plants are JPY 51 million for the June 2017 fiscal period, JPY 51 million for the December 2017 (half-term) fiscal period, and JPY 115 million for the June 2018 fiscal period. |
| Non-Operating Expenses | • Expenses related to the new share issuance and TSE listing, offering-related expenses, and expenses related to the establishment of Ichigo Green of JPY 129 million in total are anticipated for the June 2017 fiscal period. Ichigo Green plans to amortize the expenses associated with the new share issuance and listing of the shares for 36 months, and the expenses for the establishment of Ichigo Green for 60 months using the straight-line method. Ichigo Green anticipates such expenses of JPY 22 million in the June 2017 fiscal period, JPY 17 million in the December 2017 (half-term) fiscal period, and JPY 34 million in the June 2018 fiscal period.<br>• Interest expenses and other borrowing-related expenses of JPY 40 million are anticipated for the June 2017 fiscal period, JPY 32 million for the December 2017 (half-term) fiscal period, and JPY 63 million for the June 2018 fiscal period. |
| Borrowings | • Figures are based on the outstanding borrowings of JPY 6,952 million as of January 30, 2017. The forecast assumes the repayment of consumption tax loan (loan amount: JPY 760 million) will be made in full on November 30, 2017.<br>• Loan to value ("LTV") as of the end of the June 2017 fiscal period is 57.7%.<br>• LTV is calculated with the following formula:<br>LTV = Total sum of interest-bearing debt / total assets * 100 |
| Dividend per Share (Excluding Dividend in Excess of Earnings per Share) | • Dividend per share is based on the assumption that the distribution will comply with the dividend distribution policy stipulated in Ichigo Green's Articles of Incorporation.<br>• The dividend per share amount is subject to change due to factors such as leaseholder turnover, fluctuations in rental income due to changes in the content of lease contracts, and unexpected maintenance and repair costs and other expenses. |

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| Dividend in Excess of Earnings per Share | • Ichigo Green calculates Dividend in Excess of Earnings per Share based on its Articles of Incorporation and dividend policy set forth in IIA's internal Operating Guidelines.<br>• In principle, it is Ichigo Green's policy to pay a cash dividend in excess of earnings, up to a maximum of 40% of the depreciation amount for each period and to the extent it will not adversely affect Ichigo Green's financial standing. The policy assumes a) such dividend shall not affect its long-term maintenance policy, taking into consideration planned capital expenditure for each period, and b) a certain amount of retained cash is necessary to cover items such as acquisition of new assets, maintenance of existing assets, working capital needs, and loan repayments.<br>• Calculated as roughly 40% of depreciation for both the June 2017 and June 2018 periods. For the June 2017 period Ichigo Green expects cash in excess of earnings to be JPY 135 million compared to depreciation of JPY 338 million, and a dividend in excess of earnings per share of JPY 2,626. For the June 2018 period Ichigo Green expects cash in excess of earnings to be JPY 231 million compared to depreciation of JPY 579 million, and a dividend in excess of earnings per share of JPY 4,502.<br>• Regardless of the above, for the September 2016 fiscal period Ichigo Green did not distribute cash in excess of earnings because it did not yet operate the portfolio assets. Starting with the June 2017 fiscal period, it is possible that Ichigo Green will not distribute cash in excess of earnings or pay a larger/smaller amount than what is described above, although within the range set forth in the rules of the Investment Trusts Association, Japan, in consideration of the possibility of deploying such cash towards capital expenditure, loan repayment, acquisition of new assets, and share buybacks, and also in consideration of the economic environment, renewable energy market trends, and the financial condition of Ichigo Green.<br>• Because a dividend in excess of earnings will decrease cash-on-hand, it may result in a possible shortage of cash when there is a sudden and unexpected need for capital expenditure, or may limit flexibility in financing asset acquisitions. Any dividend in excess of earnings will be deducted from paid-in capital or any retained earnings. |
| Other | • Performance forecasts are based on the assumption that no material revisions will be made to laws and ordinances, the tax system, accounting standards, listing rules of the TSE, and rules of the Investment Trusts Association, Japan, etc.<br>• Performance forecasts are also based on the assumption that there will be no unexpected material change in general economic trends and real estate market conditions, etc. |