



Ichigo

TSE 1st Section

2337

Industry: Real estate, Renewable energy

MITA SECURITIES Co., Ltd.

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Earnings forecast update. Near-term focal points are property sales and share buybacks

Forecast change

Maintain our target price of 450 yen. Reiterate Buy

We updated our earnings forecast for Ichigo (2337, the company) and maintained our target price at 450 yen. We reiterate our Buy rating. In the short term, we expect Ichigo to make progress on property sales and resume share buybacks. In the medium to long term, the company's recognition as a "sustainable infrastructure company" should enhance its evaluation in the stock market, in our view.

Rating

Buy

Target price (JPY)	450
Stock price (JPY) (Mar 28)	329
Market cap (JPYbn)	166.3

Overview of Ichigo's businesses

Ichigo is a "sustainable infrastructure company" that promotes businesses centered on the effective use of real estate and energy creation. Its core businesses are: 1) the sustainable real estate business, which creates new value in existing real estate; 2) the asset management business; and 3) the clean energy business.

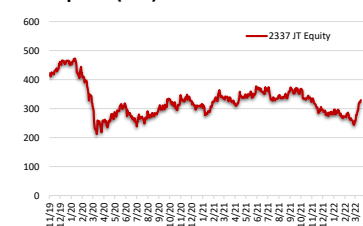
Key changes

Rating	No
Target price	No
Earnings forecast	Yes

3Q results and property sales from 4Q onward

Net profit for 1-3Q (Mar-Nov) FY2/22 was 2.0bn yen (-53.8% YoY), progressing 25-39% toward the full-year company guidance of 5-8bn yen. Cash earnings were 13.6bn yen (51-61% vs. full-year guidance), including 11.3bn yen in stock earnings (78% vs. full-year guidance) and 2.3bn yen in flow earnings (19-30% vs. full-year guidance). The low progress in flow earnings was due to sluggish sales of properties up to 3Q.

Stock price (JPY)



Source: Bloomberg Finance LP

However, property sales have accelerated since 4Q (Dec-Feb). On January 25, the company announced the sale of 16 residential properties held by Ichigo Owners (approximately 1.7bn yen impact on NP), and on January 27, it announced the sale of 4 office buildings located in Chiyoda-ku, Tokyo and Hakata-ku, Fukuoka City (approximately 2.3bn yen impact on NP). We expect the company to record at least approximately 4bn yen in NP in 4Q as a result of these property sales. In addition, the company announced on January 31 that it plans to sell one commercial building in Ginza in March. The company said that the sale of the property will have an impact of over 6bn yen on sales.

Earnings

		2/20	2/21	2/22E	2/23E	2/24E
Sales	JPYbn	87.4	61.4	73.6	75.8	79.9
OP	JPYbn	27.7	9.7	12.4	12.9	14.3
RP	JPYbn	24.4	7.2	9.7	10.3	11.5
NP	JPYbn	8.2	5.0	6.6	8.0	10.2
EPS	JPY	17.0	10.6	14.1	17.4	22.5
BPS	JPY	208	210	215	223	236
DPS	JPY	7.0	7.0	7.0	7.0	8.0
PER	x	19.3	32.8	23.4	18.9	14.6
PBR	x	1.6	1.7	1.5	1.5	1.4
Div. yield	%	2.1	2.0	2.1	2.1	2.4
ROA	%	2.5	1.5	1.9	2.2	2.8
ROE	%	8.2	5.0	6.6	7.9	9.7

Source: Company data, Mita Securities

Mita Securities' earnings forecast update

We changed our NP forecasts from 6.0bn yen to 6.6bn yen for FY2/22, 7.4bn yen to 8.0bn for FY2/23, and 9.8bn yen to 10.2bn yen for FY2/24. We also expect a revival of share buybacks (about 3bn yen per year), given the progress in property sales.

Company profile

Ichigo focuses on 1) the sustainable real estate business, which creates new value in existing real estate, 2) the asset management business, which manages real estate for REITs and infrastructure funds, and 3) the clean energy business, which includes solar and wind power generation. As of the end of 3Q FY2/22, it owned 268.8bn yen of real estate, 306.4bn yen of assets under management, and 133MW of power generation output.

Valuations and risk factors

In calculating our target price, we used a residual income model (RIM) with a cost of equity of 7.0% (unchanged) and a terminal growth rate of 0.3% (unchanged), based on our earnings forecasts for FY2/22-FY2/27 (updated due to progress of the term). Our target price is equivalent to 20.0x our FY2/24 EPS forecast of 22.55 yen.

Risk factors to our view include unexpected stagnation in property acquisitions and sales, significant delays in the recovery of the hotel market, deterioration of the small and medium office market, and a shift to a conservative shareholder return policy.

Investment thesis

Outlook

Figure: Summary of Mita Securities' earnings forecast (consolidated)

JPYm	2/20	2/21	2/22	2/23	2/24	2/25	2/26	2/27	2/22	2/22	2/23	2/24	
	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	CoE	Consensus	Consensus	Consensus	
Earnings													
Sales	87,360	61,368	73,573	75,847	79,938	86,536	95,088	99,327		63,638	76,063	88,938	
(YoY, %)	4.6	-29.8	19.9	3.1	5.4	8.3	9.9	4.5					
Gross profit	34,509	15,591	18,334	19,084	20,594	22,567	25,557	28,206					
(YoY, %)	7.4	-54.8	17.6	4.1	7.9	9.6	13.3	10.4					
Operating profit	27,721	9,668	12,359	12,935	14,266	16,044	18,895	21,455	9,100	~ 12,000	10,850	15,338	18,688
(YoY, %)	5.5	-65.1	27.8	4.7	10.3	12.5	17.8	13.5					
OPM (%)	31.7	15.8	16.8	17.1	17.8	18.5	19.9	21.6					
Recurring profit	24,395	7,179	9,733	10,252	11,544	13,240	16,026	18,531	6,000	~ 8,900	7,825	12,288	15,563
(YoY, %)	5.7	-70.6	35.6	5.3	12.6	14.7	21.0	15.6					
Net profit	8,201	5,027	6,586	7,984	10,165	12,353	15,137	16,796	5,000	~ 8,000	6,483	8,963	10,638
(YoY, %)	-46.7	-38.7	31.0	21.2	27.3	21.5	22.5	11.0					
Cash earnings	37,016	20,915	23,396	26,169	29,928	33,639	38,048	40,697	22,132	~ 26,551			
Stock earnings	18,450	15,065	14,561	15,619	16,708	18,299	20,548	22,902	14,405	~ 14,405			
Flow earnings	18,567	5,850	8,835	10,550	13,220	15,340	17,500	17,795	7,727	~ 12,146			
Segment earnings													
Asset management													
Sales	3,048	1,935	2,022	2,024	2,127	2,295	2,464	2,592					
(YoY, %)	24.9	-36.5	4.5	0.1	5.1	7.9	7.4	5.2					
Operating profit	2,526	1,403	1,452	1,454	1,557	1,715	1,884	2,012	1,300				
OPM (%)	82.9	72.5	71.8	71.8	73.2	74.7	76.5	77.6					
Sustainable real estate													
Sales	80,516	54,778	66,267	67,962	71,303	77,060	85,349	89,520					
(YoY, %)	4.0	-32.0	21.0	2.6	4.9	8.1	10.8	4.9					
Operating profit	23,971	6,528	8,777	9,082	10,008	11,313	13,981	16,478	5,700	~ 8,600			
OPM (%)	29.8	11.9	13.2	13.4	14.0	14.7	16.4	18.4					
Gains on sale of fixed assets	0	720	40	2,000	4,000	5,600	7,000	7,000					
Impairment losses on real estate for sale	7,487	0	10	0	0	0	0	0					
Clean energy													
Sales	3,796	4,654	5,284	5,861	6,509	7,181	7,275	7,215					
(YoY, %)	4.1	22.6	13.5	10.9	11.1	10.3	1.3	-0.8					
Operating profit	1,272	1,834	2,140	2,409	2,712	3,026	3,041	2,975	2,100				
OPM (%)	33.5	39.4	40.5	41.1	41.7	42.1	41.8	41.2					
Per share indicators													
EPS (JPY)	17.02	10.65	14.07	17.38	22.55	27.94	34.91	39.51	10.69	~ 17.10	13.85	19.15	22.73
BPS (JPY)	208.49	209.81	215.49	223.23	236.24	253.81	277.64	305.50					
DPS (JPY)	7.00	7.00	7.00	7.00	8.00	9.00	10.00	11.00	7.00				
Valuation, profitability, etc.													
PER (x)	19.3	32.8	23.4	18.9	14.6	11.8	9.4	8.3					
PBR (x)	1.6	1.7	1.5	1.5	1.4	1.3	1.2	1.1					
Dividend payout ratio (%)	41.1	65.7	49.7	40.3	35.5	32.2	28.6	27.8					
Dividend yield (%)	2.1	2.0	2.1	2.1	2.4	2.7	3.0	3.3					
ROA (%)	2.5	1.5	1.9	2.2	2.8	3.3	3.9	4.1					
ROE (%)	8.2	5.0	6.6	7.9	9.7	11.3	13.0	13.4					
Financial soundness indicators													
Capital ratio (%)	30.1	28.5	28.6	28.7	28.9	29.2	30.0	30.9					
Debt/Equity (x)	2.1	2.2	2.3	2.2	2.2	2.2	2.1	2.0					

Source: Company data, QUICK data, Mita Securities

Note: Consensus forecasts are by QUICK consensus

Figure: Mita Securities' earnings forecast change (consolidated)

JPYm	2/22		2/22	2/22	2/23	2/23	2/24	8/24
	CoE (lower end)	CoE (upper end)	Old Mita E	New Mita E	Old Mita E	New Mita E	Old Mita E	New Mita E
Operating profit	9,100	12,000	9,495	12,359	10,986	12,935	12,840	14,266
Recurring profit	6,000	8,900	6,503	9,733	7,956	10,252	9,647	11,544
Net profit	5,000	8,000	6,000	6,586	7,409	7,984	9,832	10,165
EPS (JPY)	10.69	17.10	12.94	14.07	16.28	17.38	22.03	22.55

Source: Company data, Mita Securities

Valuations

Valuations based on residual income model (RIM)

Figure: Residual Income Model (RIM)

	Y0	Y1	Y2	Y3	Y4	Y5	Y6~
	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E
JPYbn	2/22	2/23	2/24	2/25	2/26	2/27	2/28
Shareholders' equity (EOP)	100.8	102.5	106.5	112.2	120.4	129.9	
Net profit		8.0	10.2	12.4	15.1	16.8	
Cost of equity		7.1	7.2	7.5	7.9	8.4	
Residual income		0.9	3.0	4.9	7.3	8.4	
PV of residual income		0.9	2.6	4.0	5.6	6.0	
PV of terminal value							89.3
Beta	1.30						Total equity value 209.1
Risk free rate (%)	0.50						Number of shares O/S (m) 468
Risk premium (%)	5.00						Target share price 450
Cost of equity (%)	7.00						
Terminal growth rate (%)	0.30						

Source: Company data, Mita Securities

Figure: Sensitivity of target price to terminal growth rate

Terminal growth rate (%)	0.0	0.1	0.2	0.3	0.4	0.5	0.6	0.7	0.8	0.9	1.0
Target price	440	440	440	450	450	450	460	460	460	470	470

Source: Mita Securities

Comparison of valuations with peers (reference)

Figure: Comparison of valuations for real estate companies

Company name	Ticker	PX	Mkt cap	Net D/E	Sales YoY	EBITDA Mgn	ROE	ROE	ROE	PER	PER	PER	PBR	EV/EBITDA	EV/Sales	Div yield	1M	3M	1YR
		3/28	JPYbn	Last	LTM	LTM	LTM	Cur E	Nxt E	LTM	Cur E	Nxt E	Last	Cur E	Cur E	Cur E	Chg	Chg	Chg
ICHIGO INC	2337	329	166.3	NA	-30.3	NA	2.8	6.4	7.8	56.7	23.4	17.5	1.6	22.6	5.7	2.1	23.2	15.0	-2.1
HULIC CO LTD	3003	1,108	850.8	1.9	31.6	29.6	12.4	11.6	11.6	11.1	11.0	10.3	1.3	14.5	4.4	3.7	5.8	3.5	-17.8
RAYSUM CO LTD	8890	974	44.9	0.6	16.6	17.1	10.4	NA	NA	7.0	NA	NA	0.7	NA	NA	NA	20.5	43.2	0.0
TAKARA LEBEN CO LTD	8897	307	37.1	1.5	0.2	7.7	9.5	NA	NA	6.5	NA	NA	0.6	NA	NA	NA	-2.2	7.3	-21.5
TOSEI CORP	8923	1,185	57.7	1.2	-3.5	20.2	10.8	11.0	NA	8.3	7.0	6.2	0.9	NA	1.8	4.0	9.0	16.6	2.7
SUN FRONTIER FUDOUSAN CO LTD	8934	1,086	52.9	0.4	15.0	19.2	11.2	11.4	12.4	6.8	6.8	5.8	0.7	NA	0.9	4.1	1.1	8.1	4.7
LAND BUSINESS CO LTD	8944	251	6.7	1.2	1.1	42.5	1.6	NA	NA	17.5	NA	NA	0.3	NA	NA	NA	3.3	-9.1	-39.1
Average				1.1	4.4	22.7	8.4	10.1	10.6	16.3	12.1	9.9	0.9	18.5	3.2	3.5	8.7	12.1	-10.4
Median				1.2	1.1	19.7	10.4	11.2	11.6	8.3	9.0	8.2	0.7	18.5	3.1	3.8	5.8	8.1	-2.1

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

Figure: Comparison of valuations for renewable energy companies

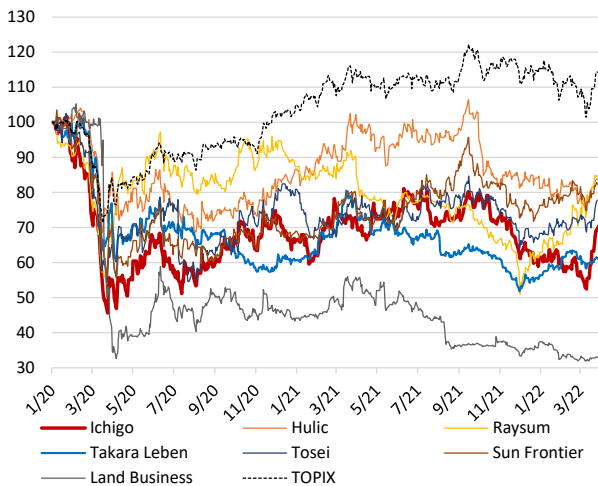
Company name	Ticker	PX	Mkt cap	Net D/E	Sales YoY	EBITDA Mgn	ROE	ROE	ROE	PER	PER	PER	PBR	EV/EBITDA	EV/Sales	Div yield	1M	3M	1YR
		3/28	JPYbn	Last	LTM	LTM	LTM	Cur E	Nxt E	LTM	Cur E	Nxt E	Last	Cur E	Cur E	Cur E	Chg	Chg	Chg
WEST HOLDINGS CORP	1407	4,905	225.8	0.8	14.0	14.9	26.1	25.8	30.0	35.1	27.8	20.6	8.5	18.3	2.8	1.1	14.6	-15.0	50.0
JAPAN INVESTMENT ADVISER CO	7172	1,234	37.9	1.0	-20.3	32.2	7.3	NA	NA	12.7	NA	NA	0.9	NA	NA	NA	6.6	-5.1	-18.0
EF-ON INC	9514	566	12.2	1.2	-2.4	26.8	7.0	5.9	NA	10.5	11.6	8.7	0.7	NA	2.6	1.4	2.9	-7.8	-47.4
EREX CO LTD	9517	1,688	100.0	0.3	118.2	9.2	22.3	16.8	15.8	9.7	13.1	12.7	1.9	8.4	0.8	1.1	-8.9	-18.2	-10.0
RENOVA INC	9519	1,621	127.8	5.7	14.9	73.4	47.8	5.2	8.1	12.9	704.2	63.4	4.3	28.2	10.6	0.0	13.9	-21.5	-53.5
Average				1.8	24.9	31.3	22.1	13.4	18.0	16.2	189.2	26.3	3.3	18.3	4.2	0.9	5.8	-13.5	-15.8
Median				1.0	14.0	26.8	22.3	11.4	15.8	12.7	20.4	16.6	1.9	18.3	2.7	1.1	6.6	-15.0	-18.0

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

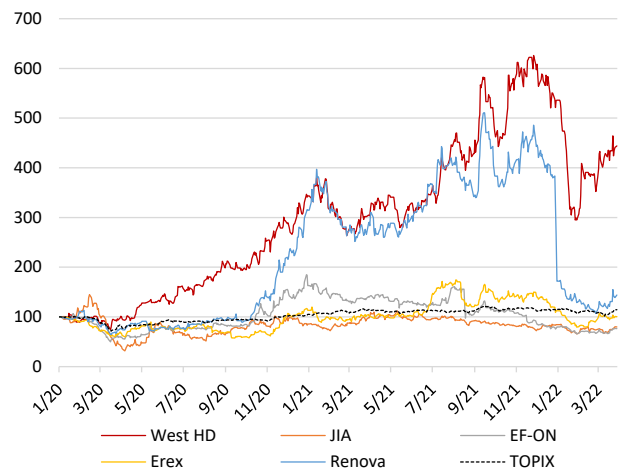
Comparison of stock price trends (reference)

Figure: Stock price trends for real estate companies



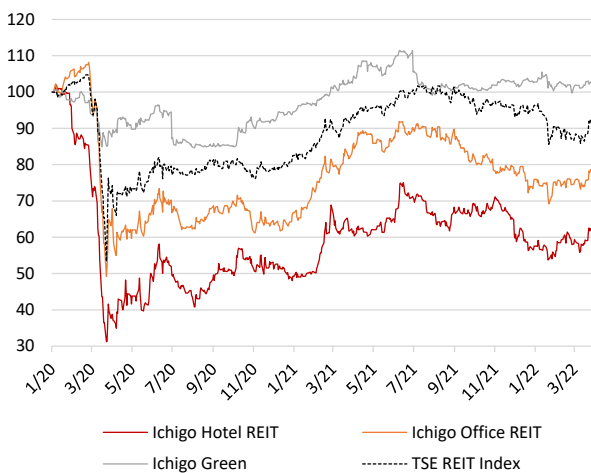
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends for renewable energy companies



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends for REITs and infrastructure funds



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Risk factors

Risk factors to our view include unexpected stagnation in property acquisitions and sales, significant delays in the recovery of the hotel market, deterioration of the small and medium office market, and a shift to a conservative shareholder return policy.

Mita Securities' earnings forecast

Figure: Mita Securities' earnings forecast (consolidated, various indicators)

Various indicators	2/19	2/20	2/21	2/22	2/23	2/24	2/25	2/26	2/27	5-yr growth rate (CAGR, %)
	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	
Sales growth (%)	44.4	4.6	-29.8	19.9	3.1	5.4	8.3	9.9	4.5	
Cash earnings growth (%)	20.8	9.6	-43.5	11.9	11.9	14.4	12.4	13.1	7.0	
Stock earnings growth (%)	23.7	-0.2	-18.3	-3.3	7.3	7.0	9.5	12.3	11.5	
Flow earnings growth (%)	17.3	21.6	-68.5	51.0	19.4	25.3	16.0	14.1	1.7	
OP growth (%)	19.9	5.5	-65.1	27.8	4.7	10.3	12.5	17.8	13.5	
RP growth (%)	20.3	5.7	-70.6	35.6	5.3	12.6	14.7	21.0	15.6	
NP growth (%)	9.7	-46.7	-38.7	31.0	21.2	27.3	21.5	22.5	11.0	
GPM (%)	38.5	39.5	25.4	24.9	25.2	25.8	26.1	26.9	28.4	
OPM (%)	31.5	31.7	15.8	16.8	17.1	17.8	18.5	19.9	21.6	
EBITDA Margin (%)	32.7	33.8	24.7	23.7	26.4	29.5	31.3	33.0	34.2	
ROA (%)	5.0	2.5	1.5	1.9	2.2	2.8	3.3	3.9	4.1	
ROE (%)	16.3	8.2	5.0	6.6	7.9	9.7	11.3	13.0	13.4	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, PL, JPYm)

PL Consolidated, JPYm	2/19	2/20	2/21	2/22	2/23	2/24	2/25	2/26	2/27	5-yr growth rate (CAGR, %)
	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	
Sales	83,540	87,360	61,368	73,573	75,847	79,938	86,536	95,088	99,327	6.2
CGS	51,413	52,851	45,776	55,239	56,763	59,344	63,969	69,530	71,121	
Gross profit	32,126	34,509	15,591	18,334	19,084	20,594	22,567	25,557	28,206	9.0
SGA	5,847	6,787	5,923	5,975	6,149	6,328	6,523	6,662	6,751	
Operating profit	26,279	27,721	9,668	12,359	12,935	14,266	16,044	18,895	21,455	11.7
Non-operating income	147	150	417	300	300	300	300	300	300	
Non-operating expenses	3,350	3,476	2,906	2,926	2,983	3,022	3,104	3,169	3,224	
Recurring profit	23,076	24,395	7,179	9,733	10,252	11,544	13,240	16,026	18,531	13.7
Extraordinary gains	2	215	720	40	2,000	4,000	5,600	7,000	7,000	
Extraordinary losses	0	8,065	288	10	0	0	0	0	0	
Pre-tax profit	23,079	16,545	7,610	9,763	12,252	15,544	18,840	23,026	25,531	21.2
Corporate taxes	7,333	7,406	2,564	2,978	4,043	5,130	6,217	7,599	8,425	
Net profit attributable to minorities	373	938	18	200	225	250	270	290	310	
Net profit	15,373	8,201	5,027	6,586	7,984	10,165	12,353	15,137	16,796	20.6
Cash earnings	33,759	37,016	20,915	23,396	26,169	29,928	33,639	38,048	40,697	11.7
Stock earnings	18,485	18,450	15,065	14,561	15,619	16,708	18,299	20,548	22,902	9.5
Flow earnings	15,273	18,567	5,850	8,835	10,550	13,220	15,340	17,500	17,795	15.0
EBITDA	27,354	29,492	15,155	17,421	20,021	23,600	27,116	31,386	33,946	14.3
Shares Outstanding (m)	489	482	472	468	459	451	442	434	425	
EPS	31.47	17.02	10.65	14.07	17.38	22.55	27.94	34.91	39.51	22.9
BPS	202.14	208.49	209.81	215.49	223.23	236.24	253.81	277.64	305.50	7.2
DPS	7.00	7.00	7.00	7.00	7.00	8.00	9.00	10.00	11.00	9.5
Payout ratio (%)	22.2	41.1	65.7	49.7	40.3	35.5	32.2	28.6	27.8	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (segment earnings, JPYm)

Segment earnings JPYm	2/19 A	2/20 A	2/21 A	2/22 Mita E	2/23 Mita E	2/24 Mita E	2/25 Mita E	2/26 Mita E	2/27 Mita E	5-yr growth rate (CAGR, %)
Asset management										
Sales	2,440	3,048	1,935	2,022	2,024	2,127	2,295	2,464	2,592	5.1
(YoY, %)	0.3	24.9	-36.5	4.5	0.1	5.1	7.9	7.4	5.2	
Gross profit	2,393	3,046	1,934	2,022	2,024	2,127	2,295	2,464	2,592	5.1
(YoY, %)	-1.4	27.3	-36.5	4.5	0.1	5.1	7.9	7.4	5.2	
Operating profit	2,195	2,526	1,403	1,452	1,454	1,557	1,715	1,884	2,012	6.7
(YoY, %)	7.4	15.1	-44.5	3.5	0.2	7.0	10.2	9.9	6.8	
OPM (%)	90.0	82.9	72.5	71.8	71.8	73.2	74.7	76.5	77.6	
AUM (EOP)	285,800	302,400	306,400	306,400	307,000	307,000	320,000	320,000	320,000	0.9
Substainable real estate										
Sales	77,450	80,516	54,778	66,267	67,962	71,303	77,060	85,349	89,520	6.2
(YoY, %)	49.3	4.0	-32.0	21.0	2.6	4.9	8.1	10.8	4.9	
Rental income	18,757	19,915	24,107	23,367	22,962	23,303	24,060	25,349	26,520	
Asset sales (real estate for sale)	58,693	60,601	30,671	42,900	45,000	48,000	53,000	60,000	63,000	
Gross profit	27,761	29,521	11,248	13,591	14,041	15,115	16,574	19,347	21,898	10.0
(YoY, %)	19.8	6.3	-61.9	20.8	3.3	7.7	9.6	16.7	13.2	
Rental income	12,867	11,940	6,219	4,796	5,491	5,955	6,914	8,947	11,183	
Asset sales (real estate for sale)	15,005	17,220	5,038	8,795	8,550	9,120	9,540	10,200	10,395	
Operating profit	22,669	23,971	6,528	8,777	9,082	10,008	11,313	13,981	16,478	13.4
(YoY, %)	19.3	5.7	-72.8	34.4	3.5	10.2	13.0	23.6	17.9	
OPM (%)	29.3	29.8	11.9	13.2	13.4	14.0	14.7	16.4	18.4	
Extraordinary gains/losses										
Gains on sale of fixed assets	0	0	720	40	2,000	4,000	5,600	7,000	7,000	
Impairment losses on real estate for sale	0	7,487	0	10	0	0	0	0	0	
Ichigo-owned real estate (EOP)	219,427	242,321	245,136	246,809	252,359	265,479	287,619	308,819	330,214	6.0
Clean energy										
Sales	3,648	3,796	4,654	5,284	5,861	6,509	7,181	7,275	7,215	6.4
(YoY, %)	6.5	4.1	22.6	13.5	10.9	11.1	10.3	1.3	-0.8	
Gross profit	1,928	1,940	2,409	2,721	3,018	3,352	3,698	3,747	3,716	6.4
(YoY, %)	37.3	0.6	24.2	13.0	10.9	11.1	10.3	1.3	-0.8	
Operating profit	1,364	1,272	1,834	2,140	2,409	2,712	3,026	3,041	2,975	6.8
(YoY, %)	37.3	0.6	24.2	13.0	10.9	11.1	10.3	1.3	-0.8	
OPM (%)	37.4	33.5	39.4	40.5	41.1	41.7	42.1	41.8	41.2	
Power generation capacity (MW, EOP)	83.6	106.9	120.6	139.7	149.7	175.7	183.4	185.0	185.0	5.8

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, BS, JPYm)

BS	2/19	2/20	2/21	2/22	2/23	2/24	2/25	2/26	2/27	5-yr growth rate
Consolidated, JPYm	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	(CAGR, %)
Total current assets	217,987	117,608	120,771	131,525	145,439	169,090	188,234	210,871	237,810	
Cash and deposits	50,225	41,067	50,832	60,754	63,991	69,830	71,766	73,870	79,658	
Accounts receivable	1,344	2,308	1,382	1,657	1,708	1,800	1,949	2,141	2,237	
Securities	1,218	902	590	900	900	900	900	900	900	
Real estate for sale	161,322	68,290	64,109	61,504	70,054	89,174	108,714	129,914	151,309	
Other	3,878	5,041	3,858	6,711	8,786	7,386	4,906	4,046	3,706	
Total fixed assets	101,611	216,118	226,305	220,810	211,924	199,790	196,119	189,828	183,037	
Fixed assets	94,976	206,198	214,392	209,210	201,124	189,790	186,919	181,428	175,937	
Intangibles	1,993	2,482	4,038	3,600	3,300	3,000	2,700	2,400	2,100	
Investments and other	4,640	7,436	7,874	8,000	7,500	7,000	6,500	6,000	5,000	
Total assets	319,599	333,726	347,076	352,336	357,363	368,881	384,353	400,699	420,847	3.6
Total current liabilities	22,280	24,280	22,374	20,107	20,135	20,598	21,176	21,435	21,868	
Short-term debt	9,659	16,815	16,262	16,107	16,135	16,598	17,176	17,435	17,868	
Other	12,621	7,465	6,112	4,000	4,000	4,000	4,000	4,000	4,000	
Total long-term liabilities	194,458	207,838	214,446	219,999	222,866	229,521	238,199	245,638	255,384	
Long-term debt	183,175	196,721	203,742	213,999	214,366	220,521	228,199	231,638	237,384	
Other	11,283	11,117	10,704	6,000	8,500	9,000	10,000	14,000	18,000	
Total liabilities	216,739	232,119	236,820	240,107	243,001	250,119	259,375	267,073	277,251	2.9
Total net assets	102,859	101,607	110,255	112,229	114,362	118,761	124,978	133,626	143,595	5.1
Shareholders' equity	98,748	100,434	99,051	100,832	102,540	106,489	112,236	120,394	129,853	5.2
Warrant	827	988	1,007	1,000	1,200	1,400	1,600	1,800	2,000	
Minorities	3,283	184	10,197	10,397	10,622	10,872	11,142	11,432	11,742	
Debt	192,834	213,536	220,004	230,107	230,501	237,119	245,375	249,073	255,251	
Debt / Equity (x)	2.0	2.1	2.2	2.3	2.2	2.2	2.2	2.1	2.0	
Net debt / Equity (x)	1.5	1.7	1.7	1.7	1.6	1.6	1.5	1.5	1.4	
Shareholders' equity / Total assets (%)	30.9	30.1	28.5	28.6	28.7	28.9	29.2	30.0	30.9	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, CF, JPYm)

CF	2/19	2/20	2/21	2/22	2/23	2/24	2/25	2/26	2/27	5-yr growth rate
Consolidated, JPYm	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	(CAGR, %)
Operating CF	21,762	11,892	15,463	11,666	4,618	-3,563	-1,714	-614	946	
Net profit	15,373	8,201	5,027	6,586	7,984	10,165	12,353	15,137	16,796	
Depreciation and amortization	1,950	2,804	4,918	5,172	5,236	5,484	5,622	5,641	5,641	
Other	4,439	887	5,518	-91	-8,601	-19,212	-19,689	-21,393	-21,490	
Investing CF	-15,602	-10,263	-15,630	-9,800	4,500	9,000	2,000	6,000	6,000	
Capital expenditure	-15,865	-11,806	-17,915	-10,000	-5,000	-10,000	-25,000	-28,000	-28,000	
Disposal of fixed assets	0	0	2,850	200	10,000	20,000	28,000	35,000	35,000	
Other	263	1,543	-565	0	-500	-1,000	-1,000	-1,000	-1,000	
Financing CF	4,346	9,537	10,167	8,298	-5,881	403	1,649	-3,282	-1,158	
Debt issuance / repayment	9,986	17,142	6,469	10,103	394	6,618	8,256	3,698	6,178	
Share capital issuance / buy-back	-2,856	-2,904	-2,995	-1,500	-3,000	-3,000	-3,000	-3,000	-3,000	
Dividends paid	-2,972	-3,416	-3,298	-3,305	-3,275	-3,215	-3,606	-3,980	-4,336	
Other	188	-1,285	9,991	3,000	0	0	0	0	0	
Cash and cash equivalents	45,029	40,826	50,590	60,754	63,991	69,830	71,766	73,870	79,658	
Free CF	6,160	1,629	-167	1,866	9,118	5,437	286	5,386	6,946	

Source: Company data, Mita Securities

Contribution to society

Sustainability initiatives by Ichigo

- On January 17, Ichigo established a wholly-owned subsidiary, Ichigo Si Co., Ltd., to conduct research and development on the production and application of silicon dioxide (SiO₂), a plant-based silica. The company aims to contribute to society via its business activities. SiO₂ has recently gained recognition for its potential applications across a broad range of fields including medical field, electronics, and electrical industries.
- Ichigo has ranked 16th in the Japan Corporate Governance Research Institute's ("JCGR") corporate governance survey ("JCG Index Survey") covering TSE First Section companies.
- On February 12, the flagship store of the cafe-style theme park "at-home cafe" opened in the AKIBA Cultures Zone (ACZ), a commercial facility owned by Ichigo in Akihabara. In addition, ACZ houses "AKIBA Cultures Theater," one of Akihabara's largest event spaces, "AKIHABARA Backstage Pass," a café-restaurant with a stage, and various subculture stores targeting animation, idol, and railroad fans. The company aims to develop ACZ into a global landmark as a holy place for subcultures and to play a role in the further development of Akihabara into a more energetic town.
- On February 21, Ichigo offered a commercial property "Shinbashi Karasutei Building" which it owns in Minato-ku, Tokyo for an emergency rescue training by the Atago Police Station. The training included 1) cutting walls using engine cutters, 2) rescuing victims using air jacks, 3) carrying victims on stretchers, and 4) rope rescue operations by the Rescue Task Force. The Shinbashi Karasutei Building is a property which the company had been considering rebuilding.

APPENDIX

[Analyst Certification]

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Ratings are based on the following definitions.

The target price and ratings are based on our views for the next 12 months or so.

Buy: Stocks whose total return (percentage change in share price from current price to projected target price plus projected dividend yield), as of the time the target price is set or changed, is expected to be 15% or more.

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Sell: Stocks whose total return (percentage change in share price from current price to projected target price plus projected dividend yield), as of the time the target price is set or changed, is expected to be -15% or less.

RS: Rating Suspended - Stocks for which the target price and rating have been temporarily suspended.

NR: No Rating - Stocks for which no target price or rating is assigned.

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