



# Ichigo

TSE Prime

2337

Industry: Real estate, Renewable energy

MITA SECURITIES Co., Ltd.

Junichi Shimizu

Chief Analyst, Head of Research

jshimizu@mitasec.com

## Positive impression on successful sales of hotel and commercial facility as well as share buybacks

### FY2/22 results within guidance range. Hotel property sale is good news

On April 19, Ichigo (2337, the company) announced full-year results for FY2/22. Net profit came in at 6.5bn (+28.8% YoY), within the company's guidance range of 5.0-8.0bn yen. The results were in line with the QUICK consensus NP forecast of 6.5bn yen and our NP forecast of 6.6bn yen.

Cash earnings were 24.7bn yen (company guidance 22.1-26.6bn yen; our forecast 23.4bn yen), of which stock earnings were 14.9bn yen (14.4bn yen; 14.6bn yen) and flow earnings were 9.8bn yen (7.7-12.1bn yen; 8.8bn yen).

In the sustainable real estate business segment, property acquisitions amounted to 31.0bn yen, and property sales amounted to 45.8bn yen. In 4Q (Dec-Feb), property acquisitions amounted to 5.5bn yen, and property sales amounted to 33.4bn yen. Property sales were slow until 3Q but progressed rapidly in 4Q. The sales during 4Q included one hotel for 2.7bn yen, which was sold at the pre-pandemic level.

### FY2/23 guidance looks conservative. Already agreed to sell a commercial facility

The company's FY2/23 guidance is for NP of 6.5-8.5bn yen (+0.4-31.3% YoY). The QUICK consensus NP forecast is 8.8bn yen and our NP forecast is 8.0bn yen. We have the impression that the guidance is conservative.

The company's guidance calls for cash earnings of 24.4-27.4bn yen (our forecast 26.2bn yen), of which stock earnings of 13.1bn yen (15.6bn yen) and flow earnings of 11.3-14.3bn yen (10.6bn yen). Regarding the range of flow earnings guidance, the company said that 1) the lower end scenario assumes continuation of current market conditions and 2) the upper end scenario assumes a certain degree of market recovery in hotels and commercial facilities. The company already announced that it had signed an agreement to sell a commercial facility in 1Q.

The company believes that the ongoing depreciation of the yen, while having a negative impact on construction and power costs, may stimulate demand for property acquisitions by international investors.

### Resumption of share buybacks sounds positive

The company announced share buybacks. The maximum number of shares to be repurchased is 1.17% of the total number of shares outstanding (excluding treasury shares). The maximum repurchase amount is 1.5bn yen. The previous share buyback announcement was made in April 2021, and the repurchase amount was 1.5bn yen. The resumption of share buybacks should give a positive impression to the market.

### AI revenue management service "PROPERA"

The number of hotels using PROPERA in FY2/22 was 127 (2.6x YoY). The company targets 500 hotels (4x YoY) in FY2/23. The company assumes an annual revenue of 2m yen per hotel.

Please refer to the report dated March 29, 2022 for the rationale of the rating and target price.

## Update

Rating

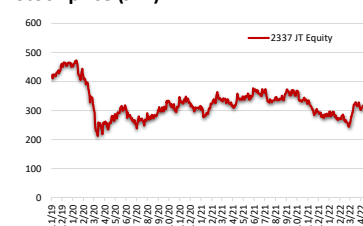
Buy

Target price (JPY)	450
Stock price (JPY) (Apr 19)	315
Market cap (JPYbn)	159.2

### Key changes

Rating	No
Target price	No
Earnings forecast	No

### Stock price (JPY)



Source: Bloomberg Finance LP

### 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	22.5	18.2	14.1
PBR	x	1.6	1.7	1.5	1.4	1.3
Div. yield	%	2.1	2.0	2.2	2.2	2.5
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

### 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 FY2/22, it owned 247.5bn yen of real estate, 305.6bn yen of assets under management, and 140MW of power generation output.

Comparison of valuations with peers (reference)

Figure: Comparison of valuations for real estate companies

Company name	Ticker	PX 4/18	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mgn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg
ICHIGO INC	2337	317	160.2	NA	-30.3	NA	2.8	6.5	7.9	54.7	22.2	16.7	1.5	21.8	5.4	2.2	4.3	11.6	-0.6
HULIC CO LTD	3003	1,099	843.9	1.9	31.6	29.6	12.4	11.6	11.6	11.0	10.9	10.2	1.3	14.4	4.4	3.7	1.3	5.7	-15.8
RAYSUM CO LTD	8890	911	33.8	0.6	16.6	17.1	10.4	NA	NA	6.5	NA	NA	0.6	NA	NA	NA	0.6	32.2	8.5
TAKARA LEBEN CO LTD	8897	296	35.8	1.5	0.2	7.7	9.5	NA	NA	6.2	NA	NA	0.6	NA	NA	NA	-4.2	0.7	-18.9
TOSEI CORP	8923	1,079	52.5	1.2	-4.0	21.5	11.3	11.0	NA	7.0	6.4	5.6	0.8	NA	1.7	4.4	-1.6	7.3	-3.4
SUN FRONTIER FUDOUSAN CO LTD	8934	1,061	51.7	0.4	15.0	19.2	11.2	11.4	12.4	6.7	6.6	5.7	0.7	NA	0.9	4.1	-1.5	4.8	11.0
LAND BUSINESS CO LTD	8944	239	6.4	1.2	1.1	42.5	1.6	NA	NA	16.7	NA	NA	0.3	NA	NA	NA	-1.2	-8.1	-36.6
Average				1.1	4.3	22.9	8.4	10.1	10.6	15.5	11.5	9.5	0.8	18.1	3.1	3.6	-0.3	7.7	-8.0
Median				1.2	1.1	20.4	10.4	11.2	11.6	7.0	8.8	7.9	0.7	18.1	3.0	3.9	-1.2	5.7	-3.4

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

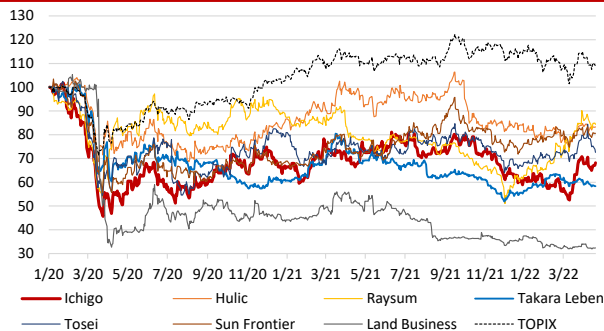
Company name	Ticker	PX 4/18	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mgn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg
WEST HOLDINGS CORP	1407	5,390	248.1	0.8	26.6	14.1	27.0	24.8	29.3	35.4	30.9	21.0	8.8	20.3	3.0	1.0	7.9	64.3	54.7
JAPAN INVESTMENT ADVISER CO	7172	1,204	37.0	1.0	-20.3	32.0	7.3	7.3	6.9	12.4	11.7	11.7	0.9	NA	5.4	2.7	3.1	15.0	-23.0
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	-3.9	3.7	-47.4
EREX CO LTD	9517	1,915	113.5	0.3	118.2	9.2	22.3	16.2	15.4	11.0	15.4	14.7	2.2	10.5	0.8	1.1	0.4	22.4	1.6
RENOVA INC	9519	1,646	129.8	5.7	14.9	73.4	47.8	5.2	8.1	13.1	715.0	64.4	4.4	28.4	10.7	0.0	-11.5	3.0	-47.2
Average				1.8	27.4	31.1	22.3	11.9	14.9	16.5	156.9	24.1	3.4	19.7	4.5	1.2	-0.8	21.7	-12.3
Median				1.0	14.9	26.8	22.3	7.3	11.8	12.4	15.4	14.7	2.2	20.3	3.0	1.1	0.4	15.0	-23.0

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

Comparison of stock price trends (reference)

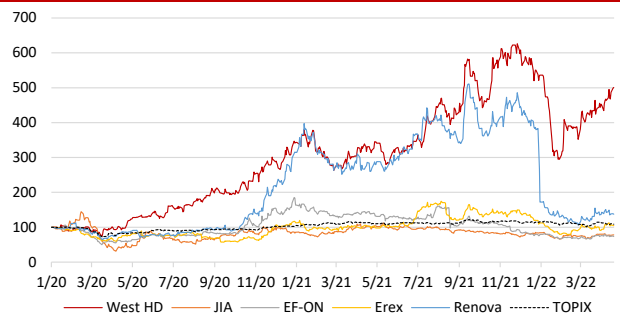
Figure: Stock price trends for real estate companies



Source: Bloomberg Finance LP data, Mita Securities

Note: Indexed 100 at the end of 2019

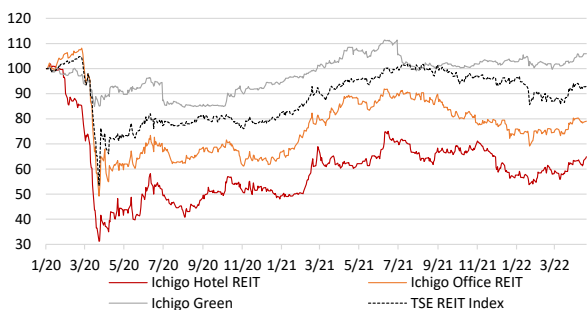
Figure: Stock price trends for renewable energy companies



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

## 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 (SiO<sub>2</sub>), a plant-based silica. The company aims to contribute to society via its business activities. SiO<sub>2</sub> has recently gained recognition for its potential applications across a broad range of fields including medical field, electronics, and electrical industries.
- Ichigo has ranked 16<sup>th</sup> 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]

We hereby certify that the views on securities and issuers expressed in this report accurately reflect the personal views of the analyst(s) listed on the cover page of this report. The analyst(s) also certifies that the analyst(s) has not been compensated, directly or indirectly, or promised to be compensated, for expressing any particular view in this report.

### [Ratings]

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.

Hold: 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 between -15% and +15%.

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.

### [Potential Conflicts of Interest]

Mita Securities Co., Ltd. and its affiliates have or may in the future have transactions with the companies mentioned in this report, such as providing investment banking services to them. Therefore, investors viewing this report should be aware that Mita Securities Co., Ltd. and its affiliates may have conflicts of interest that could affect the objectivity of this report. Mita Securities Co., Ltd. may in the future hold or trade shares of the stocks listed in this report. Mita Securities Co., Ltd. may also take positions to sell or buy in a manner that conflicts or is inconsistent with the investment decisions and views expressed in this report. Please refer to this report only as one factor for reference in making investment decisions.

### [Important Disclosures]

1. Mita Securities Co., Ltd. has a parent company, subsidiary, affiliated company or related company relationship with the company covered by this report: N/A
2. An officer of Mita Securities Co., Ltd. is concurrently an officer of the company covered by this report: N/A
3. Mita Securities Co., Ltd. owns 5% or more of the total number of issued common shares, etc. of the company covered by this report (as of the end of the previous month): N/A
4. Mita Securities Co., Ltd. has acted as lead manager or joint lead manager for the public offering of securities of the company covered by this report in the past 12 months: N/A
5. The analyst(s) listed on the cover of this report is a director or advisor of the company covered by this report: N/A
6. Any family member of the analyst(s) listed on the cover of this report is a director or an advisor of the company covered by this report: N/A
7. The analyst(s) listed on the cover of this report or their family members hold securities (common stock, corporate bonds, convertible bonds, etc.) of the company covered by this report: N/A

### [General Disclaimer]

The contents and descriptions in this report are based on publicly available information, and have been prepared by analysts with necessary supplements through interviews. The authors of this report are prohibited from using insider information as well as from obtaining such information. The information contained in this report is believed to be accurate and reliable, but its accuracy has not been objectively verified. This report is not intended to contain all the information required by investors. The information contained in this report may be out of date due to changes in the financial market or economic environment. Stocks mentioned directly or indirectly in this report are subject to the risk of losing the principal amount invested due to factors such as changes in stock prices, changes in the management and financial conditions of the issuer, and fluctuations in interest rates and exchange rates. Past performance does not imply or guarantee future performance. The views expressed in this report are subject to change without notice, and Mita Securities Co., Ltd. assumes no obligation to update the information or views contained in this report. Mita Securities Co., Ltd. assumes no responsibility whatsoever for any direct or indirect loss or damage, including lost profits, resulting from the use of or reliance on this report by investors. The information provided by the Company is intended to serve as a reference for investment decisions and is not intended to promise future results. Final investment decisions should be made by investors themselves. The copyright of this report belongs to Mita Securities Co., Ltd. and may not be reproduced, transcribed, or quoted without permission. This report does not constitute a prospectus or other offering document and is not intended as an offer to sell or a solicitation of an offer to buy any securities in any country or region where the solicitation of securities is not permitted. No person to whom this report has been delivered may deliver, circulate or distribute this report, or reproduce, grant or make available for inspection, this report to any other person.

### [Disclaimer for the English version of the report]

The Japanese version of this report is the official version, and the English version is a translation of the Japanese version. In the event of any discrepancy between the Japanese and English versions, the Japanese version shall always take precedence. Mita Securities Co., Ltd. makes no guarantee as to the accuracy and completeness of the content of the English version of this report.

### [Important notes concerning the Financial Instruments and Exchange Act]

When conducting transactions in accordance with the contents of this report, the customer may be required to bear the prescribed fees and expenses for each service or product. In addition, there is a possibility that each service or product may incur losses due to price fluctuations, etc. Since each service or product has different fees, etc. and risks, please read carefully the documents for listed securities, etc., pre-contract documents for the relevant service or product, etc., or materials for customers.

### Company Name

Mita Securities Co., Ltd. / Financial Instruments Business Operator, Director-General of the Kanto Local Finance Bureau (Kinsho) No. 175

### Memberships

Japan Securities Dealers Association