



**Make The World
More Sustainable**

ICHIGO

[Provisional Translation Only]

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Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.*

Ichigo (2337)

Additional Accounting Notes for the Twenty-Fourth Annual Shareholder Meeting

- **Business Report**
 - **Employee Stock Option Details**
 - **Controls to Ensure Appropriate Business Conduct**
- **Notes to the Consolidated Financial Statements**
- **Notes to the Parent Financial Statements**

Pursuant to Japanese law and Article 14 of Ichigo's Articles of Incorporation, these Notes are posted on Ichigo's website at www.ichigo.gr.jp/en

Employee Stock Option Details

1. Stock Options Issued as Compensation for Execution of Duties by Officers

		15th Stock Option Plan	
Date of resolution		January 13, 2017	
Number of stock options		1,377,700 units ¹	
Type and number of shares		1,377,700 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 423 per share	
Exercise period		January 14, 2020 – January 13, 2025	
Exercise conditions ²			
Holding Details	Directors (excluding Independent Directors)	Number of stock options:	260,000 units
		Number of shares:	260,000 shares
		Number of holders:	3
	Independent Directors	Number of stock options:	60,000 units
		Number of shares:	60,000 shares
		Number of holders:	4
	Statutory Executive Officers (excluding those who are also Directors)	Number of stock options:	170,900 units
		Number of shares:	170,900 shares
		Number of holders:	8

¹ Of the total stock options 490,900 units have been issued to Officers. (No units have been exercised in the fiscal year ending February 2024.)

² Exercise Conditions

- (i) Any person who is allotted stock options is required to remain in the position of Director, Statutory Executive Officer, or employee of Ichigo, or Director, Statutory Executive Officer, Auditor or employee of Ichigo's subsidiaries and other similar positions until the rights are exercised, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.
- (ii) Pledges and other disposition of stock options are not permitted.
- (iii) If a person who is allotted stock options should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Options Allotment Agreement as described in (iv).
- (iv) Other conditions are subject to the Stock Options Allotment Agreement entered into between Ichigo and recipient of stock options pursuant to the resolution of Ichigo's Board of Directors.

		16th Stock Option Plan	
Date of resolution		January 12, 2018	
Number of stock options		1,344,300 units ¹	
Type and number of shares		1,344,300 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 519 per share	
Exercise period		January 13, 2021 – January 12, 2026	
Exercise conditions ²			
Holding Details	Directors (excluding Independent Directors)	Number of stock options:	218,700 units
		Number of shares:	218,700 shares
		Number of holders:	3
	Independent Directors	Number of stock options:	67,500 units
		Number of shares:	67,500 shares
		Number of holders:	5
Statutory Executive Officers (excluding those who are also Directors)	Number of stock options:	173,600 units	
	Number of shares:	173,600 shares	
	Number of holders:	8	

¹ Of the total stock options 459,800 units have been issued to Officers. (No units have been exercised in the fiscal year ending February 2024.)

² Exercise Conditions

- (i) Any person who is allotted stock options is required to remain in the position of Director, Statutory Executive Officer, or employee of Ichigo, or Director, Statutory Executive Officer, Auditor or employee of Ichigo's subsidiaries and other similar positions until the rights are exercised, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.
- (ii) Pledges and other disposition of stock options are not permitted.
- (iii) If a person who is allotted stock options should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Options Allotment Agreement as described in (iv).
- (iv) Other conditions are subject to the Stock Options Allotment Agreement entered into between Ichigo and recipient of stock options pursuant to the resolution of Ichigo's Board of Directors.

		17th Stock Option Plan	
Date of resolution		January 11, 2019	
Number of stock options		1,390,200 units ¹	
Type and number of shares		1,390,200 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 432 per share	
Exercise period		January 12, 2022 – January 11, 2027	
Exercise conditions ²			
Holding Details	Directors (excluding Independent Directors)	Number of stock options:	177,300 units
		Number of shares:	177,300 shares
		Number of holders:	3
	Independent Directors	Number of stock options:	67,500 units
		Number of shares:	67,500 shares
		Number of holders:	5
Statutory Executive Officers (excluding those who are also Directors)	Number of stock options:	175,600 units	
	Number of shares:	175,600 shares	
	Number of holders:	8	

¹ Of the total stock options 420,400 units have been issued to Officers. (No units have been exercised in the fiscal year ending February 2024.)

² Exercise Conditions

- (i) Any person who is allotted stock options is required to remain in the position of Director, Statutory Executive Officer, or employee of Ichigo, or Director, Statutory Executive Officer, Auditor or employee of Ichigo's subsidiaries and other similar positions until the rights are exercised, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.
- (ii) Pledges and other disposition of stock options are not permitted.
- (iii) If a person who is allotted stock options should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Options Allotment Agreement as described in (iv).
- (iv) Other conditions are subject to the Stock Options Allotment Agreement entered into between Ichigo and recipient of stock options pursuant to the resolution of Ichigo's Board of Directors.

		18th Stock Option Plan	
Date of resolution		October 14, 2020	
Number of stock options		1,722,500 units ¹	
Type and number of shares		1,722,500 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 340 per share	
Exercise period		October 15, 2023 – October 14, 2028	
Exercise conditions ²			
Holding Details	Directors (excluding Independent Directors)	Number of stock options:	240,000 units
		Number of shares:	240,000 shares
		Number of holders:	3
	Independent Directors	Number of stock options:	60,000 units
		Number of shares:	60,000 shares
		Number of holders:	4
Statutory Executive Officers (excluding those who are also Directors)	Number of stock options:	201,000 units	
	Number of shares:	201,000 shares	
	Number of holders:	8	

¹ Of the total stock options 501,000 units have been issued to Officers. (15,000 units have been exercised in the fiscal year ending February 2024.)

² Exercise Conditions

- (i) Any person who is allotted stock options is required to remain in the position of Director, Statutory Executive Officer, or employee of Ichigo, or Director, Statutory Executive Officer, Auditor or employee of Ichigo's subsidiaries and other similar positions until the rights are exercised, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.
- (ii) Pledges and other disposition of stock options are not permitted.
- (iii) If a person who is allotted stock options should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Options Allotment Agreement as described in (iv).
- (iv) Other conditions are subject to the Stock Options Allotment Agreement entered into between Ichigo and recipient of stock options pursuant to the resolution of Ichigo's Board of Directors.

		19th Stock Option Plan	
Date of resolution		April 19, 2021	
Number of stock options		1,782,000 units ¹	
Type and number of shares		1,782,000 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 388 per share	
Exercise period		April 20, 2024 – April 19, 2029	
Exercise conditions ²			
Holding Details	Directors (excluding Independent Directors)	Number of stock options:	236,200 units
		Number of shares:	236,200 shares
		Number of holders:	3
	Independent Directors	Number of stock options:	75,000 units
		Number of shares:	75,000 shares
		Number of holders:	5
Statutory Executive Officers (excluding those who are also Directors)	Number of stock options:	206,000 units	
	Number of shares:	206,000 shares	
	Number of holders:	8	

¹ Of the total stock options 517,200 units have been issued to Officers.

² Exercise Conditions

- (i) Any person who is allotted stock options is required to remain in the position of Director, Statutory Executive Officer, or employee of Ichigo, or Director, Statutory Executive Officer, Auditor or employee of Ichigo's subsidiaries and other similar positions until the rights are exercised, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.
- (ii) Pledges and other disposition of stock options are not permitted.
- (iii) If a person who is allotted stock options should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Options Allotment Agreement as described in (iv).
- (iv) Other conditions are subject to the Stock Options Allotment Agreement entered into between Ichigo and recipient of stock options pursuant to the resolution of Ichigo's Board of Directors.

		20th Stock Option Plan	
Date of resolution		August 19, 2022	
Number of stock options		1,933,800 units ¹	
Type and number of shares		1,933,800 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 350 per share	
Exercise period		August 20, 2025 – August 19, 2030	
Exercise conditions ²			
Holding Details	Directors (excluding Independent Directors)	Number of stock options:	232,100 units
		Number of shares:	232,100 shares
		Number of holders:	3
	Independent Directors	Number of stock options:	90,000 units
		Number of shares:	90,000 shares
		Number of holders:	6
Statutory Executive Officers (excluding those who are also Directors)	Number of stock options:	240,000 units	
	Number of shares:	240,000 shares	
	Number of holders:	8	

¹ Of the total stock options 562,100 units have been issued to Officers.

² Exercise Conditions

- (i) Any person who is allotted stock options is required to remain in the position of Director, Statutory Executive Officer, or employee of Ichigo, or Director, Statutory Executive Officer, Auditor or employee of Ichigo's subsidiaries and other similar positions until the rights are exercised, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.
- (ii) Pledges and other disposition of stock options are not permitted.
- (iii) If a person who is allotted stock options should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Options Allotment Agreement as described in (iv).
- (iv) Other conditions are subject to the Stock Options Allotment Agreement entered into between Ichigo and recipient of stock options pursuant to the resolution of Ichigo's Board of Directors.

		21th Stock Option Plan	
Date of resolution		April 19, 2023	
Number of stock options		2,474,000 units ¹	
Type and number of shares		2,474,000 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY296 per share	
Exercise period		April 20, 2026 – April 19, 2031	
Exercise conditions ²			
Holding Details	Directors (excluding Independent Directors)	Number of stock options:	325,000 units
		Number of shares:	325,000 shares
		Number of holders:	3
	Independent Directors	Number of stock options:	108,000 units
		Number of shares:	108,000 shares
		Number of holders:	6
Statutory Executive Officers (excluding those who are also Directors)	Number of stock options:	320,000 units	
	Number of shares:	320,000 shares	
	Number of holders:	8	

¹ Of the total stock options 753,000 units have been issued to Officers.

² Exercise Conditions

- (i) Any person who is allotted stock options is required to remain in the position of Director, Statutory Executive Officer, or employee of Ichigo, or Director, Statutory Executive Officer, Auditor or employee of Ichigo's subsidiaries and other similar positions until the rights are exercised, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.
- (ii) Pledges and other disposition of stock options are not permitted.
- (iii) If a person who is allotted stock options should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Options Allotment Agreement as described in (iv).
- (iv) Other conditions are subject to the Stock Options Allotment Agreement entered into between Ichigo and recipient of stock options pursuant to the resolution of Ichigo's Board of Directors.

2. Stock Options Issued for Compensation for Execution of Duties by Officers and Employees during the Current Fiscal Year

		21th Stock Option Plan	
Date of resolution		April 19, 2023	
Number of stock options		2,500,000 units ¹	
Type and number of shares		2,500,000 common shares (1 share per unit)	
Issue price		N/A	
Exercise price		JPY 296 per share	
Exercise period		April 20, 2026 – April 19, 2031	
Exercise conditions ²			
Holding Details	Employees (excluding those who are Directors and Statutory Executive Officers)	Number of stock options:	1,720,000 units
		Number of shares:	1,720,000 shares
		Number of holders:	202
Holding Details	Directors and Employees of Subsidiaries	Number of stock options:	27,000 units
		Number of shares:	27,000 shares
		Number of holders:	3

¹ Of the total stock options 1,747,000 units have been issued to employees.

² Exercise Conditions

- (i) Any person who is allotted stock options is required to remain in the position of Director, Statutory Executive Officer, or employee of Ichigo, or Director, Statutory Executive Officer, Auditor or employee of Ichigo's subsidiaries and other similar positions until the rights are exercised, except for retirement due to expiration of term, mandatory retirement, and other cases approved by the Board of Directors.
- (ii) Pledges and other disposition of stock options are not permitted.
- (iii) If a person who is allotted stock options should become deceased, the heir may exercise the rights subject to the conditions provided for in the Stock Options Allotment Agreement as described in (iv).
- (iv) Other conditions are subject to the Stock Options Allotment Agreement entered into between Ichigo and recipient of stock options pursuant to the resolution of Ichigo's Board of Directors.

3. Other Material Matters regarding Stock Options

N/A

Controls to Ensure Appropriate Business Conduct

Pursuant to Article 416 of the Company Law and Article 112 of the Enforcement Regulation of the Company Law, Ichigo's Board of Directors approved and enacted a "Basic Policy for the Establishment of Structure of Internal Controls," with details shown below. Pursuant to Article 14 of Ichigo's Articles of Incorporation, Ichigo has made this policy available on its corporate website:

www.ichigo.gr.jp/en/ir/management_policies/internal_controls.html

1. Internal Controls to Ensure that Statutory Executive Officers and Employees Execute Their Duties in Full Compliance with Japanese Law and Ichigo's Articles of Incorporation (Article 416, Paragraph 1, Item 1 of the Company Law, Article 112, Paragraph 2, Item 4 of the Enforcement Regulation of the Company Law)

Overview

(1) The Board of Directors complies with relevant laws and regulations, the Articles of Incorporation, resolutions adopted at shareholders' meetings, Ichigo's mission, Ichigo's Code of Corporate Ethics, and Ichigo's Code of Conduct in making its decisions and delegating daily management to the Statutory Executive Officers, who in turn supervise employees within their respective delegated areas of management. The Board of Directors supervises the Statutory Executive Officers by receiving periodic reports on the status of business execution. The Audit Committee audits the performance of both Statutory Executive Officers and employees.

(2) The Board of Directors sets internal rules, establishes relevant divisions and appoints Statutory Executive Officers, and engages external experts with respect to establishing compliance, financial reporting controls, internal audit, prevention of dealings with anti-social forces, and prevention of insider trading.

Status

(1) The Board of Directors is comprised of five independent and four internal Directors, and had a total of 11 meetings during FY24/2 with a 100% attendance rate. Statutory Executive Officers make decisions and/or seek board approval through board proposals, and report their activities to the Board of Directors at least quarterly. The Audit Committee is comprised of three Independent Directors, and held a total of 20 meetings during FY24/2 with a 100% attendance rate.

(2)

(a) Compliance – The Compliance Committee held four meetings to deliberate material compliance matters and conducted training sessions based on the company's Code of Corporate Ethics and Code of Conduct. A whistle-blowing system exists, including the ability to directly notify an external lawyer.

(b) Financial Reporting Controls – The President and Statutory Executive Officers of each division and subsidiary work to ensure compliance with internal controls and the evaluation thereof.

(c) Internal Audit Department – The objective of the Internal Audit Department for FY24/2 was to contribute to management level decision-making through a group-wide, risk-based approach along with the Audit Committee and auditors of subsidiaries. Specifically, the Internal Audit Department examined the execution of management duties, the status of investment securities, and the status of information management.

(d) Prevention of Dealings with Anti-Social Forces – Ichigo has written manuals on how to handle Anti-Social Forces as well as rules that require Anti-Social Force clauses to be included in contracts. Furthermore, Ichigo works with the Tokyo Metropolitan Police Department and other external experts in conducting due diligence of business counterparties. (See “System Against Anti-Social Forces.”)

(e) Prevention of Insider Trading – Through its internal rules on the management of insider information, Ichigo strictly manages all critical corporate information and ensures proper disclosure thereof. Internal rules require that all officers and employees must pre-clear any transaction in designated securities with the Statutory Executive Officer of their respective divisions.

2. Systems to Ensure Proper Storage and Management of Information Required for Execution of Duty by Statutory Executive Officers (Article 112, Paragraph 2, Item 1 of the Enforcement Regulation of the Company Law)

Overview

Ichigo has internal rules with respect to the creation, management, and storage of information and documents pertaining to the execution of duties by Statutory Executive Officers. Ichigo remains fully compliant with all relevant laws and regulations.

Status

Handling of information is stipulated in the Information Management Policy and handling of documents is stipulated in the Document Management Policy, and all officers and employees conduct business in full compliance with both policies.

3. Risk Management Policies and Systems (Article 112, Paragraph 2, Item 2 of the Enforcement Regulation of the Company Law)

Overview

Ichigo’s policy is that the Statutory Executive Officer of each division is responsible for the compliance of respective business operations and for managing business risks. In addition, a Chief Risk Officer has been appointed and a Risk Management Division established in order to ensure a proper risk management framework exists across the entire group and to deal with any significant risks that arise. Ichigo’s risk management framework also prescribes how to respond to any loss of basic business functions as a result of natural disasters or accidents.

Status

Ichigo continually monitors business execution and the risk thereof, and the Chief Risk Officer reports monitoring results to the Board. Ichigo has business continuity plans that specify how to recover from natural disasters and accidents, and all officers and employees are fully aware of these plans.

4. Systems to Ensure Effective Execution of Duties by Statutory Executive Officers (Article 112, Paragraph 2, Item 3 of the Enforcement Regulation of the Company Law)

Overview

Ichigo provides for efficient and agile execution of duties by establishing clarity with respect to scope of responsibilities and associated authority. Ichigo sets business plans and monitors progress based on the group's management philosophy and mission, annual group policies, and annual business targets. Furthermore, Ichigo holds a regular Senior Management Meeting comprised of the Chairman, President, Executive Vice President, and representatives of each subsidiary to evaluate and make decisions on material business matters.

Status

Statutory Executive Officers execute their duties within their respective delegated scopes of responsibilities without any undue overlap or negligence. For FY23/2, Statutory Executive Officers set their business policies and targets in accordance with the Ichigo 2030 long-term vision and successfully achieved these targets. The Head of Finance provides analytic support to the Senior Management Meeting to support its effectiveness as a forum for vigorous discussion and review of key business issues.

5. Audit Committee and Audit Systems (Article 416, Paragraph 1, Item 1 of the Company Law, Article 112, Paragraph 1, Items 1~7 of the Enforcement Regulation of the Company Law)

Overview

- (1) Ichigo appoints Directors and employees that assist the Audit Committee in the execution of its duties. Such Directors and employees carry out their duties independent from the Board of Directors, other Directors, and Statutory Executive Officers, with any change in appointment requiring the authorization of the Audit Committee.
- (2) Audit Committee Members attend important meetings, and can request explanations from officers and employees as well as view all related materials.
- (3) Officers and employees must report to the Audit Committee or Audit Committee Members matters that have material impact on the business and financial situation of Ichigo. Any person making such report shall not receive disadvantageous treatment for making such report.
- (4) The Audit Committee maintains a close relationship with the Internal Audit Department by discussing audit plans and receiving reports on audit results. The Audit Committee also receives periodic reports from the Independent Auditor as well as exchanges views on any material audit matters.
- (5) The Audit Committee holds meetings with Audit Committee Members and auditors of subsidiaries, attends important meetings at subsidiaries, and receives explanations and reports from subsidiaries in order to assess the appropriate execution of duties by Directors and Statutory Executive Officers of subsidiaries.
- (6) The Audit Committee, at its sole discretion, can appoint external specialists necessary for the execution of audits and can request that Ichigo bear associated costs.

Status

- (1) In accordance with internal rules pertaining to Directors and employees assisting in the duties of the Audit Committee, Ichigo has appointed several employees to assist the Audit Committee and has ensured their independence. Furthermore, the prior consent from the Audit Committee has been sought for any organizational or compensation matter with respect to these appointed individuals.
 - (2) In accordance with Audit Committee Rules, the Audit Committee attended important management meetings and received explanations as well as reviewed any relevant materials. In addition, officers and employees have made all required reporting to the Audit Committee, and no disadvantageous treatment has resulted from such reporting.
 - (3) The Audit Committee approved internal audit plans and received reports on the results of audits. Furthermore, the Audit Committee has received periodic reports from the external auditor and has engaged in discussion of material audit matters.
 - (4) The Audit Committee holds two liaison meetings a year with Audit Committee Members and auditors of subsidiaries, and receives explanations and reports from the officers and employees of subsidiaries.
 - (5) The Audit Committee has requested that Ichigo bear the costs associated with auditing of subsidiaries.
6. Systems to Ensure Fully Appropriate Business Activities by Ichigo and its Subsidiaries (Article 112, Paragraph 2, Item 5 of the Enforcement Regulation of the Company Law)

Overview

- (1) Ichigo and all subsidiaries share Ichigo's Management Philosophy, Code of Corporate Ethics, and Code of Conduct, and have executed a management agreement requiring that they work collaboratively in dealing with corporate governance, compliance, risk management, and prevention of dealings with Anti-Social Forces.
- (2) Ichigo has appointed a Statutory Executive Officer and established a Corporate Operations Division responsible for monitoring business activities of subsidiaries, and requires each subsidiary to provide business reports.
- (3) With respect to any transaction with Ichigo Trust Pte. Ltd., the major shareholder of Ichigo, Ichigo takes special care to protect the interests of minority shareholders by having the Board of Directors evaluate the purpose, process, and price of any such transactions and ensure that they contribute to increasing Ichigo's corporate value and protect all Ichigo shareholders.
- (4) Ichigo supports, advises, and manages its subsidiaries to ensure their business activities are fully compliant with the Company Law. Ichigo oversees appropriate business conduct of subsidiaries by receiving periodic reports with respect to their business operations as well as execution of duties by Directors and officers.

- (5) Through its internal rules on the management of insider information, Ichigo strictly manages all critical corporate information and ensures proper disclosure thereof. Internal rules require that all officers and employees must pre-clear any transaction in designated securities with the Statutory Executive Officer of their respective divisions.

Status

- (1) Structure to Ensure that Ichigo Subsidiaries Execute Their Duties in Compliance with Laws and Regulations and Ichigo's Articles of Incorporation

The Boards of each subsidiary have approved a "Basic Policy for the Establishment of Structure of Internal Controls," pursuant to the one established by Ichigo. Audit Committee Members and internal auditors of respective subsidiaries attend Board of Directors meetings as well as any other important management meetings and examine related materials to ensure Directors and officers are executing their duties in compliance with laws and regulations, and Ichigo's Articles of Incorporation.

- (2) Structure for Ichigo Subsidiaries to Report to Ichigo on the Execution of Their Duties

The President receives a report every three months from the presidents of each subsidiary with respect to business operations and the execution of duties by Directors and officers.

- (3) Structure of Risk Management at Ichigo Subsidiaries

Each subsidiary monitors business risks pursuant to their respective risk management policies, and reports results to Ichigo's Risk Management Division. The Head of Ichigo's Risk Management Division, in turn, reports this information to Ichigo's Board. The Chief Risk Officer provides the Board of Directors with a comprehensive update on the status of group-wide risk management.

- (4) Structure to Ensure Efficient Execution of Duties at Ichigo Subsidiaries

Each subsidiary has policies in place to ensure clarity of scope of responsibilities, with management decisions being made in line with such policies, therefore resulting in the efficient execution of duties.

Reference: Establishment and Status of Internal Structures to Prevent Dealings with Anti-Social Forces

As part of its internal control systems, Ichigo has established an internal structure to prevent dealings with Anti-Social Forces:

- (1) Ichigo and its subsidiaries have clear policies on preventing dealings with Anti-Social Forces stipulated within its Code of Corporate Ethics.
- (2) Ichigo has appointed the Executive Vice President and the Corporate Operations Division as being responsible in handling requests from Anti-Social Forces, and also receives advice on this issue from external legal counsel. Furthermore, Ichigo augments its efforts in this area by collaborating with external experts such as the Organized Crime Control Division of the Tokyo Metropolitan Police Department, the Marunouchi Police Station, and the National Center for Removal of Criminal Organizations.
- (3) Ichigo's Statutory Executive Officer (Corporate Operations) centrally manages group-wide information pertaining to Anti-Social Forces.

- (4) Under no circumstance will Ichigo heed to the request from an Anti-Social Force, and working together with external experts Ichigo shall firmly reject any request. All contracts with external parties will include language that aims to prevent dealings with Anti-Social Forces. Ichigo will terminate business relationships with any existing counterparty that is identified as being an Anti-Social Force.
- (5) All officers and employees of Ichigo and subsidiaries receive compliance training, and are made fully aware of their obligation to prevent dealings with Anti-Social Forces and escalate any concerns on this matter.

Notes to the Consolidated Financial Statements

I. Material Matters for Preparation of the Consolidated Financial Statements

A. Scope of Consolidation

1. Consolidated Subsidiaries

Number of consolidated subsidiaries: 46

Major Consolidated Subsidiaries

Ichigo Investment Advisors Co., Ltd.

Ichigo Estate Co., Ltd.

Ichigo ECO Energy Co., Ltd.

Ichigo Owners Co., Ltd.

Ichigo Marché Co., Ltd.

Miyako City Co., Ltd.

Centro Co., Ltd.

Ichigo Animation Co., Ltd.

OneFive Hotels Inc.

Ichigo Si Co., Ltd.

Collinear Inc.

Storage Plus Corp. has been excluded from the scope of consolidation because Ichigo sold all of its holdings in it during FY24/2.

One investment partnership has been excluded from the scope of consolidation because its materiality decreased during FY24/2.

Collinear Inc. has been added to the scope of consolidation because its materiality increased during FY24/2.

2. Major Non-Consolidated Subsidiaries

N/A

3. Reason Why Some Companies Were Not Classified as Subsidiaries Despite the Possession of a Majority of their Voting Rights

N/A

4. Disclosure of Special Purpose Companies (SPC)

An overview of SPC, SPC transactions, and SPC transaction amounts are noted in **XII. Notes on Special Purpose Companies (SPC).**

B. Equity-Method Accounting

1. Equity-Method Affiliates

N/A

2. Non-Consolidated Subsidiaries Accounted for Under the Equity-Method

N/A

3. Material Non-Consolidated Subsidiaries Not Accounted for Under the Equity-Method

N/A

4. Non-Equity-Method Affiliates

N/A

5. Reason Why Some Companies Were Not Classified as Affiliates despite Ichigo Possessing between 20% and 50% of Their Voting Rights

N/A

C. Fiscal Year of Consolidated Subsidiaries

The fiscal year-ends of consolidated subsidiaries are as follows:

January-end	25 companies
February-end	9 companies
March-end	1 companies
November-end	1 company
December-end	10 companies

For subsidiaries whose fiscal year-ends are in December or January, financial data as of that date have been used. For subsidiaries whose fiscal year-ends are in March and November, provisional financial data (created at a point in time within three-months from March-end) have been used. All necessary adjustments for consolidation have been made with respect to significant transactions which occurred in FY24/2.

D. Accounting Standards

1. Valuation of Material Assets

a. Other Securities

Securities without market prices (excluding equities)

Mark-to-market (Valuation difference is reported as a component of shareholders' equity; the cost is calculated using the moving average cost method.)

Equities without market prices

Moving average cost method (The valuation method for investment partnerships is noted in 6. (c) Investment Partnerships.)

Standard for Lease Transactions (ASBJ Statement No. 13, March 30, 2007).

In addition, fees arising from the provision of ancillary services to the lease contract are recognized as revenue when the term of service ends or throughout the contract term depending on the details of the agreement.

Clean Energy

Power Production Revenue

Ichigo's consolidated subsidiary bears the performance obligation to supply electricity generated at its power plants based on its power supply contracts with its clients. The performance obligation is satisfied and revenue is recognized at the time electricity is supplied.

5. Material Hedge Accounting Method

a. Hedge Accounting Method

In general, Ichigo adopts the deferral hedge accounting method. However, interest rate swaps and interest rate caps that meet the criteria for special treatment are accounted for under the special treatment method.

b. Hedging Instruments and Hedging Targets

Hedging instruments	Interest rate swaps and interest rate caps
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Hedging targets	Loans
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c. Hedging Policy

Pursuant to its internal rules, Ichigo hedges against interest rate risks that arise from its business activities.

d. Evaluation Method of the Effectiveness of Hedges

Ichigo evaluates the effectiveness of hedging activities with reference to the accumulated gain or loss on the hedging instruments and related hedging targets for a period from the commencement of the hedges to the time of evaluation. Interest-rate swaps and interest rate caps accounted for under the special treatment method are omitted from this evaluation.

6. Goodwill Amortization Period and Method

Goodwill is amortized on a straight-line basis for a period of 10 to 20 years depending on the specific characteristics of each subsidiary.

7. Other Material Matters Related to the Preparation of the Financial Statements

a. Consumption Tax

For most items, consumption taxes are excluded from the relevant revenue, costs, or expenses.

Non-deductible consumption taxes are generally accounted for as costs in the current fiscal year; however, certain items paid in connection with the acquisition of assets are amortized over 5 years using the straight-line method or are included in acquisition costs.

b. Operational Investments

Operational investments are separated from non-operational investments and are accounted for under Operational Securities Investments and Operational Loan Investments within Current Assets. Profits and losses arising from operational investments are accounted for under Operating Profits and Losses.

Although Ichigo may control the decision-making body of investment vehicles or hold significant influence over them by holding shares, shares are held solely for operational investment purposes and Ichigo has no intention of holding them as subsidiaries or affiliates. Therefore, such investment vehicles are excluded from subsidiaries or affiliates.

c. Investment Partnerships

Ichigo accounts for investments in investment partnerships as Operational Securities Investments. Such investments are recorded at the time the investments are made. Gains and losses distributed from the investment partnerships are recorded as Revenue, and Operational Securities Investments increases or decreases by the same amount. Refunds received from the investment partnerships are credited to Operational Securities Investments.

d. Group Aggregate Tax Treatment

Ichigo qualifies for group aggregate tax treatment.

II. Notes on Changes in Accounting Policies

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 31, June 17, 2021; hereinafter the “Fair Value Measurement Accounting Standard Implementation Guidance”) has been applied from the beginning of FY24/2. In accordance with the transitional treatment provided for in Clause 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance, new accounting standards prescribed in the Fair Value Measurement Accounting Standard Implementation Guidance will henceforth be applied on an ongoing basis. There is no impact on the consolidated FY24/2 earnings results from this change.

III. Notes to the Consolidated Income Statement

From FY24/2, insurance income previously included under Other Non-Operating Income, is separately stated as Insurance Income, because the materiality of this item increased. As a result, JPY 11 million of Other Non-Operating Income in FY23/2 is restated as Insurance Income under Non-Operating Income.

IV. Notes on Accounting Estimates

Valuation of Real Estate

A. Amount Recorded in FY24/2 Financial Statements

Real Estate for Sale	JPY 103,721 million
Fixed Assets	JPY 152,926 million

B. Information on Material Accounting Estimates for Specific Line Items

Ichigo and its subsidiaries invest in real estate including offices, hotels, residential assets, and retail assets, and record real estate expected to be sold as Real Estate for Sale as of FY24/2-end. Real estate expected to be held over the longer term is recorded as Fixed Assets.

If the net sale value of Real Estate for Sale is less than the book value, the net sale value is recorded on the balance sheet, and the difference is recorded as Valuation Loss on Real Estate for Sale under Cost of Goods Sold. With respect to Fixed Assets, for assets and asset groups that show indications of impairment, if the total undiscounted future cash flow is less than the book value, Ichigo impairs the book value to the asset’s recoverable amount and an equivalent impairment loss is recorded. When recording the impairment loss, the net sale value is recorded as the recoverable amount.

Ichigo uses the lower of the internally-calculated valuation amount based on the direct capitalization method (income approach) and the third-party real estate appraisal value as the net sale value.

Both the internal valuation amount and third-party real estate appraisal value are calculated using the income approach based on the net income or the future cash flows expected to be generated by the real estate assets and the cap rate.

Net income and future cash flow forecasts are impacted by rent levels in the area where the asset is located and by the asset’s occupancy. The cap rate is impacted by interest rate fluctuations, land prices per region and asset type, real estate market

conditions, and the age, grade, rights, and regulatory compliance of the asset. Due to sustained high real estate transaction prices, cap rates have been trending downward in FY24/2. As a result, the impact on the valuation of real estate is limited.

Ichigo makes efforts to reduce the uncertainty of its internally-calculated valuations that are based on publicly available data via means such as obtaining third-party verifications of the cap rates per region and asset type. However, because there exists a large number of factors that impact the estimate of net sale value, any change in the preconditions and assumptions of the valuation caused by a change in business environment may result in the recording of a Valuation Loss on Real Estate for Sale or an Impairment Loss.

V. Additional Note

Application of Practical Solution on the Accounting and Disclosure Under the Group Aggregate Tax Treatment

From FY24/2, Ichigo and certain domestic subsidiaries have shifted to group aggregate tax treatment from consolidated tax treatment. In accordance with this change, the accounting treatment and disclosure of income taxes and tax effect accounting are based on the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Solution No.42, August 12, 2021). In accordance with Clause 32 (1) of Practical Solution No.42 Clause 32 Item 1, there is no impact of the change in accounting policies associated with the application of Practical Solution No.42.

VI. Notes to the Consolidated Balance Sheet

A. Assets Provided as Collateral and Secured Obligations

Assets Provided as Collateral

Cash and deposits	JPY 2,400 million
Accounts receivable	JPY 180 million
Operational loan investments	JPY 1,324 million
Real estate for sale	JPY 60,961 million
Real estate for sale (reserved for collateral)	JPY 1,478 million
Current assets – other	JPY 11 million
Buildings and structures	JPY 24,762 million
Solar and wind power plants	JPY 9,311 million
Land	JPY 63,107 million
Buildings and structures under construction	JPY 2 million
Buildings and structures under construction (reserved for collateral)	JPY 2,667 million
Property, plant, and equipment – other	JPY 548 million
Leasehold rights	JPY 1,220 million
Securities investments	JPY 9,038 million
Total	<u>JPY 177,016 million</u>

Figures shown in Buildings and structures, Solar and wind power plants, and Property, plant, and equipment – other are net amounts.

Secured Obligations

Short-term loans	JPY 13,200 million
Long-term loans (due within one year)	JPY 8,398 million
Long-term loans	<u>JPY 112,051 million</u>
Total	<u>JPY 133,649 million</u>

B. Non-Recourse Loans

Non-recourse loans are borrowings where funds for repayment are limited only to the value of the underlying real estate and profits from such real estate. The lender has no recourse to Ichigo in the event of a failure of payment.

Assets provided as collateral and the related non-recourse loans are as follows:

Assets Provided as Collateral

Cash and deposits	JPY 5,290 million
Accounts receivable	JPY 260 million
Current assets – other	JPY 11 million
Buildings and structures	JPY 12,110 million
Solar and wind power plants	JPY 13,239 million
Land	JPY 29,582 million
Buildings and structures under construction	JPY 45 million
Fixed Assets – other	JPY 90 million
Investment and other assets – other	JPY 340 million
Total	<u>JPY 60,972 million</u>

Figures shown in Buildings and structures, Solar and wind power plants, and Property, plant, and equipment – other are net amounts.

Non-Recourse Loans

Long-term non-recourse loans (due within one year)	JPY 6,413 million
Long-term non-recourse loans	JPY 35,265 million
Total	<u>JPY 41,678 million</u>

C. Deferred Gains (Losses) on Long-Term Interest Rate Hedges

Using interest rate swaps and interest rate caps, Ichigo has significantly reduced its interest rate risk should Japanese interest rates rise. Unrealized gains or losses on these hedges are recorded as a deferred gains (losses) on long-term interest rate hedges.

D. Overdraft, Loan Commitment, and Term Loan Agreements

To secure funding flexibility and stability, Ichigo has overdraft, loan commitment, and term loan agreements with financial institutions.

Unused balance of the above agreements (as of the end of FY24/2)

Total amount of overdraft, loan commitment, and term loan agreements	JPY 59,467 million
Draw-down amount	JPY 36,911 million
Unused balance	<u>JPY 22,555 million</u>

VII. Notes to the Consolidated Income Statement

Valuation Gains (Losses) on Derivatives

Using interest rate swaps and interest rate caps, Ichigo has significantly reduced its interest rate risk should Japanese interest rates rise. Any increase (decrease) in the market value of these instruments is recorded as valuation gains (losses) on derivatives.

VIII. Notes to the Consolidated Statement of Changes in Shareholders' Equity

A. Type and Number of Shares Issued and Type and Number of Treasury Shares

	Number of shares at the beginning of FY24/2	Increase in shares during FY24/2 ¹	Decrease in shares during FY24/2 ²	Number of shares at the end of FY24/2
Shares issued				
Common shares	505,381,018	21,000	–	505,402,018
Total	505,381,018	21,000	–	505,402,018
Treasury shares				
Common shares	51,992,200	13,687,000	697,200	64,982,000
Total	51,992,200	13,687,000	697,200	64,982,000

¹ Increase in treasury shares due to share buyback: 13,687,000 shares

² Decrease in treasury shares due to sale of treasury shares: 697,200 shares

B. Employee Stock Options

Stock Options	Share Type	Underlying Number of Shares				Value (as of February 29, 2024)
		March 1, 2023	Increase in FY24/2	Decrease in FY24/2	February 29, 2024	
15 th stock option issuance	Common shares	1,498,500	–	120,800	1,377,700	JPY 223 million
16 th stock option issuance	Common shares	1,453,700	–	109,400	1,344,300	JPY 273 million
17 th stock option issuance ¹	Common shares	1,502,600	–	112,400	1,390,200	JPY 102 million
18 th stock option issuance ¹	Common shares	1,816,700	–	94,200	1,722,500	JPY 96 million
19 th stock option issuance ¹	Common shares	1,855,200	–	73,200	1,782,000	JPY 98 million
20 th stock option issuance ¹	Common shares	1,973,900	–	40,100	1,933,800	JPY 54 million
21 st stock option issuance ¹	Common shares	–	2,500,000	26,000	2,474,000	JPY 29 million
Total	–	10,100,600	2,500,000	576,100	12,024,500	JPY 879 million

¹ The 19th, 20th, and 21st stock option issuances are currently not exercisable, because their exercise dates are in the future.

C. Dividends

1. Dividends Paid

Ichigo's Board of Directors approved the following dividend on April 19, 2023:

(a) Total Dividend	JPY 3,627 million
(b) Source	Retained earnings
(c) Dividend per Share	JPY 8
(d) Record Date	February 28, 2023
(e) Payment Date	May 29, 2023

2. Dividends where the Record Date is in FY24/2, but the Payment Date is in FY25/2

Ichigo's Board of Directors approved the following dividend on May 26, 2024:

(a) Total Dividend	JPY 3,963 million
(b) Source	Retained earnings
(c) Dividend per Share	JPY 9
(d) Record Date	February 29, 2024
(e) Payment Date	May 27, 2024

IX. Notes on Financial Instruments

A. Matters Concerning Status of Financial Instruments

1. Policies on Financial Instruments

Ichigo funds itself primarily via bank loans and bonds, taking into account Ichigo's asset acquisition and disposition activity. Short-term excess funds are managed in liquid financial instruments such as bank deposits, and short-term working capital is financed via bank loans. Ichigo's policy is to use derivatives only for hedging purposes and not for speculative transactions.

2. Details and Risks of Financial Instruments

Accounts receivable is an operating receivable that is exposed to customer credit risks. Foreign currency-denominated financial instruments in overseas business operations are exposed to currency risks.

Operational securities investments are primarily investments in Japanese and foreign equities, and securities investments primarily take the form of equity and are typically investments in companies with which Ichigo has a business relationship. All of these investments are exposed to issuer credit risk, interest rate risk, and market price fluctuation risk.

Bank loans, bonds, and non-recourse loans are for the purpose of financing investments and capital expenditures, and are expected to be redeemed or repaid within approximately thirty years after the fiscal year-end. Floating-rate loans are exposed to interest rate risk, a part of which is hedged using derivative transactions (e.g. interest rate swaps and interest rate caps). Please refer to (I) Material Matters for Preparation of the Consolidated Financial Statements (D) Accounting Standards, (4) Material Hedge Accounting Method.

3. Risk Management of Financial Instruments

(a) Management of Credit Risk

Operating receivables exist primarily at subsidiaries. Responsible departments monitor the collection status pursuant to the designated procedure for mitigation of collection risk. Other operating receivables arise irregularly, e.g. at the time of investment monetization, and the responsible department determines the execution of the transaction based on the time needed for collection and the credit worthiness of the counterparty and monitors the receivable until it is collected in accordance with the agreement. Ichigo monitors operational securities investments and securities investments with respect to the financial status of the issuers and reviews holding policies, as necessary and appropriate.

(b) Management of Market Risk

Ichigo uses interest rate swaps and interest rate caps for the purpose of reducing interest rate risk on corporate and non-recourse loans. Ichigo monitors operational securities investments and securities investments which have market risks (e.g., real estate funds) or are denominated in foreign currencies regularly for the impact from changes in market value and currency rates and reviews the holding policies as necessary. Derivative transactions are executed and controlled in the Finance Department in accordance with the designated procedure.

(c) Management of Liquidity Risk

Ichigo establishes and updates its funding plan as necessary based on new investment and disposition plans set by the responsible departments, and manages liquidity risk by maintaining short-term liquidity.

4. Supplement to Matters Concerning Market Values of Financial Instruments

Market values of financial instruments include prices based on market prices as well as prices calculated based on rational assumptions where market prices are not available. Such prices may fluctuate, since their calculations include variables that can vary based on assumptions.

B. Adjustments to Market Values of Financial Instruments

Amounts recorded on the consolidated balance sheet, corresponding market values, and their differences as of February 29, 2024 are shown below.

(JPY million)

	Amount Recorded on Consolidated Balance Sheet	Market Value	Difference
Assets			
(1) Securities investments	15,921	15,921	–
Total Assets	15,921	15,921	–
Liabilities			
(1) Bonds ³	7,469	7,431	-37
(2) Long-term loans ⁴	166,921	166,907	-13
(3) Long-term non-recourse loans ⁵	41,678	41,573	-105
Total Liabilities	216,068	215,912	-156
Derivative Transactions ⁶	600	600	–

¹ “Cash and deposits,” “Accounts receivable,” “Short-term loans,” and “Income taxes payable” are omitted because they are cash or items to be settled in the short term with market values approximately equal to book value.

² The amounts of equities without market values and investment partnerships recorded on the consolidated balance sheet are shown below. Such figures are not included in (1) Securities investments. Equities without market values are not subject to disclosure as prescribed in Clause 5 of the Implementation Guidance on Disclosures of Fair Value of Financial Instruments (ASBJ Implementation Guidance No. 19, March 31, 2020). The market value of investment partnerships is not subject to disclosure as prescribed in the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Implementation Guidance No. 31, June 17, 2021) Article 24-16.

(JPY million)

	Amount Recorded on Consolidated Balance Sheet
Operational securities investments	14
Securities investments	1,164
Total	1,178

³ “Bonds (due within one year)” are included in “(1) Bonds.”

⁴ “Long-term loans (due within one year)” are included in “(2) Long-term loans.”

⁵ “Long-term non-recourse loans (due within one year)” are included in “(3) Long-term non-recourse loans.”

⁶ Claims and obligations associated with derivative transactions are shown in net amounts. For figures whose net amounts are net obligations, the figure is shown in parenthesis.

C. Breakdown of Financial Instruments by Market Value

Ichigo has classified the market values of financial instruments into three levels based on the observability and importance of the inputs used to calculate market value.

Level 1: Market value calculated based on observable inputs that reflect market prices for identical assets and liabilities in active markets

Level 2: Market value calculated based on observable inputs other than those included in Level 1

Level 3: Market value calculated based on unobservable inputs

If multiple significant inputs are used to calculate market value, the financial instrument is classified under the lowest level of the multiple inputs.

1. Financial Instruments Recorded at Market Value in Consolidated Balance Sheet

	Market Value (JPY million)			
	Level 1	Level 2	Level 3	Total
Securities investments	15,440	450	30	15,921
Derivative transactions	–	600	–	600
Total Assets	15,440	1,051	30	16,522

2. Financial Instruments Recorded at Market Value in Consolidated Balance Sheet

	Market Value (JPY million)			
	Level 1	Level 2	Level 3	Total
Corporate Bonds	–	7,431	–	7,431
Long-Term Loans	–	166,907	–	166,907
Long-Term Non-Recourse Loans	–	41,573	–	41,573
Total Assets	–	215,912	–	215,912

(Note) Valuation Methods Applied to Market Value Calculations and Explanation of Inputs Used in Market Value Calculations

Securities Investments

Listed stocks are valued using market price and classified as Level 1 because they are traded on an active market. Meanwhile, because market prices for Ichigo's bonds, which are not actively traded on the market, are not available, the value of the bonds are calculated using the present value of future cash flow discounted by a discount rate and bonds are classified as Level 2.

Derivative Transactions

The market value of interest rate swaps and interest rate caps are calculated using information obtained from the lender banks, and are classified as Level 2. The market value of interest rate swaps and interest rate caps under special treatment is included in long-term loans and long-term non-recourse loans since it is accounted for with the instrument it hedges.

Bonds (Due Within One Year)

The market value of bonds issued by Ichigo is calculated based on the present value of the total amount of principal and interest using a discount rate that accounts for the remaining period and credit risk of the bonds, and is classified as Level 2.

Long-Term Loans and Long-Term Non-Recourse Loans

The market values of long-term loans and long-term non-recourse loans are calculated based on the present value of the total amount of principal and interest using a discount rate that accounts for the remaining period and credit risk of the loans, and are classified as Level 2.

X. Notes on Leased Real Estate Not Currently Held for Sale

A. Income From Leased Real Estate Not Currently Held for Sale

Ichigo and some of its consolidated subsidiaries own leased real estate mainly in the Tokyo Metropolitan area that are not currently held for sale. Income on this leased real estate in FY24/2 was JPY 5,475 million (rental revenue is recorded in Revenue and the cost of lease is recorded in Costs of Goods Sold). Gains and Losses on sales of real estate were JPY 4,273 million (recorded as extraordinary gains and losses).

B. Market Value of Leased Real Estate Not Currently Held for Sale

(JPY million)

Book Value on Consolidated Balance Sheet ¹			Market Value as of Feb 29, 2024 ³
Mar 1, 2023	Increase/Decrease ²	Feb 29, 2024	
166,227	-12,048	154,178	209,651

¹ Book Value on Consolidated Balance Sheet = Acquisition Cost – (Cumulative Depreciation + Cumulative Impairment Loss)

² The main components of the increase for the fiscal year are JPY 2,857 million from Capital Expenditures and JPY 2,557 million due to the acquisition of real estate. The main components of the decrease for the fiscal year are JPY 13,940 million resulting from asset sales, JPY 3,014 million resulting from the sale of Storage Plus Corp., and JPY 2,856 million of Depreciation.

³ Market value as of February 29, 2024 is based upon third-party real estate appraisals and calculated by Ichigo using reasonable indices reflecting market prices.

XI. Notes to Revenue Recognition

A. Breakdown of Revenue From Contracts with Customers

(JPY million)

	Revenue From External Customers			Inter-Segment Activities or Reclassifications	Total
	Revenue From Client Contract	Revenue From Other Sources ¹	Total		
Asset Management	2,484	–	2,484	423	2,907
Asset-Related Fee Revenue	2,411	–	2,411	423	2,834
Other	73	–	73	–	73
Sustainable Real Estate	16,685	57,642	74,327	62	74,389
Revenue From Asset Sales	8,221	43,086	51,308	–	51,308
Real Estate Rental Revenue	8,012	14,469	22,482	62	22,544
Other	450	85	536	–	536
Clean Energy	5,789	146	5,935	–	5,935
Power Production Revenue	5,789	–	5,789	–	5,789
Other	–	146	146	–	146
Total	24,959	57,788	82,747	485	83,233
Adjustment	–	–	–	-485	-485
Amount Recorded in Financial Statements	24,959	57,788	82,747	–	82,747

¹ Revenue from other sources includes gains on sale of real estate based on the Accounting Treatment for Sellers Regarding Real Estate Securitization Using Special Purpose Companies (ASBJ Report No. 15, November 4, 2014) and rental income based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13, March 30, 2007).

B. Information on Understanding Revenue from Contracts with Customers

Please refer to (I) Material Matters for Preparation of the Consolidated Financial Statements (D) Accounting Standards, (4) Recognition of Revenues and Costs for information regarding revenue.

C. Information on Understanding FY24/2 and FY25/2 Revenue

1. Financial Instruments Recorded at Market Value in Consolidated Balance Sheet

(JPY million)

	FY24/2
Liabilities From Client Contracts (as of Mar 1, 2022)	3,610
Liabilities From Client Contracts (as of Feb 28, 2023)	2,255
Contract Assets (as of Mar 1, 2022)	—
Contract Assets (as of Feb 28, 2023)	—
Contract Liabilities (as of Mar 1, 2022)	43
Contract Assets (as of Feb 28, 2023)	29

Contract liabilities are advances received as deposits from clients under the Sustainable Real Estate business. Contract liabilities decrease in line with revenue recognition. In FY24/2, the amount of revenue recognized for the satisfaction of performance obligations from prior periods is not material.

2. Financial Instruments Recorded at Market Value in Consolidated Balance Sheet

Ichigo did not have any contracts with an expected contract term over one year.

XII. Notes on Special Purpose Companies (SPC)

A. Overview of SPC and SPC Transactions

Ichigo Owners, an Ichigo consolidated subsidiary providing real estate investment services to individual investors, launched a business that allows investors to make diversified, small-scale investments in a broad array of real estate assets pursuant to the Act on Specified Joint Real Estate Ventures. This new business employs voluntary partnerships as part of its structure.

Under this business, investors invest in a voluntary partnership pursuant to a specified real estate venture agreement. The voluntary partnership receives distributions of the income generated from the real estate asset it acquires using the invested funds. dividends on the gains from the real estate purchased via the investments. Rental income and gains on sales associated with the real estate asset are attributed to the investors.

Pursuant to the voluntary partnership agreement, Ichigo Owners receives a fee for serving as managing partner. Ichigo Owners also engages in real estate transactions with the voluntary partnership.

	FY24/2
Number of Voluntary Partnerships	4
Total Assets as of Fiscal Period-end	JPY 2,358 million
Total Liabilities	JPY 4 million

B. SPC Transaction Amounts

(JPY million)

	Transaction Amount	Category	Amount
Real Estate Transactions ¹	954	Revenue	954
Managing Partner Fee ²	8	Revenue	8

¹ The Real Estate Transaction amount is the sale price of the asset at the time of sale, and recorded under Revenue in the Consolidated Income Statement.

² The Managing Partner Fee is calculated as a percentage of the sale price and recorded under Revenue in the Consolidated Income Statement.

XIII. Per Share Data

Net Assets per Share	JPY 237.57
Net Income per Share	JPY 26.89
Net Income per Share (fully diluted)	JPY –

Note: Ichigo had no dilutive common shares. Therefore, diluted net income per share information has not been disclosed.

XIV. Material Subsequent Events

N/A

Notes to the Parent Financial Statements

I. Material Accounting Policies

A. Valuation Method for Securities

1. Shares in subsidiaries and affiliates Moving average cost method
2. Other securities
 - Securities without market prices (excluding equities) Mark-to-market (Valuation difference is reported as a component of shareholders' equity; the cost is calculated using the moving average cost method.)
 - Equities without market prices Moving average cost method (Valuation method for investment partnerships is noted in (G) Other Material Matters Related to the Preparation of the Financial Statements (3) Investment Partnerships.)
3. Derivatives Mark-to-market
4. Real estate for sale Cost (however, impair assets whose profitability declines)

B. Depreciation Method for Fixed Assets

1. Property, Plant, and Equipment Primarily straight-line method
 - Useful life Buildings and Structures: 8~39 years
2. Intangible Assets Straight-line method
 - Useful life Software: 5 years

C. Amortization of Deferred Assets

Issuance cost of shares: Full amount is recorded as cost.

D. Accounting Standards for Allowances

Allowance for doubtful accounts

Reserved based on the record of bad debts with respect to ordinary receivables and loans, plus an estimate of uncollectible amounts determined with reference to specific doubtful receivables from customers experiencing financial difficulties.

E. Accounting Standard for Recognition of Important Revenue and Costs

Details of the performance obligations and the fulfillment of performance obligation (i.e., time of revenue recognition) accounted for by its core businesses that arise from contracts with Ichigo's clients are as follows:

Management Advisory Fee

Ichigo receives a management advisory fee from some of its subsidiaries and its performance obligation is to provide management advice and guidance. The performance obligation is satisfied over a period of time, and revenue is recognized at the time it is satisfied.

Dividend Income

Dividend income consists of dividend income from Ichigo subsidiaries and gains and losses distributed from the investment partnerships. Dividend income from Ichigo subsidiaries are recognized as revenue on the payment date. For details of gains and losses distributed from the investment partnerships, please refer to I. Material Accounting Policies (G) Other Material Matters Related to the Preparation of the Financial Statements (3) Investment Partnerships.

As revenue from dividend income is a financial instruments transaction within the scope of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), it is not accounted for as revenue arising from contracts with clients.

Real Estate Rental Revenue

Real estate rental revenue is recognized as revenue when the term of the provision of ancillary services to the lease contract ends or throughout the contract term depending on the details of the agreement.

Real estate rental revenue is recognized in accordance with the Accounting Standard for Lease Transactions (ASBJ Statement No. 13, March 30, 2007).

F. Hedge Accounting Method

1. Hedge Accounting Method

In general, Ichigo adopts the deferral hedge accounting method. However, interest rate swaps that meet the criteria for special treatment are accounted for under the special treatment method.

2. Hedging Instruments and Hedging Targets

Hedging instruments	Interest rate swaps
Hedging targets	Loans

3. Hedging Policy

Pursuant to its internal rules, Ichigo hedges against interest rate risks that arise from its business activities.

4. Evaluation of Hedge Effectiveness

Ichigo evaluates the effectiveness of hedging activities with reference to the accumulated gain or loss on the hedging instruments and related hedging targets for a period from the commencement of the hedges to the time of evaluation. Interest-

rate swaps accounted for under the special treatment method are omitted from this evaluation.

G. Other Material Matters Related to the Preparation of the Financial Statements

1. Non-deductible Consumption Tax

Non-deductible consumption taxes are generally accounted for as costs in the current fiscal year; however, certain items paid in connection with the acquisition of assets are amortized over 5 years using the straight-line method.

2. Operational Investments

Operational investments are separated from non-operational investments and are accounted for under Operational Securities Investments and Operational Loan Investments within Current Assets. Profits and losses arising from operational investments are accounted for under Operating Profits and Losses.

Although Ichigo may control the decision-making body of investment vehicles or hold significant influence over them by holding shares, shares are held solely for operational investment purposes and Ichigo has no intention of holding them as subsidiaries or affiliates. Therefore, such investment vehicles are excluded from subsidiaries or affiliates.

3. Investment Partnerships

Ichigo accounts for investments in investment partnerships as Operational Securities Investments or Investment Securities in Other Affiliates. Such investments are recorded at the time the investments are made. Gains and losses distributed from the investment partnerships are recorded as Revenue, and the corresponding balance sheet item increases or decreases by the same amount. Refunds received from the investment partnerships are credited to the corresponding balance sheet item.

4. Group Aggregate Tax Treatment

Ichigo qualifies for group aggregate tax treatment..

II. Notes to Accounting Policies

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021; hereinafter “Fair Value Measurement Accounting Implementation Guidance”) has been applied from the beginning of FY24/2. In accordance with the transitional treatment provided for in Clause 27-2 of the Fair Value Measurement Accounting Implementation Guidance, new accounting standards prescribed in the Fair Value Measurement Accounting Implementation Guidance will henceforth be applied on an ongoing basis. There is no impact on the FY24/2 earnings results from this change.

III. Notes to Accounting Estimates

Valuation of Real Estate

A. Amount Recorded in FY24/2 Financial Statements

Fixed Assets JPY 7,865 million

B. Information on Material Accounting Estimates for Specific Line Items

Please see the Valuation of Real Estate section under **IV. Notes to Accounting Estimates for the Consolidated Financial Statements.**

IV. Additional Information

Group Aggregate Tax Treatment

From FY24/2, Ichigo has shifted to group aggregate tax treatment from consolidated tax treatment. In accordance with this change, the accounting treatment and disclosure of income taxes and tax effect accounting are based on the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Solution No.42, August 12, 2021.)

V. Notes to the Balance Sheet

A. Assets Provided as Collateral and Secured Obligations

Assets provided as collateral

Cash and deposits	JPY 43 million
Buildings and structures	JPY 196 million
Land	JPY 2,099 million
Property, plant, and equipment – other	–
Securities investments	JPY 9,038 million
Shares of affiliated companies	JPY 1 million
Long-term loans to affiliates	JPY 1,399 million
Leasehold rights	JPY 162 million
Total	<u>JPY 12,941 million</u>

Figures in Buildings and structures and Property, plant, and equipment – other are net amounts.

Secured obligations

Long-term loans (due within one year)	JPY 1,337 million
Long-term loans	JPY 9,990 million
Total	<u>JPY 11,328 million</u>

B. Contingent Liabilities

Ichigo is guaranteeing the following subsidiaries' loans from financial institutions:

Ichigo Estate Co., Ltd.	JPY 33,909 million
Ichigo ECO Energy Co., Ltd.	JPY 8,967 million
Ichigo Owners Co., Ltd.	JPY 16,026 million
Miyako City Co., Ltd.	JPY 1,016 million
Centro Co., Ltd.	JPY 415 million
OneFive Hotels Inc.	JPY 12 million
GK Daiba Jisho	JPY 8,000 million
GK Kawabata Holdings	JPY 2,838 million
GK Nakasu Holdings	JPY 3,524 million
GK ACZ	JPY 5,138 million
GK Ichigo Yubetsu Barou ECO Power Plant GK	JPY 132 million
Ichigo Toyokoro Sasadamachi ECO Power Plant GK	JPY 68 million
Ichigo Betsukai Kawakamicho ECO Power Plant GK	JPY 97 million
Ichigo Akkeshi Shirahama ECO Power Plant GK	JPY 93 million
Ichigo Yonago Izumi ECO Power Plant GK	JPY 344 million
Sera Aomizu Ushinoro ECO Power Plant GK	JPY 290 million
Ichigo Hamanaka Bokujo ECO Power Plant GK	JPY 699 million
Ichigo Toki Oroshicho ECO Power Plant GK	JPY 195 million
Ichigo Toride Shimotakai ECO Power Plant GK	JPY 201 million
Ichigo Kijo Takajo ECO Power Plant Co., Ltd.	JPY 137 million
Ichigo Ebino Suenaga ECO Power Plant GK	JPY 3,802 million
Total	<hr/> JPY 85,909 million <hr/>

C. Affiliate Receivables and Payables (excluding items separately indicated)

Short-term receivables from affiliates	JPY 2,767 million
Short-term payables to affiliates	JPY 159 million
Long-term payables to affiliates	JPY 11 million

D. Deferred Gains (Losses) on Long-Term Interest Rate Hedges

Using interest rate swaps and caps, Ichigo has significantly reduced its interest rate risk should Japanese interest rates rise. Any unrealized gains (losses) on these hedges are recorded as deferred gains (losses) on long-term interest rate hedges.

VI. Income Statement

A. Transactions with affiliates

Operational Transactions	
Revenue	JPY 8,065 million
Operating expenses	JPY 183 million
Non-Operational Transactions	JPY 1,159 million

B. Mark-to-market gains (losses) on long-term interest rate hedges

Using interest rate swaps and interest rate caps, Ichigo has significantly reduced its interest rate risk should Japanese interest rates rise. Any increase (decrease) in the market value is recorded as a mark-to-market gains (losses) on long-term interest rate hedges.

VII. Statement of Changes in Shareholders' Equity

Type and Number of Treasury Shares

Common shares	64,982,000 shares
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VIII. Taxes

A. Breakdown of Deferred Tax Assets and Liabilities

Deferred Tax Assets

Accrued business taxes	JPY 68 million
Surplus for provision of allowance for doubtful accounts	JPY 347 million
Valuation loss on operating securities investments	JPY 1 million
Valuation loss on securities investments	JPY 183 million
Valuation loss on investments in real estate	JPY 1,531 million
Valuation loss on securities of affiliates	JPY 839 million
Other	JPY 204 million
Sub-total	JPY 3,176 million
Allowance for valuation	-JPY 2,920 million
Deferred Tax Assets Total	JPY 256 million

Deferred Tax Liabilities

Valuation gain on other securities	-JPY 192 million
Deferred gains (losses) on long-term interest rate hedges	-JPY 20 million
Other liabilities	-JPY 4 million
Deferred Tax Liabilities Total	-JPY 217 million

Net Deferred Tax Assets	JPY 38 million
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B. Accounting Treatment of Income Taxes and Tax Effect Accounting

From FY24/2, Ichigo has shifted to group aggregate tax treatment from consolidated tax treatment. In accordance with this change, the accounting treatment of income taxes and tax effect accounting are based on the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No.42, August 12, 2021.)

IX. Related Party Transactions

(JPY million)

Affiliation	Name	Voting Rights Held by Ichigo	Nature of Relationship	Transaction	Transaction Amount	Account	Balance Outstanding
Subsidiary	Ichigo Estate Co., Ltd.	100%	Service contract	Lending ¹	32,423	Short-term loans to affiliates	19,315
						Long-term loans to affiliates	43,234
				Interest received	428	Current assets – other	54
						Current liabilities – other	–
				Provision of credit guarantee ²	33,909	–	–
				Receipt of credit guarantee ^{6,7}	1,385	–	–
				Receipt of credit guarantee and collateral ⁴	27,737	–	–
				Management advisory fee ⁹	1,479	–	–
Subsidiary	Ichigo ECO Energy Co., Ltd.	100%	Service contract	Provision of credit guarantee ²	8,967	–	–

Affiliation	Name	Voting Rights Held by Ichigo	Nature of Relationship	Transaction	Transaction Amount	Account	Balance Outstanding
Subsidiary	Ichigo Owners Co., Ltd.	100%	Service contract	Lending ¹	20,741	Short-term loans to affiliates	11,950
						Long-term loans to affiliates	12,886
				Interest received	337	Current assets – other	51
				Provision of credit guarantee ²	16,026	–	–
				Receipt of credit guarantee and collateral ⁴	10,736	–	–
				Receipt of collateral ³	700	–	–

(JPY million)

Affiliation	Name	Voting Rights Held by Ichigo	Nature of Relationship	Transaction	Transaction Amount	Account	Balance Outstanding
Subsidiary	GK Daiba Jisho	None ⁸	TK Equity	Provision of credit guarantee ²	8,000	–	–
				Receipt of credit guarantee fee	2	Advances received	6
Subsidiary	GK Kawabata Holdings	None ⁸	TK Equity	Provision of credit guarantee ²	2,838	–	–
				Receipt of credit guarantee fee	1	Advances received	2
Subsidiary	GK Nakasu Holdings	None ⁸	TK Equity	Provision of credit guarantee ²	3,524	–	–
				Receipt of credit guarantee fee	1	Advances received	2
Subsidiary	GK ACZ	None ⁸	TK Equity	Provision of credit guarantee ²	5,138	–	–
				Receipt of credit guarantee fee	1	Advances received	7
Subsidiary	Ichigo Ebino Suenaga ECO Power Plant GK	None ⁸	TK Equity	Provision of credit guarantee ²	3,802	–	–

(JPY million)

Affiliation	Name	Voting Rights Held by Ichigo	Nature of Relationship	Transaction	Transaction Amount	Account	Balance Outstanding
Subsidiary	GK LIFT2	100	Borrowing & Payment of Interest	Borrowing ¹	323	Long-term loans of affiliates	10,574
				Interest paid	327	Accrued expenses	83
Subsidiary	GK Kichijoji Holdings	None ⁸	TK Equity	Payment of credit guarantee fee to guarantor	1	Prepaid expenses	1
				Receipt of collateral ^{3,5}	2,701	Investment and other assets – other	3
Subsidiary	GK Akihabara Jisho	None ⁸	TK Equity	Payment of credit guarantee fee to guarantor	–	Prepaid expenses	–
				Receipt of collateral ^{3,5}	2,006	Investment and other assets – other	2
Major Shareholder	Ichigo Trust Pte. Ltd.	51.11	–	Transfer of securities ¹⁰	9,999	–	–

¹ The interest rate on loans from Ichigo to affiliates (and in certain cases, from affiliates to Ichigo) is based upon Ichigo's actual borrowing costs, with due consideration to the particular circumstances of the affiliates.

² Ichigo has provided credit guarantees to banks on loans to the subsidiary.

³ The subsidiary has received collateral from Ichigo for loans from banks.

⁴ The subsidiary has received both guarantees and collateral from Ichigo for the loans from banks.

⁵ Ichigo has received collateral from its subsidiaries for a loan of JPY 4,707 million from banks.

⁶ Ichigo has received credit guarantees from its subsidiaries for bank loans.

⁷ Ichigo has received credit guarantees and collateral from its subsidiaries for a loan of JPY 1,385 million from banks.

⁸ Although Ichigo holds 0% of the voting rights, its wholly-owned subsidiary holds 100% of managerial authority over the investment partnership (aka TK or Tokumei Kumiai). However, the entity is considered to be Ichigo's subsidiary, because Ichigo has adopted the accounting standard under the Practical Solutions on Application of Control Criteria and Influence Criteria to Investment Partnerships (ASBJ Guidance No. 20, March 25, 2011).

⁹ Ichigo engages in the management of certain wholly-owned subsidiaries.

¹⁰ Ichigo Trust purchased Ichigo Office (8975) shares via OTC transaction at the TSE closing price of Ichigo Office shares of the most recent trading day before the execution date.

¹¹ The above amounts do not include consumption tax and other taxes. However, the amounts recorded on the balance sheet do include consumption tax and other taxes.

X. Notes on Revenue Recognition

Information for understanding revenue recognition is provided in I. Material Accounting Policies, E. Accounting Standards for Important Revenue and Cost.

XI. Per Share Data

Net Assets per Share	JPY	144.88
Net Income per Share	JPY	4.11
Net Income per Share (fully diluted)	JPY	–

Note: Ichigo had no dilutive common shares. Therefore, diluted net income per share information has not been disclosed.

X. Material Subsequent Events

N/A