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CPI Property Group

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Long-term Rating	A-
Outlook*	Stable
Short-term Rating	-

*Long-term Rating refers to Foreign Currency Long-term Issuer Rating in principle.

1. Overview

CPI Property Group (CPIPG) is a real estate group engaged in a wide range of businesses, including leasing of offices and retail properties, operation of hotels, acquisition and management of land and buildings, and development of real estate assets, with a focus on Central and Eastern Europe (CEE) and Germany. It was founded through the merger in June 2014 of Czech Property Investments a.s. (CPI), the leading real estate player in the Czech Republic, and the GSG Group, which is mainly engaged in leasing of offices in Berlin, Germany. As of the end of September 2020, CPIPG's total assets and property portfolio stood at 11.3 billion euros and 9.9 billion euros, respectively, making it the largest real estate group based in the CEE region. The breakdown of its property portfolio by segment at the end of September 2020 was as follows: Office (52%), Retail (22%), Hotels & Resorts (7%), Residential (7%), Land bank (acquisition and management of land and buildings for development) (7%), Development (2%) and Others (3%). By country, the Czech Republic accounted for 41%, followed by Germany (26%), Poland (16%), Hungary (7%), other CEE countries (7%) and other Western Europe (5%).*1

CPIPG has been growing its property portfolio through the acquisition of income-generating properties in recent years. Most recently, it has expanded its exposure to the office segment in Poland. Based on its acquisition strategy updated in October 2019, it has acquired nine offices in Warsaw since the fourth quarter of that year. The total portfolio value of those latest acquisitions was more than 800 million euros. In February 2020, it also acquired a 29.4% stake in Globalworth, a real estate company engaged in leasing of offices in Poland and Romania (Globalworth is its equity-method affiliate).

CPIPG S.A. is the group's holding company and the targeted entity of the rating. It rating reflects the credit standing of the entire group given the integrated management of all group subsidiaries. As of the end of June 2020, 90.7% of CPIPG shares were held by Mr. Radovan Vitek, the founder of CPI, and the investment vehicles controlled by him. Mr. Vitek had been a member of the Board of Directors of CPIPG S.A. but resigned his position in December 2020 *2.

*1 Portfolio value and its breakdown include the value of the group's stake in Globalworth.
*2 For details, please refer to the press release published by the group on December 7, 2020.
https://www.cpipg.com/uploads/06f216e2753f02a66b30b9dab23cb292d1ffaa0d.pdf

2. Business Environment

(1) Overall business environment

CPIPG operates mainly in five countries: the Czech Republic, Germany, Poland, Hungary and Slovakia. It positions Prague, Berlin and Warsaw as its "core markets" with a primary focus on the office segment.

The environment surrounding the real estate leasing business has deteriorated since March 2020 against the backdrop of the COVID-19 pandemic in the regions where CPIPG operates. In particular, the introduction of restrictive measures to contain the spread of infections has had a major impact on the retail and hotel sectors in the form of closures or shortened business hours for retail stores and restaurants, and a drop in the number of travelers. Since the autumn of 2020, many European countries have again been stepping up their restrictive measures to fight a second wave of the pandemic. The

Czech Republic declared its second state of emergency on October 5, ordering all non-essential retail stores to close from October 22. While retail stores, including shopping centers, were allowed to reopen briefly from December 3, all restaurants, bars and hotels were ordered to close as the emergency level was raised on December 18, and subsequently non-essential retail stores closed again on December 27.

The Czech government has been providing significant rent subsidies to support retail stores that were closed due to the restrictive measures. In the second quarter of 2020, the government covered 50% of rent while landlords were asked to provide a 30% rent discount as a condition to receive government subsidies. In the fourth quarter, the government continued its 50% rent support, and it was extended again in the first quarter of 2021. For the fourth quarter of 2020 and the first quarter of 2021, a rental reduction by landlords was not a condition for receiving government subsidies.

Other government support measures included the provision of 400 koruna (about 15 euros) per employee per day for retailers and restaurants which were forced to restrict or close their operations in the fourth quarter of 2020. This subsidy aimed to cover various costs of operating and maintaining the business came on top of a wage compensation implemented separately. It was offered over a period from October 14, 2020 to January 10, 2021. It may be extended or reintroduced depending on future developments of the pandemic. In addition, a support scheme for the hotel sector was also implemented, under which a certain amount of subsidy was paid per room per day during the closed period. The impact of the pandemic on the real estate leasing business will largely depend on its future course and the contents and the duration of restrictive measures to be taken. In this respect, the Czech government has much fiscal space and its implementation of full support measures for retail stores, restaurants and hotels may well be evaluated as a factor that mitigates the negative impact.

(2) Real estate market trends *3

The COVID-19 pandemic has impacted both the retail and office segments of the Czech real estate leasing market. In the retail market, both customers and sales have declined due to a reduced number of tourists, commuters and passengers of transportation facilities. In particular, the impact looks to be more material for shopping centers and high-street shops in Prague compared to regional towns and cities which are less affected by tourism and business commuters. In the third quarter of 2020, the monthly prime rent was 230 euros/sqm for high-street shops and 145 euros/sqm for shopping centers, slightly down from a year earlier. The latest office market trends in Prague, the group’s main business area, show that the net take-up in the third quarter of 2020 dropped about 29% from a year earlier. The vacancy rate rose to 7% in the same quarter (5.5% in 2019) in reversal of the declining trend in recent years. JCR has not changed its view that Prague's office market is stable, but there is a possibility that rents in the city may further decline in the short term due to sluggish demand.

In Berlin, where the office market had been booming in recent years, the net take-up fell 43% year-on-year in the third quarter due to the impact of the pandemic. The vacancy rate, which had fallen to 1.1% in 2019, increased modestly to 1.8%. However, the vacancy rates are still close to historical lows, suggesting that the supply-demand balance remains tight. Rents in the city kept rising even despite the pandemic, with the monthly prime rent and the weighted average rent standing at 38.00 euros/sqm and 27.39 euros/sqm in the third quarter, up 4% and 8.6%, respectively, from the year before. In Berlin, demand for high-quality offices remains strong while the supply of new properties is scarce. According to CBRE, more than 40% of the offices under development have already been pre-let before their completion by 2022, indicating that any significant fall of rents is unlikely.

Warsaw's office market has also weakened. The market trends in the first three quarters of 2020 show that while the supply volume nearly doubled from a year earlier amid the progress on the development of new properties in recent years, demand (gross take-up) suffered a 35% setback. The vacancy rate rose to 9.6% in the third quarter (7.8% in 2019) in reversal of the declining trend in recent years. The monthly prime rent in the city's center was 23.75 euros/sqm, down slightly from 24 euros/sqm in the fourth quarter of 2019. Given that a significant level of new supply is anticipated toward 2022, rents may come under further downward pressure if the weak office demand continues.

*3 The indicators related to Czech retail and office markets and Berlin office market in this section are based on the reports published by CBRE. The indicators related to Warsaw office market in this section are based on the reports published by Kushman & Wakefield.

Chart 1
Composition of portfolio by area

	Portfolio value (million euros)	Share (%)
Czech Republic	4,020	41
Berlin (Germany)	2,529	26
Poland	1,530	16
Hungary	658	7
Other CEE	652	7
Other western Europe	470	5
Total	9,860	100

(Note) As of end September 2020
Source: Prepared by JCR based on the company's IR publications

Chart 2
Composition of porfolio by asset type

	Portfolio value (million euros)	Share (%)
Office	5,114	52
Retail	2,130	22
Hotel & Resort	739	7
Residential	724	7
Land bank	686	7
Development	209	2
Others	258	3
Total	9,860	100

(Note) As of end June 2019
Source: Prepared by JCR based on the company's IR publications

3. Business

(1) Overall business and portfolio

CPIPG has built a portfolio through long-term investment in income-generating properties located in the Czech Republic, Germany (mainly Berlin) and other CEE countries. Its operations are locally-rooted with a focus on holding, leasing, management and operation of properties. The group has four key business segments: the Czech Republic, Berlin, Hotels and Resorts, and Other Businesses. The Czech Republic and the Berlin segments are the main segments, though the group's core focus is on the office sector, with emphasis on the pillars of Prague, Berlin and Warsaw.

As of the end of September 2020, its portfolio consisted of 338 properties (excluding residences in the Czech Republic) and was valued at 9,860 million euros (Chart 1). Compared with the end of 2019, the number of properties increased from 332 while total portfolio value increased by around 8% from 9,111 million euros. These developments can be explained primarily by the fact that the group continued to acquire office properties in Warsaw in 2020 and also purchased a 29.4% stake in Globalworth.

JCR continues to see that CPIPG's portfolio is well diversified by areas and asset types, which contributes to stabilizing cash flows. The level of diversification compares favorably with J-REITs. By area (on a portfolio value basis), the Czech Republic accounted for 41%, followed by Germany (26%), Poland (16%), Hungary (7%), other CEE countries (7%) and other Western European countries (5%) at the end of September 2020. By asset type, offices accounted for 52%, followed by retail properties (22%), hotels and resorts (7%), residential (7%), land bank (7%), development (2%) and others (3%) (Chart 2 and 3). CPIPG maintains its policy of keeping development activities at less than 10% of the portfolio in order to minimize the risks inherent in development projects. JCR views that the increase in the share of Poland (from 4% at the end of June 2019 to 16% at the end of 2020) and the shift to office (from 42% to 52%) contribute to reducing the risk of area/asset type concentration. Excluding the investments in Globalworth from PPV does not significantly change the composition of the portfolio. According to JCR's estimation, the shares of Poland and office decrease to around 13% and 50%, respectively.

CPIPG's property portfolio has kept its increasing trend through acquisition of new properties and revaluation of the existing assets, rising from 7,575 million euros at the end of 2018 to 9,860 million euros at the end of September 2020. In terms of asset size, it

Chart 3 Evolutions of portfolio value, number of properties and occupancy rate

	Dec-17	Dec-18	Dec-19	Sep-20
Portfolio value(million euros)	6,722	7,555	9,111	986
Number of properties (Note)	420	375	332	338
Occupancy rate (%)	92.7	94.5	94.3	94

(Note) Excluding residential (For end-2018, end-2019 and end-September 2019, excluding residential in the Czech Republic)
Source: Prepared by JCR based on the company's Management Report

ranks top among competitors in CEE countries and is among the largest companies focusing on offices in European countries. Regarding the composition of its portfolio, CPIPG maintains its policy of primarily focusing on the office sector in markets where it has leading platforms: Prague, Berlin and Warsaw. The group has no intention to expand its portfolio in areas and asset types other than those where it has a competitive edge and existing platform. Given that the group has recently expanded its exposure to Poland, JCR will monitor future achievements of the group's portfolio management in this country.

There is no particular concern about the concentration of the portfolio on specific properties. The portfolio is also diversified among a large number of tenants. As of the end of June 2020, the largest tenant was Ahold Delhaize, which accounted for 3.0% of gross rental income. The top 10 tenants accounted for 14.5% of gross rental income. As for lease contract terms, CPIPG typically opts for 5 to 10 years for its office and retail tenants. By controlling lease maturities so that contracts coming due in each year between 2020 and 2024 do not exceed 20% of the total, the group limits the risk of concentration of the timing of tenant replacement.

The impact of the pandemic on the group's business has so far been limited. During the first wave in early April, around 80% of the group's portfolio and around 50% of its retail portfolio remained open. Much of its portfolio remained open during the second wave as well. The fact that many of the group's retail tenants are essential retailers while most of its shopping centers are located in regional cities seem to have contributed to mitigating the negative impact. In accordance with the Czech government's policy, the group provided one-time rent discounts to retail tenants in the Czech Republic in the second quarter of 2020. Against this background, the rent collection rate of the group as a whole was slightly lower at 95% (before discounts) in the first three quarters of 2020 compared with the pre-COVID level. Nevertheless, the rent collection rate evolved rather resiliently supported by the stable performance of the office and the residential portfolios.

The occupancy rate of CPIPG's overall portfolio at the end of September 2020 was 94.0%, remaining flat from 94.3% at the end of 2019 and 94.5% at the end of 2018 (Table 7). In addition, the weighted average unexpired lease term (WAULT) has been kept at 3.3 years (5.8 years for the top 10 tenants), indicating that the occupancy rates will remain steady for a while. The year-on-year growth rate of rents somewhat slowed in the first half of 2020 but still remained solid at 1.7% (excluding the one-time discounts), led primarily by the Berlin business.

(2) Czech business (excl. hotels located in the Czech Republic)

This segment includes CPIPG's holding, leasing, managing and operating of assets in the Czech Republic. The portfolio value of this segment stood at 3,684 million euros (166 properties excluding residences) at the end of June 2020, compared with 3,502 million euros (225 properties) at the end of 2018 and 3,755 million euros (166 properties) at the end of 2019. CPIPG's portfolio in this country is diversified among a wide range of asset types, ranging from retail and office to residential. It strategically focuses on retail (43% of portfolio) and office (22%).

CPIPG is the largest landlord and a strong business base in the country. Its market shares are 14% for shopping centers in the country and 5% for offices in Prague. It is also the second-largest holder of residential units.

While there is limited new property supply, demand for rental space continues to be strong in the Czech Republic. This kept the occupancy rate of the portfolio high at 96.0% at the end of June 2020 versus 95.3% at the end of 2019.

The land bank and the development segments respectively accounted for 18% of the Czech portfolio value or 663 million euros as of the end of June 2020. The main remaining land bank is the Bubny site in Prague. While land bank itself does not generate profits, it is an unencumbered asset with adequate flexibility and liquidity. JCR will continue to follow the completion and operation of the properties under development along with the company's new development plans and their progress.

(3) Berlin business

This segment holds, leases, manages and operates offices in Berlin and other cities. It has a 54-year track record that dates back to the time when the company was owned by the city of Berlin. In Berlin, the group focuses on three areas: Kreuzberg, Rest-West and East Berlin (econoparks). Its portfolio value continued to grow and stood at 2,500 million euros (48 properties) at the end of June 2020 compared with 2,056 million euros (49 properties) at the end of 2018 and 2,468 million euros (49 properties) at the end of 2019.

CPIPG is the largest office landlord in Berlin, holding a unique business platform tailored to the needs of close to 2,000 tenants including start-ups.

Against the background of the strong office rental market in Berlin, CPIPG's occupancy rate stood high at 93.4% at the end of June 2020 compared to 95.6% at the end of 2018 and 93.4% at the end of 2019. The unit rent (rent per square meter) has been constantly rising in recent years. In the first half of 2020 it rose 7% year-on-year. There is still upside potential for CPIPG's rents and occupancy rates given the strong market conditions, and the fact that GSG's average rents, while rising, are still below the market average. In this respect, the company keeps its lease maturities relatively short in Berlin (with a WAULT of 3.1 years as of the end of June 2020) with the aim of capturing the upside of this business through rent revisions and other measures. JCR will continue to see whether the group will be able to materialize the upside potential through active asset management, value-up and renovation of properties.

(4) Hotel and resort business

This segment owns and operates hotels located mainly in the Czech Republic and Croatia. In the Czech Republic, CPIPG is the top provider of congress and convention hotels that have enough space to host big conferences and conventions. As of the end of June 2020, its total portfolio value broke down into Conference & Convention Centres (42%), Resort hotels (24%), Boutique Hotels & Residences (14%), Mountain Resorts (11%), Residential hotels (7%) and Spa hotels (2%). In the resort hotel business, CPIPG S.A. owns a platform on the island of Hvar, Croatia. Its portfolio also includes 4 five-star hotels and 28 four-star hotels.

Portfolio value of this segment stood at 730 million euros at the end of June 2020 (38 properties), compared to 726 million euros at the end of 2018 (36 properties) and 851 million euros (39 properties) at the end of 2019. In comparison with the end of 2019, the portfolio value decreased by 14% as the hotel business has been hard hit by the COVID-19 pandemic. Also, operating indications such as ADR and RevPAR have declined in most of the countries. JCR thinks that future recovery status of the hotel business should be carefully monitored.

(5) Other businesses

This segment owns, leases, manages and operates retail properties and offices located in countries such as Poland, Hungary, Slovakia and the UK. As a result of the recent business expansion, CPIPG currently is positioned as the No.1 office landlord in (Warsaw) Poland. The portfolio value of this segment continued to grow to reach 2,249 million euros (81 properties) at the end of June 2020, compared to 1,270 million euros (46 properties) at the end of 2018 and 2,037 million euros (78 properties) at the end of 2019. The occupancy rate of the portfolio remained stable at 94.7% at the end of June 2020, versus 95.2% at the end of 2018.

4. ESG factors

In assessing risks inherent in the real estate industry, JCR considers that ESG factors such as development, acquisition and holding of real estate assets that meet environmental or social needs become increasingly important. In fact, more companies are making efforts to obtain environmental certifications when they undertake new development projects or to meet their funding needs by issuing green bonds.

CPIPG aims to increase the share of green buildings in their portfolio, taking various initiatives including the acquisition of offices with environmental certifications. As part of its strategy, it developed a green bond framework in March 2019 in conformity with the ICMA's GBP 2018. It has raised nearly 2 billion euros by issuing four green bonds since October 2019.

At the moment, there are no cases in which a rating or rating outlook is directly affected by the presence or absence of such initiatives. However, JCR considers that they can affect its rating assessment in the future.

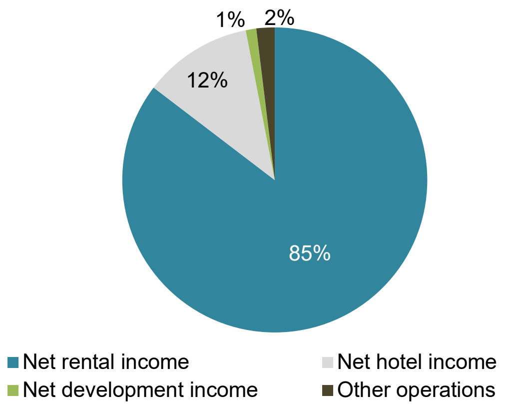
5. Earnings and financial structure

(1) Earnings

CPIPG's earnings structure is primarily based on the rental business, with investment properties centering on income-generating properties accounting for the majority of its assets. In 2019, its net business income (total revenues minus total direct business operating expenses) totaled 345 million euros, of which 294 million euros or 85% was net rental income and 40 million euros was net hotel income (Chart 4). Looking at the breakdown of gross rental income by asset type, office and residential, the segments, together account for more than 50% (Chart 5). The group's limited exposure to development risks makes its earnings relatively resilient to a deterioration of market conditions although a valuation loss on the properties may arise in the short term.

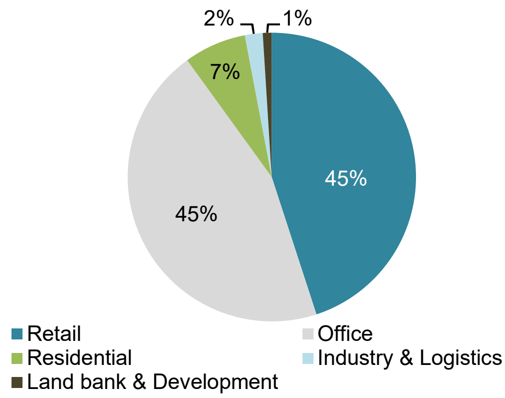
CPIPG's EBITDA continued to increase through 2019 driven by the growth of gross rental income. While part of the growth came from the acquisitions, the income itself grew on a like- for-like basis supported

Chart 4 Breakdown of net business income (2019)



Source: Prepared by JCR based on the company's Management Report

Chart 5 Gross rental income by asset type (2019)



Source: Prepared by JCR based on the company's Management Report

mainly by acontinuing increase in the rents and a decline in the vacancy rates for the existing properties in Berlin. The group's EBITDA is expected to remain solid in 2020. Looking at the results for the first half of 2020, the biggest impact of the pandemic was observed in the hotel segment, where revenue dropped 65% as compared to the same period of the previous year, although this was partly offset by a reduction in hotel operating expenses by approximately 50%. As for the group's rental business, gross rental income in the first half grew 11% year-on-year. Rent discounts had a negative impact, but it was limited as actual discounts accounted for only 4.4% of the income. The strong income growth stemmed from the effect of the recent acquisitions. However, the evolution of net rental income made by the office segment in the Czech Republic and Berlin, where there was no boost from acquisitions, as well as the residential segment suggests that the group's rental business retained a stable earnings performance even on an underlying basis (Chart 6). Moreover, the group materialized cost cuts mainly through the reduction of headcounts and other costs. As a result, its first-half EBITDA remained flat at 143 million euros (excluding the pro-rata EBITDA of Globalworth). Its earnings performance is expected to continue to be affected by the pandemic in 2021. However, JCR sees that the risk of a significant decline in the group's earnings is low, given the diversification of its lease maturities, progress on contract renewals and the fact that rents in the retail segment are mainly fixed.

In recent years, CPIPG's net profit had been boosted by a large amount of valuation gains on real estate assets. This reflected the improvement of market conditions where it operates, mainly in the office market in Berlin. In the first half of 2021, however, its net profit declined significantly as it incurred a valuation loss on its retail properties in Hungary and an impairment loss on its hotels. But the size of these losses was negligible as compared to the group's PPV. JCR does not consider that the latest valuation and impairment losses suggest a future deterioration of the group's earnings capacity.

Chart 6 Net rental income by segment (million euros)

	Dec-16	2019 H1	2020 H1	change
Office		67.8	93.8	26
	Czech Republic	21	21.6	0.6
	Berlin	35.5	37.5	2
Retail		66.1	58.2	-7.9
Residential		7.1	10.5	3.4
Total		145	164	19

(Note) Excluding residential (For end-2018 and end-June 2019, excluding residential in the Czech Republic)
Source: Prepared by JCR based on the company's Management Report

(2) Financial structure *4

Due to the recent investments including the acquisition of offices in Warsaw and an equity stake in Globalworth, CPIPG's debt increased from 3.4 billion euros at the end of June 2019 to 4.5 billion euros at the end of June 2020. Its equity ratio and net debt-to-equity ratio slightly weakened to 49.2% and 0.77 times, respectively, at the end of June 2020 from 53.6% and 0.48 times a year earlier. Nevertheless, these ratios still remained sound as compared to Japanese real estate companies rated in the A range by JCR. During the same period, net LTV as disclosed by the group (net debt/market value of total property portfolio) rose from 32.9% to 42.5% but stayed below its 45% target (Chart 7). Its LTV on a gross debt basis was slightly higher than 45%, according to JCR's calculation. It should be noted that the LTV figure published by the group is calculated by using PPV that includes the equity investments in Globalworth. Excluding this, JCR estimates that LTV at the end of June 2020 was 45.1% on a net debt basis and 49.1% on a gross debt basis, remaining within the tolerable range for the current rating. Meanwhile, CPIPG's debt/EBITDA ratio and interest coverage remain weak as compared to those of peers rated in the A range. In the first half of 2020, its debt/EBITDA ratio rose to 15.7 times on an annualized basis from 11.8 times a year earlier (EBITDA did not include pro-rata EBITDA of Globalworth). Interest coverage was low at 3 times.

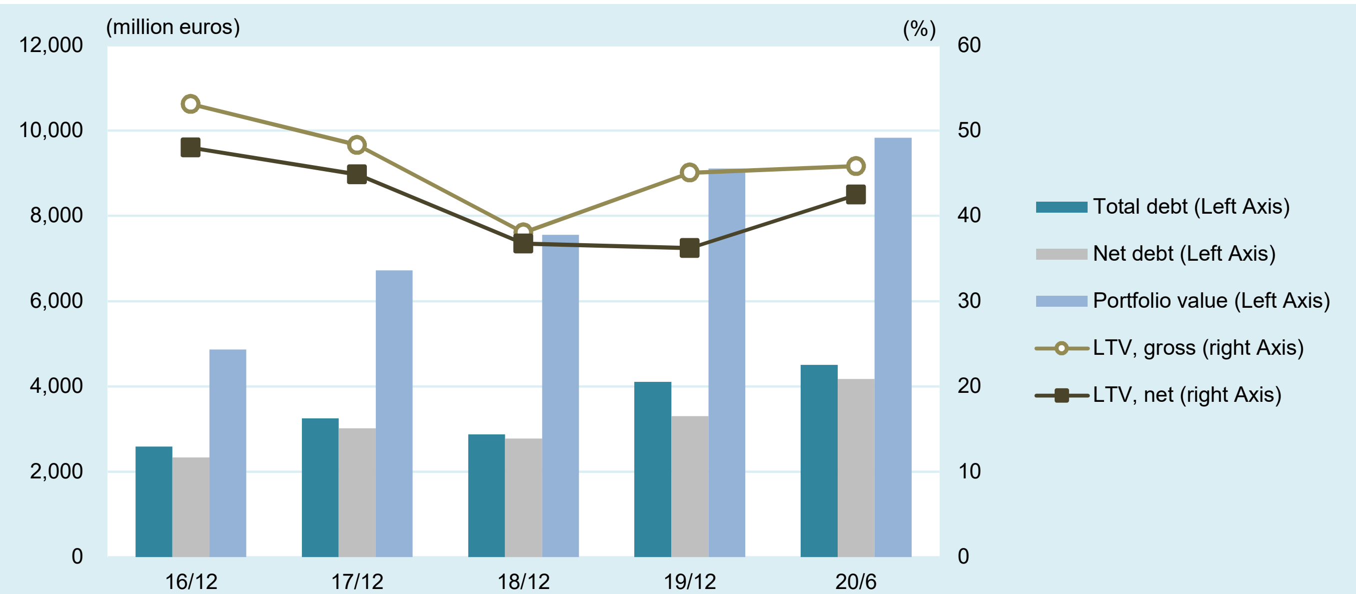
Considering the group's continued commitment to keep net LTV below 40% at normal times when there are no acquisitions, JCR holds that the group will look to improve its financial structure through various measures such as a cutback on capital expenditures and acquisitions as well as debt reduction. In this respect, it has already taken some initiatives including the issuance of a hybrid bond (which is counted as capital in IFRS accounting). The group has no plan to pay dividends at present.

CPIPG retains adequate liquidity, totaling about 1.5 billion euros including the undrawn part of a revolving credit facility (RCF) at the end of June 2020.It further enhanced its liquidity in November 2020 by signing a new 700 million-euro RCF due to mature in 2026 (which replaced the existing 510 million-euro RCF).

There have been no changes in CPIPG's debt structure. As of the end of June 2020, its debt totaling 4.5 billion euros comprised 72% of bonds and 28% of bank loans (68% and 32%, respectively, at the end of June 2019). (Table 11) Its relations with the lender banks remain stable. It increased the size of its loan facility with Berlin Hyp in July 2020. The ratio of secured debt to total debt further declined to 23.2% at the end of June 2020 from 30.9% a year earlier. The ratio of unsecured assets to total assets stood at 69%, almost unchanged from a year earlier.

*4 All financial indicators in this section are based on JCR's definitions

Chart 7 LTV



6. Overall evaluation and outlook

The rating on CPIPG S.A. is supported by its leading position in its core target markets, its capacity to generate stable cash flows backed by a diversified portfolio with limited development risks, and its financial policy focused on fiscal discipline. Due to the COVID-19 pandemic, the group's hotel business has been severely hit while its retail business has also been adversely affected. However, the overall impact on the group has been limited thanks to the diversification of its portfolio and its business structure focused on the office segment. JCR expects that the group's earnings will remain solid supported also by the effects of its cost cutting measures and the recent acquisitions. Although the group's debt increased due to the acquisitions, JCR views that the group will keep its stance to put priority on fiscal discipline and work to improve its financial structure going forward.

It is necessary to keep closely monitoring the impact of the pandemic on the group's business. A delayed economic recovery or prolonged restrictive measures in its key target regions could have a greater than expected negative impact on its business. Over the longer term, it is also possible that consumption behavior and working patterns will change, such as the increase in the use of online shopping and the penetration of remote working, resulting in a constant decrease in sales at retail tenants or lower office rental demand. The rating could also come under downward pressure if the group's financial structure should deteriorate due to a decline in its portfolio value or an unexpectedly big acquisition. On the contrary, improvement on its financial structure through various measures under disciplined financial policy may help enhance its creditworthiness.

JCR's rating on CPIPG does not factor in the lawsuit with U.S. hedge fund Kingstown that has been going on since April 2019. JCR will monitor future developments of the lawsuit and take rating actions where necessary.

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Consolidated Financial Summary

(million euros)

	2015	2016	2017	2018	2019
Total revenues	284	351	438	604	672
Net business income	219	238	272	320	345
Net profit	89	460	695	631	685
Return on assets	2.1	9.2	10.5	8.0	7.2
EBITDA	182	200	230	270	292
Interest coverage (times)	2.0	2.1	2.1	3.2	5.0
Total debt	2,405	2,583	3,247	2,874	4,105
Net debt	2,249	2,335	3,015	2,775	3,300
Total equity	1,338	2,288	3,315	4,362	5,470
Equity ratio (%)	31.0	40.4	44.0	52.8	51.2
Total debt/EBITDA	13.2	12.9	14.1	10.6	14.1
Net debt/EBITDA	12.4	11.7	13.1	10.3	11.3
Debt to equity ratio (times)	1.8	1.1	1.0	0.7	0.8
Net debt to equity ratio (times)	1.7	1.0	0.9	0.6	0.6

(Notes)
1 Accounting standard: IFRS
2 Net business income is calculated by deducting total direct business operating expenses from total revenues
3 Return on assets is calculated by deviding total assets (average of the beginning balance and the ending balance) by net profit

Ratings

(millions)

	Rating	Outlook*	Amount	Currency	Rate (%)	Issue Date	Maturity Date	Release
Foreign Currency Long-term Issuer Rating	A-	Stable	-	-	-	-	-	2020.12.24
JPY 1.414 per cent. Senior Notes due 10 December 2021 under the EUR 3,000,000,000 Euro Medium Term Note Programme	A-	-	8,000	JPY	1.414	2018.12.10	2021.12.10	2020.12.24
JPY 1.995 per cent. Senior Notes Due 8 December 2028 under the EUR 3,000,000,000 Euro Medium Term Note Programme	A-	-	3,000	JPY	1.995	2018.12.10	2028.12.08	2020.12.24

History of Long-term Issuer Rating (Foreign Currency Long-term Issuer Rating or its equivalent)

Date	Rating	Outlook*	Issuer
2018.11.05	A-	Stable	CPI Property Group

*Outlook for Foreign Currency long-term issuer rating, or direction in case of Credit Monitor

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