

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Ichigo Office REIT Investment Corporation (security code: 8975)

<Outlook Change>

Long-term Issuer Rating: A
Outlook: from Stable to Positive

<Affirmation>

Bonds: A

Rationale

- (1) Ichigo Office REIT Investment Corporation ("Ichigo Office REIT") is a specialized office J-REIT sponsored by Ichigo Inc. Its current portfolio consists of 86 properties (82 office properties and 4 other properties (retail facilities, etc.)) with the total acquisition price of 206.1 billion yen. There is no change in the composition of the portfolio, which is mainly composed of mid-size office buildings located in 6 wards of central Tokyo and other metropolitan areas.
- (2) The portfolio, which is diversified in terms of properties and tenants, continues to be managed in a steady manner with the aim of concentrating on mid-size offices. While maintaining a cautious investment stance in a competitive property acquisition environment, the acquisition of Ichigo Tachikawa Building for 3.83 billion yen since the fiscal period ended April 2021 has gradually increased the asset size (up approximately 2% from the end of the fiscal period ended October 2020). Although the COVID-19 pandemic is currently affecting Ichigo Office REIT to a certain extent, it has been able to maintain profitability (NOI yield for fiscal period ended April 2021: 5.7%) and occupancy rates (preliminary figures as of the end of August 2021: 97.3%), as well as increase rents, although the progress is slowing down, against the backdrop of the efforts to use the sponsor's "Value-Add" function. In addition to confirming the continuation of sound financial management, JCR believes that the stability of cash flow with respect to the well-diversified portfolio is likely to be strengthened, given these solid track records and accumulation of sponsor pipelines. Based on the above, JCR has revised the rating outlook from Stable to Positive, while affirming the rating. Going forward, JCR will continue to confirm trends in leasing business operations and financial management under the COVID-19 pandemic and reflect them in the rating.
- (3) With regard to external growth, a sponsor pipeline of approximately 57 billion yen (as of the end of February 2021), mainly in Tokyo and Fukuoka City, has been indicated. While it is assumed that further consolidation into mid-size offices will be promoted by utilizing the said pipeline and bridge funds, etc., JCR will continue to pay attention to whether progress can be made in line with Ichigo Office REIT's viewpoint at the time of acquisition. In terms of internal growth, JCR sees that efforts to narrow the rent gap in the offices (5.20% as of April 30, 2021), including value-up CAPEX such as Ichigo Lounge and Ichigo Layout Office, which are designed to respond to its tenants by Ichigo Office REIT itself and the aging of properties held (69 of 86 properties are over 20 years old) are points.
- (4) The book value LTV based on total assets has been generally and stably under control, from 48.1% as of April 30, 2020 to 48.9% as of April 30, 2021. Unrealized gain on the portfolio, a financial buffer, was 41.3 billion yen as of April 30, 2021 (unrealized gain ratio: 20.4%). Considering the track records of maintaining a lender formation led by Sumitomo Mitsui Banking Corporation and other megabanks, participation of new lenders, access to direct financing through the issuance of investment corporation bonds, lengthening of the average remaining borrowing period (3.7 years as of April 30, 2021), reduction of the average borrowing interest rate (0.88% as of April 30, 2021), and diversification of repayment terms, there is no particular concern about financing.

Shigeo Sugiyama, Nobuyasu Matsuda

Rating

Issuer: Ichigo Office REIT Investment Corporation

<Outlook Change>

Long-term Issuer Rating: A Outlook: Positive

<Affirmation>

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
Bonds no. 1	JPY 1.2	Sep. 22, 2017	Sep. 22, 2027	0.900%	A
Bonds no. 2	JPY 1.0	Apr. 26, 2018	Apr. 26, 2028	0.900%	A
Bonds no. 3	JPY 1.0	Nov. 29, 2018	Nov. 28, 2025	0.750%	A
Bonds no. 4	JPY 1.2	July 26, 2019	July 26, 2029	0.890%	A
Bonds no. 5	JPY 1.0	Mar. 26, 2020	Mar. 26, 2025	0.300%	A
Bonds no. 6	JPY 1.5	May 6, 2021	May 2, 2031	0.850%	A

Rating Assignment Date: September 9, 2021

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "J-REIT" (July 3, 2017) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

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INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Ichigo Office REIT Investment Corporation
Rating Publication Date:	September 14, 2021

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and market environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Portfolios

The likelihood of a given debt payment is highly conditional to its issuer's portfolios - how they can be maintained/ enhanced into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a J-REIT might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions) including certainty of refinancing.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as sponsor, asset manager, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

A) Audited financial statements presented by the rating stakeholders

B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Portfolios

The credit rating is subject to alteration if there is improvement or deterioration of quality, competitive strength and diversification in the issuer's portfolios, since its revenue, etc. may improve or deteriorate by the change in its investment strategies, tenants' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the portfolios is large.

B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's sponsor or asset manager, guarantor or other provider of credit enhancement, or the government of the issuer's business domicile, or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its portfolios, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets, of e.g. real estate or interest rates, inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

G) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's sponsor or asset manager, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

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Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

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Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Portfolios

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's portfolios and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of quality, competitive strength and diversification in the issuer's portfolios on some drastic change in the market environments, etc.

B) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its portfolios.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions including certainty of refinancing. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's sponsor or asset manager, guarantor or other providers of credit enhancement, the government of the issuer's business domicile or other related parties' status and stance of support/ assistance for the issuer. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if there is a major change on the part of related parties, such as replacement, disappearance, some drastic improvement/ deterioration of financial grounds/ balances, etc.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets of e.g. real estate or interest rates. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

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Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Ichigo Office REIT Investment Corporation	Issuer(Long-term)	July 2, 2015	A-	Stable
Ichigo Office REIT Investment Corporation	Issuer(Long-term)	August 30, 2016	A-	Stable
Ichigo Office REIT Investment Corporation	Issuer(Long-term)	August 31, 2017	A-	Positive
Ichigo Office REIT Investment Corporation	Issuer(Long-term)	August 30, 2018	A	Stable
Ichigo Office REIT Investment Corporation	Issuer(Long-term)	October 2, 2019	A	Stable
Ichigo Office REIT Investment Corporation	Issuer(Long-term)	October 2, 2020	A	Stable
Ichigo Office REIT Investment Corporation	Bonds No.1	September 15, 2017	A-	
Ichigo Office REIT Investment Corporation	Bonds No.1	August 30, 2018	A	
Ichigo Office REIT Investment Corporation	Bonds No.1	October 2, 2019	A	
Ichigo Office REIT Investment Corporation	Bonds No.1	October 2, 2020	A	
Ichigo Office REIT Investment Corporation	Bonds No.2	April 20, 2018	A-	
Ichigo Office REIT Investment Corporation	Bonds No.2	August 30, 2018	A	
Ichigo Office REIT Investment Corporation	Bonds No.2	October 2, 2019	A	
Ichigo Office REIT Investment Corporation	Bonds No.2	October 2, 2020	A	
Ichigo Office REIT Investment Corporation	Bonds No.3	November 22, 2018	A	
Ichigo Office REIT Investment Corporation	Bonds No.3	October 2, 2019	A	
Ichigo Office REIT Investment Corporation	Bonds No.3	October 2, 2020	A	
Ichigo Office REIT Investment Corporation	Bonds No.4	July 19, 2019	A	
Ichigo Office REIT Investment Corporation	Bonds No.4	October 2, 2019	A	
Ichigo Office REIT Investment Corporation	Bonds No.4	October 2, 2020	A	
Ichigo Office REIT Investment Corporation	Bonds no.5	March 19, 2020	A	
Ichigo Office REIT Investment Corporation	Bonds no.5	October 2, 2020	A	
Ichigo Office REIT Investment Corporation	Bonds no.6	April 22, 2021	A	

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g7

I, Yoshinori Namioka, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

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Yoshinori Namioka
General Manager of Structured Finance Department II

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026