23-D-0245
June 13, 2023

# Three Listed Investment Corporations Sponsored by Kenedix Entered into Merger Agreement—Limited Impact on Kenedix Office Investment Corporation’s Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement by Kenedix Office Investment Corporation (security code: 8972) that it has entered into a merger agreement with Kenedix Residential Next Investment Corporation (security code: 3278) and Kenedix Retail REIT Corporation (security code: 3453).

(1) Kenedix Office Investment Corporation (KDO), Kenedix Residential Next Investment Corporation (KDR), and Kenedix Retail REIT Corporation (KRR) announced today that they have entered into a merger agreement effective November 1, 2023. In this merger, KDO will be the surviving corporation and KDR and KRR will be the dissolving corporations in the absorption-type merger. The merger is expected to transform KDO into a diversified REIT, and its trade name will be changed to "KDX Realty Investment Corporation." Even after the merger, the new investment corporation plans to keep the asset management agreement concluded with Kenedix Real Estate Fund Management, Inc. and continue to outsource its asset management operations to the asset manager, and there will be no particular changes to the support structure from Kenedix, its sponsor.

(2) JCR currently assigns a long-term issuer rating of "AA" with Stable outlook to KDO, and a long-term issuer rating of "AA-" with Stable outlook to KDR and KRR. As of today, KDO has a portfolio of 97 properties with a total acquisition value of 453.3 billion yen, KDR has 182 properties with a total acquisition value of 304.2 billion yen, and KRR has 70 properties with a total acquisition value of 270.3 billion yen. KDO's portfolio is well diversified, with the size exceeding those of KDR and KRR. KDO has also accumulated a more stable track record in managing its portfolio over a longer period of time than KDR and KRR since its listing in July 2005. In light of these and other factors, KDO's rating is one notch higher than those of KDR and KRR. While portfolio of KDO, the surviving corporation, is expected to expand to 350 properties with a value of 1,149.8 billion yen through the merger and the asset replacement associated with the merger, KDO's rating fully reflects the diversification effect from economies of scale. In addition, in light of the planned LTV level and other factors, JCR believes that the impact of this merger on KDO's rating will be limited. JCR will pay attention to the developments such as progress of various procedures for the merger and the post-merger portfolio and financial conditions.

(3) JCR has placed dated today KDR’s and KRR’s long-term issuer ratings and ratings on their investment corporation bonds under Credit Monitor with Positive direction. Please refer to JCR’s press release "23-D-0246."

Shigeo Sugiyama, Takanori Akiyama

<Reference>
Issuer: Kenedix Office Investment Corporation
Long-term Issuer Rating: AA Outlook: Stable

Issuer: Kenedix Residential Next Investment Corporation
Long-term Issuer Rating: #AA-/Positive

Issuer: Kenedix Retail REIT Corporation
Long-term Issuer Rating: #AA-/Positive

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