

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

## **Kanagawa Prefectural Housing Supply Corporation (security code: -)**

### <Affirmation>

Long-term Issuer Rating: AA+  
Outlook: Stable  
Bonds: AA+

### *Rationale*

- (1) Kanagawa Prefectural Housing Supply Corporation ("KJK") is a special corporation established by Kanagawa Prefecture under the Local Housing Corporation Act. Ranking third in asset size among nation's local housing corporations in its core rental housing management business, KJK supports housing stability for the elderly and low income persons by supplying public rental housing, and thereby plays a role as a housing safety net. KJK's presence is significant as taking a key part in the Prefecture's housing policy such as regenerating housing complexes for some of the large-scale housing complexes by developing complex facilities with housing for the elderly, child care support services, etc. and also revitalizing housing complex communities for residents in cooperation with universities, and others.
- (2) KJK's ratings reflect factors including the Prefecture's creditworthiness as a founder, its clear role in the Prefecture's housing policy, decent business size, and relatively favorable financial base. Since the fiscal year ending March 2022 (FY2021), KJK has been carrying out its business operation without financially relying on the Prefecture due to ending the Prefecture's fiscal measures of compensation for losses and subsidizing interest. On the other hand, under the draft of Kanagawa Prefecture Basic Plan for Housing, which is scheduled to be revised in the future, the Prefecture stresses that KJK assumes important roles such as supplying housing to the people which requiring consideration in securing housing and rebuilding of the housing complex communities. In light of the strong unity with the Prefecture in terms of human resources, and others, JCR sees that the Prefecture will continue to get strongly involved in KJK's business management.
- (3) The occupancy rate of KJK's general rental housing (excluding the ones unavailable to rent) has been maintained around 92%, at a level above the average occupancy rate among private-sector companies in Kanagawa Prefecture. In the management plan released in August 2021, KJK intends to promote revitalization and restructuring of aged housing complexes in stock through rebuilding and extending the lifecycle of buildings in order to realize a long-term stable operation. KJK intends to carry out the repair and maintenance constructions in a systematic and preventive way; therefore, the profit level for the foreseeable future will likely be lower than that of previous years due to an increase in management expenses, etc. Despite the fact, KJK will be able to ensure a certain level of income stably given that KJK will be able to maintain the high-level occupancy rate through maintaining and improving functions of the rental housing assets, and an effect of step-by-step growth in rent income by rebuilding the highly marketable housing complexes in Yokohama and Kawasaki areas can also be expected, in JCR's view.
- (4) KJK's financial structure is at a favorable level compared to that of other major housing supply corporations as shown by equity ratio of 33% with debt-equity ratio of 1.5x as of March 31, 2021. KJK has a reasonably high risk resilience given that it has been recording sufficient provisions in preparation for the systematically carried out repair and maintenance constructions, restructuring of the rental housing assets, and others. Going forward, the amount of investment for rebuilding the housing complexes, etc. is expected to grow, however, KJK does not plan any project, which require a large amount of financing at a time. Although interest-bearing debt is expected to increase gradually for the time being, the financial soundness will be maintained as KJK intends to control the level within the range of 10% increase or so from the current level.

Akira Minamisawa, Tatsuya Shimizu

## Rating

Issuer: Kanagawa Prefectural Housing Supply Corporation

### <Affirmation>

Long-term Issuer Rating: AA+

Outlook: Stable

| Issue        | Amount (bn) | Issue Date    | Due Date      | Coupon | Rating |
|--------------|-------------|---------------|---------------|--------|--------|
| Bonds no. 2  | JPY 10      | Dec. 21, 2015 | Dec. 19, 2025 | 0.679% | AA+    |
| Bonds no. 3  | JPY 17      | Apr. 26, 2016 | Apr. 24, 2026 | 0.320% | AA+    |
| Bonds no. 4  | JPY 10      | Apr. 24, 2018 | Apr. 24, 2028 | 0.325% | AA+    |
| Bonds no. 5  | JPY 7       | Apr. 24, 2018 | Apr. 23, 2038 | 0.709% | AA+    |
| Bonds no. 6  | JPY 4       | Apr. 23, 2019 | Apr. 23, 2029 | 0.215% | AA+    |
| Bonds no. 7  | JPY 5       | Apr. 23, 2019 | Apr. 22, 2039 | 0.534% | AA+    |
| Bonds no. 8  | JPY 4       | Apr. 23, 2020 | Apr. 23, 2030 | 0.260% | AA+    |
| Bonds no. 9  | JPY 6       | Apr. 23, 2020 | Apr. 23, 2040 | 0.489% | AA+    |
| Bonds no. 10 | JPY 3       | Apr. 20, 2021 | Apr. 19, 2041 | 0.591% | AA+    |

Rating Assignment Date: February 24, 2022

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 "FILP Agencies, etc." (May 29, 2020) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

## Japan Credit Rating Agency, Ltd.

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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.)



## INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

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

|                          |   |
|--------------------------|---|
| Issuer:                  | Kanagawa Prefectural Housing Supply Corporation |
| Rating Publication Date: | March 1, 2022                                   |

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 business 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) Legal Protection and Support Provided by the Government

The likelihood of a given debt payment is highly conditional to the issuer's legal protection provided by the government, personnel and capital relationship with the government, importance in the government's policy, credit enhancement, and other forms of the government's supporting policy, framework and the strength thereof.

#### B) Business Bases

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

C) 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 financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

D) 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).

## 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, 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 public or private 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) Legal Protection and Support Provided by the Government

The credit rating is subject to alteration if there is a change in the issuer's legal support by the government, personnel or capital relationship with the government, importance in the government's policy, credit enhancement and other forms of the government's supporting policy, framework and the strength thereof. 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.

### B) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' 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 business bases is large.

### C) 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.

### D) 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.

- E) Creditworthiness of the Government, etc. that Constitute the Framework of Credit Enhancement  
The credit rating is subject to alteration if there is a change in the creditworthiness of the government, etc. that constitute the framework of credit enhancement. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change on such framework is exceptionally large.

F) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, 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.

## 12

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/>

## 13

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

A) Legal Protection and Government Support

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 legal protection provided by the government, personnel and capital relationship with the government, importance in the government's policy, credit enhancement and other forms of the government's supporting policy, framework and the strength thereof. The resultant change of the credit rating is most likely by one notch, as JCR stipulates, but possibly as much as a few notches if the change in the government's supporting policy is significant.

B) Business Bases

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 business bases 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 the issuer's business bases on some drastic change in the operational environments, etc.

C) 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 business bases.

D) 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. 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.

E) Creditworthiness of the Government, etc. that Constitute the Framework of Credit Enhancement

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 creditworthiness of the government, etc. that constitute the framework of credit enhancement. JCR assumes the resultant change of the credit rating is most likely by a notch. The change could be as much as a few notches should the creditworthiness of said government, etc. 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.

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## The Historical Performance of the Credit Rating

| Issuer Name                                     | Issue Name        | Publication Date  | Rating | Outlook/Direction |
|---|-------------------|-------------------|--------|-------------------|
| Kanagawa Prefectural Housing Supply Corporation | Issuer(Long-term) | March 17, 2014    | AA     | Stable            |
| Kanagawa Prefectural Housing Supply Corporation | Issuer(Long-term) | December 5, 2014  | AA     | Stable            |
| Kanagawa Prefectural Housing Supply Corporation | Issuer(Long-term) | December 4, 2015  | AA     | Stable            |
| Kanagawa Prefectural Housing Supply Corporation | Issuer(Long-term) | July 15, 2016     | AA     | Negative          |
| Kanagawa Prefectural Housing Supply Corporation | Issuer(Long-term) | February 16, 2017 | AA     | Negative          |
| Kanagawa Prefectural Housing Supply Corporation | Issuer(Long-term) | January 23, 2018  | AA     | Negative          |
| Kanagawa Prefectural Housing Supply Corporation | Issuer(Long-term) | August 10, 2018   | AA     | Stable            |
| Kanagawa Prefectural Housing Supply Corporation | Issuer(Long-term) | January 30, 2019  | AA     | Positive          |
| Kanagawa Prefectural Housing Supply Corporation | Issuer(Long-term) | February 14, 2020 | AA+    | Stable            |
| Kanagawa Prefectural Housing Supply Corporation | Issuer(Long-term) | February 24, 2021 | AA+    | Stable            |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.2        | December 4, 2015  | AA     |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.2        | February 16, 2017 | AA     |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.2        | January 23, 2018  | AA     |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.2        | January 30, 2019  | AA     |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.2        | February 14, 2020 | AA+    |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.2        | February 24, 2021 | AA+    |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.3        | April 15, 2016    | AA     |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.3        | February 16, 2017 | AA     |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.3        | January 23, 2018  | AA     |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.3        | January 30, 2019  | AA     |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.3        | February 14, 2020 | AA+    |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.3        | February 24, 2021 | AA+    |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.4        | April 13, 2018    | AA     |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.4        | January 30, 2019  | AA     |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.4        | February 14, 2020 | AA+    |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.4        | February 24, 2021 | AA+    |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.5        | April 13, 2018    | AA     |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.5        | January 30, 2019  | AA     |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.5        | February 14, 2020 | AA+    |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.5        | February 24, 2021 | AA+    |                   |



## The Historical Performance of the Credit Rating

| Issuer Name                                     | Issue Name  | Publication Date  | Rating | Outlook/Direction |
|---|-------------|-------------------|--------|-------------------|
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.6  | April 12, 2019    | AA     |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.6  | February 14, 2020 | AA+    |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.6  | February 24, 2021 | AA+    |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.7  | April 12, 2019    | AA     |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.7  | February 14, 2020 | AA+    |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.7  | February 24, 2021 | AA+    |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.8  | April 10, 2020    | AA+    |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.8  | February 24, 2021 | AA+    |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.9  | April 10, 2020    | AA+    |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.9  | February 24, 2021 | AA+    |                   |
| Kanagawa Prefectural Housing Supply Corporation | Bonds no.10 | April 9, 2021     | AA+    |                   |

## Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Mikiya Kubota, 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.

窪田 幹也

Mikiya Kubota

General Manager of Public Sector Rating Department

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