

Kenedix Residential Investment Corporation's Merger – Limited Impact on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on that Kenedix Residential Investment Corporation (security code: 3278) had entered into a merger agreement with Japan Senior Living Investment Corporation (security code: 3460).

- (1) Kenedix Residential Investment Corporation (“KDR”) and Japan Senior Living Investment Corporation (“JSL”) today announced that they had entered into an agreement on their merger effective on March 1, 2018, with KDR as the surviving corporation and JSL as the dissolving corporation. Through the merger, KDR will change its corporate name to Kenedix Residential Next Investment Corporation to shift into a diversified REIT that invests in healthcare and lodging facilities, while primarily investing in residential facilities. In addition, KDR will change a part of its investment policy and investment targets. After the merger, KDR will continue to entrust the asset management to Kenedix Real Estate Fund Management, Inc. (“KFM”), to which it is currently entrusting the asset management, and will amend the asset management agreement that were entered into between KDR and KFM.
- (2) JCR announced A+ rating with Stable outlook on long-term issuer rating for KDR. As of today, KDR’s portfolio consists of 115 properties with total acquisition price of 164.1 billion yen, while JSL’s portfolio consists of 14 properties with total acquisition price of 27.9 billion yen. There is a gap between the 2 corporations in portfolio size, and KDR’s LTV will slightly decline after the merger. JCR sees, however, that impact from the merger on KDR’s rating will be limited. Through the merger, KDR will acquire 14 healthcare facilities, while KFM will establish Healthcare Investment Management Division (provisional name) as a division specializing in investment and asset management operations for healthcare facilities to succeed expertise and experience from Japan Senior Living Partners, Inc. (“JSLP”), JSL’s asset manager, by succeeding employees in JSLP’s Investment Management Department, etc. The positions of JSL and JSLP in their sponsor support agreement will be basically transferred to KDR and KFM, respectively, provided that the merger takes effect. Through these arrangements, it is expected that KDR will be able to operate healthcare facilities that are to be transferred from JSL in the same manner as before. JCR will pay attention to operations of healthcare facilities, improvement of portfolio stability through combination of assets having different income characteristics, progress of external growth through expansion of investment targets, etc. after the merger under the new structure for KDR.

Shigeo Sugiyama, Takanori Akiyama

<Reference>

Issuer: Kenedix Residential Investment Corporation

Long-term Issuer Rating: A+ Outlook: Stable

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