News Release

Japan Credit Rating Agency, Ltd.

19-D-1258
March 23, 2020

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

Kenedix Office Investment Corporation (security code: 8972)

<Affirmation>

Long-term Issuer Rating:	AA-
Outlook:	Stable
Bonds:	AA-
Shelf Registration:	Preliminary AA-

Rationale

(1) Kenedix Office Investment Corporation ("KDO") is a J-REIT that invests primarily in mid-sized office buildings in the Tokyo metropolitan area. Its asset management company Kenedix Real Estate Fund Management, Inc. ("KFM") is sponsored by real estate asset management company Kenedix, Inc. ("Kenedix"), which shows strong commitment to the REIT business as a sponsor of multiple J-REITs. Supported by Kenedix, KFM has chalked up a track record of operations for KDO for 29 fiscal periods while demonstrating its uniqueness as an asset manager.

(2) The portfolio currently consists of 99 properties with total acquisition price of 432.8 billion yen, which is one of the largest in size with the highest number of properties among J-REITs that mainly invest in mid-sized office buildings. KDO has achieved a good diversification of both properties and tenants, as shown by the biggest tenant occupying approximately 2.4% of the total leased floor area and the top 10 tenants collectively occupying around 10%, thereby building a portfolio with highly stable cash flows. In order to maintain, and even increase, tenant satisfaction and property values, it has been pursuing internal growth by, for instance, renovating properties as necessary to raise their values, based on KFM's expertise. As such, its portfolio performance has been generally stable. Meanwhile, KDO continues conservative financial management, as shown by LTV controlled in the lower 40% range. Based on the above, JCR affirmed the ratings on KDO and retained the Stable outlook.

(3) The occupancy rate of office buildings remains high and stable, standing at 99.5% as at the end of the fiscal period ended October 2019 and 99.1% on average during that period. Properties are managed by Kenedix Property Management, Inc., and KDO's stable leasing operations are supported by the Kenedix Group's experience and knowledge on managing mid-sized office buildings. Vacancies are filled at a good rate thanks to brisk tenant demand, and revenue growth continues with a rise in rent. That said, even though KDO's performance has not been particularly affected, so far, by changes in the external environment triggered by the novel coronavirus outbreak, etc., attention should be paid to the impacts on future corporate performance, actions taken by tenants and so forth. As regards property acquisition, while different acquisition channels unique to the asset management firm sponsored by an independent firm are ensured, the first collective investment scheme with Kenedix Retail REIT Corporation, another Kenedix group company, has been implemented.

(4) On the financial front, the average remaining period of interest-bearing debt as of October 31, 2019 was longer than before at 4.8 years, and financial costs have also been reduced. In an effort to mitigate refinancing risk, interest-bearing debts' repayment terms have been staggered, and the rate of debts with fixed interest rates to the total is kept high at 97.7%. Unrealized gains on properties as a financial buffer are growing, and their ratio at October 31, 2019 came to 20.7%. The well-diversified portfolio that consists of mid-sized office buildings with relatively high liquidity presents no particular concerns about the current financing formation. In any case, JCR will keep closely watching KFM's efforts to further stabilize the financial structure.

Shigeo Sugiyama, Takanori Akiyama

Rating
Issuer: Kenedix Office Investment Corporation

<Affirmation>
Long-term Issuer Rating: AA- Outlook: Stable

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
Bonds no. 6	JPY 2	July 25, 2014	July 25, 2024	1.18%	AA-
Bonds no. 7	JPY 1	Apr. 28, 2016	Apr. 28, 2028	0.900%	AA-
Bonds no. 8	JPY 1	July 19, 2017	July 19, 2022	0.260%	AA-
Bonds no. 9	JPY 2	July 19, 2017	July 16, 2027	0.640%	AA-
Bonds no. 10 (Green Bonds)	JPY 2	Feb. 15, 2019	Feb. 15, 2024	0.390%	AA-

Shelf Registration: Preliminary AA-
Maximum: JPY 100 billion
Valid: two years effective from December 8, 2018

Rating Assignment Date: March 18, 2020

The criteria used for identifying matters which serve as assumptions for the assessment of the credit status, and the criteria used for setting of grades indicating the results of the assessments of the credit status 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 methodology for determination of the credit rating is shown as "J-REIT" (July 3, 2017) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

Glossary:
A preliminary rating is a credit rating assigned as a preliminary evaluation while material terms for issue to be rated are not yet finalized. When the issuing terms are finalized, JCR will confirm them and will assign a credit rating anew. The rating level of the final rating may be different from that of the preliminary rating, depending on the final content of the terms, etc.

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

Issuer:	Kenedix Office Investment Corporation
Rating Publication Date:	March 23, 2020

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.

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.

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 Rule17g-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.

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 received 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.

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) 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.

14 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
Kenedix Office Investment Corporation	Issuer(Long-term)	December 11, 2006	A+	Stable
Kenedix Office Investment Corporation	Issuer(Long-term)	March 6, 2008	A+	Stable
Kenedix Office Investment Corporation	Issuer(Long-term)	February 6, 2009	A+	Negative
Kenedix Office Investment Corporation	Issuer(Long-term)	January 13, 2010	A	Stable
Kenedix Office Investment Corporation	Issuer(Long-term)	February 4, 2011	A	Stable
Kenedix Office Investment Corporation	Issuer(Long-term)	February 14, 2012	A	Positive
Kenedix Office Investment Corporation	Issuer(Long-term)	March 8, 2013	A+	Stable
Kenedix Office Investment Corporation	Issuer(Long-term)	February 24, 2014	A+	Stable
Kenedix Office Investment Corporation	Issuer(Long-term)	March 9, 2015	A+	Stable
Kenedix Office Investment Corporation	Issuer(Long-term)	March 16, 2016	A+	Positive
Kenedix Office Investment Corporation	Issuer(Long-term)	January 30, 2017	AA-	Stable
Kenedix Office Investment Corporation	Issuer(Long-term)	March 9, 2018	AA-	Stable
Kenedix Office Investment Corporation	Issuer(Long-term)	March 15, 2019	AA-	Stable
Kenedix Office Investment Corporation	Shelf Registration	November 30, 2018	AA-	
Kenedix Office Investment Corporation	Shelf Registration	March 15, 2019	AA-	
Kenedix Office Investment Corporation	Bonds no.6	July 11, 2014	A+	
Kenedix Office Investment Corporation	Bonds no.6	March 9, 2015	A+	
Kenedix Office Investment Corporation	Bonds no.6	March 16, 2016	A+	
Kenedix Office Investment Corporation	Bonds no.6	January 30, 2017	AA-	
Kenedix Office Investment Corporation	Bonds no.6	March 9, 2018	AA-	
Kenedix Office Investment Corporation	Bonds no.6	March 15, 2019	AA-	
Kenedix Office Investment Corporation	Bonds No.7	April 22, 2016	A+	
Kenedix Office Investment Corporation	Bonds No.7	January 30, 2017	AA-	
Kenedix Office Investment Corporation	Bonds No.7	March 9, 2018	AA-	
Kenedix Office Investment Corporation	Bonds No.7	March 15, 2019	AA-	
Kenedix Office Investment Corporation	Bonds no.8	July 12, 2017	AA-	
Kenedix Office Investment Corporation	Bonds no.8	March 9, 2018	AA-	
Kenedix Office Investment Corporation	Bonds no.8	March 15, 2019	AA-	
Kenedix Office Investment Corporation	Bonds no.9	July 12, 2017	AA-	
Kenedix Office Investment Corporation	Bonds no.9	March 9, 2018	AA-	

The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Kenedix Office Investment Corporation	Bonds no.9	March 15, 2019	AA-	
Kenedix Office Investment Corporation	Bonds no.10	February 8, 2019	AA-	
Kenedix Office Investment Corporation	Bonds no.10	March 15, 2019	AA-	

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

I, Takanori Akiyama, 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.

秋山高範

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