



NEWS RELEASE

No.2008-C-1123

Dec 11, 2008

R&I Downgrades to BBB-, Retains on Monitor: Nippon Res. Invest.

Rating and Investment Information, Inc. (R&I) has announced the following.

ISSUER: Nippon Residential Investment Corp. (Sec. Code: 8962)
Issuer Rating

R&I RATING: (BBB-); Downgraded from (BBB+)
Remains on the Rating Monitor with a view to downgrading

Long-term Issue Rating

R&I RATING: (BB+); Downgraded from (BBB+)
Remains on the Rating Monitor with a view to downgrading

RATIONALE:

Nippon Residential Investment Corp. (NRI) is the largest REIT specialized in rental housing, and its main sponsor is Pacific Holdings, Inc. R&I downgraded the rating to BBB+ and also placed on the Rating Monitor with a view to downgrading when R&I conducted Urgent Review of REITs in October 2008. There are cases where some banks withdrew from the syndication, the term was shortened, and the interest rate was raised significantly even after the review. There were also refinancing transactions with very high loan spread of 6%.

Under such circumstances, NRI will make loan repayment of 15.7 billion yen in December, and 10.9 billion yen in February 2009. Moreover, JREIT bonds worth 18 billion yen in total will become due in September and October 2009. Although its main bank will continue rendering support, it is assumed that certain pressure will be placed on large-scale refinancing under the current tight environment.

Moreover, NRI asked financial institutions for pledging collateral for loans, and it is currently negotiating about the collateral to be pledged and others. R&I, however, considers it difficult to retain sufficient net worth of collateral to repay JREIT bonds which account for most of interest-bearing debt.

Its sponsor, Pacific Holdings, Inc. announced on November 26 that it would indirectly receive investment from a Chinese firm, but no improvement in creditworthiness that would lead to enhance the funding conditions of NRI is confirmed yet.

Given all the above, R&I has downgraded the Issuer Rating to BBB- and retained NRI on the Rating Monitor with a view to downgrading. Accordingly, R&I has downgraded the Long-term Issue Rating to BB+, one notch below the Issuer Rating, given its subordination to the loans to be secured with collateral.

R&I RATINGS:

ISSUER: Nippon Residential Investment Corp. (Sec. Code: 8962)
ISSUER RATING: (BBB-); Downgraded from (BBB+)
Remains on the Rating Monitor with a view to downgrading

ISSUE: Preliminary Rating for the Shelf Registration scheme
Bonds to be Rated: Corporate Bonds
Issue Amount: Yen 100,000 million (Shelf Amount)
Issue Period: Two years from Apr 21, 2007

R&I RATING: (BB+); Downgraded from (BBB+)
Remains on the Rating Monitor with a view to downgrading

Rating and Investment Information, Inc. Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan
Structured Finance Rating Division TEL. 03-3276-3406-3428 FAX. 03-3276-3429 EMAIL sfdept@r-i.co.jp Homepage <http://www.r-i.co.jp>

Ratings are statements of R&I's opinion shown in certain symbols regarding an Issuer's general capacity (credit quality) to repay its financial obligation and individual debts (bonds and loans, etc.) and it is not a statement of recommendations to buy, hold, or sell any securities. Information has been obtained by R&I from sources believed to be reliable, however, its accuracy, adequacy, or completeness is not guaranteed. Therefore, R&I is not responsible for any errors or omissions or the result obtained from the use of the rating. As a general rule, R&I provides the rating services for a rating fee paid by the Issuer.

©Rating and Investment Information, Inc.



NEWS RELEASE

LONG-TERM ISSUE RATING:

	Issue Date	Redemption	Issue Amount (mn)
Unsec. Str. Bonds No. 4	Feb 20, 2006	Feb 18, 2011	Yen 15,000
Unsec. Str. Bonds No. 6	Oct 25, 2006	Oct 23, 2009	Yen 12,000
Unsec. Str. Bonds No. 7	Feb 09, 2007	Feb 29, 2012	Yen 12,000
Unsec. Str. Bonds No. 8	Sep 13, 2007	Sep 11, 2009	Yen 6,000
Unsec. Str. Bonds No. 9	Sep 13, 2007	Sep 13, 2011	Yen 10,000
Unsec. Str. Bonds No. 10	Sep 13, 2007	Sep 13, 2012	Yen 5,000

Issuer Rating is R&I's opinion regarding an issuer's overall capacity to repay its entire financial obligation, and it will be assigned to all issuers. The rating of individual obligations (i.e. bonds and loans etc.) includes the prospect of recovery and reflects the terms and conditions of the agreement and it may be lower or higher than Issuer Rating.