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For Immediate Release



**NIPPON
RESIDENTIAL
INVESTMENT
CORPORATION**

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Notification of Note on Matters Regarding the Going Concern Basis

Nippon Residential Investment Corporation (NRIC) announces the decision made today to note matters regarding the going concern basis in the Semiannual Securities Report (Yukashoken Hokokusho) for the Tenth Fiscal Period (period ended November 30, 2008) as a subsequent event as follows.

Details

Tenth Fiscal Period Financial Statements

Pacific Holdings, Inc. (hereinafter "PHI"), which is NRIC's sponsor company and also major shareholder of NRIC's asset management company Pacific Residential Corporation (hereinafter "Asset Management Company"), announced on January 27, 2009 that its liabilities exceeded assets in its financial results for the fiscal year ended November 2008 and is consequently in a state that is in breach of financial covenants.

Based on a support agreement signed with the Asset Management Company, PHI and its subsidiary Pacific Realty Corporation (hereinafter "PRL") fulfill the function of providing information to NRIC on investment properties held by PHI and PRL and supporting NRIC's long-term growth strategy in other ways. Although problems

specific to PHI do not directly affect NRIC's operations, PHI's situation described above has led to a state in which there are concerns over the impact of such on NRIC's future financing from financial institutions and others.

In the period ended November 30, 2008, despite posting a loss from a penalty incurred for canceling the acquisition of a specified asset, NRIC maintained steady business performance with ¥4,535 million in operating revenues, ¥3,096 million in ordinary profit and ¥769 million in net income. In addition, cash flows resulted in net cash provided by operating activities of ¥5,413 million. Given these results, NRIC believes that there are no grave concerns in particular in terms of revenue.

Moreover, NRIC has not breached any financial covenants set forth in basic agreements entered into with lending financial institutions as of the end of the period ended November 30, 2008, and recognizes that a situation arising where any type of management indicator, etc. is in breach of the covenants would be inconceivable for the time being subsequent to the end of the period ended November 30, 2008 also.

NRIC is advancing talks with its financial institutions with respect to procuring the funds for refinancing of the ¥38,453 million in loans and redemption of the ¥18,000 million in investment corporation bonds that are due for repayment or redemption within one year of the end of the period ended November 30, 2008. While NRIC has already refinanced ¥15,100 million of the ¥15,700 million in loans that have become due subsequent to the end of the period ended November 30, 2008 as of the date of publication, there is a possibility that it will not be able to smoothly secure the funds for the loans and investment corporation bonds that are to become due for repayment or redemption in the future.

In this manner, the existence of matters of concern for NRIC's cash management has raised substantial doubt about the going concern assumption.

In view of conducting stable asset management by relieving such circumstances and maintaining and strengthening the financial management base, NRIC is promoting the following measures:

- ① NRIC plans to lower the ratio of interest-bearing debt to total assets to around a 50% level in phases by selling assets and taking other steps over two years (target schedule). While the size of the selling of assets and the other steps is

yet to be determined, these will be implemented while gauging real estate trading market and financial market trends.

- ② Having developed good relationships with its financial institutions from before, NRIC seeks to secure cash management with the support of financial institutions by continuing to maintain good relationships.
- ③ Concerning the investment corporation bonds due for redemption within one year of the end of the period ended November 30, 2008, NRIC intends to decide on issuance to new investors, borrowing from financial institutions and others, selling of assets or other methods by the end of May 2009 (target schedule) and thereby seeks to facilitate redemption.

In light of the abovementioned circumstances, the financial statements have been prepared on a going concern basis and the financial statements do not reflect such substantial doubt about the going concern assumption.

(Reference)

Concerning the refinancing of ¥3.0 billion and ¥7.9 billion in existing loans that are due for repayment on February 27, 2009 and February 28, 2009, respectively, totaling ¥10.9 billion, NRIC has, as announced in the “Notification of Loan” dated February 25, 2009, already entered into a loan agreement in the same amount.

- This document was distributed to the press clubs within the Tokyo Stock Exchange, Ministry of Land, Infrastructure, Transport and Tourism and construction trade newspaper of the Ministry of Land, Infrastructure, Transport and Tourism.
- Nippon Residential Investment Corporation’s website is <http://www.nric.co.jp>

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