



NEWS RELEASE

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R&I View: NRI to Pay Cancellation Penalty

Nippon Residential Investment Corp. (NRI, Sec. Code: 8962, Issuer Rating = BBB+, placed on the Rating Monitor with a view to downgrading) has announced on November 18, to cancel the acquisition of a tower condominium in Yokohama whose sales agreement was already signed in September 2007 (Estimated acquisition cost: approximately 11.7 billion yen). With this, approximately 2.3 billion yen cancellation penalty will incur, and the current profit expected at approximately 3 billion yen will be largely revised downward for the interim term ending in November 2008.

This is the one-time loss, although the impact on periodic income is significant. Profit distribution will also be reduced by the same amount, and the impact on the cash flow is neutral. A slight rise in the debt ratio from the property acquisition has been consequently avoided. Given all the above, the cancellation per-se will have little rating impact.

However, it was revealed that tight funding environment is intensifying. R&I will continue to observe the refinancing trends until February 2009 and the creditworthiness of the sponsor which affects NRI's funding.

NRI has also revealed that it has asked for the pledge of collateral for all loans. While the pledging of collateral generally contributes to secure stable funding, it constrains NRI's ability to flexibly sell properties and procure new financing. Details such as collateral are unknown. However, most of its debt is procured from the issue of JREIT bonds and attention shall be paid to how NRI can post collateral smoothly when procuring funds in the future to repay such bonds.