



NEWS RELEASE

No.2009-C-160
Feb 19, 2009

R&I Downgrades to (BB+), Retains on Monitor: NRI

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

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

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

Long-term Issue Rating

R&I RATING: (BB); Downgraded from (BB+)
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. (Issuer Rating: CCC+, currently on Rating Monitor with direction uncertain). The downgrading of NRI reflects the possibility that NRI's fund procurement will be negatively affected since the company is still aiming for an integrated reconstruction with its main sponsor whose creditworthiness has seriously been damaged.

Pacific Holdings, which currently has excess debt, infringed the financial covenants on loans and received an auditor's disclaimer of opinion under the Corporate Law for the year ending in November 2008. Although the company appears to be continuing discussion regarding the paid-in capital from a Chinese real estate company through Chuhaku Japan Inc. for its preferred stocks, etc., it has yet to be determined whether the paid-in capital will be received, and if so, when and how much it will be.

Under such circumstances, NRI still seeks integrated reconstruction with its sponsors. Although REIT is independent of its sponsors, sponsors are closely related to the operations of REIT. Therefore, the creditworthiness of sponsors may affect REIT's operations, particularly its funding. At present, NRI can expect continued support from its main financing banks. However, there is a possibility that the future situations of its sponsors will greatly influence the banks' willingness to provide loans. NRI will make loan repayment of 17.1 billion yen by August 2009. Furthermore, its bonds totaling 18 billion yen will become due in September and October 2009.

In light of the above factors, R&I has downgraded the Issuer Rating and the Long-term Issue Rating of NRI to BB+ and BB respectively, and maintained them on the Rating Monitor with a view to downgrading.

R&I RATINGS:

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

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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.



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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

R&I RATING:

(BB); Downgraded from (BB+)

Remains on the Rating Monitor with a view to downgrading

Issuer Rating is an 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.