



Moody's Investors Service

Rating Action: **Moody's places NRI's B1 on review for possible upgrade**

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Tokyo, August 07, 2009 -- Moody's Investors Service has placed on review for possible upgrade its B1 issuer and senior unsecured long-term debt ratings for Nippon Residential Investment Corporation (NRI).

This review follows the announcement on August 6, 2009 by Advance Residence Investment Corporation (ADR) and NRI on their basic agreement of an M&A.

Previously, Pacific Holdings, Inc, a sponsor of NRI, filed a petition with the Tokyo District Court on March 10, 2009 to begin corporate reorganization proceedings.

NRI believes that the presence of a sponsor company would be necessary for building a stable financial base and growth strategy in the long term. NRI is conducting its selection of a new sponsor with the support of an external advisor.

Clear details on the schedule for the M&A have yet to be revealed, but Moody's believes the transaction will facilitate the NRI's business restructuring and therefore placed its ratings on review for possible upgrade.

According to the announcement, ITOCHU Corporation (Baa1), a sponsor of ADR, will continue to support the new REIT and thus multi-notch upgrades may occur as its creditworthiness would -- assuming the M&A proceeds -- exceed that of NRI.

In its review, Moody's will focus on the progress of the M&A, the refinancing of the relevant loans and the redemption of the bonds.

Moody's previous rating action on NRI took place on February 5, 2009 when it downgraded the issuer and unsecured senior debt ratings to B1 from Ba2 with a negative outlook. The rating action also takes into account the fact that NRI's rated bonds are subordinated to its outstanding borrowings.

The methodology used in rating REITs was the "Rating Methodology for REITs and Other Commercial Property Firms" (January 2006) which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory.

Nippon Residential Investment Corporation is a Japanese real estate investment trust investing in and managing residential properties. Its operating revenues totaled approximately JPY 9.1 billion for the fiscal half-year ended May 2009.

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