

Nippon Commercial Investment Corporation

NIPPON COMMERCIAL INVESTMENT CORPORATION
(Listed on the Tokyo Stock Exchange under securities code 3229)

Explanatory Material on Asset Sale and Revision of Management Forecast



**NIPPON
COMMERCIAL
INVESTMENT
CORPORATION**



**PACIFIC
COMMERCIAL**

February 16, 2010

Pacific Commercial Corporation

Background to Recent Implementation of Sale

Changes in external environment

Financial market

- TSE REIT Index fluctuates around 900 points
- Although there are cases of new borrowing of funds and bond flotation, financing difficulty continues to be high
- Several J-REITs resume capital increases through public offering from October 2009

Real estate trading market

- Downside in appraised values continues
- Bottoming out of prices also starting to show in transaction cases
- More cases of property acquisition from capital increases through public offering at J-REITs

Current situation and tasks facing NCI

- Sponsor selection procedures under negotiation towards Asset Manager's prompt handover as soon as practicable^(*)
(*) Plans are to next notify the status of progress by the last day of March 2010.
→ NCI's current situation and tasks shared with final new sponsor candidate
- LTV hovers at high levels (LTV at 60.1% as at end of December 2009)
→ Concerns of further rise in LTV owing to drops in appraisal values at end of period
- Upcoming refinancing of loans (at end of March; about 50.3 billion yen) and redemption of investment corporation bonds (on April 13; 10.0 billion yen)
→ Need to reduce interest-bearing debt and keep LTV under control
- Investment unit prices are weakening
→ Hard to consider increasing capital due to dilution concerns

Consider selling property in view of reducing interest-bearing debt



Overview of Property Sale

Overview of Property Sale

		Pacific Marks Nishi-Shinjuku
	Acquisition price	JPY 7,680mm
	Sale Price	JPY 6,800mm
	Loss on Sale	JPY 1,242mm
	CAP Rate(note)	5.4%
	Location	Shinjuku-ku, Tokyo
	Completion	May 1993
	Purchaser	Kenedix Realty Investment Corporation

(Note) Cap rate is the figure arrived at when the sum total of the NOI results for the 6th and 7th fiscal periods are divided by the sale price.

Reason for selling the Property

- Sale price
While transaction cases are found to be at cap rates of around 7%, a price of relatively favorable terms was offered from among the several candidates
- Settlement risks
Expects buyer to be highly likely to be able to procure funds and thus highly certain that transfer will be completed by end of February
- Debt reduction
6.8 billion yen in sale proceeds will reduce total amount of interest-bearing debt and also lower LTV by around 1%

NCI's past property sales

	4th fiscal period			5th fiscal period		6th fiscal period			7th fiscal period
	Pearl Iidabashi Building	Iwamotocho 163 Building	TS Hodogaya Building	Pacific City Hamamatsu- cho	Gotanda Metallion Building	Pacific Marks Uchikanda	Maruishi Shimbashi Building	Tenjin Yoshida Building	Urban Square Yaesu Building
Acquisition price	JPY1,600mm	JPY1,130mm	JPY1,100mm	JPY1,730mm	JPY1,300mm	JPY2,060mm	JPY1,120mm	JPY1,120mm	JPY2,200mm
Sale Price	JPY2,560mm	JPY1,404mm	JPY786mm	JPY2,538mm	JPY2,012mm	JPY2,250mm	JPY1,010mm	JPY690mm	JPY2,550mm
Sale Profit (Loss)	JPY863mm	JPY206mm	JPY▲381mm	JPY657mm	JPY643mm	JPY106mm	JPY▲155mm	JPY▲525mm	JPY220mm
Purchaser	Japanese Fund Company			Business Corporation			Individual	Business Corporation	

Replacement of portfolio

Reduction of interest-bearing debt

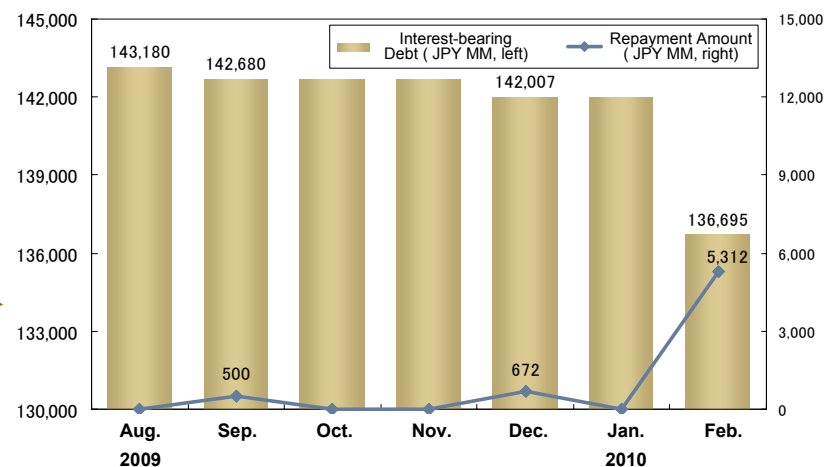
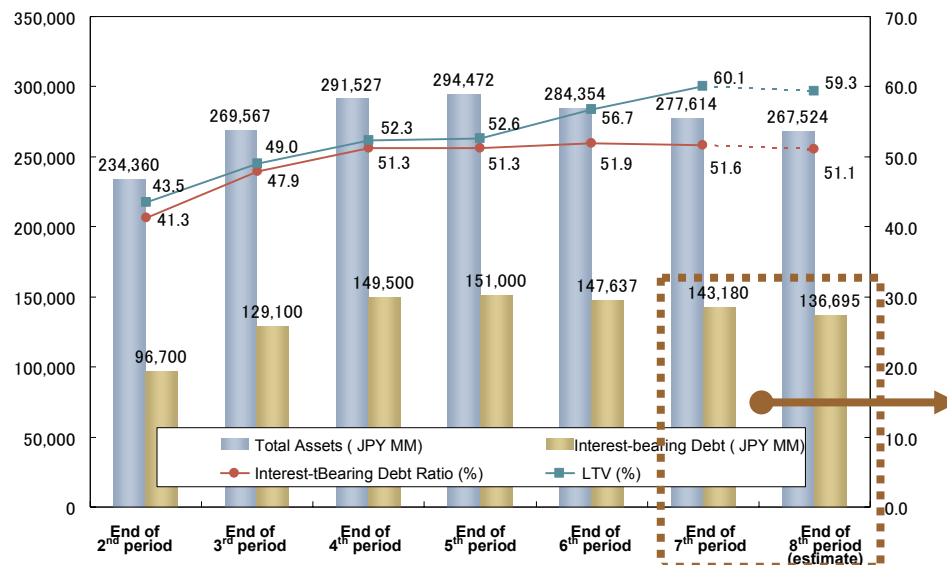


Reduction of Interest-Bearing Debt through Loan Repayment

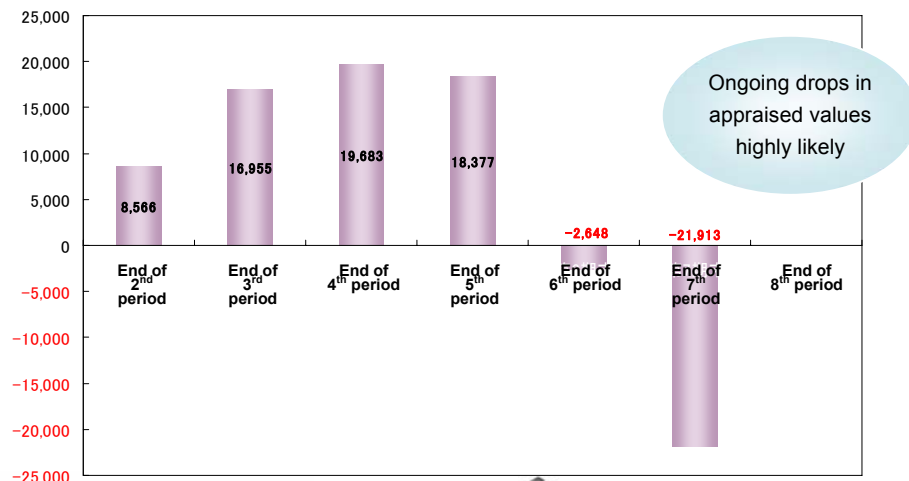
Changes in interest-bearing debt ratio

*LTV = (Total liabilities – Deposits, guarantees, etc. held in reserve) ÷ (Total assets ± Difference between appraised value and acquisition price – Deposits, guarantees, etc. held in reserve) × 100.

*LTV at end of 8th fiscal period may vary due to results of calculation of appraised values (appraisal values at end of period).



Difference between Acquisition Price and Appraisal Value (JPY MM)



- Repayment of 5.3 billion yen in loans using part of proceeds from recent sale and cash reserves
- Plans to use remaining amount of sale proceeds to fund redemption of investment corporation bonds

→ Aim for refinancing at end of March and smooth redemption of investment corporation bonds^(*) in April after reducing interest-bearing debt

(*) The redemption is to be funded by borrowing funds.



Revision of 8th Fiscal Period Forecasts

	8 th Fiscal Period		
	Previous Forecast (October 15, 2009)	Revised Forecast (February 16, 2010)	Difference
	Operating Days	181 days	
Operating Revenue	JPY8,011MM	JPY7,845MM	-JPY166MM
Operating Income	JPY3,780MM	JPY2,620MM	-JPY1,160MM
Ordinary Income	JPY1,693MM	JPY408MM	-JPY1,285MM
Net Income	JPY1,693MM	JPY408MM	-JPY1,285MM
Dividend per Unit	JPY6,580	JPY1,585	-JPY4,995

Key factors of fluctuation

- **Factors of fluctuation in operating income (−1.16 billion yen)**
 - Incurrence of loss on sale of Pacific Marks Nishi-Shinjuku (about −1.24 billion yen)
 - Containment, etc. of expenses related to rent business (about −0.14 billion yen)
 - Containment of expenditures of repair expenses, and utilities expenses and other sundry expenses
 - Containment, etc. of expenses other than expenses related to rent business (about −0.10 billion yen)
 - Review of when part of expenses for selection of new sponsor will be incurred
 - Lowering of rate applicable for asset management fee payable to Asset Manager^(*)
- (*) Management Fee 1; NCI and the Asset Manager have reached an agreement to keep the fee rate for the first half of the 9th fiscal period (from March to May 2010) also at the rate that has been applicable from December 2009 to February 2010.
- **Factors of fluctuation in ordinary income (−1.28 billion yen)**
 - Abovementioned decrease in operating income (−1.16 billion yen)
 - Increase in non-operating expenses (primarily financial expenses) (−0.12 billion yen)



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Asset Manager: Pacific Commercial Corporation
Financial Instruments Dealer, Kanto Financial Bureau (Kin-sho) No. 377

