



NEWS RELEASE

No.2009-C-034
Jan 21, 2009

R&I Downgrades to BBB+, Retains on Monitor: NCI

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

ISSUER: Nippon Commercial Investment Corp. (Sec. Code: 3229)
Issuer Rating

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

RATIONALE:

Nippon Commercial Investment Corp. (NCI) is a complex-type REIT investing in both office buildings and commercial properties and is sponsored by Pacific Holdings, Inc. (Sec. Code: 8902, Issuer Rating: BB-, currently on Rating Monitor with direction uncertain). NCI was downgraded to A- and was placed on the Rating Monitor with a view to downgrading when R&I announced an urgent review of REITs in October 2008.

The refinancing environment surrounding REITs whose sponsors do not have high creditworthiness remained harsh even after the urgent review. Since the review, there were cases where some banks withdrew from the syndication, the term was shortened, and the interest rate was raised. It is expected that NCI will require some time before the fund raising environment shows full-scale recovery.

Under such circumstances, NCI will make loan repayment of 60 billion yen during 2009 as its debts accounting for 16.5 billion yen and 43.7 billion yen will become due in March and September 2009 respectively. Furthermore, its debt (a total close to 60 billion yen) will also become due in 2010, including its 10 billion yen bonds. In the autumn of 2008, NCI refinanced a total of 30.9 billion yen in long-term borrowing with duration of 1.5-2 years; however, the funding environment has become harsher. Although its main bank will continue rendering support, it is assumed that certain pressure will be placed on large-scale refinancing under the current tight environment. Moreover, it is deemed difficult to avoid concentration of the repayment date, and depending on the maturity dates of the refinanced loans, NCI's repayment amount during 2009 and 2010 may swell further.

Pacific Holdings, the sponsor, is scheduled to receive Chinese capital through preferred stocks in late February. If this materializes, it would improve Pacific Holding's creditworthiness. However, how much this will work positively on NCI's fund procurement remains vague at this moment.

In light of the above, R&I has downgraded the Issuer Rating to BBB+ and maintained the Rating Monitor with a view to downgrading.

The rating is two-notches higher than Nippon Residential Investment Corp. (NRI, Issuer Rating: BBB-, currently under Rating Monitor with a view to downgrading), whose sponsor is the same as that of NCI. This is mainly due to the fact that (1) NCI has lower dependency on funds raised from bonds amid the market environment where no sign of recovery is seen; and (2) NCI, whose holding assets are mostly invested in commercial facilities in urban areas, generally has higher salability in the current market. While NCI's outstanding of issued bonds accounts for 27 billion yen (approximately 18% the total debt), that of NRI accounts for 90 billion yen (53% the total debt).

Rating and Investment Information, Inc. Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan
Structured Finance Rating Division TEL. 03-3276-3406-3428 FAX. 03-3276-3429 EMAIL sfdept@r-i.co.jp Homepage <http://www.r-i.co.jp>

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.

©Rating and Investment Information, Inc.



NEWS RELEASE

R&I RATINGS:

ISSUER:

Nippon Commercial Investment Corp. (Sec. Code: 3229)

ISSUER RATING:

(BBB+); Downgraded from (A-)

Remains on the Rating Monitor with a view to downgrading

LONG-TERM ISSUE RATING:

Unsec. Str. Bonds No. 1

Issue Date

Apr 13, 2007

Redemption

Apr 13, 2010

Issue Amount (mn)

Yen 10,000

Unsec. Str. Bonds No. 2

Apr 13, 2007

Apr 13, 2012

Yen 17,000

R&I RATING:

(BBB+); Downgraded from (A-)

Remains on the Rating Monitor with a view to downgrading

Issuer Rating is R&I's opinion regarding an issuer's overall capacity to repay its entire financial obligation, and 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 may be lower or higher than the Issuer Rating.