

Rating Action: Nippon Commercial Investment Corporation

Moody's downgrades and withdraws NCI's ratings

Tokyo, February 05, 2009 -- Moody's Investors Service downgraded the issuer and unsecured senior debt ratings of Nippon Commercial Investment Corporation (NCI) to Ba3 from Baa3, which had been under review for possible downgrade. The outlook was negative.

Moody's also withdrew the ratings immediately after the downgrades, as the rating agency believes it lacks adequate information to maintain them by NCI's request for withdrawal. Please refer to Moody's Withdrawal Policy on www.moody.com.

The downgrade prior to the withdrawal reflects Moody's opinion that NCI needs to ensure that it has stable access to funds now. The rating action also takes into account that NCI's rated bonds could be subordinated to its outstanding borrowings. This concludes the review initiated on October 1, 2008.

As the economic environment for the real estate market weakens more and more, the business performance and financial results of real estate investment trusts (REITs) may be adversely affected.

NCI has JPY 60 billion in debt that will mature by September 2009, equivalent to about 40% of its interest-bearing debt, and JPY 10 billion in bonds that will mature in April 2010. Adverse developments in the financial market (such as the syndication of lenders) may stress NCI's refinancing ability. However, Moody's believes that the company's main bank may fulfill its funding needs. Nonetheless, negative developments will likely continue and uncertainty about the availability of support from financial institutions may grow. Moody's thereby believes that at this time NCI needs to ensure that it has stable access to funds.

Pacific Holdings, Inc. -- NCI's sponsor as well as the parent company of NCI's asset management company, Pacific Commercial Corporation -- had announced that China-based investors would subscribe Pacific Holdings' capital by the end of February 2009. However, the company has since announced that further discussions on new conditions would begin, due to its failure to fulfill the previous conditions for the capital subscription. How this will impact NCI's stable fund access is unknown.

NCI's portfolio consists of urban commercial properties such as office buildings and retail properties located mainly in Tokyo and neighboring areas. Its portfolio expanded in value to JPY 256 billion (based on purchase prices). The occupancy rate was high, at 97.4% as of end-November 2008, which contributed to stable cash flows. However, the value of the real estate in the portfolio may be declining. The market value of retail properties, in particular, may fall below book value, which may constrain NCI's liquidity.

Moody's previous rating action on NCI took place on October 24, 2008, when the agency downgraded the issuer and unsecured senior debt ratings of NCI to Baa3 from Baa1, and continued its review for a further possible downgrade.

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.moody.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory.

Nippon Commercial Investment Corporation is a Japanese real estate investment trust investing in and managing office buildings and retail properties. Its operating revenues totaled approximately JPY 9.8 billion for the fiscal half-year ended August 2008.

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