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28 May 2010

JAPAN RESIDENTIAL INVESTMENT COMPANY LIMITED
(the "Company")

PROPOSED PLACING AND OPEN OFFER TO RAISE £35 MILLION

Japan Residential Investment Company Limited (AIM: JRIC), an authorised closed-ended investment company incorporated in Guernsey and established to make and hold investments in residential property in Japan, is pleased to announce that it proposes to raise £35.0 million by the issue of 87,500,000 New Ordinary Shares through the Placing and Open Offer and Firm Placing at the Issue Price of 40p per New Ordinary Share. The net proceeds of the Issue will be used to pay down the Company's debt to lower levels.

Highlights

- Placing and Open Offer and Firm Placing to raise £35.0 million (before expenses).
- Issue Price of 40p per Share, representing a discount of 2p (4.8 per cent.) to the closing midmarket price of 42p per Ordinary Share on 27 May 2010 (the last practicable date prior to the release of this announcement), and a discount of 51.2p (56.1 per cent.) to the last reported Net Asset Value per Share of 91.2p as at 28 February 2010.
- 77,659,419 Firm Placed Shares have been conditionally placed with institutional and other investors and are not subject to clawback.
- 9,840,581 Open Offer Shares have been conditionally placed with institutional and other investors, subject to clawback pursuant to the Open Offer to Qualifying Shareholders.
- The net proceeds of the Issue (estimated to be £34.0 million) will be used to pay down the Company's debt to lower levels.
- The Issue is conditional, inter alia, on Shareholder approval being obtained at the EGM to be held at 11.00 a.m. on 18 June 2010.
- It is expected that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 22 June 2010.

Enquiries:

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The summary above should be read in conjunction with the full text of the following announcement.

Other than as expressly set out in this announcement, capitalised terms used in this announcement shall have the meanings given to them in the circular which will be sent to shareholders shortly and will be available on the Company's website: www.jricl.com.

This announcement does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, shares in any jurisdiction in which such offer or solicitation is unlawful. In particular the New Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the "Securities Act") or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Neither this announcement nor any copy of it may be distributed directly or indirectly to any persons with addresses in the United States of America (or any of its territories or possessions), Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement.

Smith & Williamson, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser and joint financial adviser to the Company in connection with the Placing and Open Offer and Firm Placing and will not be responsible to any person other than the Company for providing the protections afforded to clients of Smith & Williamson or for providing advice to any other person in connection with the Placing and Open Offer and Firm Placing. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person. Smith & Williamson is not making any representation or warranty, express or implied, as to the contents of this announcement.

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Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard to it. Notification of the proposed placing and open offer and firm placing of the New Ordinary Shares has been made to the Guernsey Financial Services Commission.

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28 May 2010

JAPAN RESIDENTIAL INVESTMENT COMPANY LIMITED
(the "Company")

PROPOSED PLACING AND OPEN OFFER TO RAISE £35 MILLION

Introduction

The Company is pleased to announce that it proposes to raise £35.0 million through the issue of 87,500,000 New Ordinary Shares through the Placing and Open Offer and Firm Placing at the Issue Price of 40p per New Ordinary Share. Each Qualifying Shareholder has the right to subscribe for 106,167 New Ordinary Shares at the Issue Price or, if they hold more than 121,334 Existing Ordinary Shares, up to their *pro rata* entitlement in accordance with the terms of the Open Offer.

The Issue Price of 40p per New Ordinary Share represents a discount of 2p (4.8 per cent.) to the closing midmarket price of 42p per Ordinary Share on 27 May 2010 (the last practicable date prior to the release of this announcement), and a discount of 51.2p (56.1 per cent.) to the last reported Net Asset Value per Share of 91.2p as at 28 February 2010.

Reasons for the Issue and use of proceeds

Between June 2007 and July 2008, the Company arranged debt financing for the acquisition of its property portfolio at initial loan to purchase values ranging from 58 per cent. to 75 per cent., with an average of 71 per cent. The Company's portfolio properties have since fallen approximately 17 per cent. from their initial purchase price (based on property values as at 28 February 2010). Recent refinancings and debt pay downs arranged by the Company have lowered its overall average LTV to 69 per cent.

While property values have been falling, so too have the LTVs at which debt is available for refinancing. In the Investment Adviser's experience, in current market conditions, such debt is typically available at LTVs of 50 per cent. to 60 per cent. of conservative lender valuations.

Against the background of these changed market conditions, the Company is facing the requirement to refinance ¥5.4 billion (£40.9 million) of debt in 2011 and a further ¥10.0 billion (£75.7 million) of debt in June 2012. In the absence of a significant improvement in property values and/or the availability of debt, the Company's current level of debt is unsustainable and certain portions of its portfolio are at risk of covenant breach. A LTV covenant breach would result in the trapping of cash generated by the secured properties for the benefit of the relevant lender and, in the absence of sufficient cash resources, forced property sales are likely to be the way such breaches would eventually be cured.

In order to reduce the possibility of forced sales, the Company has decided to raise additional equity capital. The amount to be raised pursuant to the Issue is expected to reduce the Company's overall LTV to approximately 51 per cent. and, based on current market conditions, should enable the Company to refinance the debt which is due to mature in 2011 and 2012. Notwithstanding the capital raising through the Issue, the Investment Adviser has identified four non-core assets which it intends to dispose of in an orderly manner.

In light of the scale of the increase in the Company's share capital resulting from the Issue, the Board has decided to provide Qualifying Shareholders with an opportunity to participate in the Issue via the Open Offer. Shareholders who hold in excess of 800,000 Existing Ordinary

Shares at the Record Date have been given the opportunity to participate in the Firm Placing and the Placing.

The net proceeds of the Issue (estimated to be £34.0 million) will be used to pay down the Company's debt to lower levels. It is currently anticipated that the successful completion of the Issue will lead to the resumption of dividend payments by the Company, subject to future working capital requirements.

Principal terms of the Issue

The Company is proposing to raise approximately £35.0 million by way of the Issue. A total of 87,500,000 New Ordinary Shares will be issued through the Placing and Open Offer and Firm Placing. The Issue Price of 40 pence per New Ordinary Share represents a discount of 4.8 per cent. to the closing price of 42 pence per Ordinary Share at 27 May 2010 (the last practicable date prior to the release of this announcement).

The Company is required to seek approval from the Shareholders for the Placing and Open Offer and Firm Placing because the Issue Price represents a discount to the last reported Net Asset Value per Share. The Directors are therefore proposing the Resolution at the Extraordinary General Meeting.

Placing and Open Offer

Under the terms of the Placing Agreement, Fairfax, as agent for the Company, has entered into arrangements in connection with the conditional placing of the Open Offer Shares at the Issue Price. The commitments of the Conditional Placees are subject to clawback to satisfy valid applications for Open Offer Shares from Qualifying Shareholders under the Open Offer.

Qualifying Shareholders, on and subject to the terms of the Open Offer, are being given the opportunity to apply for Open Offer Shares at the Issue Price (payable in full on application and free of all expenses) on the basis of:

Medium Shareholders

Qualifying Shareholders who hold, at the Record Date, between 121,334 Existing Ordinary Shares and 800,000 Existing Ordinary Shares ("Medium Shareholders") can each apply for Open Offer Shares at the Issue Price (payable in full on application and free of all expenses), up to their Open Offer Entitlement (subject to a minimum application of 106,167 Open Offer Shares), which shall be calculated on the basis of:

0.875 of an Open Offer Share for each Existing Ordinary Share

Small Shareholders

Qualifying Shareholders who hold, at the Record Date, less than 121,334 Existing Ordinary Shares ("Small Shareholders") can each apply for:

106,167 Open Offer Shares per Small Shareholder

General

Fractions of Open Offer Shares will not be allotted to Qualifying Shareholders in the Open Offer and fractional entitlements under the Open Offer will be rounded down to the nearest whole number of Open Offer Shares.

Qualifying Shareholders, who are Medium Shareholders, may apply for any whole number of Open Offer Shares (subject to a minimum application of 106,167 Open Offer Shares) up to their maximum entitlement which is equal to the Open Offer Entitlement as shown on their Application Form. Qualifying Shareholders, who are Small Shareholders, may only apply for 106,167 Ordinary Shares as shown on their Application Form.

The Placing and Open Offer and Firm Placing are conditional, *inter alia*, upon:

- the passing, without amendment, of the Resolution at the Extraordinary General Meeting;

- Admission taking place by no later than 8.00 a.m. on 22 June 2010 (or such later time and date as the Company, Fairfax and Smith & Williamson may agree but not being later than 8.00 a.m. on 23 July 2010); and
- the Placing Agreement otherwise having become unconditional in all respects and not having been terminated in accordance with its terms prior to Admission.

If Admission does not take place on or before 8.00 a.m. on 22 June 2010 (or such later time and/or date as the Company, Fairfax and Smith & Williamson may determine, not being later than 8.00 a.m. on 23 July 2010), the Open Offer will lapse and application monies under the Open Offer will be refunded to the applicants, by cheque (at the applicant's risk), without interest as soon as practicable thereafter. In these circumstances, the Placing to the Conditional Places will not proceed.

Applications will be made for the Open Offer Shares to be admitted to trading on AIM. Admission is expected to occur at 8.00 a.m. on 22 June 2010, when dealings in the Open Offer Shares are expected to begin.

The Open Offer Shares, when issued and fully paid, will be identical to, and rank in full with, the Existing Ordinary Shares for all dividends or other distributions declared, made or paid after Admission, and will rank *pari passu* in all other respects with the Existing Ordinary Shares.

Firm Placing

The Company is proposing to issue 77,659,419 Firm Placed Shares at the Issue Price pursuant to the Firm Placing.

The Firm Placed Shares have been placed firm by Fairfax, as agent for the Company, with institutional and other investors pursuant to the Placing Agreement.

The Firm Placed Shares are not subject to clawback and do not form part of the Open Offer. The Firm Placing is subject to the same conditions and termination rights which apply to the Placing and Open Offer.

Applications will be made for the Firm Placed Shares to be admitted to trading on AIM. Admission is expected to occur at 8.00 a.m. on 22 June 2010, when dealings in the Firm Placed Shares are expected to begin.

The Firm Placed Shares, when issued and fully paid, will be identical to, and rank in full with, the Existing Ordinary Shares for all dividends or other distributions declared, made or paid after Admission, and will rank *pari passu* in all other respects with the Existing Ordinary Shares.

Extraordinary General Meeting

As stated in the Admission Document, the Shareholders must consent by ordinary resolution before the Company can issue Ordinary Shares at a price below the prevailing Net Asset Value per Share. The Issue Price is below the prevailing Net Asset Value per Share and the Issue is therefore conditional, *inter alia*, on Shareholder approval being obtained at the EGM to be held at Sarnia House, Le Truchot, St Peter Port, Guernsey GY1 4NA at 11.00 a.m. on 18 June 2010 for the purpose of considering and, if thought fit, approving the requisite resolution.

In addition, following consultation with the Company's major Shareholders, it is proposed that a change be made to the Company's Articles in relation to the winding-up provision in the Articles. The Articles currently provide that on a date being not later than one month prior to 13 October 2013, an extraordinary general meeting of the Company will be convened at which a resolution will be proposed to wind-up the Company unless a resolution shall previously have been passed by an ordinary resolution of the holders of Shares to the contrary. It is proposed that the voting threshold for such resolution be increased from on

ordinary resolution to 60 per cent. of votes cast on a poll at such extraordinary general meeting. Accordingly, a special resolution to change the Articles shall be put to Shareholders at the EGM.

Related party transactions

A number of the Company's major shareholders are participating in the Placing, including: funds managed by Aviva Investors Global Services Limited holding in aggregate 27,350,000 Shares and with whom 23,931,250 Firm Placed Shares have been placed; funds managed by Ruffer LLP holding in aggregate 25,033,000 Shares and with whom 30,868,135 Shares have been placed (21,903,875 Firm Placed Shares and 8,964,260 Shares placed subject to clawback); and funds managed by Miton Asset Management Limited holding in aggregate 17,000,000 Shares and with whom 14,875,000 Firm Placed Shares have been placed. In addition, 5,000,000 Firm Placed Shares have been placed with Allen Shay (who has a 50% beneficial interest in the Manager and in the Investment Adviser) who has agreed to a lock-in for a 12 month period in respect of such shares.

The participations in the Placing by the parties mentioned above constitute related party transactions under the AIM Rules. The Board, having consulted with Smith & Williamson, considers that the terms of these related party transactions are fair and reasonable insofar as the Shareholders are concerned. In providing its advice to the Board, Smith & Williamson has taken into account the Directors' commercial assessment of these related party transactions.

Placing and Open Offer and Firm Placing statistics

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| Market price per Existing Ordinary Share | 42p |
| Number of Existing Ordinary Shares in issue | 100,000,000 |
| Issue Price of each Open Offer Share and Firm Placed Share | 40p |
| Number of New Ordinary Shares to be issued under the Firm Placing | 77,659,419 |
| Number of New Ordinary Shares to be issued under the Placing and Open Offer | 9,840,581 |
| Enlarged Share Capital following Admission | 187,500,000 |
| Percentage of Enlarged Share Capital represented by the New Ordinary Shares | 46.7 per cent |
| Estimated net proceeds of the Placing and Open Offer and Firm Placing | £34.0 million |

Expected timetable of principal events

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| Record date for the Open Offer | 2010 close of business on 27 May |
| Announcement of the Open Offer and posting of Shareholder circular, Forms of Proxy and Application Forms to Qualifying Shareholders | 28 May |
| Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims only) | 3.00 p.m. on 11 June |
| Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer | 11.00 a.m. on 15 June |
| Latest time and date for receipt of Forms of Proxy | 11.00 a.m. on 16 June |

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| Extraordinary General Meeting | 11.00 a.m. on 18 June |
| Admission and commencement of dealings of the New Ordinary Shares | 8.00 a.m. on 22 June |
| New Ordinary Shares credited to CREST stock accounts | 22 June |
| Despatch of definitive share certificates for New Ordinary Shares | by 29 June |

Notes:

- (1) References to times in this announcement are to London time (unless otherwise stated).
- (2) If any of the above times or dates should change, the revised times and/or dates will be notified by an announcement to a RIS.
- (3) The timing of the events in the above timetable and in the rest of this announcement is indicative only.