



October 21, 2008

To whom it may concern:

Company: RADIA HOLDINGS, INC.  
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Representative Director and President  
(Code No. 4723 TSE 1st Section)  
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### **Cancellation of Fixed Asset Assignment Agreement**

This is to inform you of the cancellation of the agreement to assign the Barrington House fixed assets owned by the company to ZECS Co., Ltd. ("ZECS" hereinafter). The agreement was publicly announced in "Rescheduling of Assignment of Fixed Assets" dated May 30, 2008 and other releases.

#### *Details*

#### **1. Reasons for cancellation**

After entering into a real estate purchase and sale agreement with ZECS on September 21, 2007 for the Barrington House fixed assets (two resident-paid, residential-style nursing home facilities) owned by the company, we were forced to postpone delivery of the properties until necessary procedures could be complied with. During that time, a fixed-term building lease agreement was entered into with ZECS Active Senior Co., Ltd. ("ZECS Active Senior" hereinafter), a subsidiary of ZECS, and the facilities were managed by ZECS Active Senior.

However, for the period beginning July 26, 2008, ZECS Active Senior failed to sign the fixed-term building lease agreement or to pay the rent. We requested that ZECS Active Senior and ZECS remedy their default on obligations, and also sent a warning notice with a deadline for compliance of August 25, 2008. We have confirmed the companies' failure to remedy their default on obligations by the stipulated deadline and have therefore canceled the real estate purchase and sale agreement.

It is not our intention to cause any further anxiety to residents and we have continued to work with ZECS to find remedial measures, but the breach of contract has not been remedied, nor has ZECS taken any good-faith measures in lieu of remedying the breach. It is therefore with much regret that we inform you that our indication of intent to cancel the agreement will stand.

#### **2. Management after cancellation of agreement**

We will consult with ZECS Active Senior, the company currently managing the facilities, to ensure that there is no impairment of services to residents and that the facilities continue to be maintained and administered properly.

#### **3. Forecast**

Cancellation of the agreement will have no impact on results. We will inform you in a timely manner upon finalization of any impact on future consolidated results. Note that ZECS has informed us that it has no objections to furnishing necessary and reasonable cooperation for negotiations with new candidate buyers, and we will therefore move quickly to identify a new purchaser.

We are also investigating certain inconsistencies identified between the actual Barrington House property and the drawings etc. We will inform you in a timely manner of our findings as they become available.

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