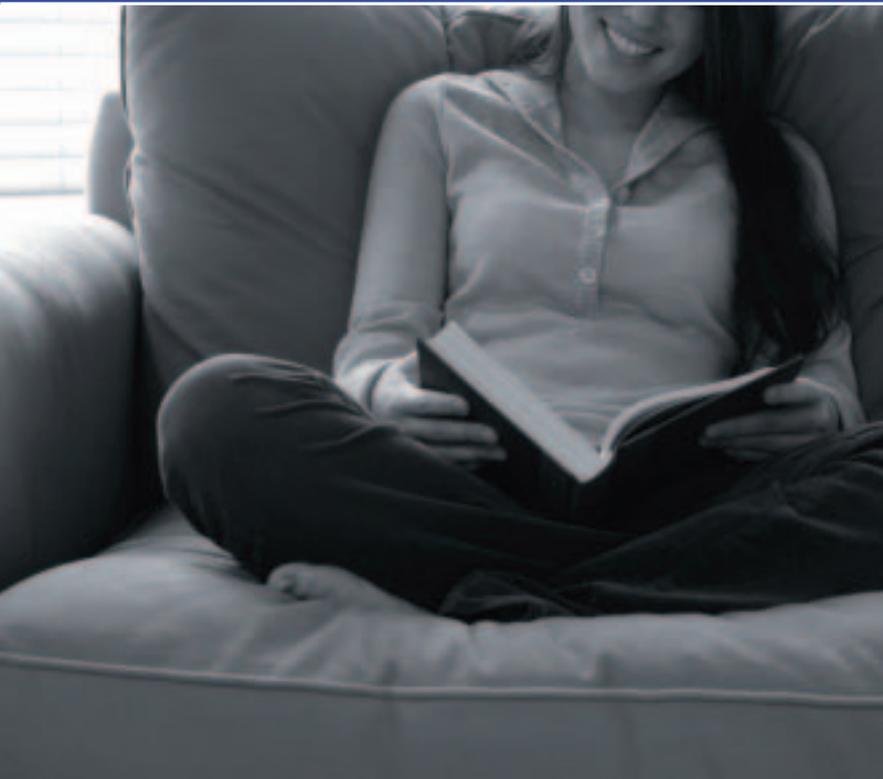




Nippon Residential Investment Corp.

Semiannual Report 4th Fiscal Period From June 1, 2005 to November 30, 2005



NIPPON
RESIDENTIAL
INVESTMENT
CORPORATION

To Our Unitholders

I am delighted to have this opportunity of addressing our unitholders and would like to express my sincere appreciation for your support of Nippon Residential Investment Corporation (NRIC).

Thanks to your support, on March 2, 2004, NRIC became the first Japanese Real Estate Investment Trust (J-REIT), active primarily in the rental housing industry, to be listed on the REIT section of Tokyo Stock Exchange (TSE). Since then, we have continued to progressively increase our revenue while judiciously investing in highly competitive rental housing properties. In the fourth fiscal period, our asset portfolio expanded to 95 properties with an acquisition value of ¥154.8 billion. Upon listing on TSE, we had set a goal of ¥150 billion in total asset property value. We achieved our goal a year ahead of our projection while simultaneously improving the quality of our asset portfolio and positioning the company for ongoing steady revenue growth.

In December 2005, we raised ¥22.6 billion in funds from an additional new investment unit issuance. In addition, both Moody's Investors Service inc. and Rating and Investment Information, Inc. (R&I) gave the issue the highest rating possible for a rental housing Real Estate Investment Trust.

The report of our activities and financial results (balance sheets and statements of income, cash distribution, and asset management) for the fourth fiscal period, the six-month period from June 1 to November 30, 2005, was approved at the Board of Directors Meeting held on January 30, 2006. I would like to take this opportunity to provide an overview of our activities and the earnings results.

In the fourth fiscal period, we recorded operating revenues of ¥4,627 million, ordinary profit of ¥2,022 million and net income of ¥2,020 million.

Based on these results, we have set a distribution of ¥14,002 per unit for the fourth fiscal period.

We plan to continue investing in carefully selected, superior quality rental housing properties and offering management services with the aim to progressively grow our investment assets and secure steady revenue growth into the medium- and long-term.

I look forward to your continued support and encouragement in the future.



A. Yamanouchi

Akira Yamanouchi
Chief Executive Officer

Contents

Profile of Nippon Residential Investment Corporation	2	Core Asset	22
Profile of Asset Management Company	3	Sub-core Asset	28
Total Life Support	6	Investment Policy	33
Report of Activities in the 4th Fiscal Period	8	Financial Section	57
Portfolio Strategy	12	Corporate Data	72
Real Estate Portfolio	14		

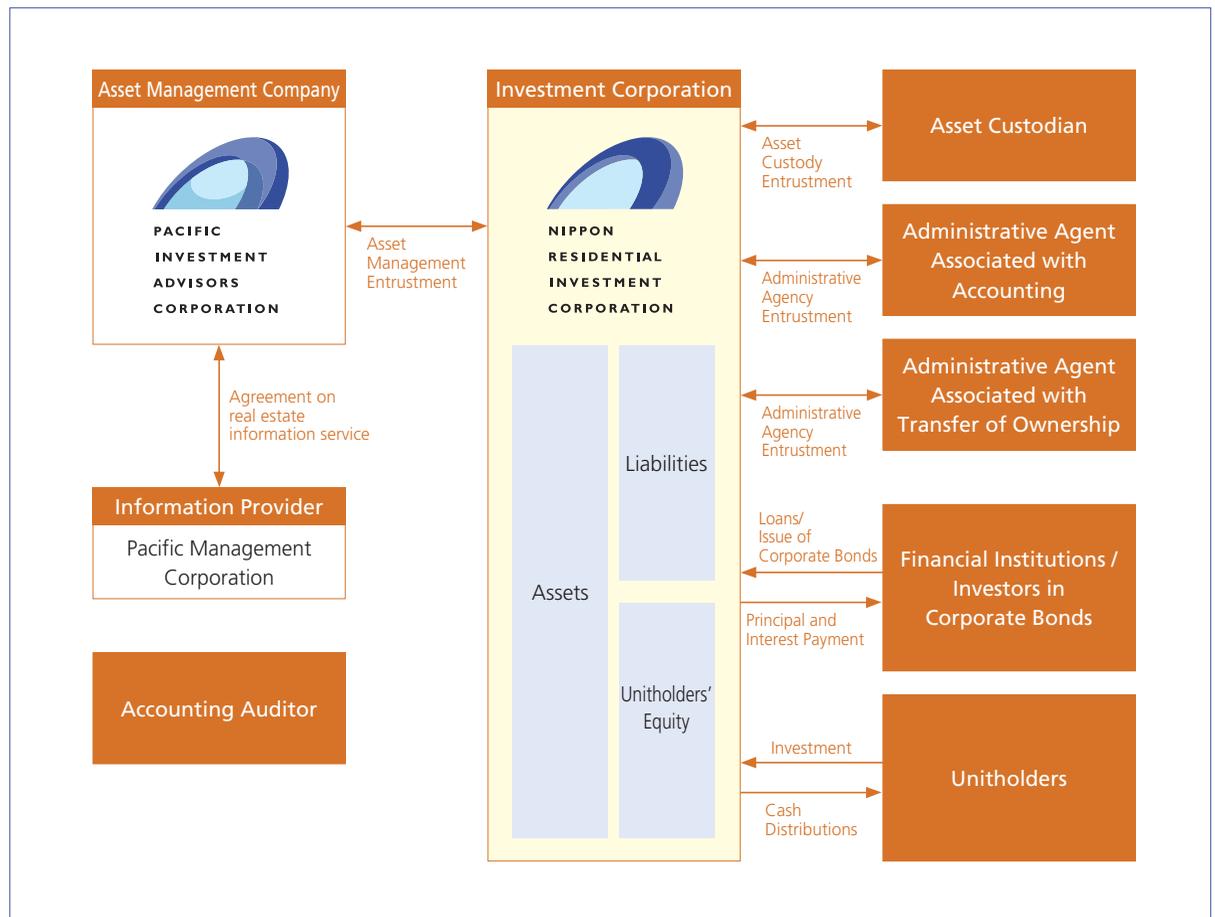


Promote internal growth by taking advantage of the management expertise



Profile of Nippon Residential Investment Corporation

J-REIT Structure



Member of Board of Directors

Title	Name	Other Titles
Chief Executive Officer	Akira Yamanouchi	Representative Director of Pacific Investment Advisors Corporation
Supervisory Director	Yukio Enomoto	Representative Director of GEM Associates Limited Auditor of Starbucks Coffee Japan, Ltd.
Supervisory Director	Kenji Miyako	Director of Miyako Accounting Office and Certified Public Tax Accountant Representative Director of Altus Co., Ltd. Representative Director of KS Partners, Ltd.

Advisor and Agents

Role	Name
Asset Management Company	Pacific Investment Advisors Corporation
Information Provider	Pacific Management Corporation
Asset Custodian	Mitsubishi UFJ Trust Bank
Administrative Agent Associated with Accounting	Mitsubishi UFJ Trust Bank
Administrative Agent Associated with Transfer of Ownership	Mitsubishi UFJ Trust Bank
Accounting Auditor	KPMG AZSA & Company

Profile of Asset Management Company

Corporate Profile

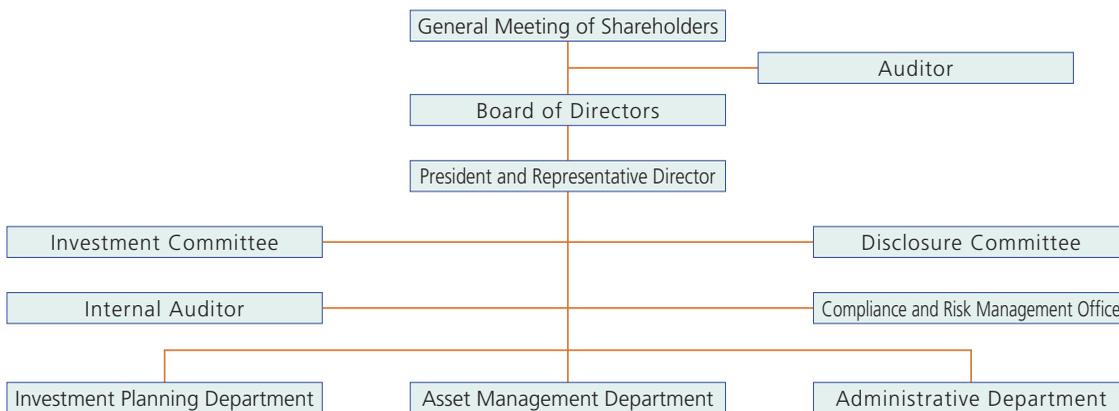
Name: Pacific Investment Advisors Corporation

Paid-in Capital: ¥320 million (as of November 30, 2005)

Business Contents:

- I . Investment trust administrator as stipulated in the Investment Trust Law, Article 2, Paragraph 16
- II . Corporate asset manager as stipulated in the Investment Trust Law, Article 2, Paragraph 17
- III . Administrative operator for corporate investment institutions
- IV . Residential building property transaction agent
- V . Consultant for asset buying and selling, management and operation
- VI . Consignment agent for buying and selling, administration and operation of real estate, trust beneficiary interest, securitized real estate products, securities and other financial assets
- VII . Investment advisor for real estate and securitized real estate products, securities and other financial assets
- VIII . Administrator of all other business activities incidental to the foregoing

Organization Chart



Asset Management Company Investors



Note: Percentages indicate percentage of stock holdings versus the total number of shares outstanding.



Japan's First Residential J-REIT Listed on TSE

On March 2, 2004, NRIC became Japan's first residential J-REIT listed on Tokyo Stock Exchange.

Largest Asset Property Holdings of All J-REITs

With 95 properties and 5,383 rentable units (as of the end of November 2005), our portfolio remains highly diversified.

Highly Competitive Portfolio Centered on Superior Properties

Our portfolio is focused on the Tokyo Metropolitan area and on properties with superior facilities and specifications.

A Solid Financial Base Reflected in a High Credit Rating

NRIC is assigned A3(Stable) from Moody's Investors Services Inc. and A+(Stable) from R & I.

Close Cooperation with Pacific Management Corporation

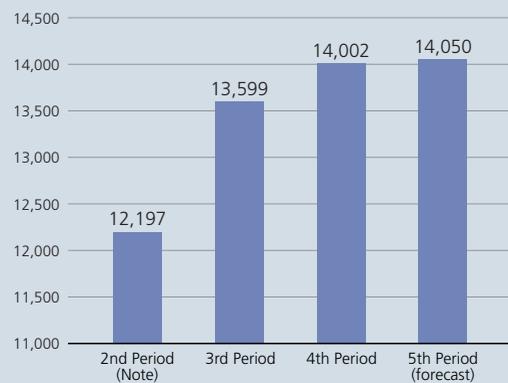
The sponsor company of our Asset Management Company is a residential property management professional, providing us with the full benefit of its extensive network and know-how.



Steady Growth

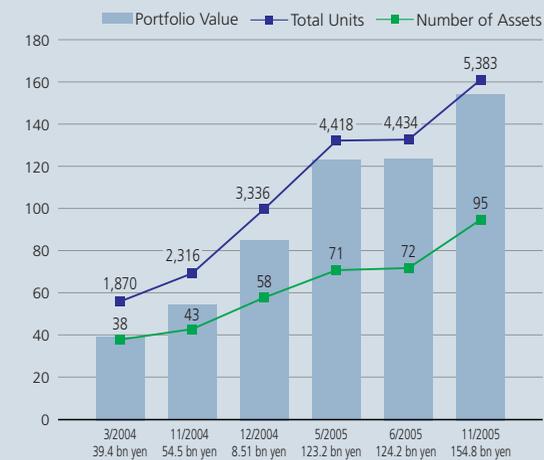
We have achieved portfolio growth and increased distribution per unit.

Distribution Growth
(yen)



Note: To facilitate comparison, the number of operating days has been reduced from 274 days to 183 days.

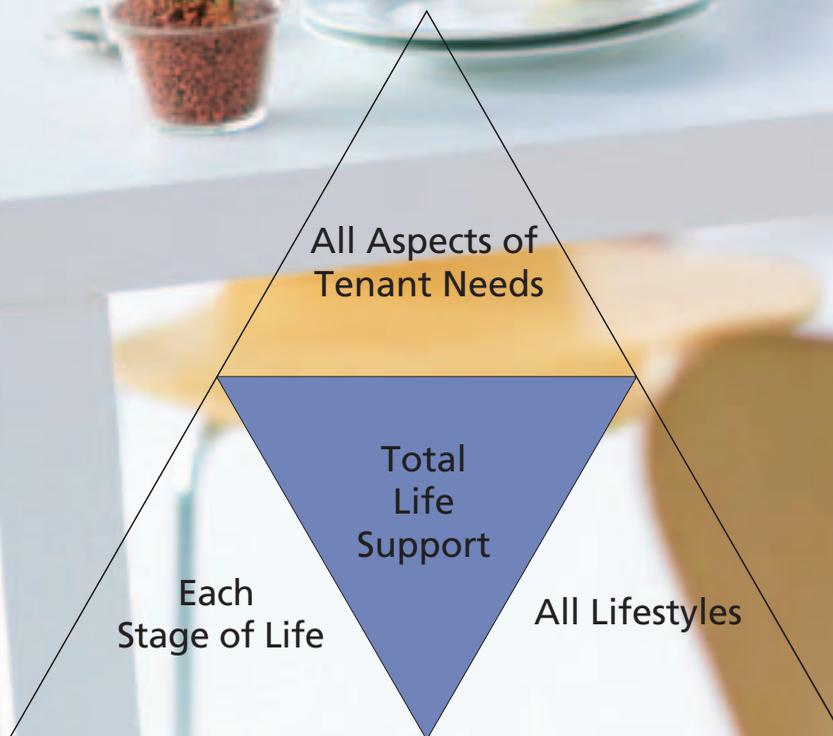
Portfolio Growth
(billion yen)



Total Life Support

The Comprehensive Residential Property REIT

NRIC is a comprehensive residential property REIT offering “Total Life Support” in superior quality rental housing properties. Our properties offer living environments and services covering all aspects of tenant needs and that are uniquely catered to each tenant’s stage of life and lifestyle.



Our properties support every stage of life

Type	Large						
	Senior						
Type	Family						
	Compact						
Type	Single						
Stage of Life	Early Single	Mid Single	Double Income	Family	Empty Nesters	Senior	
Age Group	Early 20s	Late 20s	Late 20s-30s	30s-50s	Around 60	Mid 60s	
Events	Student life and being employed	Career switches and job relocation	Marriage and start of family life	Childbirth, education, and working for children	Retirement and independence of children	Pension and post-retirement life time	



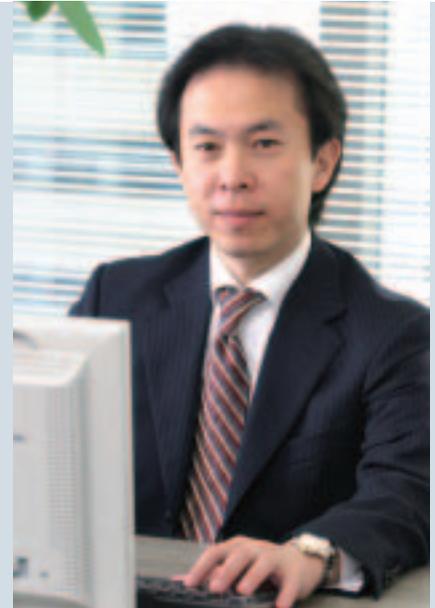
Report of Activities in the 4th Fiscal Period

Moving into a New Stage

Thanks to the support of our unitholders, our investment asset value and revenue have steadily expanded since NRIC became the first rental housing J-REIT listed on Tokyo Stock Exchange (TSE) in March 2004, and we have already achieved a goal of ¥150 billion in total asset property value that we set upon listing on TSE. In the fourth fiscal period, we continued to focus on refining our portfolio position toward actual asset performance results by establishing a platform for steady investment revenue growth and to sustain and elevate the portfolio value. The following is an outline of the strategic moves we made to bolster our asset portfolio in the fourth fiscal period.

Takeshi Ishida

General Director
Investment Planning Department, Asset Management Department
Pacific Investment Advisors Corporation



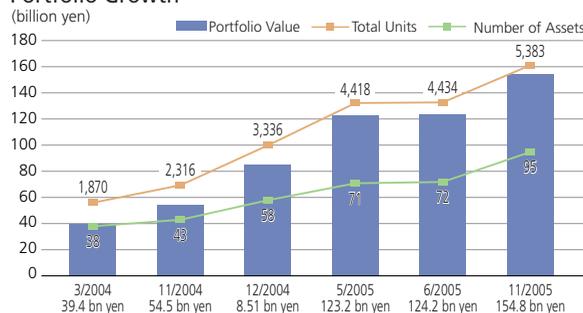
Portfolio Construction

Achieving Growth and Raising Quality

Since listed on TSE, NRIC has steered away from excessive competition when acquiring properties while very selectively identifying superior quality properties that are highly competitive in the rental housing market. Our strategy has aimed to ensure steady revenue growth, secure stable revenue inflow through asset diversification, and hold management costs at a minimum level through the merit of scale.

In the fourth fiscal period, this strategy led us to acquire 26 properties and sell 2 properties, raising the total number of properties in our portfolio from 71 at the end of the third fiscal period to 95 properties at the end of the fourth fiscal period. This raised the total number of rentable units to 5,383 units with a total asset value (based on acquisition price) of ¥154,813 million, making NRIC the largest residential J-REIT with one of the largest asset portfolios on TSE.

Portfolio Growth



In the fourth fiscal period, our asset portfolio generated ¥3,478 million in net operating income from rental activities (before subtracting interest, depreciation, corporate taxes).

New Investment Strategies:

Moving into a New Stage

Since listed on TSE, we have endeavored to aggressively expand our asset holdings while steadily growing our investment revenue, but the increasing number of investors is intensifying the competition in the real estate market.

Now that we have achieved our goal of ¥150 billion in total asset property value, we are poised to enter a new stage in our portfolio development. In response to the real estate market conditions and the progress we have achieved in framing our asset portfolio, we have slightly modified our investment strategy to increase the focus on maximizing unitholder value. The main changes we have integrated into our new investment strategy are outlined below.

A Comprehensive Residential Property Portfolio: Rounding Out Our Total Life Support

NRIC makes maximum use of its residential property portfolio to provide superior quality rental housing and services for tenants of all stages of life, including student life, employment, job relocation, marriage, sending children to school, and retirement as well as a wide variety of individual lifestyles. Our wide ranging

services comprise Total Life Support activities designed to meet the full spectrum of tenant needs. To our Single, Compact, Family and Large Type services, we have added Senior Type services to provide residential facilities and services fine-tuned to the specific needs of the growing population of senior citizens in Japan.

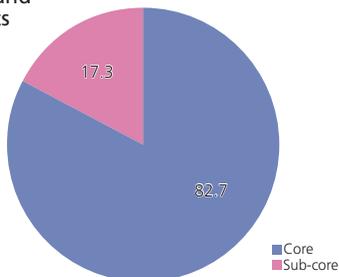
Clarified Asset Allocation:

Enhancing Profitability, Stability and Growth

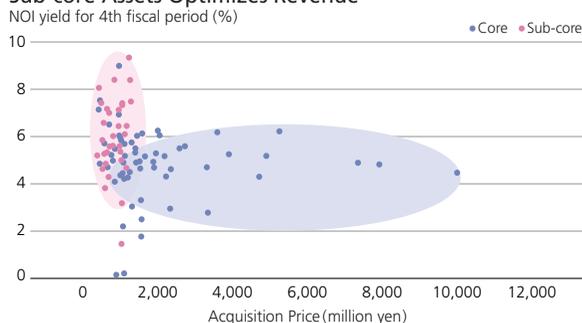
In order to improve the revenue balance and increase the potential of our asset portfolio, we have modified our previous portfolio management policy based on the characteristics and the purposes of our asset holdings. The main change is the identification and categorization of two types of assets: *core assets* and *sub-core assets*. Core assets are highly competitive properties that enable us to ensure stable and ongoing revenue growth. Sub-core assets are flexible property holdings added to the portfolio at profit-earning opportunities. The sub-core assets enable us to optimize the revenue balance by adding portfolio management liquidity.

In the fourth fiscal period, for example, we sold two sub-core asset properties: the City Forum Kami-Hongo and Wakohre Higashi-Nippori II.

Ratio of Core and Sub-core Assets (%)



Combination of Core Assets and Sub-core Assets Optimizes Revenue



Investment in Properties Under Construction and in Development

In order to secure steady, medium- and long-term revenue from asset investments, it is necessary to secure core assets in the rental housing property market that are both highly competitive and attractive to tenants. To emphasize acquisition methods for these core assets, we have widened our investment scope to include properties under construction and in development. By avoiding excessive market competition and committing to property investments while the properties are still under construction, we can create an open dialogue with the developers at every stage of development. This allows us to fashion property specifications and designs that can make a property more competitively tuned to the current rental housing market and enhance its mid-and-long term potential. At the same time, this lowers the average age of properties in our portfolio and improves portfolio quality. In the fourth fiscal period, this strategy was a key factor in our acquisitions of Pacific Livew Wasedanishi and Pacific Residence Shirakabehigashi.

S-38 Pacific Livew Wasedanishi



F-12 Pacific Residence Shirakabehigashi



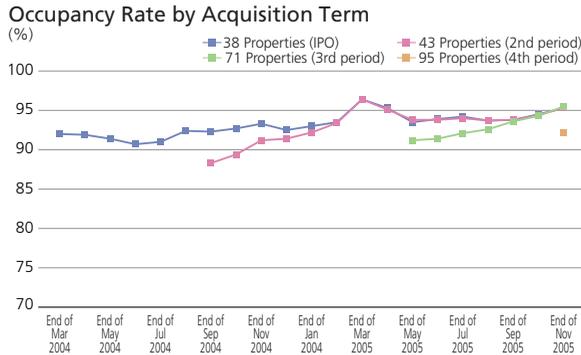
Internal Growth: Seeking Stability and Growth

Realizing High Occupancy Ratios:

The Most Effective Method for Raising Revenue is Early Tenant Contract Conclusion for Vacant Residences.

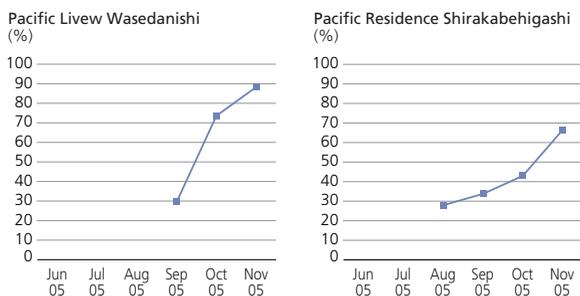
At the end of the fourth fiscal period, the occupancy rate for our 95 properties was 92.2% (based on total floor space). Looking solely at the 71 properties held from the end of the third fiscal period to the end of the fourth fiscal period, we improved the occupancy rate of these properties by 4.3 percentage points from 91.2% at the end of the third fiscal period to 95.5% at the

end of the fourth fiscal period for an average occupancy rate of 93.2%.



We maintained our high rate of contract conclusion in the fourth fiscal period even as we added the Pacific Livew Wasedanishi and Pacific Residence Shirakabehigashi while they were still under construction and thus at zero occupancy levels. To achieve success in the leasing business, it is absolutely necessary to work with knowledgeable property management companies and conduct scrupulous preparatory market research. When marketing the Pacific Livew Wasedanishi units, we set up model rooms designed to appeal to specific tenant groups, such as students and employed individuals, and introduced an interior rental service, these activities clearly distinguished the property from other competing properties in the area. As a result, in the 85 days from September 2005 when we acquired the property to the end of the fourth fiscal period, we had successfully concluded tenant contracts for 56 of the total 63 units. At Pacific Residence Shirakabehigashi, our analysis of the supply volume and property quality available in the rental housing market revealed a scarcity of properties at the same level of quality in the area. Based on this research, we conducted a highly effective advertising campaign to local high-income individuals. In the 118 days from August 2005, when we acquired the property, to the end of the fourth fiscal period we successfully entered tenant contracts for 22 of the total 33 units.

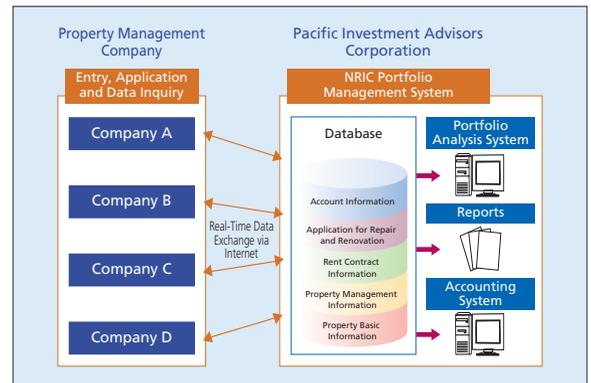
Rapid Increase of Occupancy Rate



Our success sustaining these high occupancy rates arises from the aggressive implementation of the NRIC Portfolio Management System beginning in the third fiscal period. The system enables on-line linkups with asset management companies and all types of property management companies (hereinafter referred to as “PM companies”) allowing fast and efficient handling of many of the complex proceedings involved with our expanding portfolio of property holdings, such as providing comprehensive rental contract information as well as pre- and post-tenancy renovation and monetary transactions.

The on-line system also enables real-time observation of rental, revenue and expenditure conditions thereby facilitating timely and strategic business administration. In the fourth fiscal period, the system played a key role facilitating transactions of a high volume of contracts as NRIC entered contracts on 760 units and discontinued contracts on 448 units.

NRIC Portfolio Management System



Improving Rental Fees

We aggressively raise rental fees at appropriate times, such as when entering into new rental contracts on highly competitive properties and existing properties where we have improved the high value-added facilities, services and other features. In the fourth fiscal period, we raised rental fees from between 0.3% to 25.6% on 110 units.

Reducing Property Management Costs

We regularly evaluate the performance, reliability, compensation levels and other characteristics of the PM companies we engage to conduct the rental management and building administration of our properties. In the fourth fiscal period, we switched affiliations with PM companies for the three properties (Fresca Yoyogiuehara II, Pacific Residence Takanawa and Meguro Hillside Court) to upgrade to management

firms with greater expertise in tenant relations and familiarity with the local rental housing market. At the same time, we were able to reduce our property management costs by 9.3% to 26.9%. We also renegotiated building management subcontracts at 10 properties, enabling an 8.1% reduction in building administration expenses for these properties.

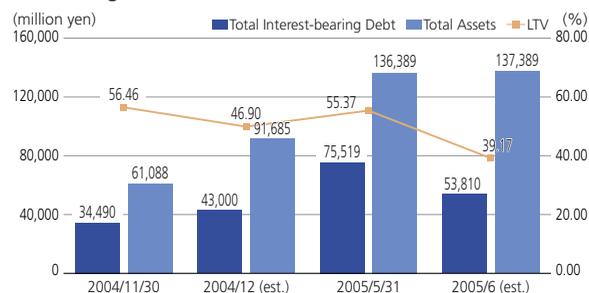
Finance Strategy

Our finance strategy aims to preserve financial stability while enhancing our finance flexibility and liquidity by sustaining a healthy debt-to-asset ratio, hedging interest rate risk, utilizing diverse fund procurement methods and sources, and holding fund procurement costs to a minimum.

Maintaining a Healthy Debt-to-Asset Ratio

We followed our new investment unit issue in December 2004 with another new investment unit issue in June 2005 that raised ¥25.8 billion in funds and lowered our Loan to Value (LTV) to 39.17%. LTV is the ratio of interest-bearing debts to total assets.

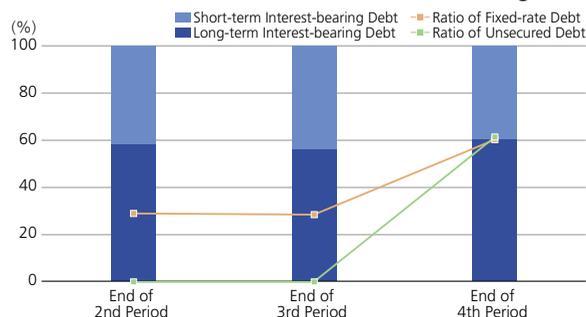
LTV Changes



Interest Rate Risk Hedge

In anticipation of rising interest rates, we extended our existing interest-bearing debt accounts and locked in fixed interest rate loans. As a result, we substantially raised our ratios of these accounts in the fourth fiscal period, with the ratios of long-term interest-bearing debts rising to 60.3% and fixed interest rate loans also reaching 60.3%.

Trend in Fiscal Indicators Related to Interest-bearing Debt



Diversified Fund Procurement Methods

As part of our expanded fund procurement activities, we submitted an issue registration form in compliance with the Securities Exchange Law and set the issue parameters for a public subscription corporate bond in June 2005. NRIC subsequently conducted its first public offering of unsecured corporate bond in July 2005 followed by second and third issues in September 2005.

Summary of Corporate Bonds

Bonds	Offering	Date of Issuance	Redemption	Issuance Amount	Interest Rate	Rating (Note)
Corporate Bond I	Public	2005/7/20	2010/7/20 (5yrs)	10 bn yen	0.74%	A3
Corporate Bond II	Public	2005/9/26	2010/9/24 (5yrs)	10 bn yen	0.84%	A3
Corporate Bond III	Public	2005/9/26	2012/9/24 (7yrs)	10 bn yen	1.28%	A3
Total	—	—	—	30 bn yen	—	—

Note: Acquired by Moody's Investors Service Inc.

Outlook for the 5th Fiscal Period

In the fifth fiscal period, we plan to continue implementing the policies that have supported our success to date while actively developing new businesses beneficial to tenants. We intend to further distinguish our rental housing assets from those of competitor firms by continuing to advance our "Pacific" brand strategy on various levels, including investing in Senior Type properties to fulfill the needs of tenants in the senior life stage, carrying out development projects to enhance property value by upgrading tenant living environments, and expanding our tenant-related services to augment the convenience factors associated with our properties. In addition, we will continue to carry out property repairs and maintenance projects at appropriate times in line with our long-term repairs and maintenance plans in order to maintain the favorable conditions at our properties and ensure the utmost safety of our tenant living environment.

We pledge to continue to conduct our asset management in a thoroughly professional manner and with the aim of generating maximum results and fulfilling the expectations of our unitholders.

Portfolio Strategy

Asset Classification

The combination of Core Assets and Sub-core Assets optimizes the revenue.

- Core Assets bolster the revenue of our portfolio with their competitiveness.
- Sub-core Assets optimize the earnings balance of our portfolio with their liquidity and profitability.

Maintaining and Improving
Revenue Potential



Optimizing the Rising
Revenue Balance



Core Assets
Stability, Growth

Sub-core Assets
Profitability, Liquidity

Core Assets 80-100%

- Properties in superior quality residential environments with long-term revenue potential
- Properties that are competitive in the rental housing market
- Properties with long-term stability and growth
- Properties with strategic management planning potential beyond the long-term
- Properties that advance the NRIC brand strategy

Sub-core Assets 0-20%

- Properties with relatively good profitability and liquidity, capable of contributing steady rental revenue into the mid-and-long term
- Properties that can be flexibly added to the portfolio at profit-earning opportunities
- Properties that ensure liquidity in the real estate market
- Properties that add portfolio management flexibility to respond to fluctuation in property value and real estate market trends

Note: The portfolio weighting of core and sub-core assets is determined on the basis of acquisition price.

Target Portfolio

Area	Ratio (Note 4)	Type (Note 5)	Ratio (Note 4)
Tokyo central 5 wards (Note 1)	30-50%	Single	15-35%
Tokyo 23 wards (excluding Tokyo central 5 wards)	30-50%	Compact	25-45%
Tokyo Metropolitan area (excluding Tokyo 23 wards) (Note 2)	0-20%	Family	10-30%
Major Regional Cities (excluding Tokyo Metropolitan area) (Note 3)	0-20%	Large	5-25%
		Senior	0-10%

Note 1: The Tokyo central 5 wards are Minato, Shibuya, Shinjuku, Meguro and Chiyoda wards.

Note 2: The Tokyo Metropolitan area covers Tokyo and the three prefectures of Kanagawa, Saitama, and Chiba.

Note 3: The major regional cities are areas within commuting distance of city centers of the Government-designated cities and those expected to grow in demand for rental housing.

Note 4: Ratio is calculated on an investment value basis.

Note 5: Each property is classified into target segments by stage of life, resident group, private space, floor plan, and other factors.

Definition of Property Type

Room Layout	Area of Possession							
	Up to 30m ²	Up to 40m ²	Up to 50m ²	Up to 60m ²	Up to 70m ²	Up to 80m ²	Up to 90m ²	Over 90m ²
Studio	S	S	C	C	L	L	L	L
1K	S	S	C	C	L	L	L	L
1DK	S	C	C	C	L	L	L	L
1LDK	—	C	C	C	L	L	L	L
2DK	—	C	C	C	F	F	L	L
2LDK	—	—	C	C	F	F	L	L
3DK	—	—	C	F	F	F	F	L
3LDK	—	—	—	F	F	F	F	L
4LDK or over	—	—	—	—	F	F	F	L

Note 6: Single Type is designated as "S," Compact Type is "C," Family Type is "F," and Large Type is "L." The spaces marked "—" indicate that, in principle, there is no investment property within that category.

Note 7: The Asset Management Company uses the following criteria to classify room layouts:

"Studio" Residential accommodation composed of single room with integral kitchen.

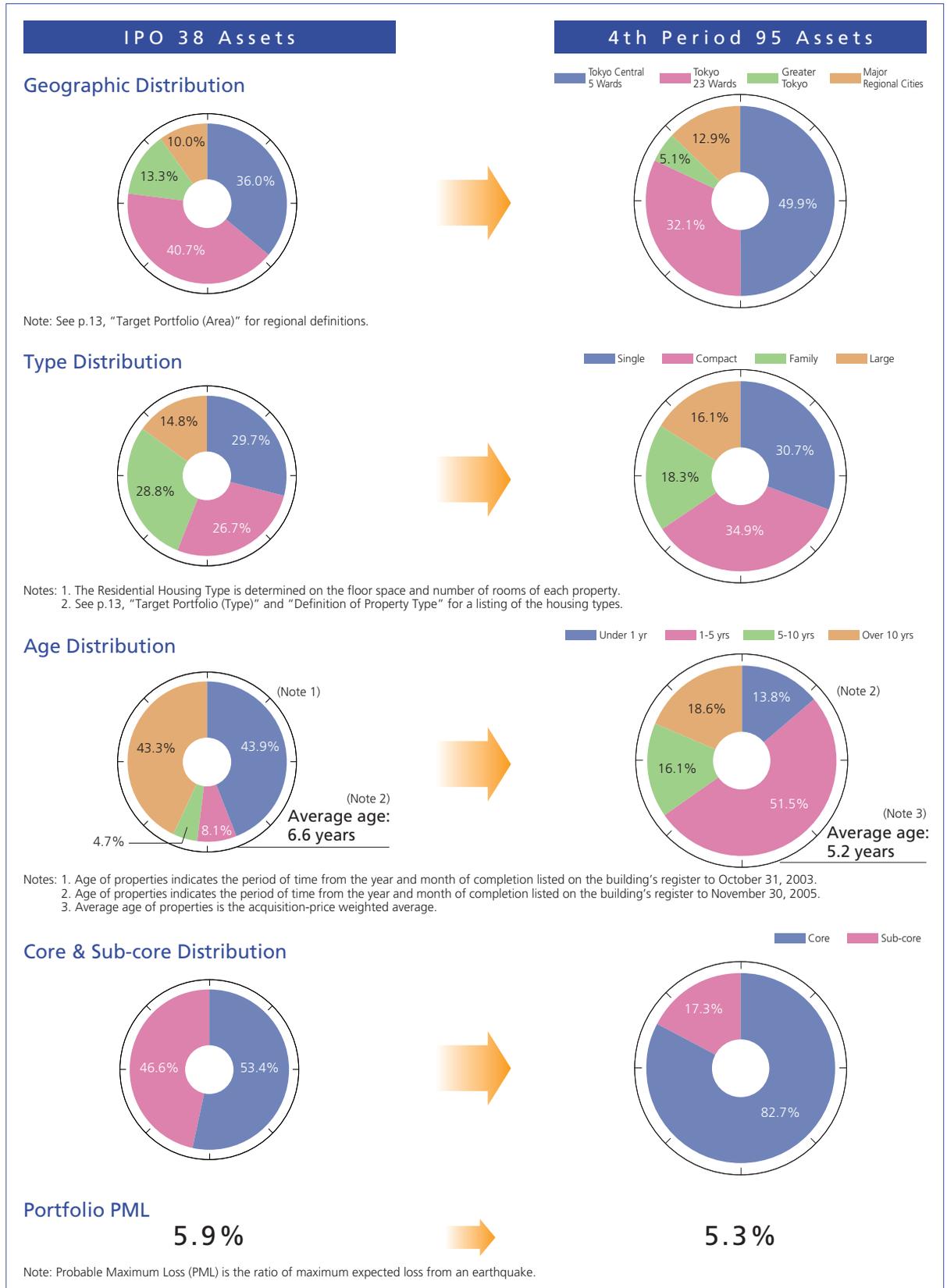
"1K" Residential accommodation composed of one main living room and one separate independent kitchen.

"1(2,3)DK" Residential accommodation composed of one (two or three) bedroom(s) with separate combined dining room and kitchen with a space of 4.5 Jo or more (1 "Jo" is about 1.7 square meters).

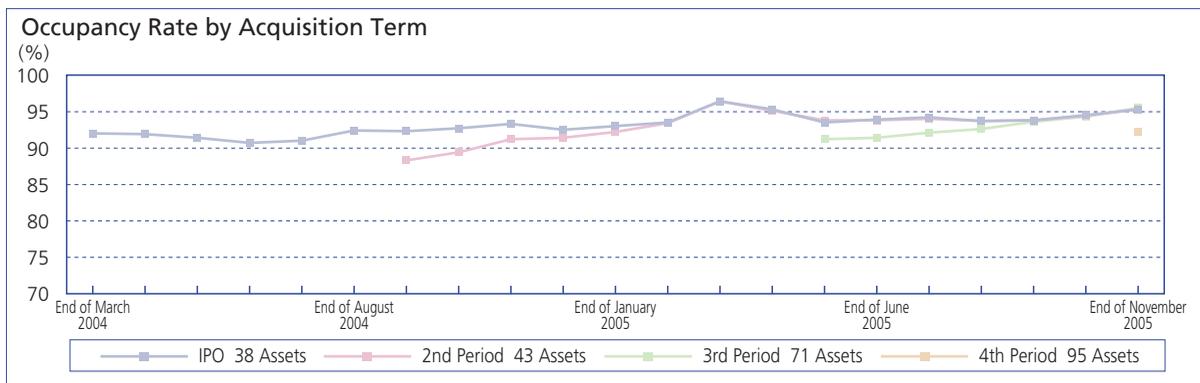
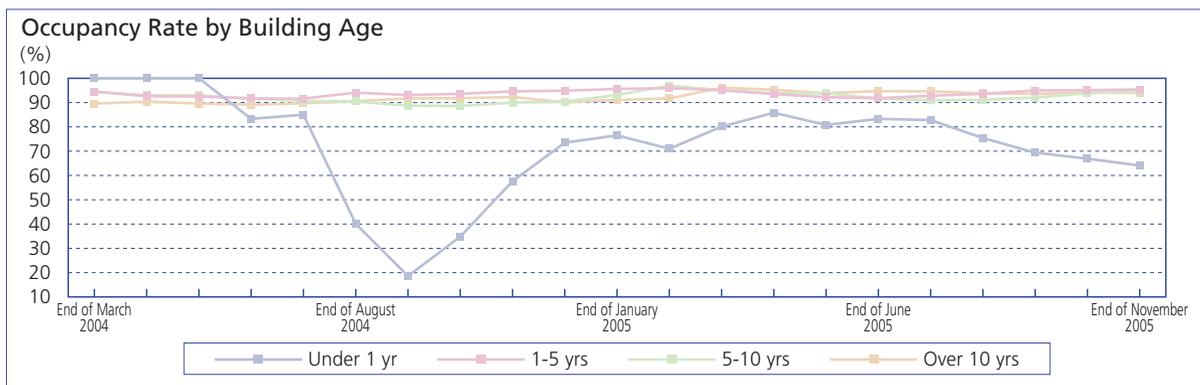
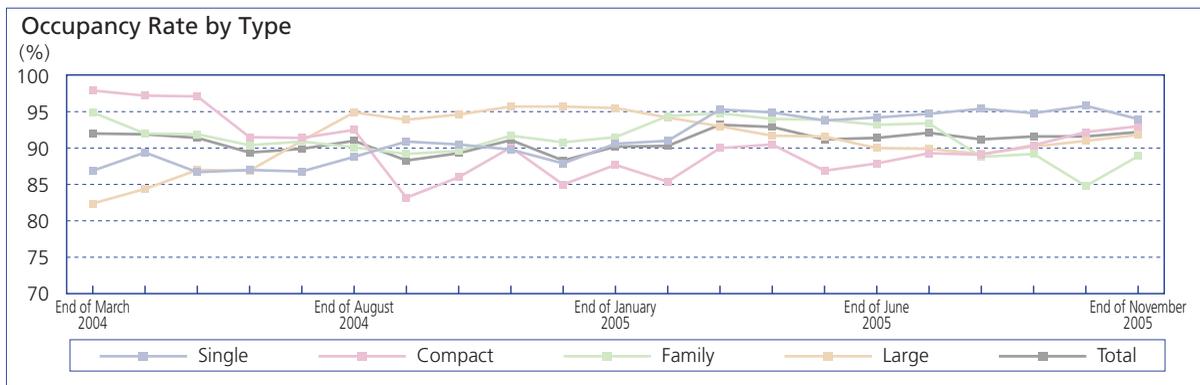
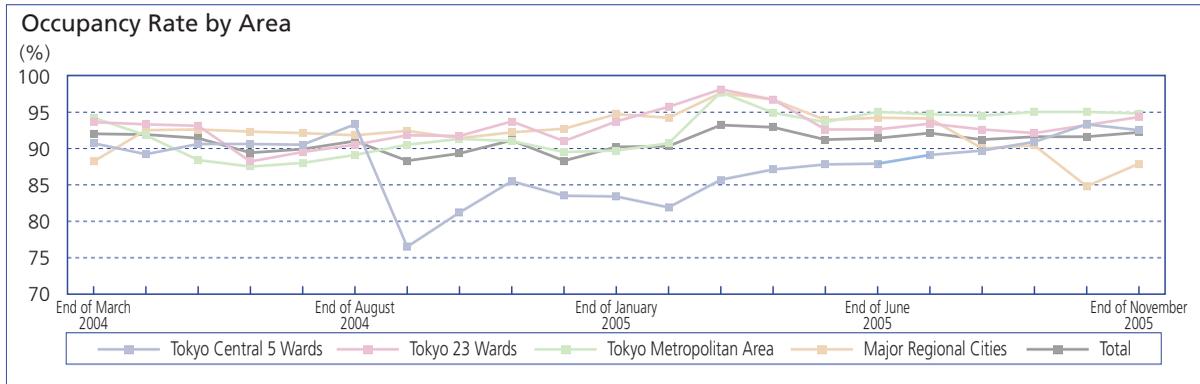
"1(2,3,4)LDK" Residential accommodation composed of one (two, three or four) bedroom(s) with separate combined lounge, dining and kitchen room with a space of 8 Jo or more.

Real Estate Portfolio

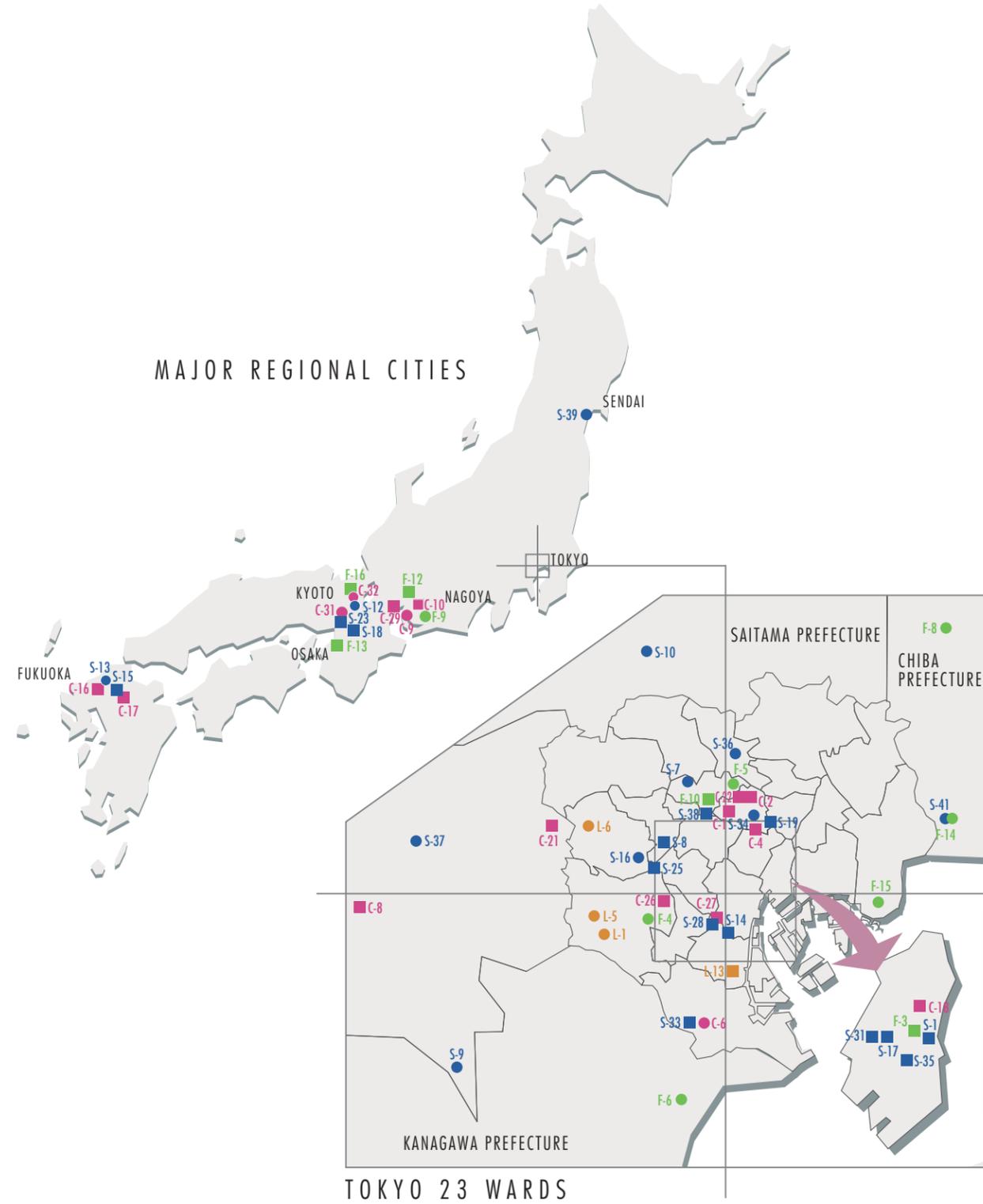
Diversified High-quality Portfolio



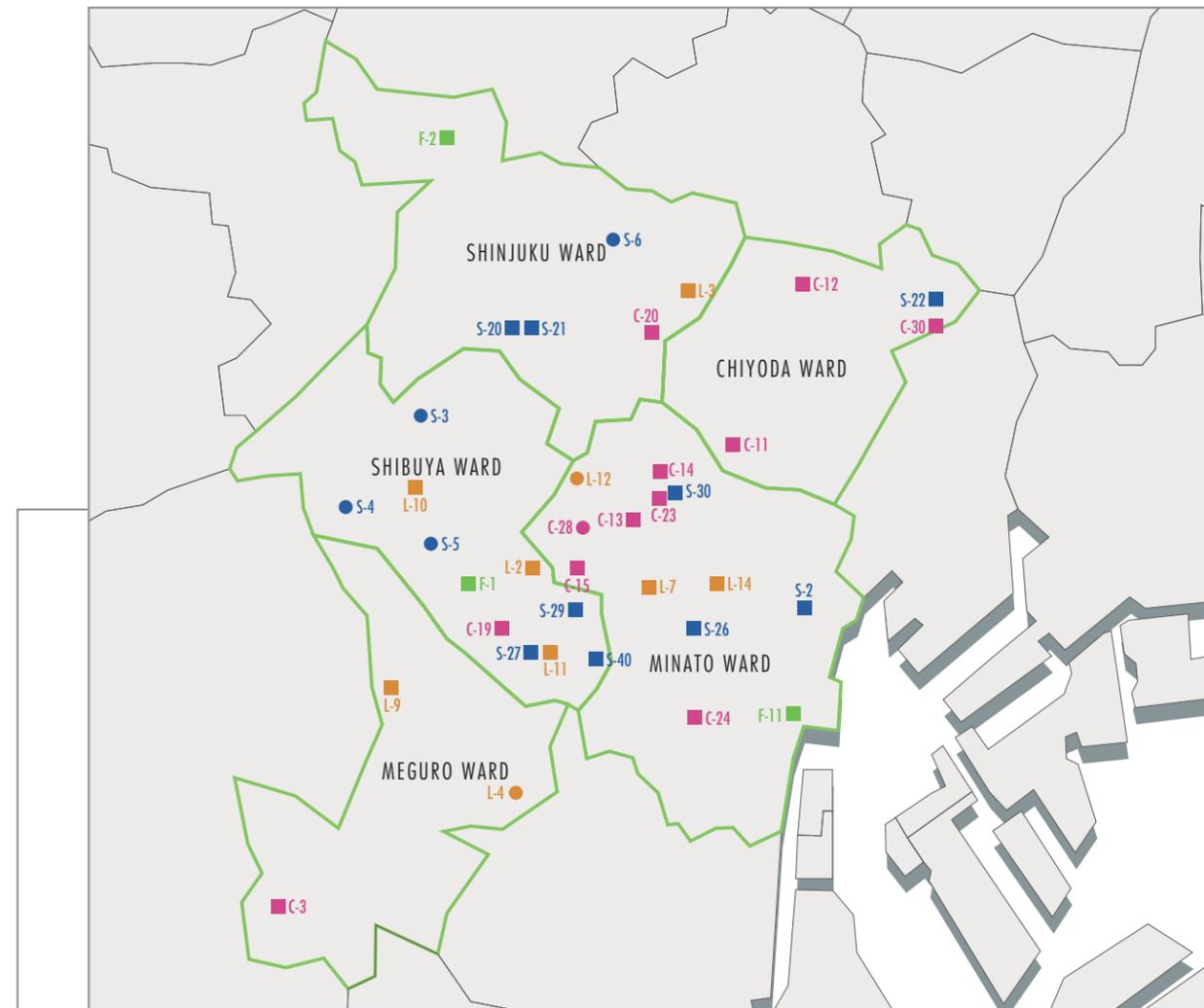
Changes in Occupancy Rate of Portfolio (as of November 30, 2005)



We Invest in Prime Areas in Each Region.



We are Concentrating on Properties in Tokyo Downtown Area.



CENTRAL 5 WARDS IN TOKYO

- CORE ■ SINGLE TYPE
- SUB-CORE ● SINGLE TYPE
- COMPACT TYPE
- COMPACT TYPE
- FAMILY TYPE
- FAMILY TYPE
- LARGE TYPE
- LARGE TYPE

Real Estate Portfolio

Properties Roster

Roster of Assets owned at the end of 4th fiscal period (Note 8)

Property No. (Note 2)	Asset Type (Note 1)	Area (Note 3)	Property Name	Acquisition Price (mn yen)	Investment Ratio (Note 4)	Building Structure (Note 5, 6)	Number of Floors (Note 5, 6)	Rentable Units (Note 7)	Date of Completion (Note 5)
S-1	Core 1	Tokyo 23 wards	Pacific Livew Shinkawa	2,050	1.05%	RC	7F	83	Feb. 2003
S-2	Core 1	Tokyo central 5 wards	Pacific Livew Shiba Daimon	1,900	0.97%	RC	B1F/10F	63	Nov. 2002
S-3	Sub-core	Tokyo central 5 wards	Glenpark Sangubashi	1,040	0.53%	RC	7F	27	Mar. 2003
S-4	Sub-core	Tokyo central 5 wards	Fresca Yoyogiuehara II	524	0.27%	RC	3F	17	Nov. 1995
S-5	Sub-core	Tokyo central 5 wards	Leopalace Udagawacho Mansion	569	0.29%	RC	5F	30	Aug. 2001
S-6	Sub-core	Tokyo central 5 wards	Veil Kikuicho	520	0.27%	RC	4F	41	Mar. 1998
S-7	Sub-core	Tokyo 23 wards	Escort Kami-Ikebukuro	644	0.33%	RC	8F	44	Dec. 2001
S-8	Core 1	Tokyo 23 wards	Pacific Residence Shin-Nakano	448	0.23%	SRC	11F	24	Jun. 2002
S-9	Sub-core	Tokyo metropolitan area	Dormitory Haramachida	490	0.25%	SRC/S	B1F/12F	73	Jul. 1992
S-10	Sub-core	Tokyo metropolitan area	J Stage Minami-Urawa	700	0.36%	SRC	9F	63	Aug. 1992
S-12	Sub-core	Major regional cities	Bonne Uji I & II	1,260	0.64%	RC	7F	208	Mar. 1987
S-13	Sub-core	Major regional cities	Yoshizuka AG Building No.6 and No.7	428	0.22%	RC	5F	86	No.6: Mar. 1987 No.7: Jun. 1988
S-14	Core 1	Tokyo 23 wards	Pacific Livew Shirokanedai	1,250	0.64%	RC	B1F/5F	32	May 2004
S-15	Core 2	Major regional cities	Grand Blue Hakata	1,582	0.81%	SRC	14F	155	Mar. 2002
S-16	Sub-core	Tokyo 23 wards	J Stage Honancho	952	0.49%	RC	B1F/7F	91	Mar. 1992
S-17	Core 2	Tokyo 23 wards	Park Habio Kyobashi	2,725	1.39%	SRC	B1F/13F	63	Aug. 2004
S-18	Core 1	Major regional cities	Pacific Livew Tenjinbashi	970	0.50%	SRC	12F	78	Feb. 2000
S-19	Core 1	Tokyo 23 wards	Pacific Residence Yushimasanchome	1,020	0.52%	SRC	12F	63	Mar. 2004
S-20	Core 1	Tokyo central 5 wards	Pacific Residence Shinjuku East	1,397	0.71%	RC	10F	54	Feb. 2004
S-21	Core 1	Tokyo central 5 wards	Pacific Livew Shinjuku-higashi	854	0.44%	SRC	8F	48	Aug. 2000
S-22	Core 1	Tokyo central 5 wards	Pacific Residence Kandaiwamotocho	1,657	0.85%	RC	B1F/15F	65	Feb. 2004
S-23	Core 2	Major regional cities	Umeda Excelheights	5,250	2.68%	SRC	B1F/15F	414	Feb. 2002
S-25	Core 1	Tokyo 23 wards	Pacific Residence Sasaduka	1,950	1.00%	RC	6F	96	Mar. 2000
S-26	Core 1	Tokyo central 5 wards	Pacific Residence Minamiazabu	1,060	0.54%	RC	B1F/9F	37	Feb. 2001
S-27	Core 1	Tokyo central 5 wards	Pacific Residence Ebisuhighashi	660	0.34%	SRC	10F	26	Jan. 2001
S-28	Core 1	Tokyo 23 wards	Pacific Residence Meguronishi	800	0.41%	RC	B1F/7F	20	Oct. 1999
S-29	Core 1	Tokyo central 5 wards	Pacific Residence Hiroo 3chome	850	0.43%	RC	2-3F	29	Sep. 1999
S-30	Core 1	Tokyo central 5 wards	Pacific Residence Akasaka II	1,567	0.80%	RC	B1F/5F	37	Jan. 2005
S-31	Core 1	Tokyo 23 wards	Pacific Livew Kyobashi	1,401	0.72%	SRC/S	B1F/15F	52	Jan. 2005
S-33	Core 1	Tokyo 23 wards	Pacific Livew Tamagawa	1,514	0.77%	RC	7F	98	Sep. 2004
S-34	Sub-core	Tokyo 23 wards	Maison Korakuen	710	0.36%	SRC	11F	31	Oct. 2004
S-35	Core 1	Tokyo 23 wards	Pacific Livew Ginzahigashi	2,348	1.20%	SRC	B1F/14F	94	Sep. 2004
S-36	Sub-core	Tokyo 23 wards	Relation Oji	1,027	0.52%	RC	11F	61	Feb. 2005
S-37	Sub-core	Tokyo metropolitan area	No. 6 Zerkova Mansion	609	0.31%	RC	9F	33	Feb. 2003
S-38	Core 1	Tokyo 23 wards	Pacific Livew Wasedanishi	1,100	0.56%	RC	12F	63	Jul. 2005
S-39	Sub-core	Major regional cities	KC21 Building	1,167	0.60%	SRC	11F	79	Mar. 1997
S-40	Core 1	Tokyo central 5 wards	Pacific Livew Hiroo	1,741	0.89%	SRC	12F	76	Nov. 2005
S-41	Sub-core	Tokyo metropolitan area	Cosmo Nishi-Funabashi II	799	0.41%	RC/S	B1F7F	70	Mar. 1992
C-1	Core 1	Tokyo 23 wards	Pacific Residence Bunkyoootowa	3,590	1.83%	RC	B1F/10F	104	Aug. 2003
C-2	Core 1	Tokyo 23 wards	Pacific Residence Sengoku	760	0.39%	SRC	12F	33	Feb. 2003
C-3	Core 1	Tokyo central 5 wards	Pacific Livew Jiyugaoka	1,080	0.55%	SRC	B1F/10F	28	Mar. 2002
C-4	Core 1	Tokyo 23 wards	Pacific Residence Yushima	1,110	0.57%	RC	11F	39	Feb. 2003
C-6	Sub-core	Tokyo 23 wards	Zesty Ikegami Building A and Building B	381	0.19%	RC	4F	19	Jul. 2003
C-8	Core 1	Tokyo metropolitan area	Pacific Livew Hachioji	700	0.36%	RC	9F	40	Jan. 1988
C-9	Sub-core	Major regional cities	Grand Heights Hibino	1,230	0.63%	SRC	14F	124	Apr. 1992
C-10	Core 1	Major regional cities	Pacific Residence Koyochi	454	0.23%	RC	5F	40	Feb. 2000
C-11	Core 1	Tokyo central 5 wards	Pacific Livew Nagatacho	1,000	0.51%	RC	10F	23	Jan. 2003

Property No. (Note 2)	Asset Type (Note 1)	Area (Note 3)	Property Name	Acquisition Price (mn yen)	Investment Ratio (Note 4)	Building Structure (Note 5, 6)	Number of Floors (Note 5, 6)	Rentable Units (Note 7)	Date of Completion (Note 5)
C-12	Core 1	Tokyo central 5 wards	Pacific Residence Suidobashi	2,330	1.19%	SRC	B1F/14F	65	Dec. 2004
C-13	Core 1	Tokyo central 5 wards	Pacific Tower Nogizaka	3,900	1.99%	RC	B2F/19F	68	Aug. 2004
C-14	Core 1	Tokyo central 5 wards	Pacific Residence Akasaka I	1,300	0.66%	RC	5F	37	May 2004
C-15	Core 2	Tokyo central 5 wards	Apartments Nishi-Azabu	7,920	4.05%	SRC	B1F/14F	125	Jul. 2004
C-16	Core 1	Major regional cities	Pacific Residence Tenjinminami	1,200	0.61%	SRC	15F	56	Jan. 2004
C-17	Core 1	Major regional cities	Pacific Livew Hakataeki-Minami	420	0.21%	SRC	11F	39	Jan. 2003
C-18	Core 1	Tokyo 23 wards	Pacific Residence Ningyocho	572	0.29%	RC	B1F/7F	25	Mar. 2004
C-19	Core 1	Tokyo central 5 wards	Pacific Residence Daikanyama	2,180	1.11%	RC	B1F/8F	42	Jul. 2004
C-20	Core 1	Tokyo central 5 wards	Pacific Residence Ichigaya	2,580	1.32%	SRC	B1F/14F	85	Aug. 2004
C-21	Core 1	Tokyo metropolitan area	Pacific Residence Kichijoji	1,445	0.74%	RC	3F	48	Mar. 1995
C-22	Core 1	Tokyo 23 wards	Pacific Residence Bunkyoengoku	1,557	0.80%	SRC	B1F/13F	45	Apr. 2005
C-23	Core 1	Tokyo central 5 wards	Pacific Residence Akasaka Hinokicho	4,710	2.41%	RC	B1F/8F	87	Sep. 1999
C-24	Core 1	Tokyo central 5 wards	Pacific Residence Takanawa	1,550	0.79%	SRC	B2F/8F	30	Jan. 2003
C-26	Core 2	Tokyo 23 wards	Storia SANGEN-JAYA	3,311	1.69%	RC	B1F/14F	78	Jan. 2005
C-27	Core 1	Tokyo 23 wards	Pacific Livew Chojamaru	3,338	1.71%	RC	B2F3F	71	Mar. 2005
C-28	Sub-core	Tokyo central 5 wards	L'air Minami Aoyama	1,030	0.53%	RC	B1F4F	13	Mar. 2005
C-29	Core 2	Major regional cities	Mare	963	0.49%	SRC	12F	38	Feb. 2005
C-30	Core 1	Tokyo central 5 wards	Pacific Livew Kandahigashi	1,880	0.96%	SRC	15F	64	Oct. 2003
C-31	Sub-core	Major regional cities	Melody Heim Shin-Osaka	956	0.49%	SRC	10F	70	Apr. 1994
C-32	Sub-core	Major regional cities	Melody Heim Matsubara	643	0.33%	RC	8F	53	Mar. 1994
F-1	Core 1	Tokyo central 5 wards	Pacific Residence Sakuragaoka	3,960	2.02%	SRC	B2F/12F	66	Apr. 2003
F-2	Core 1	Tokyo central 5 wards	Pacific Residence Mejiro Otomeyama	1,100	0.56%	RC	B1F/3F	19	Dec. 2002
F-3	Core 1	Tokyo 23 wards	Pacific Residence Shinkawa	1,420	0.73%	SRC	14F	36	Feb. 2003
F-4	Sub-core	Tokyo 23 wards	Setagaya Sun Heights	982	0.50%	RC	4F	38	Jul. 1992
F-5	Sub-core	Tokyo 23 wards	Ars Shin-Otsuka	1,117	0.57%	SRC	B1F/10F	31	Mar. 1989
F-6	Sub-core	Tokyo metropolitan area	Crane Mansion Tsurumi	1050	0.54%	RC	7F	59	Jul. 1990
F-8	Sub-core	Tokyo metropolitan area	Maison Kashiwa	840	0.43%	RC	8F	56	Nov. 1989
F-9	Sub-core	Major regional cities	Sky Heights Hirabari	554	0.28%	RC	B1F/9F	36	Feb. 1995
F-10	Core 1	Tokyo 23 wards	Pacific Residence Mejiro	7,350	3.76%	SRC	B1F/10F	162	Jan. 1999
F-11	Core 1	Tokyo central 5 wards	Pacific Residence Shibaura	4,900	2.50%	SRC	B2F/15F	154	Sep. 1991
F-12	Core 1	Major regional cities	Pacific Residence Shirakabehigashi	1,070	0.55%	RC	8F	33	May 2005
F-13	Core 1	Major regional cities	Pacific Residence Sakaihigashi	890	0.45%	SRC/RC	15F	50	Aug. 2005
F-14	Sub-core	Tokyo metropolitan area	Maison Yachiyodai	1,281	0.65%	SRC	8F	39	Aug. 1989
F-15	Sub-core	Tokyo 23 wards	Abreast Kasai	807	0.41%	RC	7F	29	Jan. 2000
F-16	Core 1	Major regional cities	Pacific Residence Uzumasa	958	0.49%	RC	B1F/7F	48	Jan. 2000
L-1	Sub-core	Tokyo 23 wards	Manoa Okamoto	590	0.30%	RC	B1F/3F	12	Oct. 1989
L-2	Core 2	Tokyo central 5 wards	Bellwood	1,530	0.78%	RC	B1F/5F	6	Sep. 1989
L-3	Core 2	Tokyo central 5 wards	Grand Forme Ichigaya Haraikatamachi	970	0.50%	RC	B1F/3F	6	Jul. 1990
L-4	Sub-core	Tokyo central 5 wards	Meguro Hillside Court	1,000	0.51%	RC	3F	18	Feb. 1991
L-5	Sub-core	Tokyo 23 wards	Petit Cour Kinuta	684	0.35%	RC	B1F/5F	11	Mar. 1990
L-6	Sub-core	Tokyo 23 wards	Nishi-Ogikubo Urbane Homes	1,050	0.54%	RC	B1F/5F	28	May 1989
L-7	Core 2	Tokyo central 5 wards	Motoazabu Place	10,270	5.25%	RC	3-5F	41	Feb. 2001
L-9	Core 1	Tokyo central 5 wards	Pacific Residence Kamimeguro	1,000	0.51%	RC	B1F/5F	16	Jan. 1993
L-10	Core 1	Tokyo central 5 wards	Pacific Residence Yoyogikoen	1,310	0.67%	RC	B1F/4F	6	Jul. 1998
L-11	Core 2	Tokyo central 5 wards	Windsor House Hiroo	2,000	1.02%	RC	B1F/3F	12	Jun. 2003
L-12	Sub-core	Tokyo central 5 wards	SOHO Kita Aoyama	1,160	0.59%	RC	B1F/3F	10	Mar. 2004
L-13	Core 1	Tokyo 23 wards	Pacific Residence Ohi	1,120	0.57%	RC	B1F/5F	22	Oct. 1989
L-14	Core 2	Tokyo central 5 wards	Root Azabu Jyuban	2,220	1.13%	SRC/S	14F	26	Jan. 1999
Total				154,813	79.11%	—	—	5,383	—

Real Estate Portfolio

Properties Roster

Roster of Assets to be acquired during 5th fiscal period

Property No. (Note 2)	Asset Type (Note 1)	Area (Note 3)	Property Name	Acquisition Price (mn yen)	Investment Ratio (Note 4)	Building Structure (Note 5, 6)	Number of Floors (Note 5, 6)	Rentable Units (Note 7)	Date of Completion (Note 5)
S-24	Core 1	Tokyo 23 wards	Pacific Residence Tsukiji	1,320	0.67%	RC	11F	54	Dec. 2005
S-32	Core 1	Major regional cities	Pacific Residence Sannomiyahigashi	2,247	1.15%	RC	15F	161	Nov. 2005
S-42	Core 1	Tokyo metropolitan area	Pacific Livew Yokohama Kannai	1,950	1.00%	SRC	11F	102	Aug. 2004
S-43	Sub-core	Tokyo 23 wards	K2	393	0.20%	SRC	B1F11F	22	Sep. 1992
S-44	Sub-core	Tokyo metropolitan area	FLATS OKURAYAMA	895	0.46%	RC	5F	64	Mar. 1998
S-45	Core 2	Tokyo central 5 wards	Pianeta Shiodome	2,782	1.42%	RC	12F	67	Feb. 2005
S-46	Sub-core	Tokyo 23 wards	ZESTY KOMAZAWADAIGAKU	393	0.20%	RC	4F	18	Oct. 2004
S-47	Sub-core	Tokyo central 5 wards	ZESTY YOYOGI	377	0.19%	RC	4F	16	Feb. 2005
S-48	Sub-core	Tokyo central 5 wards	ZESTY NISHISHINJUKU	436	0.22%	RC	5F	19	Feb. 2005
S-49	Sub-core	Tokyo 23 wards	ZESTY KYODO	344	0.18%	RC	4F	15	Feb. 2005
S-50	Core 1	Major regional cities	Pacific Livew Utsubokoan	1,200	0.61%	SRC	15F	94	Jan. 2006
C-33	Core 1	Tokyo 23 wards	Pacific Livew Iriya	1,190	0.61%	SRC	11F	49	Dec. 2004
F-17	Core 1	Major regional cities	Pacific Residence Izumi	4,400	2.25%	SRC	15F	122	Nov. 2005
L-8	Core 1	Tokyo central 5 wards	Pacific Tower Roppongi	8,456	4.31%	RC/S (planned)	B2F/27F (planned)	83 (planned)	Feb. 2007 (planned)
Total				26,369	13.48%	—	—	886	—

Roster of Assets to be acquired during 6th fiscal period

Property No. (Note 2)	Asset Type (Note 1)	Area (Note 3)	Property Name	Acquisition Price (mn yen)	Investment Ratio (Note 4)	Building Structure (Note 5, 6)	Number of Floors (Note 5, 6)	Rentable Units (Note 7)	Date of Completion (Note 5)
C-25	Core 1	Tokyo 23 wards	Pacific Tower Meguroyamate	14,507	7.41%	RC (planned)	B3F/30F (planned)	356 (planned)	Feb. 2007 (planned)

Note 1. Asset Categories (Core, Sub-core)

Core assets are properties determined to have superior quality environment for residents and long-term value potential as based on evaluation of various aspects, including convenience, surrounding environment, management conditions, deterioration level, and the equipment and specifications of the facilities. Sub-core assets are properties with competitiveness equivalent to the core assets but which are determined to have excellent profitability and liquidity and therefore are viewed as capable of providing steady rental revenue into the mid-and-long terms. Core assets are further divided into Core 1 for properties bearing the "Pacific" brand name and Core 2 for all other properties.

Note 2. Acquisition (or planned acquisition) properties are assigned "Property Numbers" derived of five letter categories – S (Single Type), C (Compact Type), F (Family Type), L (Large Type) and SE (Senior Type) – and a number. Please see "Definition of Property Type" on Page 13 for a further explanation of the five types of residential housing.

Note 3. Tokyo central 5 wards are defined as Minato Ward, Shibuya Ward, Shinjuku Ward, Meguro Ward and Chiyoda Ward. Tokyo 23 wards are the remaining wards other than Tokyo central 5 wards. The Tokyo Metropolitan area is the remaining parts in Tokyo (excluding Tokyo 23 wards) and the adjacent prefectures Kanagawa Prefecture, Saitama Prefecture, and Chiba Prefecture. Major Regional Cities are within reasonable commuting distance to the center of the Government-designated cities and where residential rental housing and other property demand are expected to grow.

Note 4. The investment ratio is the ratio of the acquisition (or planned acquisition) value of the acquired (or planned) property to the total acquisition (or planned acquisition) value of all acquired (or planned) properties. (The figure has been rounded off to two decimal places.)

Note 5. The "Building Structure," "Number of Floors" and "Date of Completion" are based on official registration entries. Properties scheduled for acquisition (planned) in the fifth fiscal period and after are registered as follows. S-50 Pacific Livew Utsubokoan inspection certificate dated January 19, 2006. C-25 Pacific Tower Meguroyamate confirmation certificate dated November 19, 2004. L-8 Pacific Tower Roppongi confirmation certificates dated March 25, 2004, May 14, 2004, and December 13, 2004.

Note 6. Abbreviations appearing in the "Building Structure" and "Number of Floors" columns represent the following: RC = reinforced concrete structure, SRC = steel-framed reinforced concrete structure, S = steel structure, and B = underground (basement).

Note 7. "Rentable Units" represents the number of rental units and units that tenants could potentially sublease. The figures are based on data as of the end of November 2005.

Note 8. Figures include the Veil Kikuicho, Bonne Uji I/I, and Crane Mansion Tsurumi for which sales transactions were completed on December 21, 2005.



Pacific Quality

Among our asset holdings, the brand name "Pacific" has been given to properties considered to have potential to provide a favorable environment for residents over a long-term period. The high quality and value-added services of these properties have generated strong name recognition and dependability in the real estate market, and we plan to continue to establish the "Pacific Quality" brand image.



Core Asset



L-8 Pacific Tower Roppongi



F-2 Pacific Residence Mejiro Otomeyama



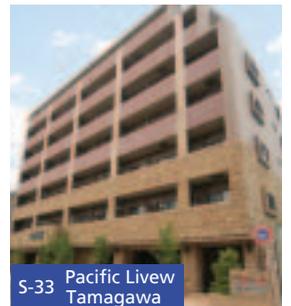
S-50 Pacific Livew Utsuboko



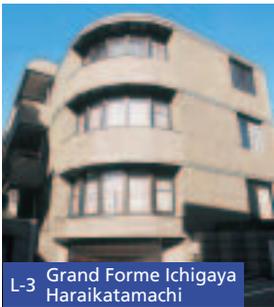
S-28 Pacific Residence Meguronishi



C-23 Pacific Residence Akasaka Hinokicho



S-33 Pacific Livew Tamagawa



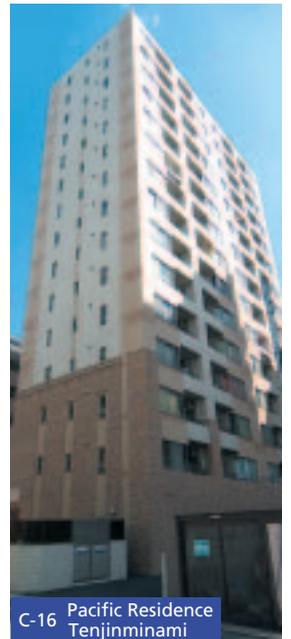
L-3 Grand Forme Ichigaya Haraikatamachi



L-11 Windsor House Hiroo



S-24 Pacific Residence Tsukiji



C-16 Pacific Residence Tenjinminami



C-3 Pacific Livew Jiyugaoka



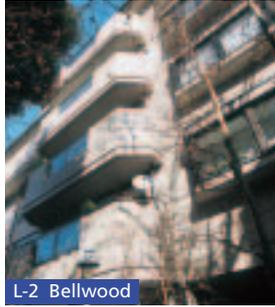
S-42 Pacific Livew Yokohama Kannai



C-29 Mare



S-8 Pacific Residence Shin-Nakano



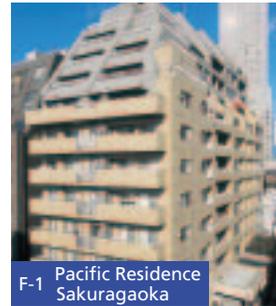
L-2 Bellwood



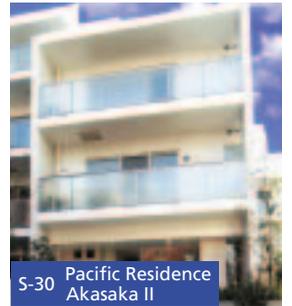
S-18 Pacific Livew Tenjinbashi



L-10 Pacific Residence Yoyogikoen



F-1 Pacific Residence Sakuragaoka



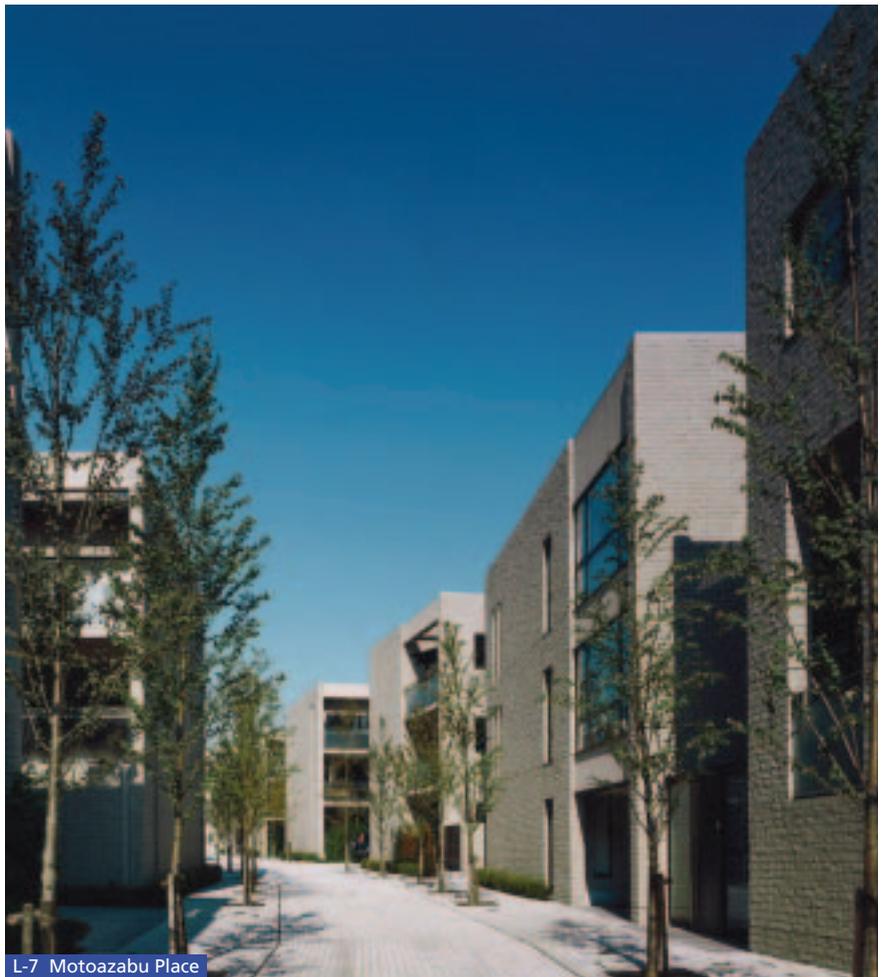
S-30 Pacific Residence Akasaka II



L-14 Root Azabu Jyuban



C-33 Pacific Livew Iriya



L-7 Motoazabu Place



C-11 Pacific Livew Nagatacho



C-26 Storia SANGEN-JAYA



C-2 Pacific Residence Sengoku



S-14 Pacific Livew Shirokanedai



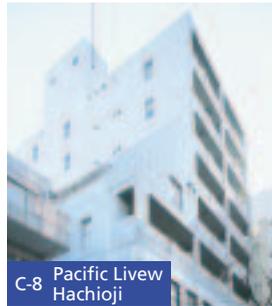
S-15 Grand Blue Hakata



C-17 Pacific Livew Hakataeki-Minami



F-17 Pacific Residence Izumi



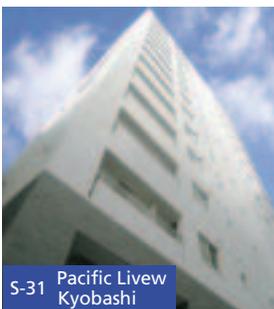
C-8 Pacific Livew Hachioji



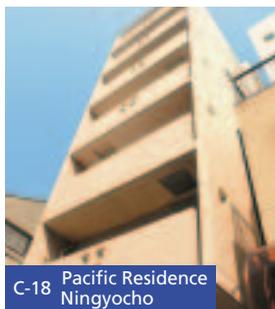
C-27 Pacific Livew Chojamaru



F-12 Pacific Residence Shirakabehigashi



S-31 Pacific Livew Kyobashi



C-18 Pacific Residence Ningyocho



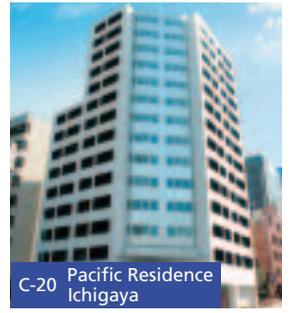
F-13 Pacific Residence Sakaihigashi



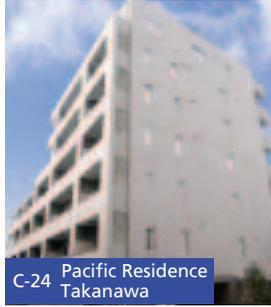
C-13 Pacific Tower Nogizaka



L-13 Pacific Residence Ohi



C-20 Pacific Residence Ichigaya



C-24 Pacific Residence Takanawa



C-21 Pacific Residence Kichijoji



S-25 Pacific Residence Sasaduka



S-17 Park Habio Kyobashi



C-22 Pacific Residence Bunkyo-sengoku



S-45 Pianeta Shiodome



S-23 Umeda Excelheights



S-35 Pacific Liew Ginzahigashi



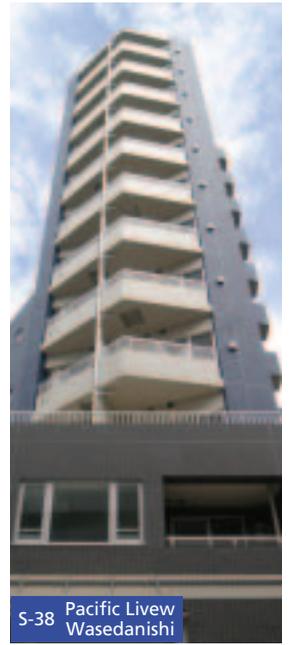
S-29 Pacific Residence Hiroo 3chome



C-30 Pacific Livew Kandahigashi



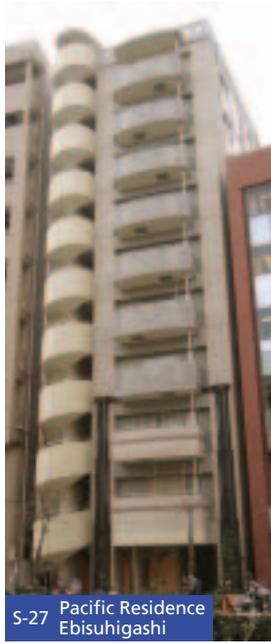
S-20 Pacific Residence Shinjuku East



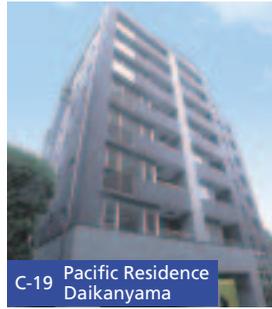
S-38 Pacific Livew Wasedanishi



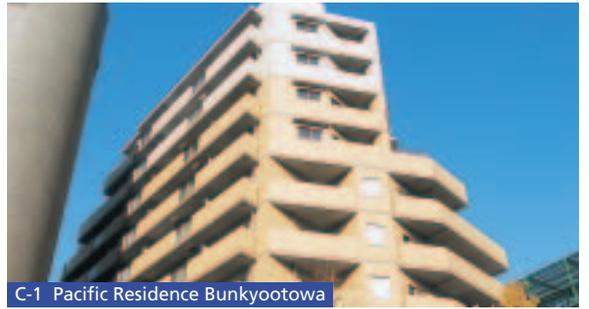
C-14 Pacific Residence Akasaka I



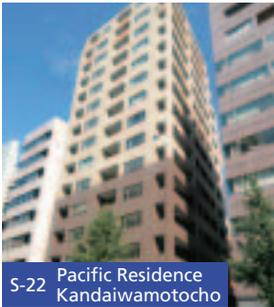
S-27 Pacific Residence Ebisu Higashi



C-19 Pacific Residence Daikanyama



C-1 Pacific Residence Bunkyo Towa



S-22 Pacific Residence Kandaiwamotocho



L-9 Pacific Residence Kamimeguro



C-12 Pacific Residence Suidobashi



C-10 Pacific Residence Koyochi



S-40 Pacific Livew Hiroo



F-16 Pacific Residence Uzumasa



C-4 Pacific Residence Yushima



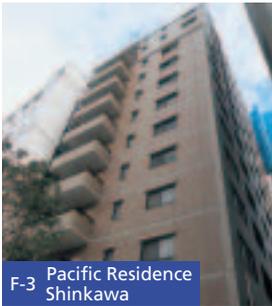
F-11 Pacific Residence Shibaura



S-19 Pacific Residence Yushimasanchome



S-2 Pacific Livew Shiba Daimon



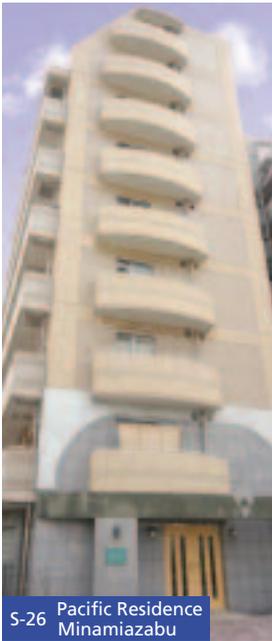
F-3 Pacific Residence Shinkawa



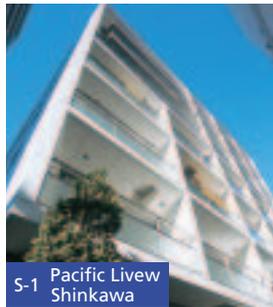
C-15 Apartments Nishi-Azabu



S-21 Pacific Livew Shinjuku-higashi



S-26 Pacific Residence Minamiazabu



S-1 Pacific Livew Shinkawa

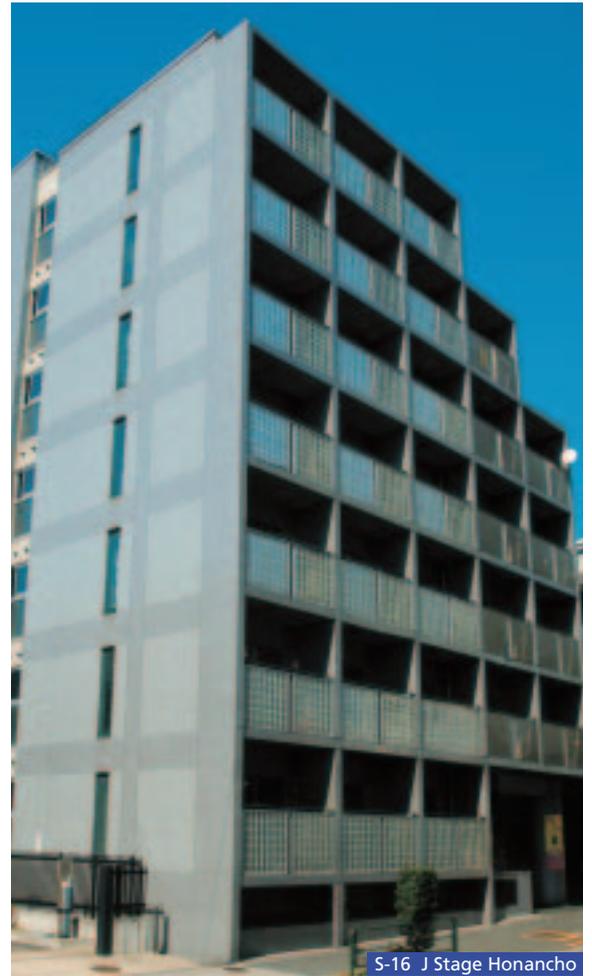


F-10 Pacific Residence Mejiro



S-32 Pacific Residence Sannomiyahigashi

Sub-core Asset



S-16 J Stage Honancho



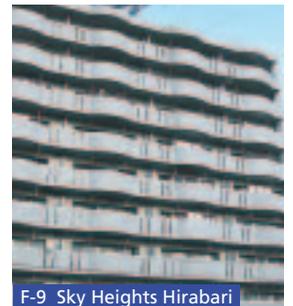
C-9 Grand Heights Hibino



L-12 SOHO Kita Aoyama



C-6 Zesty Ikegami Building A and Building B



F-9 Sky Heights Hirabari



F-6 Crane Mansion Tsurumi



S-10 J Stage Minami-Urawa



S-34 Maison Korakuen



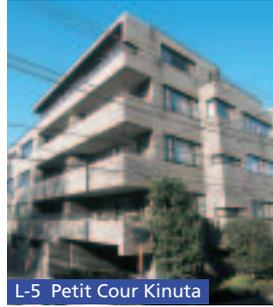
S-36 Relation Oji



S-7 Escort Kami-Ikebukuro



S-9 Dormitory Haramachida



L-5 Petit Cour Kinuta



F-15 Abreast Kasai



C-28 L'air Minami Aoyama



S-12 Bonne Uji I & II



F-4 Setagaya Sun Heights



C-32 Melody Heim Matsubara



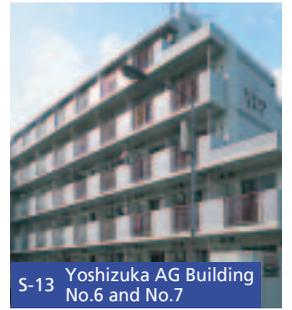
S-46 ZESTY KOMAZAWADAIGAKU



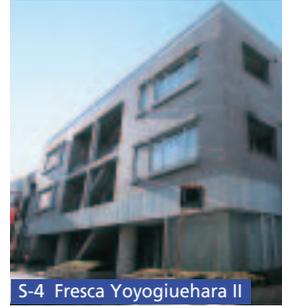
S-37 No. 6 Zelkova Mansion



S-44 FLATS OKURAYAMA



S-13 Yoshizuka AG Building No.6 and No.7



S-4 Fresca Yoyogiuehara II



S-49 ZESTY KYODO



S-5 Leopalace Udagawacho Mansion



F-5 Ars Shin-Otsuka



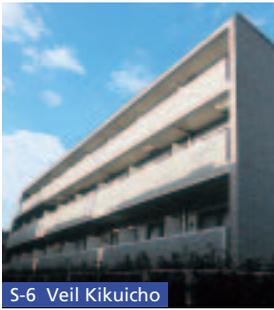
S-47 ZESTY YOYOGI



S-3 Glenpark Sangubashi



L-4 Meguro Hillside Court



S-6 Veil Kikuicho



S-41 Cosmo Nishi-Funabashi II



F-8 Maison Kashiwa



L-6 Nishi-Ogikubo Urbane Homes



C-31 Melody Heim Shin-Osaka



L-1 Manoa Okamoto



S-39 KC21 Building



S-48 ZESTY NISHISHINJUKU



F-14 Maison Yachiyodai



S-43 K2



Our Vision

Nippon Residential Investment Corporation is committed to being an infrastructure of the Japanese economy by providing superior financial products and excellent rental housing.

Investment Policy

Investment Approach	34
Distribution Policy	51
Investment Restrictions	52

Investment Approach

(1) Investment Approach

This investment corporation (“NRIC”) will, in accordance with its Bylaws, invest in and manage the qualified assets set out below in (2) *Investment Targets: Types of Assets that are Investment Targets*, aiming to secure steady growth and stable profitability of assets under management for the medium and long term (Article 10 of the Bylaws).

NRIC has, as of the date of this Investment Policy, entrusted the management of all of its assets to an asset management company. The asset management company has formulated asset management guidelines as one of its internal regulations in accordance with both the basic policy set out in NRIC’s Bylaws and an asset management agreement between it and NRIC (which means an asset management agreement as defined in Article 8, Item 2, of the Investment Trusts and Investment Corporations Act (the “ITIC Act”); the same applies throughout this Investment Policy). The operational and administrative policies applicable to the management of assets are set out in the asset management guidelines.

The asset management company determined its internal regulations, including the asset management guidelines, after comprehensively considering the current economic situation and real estate market trends as of the date of this Investment Policy. In line with changing circumstances, the internal regulations might be revised at the discretion of the asset management company, but only to the extent such revisions do not contravene NRIC’s Bylaws and the asset management agreement.

Investment Approach

I Basic Policies

- (A) Policy on Portfolio
- (B) Ensuring Growth

II Portfolio Management Policies

- (A) Portfolio Composition
- (B) Age of Buildings
- (C) Criteria for Acquiring Investment Target Properties, Etc.
- (D) Investigation required for Due Diligence
- (E) Investment in Development Projects
- (F) Property Management Policies
- (G) Insurance Policy
- (H) Policies on Selling Properties
- (I) Financial Policy
- (J) Policy on Disclosure
- (K) Administrative Policies on Cash Equivalents
- (L) Others

I Basic Policies

NRIC primarily invests in the qualified assets set out below in (2) *Investment Targets: Types of Assets that are Investment Targets (I) Qualified Assets that are Primary Investment Targets* (“investment target properties, etc.”; within the investment target properties, etc., (1) real estate, real-estate leasing rights, and surface rights, and (2) real estate constituting assets in trust related to beneficiary rights of trusts or constituting investment assets related to silent partnership equity interests are collectively referred to as “investment target properties”), particularly in properties primarily used for rental housing (“rental housing”) and qualified assets primarily backed by rental housing.

(A) Policy on Portfolio

In accordance with NRIC's Bylaws and the asset management guidelines, the asset management company determines NRIC's investments and formulates its portfolio as follows.

(a) Use

NRIC intends to invest primarily in rental housing or qualified assets mainly backed by rental housing (residential building specialized type).

Rental housing is perceived to have the following features compared to office buildings, commercial facilities, and other property used for non-residential purposes.

(i) Diversified properties and tenants

Because rental housing is smaller in scale, both in terms of the properties themselves and their tenants, compared to property used for other purposes, it is possible to formulate a portfolio with a suitably diverse number of properties and tenants.

(ii) Stable rent revenue

Housing being a major component of life's necessities (clothing, food, and housing), the rent for rental housing is considered an unavoidable living expense, so relative to property for other purposes, it is less likely to be affected by fluctuations in economic and social conditions.

(iii) Increasing need for diverse rental housing

As more people move away from "owning" and toward "using (renting)" property, rental housing must respond to tenant's lifestyles, diversified housing needs, and the change in the stages of life that tenants are at.

A comparison undertaken from 1996 through 2003 of the number of people who want to own their home and the number of people who want to rent their home showed that the number of people who want to own their home has decreased relatively, whereas the number of people who want to rent their home has increased.

(iv) Particular demand for stable management of rental housing by capable operators

Compared to property for other purposes, many properties used for rental housing require better maintenance and management, which has created a situation where capable operators of sound financial standing with appropriate managerial know-how in rental housing are in great demand.

(v) Liquidity in the Real Estate Market

Market liquidity is relatively high in the real estate market, because rental houses are relatively smaller in scale than properties for other uses and because participants in the market are varied, such as individuals, corporations, and the like.

For the reasons stated above, NRIC makes rental housing and qualified assets primarily backed by rental housing its primary investment targets, and by building a diverse portfolio supported by stable profitability and using the asset management company's managerial know-how, it will operate with the aim of securing steady growth of and stable profits from the assets under management over the medium- to long-term.

(b) Target portfolio

Area	Ratio (Note 4)	Type (Note 5)	Ratio (Note 4)
Tokyo central 5 wards (Note 1)	30-50%	Single type	15-35%
Tokyo 23 wards (excluding Tokyo central 5 wards)	30-50%	Compact type	25-45%
Tokyo Metropolitan area (excluding Tokyo 23 wards) (Note 2)	0-20%	Family type	10-30%
Major Regional Cities (excluding Tokyo Metropolitan area) (Note 3)	0-20%	Large type	5-25%
		Senior type	0-10%

Note 1: Tokyo central 5 wards are Minato, Shibuya, Shinjuku, Meguro and Chiyoda wards.

Note 2: The Tokyo Metropolitan area covers Tokyo and the three prefectures of Kanagawa, Saitama, and Chiba.

Note 3: The major regional cities are areas within commuting distance of city centers of the government-designated cities and those expected to grow in demand for rental housing.

Note 4: Ratio is calculated on an investment value basis.

Note 5: Each property is classified into target segments by life stage, resident group, private space, floor plan, and other factors.

In the expansion of the scale of NRIC's assets, investment target properties might exhibit a temporary bias toward a particular area or type due to the conditions of the economy and the real estate market.

(i) Tokyo Metropolitan area priority portfolio

With regard to areas that will be investment targets for NRIC, the Tokyo Metropolitan area will be the primary investment target area, because this particular area has shown steady housing demand due to its high concentration of population and industries as well as its well-established economic infrastructure.

NRIC will also maintain a specific rate of investment in Major Regional Cities (excluding the Tokyo Metropolitan area) in order to reduce any risks (such as a major earthquake or unusual shifts in the real estate market occurring in a particular area) arising from bias distribution of investment target properties in certain areas.

(ii) Comprehensive housing-type portfolio

As a general rule, NRIC focuses on rental housing as the investment target properties. However, any properties primarily used as rental housing, though partly inclusive of office or commercial facilities, are included within the category of rental housing.

NRIC aims to invest in a broad range of rental housing as a "general residential-type" investment corporation. As such, NRIC provides "Total Life Support," in terms of services and residential environment, in order to satisfy the variety of residential demand arising from each set of values for different life stages and lifestyles, by supplying prime groups of rental housing property.

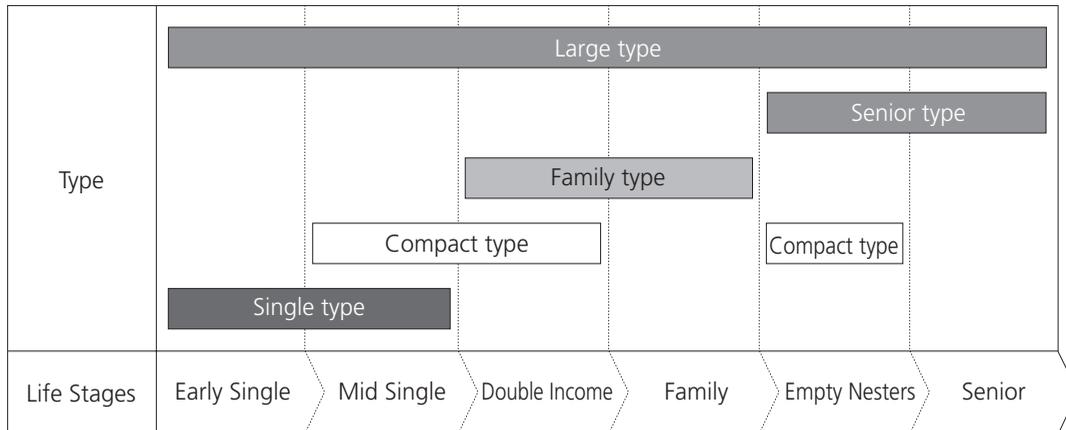
Model Life Stages as Perceived by the Asset Management Company			
Life Stage	Age Group	Events	Criteria
Early Single	Early 20s	Student activities; work	A variety of lifestyles and values
Mid Single	Late 20s -	Career switches; job relocation	A variety of lifestyles and values, economic affluence, and demand for quality residential living
Double Income	Late 20s - 30s	Marriage; starting a family	Economic affluence and demand for quality residential living
Family	30s - 50s	Childbirth; education of children; work	Demand for flexible residential environment tailored to the growth of children
Empty Nesters	Around 60	Retirement; independence of children	Time and economic affluence; demand for flexible residential environment for life after the independence of children
Senior	Mid 60s -	Pension; post-retirement	Time and economic affluence; demand for value-added services

The asset management company avoids the risks of investing too heavily into certain layers of the market by classifying properties into target segments by life stage, the residents, the amount of exclusive area the property has, the floor plan, and other factors and controlling the ratio of investment into each type.

Type	Features of Residents and Investment Areas as Perceived by the Asset Management Company
Single Type (S)	<p>Major Life Stage Early Single and Mid Single</p> <p>Main Tenants Live-alones</p> <p>Features of Market Demand is steady in the Tokyo Metropolitan area, where population and the number of households are on the increase, and the rent per unit space is also relatively high.</p> <p>Primary Investment Target Area Tokyo Metropolitan area; Major Regional Cities and others etc.</p> <p>Preferred Environment Convenient for transportation and shopping.</p>
Compact Type (C)	<p>Major Life Stage Mid Single, Double Income and Empty Nesters</p> <p>Main Tenants Working couples without children; people who live alone and have a relatively high income; or elderly couples whose children are independent.</p> <p>Features of Market This type is suitable for new family and employment styles brought about by a diversified lifestyle. Lately the demand for such housing has been increasing primarily in the central part of the Tokyo Metropolitan area. The need for SOHO space is also increasing. (SOHO is an acronym for "small office, home office" that refers to the method of using property as a small home office.)</p>

Compact Type (C)	<p>Primary Investment Target Area Tokyo Metropolitan area.</p> <p>Preferred Environment Convenient for transportation and shopping; cultural institutions nearby.</p>
Family Type (F)	<p>Major Life Stage Family and Double Income</p> <p>Main Tenants Families of three or more.</p> <p>Features of Market This group of tenants strongly desires their own homes but some are gradually shifting to rental housing. While demand from this group is expected to grow, they have the advantage that their lease periods are generally longer relative to other types.</p> <p>Primary Investment Target Area Tokyo Metropolitan area, Major Regional Cities and others, etc.</p> <p>Preferred Environment Quiet neighborhood, good public security, educational institutions located nearby, and no aversive facilities in the neighborhood.</p>
Large Type (L)	<p>Major Life Stage All Stages</p> <p>Main Tenants Upper income group and foreign nationals employed by foreign-backed companies.</p> <p>Features of Market There is demand, though relatively small, to meet the needs of the upper income group for this type of high-class rental housing with good location, spacious well-planned rooms, and high-grade facilities. In an upward phase of the economy, the rent for this class is likely to show a relatively rapid increase. In addition, many properties of this type have good property values.</p> <p>Main Investment Target Area Tokyo central 5 wards</p> <p>Preferred Environment Quiet neighborhood, good public security, and proximity to communities of foreign nationals.</p>
Senior Type (SE)	<p>Major Life Stage Empty Nesters and Senior</p> <p>Main Tenants Aged people</p> <p>Features of Market Due to the increase in households with older residents and a diversification in the demand for services, the growth in demand is becoming increasingly visible, which is expected to expand the market significantly.</p> <p>Primary Investment Target Area Tokyo Metropolitan area and Major Regional Cities and others</p> <p>Preferred Environment Quiet, safe, and close or adjacent to community facilities</p>

Life Stage Distribution by Type



The asset management company classifies the properties into four types—Single, Compact, Family, and Large—based on the amount of exclusive area each property has and its floor plan (number of rooms per unit) as follows:

Room layout	Exclusive Area (m ²)							
	Up to 30	Up to 40	Up to 50	Up to 60	Up to 70	Up to 80	Up to 90	Over 90
Studio	S	S	C	C	L	L	L	L
1K	S	S	C	C	L	L	L	L
1DK	S	C	C	C	L	L	L	L
1LDK	–	C	C	C	L	L	L	L
2DK	–	C	C	C	F	F	L	L
2LDK	–	–	C	C	F	F	L	L
3DK	–	–	C	F	F	F	F	L
3LDK	–	–	–	F	F	F	F	L
4LDK or Over	–	–	–	–	F	F	F	L

Note 1: Single Type is designated as “S,” Compact Type is “C,” Family Type is “F,” and Large Type is “L.” The spaces marked “–” indicate that, in principle, there is no investment property within that category.

Note 2: The asset management company uses the following criteria to classify room layouts.

- Studio Residential accommodation composed of single room with integrated kitchen.
- 1 K Residential accommodation composed of single room with separate kitchen. Residential accommodation composed of one main living room and one separate independent kitchen.
- 1 (2, 3) DK Residential accommodation composed of one (or two or three) bedroom with separate combined dining room and kitchen with a space of 4.5 jo or more. (One jo is about 1.7 square meters)
- 1 (2, 3, 4) LDK Residential accommodation composed of one (or two, three or four) bedrooms with separate combined lounge, dining and kitchen room with a space of 8 jo or more.

The senior-type properties are rental housing tailored in specifications, equipment, and services to the lifestyles of aged people, including nursing homes and assisted-living facilities. If this type is added to the above four types, all the life stages are covered by the available rental housing property groups. The primary constituents of this type are empty nesters and seniors with time and economic affluence, and because the number of constituents in this type are increasing, it is expected to grow considerably in the future.

(B) Ensuring Growth

Pacific Management Corporation, a shareholding company of the asset management company, has substantial experience in the discovery, selection, sale, and management services of investment properties for rental housing across the nation. The asset management company has succeeded to that experience and know-how.

Under an asset management agreement with Pacific Management Corporation dated November 1, 2005, the asset management company has priority to examine much of the information on investment properties for sale that Pacific Management Corporation receives and to selectively adopt offers that comply with the investment criteria set out by NRIC. And by providing Pacific Management Corporation information the asset management company has on properties NRIC is selling, the asset management company also receives information on suitable parties to sell to.

Thus, by utilizing the network and the expertise of Pacific Management Corporation, the asset management company strives to achieve stable growth in NRIC's investment assets under management in accordance with NRIC's Bylaws and asset management guidelines through internal and external development.

(a) Policy on Internal Growth

NRIC will promote internal growth by taking advantage of the management know-how of the asset management company applicable to the management of rental housing entrusted to the asset management company in accordance with the asset management agreement.

(i) Management Cost Reductions

With respect to individual investment target properties, the asset management company will examine the adequacy of administrative and managerial costs such as building service charges, lease management charges, and repair expenses, and rationalize the entrusted business.

The asset management company will also concentrate property maintenance contractors into fewer contractors for each locality and introduce competitive bidding to reduce the number of suppliers, thereby realizing reductions in unit prices.

(ii) Quicker and more efficient lease and accounting management

Lease and accounting management for rental housing is often voluminous and cumbersome, because the multitude of tenants is overwhelming compared to property used for other purposes. By consolidating and managing these businesses efficiently using a support system that matches the business conditions of the property maintenance contractors, the asset management company will establish and analyze internal growth strategies in a timely fashion, such as by revising the portfolio strategy and revising management policies.

(iii) Enhancement of Tenant Satisfaction and Acquisition of New Tenants

By implementing the measures outlined below, the asset management company intends not only to enhance tenant satisfaction but also to drive the acquisition of new tenants and maintain and improve occupancy rates of rental housing owned by NRIC. By analyzing the management status and the tenant's needs for each property at the time of acquisition and every three months thereafter for the purpose of verifying the results of the various measures, the asset management company will also maintain a management system to provide optimum service at all times.

- Optimization of management and operational methods appropriate to the features of each property.
- Implementation of strategic campaign to seek new tenants focused on suitable targets determined based on an analysis of the features of the property, the features of the locality, and the data on existing tenants.
- Standardization and increased speed of responses to requests and complaints from tenants.
- Implementation of repairs and remodeling according to the business plan for each property.

(b) Policy on External Growth

NRIC will promote external growth as follows by taking advantage of the know-how of both the asset management company entrusted the management of NRIC’s asset under the assets management services agreement and the companies that contribute funds into, in return for equity interests in, the asset management company (such companies, “contributing companies”).

(i) Using information provided by the asset management company’s contributing companies to acquire property
Using proprietary information of its contributing companies on rental housing offered for sale, the asset management company helps the NRIC to avoid missing investment opportunities in properties, thereby increasing NRIC’s acquisition opportunities.

(ii) Building a broad-ranging cooperative relationship with the asset management company’s contributing companies and housing developers

In addition to the external growth achieved through its systematic acquisition of properties, NRIC will strive to acquire, under the asset management company’s management, newly developed rental housing to achieve a more competitive edge in the rental property market and to maintain a lower average age of buildings in the portfolio, both aims being attainable by virtue of the properties being newly developed. To make this scheme workable, the asset management company intends to build a broad-ranging cooperative relationship with its contributing companies and with housing developers.

(See II Portfolio Management Policies (E) Investment in Development Projects)

II Portfolio Management Policies

(A) Portfolio Composition

As a general rule, NRIC strives to achieve internal growth by daily efforts to produce favorable investment results and acquiring properties for the purpose of tenancy for the mid and long term.

Based on property characteristics and tenancy purpose, NRIC optimizes the balance in its income streams by classifying acquired properties into core assets and sub-core assets and managing them under those classifications. Specifically, the core asset properties are positioned as the integral assets of the portfolio, and stability and growth potential is attained by using their high competitiveness, while profit-earning opportunities are secured by flexibly and quickly incorporating sub-core asset properties into NRIC’s portfolio. And by promoting the shuffling of properties, in particular the sub-core asset properties, NRIC can respond to changes in the rental housing market and maintain and improve the profit-earning potential of the portfolio.

Portfolio Composition Overview

Portfolio Composition	Overview
Core Assets (Core)	The core asset properties provide particularly favorable residential environments in terms of convenience, surrounding environment, management conditions, deterioration, equipment specifications and the like that are sustainable over the long term. The core asset properties are competitive in the rental housing market with relatively high downward rigidity and high sensitivity to rent increases as well as demonstrating long-term stability and growth potential. Competitiveness is maintained by systematic management over a longer term than sub-core assets.
Sub-core Assets (Sub-core)	The sub-core asset properties are as competitive as the core asset properties with relatively high profitability and liquidity along with the potential for generating stable rent income for the mid-to-long term, above all. They are managed flexibly in response to real estate market trends and fluctuations in asset value with liquidity being leveraged in the real estate market.

Note: As a general rule, core assets will constitute 80% – 100% of NRIC’s total portfolio, while sub-core assets will constitute 0%–20% (on an investment value basis).

The names of the core asset properties are, as a general rule, changed to start with *Pacific*, insofar as it is sequentially possible to do so, thereby promoting NRIC’s brand strategy. The core asset properties whose name starts with “Pacific” are classified as Core 1, while others are classified as Core 2.

In consideration of rental housing market trends and property conditions, property classifications may be changed at the discretion of the asset management company after periodically examining the need for review.

(B) Age of Buildings

NRIC invests in properties so that their weighted average age is approximately 10 years or less.

(C) Criteria for Acquiring Investment Target Properties, Etc.

When acquiring investment target properties, etc., NRIC has the property examined comprehensively to ensure that it satisfies the criteria shown in the items below. If the asset management company’s investment planning division determines that the property is eligible as a potential property for acquisition and investment by NRIC in consideration of the policies set out under *Basic Policies* above even though the property does not meet one or more of the standards below, NRIC may acquire the property once the asset management company has completed its property acquisition processes.

Item	Acquisition Criteria
Location	As a general rule, within 10 minutes walk from the nearest station. (See note below.)
Size of investment for one property	As a general rule and for each property: The amount of the investment must be 0.5 billion yen or more (the purchase value of the property only, excluding taxes, acquisition expenses, etc.) The size of the property must be 500 square meters or more.
Floor space per unit	As a general rule, the accommodation must be at least 20 square meters. However, decisions are made for each property based on market conditions in that particular locality.
Building structure	As a general rule, the structure must be reinforced concrete (RC) or steel-framed reinforced concrete (SRC).
Ownership rights	(i) As a general rule, ownership of a building must include acquisition of one full block in order to secure a free hand in the repair schedule. If necessary, sectional ownership may be considered for each property. (ii) As a general rule, land ownership includes property rights, land lease rights, and term leasehold rights.
Style of operation	Aside from the usual style of operation for ordinary rental housing, the following styles may also be considered for investments depending on the features of the property, the purpose of which is for NRIC to achieve its goal of providing “Total Life Support.” (i) Serviced apartment (rental housing, furnished, with change of bed clothes and front reception services); this is conditional on the whole operation being assigned to a specialized operator, since the operation requires special organization. (ii) Short-term rental housing (“mansion”) (rental housing, furnished, available on a monthly basis or other short-term contract); this is conditional on the whole operation being assigned to a specialized operator in one package, since the operation requires special organization and know-how. (iii) Company housing or dormitory; this is conditional on the conclusion of a lease of an entire building to a tenant who is a corporation, but investment is permitted only when the property is operable as ordinary rental housing even after the corporate tenant has vacated. (iv) Nursing homes and assisted-living facilities; this is conditional on the whole operation being assigned to a specialized operator in one package, since operating such property requires a special organizational structure and specialist know-how. As a general rule, NRIC will only invest in properties that can be leased out again in their entirety, or converted to other uses, after the operator has resigned.

Note: The figure shown has been calculated based on a walking speed of 80 meters per minute in accordance with the Fair Competition Codes concerning Description of Real Estate Property (Tokyo Metropolitan area) (Fair Trade Commission Notification No.14).

(D) Investigation required for Due Diligence

When selecting properties, NRIC comprehensively examines the estimated profit from the property, potential of the location, building and facility specifications, resistance to earthquakes, relationships of rights, the state of the management of the building, environment, geological conditions, and the like, and it conducts the necessary investigations (Article 11, Paragraph 3, of the Bylaws).

When selecting investment target properties, etc., for acquisition by NRIC, in order to ascertain the investment value of the property, the asset management company comprehensively considers what NRIC should acquire after referring to analytical evaluations, market reports, and the like, based on property appraisal reports, building conditions and status investigation reports, and earthquake risk diagnosis reports prepared by impartial third parties experienced in and capable of conducting such investigations and after conducting its own detailed investigations (due diligence) into the economic, physical, and legal aspects of the properties.

Also, in addition to investigating the above matters, the asset management company will, depending on the form in which the investment target properties are managed, investigate the financial conditions, business management skills, and business environments of operators by using specialist outside agencies experienced in and capable of conducting such investigations.

The asset management company carries out the above investigations considering the items set out in the following table.

Investigation Item		Subject of Analysis
Economic Investigation	Market research	(1) Confirmation of present state and mid-to-long-term predictions regarding the environment for residents in the area where the property is located. (2) Demand and supply status for rental housing and houses built for sale in the area where the property is located. (3) Trends of competing rental housing in the area where the property is located. (4) Rent level in the market where the property is located (present state and mid-to-long-term predictions). (5) Levels of discount rate and capitalization yield.
	Check of current tenants	(1) Credit information and payment record. (2) State of household or occupation of tenant, number of tenants, purpose of use of the property.
	Investigation of operators	(1) Financial condition and credibility of operators (2) Business management skills of operators (3) Business environment and competitiveness of operators
	Earnings	(1) Confirmation of present state of building operating expenses and possibility of reductions. (2) Creation of a plan to increase value by changing the operating method and remodeling of buildings. (3) Drafting a mid-to-long-term plan for repair and remodeling expenses. (4) Development of a plan for income and expenditure. (5) Examination of consistency between portfolio strategy and other plans.
Physical Investigation	Location	(1) Condition of streets and convenience to main transportation system. (2) Access to convenient facilities and public offices. (3) Present state of boundaries with adjoining land and cross boundaries. (4) Habitability, daylight availability, noise, ventilation, etc. (5) Existence or non-existence of aversive facilities. (6) Future development projects in surrounding areas.

Physical Investigation	Building and facility specifications	<p>(1) Building structure, age of building, contractor, etc.</p> <p>(2) Layout, height of ceiling, internal specifications (ceiling, walls, floor, etc.), materials used for the interior and exterior, sanitary accommodation, air-conditioning equipment, electrical installations, elevators and escalators, parking lots, present state of maintenance and management of these installations and equipment, state of deterioration.</p> <p>(3) Necessity of urgent repairs.</p> <p>(4) Conversion to other uses and operation styles</p>
	Earthquake analysis	<p>(1) Whether the property measures up to the new earthquake-resistance levels (which refers to the earthquake-resistance levels provided for in the Building Standards Act (1950, Act No. 201, as amended; the “Building Standards Act”) as it was after revisions in 1981) or to an equal or greater level.</p> <p>(2) The earthquake predicted maximum loss (PML) value must, as a general rule, be kept lower than 15%. If it is over 20%, corresponding measures must be considered, such as anti-earthquake reinforcement or earthquake insurance. (With regard to PML value, see (G) Insurance Policy (b) below.)</p>
	Environmental and geological conditions	<p>(1) Investigation of any substances affecting the life of the building.</p> <p>(2) History of land use and determination of any soil pollution.</p>
	Management of building	<p>(1) Compliance with applicable laws and regulations, such as the Building Standards Act, City Planning Act (1968, Act No. 100, as amended; the “City Planning Act”), and Act for Planning the Use of National Land (1974, Act No. 92, as amended).</p> <p>(2) Actual state of management.</p> <p>(3) Quality of management service company and contractual relationship.</p>
Legal Investigation	Relationship of rights	<p>(1) Relationship of ownership and mortgage (teitô-ken).</p> <p>(2) Relationship of lease agreements.</p> <p>(3) Relationship and details of agreements between residents and landlord</p> <p>(4) Payment methods of lump sums for residents moving in and moving out</p> <p>(5) Letters of confirmation confirming boundaries and memorandums of agreement on crossing borders, etc.</p> <p>(6) Permission to occupy roads based on the 1952 Road Act</p> <p>(7) Compliance with regulations and laws concerning conservation of environment and the like (Natural Environment Conservation Act (1972, Act No. 85, as amended) and Urban Green Space Conservation Act (1973, Act No. 72, as amended) etc.)</p> <p>The asset management company checks the certainty of the previous owners’ rights. In particular, if the relationship of rights concerning the property is complex—such as if joint ownership rights, unit ownership rights, or leased land rights exist in relation to the property or NRIC does not have ownership, or does not have sole ownership, over the property—then the asset management company will carefully examine the relationship of rights concerning the property, including the following items.</p> <p>(1) Check whether perfection has been established over the land lease rights and whether there are any other rights that take priority over land lease rights.</p>

Legal Investigation	Relationship of rights	<p>(2) Check whether site rights are registered and whether there are any restrictions on separate disposal of the building and site rights and, if there are, whether they have been registered. Check the ratio of equity interests.</p> <p>(3) Check whether provisional measures are implemented for the grounds. Check what plans and actions have been prepared for a reserve fund according to the long-term repair schedule.</p> <p>(4) Check whether there are special agreements for non-partition of jointly owned property and, if there are, whether they have been registered. Check whether there any appropriate measures concerning claims for, for example, partition of jointly owned property or sale of joint equity interests. Check the relationship of debts and credits among co-owners.</p> <p>(5) Separability of unit ownership properties.</p> <p>(6) State of security established before acquisition by NRIC; details of agreements establishing the security; and whether the agreement can be succeeded to by a third party.</p> <p>(7) Details of any rules or special agreements concluded between land lease rights holders, unit owners, and co-owners (particularly whether it provides for a right of first refusal and, if it does, the details of the relevant provisions).</p> <p>(8) Whether land lease rights holders, unit owners, co-owners, and the like are corporations or individuals.</p> <p>(9) Details of trust agreements if the property is subject to the beneficiary rights of a trust.</p>
	Investigation of boundaries	(1) Confirmation of letters of confirmation confirming boundaries, certifications of defined boundaries, etc.
	Tenants	(1) Whether there are any disputes with tenants.

Note: The items shown in the table above are those items that are considered in order to determine whether NRIC should acquire investment target properties, etc. Ultimately, the investment target properties, etc., that NRIC actually acquires might not fully satisfy some of the above criteria.

(E) Investment in Development Projects

As a general rule, NRIC does not expect to acquire land and build on the property by itself. However, the asset management company may, in order to diversify the way in which NRIC acquires competitive core asset properties, invest in properties being developed by a third party if the conditions described below are satisfied and after it fully considers the benefits of acquiring the property, the disadvantages (that no income will be yielded for a certain period), and the risks that may arise from acquiring the property.

NRIC may entrust the supervisory function to specialist outside agencies during the period to completion of construction and delivery in order to acquire properties that meet the following conditions.

- (a) It must be possible to conclude a pre-engagement purchase contract that provides as a condition that delivery is accepted by the purchaser after the purchaser has confirmed the building has been completed in accordance with the contract, and avoid the risks associated with delivery and completion of construction.
- (b) The plans and specifications of the property must conform to the investment criteria set by NRIC and the property must be expected to prove advantageous in relation to the rest of NRIC's portfolio.
- (c) From investigating and analyzing the rental housing market related to the property, it must be possible to judge that it will be highly feasible to secure a sufficient number of tenants after completion of construction.

(F) Property Management Policies

The asset management company strives to maintain and enhance the value of the investment target properties, etc., acquired by NRIC over the medium and long terms and to promote lower vacancy rates and decreased expenses to realize stable growth of management income.

(a) Criteria for selecting property manager

With a view to realizing stable growth of management income, the asset management company will select the most appropriate business entity to delegate the property management to (that entity, the "property manager") in accordance with the following criteria.

- Experience and actual performance
- Organizational structure and system
- Financial basis
- Good knowledge of the relevant property and relationship with tenants (when continued)
- High leasing capability (ability to recruit new tenants)
- Familiar with the real estate property market including the relative locality
- Ability to report on properties (developing business plans and reports)
- Speedy, timely, and proper response to complaints from tenants
- Ability to manage and maintain the buildings and installations
- Level of commission

(b) Management policies, guidance, and supervision of property manager

The asset management company receives status reports covering the items described below from the property manager every month, and based on those reports the company verifies the business plans for each investment target property. At the same time, the asset management company guides and supervises the property manager so that the property manager may continue to operate and manage in accordance with the individual management plan for each investment target property.

- State of payment from tenants
- Details of expenditure
- Information concerning removal of tenants
- Tenants' requests and complaints; how they are handled
- Information and the activities concerning acquisition of new tenants
- Examine trends in the rental housing market surrounding each investment objective property
- Recognition of the state of repair included in the plan and the need for any repairs outside the plan.

(c) Evaluation of the property manager by the asset management company

Regularly (once a year, as a general rule), the asset management company evaluates the property manager's results of operations in accordance with (a) *Criteria for selecting property manager* and (b) *Management policies, guidance, and supervision of property manager* above, and if necessary it will consider changing the property manager.

(d) Brand strategies

The names of NRIC's properties that provide particularly favorable residential environments for the long term start with Pacific. This is intended to increase NRIC's name recognition and reliability in the real estate market and establish NRIC's own brand image (Pacific Quality) by creating demand for its quality and by providing value-added services.

(G) Insurance Policy

- (1) Accident insurance must cover any damage to the building caused by such disasters as fire and accidents or damage resulting from claims from a third party due to bodily injury or accidents causing property damage. Depending on the features of each investment target property, the proper type of accident insurance such as fire insurance and umbrella liability insurance must be obtained.
- (2) For earthquake insurance, NRIC considers covering property against a major earthquake that might have a particularly severe effect. NRIC considers the impact on the property and the overall assets in comparison with insurability and the amount of the insurance premium. It would then consider an appropriate level of earthquake insurance to cover a certain proportion of the probable maximum loss for the property and other assets. However, after considering the PML (less than 20%, as a general rule) for each investment target property, costs required to obtain the insurance, and the property's insurability, we may decide to forgo the coverage.

Note: PML means the probable maximum loss that might be caused by an earthquake. The term PML is used in connection with individual properties and also in connection with entire portfolio. No consistent definition for PML exists, but in this Investment Policy it is used as an expression, represented as a ratio (%) of expenses required to recover from the damage versus replacement cost of the property, of how much damage would be incurred if a hypothetical major earthquake (which means a major earthquake the possibility of occurrence of which is once in 475 years or, over a 50-year period, 10%) occurred during the estimated period of use of a building (which is taken to be 50 years, the life for general buildings).

(H) Policies on Selling Properties

NRIC's basic policy is mid-to-long-term operations. It acquires investment target properties, etc., and strives to secure internal growth through its daily management efforts. However, NRIC will consider selling properties, mainly sub-core asset properties, where it should to enjoy the benefits of internal results or to ensure it is managing properties in a flexible manner that addresses real estate market trends, fluctuations in asset values, and the like. Specifically, in considering selling individual properties, the asset management company aims to secure profit-earning opportunities by considering the following criteria and by making full use of both the special feature of rental housing, its relatively high liquidity, and the asset management company's networks and know-how in the real estate market owned by contributing companies of the asset management company.

- (a) The real estate market trend in the medium to long term
- (b) Prospects for future earnings
- (c) Prediction of increase or decrease and asset value
- (d) Future potentiality and stability of the area in which the property is located
- (e) The risk that the property may become obsolete or deteriorate, and estimation of the possible cost as a result
- (f) Composition of portfolio

(I) Financial Policy

(a) Borrowing and NRIC bonds

- (i) In order for its assets to be managed efficiently and to maintain stability in the management of its assets, NRIC borrows money and issues investment corporation bonds for the acquisition of assets under management and for the payment of construction costs, operating funds, and debts associated with investment target properties for lease (including payment of leasehold deposits and guarantee deposits, repayment of borrowings, and redemption of investment corporation bonds) and the like. However, the limit on the aggregate of all borrowings and investment corporation bonds outstanding must not exceed one trillion yen.
- (ii) When NRIC borrows money under item (i) above, it aims to lower costs by selecting an efficient method to raise money based on a loan period and fixed or floating rates after comprehensive consideration of the capital market and financial environment and after projecting changes in the economic situations. However, costs associated with raising funds could vary as a result of changes in the economic environment that are difficult to foresee, such as if a commission or the like is determined payable on early redemption because of interest rates at the time of the early redemption.
- (iii) If NRIC borrows money, lenders are limited to qualified institutional investors set out in Article 2, Section 3, Item 1 of Japan's Securities Exchange Act (1948, Act No. 25, as amended; the "Securities Exchange Act").
- (iv) As a general rule, the approximate upper limit to the ratio of the balance of all borrowings and investment corporation bonds outstanding to total assets (the "ratio of interest-bearing debts to total assets") is 60%.

Note: "Total assets" refers to the total value of assets on the balance sheet for a fiscal year at the time of calculation of the ratio of interest-bearing debts to total assets, but it is calculated by adding or subtracting from the book value of those tangible fixed assets as at the end of the term the difference between (a) the appraisal value or the value from a written opinion on the price of the assets and (a) their book value as at the end of the term.
- (v) NRIC trades financial derivative contracts (defined in Article 3, Item 14 of the Enforcement Order of the ITIC Act (2000, Enforcement Order 480, as amended; the "ITIC Act Enforcement Order")) to hedge the interest rate risk arising from its liabilities and other risks.
- (vi) NRIC might enter into pre-engagement agreements that establish an the upper limit on borrowings in advance or provide for borrowings on an as-needed basis (collectively, the "upper limits on borrowings"), such as commitment-line agreements, in order to purchase new assets or to respond flexibly to demands for funds such as redemption of deposits or the like received from tenants and operating funds.
- (vii) NRIC may pledge assets under management as security for borrowings and issuing investment corporation bonds.

(b) Additional issuing of investment units

- (i) NRIC may additionally issue investment units to meet financing needs under the approval of the Board of Directors.
- (ii) The additional issuance is conducted after considering NRIC's financial condition, such as the ratio of interest-bearing debts to total assets, and taking care the investment units are not diluted.

(J) Policy on Disclosure

- (i) NRIC discloses information accurately and promptly in accordance with legal regulations, rules, and specified formats. In order to receive adequate evaluations on asset management by NRIC from investors, NRIC discloses information in addition to that legally required in a timely and continual manner, giving consideration to the clarity of the information when it does.

(K) Administrative Policies for Cash Equivalents

- (a) In order to respond to a variety of demands for funds, NRIC retains at all times a reasonable amount of cash in consideration of the upper limits on borrowings (for repair and other capital expenditures, dividend payments, repayment of small-lot debts, operating funds for NRIC operations, repayment of tenant deposits and the like, or the purchase of new properties for management).
- (b) NRIC may invest in marketable securities or monetary claims for the purpose of managing surplus funds. When it does, it selects investment targets giving importance to security and liquidity.

(L) Others

(a) Lease of properties

- (i) NRIC enters lease agreements with third parties and leases its own properties (qualified assets) for their management. With property constituting trust assets associated with beneficiary's trust interests that are qualified assets backed by NRIC's assets, NRIC causes the trustee of the trust to lease the property by entering into a lease agreement with the third party.
 - (ii) In leasing real estate, NRIC might accept leasehold deposits or guarantee deposits and their equivalents ("leasehold deposits, etc.") by itself or via the trustee of the trust (the "trustee"). These leasehold deposits are managed according to NRIC's Bylaws or are used to repay borrowings.
 - (iii) NRIC may lease assets other than property for the purpose of efficiently managing surplus assets.
 - (iv) If property has one or more co-owners, NRIC may, either itself or through the trustee, sublease it to a third party after either obtaining all of the co-owners' consent on NRIC's use of all of the jointly owned property or, if the building is a building provided for in Article 1 of the Act for Unit Ownership, Etc., of Buildings (1962, Act No. 69, as amended; the "Unit Ownership Act"), obtaining a lease the areas exclusively owned by other unit owners (including the joint interests in the common areas).
- (b) NRIC may take any action required to protect investors' profits despite the above if investors could be impaired by radical changes in macro-economic conditions, such as the general economy, financial situations, consumer trends, and real estate market or business conditions of the corporation.

(2) Investment Targets

(1) Types of Assets that are Investment Targets

NRIC invests in the following investment targets.

(A) Qualified assets that are primary investment targets (Article 12 of the Bylaws)

NRIC invests in the following qualified assets in accordance with (1) *Investment Approach* above.

- (a) Property
- (b) Property leasehold
- (c) Surface rights
- (d) Beneficiary interests of trusts under which the items set out below have been placed in trust (which includes comprehensive trusts under which the following items are placed together with cash incidental to property but excludes securities defined in Article 3, Item 1, of the ITIC Act Enforcement Order (“securities”)).
 - (i) Property
 - (ii) Surface rights and real estate leasehold
- (e) Trust beneficiary interests in money (limited to cases where trust assets are managed as investments in the case of (a) – (c) above but excluding ones corresponding to securities)
- (f) Equity interests from contributions associated with an agreement under which one party makes a contribution for the purpose of the management of the assets set out in (a) – (e) above by the other party and that other party manages that contribution primarily as investments for those assets and distributes the earnings from its management of those assets (such equity interests, “silent partnership equity interests concerning real estate”).
- (g) Trust beneficiary interests in money the purpose of which trust is the management of the trust assets primarily as investments in silent partnership equity interests concerning real estate.
- (h) Securities set out in Article 2, Paragraphs 1 and 2, of the Securities Exchange Act (limited to securities backed by real estate property).

(B) Qualified assets that are not primary investment targets (Article 13 of the Bylaws)

NRIC may manage surplus funds with the qualified assets described below as well as the assets set out in the above article for more efficient cash management:

- (a) financial derivatives set out in Article 3, Paragraph 14, of the ITIC Act Enforcement Order
- (b) deposits
- (c) money claims (excluding those corresponding to Article 3, Paragraphs 1, 12, and 14, of the ITIC Act Enforcement Order) and
- (d) securities the principal and interest payments of which are guaranteed by the government and securities designated the same ratings as those securities (ratings set out in Article 1, Paragraph 4, of the Cabinet Office Order Concerning Regulations on Capital of Securities Companies (2001, Cabinet Office Order No. 23, as amended)

(2) Investment Criteria and Ratio of Investments by Type, Area, and Purpose of Use

- (a) For the investment criteria, please see (1) *Investment Approach* (II) *Portfolio Management Policies* (C) *Criteria for Acquiring Investment Target Properties, Etc.* above.
- (b) For the ratio of investments by type, area, and purpose of use, please see (1) *Investment Approach* (I) *Basic Policies* (C) *Portfolio Composition* above.

Distribution Policy

NRIC distributes cash to investors entered in the final investors record for a given fiscal year and registered pledgees in accordance with the policies below (Article 17 of the Bylaws).

(I) The distributable amount arising out of the management of NRIC's assets ("distributable amount") means an amount which is computed as $A + B - C - D$, where

A is the total of rents, common area charges, parking lot fees, annexed earnings, charges to use and install facilities, and late payment charges generated from property (including property backed by trust beneficiary rights or other assets acquired by NRIC), early termination penalties arising from termination of lease agreements or equivalent cash, earnings, interest, and dividend revenues from other lease operations and equivalent revenue,

B is earnings (or losses) on sales or redemption of assets,

C is costs (including depreciation expenses), interest expenses, and asset management fees, etc., and

D is all losses carried forward, if any.

If losses are incurred, they are carried forward.

(II) If NRIC is to distribute cash up to a maximum of its profits, the distribution amount is set by NRIC and must be at least 90% of NRIC's distributable amount as set out in Article 67-15 of the Special Taxation Measures Act (1957, Act No. 26, as amended) and Article 39-32-3 of the Enforcement Order of the Special Taxation Measures Act (1957, Act No. 43, as amended) (hereinafter referred to as the "Special Taxation Measures Act Enforcement Order").

NRIC may accumulate long-term reserves for repairs, payment reserves, and reserves for dividends, as well as reserves and allowances equivalent to those 3 reserves, necessary to maintain NRIC's assets and improve their value.

(III) NRIC focuses on stable payment of distributions, but for as long as it would be necessary for investors, were they to receive a distribution of cash that exceeds NRIC's profits, to calculate capital gains or losses on each such distribution, NRIC will not distribute cash to investors above its profits. It may, however, in accordance with Article 136, Paragraph 1, of the ITIC Act, distribute cash to investors above its profits based on a written statement relating to the cash distributions that has been approved as set out in that Paragraph if the Board of Directors determines the distribution reasonable.

(IV) If NRIC distributes cash above its profit, an upper limit on the amount is computed by adding profits for the fiscal year to an amount corresponding to recorded depreciation expenses for the business period. However, if the resulting amount is equal to or below 90% of NRIC's surplus available to dividends as set out in Article 39-32-3 of the Special Taxation Measures Act Enforcement Order, NRIC may distribute cash above the distributable amount up to 91% of the surplus available for dividends.

(V) NRIC pays distributions to investors in cash, and as a general rule it pays them to those investors entered in the final investors record (which includes the beneficial investors register; the same applies hereafter in this Investment Policy) for a given fiscal year and registered pledgees, in accordance with their number of investment units, within three months after the end of that fiscal year.

(VI) Once a full 3 years passes since the date the distributions set out in the preceding paragraph became payable, NRIC will be released from its duty to pay them.

Accrued distributions do not bear interest.

(VII) In distributing cash, NRIC is subject to the rules established by the Investment Trusts Association, Japan, as well as to the rules and the like set out in (I) to (VI) below.

Investment Restrictions

(1) Investment restrictions based on NRIC's Bylaws

(A) Limited to domestic investments

The investment target properties are limited to domestic properties. Additionally, investments will not be made in foreign currency denominated assets.

(B) Restrictions on financial derivative transactions

The rights relating to financial derivative contracts in (2) *Investment Targets (I) Types of Assets that are Investment Targets (B) Qualified Assets other than Primary Investment Targets* above (Article 13 of the Bylaws) above are limited to asset management for the purpose of hedging against interest rate fluctuation risks and other risks arising from liabilities relating to NRIC.

(C) Restrictions on borrowings

NRIC may, in accordance with the following terms and conditions, borrow funds. However, the lenders are limited to qualified institutional investors set out in Article 2, Paragraph 3, Item 1, of the Securities Exchange Act (Article 19 of the Bylaws).

(a) Purpose of Borrowing

Borrowing is undertaken in order to seek efficient and stable asset management.

(b) Limits on the amount of borrowing

Borrowing is limited to 1 trillion yen. The total amount of borrowings combined with the investment corporation bonds set out in (D) *Restrictions on issuing investment corporation bonds* below must not exceed 1 trillion yen.

(c) Uses of borrowings

Borrowings are used as funds for the acquisition of investment assets, for the payment of construction costs, operating funds, and debts associated with investment target properties for lease (including payment of leasehold deposits and guarantee deposits, repayment of borrowings, and redemption of investment corporation bonds).

(d) Provision of security

If NRIC is to undertake any borrowing as set out in any of (a) through (c) above, it may provide assets under management as security.

(D) Restrictions on issuing investment corporation bonds

NRIC may issue investment corporation bonds in accordance with the following terms (Article 19 of the Bylaws).

(a) Purpose of issuing investment corporation bonds

NRIC issues investment corporations bonds in order to seek efficient and stable asset management.

(b) Limits on amounts of investment corporation bond issues

Investment corporation bond issues are limited to 1 trillion yen. The total amount of borrowings combined with the investment corporation bonds set out in (C) *Restrictions on borrowings* must not exceed 1 trillion yen.

(c) Matters relating to the use of capital procured through Corporate bond issues

Capital procured through investment corporation bond issues will be used as capital for the acquisition of qualified assets, for the repayment of debts (including the payment of security deposits, repayment of borrowings and the redemption of the Corporate bonds), operating capital and construction expenses relating to investment objective real estate being leased.

(d) Provision of security

If NRIC is to issue investment corporation bonds as set out in any of (a) through (c) above, it may provide assets under management as security.

(2) Restrictions on investments under laws and regulations

NRIC is subject to the restrictions investment under the ITIC Act. The main restrictions are as follows.

(A) NRIC must delegate the operations relating to the management of its assets to an asset management company, but the asset management company is prohibited from undertaking certain acts in relation to operating the assets and as a result NRIC is ultimately subject to those restrictions. The main prohibited actions, other than the restrictions on transactions with interested parties set out in *Part II Detailed Information of NRIC (3) Management and Operations 2 Restrictions on Interested Parties*, are as follows.

(a) Transactions between investment corporations

Transactions undertaken between investment corporations that manage assets (Article 34-3, Paragraph 1, Item 5, of the ITIC Act). Except for the following transactions where protection of investors of both investment corporations is deemed not to be lacking (Article 33 of the ITIC Act Enforcement Order).

A Transactions that meet all of the requirements listed below

I Transactions corresponding to any one of the following:

- i A transaction associated with the conclusion of an asset management agreement
- ii A transaction undertaken in order to deal with payments of refunds associated with repayments of investment units
- iii A transaction undertaken, when the investment ratio might exceed the investment ratio set out in law or ordinance or the Bylaws, to avoid that ratio being exceeded
- iv A transaction undertaken by an investment corporation without the intent of executing a transaction with another investment corporation

II A sale or purchase of securities or a transaction set out in a Cabinet Office Order that is undertaken based on a fair price in accordance with the stipulations of a Cabinet Office Order

B A transaction undertaken with the consent of all investors in both investment corporations

C Any other transaction undertaken with the approval of the Commissioner of the Financial Services Agency as a transaction in which protection of investors of both investment corporations is deemed not to be lacking

(b) Transactions between an investment corporation and investment trust assets

An investment trust management company's giving of instructions to a trustee corporation of trust assets to undertake a transaction with an investment corporation that manages assets and investment trust assets the management directions of which are given by that investment trust management company (Article 15, Paragraph 1, Item 3, of the ITIC Act). Except for the following transactions where protection of neither the beneficiaries associated with the investment trust assets nor the investment corporation's investors is deemed to be lacking (Article 18 of the ITIC Act Enforcement Order).

- A Transactions, regarding investment trust assets, that meet all of the requirements listed below.
 - I Transactions corresponding to any one of the following:
 - i A transaction associated with the conclusion of an investment trust agreement
 - ii A transaction undertaken in order to deal with cancellation payments associated with partial termination of an investment trust agreement
 - iii A transaction undertaken, when the investment ratio might exceed the investment ratio set out in law or ordinance or the investment trust agreement, to avoid that ratio being exceeded
 - iv A transaction undertaken without the intent of executing a transaction with an investment corporation
 - II A sale or purchase of securities or a transaction set out in a Cabinet Office Order that is undertaken based on a fair price in accordance with the stipulations of a Cabinet Office Order
 - B Transactions, regarding Investment Corporations, that meet all of the requirements listed below.
 - I Transactions corresponding to any one of the following:
 - i A transaction associated with the conclusion of an asset management agreement (which means an asset management agreement set out in Article 8, Paragraph 2, of the ITIC Act; the same applies hereafter in this Investment Policy)
 - ii A transaction undertaken in order to deal with payments of refunds associated with repayments of investment units
 - iii A transaction undertaken, when the investment ratio might exceed the investment ratio set out in law or ordinance or the Bylaws, to avoid that ratio being exceeded
 - iv A transaction undertaken by an investment corporation without the intent of executing a transaction with another investment corporation
 - II A sale or purchase of securities or a transaction set out in a Cabinet Office Order that is undertaken based on a fair price in accordance with the stipulations of a Cabinet Office Order
 - C Transactions undertaken with the consent of all beneficiaries and all investors each time the transaction is undertaken
 - D Any other transaction undertaken with the approval of the Commissioner of the Financial Services Agency as a transaction in which protection of beneficiaries and investors is deemed not to be lacking
- (c) Transactions for the benefit of a third party
 With respect to specific securities etc. (which means securities set out in Article 15, Paragraph 1, Item 4, of the ITIC Act), a transaction undertaken by an asset management company without a proper basis and having as an objective the profit of the management company itself or a third party other than the investment corporation by using fluctuations in the value of consideration or in the price, index, or numerical value based on a transaction in line with the management of the assets of the investment corporation (Article 34-3, Paragraph 1, Item 6 of the ITIC Act).
- (d) Transactions harming the interests of an investment corporation
 A transaction undertaken by an asset management company under terms that differ from the normal terms of such a transaction and, furthermore, the terms will harm the interests of the investment corporation (Article 34-3, Paragraph 1, Item 7 of the ITIC Act).

(e) Other transactions stipulated in the ITIC Enforcement Regulations

In addition to the transactions noted above, the following actions undertaken by an asset management company with respect to which the Cabinet Office Order stipulated that protection for investors was lacking, that the appropriate management of the investment corporation would be damaged, or that the transaction would reduce trust in the investment corporation (Article 34-3, Paragraph 1, Item 8, of the ITIC Act; Article 52 of the Enforcement Regulations for the ITIC Act (2000, Prime Minister's Office Regulation No. 129, as amended) (the "ITIC Enforcement Regulations")):

- A Amending matters relating to the scope and execution of asset management, the timing and amount of remuneration or other material parts of an asset management agreement without the exchange of written documentation as provided for under Article 15, Paragraph 1, of the Act concerning Restrictions etc. on Investment Advisory Business Associated with Securities (1986, Act No. 74, as amended; the "Investment Advisory Act"), which applies *mutatis mutandis* under Article 34-7 of the ITIC Act (not providing matters electronically that should be written on a document instead of providing a written document for those matters).
- B Undertaking a transaction that will harm the interests of an investment corporation for the benefit of a party other than the investment corporation with which the investment trust management company has concluded an asset management agreement (except transactions corresponding to transactions set out in Articles 34-3, Paragraph 1, Item 6, 34-3, Paragraph 1, Item 7, and 34-3, Paragraph 2, Item 1 through to 34-3, Paragraph 2, Item 3 of the ITIC Act).
- C To undertake or not undertake the sale or purchase of an investment corporation's assets or any other transaction subject to inappropriate restrictions or constraints of another party.
- D With respect to a specific securities issue, to undertake a transaction for the purpose of inappropriately increasing sale or transaction volume or for the purpose of artificially pricing the securities.
- E To become the agent of the other party in a securities transaction when undertaking a securities transaction for an investment corporation (which means a securities transaction set out in Article 2, Paragraph 13, of the Investment Advisory Act; the same applies hereafter in this Investment Policy). However, this does not apply when the investment trust management company is operating a securities business.

(f) Acquisition restrictions on the same shares

An Investment Corporation must not acquire a company's shares when the shares will exceed 50% of the total voting rights of the shares issued by the company (Article 194 of the ITIC Act and Article 142 of the ITIC Enforcement Regulations).

- A Restrictions on the acquisition of one's own investment units or receiving such units as a pledge
- B An investment corporation must not acquire investment units issued by itself or receive such units for the purpose of a pledge. However, this does not apply when investment units issued by itself are acquired in the following circumstances (Article 80 of the ITIC Act)
 - i A transaction carried out through a merger

- ii A transaction required for the exercise of rights in the investment corporation
- iii A transaction of purchasing investment units in accordance with the provisions of the ITIC Act

(3) Other Investment Restrictions

(A) Underwriting securities and margin trading

NRIC must not engage in the underwriting of securities or in margin trading.

(B) Investing in other funds

Investment in other funds (investment securities and investment trust beneficiary securities) shall be limited to real estate and assets backed by cash and cash equivalents.

(C) Concentrated Investments

There are no restrictions in laws and regulations relating to concentrated investments. With respect to policies relating to diversified investments based on the location of properties, please refer to *(1) Investment Approach (I) Basic Policies (A) Policy on Portfolio (b) Target Portfolio.*"

Financial Section

Financial Report	58
Independent Auditors' Report	61
Balance Sheets	62
Statements of Operations	63
Statements of Cash Flows	64
Notes to Financial Statements	65

Financial Report

NIPPON RESIDENTIAL INVESTMENT CORPORATION

For the 4th Period from June 1, 2005 to November 30, 2005

<Results of Operations>

Selected Financial Data

	Yen in millions			
	4th Period	3rd Period	2nd Period	1st Period
Operating revenues	¥ 4,628	¥ 3,403	¥ 2,440	¥ -
Operating expenses	2,244	1,794	1,243	3
Operating income	2,384	1,609	1,196	(3)
Income before income tax	2,022	1,386	941	(9)
Net income	2,021	1,385	935	(6)
Total assets	173,446	136,389	61,087	146
Total unitholders' equity	84,958	58,462	25,356	93
Unitholders' capital	82,937	57,077	24,427	100
Number of units issued (units)	144,327	101,845	50,882	200
Total unitholders' equity per unit (Yen)	588,649	574,034	498,342	468,931
Cash distribution	2,021	1,385	930	-
Distribution per unit (Yen)	14,002	13,599	18,263	-
Net operating income from property leasing activities	3,478	2,554	1,961	-
FFO (Funds From Operation) per unit (Yen)	19,145	19,583	28,530	2,053
Debt service coverage ratio (times)	9.7	8.0	7.8	-
Number of days	183	182	274	-

The term for the 2nd Period is 366 days from December 1, 2003 to November 30, 2004, but the term of asset management is 274 days long, commencing on March 2, 2004.

Funds from Operations

	Yen in millions	
	4th Period	3rd Period
Net income	2,021	1,385
Adjustments:		
Depreciation	828	647
Amortization	184	81
Net gain on sales of discontinued operations	270	118
FFO	2,763	1,994

FFO (funds from operations) is computed as net income (computed in accordance with generally accepted accounting principles in Japan), excluding gains and losses from sales of real estate property, plus real estate related depreciation and other amortization.

Distribution for the Current Period

	Yen in thousands	
	4th Period	3rd Period
Retained earnings	2,020,932	1,385,029
Undistributed earnings	65	39
Total Cash Distribution	2,020,867	1,384,990
(per unit)	14,002	13,599

Number of properties and related units for the periods presented

	Number of Properties	Number of Units	Yen in millions
At Nov. 30, 2004	43	2,316	54,588
3rd Period Acquisitions	30	2,127	69,308
3rd Period Dispositions	2	25	619
At May 31, 2005	71	4,418	123,277
4th Period Acquisitions	26	1,205	33,648
4th Period Dispositions	2	239	2,112
Configuration Changes		1	
At Nov. 30, 2005	95	5,383	154,813

Total debt summary and debt maturity schedule

Debt Summary

	Yen in millions	
	4th Period	3rd Period
Secured	33,000	75,519
Unsecured	52,430	-
Total	85,430	75,519
Fixed Rate	51,500	21,500
Floating Rate	33,930	54,019
Total	85,430	75,519

Debt Maturity Schedule

Year	Yen in Millions	% of Total
within 1 year	33,930	39.7%
1 to 2 years	-	-
2 to 3 years	-	-
3 to 4 years	21,500	25.2%
4 to 5 years	20,000	23.4%
5 to 6 years	-	-
6 to 7 years	10,000	11.7%
Total	85,430	100.0%

Above numbers of amounts include the amount of bonds issued.

Capitalization

date	remarks	Number of units		Yen in millions	
		Units outstanding		Paid-in capital	
		Increase	Balance	Increase	Balance
Dec 06 2002	Incorporated private offering	200	200	100	100
Mar 02 2004	Initial public offering	49,200	49,400	23,616	23,716
Mar 30 2004	Allocation of new units to third party	1,482	50,882	711	24,427
Dec 01 2004	Public offering	50,000	100,882	32,033	56,460
Dec 17 2004	Allocation of new units to third party	963	101,845	617	57,077
Jun 14 2005	Public offering	41,000	142,845	24,958	82,035
Jul 08 2005	Allocation of new units to third party	1,482	144,327	902	82,937

Investment Portfolio

Living-type

As of Nov. 30, 2005		Yen in millions	%
		Investments	Investment to total assets
Trust Assets	Single type	30,062	17.3
	Compact type	34,943	20.2
	Family type	26,103	15.0
	Large type	22,536	13.0
	Senior type	-	-
	sub-total	113,644	65.5
Real Property	Single type	19,806	11.4
	Compact type	21,640	12.5
	Family type	3,125	1.8
	Large type	3,296	1.9
	Senior type	-	-
	sub-total	47,867	27.6
	Cash and other assets	11,935	6.9
	total assets	173,446	100.0

Asset-type

As of Nov. 30, 2005		Yen in millions	%
		Investments	Investment to total assets
Trust Assets	Core type	91,819	52.9
	Sub-Core type	21,825	12.6
	sub-total	113,644	65.5
Real Property	Core type	41,752	24.1
	Sub-Core type	6,115	3.5
	sub-total	47,867	27.6
	Cash and other assets	11,935	6.9
	total assets	173,446	100.0

Independent Auditors' Report

To the Board of Directors of
Nippon Residential Investment Corporation

We have audited the accompanying balance sheets of Nippon Residential Investment Corporation as of November 30, 2005 and May 31, 2005, and the related statements of operations, changes in unitholders' equity and cash flows for each of the six months ended November 30, 2005 and May 31, 2005 expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nippon Residential Investment Corporation as of November 30, 2005 and May 31, 2005, and the results of its operations and its cash flows for each of the six months ended November 30, 2005 and May 31, 2005, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 8 to the financial statements, which states issues of new units, transfer of investment properties and issue of bond executed by the Company subsequent to November 30, 2005.

KPMG AZSA & Co.

Tokyo, Japan
February 23, 2006

Balance Sheets

NIPPON RESIDENTIAL INVESTMENT CORPORATION
as of November 30, 2005 and May 31, 2005

	Yen in millions	
	As of Nov. 30, 2005	As of May 31, 2005
ASSETS		
Investments in real estate (including trust accounts)		
Land	¥ 88,714	¥ 73,521
Depreciable property	73,439	56,537
Construction in progress	1,666	6
Investments in real estate	163,819	130,064
Accumulated depreciation	(1,857)	(1,105)
Investments in real estate, net	161,962	128,959
Other investments		
Leasehold rights	1,214	-
Cash and cash equivalents (including trust accounts)	8,822	4,592
Rent receivables	214	225
Allowance for doubtful receivables	(2)	-
Receivables, net	212	225
Consumption tax receivables	167	227
Long-term prepaid expense	742	661
Other Assets	327	1,725
TOTAL ASSETS	¥ 173,446	¥ 136,389
LIABILITIES AND UNITHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable and accrued expenses	¥ 635	¥ 408
Received in advance	191	21
Short-term loans	22,430	33,219
Income taxes payable	4	1
Long-term loans due within 1 year	11,500	-
Long-term loans	21,500	42,300
Bonds	30,000	-
Security deposit	2,108	1,638
Other liabilities	120	340
TOTAL LIABILITIES	¥ 88,488	¥ 77,927
UNITHOLDERS' EQUITY:		
Unitholders' capital	¥ 82,937	¥ 57,077
Units authorized ; 2,000,000 units		
Units issued and outstanding ;		
144,327 units as of Nov. 30, 2005		
101,845 units as of May 31, 2005		
Retained Earnings	2,021	1,385
TOTAL UNITHOLDERS' EQUITY	¥ 84,958	¥ 58,462
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	¥ 173,446	¥ 136,389

The accompanying notes to financial statements are an integral part of these statements.

Statements of Operations

NIPPON RESIDENTIAL INVESTMENT CORPORATION

For the six months ended November 30, 2005 and May 31, 2005

	Yen in millions	
	November 30, 2005	May 31, 2005
OPERATING REVENUES		
Rental income	¥ 4,358	¥ 3,284
Gain on sales of investments in real estate	270	119
Total operating revenues	4,628	3,403
OPERATING EXPENSES		
Property operating expenses		
Asset and property management fee	425	360
Property, repairs and maintenance	162	147
Trustee fee	38	33
Real estate taxes and insurance	112	34
Other operating expenses	143	156
Total property operating expenses	880	730
Property depreciation	828	647
General and administrative expenses	536	417
Total operating expenses	2,244	1,794
OPERATING INCOME	2,384	1,609
Interest and other income	186	217
Interest expenses	(327)	(289)
Other financing costs	(140)	(70)
Unit issue expenses	(45)	(63)
Other depreciation and amortization	(33)	(7)
Other expenses	(3)	(11)
INCOME BEFORE INCOME TAXES	2,022	1,386
INCOME TAXES		
Current	4	1
Deferred	(3)	0
NET INCOME	¥ 2,021	¥ 1,385
Earnings per unit:		
Net income (in Yen)	¥ 14,321	¥ 13,611
Weighted average number of units outstanding	141,115	101,760

The accompanying notes to financial statements are an integral part of these statements.

Statements of Changes in Unitholders' Equity

	Number of units	Yen in millions
	Balance as of Nov. 30, 2004	50,882
Public offering (including allocation of new units to third party)	50,963	32,650
Cash distributions paid		(929)
Net income		1,385
Balance as of May 31, 2005	101,845	¥ 58,462
Public offering (including allocation of new units to third party)	42,482	25,860
Cash distributions paid		(1,385)
Net income		2,021
Balance as of Nov. 30, 2005	144,327	¥ 84,958

The accompanying notes to financial statements are an integral part of these statements.

Statements of Cash Flows

NIPPON RESIDENTIAL INVESTMENT CORPORATION

For the six months ended November 30, 2005 and May 31, 2005

	Yen in millions	
	For 4th Period	For 3rd Period
Cash Flows from Operating Activities		
Income before income taxes	¥ 2,022	¥ 1,386
Depreciation and amortization	828	647
Bad debt loss	8	-
Amortization of long-term prepaid expenses	151	74
Amortization of organization expenses	7	7
Amortization of bond issuance costs	26	-
Interest income	(0)	(0)
Interest expense	327	289
profit from insurance	(0)	(12)
Changes in assets and liabilities		
Allowance for doubtful receivables	2	-
Rent receivables	4	(85)
Other receivables	(68)	-
Consumption tax receivables	59	(86)
Accounts payable	16	(36)
Other payables	(6)	20
Accrued expenses	47	78
Received in advance	170	(59)
Sales of real estate (including trust accounts)	2,162	645
Long-term prepaid expenses	(232)	(380)
Others	12	45
Sub-total	5,535	2,533
Interest received	0	0
Interest paid	(274)	(317)
Proceeds from insurance	0	23
Income taxes paid	(1)	(2)
Net cash provided by operating activities	5,260	2,237
Cash Flows from Investing Activities	-	-
Purchase of real estate (including trust assets and leasehold rights)	(35,687)	(74,071)
Proceeds from security deposit (including trust accounts)	470	887
Others	-	10
Net cash used in investing activities	(35,217)	(73,174)
Cash Flows from Financing Activities		
Proceeds from short-term loans	23,800	33,219
Repayment of short-term loans	(34,589)	(14,490)
Proceeds from long-term loans	-	23,000
Repayment of long-term loans	(9,300)	(700)
Proceeds from issuance of units	25,814	32,650
Proceeds from bonds	29,844	-
Distributions to unitholders	(1,382)	(924)
Net cash provided by financing activities	34,187	72,755
Net Increase in Cash and Cash Equivalents	4,230	1,818
Cash and Cash Equivalents at Beginning of Period	4,592	2,774
Cash and Cash Equivalents at End of Period	¥ 8,822	¥ 4,592

The accompanying notes to financial statements are an integral part of these statements.

Notes to Financial Statements

NIPPON RESIDENTIAL INVESTMENT CORPORATION

For the period from June 1, 2005 to November 30, 2005 and for the period from December 1, 2004 to May 31, 2005

Note 1 – Organization and basis of presentation

Organization

Nippon Residential Investment Corporation (hereinafter “NRIC”) was established on December 6, 2002, with ¥100 million of capital contribution by Pacific Investment Advisors Corporation under the Investment Trust Law of Japan.

Registration with the Kanto Local Finance Bureau of the Ministry of Finance was completed on January 27, 2003. On March 2, 2004, NRIC was listed on the J-REIT section of the Tokyo Stock Exchange, specialized in residential properties in Japan, and started portfolio investment.

As of November 30, 2005, NRIC owned 95 properties (including beneficiary rights) containing 237,124.18 rentable square meters of residential space.

Basis of presentation

NRIC maintains its records and prepares financial statements in Japanese yen and in accordance with the provisions set forth in the Investment Trust Law of Japan and the Securities and Exchange Law of Japan, and accounting principles generally accepted in Japan (hereinafter “Japanese GAAP”) which are different from International Financial Reporting Standards or standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed of Japanese accounting principles and practices.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions and the inclusions) from the audited financial statements of NRIC prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language financial statements, but not required for fair presentation, is not in the accompanying financial statements. NRIC has not prepared consolidated financial statements, as it has no subsidiaries.

In preparing the accompanying financial statements, certain reclassifications and modifications have been made in the financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. The statements of changes in unitholders’ equity and cash flows have been prepared for the purpose of inclusion in the accompanying financial statements, although such statements were not required for domestic purposes and were not filed with regulatory authorities.

Note 2 – Summary of significant accounting policies

a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposit placed with bank and short-term investments, which are highly liquid, readily convertible to cash, and with an insignificant risk of price fluctuation, with original maturity of three month or less.

b) Investments in real estate

Investment properties are recorded at cost, which included the allocated purchase price and consumption tax and related costs and expenses for acquisition of the properties and the beneficiary interests of properties in trust.

Depreciation of investment properties, except for land, is calculated on a straight-line basis over the estimated useful lives of the assets ranging as stated below:

Buildings and improvements 2-47 years

Structures 7-20 years

Machinery and equipment 15 years

Furniture and fixtures 6-15 years

c) Organization costs and bonds issuance costs

Organization costs are amortized over five years comprised of eight fiscal periods, with an equal amount amortized in each fiscal period.

Bonds issuance costs are amortized over three years comprised of six fiscal periods, with an equal amount amortized in each fiscal period.

d) New investment unit issue costs

New investment units issue costs are expensed in the period of payment.

The public offering of new investment units on June 14, 2005 was conducted through an underwriting agreement under which an underwriting securities company underwrote all of the newly issued units at an agreed issue price and sold them at an offering price different from such issue price to investors ("spread method"). Since, pursuant to such spread method, the difference between an offering price and the issue price is earned by an underwriting securities company as substantial underwriting fees, there were no underwriting fees paid by NRIC to the underwriting securities company. In the case of the public offering of new investment units on June 14, 2005, the total amount of the difference between the offering price and the issue price was ¥878 million, which would have been accounted for as new investment units issue costs of NRIC if it had been conducted through an underwriting agreement under which an underwriting securities company underwrites units at an issue price and sells them at an offering price which is the same as such issue price ("conventional method"). Therefore, under the spread method, the new investment units issue costs were recognized ¥878 million lower, and the operating income and the income before income taxes were resulted in ¥878 million greater than if the conventional method was applied.

e) Allowance for doubtful receivables

Allowance for doubtful receivables is provided in amounts sufficient to cover an estimated uncollectible amount based on the analysis of individual accounts.

f) Taxes on real estate

Property and equipment is subject to various taxes annually, such as property taxes and city planning taxes. An owner of a property is registered in the record maintained by the local government in each jurisdiction, and the taxes are imposed on the owner registered in the record as of January 1 based on the assessment made by the local government.

Taxes on real estate are imposed on properties on calendar year basis. NRIC pays the seller the corresponding amounts of taxes for the period from the properties transfer date to December 31 of that year as included in the purchase prices of each property, and capitalizes as the cost of the property.

g) Revenue recognition

Revenue from leasing of retail space is recognized on an accrual basis over the life of each lease.

h) Income taxes

Deferred tax assets and liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities utilizing the applicable statutory tax rate.

Note 3 – Secured assets

At November 30, 2005 and May 31, 2005, the following assets were pledged as collateral for the following loans:

	Yen in millions	
	As of Nov. 30, 2005	As of May 31, 2005
Pledged assets:		
Bank deposits	¥ 1,651	¥ 3,058
Buildings and improvements	31,474	53,526
Structures	226	389
Machinery and equipment	0	0
Furniture and fixtures	13	30
Land	36,850	71,040
Total	¥ 70,214	¥ 128,043
Loans secured by the pledged assets:		
Short-term loans	¥ -	¥ 33,219
Long-term loans due within 1 year	11,500	-
Long-term loans	21,500	42,300
Total	¥ 33,000	¥ 75,519

Note 4 – Short-term loans and long-term debt

Short-term loans comprise of the following:

	Yen in millions	
	4th Period	3rd Period
Secured loans from banks:		
with interest ranging from 1.05% to 1.09%	¥ -	¥ 33,219
Unsecured loans from banks:		
with interest ranging from 0.51% to 0.71%	22,430	-
Total	¥ 22,430	¥ 33,219

Long-term debt comprise of the following:

	Yen in millions	
	4th Period	3rd Period
Secured loans, representing obligations to banks:		
Due 2006 to 2009 with interest ranging from 0.54% to 1.35%	¥ -	¥ 42,300
Due 2006 to 2009 with interest ranging from 0.53% to 1.44%	33,000	-
Unsecured 0.74% bonds, due 2010	10,000	-
Unsecured 0.84% bonds, due 2010	10,000	-
Unsecured 1.28% bonds, due 2012	10,000	-
Sub-total	63,000	42,300
Less-Portion due within one year	11,500	-
Total	¥ 51,500	¥ 42,300

Note 5 – Per unit information

Net asset value per unit as of November 30, 2005 and May 31, 2005 was ¥588,649, and ¥574,034.

Note 6 – Income taxes

The effective tax rates on NRIC's income as well as applicable statutory tax rates are reflected as follows:

	Rate	
	4th Period	3rd Period
Statutory effective tax rate	39.39%	39.39%
Deductible cash distributions paid	(39.36)	(39.34)
Others	0.03	0.06
Effective tax rate	0.06%	0.11%

NRIC has a policy of making distributions in excess of 90% of distributable income for a fiscal period to qualify for conditions set forth in the Special Taxation Measures Law of Japan to achieve a deduction of distributions for income tax purposes. Based on such policy, the Company treated the distribution as a tax allowable distribution as defined in the Special Taxation Measures Law of Japan.

In accordance with the distribution policy prescribed in NRIC's articles of incorporation, NRIC intends to distribute approximately 100% of its distributable income for the period ended November 30, 2005 (equivalent to ¥14,002 per unit) to its unitholders (¥13,599 per unit was distributed for the period ended May 31, 2005). NRIC intends to make regular distributions to unitholders with respect to its semi-annual fiscal periods, ending at the end of May and November of each year.

Note 7 – Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Deliberation Council in Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires the recognition of an impairment loss on certain assets, such as fixed assets, intangible assets and investments, individually or as a group, as the difference between the carrying amount and the fair value of the asset or present value using a discounted cash flow model. The standard requires that an assessment for the impairment be carried out on an asset whenever events or changes in circumstances indicate that the carried amount may not be recoverable. NRIC adopted the new standard for impairment of long-lived assets in the current fiscal period ended November 30, 2005.

The adoption of this new standard had no effect on the statement of operations and retained earnings for the fiscal period ended November 30, 2005.

Note 8 – Significant subsequent events**a) Cash distribution**

As of January 30, 2006, the NRIC Board of Directors resolved to effect payment of a cash distribution of ¥14,002 per unit aggregating ¥2,021 million to unitholders of record on November 30, 2005.

b) Issues of new units

On November 17, 2005, the NRIC Board of Directors approved issuing new investment units in Japan as follows. The payments were completed on December 12, 2005 and January 11, 2006. As a result, the total number of units increased from 144,327 to 186,809 and unitholders' equity increased from ¥82,937 to ¥105,593 million.

(Issuance of New Units through Public Offering)

- i) Offering method : Public Offering
- ii) Number of units issued : 41,000 units
- iii) Issue price (Offering price) : ¥552,000 per unit
- iv) Total offering price : ¥22,632 million
- v) Issue price per unit : ¥533,312 per unit
- vi) Total issue price : ¥21,866 million
- vii) Payment date : December 12, 2005
- viii) Delivery date of investment unit : December 13, 2005
- ix) Initial date subject to distribution : December 1, 2005

(Issuance of New Units through Third party Allotment)

- i) Offering method : Third party allotment
- ii) Number of units issued : 1,482 units
- iii) Issue price per unit : ¥533,312 per unit
- iv) Total issue price : ¥790 million
- v) Payment date : January 11, 2006
- vi) Delivery date of investment unit : January 12, 2006
- vii) Initial date subject to distribution : December 1, 2005

Use of Procured Proceeds

The proceeds procured through the issuances of new units were applied to repayment of loans, etc. and procured by NRIC for acquisition of real estate, etc.

c) Transfer of investment properties

On December 12, 2005, NRIC sold three properties set forth below.

(Veil Kikuicho)

Location (Address)	:	35 Kikuicho, Shinjuku-ku, Tokyo
Transfer price (see Note)	:	¥636 million
Impact of disposition on gain or loss	:	Approximately ¥75 million of gain on sale of real estate property will be recorded.
Type of specified asset	:	Trust beneficiary right in trust of real estate
Contract date	:	November 9, 2005
Delivery date	:	December 21, 2005
Transferred to	:	SBIP Hybrid Co., Ltd.

(Bonne Uji I-II)

Location (Address)	:	84-1, 10, 15, 86-2 Habyoshi, Uji-city, Kyoto
Transfer price (see Note)	:	¥1,502 million
Impact of disposition on gain or loss	:	A real estate sales earnings of approximately ¥155 million is scheduled to be posted as operating revenues.
Type of specified asset	:	Trust beneficiary rights of a real estate trust
Contract date	:	November 9, 2005
Delivery date	:	December 21, 2005
Transferred to	:	SBIP Hybrid Co., Ltd.

(Crane Mansion Tsurumi)

Location (Address)	:	1-10 Mukai, Tsurumi-ku, Yokohama-city, Kanagawa
Transfer price (see Note)	:	¥1,308 million
Impact of disposition on gain or loss	:	A real estate sales earnings of approximately ¥170 million is scheduled to be posted as operating revenues.
Type of specified asset	:	Trust beneficiary rights of a real estate trust
Contract date	:	November 9, 2005
Delivery date	:	December 21, 2005
Transferred to	:	SBIP Hybrid Co., Ltd.

Note: The noted sales price amounts (the amounts of money received for the sales of real estate trust beneficiary rights transfer as noted on the contract documents) exclude various expenses (such as sales agent commission, taxes and other public charges).

d) Issue of bond

On December 12, 2005, and February 8, 2006, the NRIC Board of Directors approved issuing new investment bonds in Japan as follows. The payment was completed on February 20, 2006.

- i) Name of bond : Nippon Residential Corporate Forth Round Unsecured Bonds
(with a special stipulation prohibiting the same rank between specific bonds)
- ii) Total amount of the issue of the bond : ¥15 billion
- iii) Issue price : ¥100 per face value of ¥100
- iv) Yield on the bond : 1.50% annum
- v) Payment due date : February 20, 2006
- vi) Secured mortgage or guarantee : There is no secured mortgage or guarantee on the bond.
There are no assets reserved as security for the bond.
- vii) Redemption method and date : Full amount to be redeemed on February 18, 2011.
Redemption by purchase may be done anytime from the following day of the issue date except for periods to be set forth by Japan Securities Depository Center, Inc.
- viii) Use of capital : Acquisition of real estate

Corporate Data

Corporate Data of NRIC

Name:	Nippon Residential Investment Corporation
Representative:	Akira Yamanouchi, Chief Executive Officer
Address:	11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo
Contact:	Pacific Investment Advisors Corporation 11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo Tel. +81-3-5251-8528

History of NRIC

December 2, 2002	Notification by Pacific Investment Advisors Corporation of formation of NRIC under the Investment Trust Law of Japan, Article 69, Paragraph 1 (Note)
December 6, 2002	Registration and establishment of NRIC under the Investment Trust Law of Japan, Article 166
December 20, 2002	Notification of acceptance of registration of NRIC under the Investment Trust Law of Japan, Article 188
January 27, 2003	Office of the Prime Minister approves registration of NRIC under the Investment Trust Law of Japan, Article 187 (Kanto Regional Finance Bureau, No. 19)
March 2, 2004	NRIC listed on Tokyo Stock Exchange (Securities Code: 8962)
August 31, 2004	General Meeting of Unitholders
December 1, 2004	Public issue of investment units
December 17, 2004	Private placement of investment units
June 14, 2005	Public issue of investment units
July 8, 2005	Private placement of investment units

Note: The Investment Trust Law of Japan is the abbreviated title of the Law concerning Investment Trusts and Investment Corporations enacted in 1951 (law number 198) and subsequent amendments.

Disclaimer

This semiannual report includes translation of certain documents originally filed and made available in Japan in accordance with the Securities and Exchange Law of Japan. This English language semiannual report was prepared solely for the convenience of readers outside Japan and is not intended to constitute a statutory document for an offer to sell, or seeking an offer to buy, any securities of Nippon Residential Investment Corporation.

English terms for Japanese legal, accounting, tax, and business concepts used herein may not be precisely identical to the concept of the equivalent Japanese terms. With respect to any and all terms herein, including without limitation, financial statements, if there exist any discrepancies in the meaning or interpretation thereof between the original Japanese documents and English translation contained herein, the Japanese documents will always govern the meaning and interpretation.

Pacific Investment Advisors Corporation or any of their respective directors, officers, employees, partners, unitholders, agents, affiliates or their advisors will be responsible or liable for the completeness, appropriateness, or accuracy of English translations or the selection of the portion(s) of any document(s) translated into English. No person has been authorized to give any information or make any representations other than as contained in this document in relation to the matters set out in this document, and if given or made, such information or representation must not be relied upon as having been authorized by Nippon Residential Investment Corporation, Pacific Investment Advisors Corporation or any of their respective directors, officers, employees, partners, unitholders, agents, affiliates or their advisors.

The financial statements of Nippon Residential Investment Corporation have been prepared in accordance with generally accepted accounting principles in Japan "Japanese GAAP", which may materially differ in certain respects from generally accepted accounting principles in other jurisdictions.

This semiannual report contains forward-looking statements. These statements appear in a number of places in this semiannual report and include statements regarding the intent, belief, or current and future expectations of Nippon Residential Investment Corporation or Pacific Investment Advisors Corporation with respect to its business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "would," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Forward-looking statements regarding operating revenues, operating income, net income or profitability from portfolio are particularly subject to a variety of assumptions, some or all of which may not be realized. Accordingly, readers of this document should not interpret the forward-looking statements included herein as predictions or representations of future events or circumstances.

Potential risks and uncertainties also include those identified and discussed in this document. Given these risks and uncertainties, readers of this document are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of information produced herein. We disclaim any obligation to update or, except in the limited circumstances required by Tokyo Stock Exchange, announce publicly any revisions to any of the forward-looking statements contained in this documents.



**NIPPON
RESIDENTIAL
INVESTMENT
CORPORATION**

Sanno Park Tower, 11-1, Nagatacho 2-chome
Chiyoda-ku, Tokyo, Japan
Phone: +81-3-5251-8528 Facsimile: +81-3-5251-8539

<http://www.nric.co.jp>