

# Nippon Residential Investment Corp.(8962)

Explanatory Material on Accounts for 5<sup>th</sup> Fiscal Period  
(six months ended May 2006)



**NIPPON  
RESIDENTIAL  
INVESTMENT  
CORPORATION**



**PACIFIC  
INVESTMENT  
ADVISORS  
CORPORATION**



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# Section I

## Overview of 5<sup>th</sup> Fiscal Period Accounts

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# Performance Highlights for 5<sup>th</sup> Fiscal Period

1

**Paid dividend of 14,074 yen per investment unit (period-on-period increase: 72 yen; forecast for 6<sup>th</sup> fiscal period dividend: 14,000 yen)**

- Marks fourth consecutive fiscal period with increase in both revenues and income

2

**Built a highly competitive portfolio**

- Acquired 31.7 Bn yen in assets centering on core assets and sold four sub-core assets to heighten the quality (competitiveness of assets) of the portfolio through an active replacement of properties

3

**Implementation of database portfolio management**

- Investment decision-making and strategic leasing that proactively utilizes our database  
Occupancy of 95 properties owned at the beginning of the fiscal period (Note 1): 93.6% (+1.4%)

4

**Reinforcement of financial foundation**

- Promoted greater ratio of fixed interest rate borrowings (borrowings with fixed interest rates to account for 72.88% of the total (Note 1))
- Secured financial stability (dispersion of maturity dates and towards LTV level of 45.02% (Note 1))

(Note 1) As of end of 5<sup>th</sup> fiscal period

# 5<sup>th</sup> Fiscal Period Performance and 6<sup>th</sup> Fiscal Period Forecasts

Category	2 <sup>nd</sup> Fiscal Period (period ended November 2004) Days: 274	3 <sup>rd</sup> Fiscal Period (period ended May 2005) Days: 182	4 <sup>th</sup> Fiscal Period (period ended November 2005) Days: 183	5 <sup>th</sup> Fiscal Period (period ended May 2006) Days: 182	6 <sup>th</sup> Fiscal Period (period ending November 2006) Days: 183
	Performance	Performance	Performance	Performance	Forecast
Operating revenues	2,440million yen	3,402million yen	4,627million yen	<b>5,816million yen</b>	6,427million yen
Net income	935million yen	1,385million yen	2,020million yen	<b>2,629million yen</b>	2,615million yen
Distribution per unit	12,130yen <sup>(Note 2)</sup>	13,599yen	14,002yen	<b>14,074 yen</b>	14,000yen

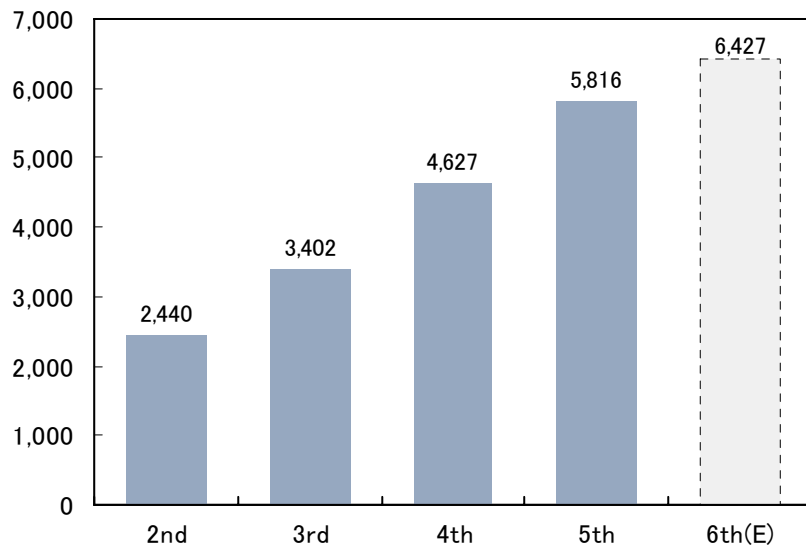
(Note 1) Figures are displayed with values below the indicated unit rounded off.

(Note 2) The 2<sup>nd</sup> fiscal period has been converted to 182 days since it is 274 days in length.

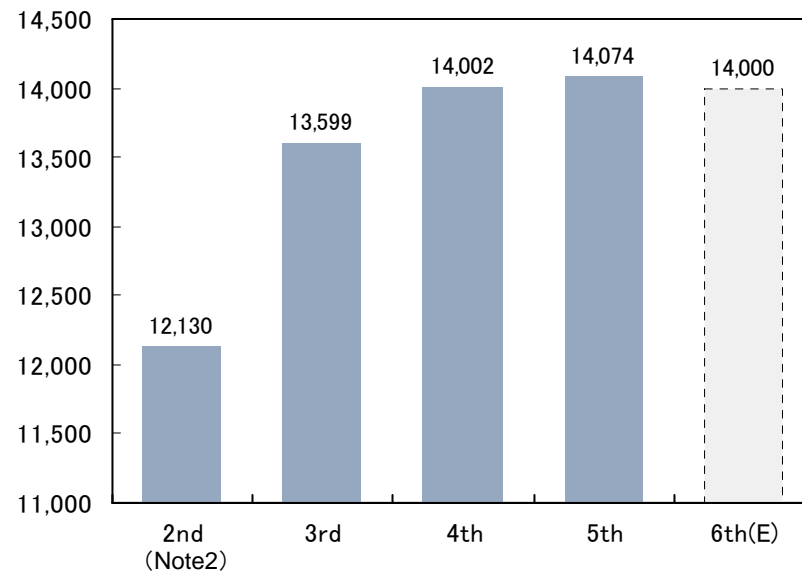
(Note 3) The forecast figures may differ from the actual operating revenues, net income and distribution per unit as a result of future property acquisitions and sales, fluctuations of the real estate market and other conditions surrounding NRIC. This forecast is also not a guarantee of the distribution amount.

# Performance Trend

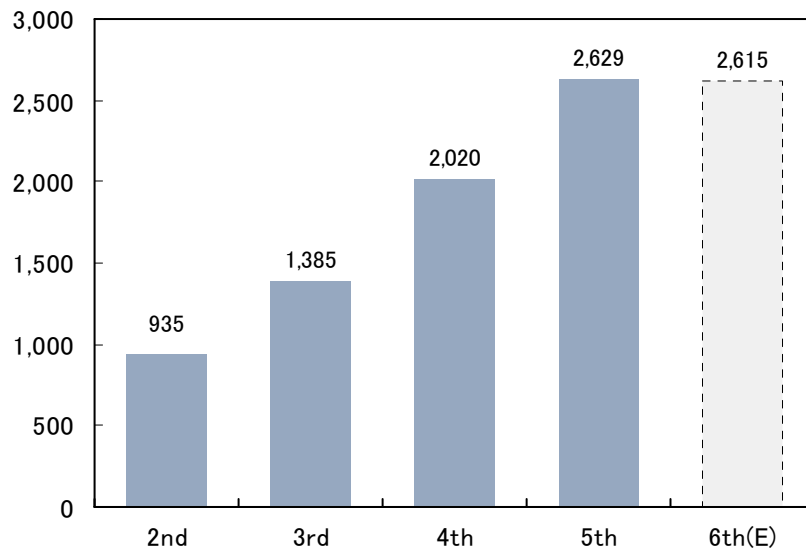
Operating Revenues (million yen)



Distribution per unit (yen)



Net Income (million yen)



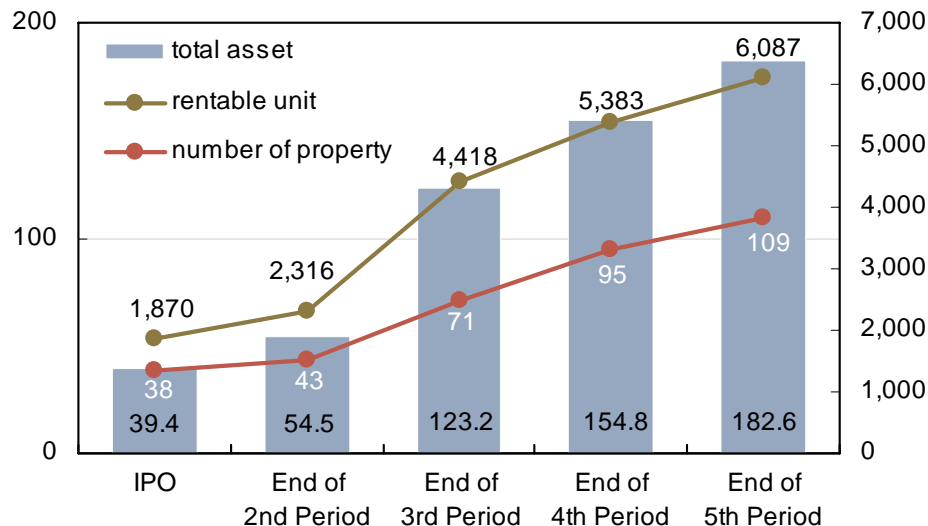
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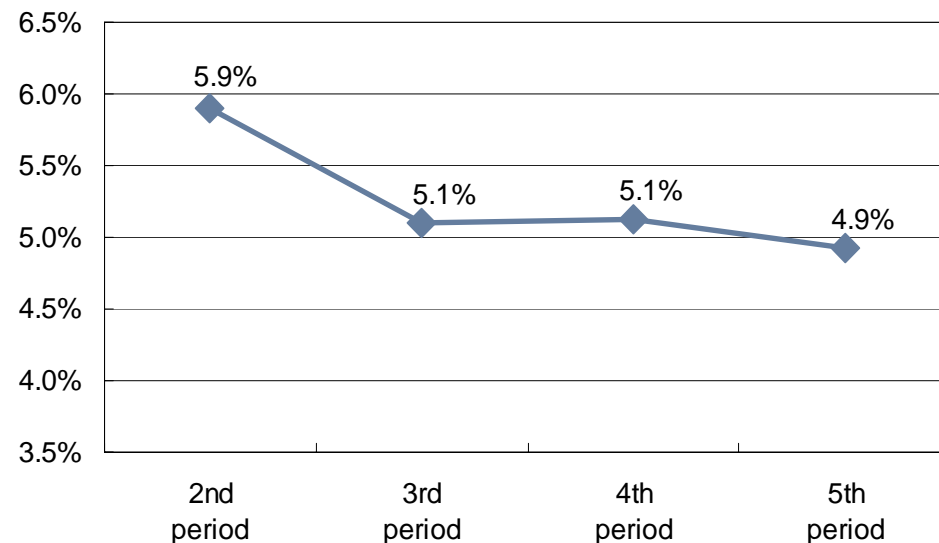
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# Building a Highly Competitive Portfolio

## Portfolio Growth



## Change of NOI Yield



## Portfolio Yield Based on End-of-Period Assessments

Acquired During	End-of-period Assessment Price (million yen)	Acquisition Value (million yen)	Weighted Av. Yield (NCF)	Precondition Occupancy (%)	(reference) actual performance	
					Weighted Av. Yield (NOI)	Occupancy as of the end of 5th period (%)
2nd Fiscal Period	49,778	47,977	5.4%	94.7%	5.4%	94.0%
3rd Fiscal Period	69,771	69,308	5.0%	94.9%	5.2%	95.1%
4th Fiscal Period	33,694	33,647	5.1%	94.8%	4.7%	90.4%
5th Fiscal Period	32,008	31,760	5.1%	95.0%	2.6%	61.0%
<b>TOTAL(end of 5th period)</b>	<b>185,251</b>	<b>182,693</b>	<b>5.1%</b>	<b>94.9%</b>	<b>4.9%</b>	<b>88.4%</b>

(Note) Rental income and expenses is NCF based

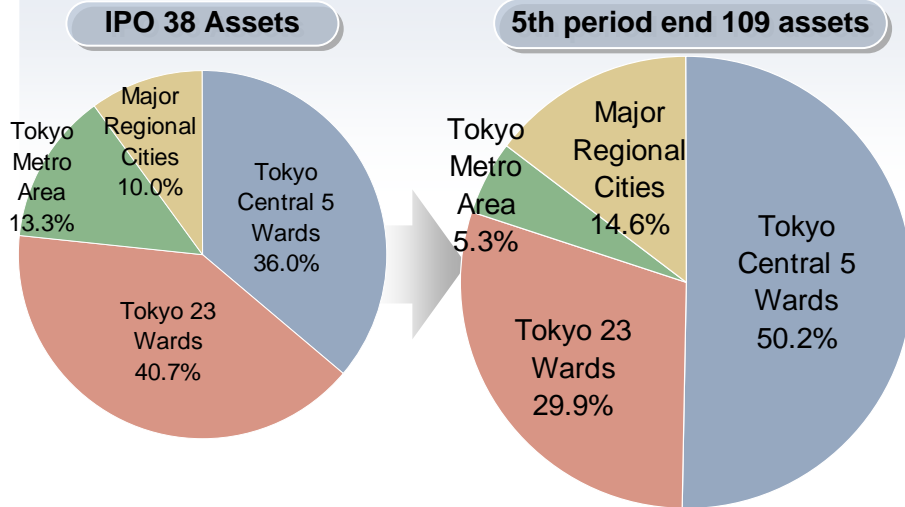
Returns are the weighted average based on the acquisition price

Occupancy is the weighted average based on the area

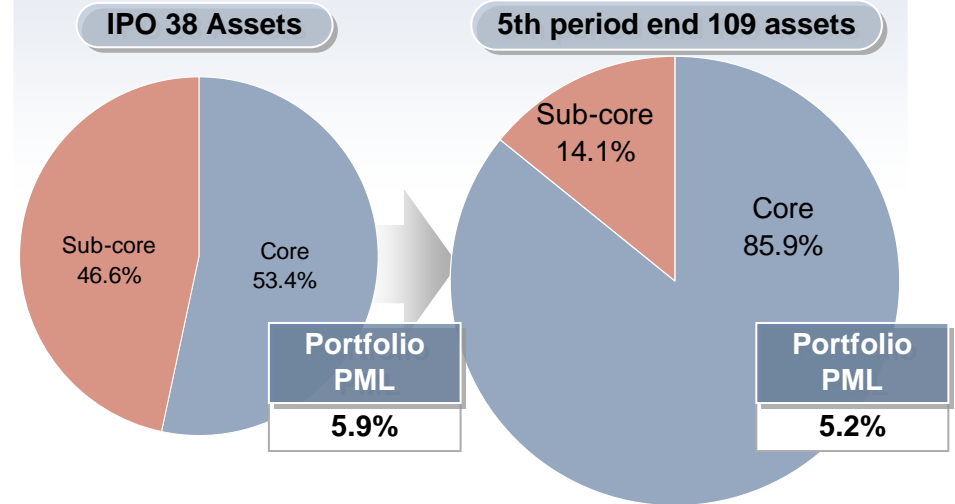
**Impact of properties being presently leased up**

# Diversification of the Portfolio

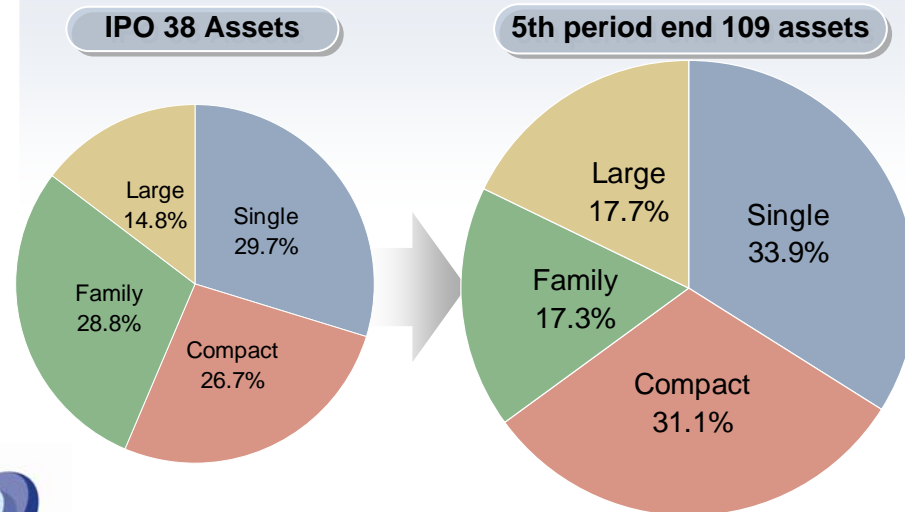
## Geographic Distribution



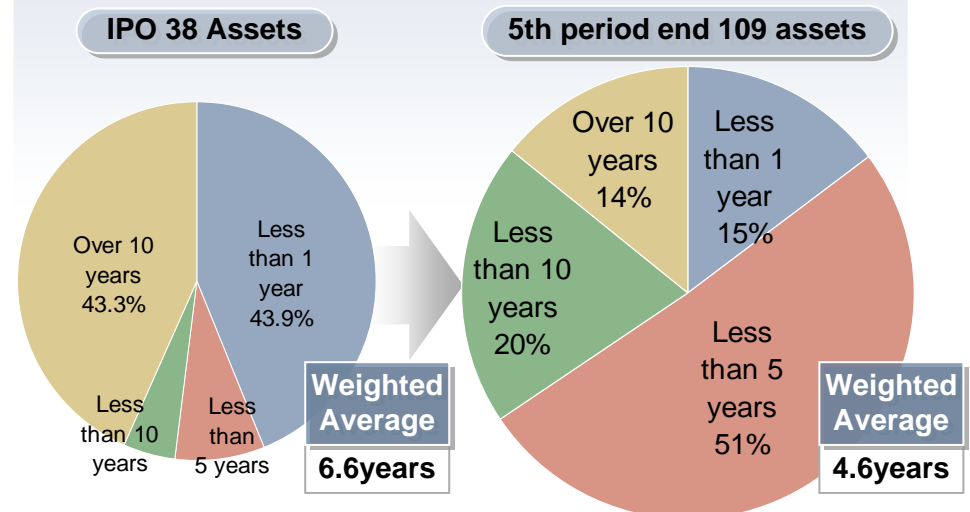
## Core & Sub-core Distribution



## Type Distribution



## Age Distribution

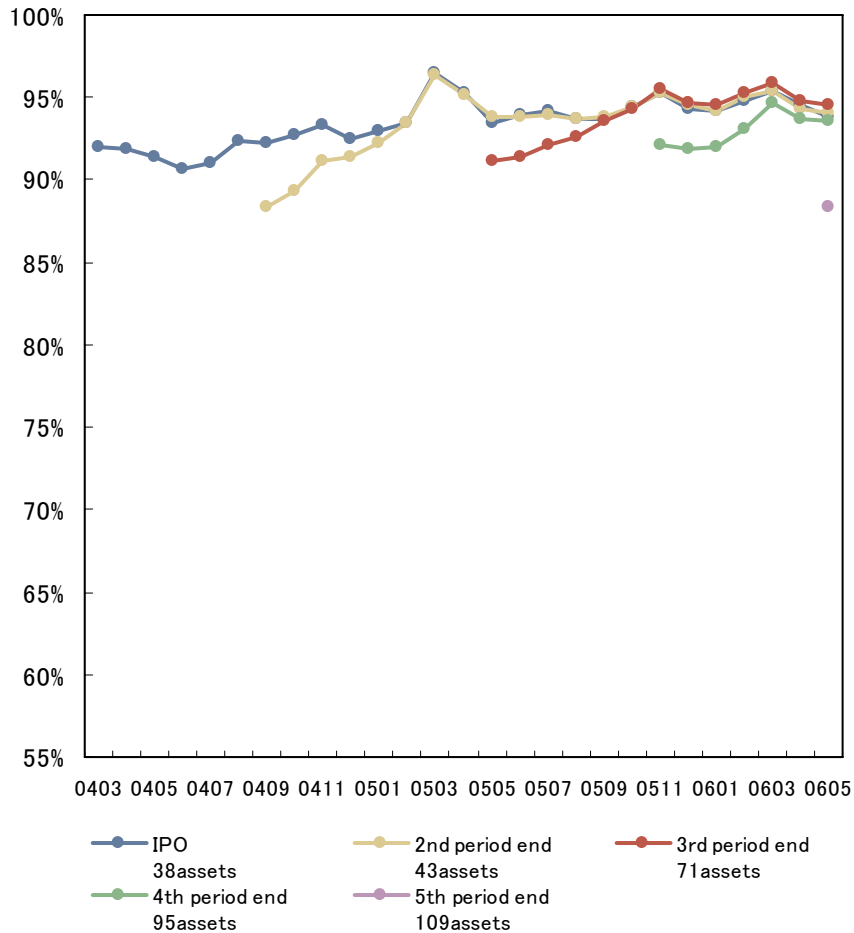




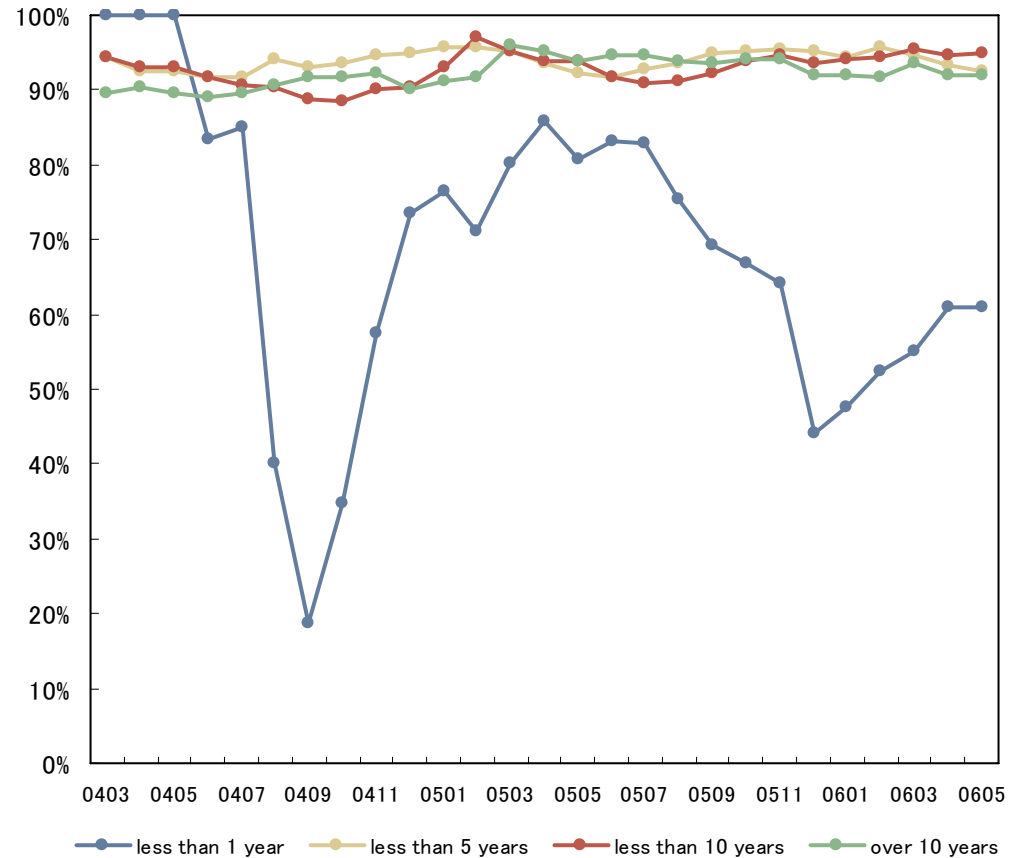


# Occupancy History

### Occupancy by Acquisition Period

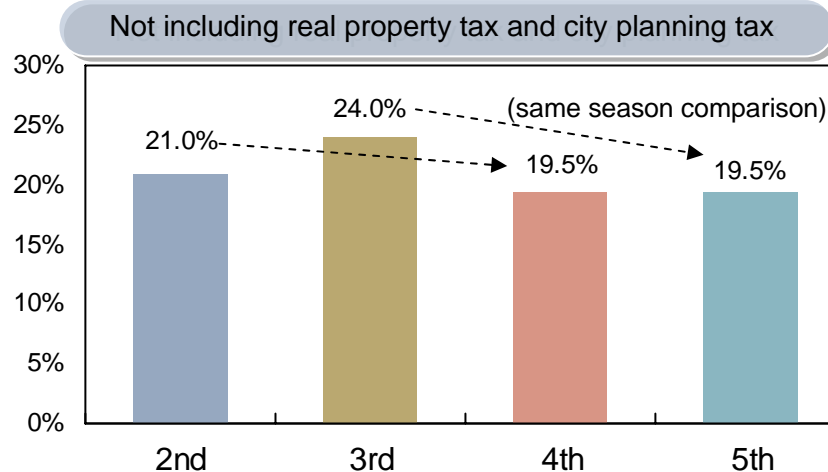
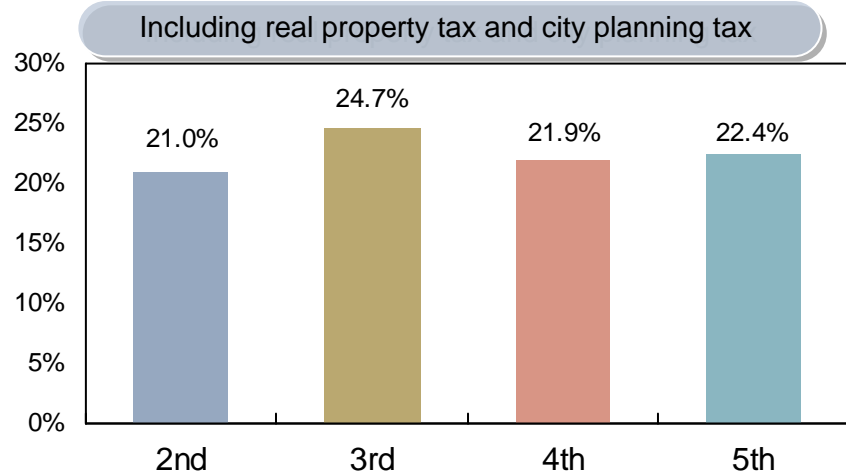


### Occupancy by Building Age

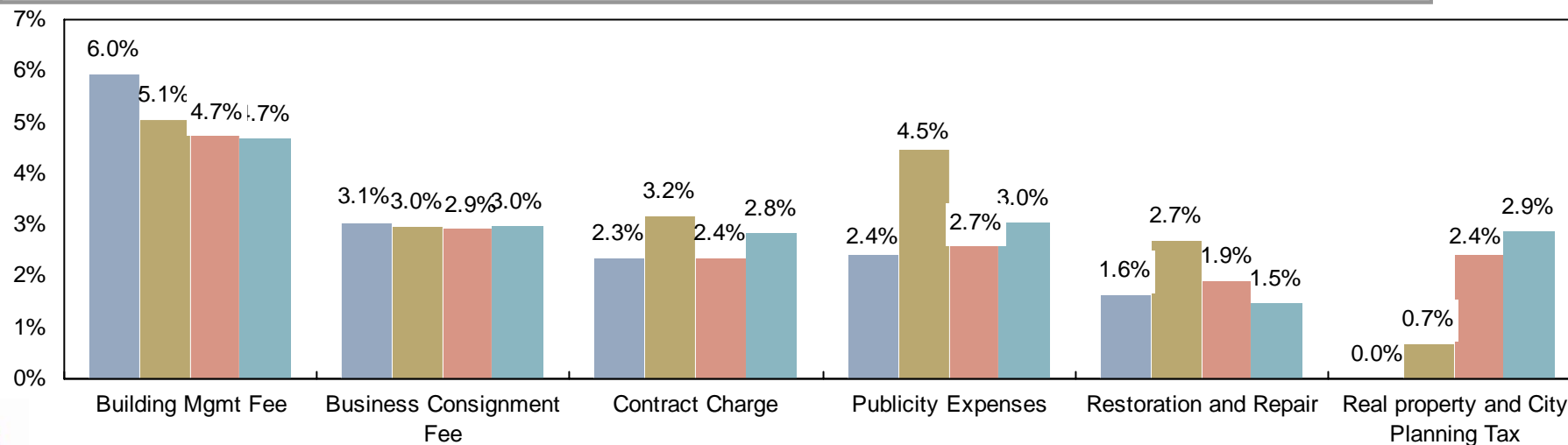


# Reducing Property Management Costs Utilizing Scale Merits

## Changes in Rental Expenses (percentage of rents and common expenses)

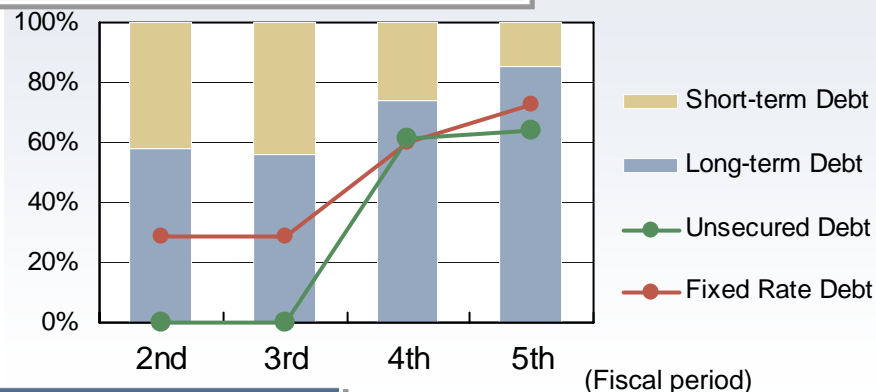


## Changes in Rental Expenses (primary categories; percentage of rents and common expenses)



# Building a Sound Financial Base

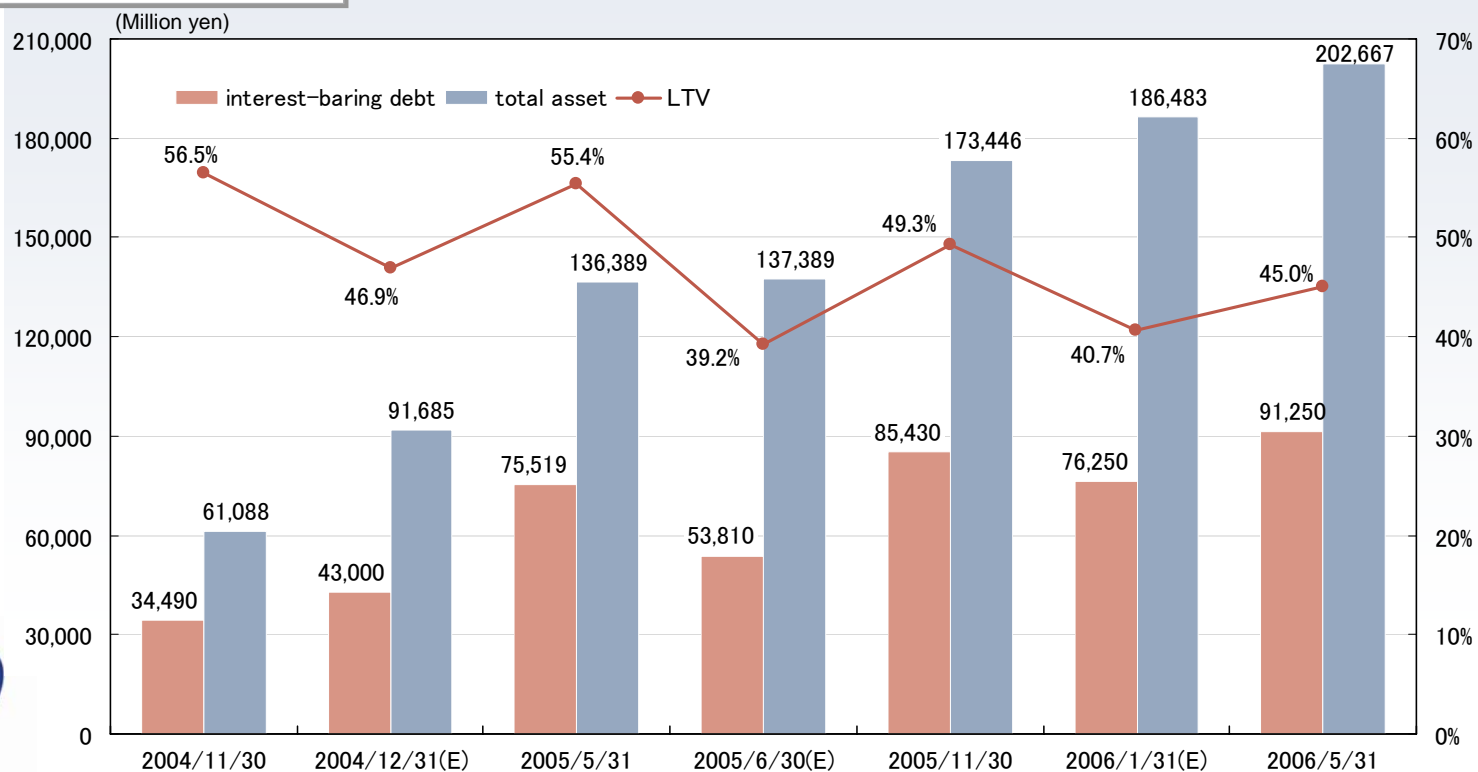
## Promotion of Fixed Interest



## Change in Weighted Average Interest

	End of 2nd Period (2004.11)	End of 3rd Period (2005.5)	End of 4th Period (2005.11)	End of 5th Period (2006.5)
Weighted Average Interest Rate (including swap cost)	0.92% (1.10%)	0.87% (1.06%)	0.74% (0.89%)	0.89% (1.03%)
Average Residual Period of Borrowing	2.7years	2.2years	3.2years	3.2years

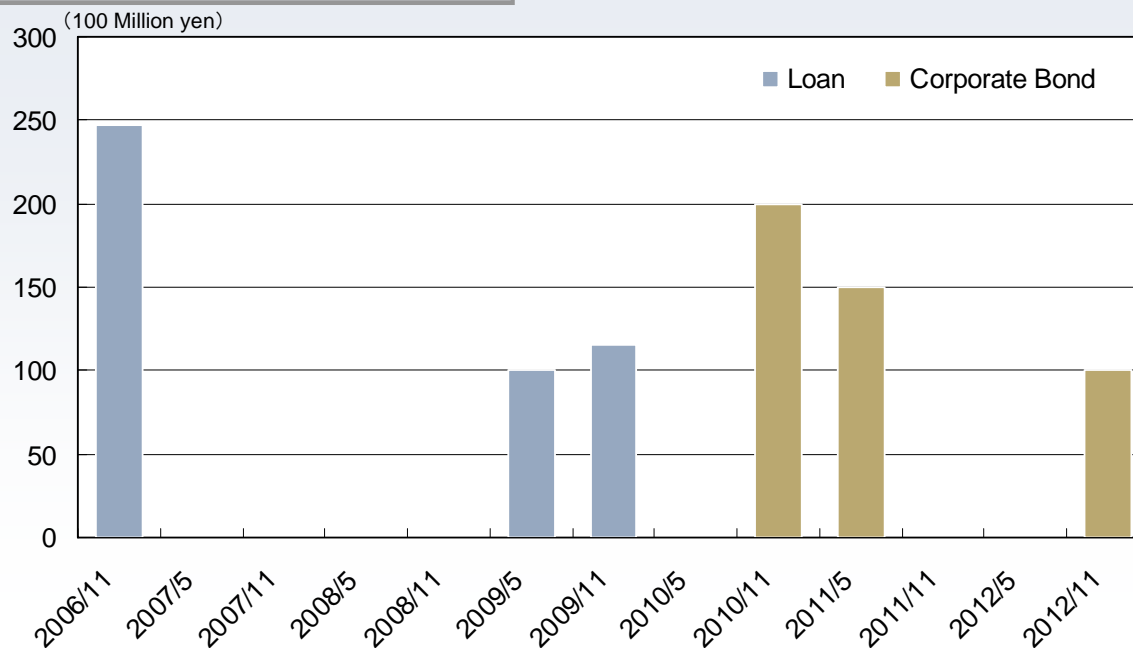
## Change in LTV



(Note) E=Estimate

# Building a Sound Financial Base

## Dispersion of Maturity Dates



## Issuance of Corporate Bond

Bond	public private	Date of Issuance	Redemption	Issuance Amount	Interest Rate	Credit Rating
Corporate Bond I	public	2005/7/20	2010/7/20 (5years)	JPY 10Bn	0.74%	A3(Moody's)
Corporate Bond II	public	2005/9/26	2010/9/24 (5years)	JPY 10Bn	0.84%	A3(Moody's)
Corporate Bond III	public	2005/9/26	2012/9/24 (7years)	JPY 10Bn	1.28%	A3(Moody's)
Corporate Bond IV	public	2006/2/20	2011/2/18 (5years)	JPY 15Bn	1.50%	A3(Moody's) A+(R&I)
Total	-	-	-	JPY 45Bn	-	-

## Credit Rating

(As of June 30, 2006)

Credit Rating Agency	Credit Rate	Outlook
Moody's Investors Service Inc.	A3	Stable
Rating and Investment Information, Inc.	A+	Stable

# Balance Sheet (Assets)

(thousand yen)

	5th fiscal period		4th fiscal period		Change	
	(as of May 31, 2006)		(as of Nov. 30, 2006)			
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Difference
<b>(Assets)</b>						
<b>I. Current Assets</b>						
Cash and Deposits	6,032,421		5,514,472		517,949	
Cash in Trust and Deposit in trust	3,381,337		3,307,360		73,976	
Accounts Receivable	255,945		213,173		42,771	
Prepaid Expenses	27,192		10,450		16,742	
Deferred Tax Assets	4,395		2,829		1,566	
Accrued Revenue	1,771		68,176		△ 66,404	
Accrued Consumption Tax	123,630		167,101		△ 43,471	
Other Current Assets	13,912		8,135		5,776	
Allowance for Bad Debt	△ 4,616		△ 1,554		△ 3,062	
<b>Total of Current Assets</b>	<b>9,835,989</b>	<b>4.8</b>	<b>9,290,145</b>	<b>5.4</b>	<b>545,844</b>	<b>5.9</b>
<b>II. Fixed Assets</b>						
<b>1. Tangible Fixed Assets</b>						
Buildings	34,903,497		22,766,137		12,137,359	
Structures	167,427		104,776		62,651	
Tools, Funitures & Fixtures	8,224		1,723		6,501	
Lands	35,863,182		23,779,892		12,083,289	
Construction in Progress	1,188,559		1,640,641		△ 452,082	
Buildings in Trust	50,824,075		48,306,722		2,517,352	
Structures in Trust	345,166		363,297		△ 18,131	
Machinery and Equipment in Trust	564		582		△ 18	
Tools, Funitures & Fixtures in Trust	42,328		39,104		3,223	
Lands in Trust	67,067,035		64,933,994		2,133,040	
Construction in Progress in Trust	-		25,042		△ 25,042	
<b>Total of Tangible Fixed Assets</b>	<b>190,410,060</b>	<b>94.0</b>	<b>161,961,916</b>	<b>93.3</b>	<b>28,448,144</b>	<b>17.6</b>
<b>2. Intangible Fix Assets</b>						
Leaseholds	1,214,497		1,214,497		-	
<b>Total of Intangible Fixed Assets</b>	<b>1,214,497</b>	<b>0.6</b>	<b>1,214,497</b>	<b>0.7</b>	<b>-</b>	<b>-</b>
<b>3. Investment and other assets</b>						
Long-term Prepaid Expenses	717,122		742,442		△ 25,319	
Deffered Tax Assets	-		206		△ 206	
Deriavtives Assets	292,528		-		292,528	
Deffered Hedge Losses	-		70,488		△ 70,488	
Security Deposits	600		-		600	
Guarantee Deposits Paid	10,000		10,000		-	
<b>Total of Investment and other assets</b>	<b>1,020,251</b>	<b>0.5</b>	<b>823,137</b>	<b>0.5</b>	<b>197,114</b>	<b>23.9</b>
<b>Total of Fixed Assets</b>	<b>192,644,809</b>	<b>95.1</b>	<b>163,999,551</b>	<b>94.5</b>	<b>28,645,258</b>	<b>17.5</b>
<b>III. Deferred Assets</b>						
Initial Expenses	19,873		26,497		△ 6,624	
Corporate Bonds Issuance cost	166,866		129,811		37,055	
<b>Total of Deferred Assets</b>	<b>186,740</b>	<b>0.1</b>	<b>156,309</b>	<b>0.1</b>	<b>30,430</b>	<b>19.5</b>
<b>Total Assets</b>	<b>202,667,539</b>	<b>100.0</b>	<b>173,446,005</b>	<b>100.0</b>	<b>29,221,533</b>	<b>16.8</b>

## Current Assets

- Cash and deposits  
Includes gain on sale of 1,360 million yen from the May 29 transfer of Nishi-Ogikubo Urbane Homes

## Fixed Assets

- Buildings, land, buildings in trust and land in trust

Properties acquired in 5 <sup>th</sup> fiscal period	18 properties (total of 31,760 million yen)
Properties sold in 5 <sup>th</sup> fiscal period	4 properties (4,014 million yen in total book value as of November 30, 2005)

- Derivative debt  
Due to rise in swap price
- Investment corporation bond issuance costs  
Costs accompanying 15 Bn yen issuance of fourth unsecured investment corporation

5 <sup>th</sup> fiscal period amortization	38,702,000 yen
Unamortized amount	166,866,000 yen

# Balance Sheet (Liabilities and Unitholders' Equity)

(thousand yen)

	5th fiscal period (as of May 31, 2006)		4th fiscal period (as of Nov. 30, 2006)		Change	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Difference
<b>(Liabilities)</b>						
<b>I. Current Liabilities</b>						
Accounts Payable	102,718		112,702		△ 9,983	
Short-term Borrowings	13,250,000		22,430,000		△ 9,180,000	
Current Portion of Long-term Borrowings	11,500,000		11,500,000		-	
Accrued Liabilities	57,554		65,653		△ 8,098	
Accrued Expenses	507,430		456,238		51,191	
Income Tax Payable	4,000		4,288		△ 288	
Receipt in Advance	9,534		190,919		△ 181,385	
Other Current Liabilities	257		29,215		△ 28,958	
<b>Total of Current Liabilities</b>	<b>25,431,496</b>	<b>12.5</b>	<b>34,789,019</b>	<b>20.0</b>	<b>△ 9,357,523</b>	<b>△ 26.9</b>
<b>II. Fixed Liabilities</b>						
Corporate Bond	45,000,000		30,000,000		15,000,000	
Long-term Borrowings	21,500,000		21,500,000		-	
Deferred Tax Liabilities	118,127		-		118,127	
Security Deposits and Guarantee Money	712,175		561,768		150,407	
Security Deposits and Guarantee Money in Trust	1,490,288		1,545,887		△ 55,598	
Derivatives Liabilities	-		81,186		△ 81,186	
Other Fixed Liabilities	10,270		10,270		-	
<b>Total of Fixed Liabilities</b>	<b>68,830,861</b>	<b>34.0</b>	<b>53,699,112</b>	<b>31.0</b>	<b>15,131,749</b>	<b>28.2</b>
<b>Total Liabilities</b>	<b>94,262,357</b>	<b>46.5</b>	<b>88,488,132</b>	<b>51.0</b>	<b>5,774,225</b>	<b>6.5</b>
<b>(Unitholders' Equity)</b>						
<b>I. Unitholders' Capital</b>						
Unitholders' Capital	-	-	82,936,941	47.8	△ 82,936,941	
<b>II Retained Earnings</b>						
unappropriated retained earnings for the period	-	-	2,020,931		△ 2,020,931	-
<b>Total of Retained Earnings</b>	<b>-</b>	<b>-</b>	<b>2,020,931</b>	<b>1.2</b>	<b>△ 2,020,931</b>	<b>-</b>
<b>Total Unitholders' Equity</b>	<b>-</b>	<b>-</b>	<b>84,957,873</b>	<b>49.0</b>	<b>△ 84,957,873</b>	<b>-</b>
<b>Total Liabilities and Unitholders' Equity</b>	<b>-</b>	<b>-</b>	<b>173,446,005</b>	<b>100.0</b>	<b>△ 173,446,005</b>	<b>-</b>
<b>(Unitholders' Equity)</b>						
<b>I. Unitholders' Capital</b>						
1. Unitholders' Capital	105,593,101		-	-	105,593,101	
2. Retained Earnings						
unappropriated retained earnings for the period	2,629,204		-	-	2,629,204	
<b>Total Unitholders' Capital</b>	<b>108,222,306</b>	<b>53.4</b>	<b>-</b>	<b>-</b>	<b>108,222,306</b>	<b>-</b>
<b>II. Evaluation, Currency Translation and etc.</b>						
1. Deferred Hedge Profit and Loss	182,874		-	-	182,874	
<b>Total of Evaluation, Currency Translation and etc.</b>	<b>182,874</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>182,874</b>	<b>-</b>
<b>Total Unitholders' Equity</b>	<b>108,405,181</b>	<b>53.5</b>	<b>-</b>	<b>-</b>	<b>108,405,181</b>	<b>-</b>
<b>Total Liabilities and Unitholders' Equity</b>	<b>202,667,539</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>202,667,539</b>	<b>-</b>

## Current Liabilities

- End-of-period balance of short-term loans

End of 5<sup>th</sup> fiscal period combined total of 13.2 Bn yen from 7 banks

End of 4<sup>th</sup> fiscal period combined total of 22.4 Bn yen from 9 banks

- End-of-period balance of long-term loans due within 1 year

End of 5<sup>th</sup> fiscal period combined total of 11.5 Bn yen from 9 banks

End of 4<sup>th</sup> fiscal period combined total of 11.5 Bn yen from 9 banks

## Fixed Liabilities

- Investment corporation bonds

Implementation of capital procurement through issuance of investment corporation bonds (total amount of 45,000 million yen)

- End-of-period balance of long-term loans

End of 5<sup>th</sup> period combined total of 21.5 Bn yen from 9 banks

End of 4<sup>th</sup> period combined total of 21.5 Bn yen from 9 banks

# Income Statement

	5th fiscal period		4th fiscal period		Change	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Difference
(thousand yen)						
1. Operating Revenue						
Real Estate Rental Business Revenue	5,178,077		4,358,053			
Gain on Sale of Real Estate	638,477	100.0	269,776	100.0	1,188,726	25.7
2. Operating Expenses						
Real Estate Rental Business Expenses	2,103,205		1,708,113			
Asset Management Fees	422,437		339,511			
Property Management Fees	19,665		16,057			
Outsourcing Fees for Administrative Works	59,016		57,547			
Directors' Remuneration	3,000		3,000			
Attorneys' Fees	19,366		31,148			
Audit Fees	18,500		16,600			
Doubtful Debt Account	3,824					
Bad Debt Loss	775					
Other Operating Expenses	113,144	47.5	62,027	48.5	519,414	23.2
<b>Operating Profit</b>	<b>3,053,618</b>	<b>52.5</b>	<b>2,384,307</b>	<b>51.5</b>	<b>669,311</b>	<b>28.1</b>
3. Non-Operating Revenue						
Interest Received	63		34			
Miscellaneous Revenue	175,667	3.0	185,772	4.0	△ 10,076	△ 5.4
4. Non-Operating Expense						
Interest Paid	218,933		261,249			
Loan-related expenses	75,195		140,390			
Corporate Bond Interest	204,868		65,501			
Amortization for Corporate Bond Issue Expenses	38,702		25,962			
Expenditure for Issue of New Investment Units	33,623		45,180			
Write-off O Initial Expenses	6,624		6,624			
Other non-operating expenses	22,866	10.3	3,174	11.8	52,731	9.6
<b>Ordinary Profit</b>	<b>2,628,535</b>	<b>45.2</b>	<b>2,022,030</b>	<b>43.7</b>	<b>606,505</b>	<b>30.0</b>
5. Extraordinary Revenue						
Gain on Insurance Adjustment	2,534	0.0	164	0.0	2,370	1441.9
<b>Net Income Before Tax</b>	<b>2,631,069</b>	<b>45.2</b>	<b>2,022,195</b>	<b>43.7</b>	<b>608,874</b>	<b>30.1</b>
Corporate Tax, Local Inhabitant's Tax and Enterprise Tax	4,011		4,295			
Adjustment of Income Taxes	△ 2,081	0.0	△ 2,992	0.0	628	48.2
<b>Net Income</b>	<b>2,629,139</b>	<b>45.2</b>	<b>2,020,892</b>	<b>43.7</b>	<b>608,247</b>	<b>30.1</b>
Profit or Loss Brought Forward	65		39		26	
<b>Unappropriated Retained Earnings</b>	<b>2,629,204</b>		<b>2,020,931</b>		<b>608,273</b>	

## Operating Revenues

- **Rental income**  
Revenue contributions by 109 properties this fiscal period (reference: 95 properties in 4<sup>th</sup> fiscal period)
- **Gain on sales of investments in real estate**  
(figures in parentheses are net values after deduction of expenses)  
Sale of Veil Kikuicho (75,419,000 yen), Bonne Uji I and II (154,431,000 yen), Crane Mansion Tsurumi (169,729,000 yen) and Nishi-Ogikubo Urbane Homes (238,897,000 yen)

## Operating Expenses

- **Public charges**  
The adjusted amounts of real property taxes and city planning taxes for properties acquired on January 1, 2006 or after are included in the acquisition costs (not expensed).
- **Asset management compensation**  
Consists of management compensation (1) + (2) alone  
Acquisition compensation is included in the acquisition cost while transfer (sale) compensation is deducted from the capital gains

5th fiscal period	422,437,000 yen
4th fiscal period	339,511,000 yen

## Non-Operating Revenues

- Of these, revenues from refunded consumption tax: 172,273,000 yen  
(consumption tax included in acquisition costs during accounting inclusive of taxes)

# Cash Flow Statement

(thousand yen)

Account Titles	5th Fiscal Period	4th Fiscal Period
<b>I. Cash Flow from Operating Activities</b>		
Net Income Before Tax	2,631,069	2,022,195
Depreciation	1,051,500	828,202
Bad Debt Loss	775	7,961
Write-Off of Long-term Prepaid Expenses	75,701	151,350
Write-Off of Initial Expenses	6,624	6,624
Write-Off of Corporate Bond Fees	38,702	25,962
Interest Received	△ 63	△ 34
Interest Paid	423,802	326,750
Gain on Insurance Adjustment	△ 2,534	△ 164
Increase or Decrease in Allowance for Bad Debt	3,062	1,554
Increase or Decrease in Accounts Receivable	△ 43,547	3,829
Increase or Decrease in Accrued Revenue	68,176	△ 68,176
Increase or Decrease in Accrued Consumption Tax	43,471	59,677
Increase or Decrease in Accounts Payable	△ 9,983	16,456
Increase or Decrease in Accrued Liabilities	21,152	△ 6,117
Increase or Decrease in Accrued Expenses	60,746	46,971
Increase or Decrease in Receipt in Advance	△ 181,385	170,109
Decrease due to Sale of Tangible Fixed Assets in Trust	4,004,416	2,162,008
Payment of Long-term Prepaid Expenses	△ 56,667	△ 232,843
Others	△ 17,851	11,958
<b>subtotal</b>	<b>8,117,168</b>	<b>5,534,275</b>
Receipt of Interest	63	34
Payment of Interest	△ 361,449	△ 273,727
Receipt of Insurance Benefit	7,048	164
Payment of Corporate Taxes	△ 4,300	△ 1,398
<b>Cash Flow from Operating Activities</b>	<b>7,758,530</b>	<b>5,259,348</b>
<b>II. Cash Flow from Investment Activities</b>		
Payment for acquisition of Tangible Assets	△ 24,268,854	△ 16,385,750
Payment for acquisition of Tangible Assets in Trust	△ 9,340,460	△ 18,086,957
Payment for acquisition of Intangible Assets	—	△ 1,214,497
Receipt of Security Deposits & Guarantee Money	150,407	207,087
Receipt of Security Deposits & Guarantee Money in Trust	△ 55,598	262,942
Others	△ 600	—
<b>Cash Flow from Investment Activities</b>	<b>△ 33,515,105</b>	<b>△ 35,217,175</b>
<b>III. Cash Flow from Financing Activities</b>		
Money Borrowed: Short-term Borrowings	—	23,800,000
Repayment: Short-term Borrowings	△ 9,180,000	△ 34,589,000
Repayment: Long-term Borrowings	—	△ 9,300,000
Income by Issue of New Investment Units	22,622,533	25,814,292
Income by Issue of Corporate Bonds	14,924,242	29,844,226
Payment of Distributions	△ 2,018,275	△ 1,382,226
<b>Cash Flow from Financing Activities</b>	<b>26,348,500</b>	<b>34,187,292</b>
<b>IV. Increase or Decrease in Cash and Cash Equivalents</b>	<b>591,925</b>	<b>4,229,464</b>
<b>V. Beginning Balance of Cash and Cash Equivalent</b>	<b>8,821,833</b>	<b>4,592,368</b>
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	<b>9,413,758</b>	<b>8,821,833</b>

## Distribution Calculation Table

Account Title	5th fiscal period	4th fiscal period
Unappropriated Retained Earnings (thousand yen)	2,629,204	2,020,931
Distributions (thousand yen)	2,629,149	2,020,866
Distribution per Unit (yen)	14,074	14,002
Retained Earnings Carried Forward (thousand yen)	54	65

## Reference Indices

Title	unit	5th fiscal period	4th fiscal period
Current Capital Expenditures	Mn yen	45	40
Rental NOI(Net Operating Income)	(Note1) Mn yen	4,126	3,478
FFO per unit (Funds from Operation)	(Note2) yen	16,932	19,145
FFO(Funds from Operation) multiple	(Note3) multiple	17.4	15.9
Debt-Service Coverage Ratio	(Note4) multiple	9.7	9.7
Current Net Income Before Amortization of Interest	Mn yen	4,104	3,175
Interest-baring Debt	Mn yen	91,250	85,430
Ratio of Interest-baring Debt to Gross Asset at the end of fiscal period	(Note5) %	45.0	49.3
Net Asset Value per unit	yen	580,300	588,649

(Note 1) Rental NOI = rental income – rental expenses + 5<sup>th</sup> fiscal period depreciation and amortization

(Note 2) FFO per unit = FFO (= net income + 5<sup>th</sup> fiscal period depreciation and amortization + other amortization – gain on sales of investments in real estate)/investment units issued as of end of period (recorded with decimal points rounded off)

(Note 3) 4<sup>th</sup> fiscal period: FFO multiple = end of November 2005 investment unit price (606,000 yen)/FFO per unit after conversion to annual figure  
 5<sup>th</sup> fiscal period: FFO multiple = end of May 2006 investment unit price (592,000 yen)/FFO per unit after conversion to annual figure  
 (FFO multiple is rounded to one decimal place)

(Note 4) Debt service coverage ratio = Net income prior to deduction of interest/interest expenses (including interest on investment corporation bonds)

(Note 5) Ratio of interest-bearing debt to total assets at end of period = End-of-period interest-bearing debt/end-of-period total assets x 100 (recorded with figure rounded to one decimal place)



## Section II

# Future Management Strategy

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**NIPPON  
RESIDENTIAL  
INVESTMENT  
CORPORATION**



**PACIFIC  
INVESTMENT  
ADVISORS  
CORPORATION**

# Market Awareness and Future Measures

## Market Awareness

### Rental Housing Market

- The office market has made a positive turn thanks to the improvement of corporate performance and there are expectations for personal consumption to grow due to improvements in the employment conditions.
  - In the Tokyo metropolitan area and core regional cities, there is an influx of people from other regions that is leading to an increase in population centered on singles and two-person households (urban return trend)
  - Although the quantity of superior rental housing being supplied in primary urban areas is growing, the percentage of the entire housing stock that this comprises is still limited
- ⇒ **In the short-term, competition may intensify centered on areas with increased supply**  
**In the medium-term, supply and demand are tight centering on primary urban areas**  
**Good opportunity to raise rents centering on highly competitive properties**

### Real Estate Sales Market

- Continued competition over the acquisition of real estate due to the inflow of new capital
  - Developments in the competition to acquire land as investments into superior development projects go full circle
- ⇒ **Hereafter there will only be limited opportunities to acquire individual superior properties and there will be an increase in privately placed fund exit projects and also development projects involving nationally owned assets**

### Financial Market

- Increase in short-term interest resulting from termination of zero interest policy and destabilization of long-term interest
  - Stricter assessments by investors regarding asset content and due diligence
  - Intensification of competition caused by increase in listed REITs
- ⇒ **More careful selection of issuers and rise in procurement costs**

## Future Issues and Measures

### External Growth

#### Improving the portfolio quality (reinforcement of stability, growth and profitability)

- Securing superior assets and incorporating existing secured assets by reinforcing our pipeline and making commitments from the development phase
- Targeting senior rental housing
- Improvement in the profit potential of the portfolio by replacing properties

### Internal Growth

#### Improvement of NOI using the portfolio network

- Implement measures to raise rents centering on highly competitive properties
- Maintain and improve property competitiveness through renovations, etc.
- Improve tenant satisfaction through reinforcement of brand strength
- Realize greater cost efficiency by applying scale merits

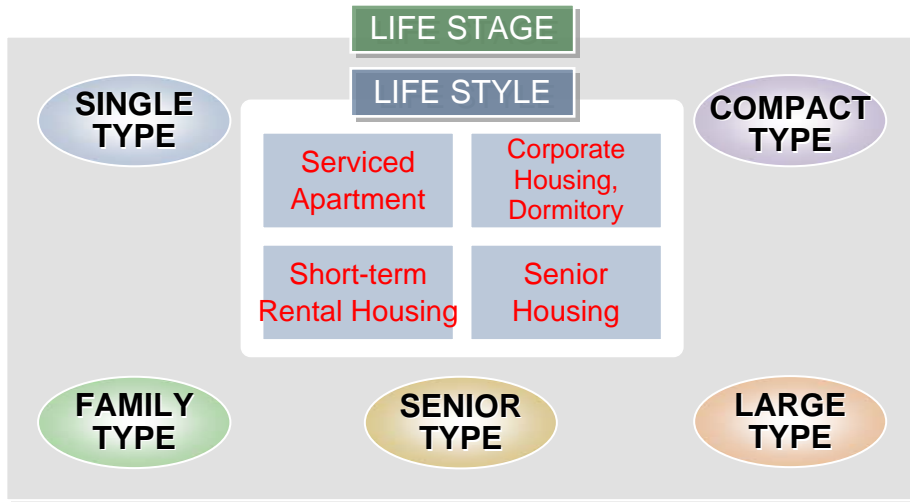
### Financial Strategy

#### Maintain and improve the distribution per unit

#### Secure financial stability and expand flexibility and dynamicity

- Build growth strategy and capital expansion plan that has an eye on suppressing dilution
- Control to a sound debt ratio
- Hedge against the risk of increased interest
- Dispersion of borrowing maturities and expansion of capital procurement sources and methods

# Promotion of Portfolio Strategy “Total Life Support”



TYPE	LARGE						
						SENIOR	
				FAMILY			
		COMPACT				COMPACT	
	SINGLE						
LIFE STAGE	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	

## 1. Serviced apartments

[Management case]

PT Roppongi, PR Takanawa, etc.

[Required conditions]

Properties located downtown in an area neighboring a major office area, excellent building quality and located near a station

## 2. Short-term rental condominiums

[Management case]

PL Nagatacho, PL Wasedanishi, PL Kyobashi, etc.

[Required conditions]

Properties located downtown or near downtown and located near a station. NRIC is allied with a very reliable monthly condominium firm.

## 3. Corporate housing and dormitories

[Management case]

PR Sannomiyahigashi, etc.

[Required conditions]

Properties located in an area near downtown on a commuter line with good convenience to major office areas, or a property near a terminal station in an ordinance designated city

## 4. Senior housing

[Required conditions]

Properties with specifications that are friendly to the elderly. They have a good neighboring environment and are located in the Tokyo metropolitan area or a core regional city. It has a community facility adjoining it and NRIC is allied with an operator that boasts a strong business plan and good reliability.

# Portfolio Strategy



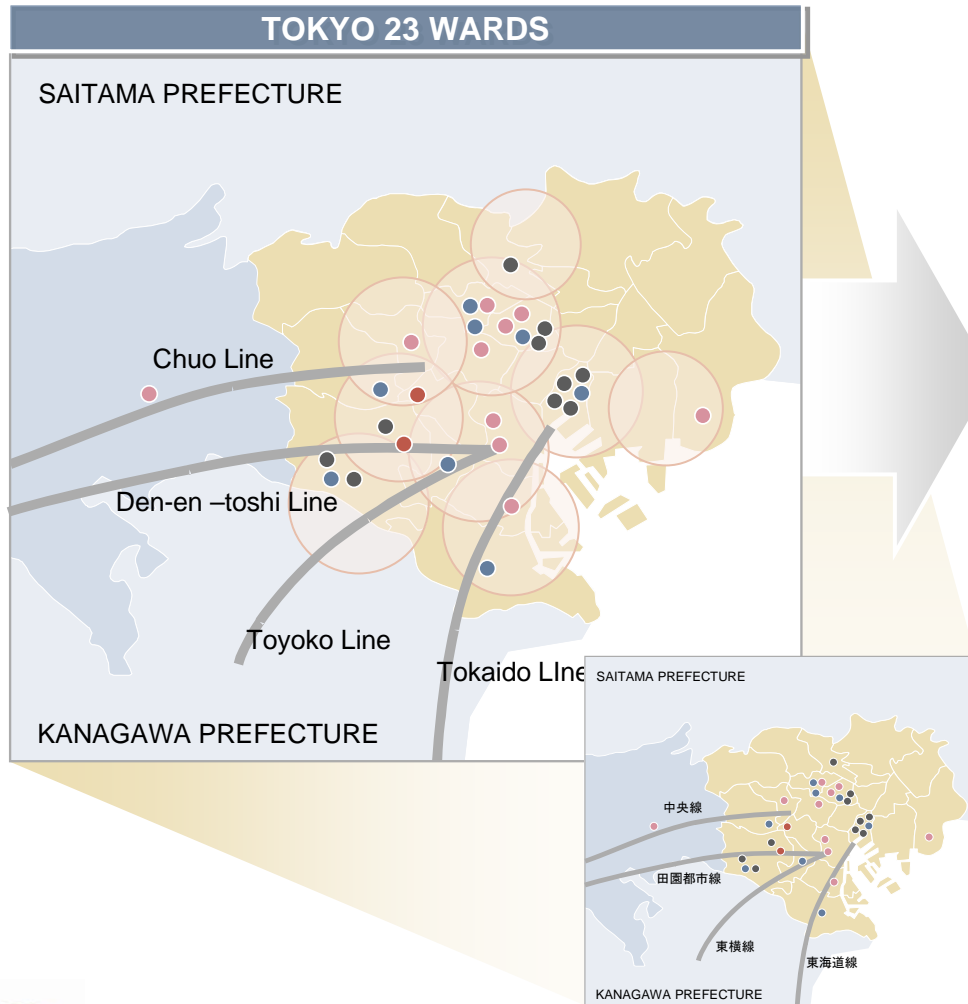
**IPO and expansion  
phase**

**Quality improvement  
phase**

**Network utilization  
phase**

# Building the Portfolio Network

## Maximizing the portfolio value by networking individual property clusters



### Leasing Network

- Apply a database containing the occupancy, vacant period, application conditions, offered and contracted rents, renewed rents and other information for each property in leasing within identical areas and property types

⇒ **Shrinking lost profits by raising rent unit prices and shortening down time**

### Building Management Network

- Reduce unit prices for returning units to as is conditions, renovations and repairs by concentrating them
- Heighten efficiency by concentrating maintenance and management contracts, etc.

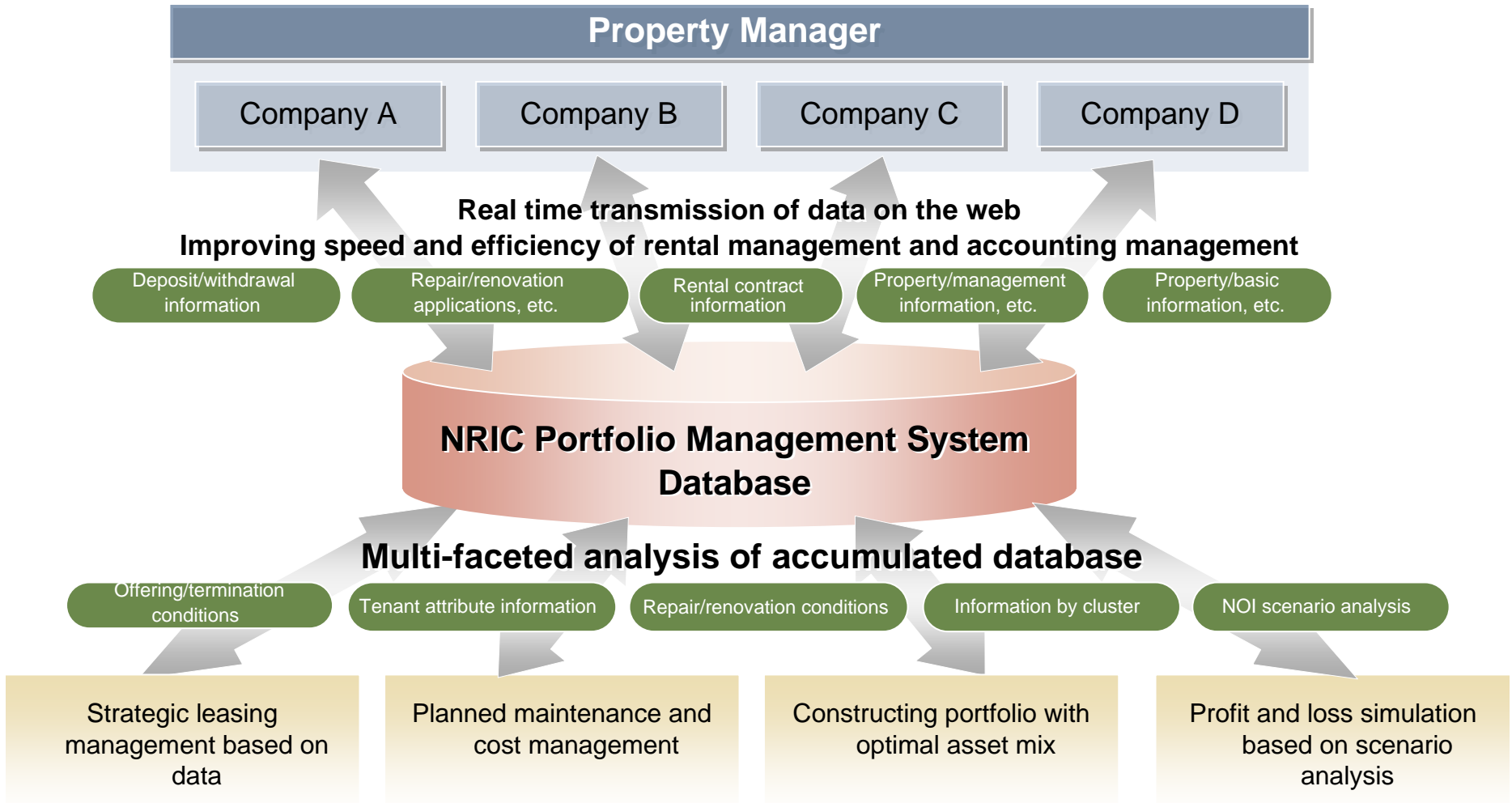
⇒ **Cost advantage from rebuilding maintenance and management system**

### Tenant Service Network

- Creation of added value by providing a tenant service program
- Providing a moving program in line with life stage styles

⇒ **Continued securing of tenants (longer term residency, minimizing of lost profits)**

# Database Portfolio Management



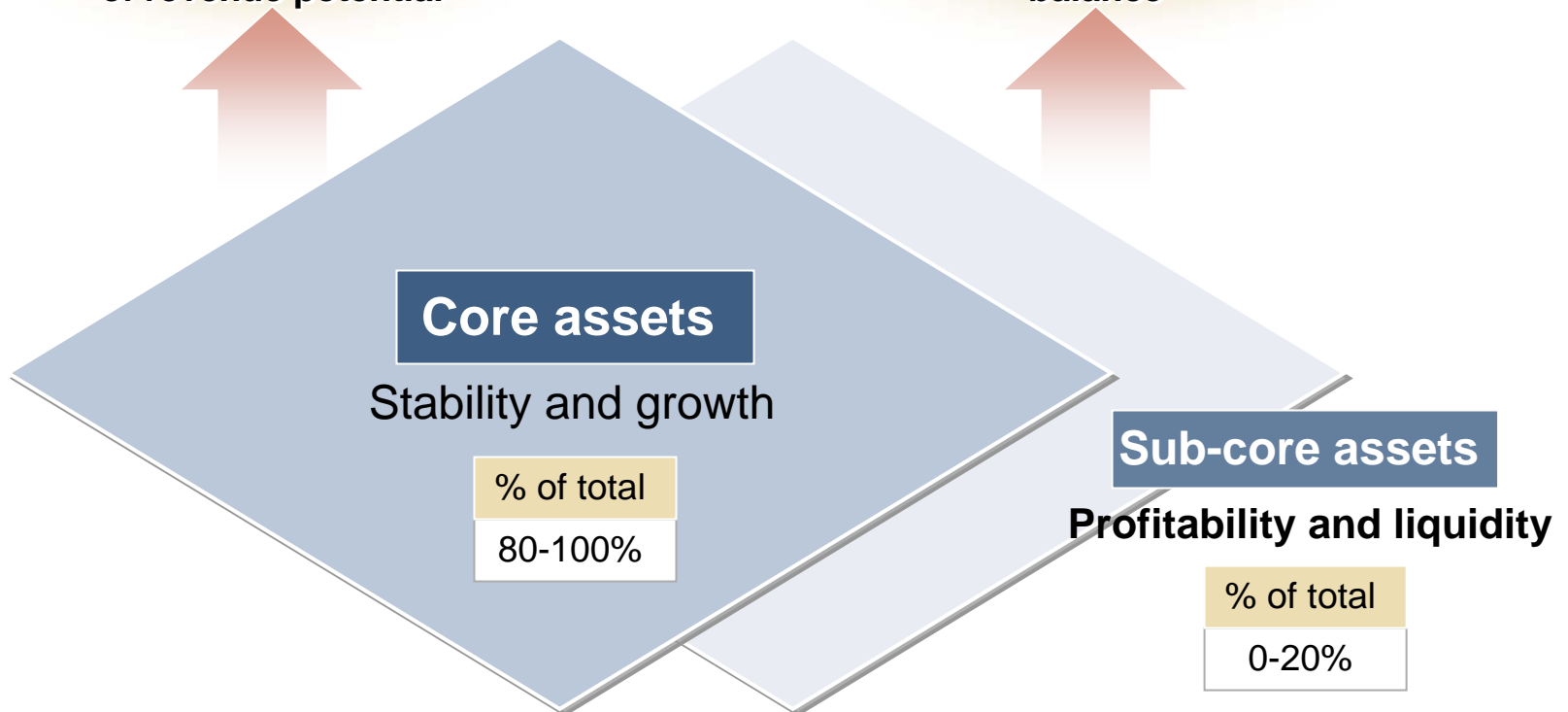
# Portfolio Strategy

## <Optimization of Revenue Balance by Categorizing Assets >

- Core assets have been positioned as the core of the portfolio and the excellence of their competitiveness will be applied
- Sub-core assets will be flexibly and dynamically incorporated into the portfolio with revenue opportunities seized, the sub-core assets sold to employ their liquidity and other changes in the rental housing market met in this manner.

Maintenance and improvement  
of revenue potential

Optimization of revenue  
balance

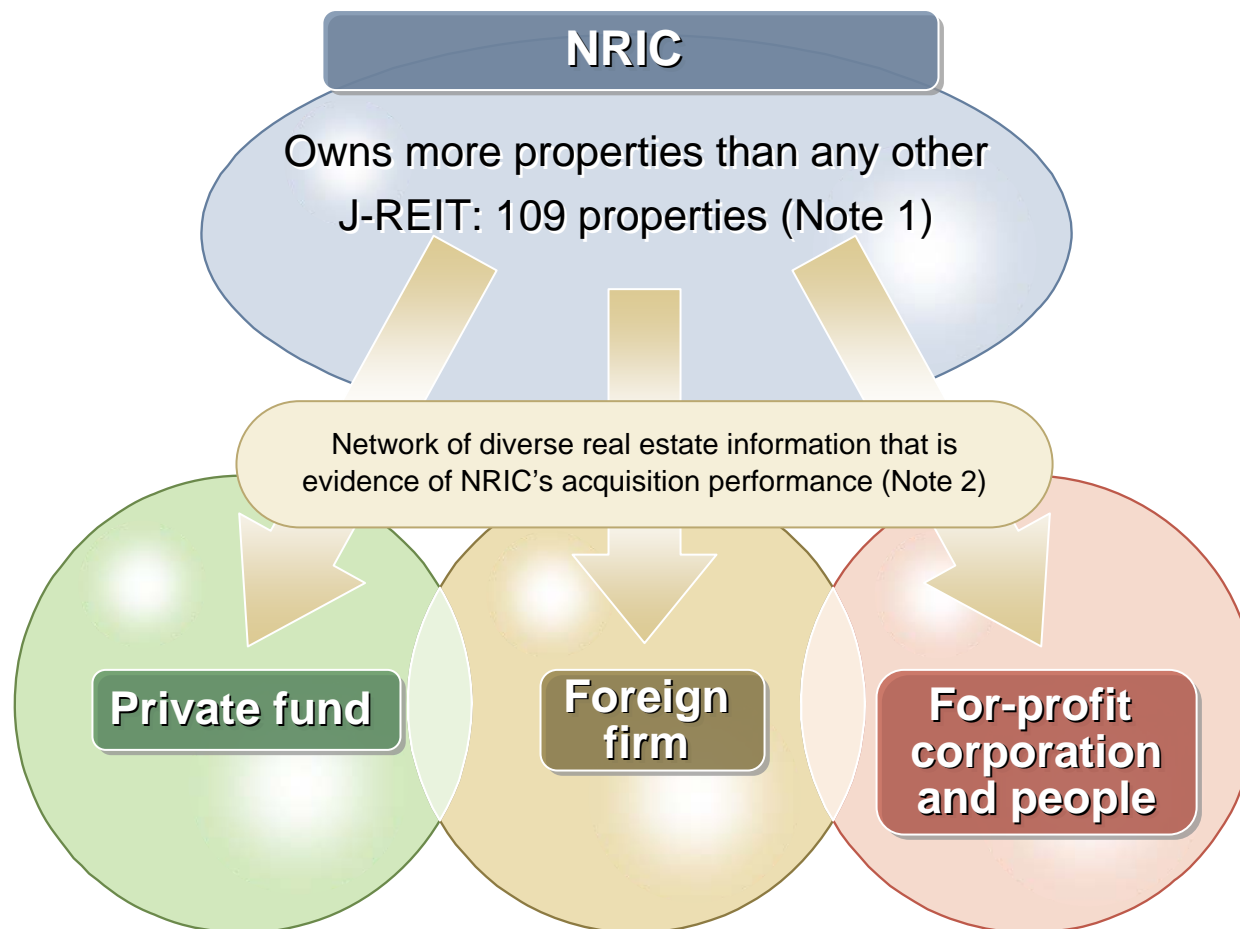


(Note) The comparison of core assets and sub-core assets is done on an investment amount base.

# Portfolio Strategy

## <Property Selling Opportunities and Purchasing Candidates>

Possible to accurately grasp the needs of diverse purchasing candidates and fulfill these



(Note 1) As of end of 5<sup>th</sup> fiscal period

(Note 2) Exchanged Basic Work Alliance Agreement with Pacific Management Corporation



# Portfolio Strategy: Policy and Performance of Property Sales

Promote the replacement of properties centering on sub-core assets and thus proactively respond to changes in the rental housing market

Optimal use of the network and know-how of Pacific Management Corporation

High relative liquidity that is the characteristic of rental housing

Maintain and improve portfolio's revenue potential

(in thousand yen)

Fiscal Period	3rd		4th		5th				6th				
	Veil Kohinata	Manoa Saginuma	C.F. Kamihongo	W. Higashi-Nippori	Veil Kikuicho	Bonne Uji I & II	C.M. Tsurumi	Nishi-Ogikubo U.H.	1. Asset Name	J-Stage Minami-Urawa	Maison Kashiwa	F.Yoyogi-Uehara II	Als Shin-Otsuka
2. Sales Price	345,475	450,000	1,430,000	1,170,000	636,000	1,502,000	1,308,000	1,360,000	2. Sales Price	932,000	1,167,000	651,000	1,323,000
3. Purchase Price	273,000	346,000	1,140,000	972,000	520,000	1,260,000	1,050,000	1,050,000	3. Purchase Price	700,000	840,000	524,000	1,117,000
4. Book Value	285,810	359,643	1,174,962	987,045	534,561	1,281,899	1,084,132	1,103,823	4. Book Value	710,832	880,837	540,385	1,130,351
5. Appraisal Value	291,000	367,000	966,000	1,020,000	564,000	1,240,000	1,160,000	1,190,000	5. Appraisal Value	664,000	981,000	575,000	1,220,000
6. Gain from Sales	45,715	72,690	138,070	131,705	75,419	154,431	169,729	238,897	6. (2-4)	221,168	286,163	110,615	192,649
7. (6/3)	17%	21%	12%	14%	15%	12%	16%	23%	7. (6/3)	32%	34%	21%	17%

(Note) Book price: Recorded based on the book price at the time of sale in the case of the 3<sup>rd</sup> through 5<sup>th</sup> fiscal periods and the book price as of May 31, 2006 in the case of the 6<sup>th</sup> fiscal period.

Appraisal value: The appraisal values are entered according to the following rules: as of November 30, 2004 for the 3<sup>rd</sup> fiscal period, as of May 31, 2005 for the 4<sup>th</sup> fiscal period, as of November 30, 2005 for the 5<sup>th</sup> fiscal period and as of May 31, 2006 for the 6<sup>th</sup> fiscal period.

# Portfolio Strategy:

## Leasing Up Cases for Under-Development and Unoccupied Properties

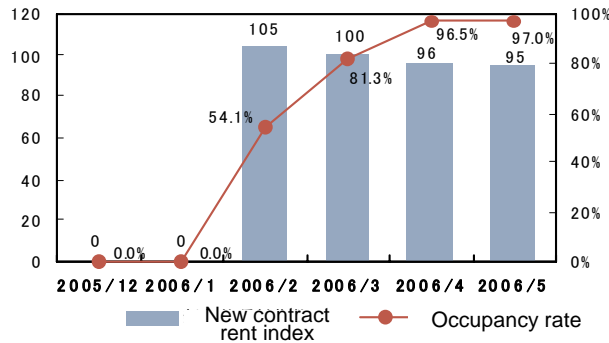
### Acquire competitive core assets while avoiding excessive competition

Setting specifications and design with an eye on medium- to long-term management

Planned leasing up based on market analysis

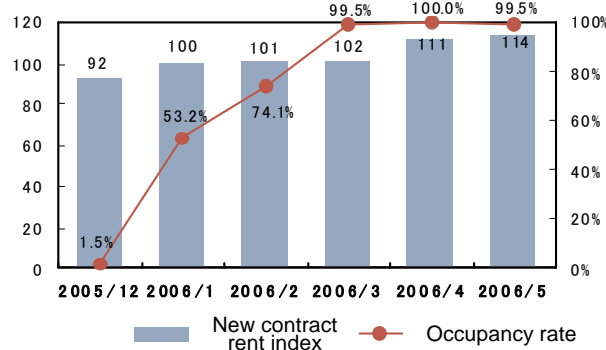
#### S-24 Pacific Residence Tsukiji

Excellent access to Ginza and proactive leasing activities for individuals during busy periods



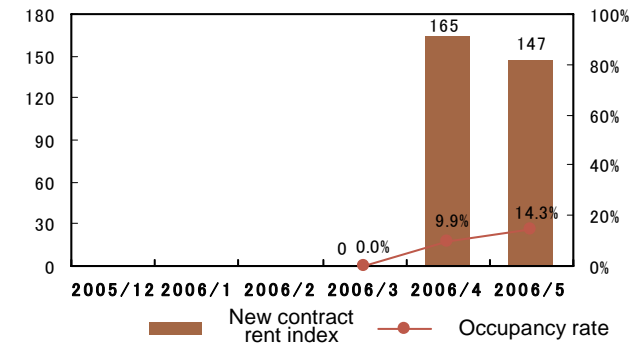
#### S-32 Pacific Residence Sannomiya-higashi

Optimal layout and unit arrangement for corporate demand target and effective leasing activities to parties related to the Kobe Airport



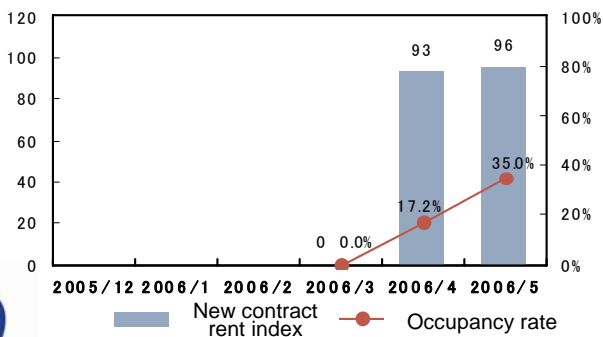
#### L-8 Pacific Tower Roppongi

One of the best views in the Roppongi Area and creation of a high value added rental market by introducing serviced apartments



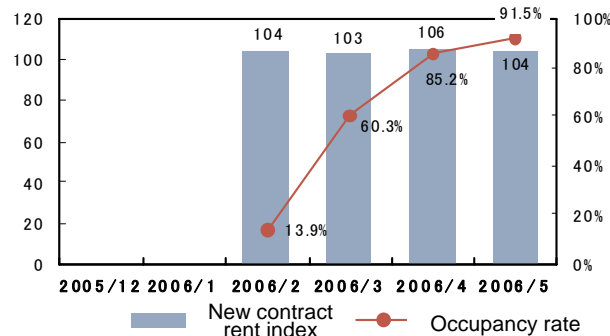
#### S-51 Pacific Residence Tsukishima I

Located in a popular waterfront redevelopment area with leasing activities targeting singles by using a model room



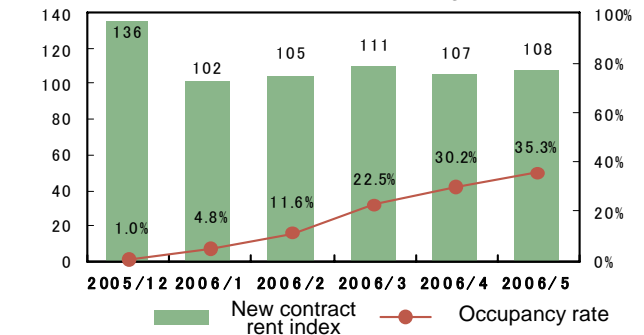
#### S-50 Pacific Livew Utsuboko

Stand out building quality in the class for the central Osaka business area and effective pre-acquisition leasing activities through negotiations with the seller



#### F-17 Pacific Residence Izumi

Best building quality in the class within the central business area of Nagoya and the creation of a new rental demand segment



(Note) The above new contract rental index uses the assumed rent standard (=100) in the appraisal obtained at the time of purchase. When bought unoccupied, the figures indicate a property for which two months had passed.

# Measures to Increase NOI through Value Up:

## Pacific Tower Roppongi

- Optimally use of good location and high-grade specifications and arrange for some units to be serviced apartments (SA)
- NRIC plans to raise the unit price of rent by providing the SA specification services for the rental housing units also

Upon decision to acquire:

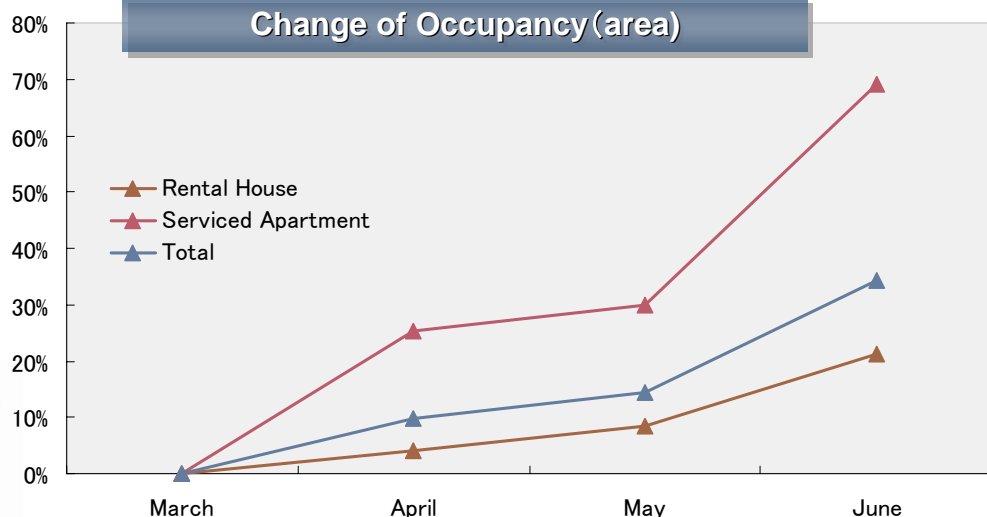
Assumed NOI when all units are rental housing  
392 million yen  
(Note) Annual NOI amount in appraisal at time of acquisition

**Change to plan assuming 11% increase in NOI**

After change of plan:

Assumed NOI 435 million yen (estimate of management firm)  
 • SA portion: Rent +90% (occupancy 85%)  
 General rent portion: Rent +15% (occupancy 95%)

**Start advertising with an eye on further rent increases (general rent area's rent to increase 15-45%)**



### Description of Serviced Apartment Services

Front desk:	Reception and bilingual support by concierge (06:30-21:30) • Free rental of DVDs and paperback books • Laundry service, arrangement of taxis, hospital guides • Newspaper service, baggage claim, etc.
Business service:	• Color copy service • Facsimile service, etc.
Cleaning service:	Room cleaning and linen changing
Internet:	Free internet connection

# Examples of Investments into Properties Under Construction or Development

To be acquired during 6<sup>th</sup> period and onwards

S-54 Pacific Residence Kamiochiai



Acquisition Value (Planned)	1,310Mn Yen
Seller	Soken Co., Ltd.
Location	Kamiochiai, Shinjuku-ku, Tokyo
Rentable Unit	75(planned)
Construction Completion	September 2006

S-55 Pacific Residence Higashishinagawa



Acquisition Value (Planned)	2,317Mn yen
Seller	Nichimo Co., Ltd.
Location	Higashishinagawa, Shinagawa-ku, Tokyo
Rentable Units	122(planned)
Construction Completion	August 2006

S-57 Pacific Residence Toranomon



Acquisition Value (Planned)	1,484Mn yen
Seller	Aoyama Mainland Co., LTD.
Location	Nishi-shimbashi, Minato-ku, Tokyo
Rentable Units	63(planned)
Construction Completion	November 2006

C-25 Pacific Tower Meguroyamate



Acquisition Value (Planned)	14,507Mn yen
Seller	Grand Tower T.M.K.
Location	Nishi-gotanda, Shinagawa-ku, Tokyo
Rentable Units	356(planned)
Construction Completion	February 2007

F-18 Pacific Residence Nihonbashi-bakurocho



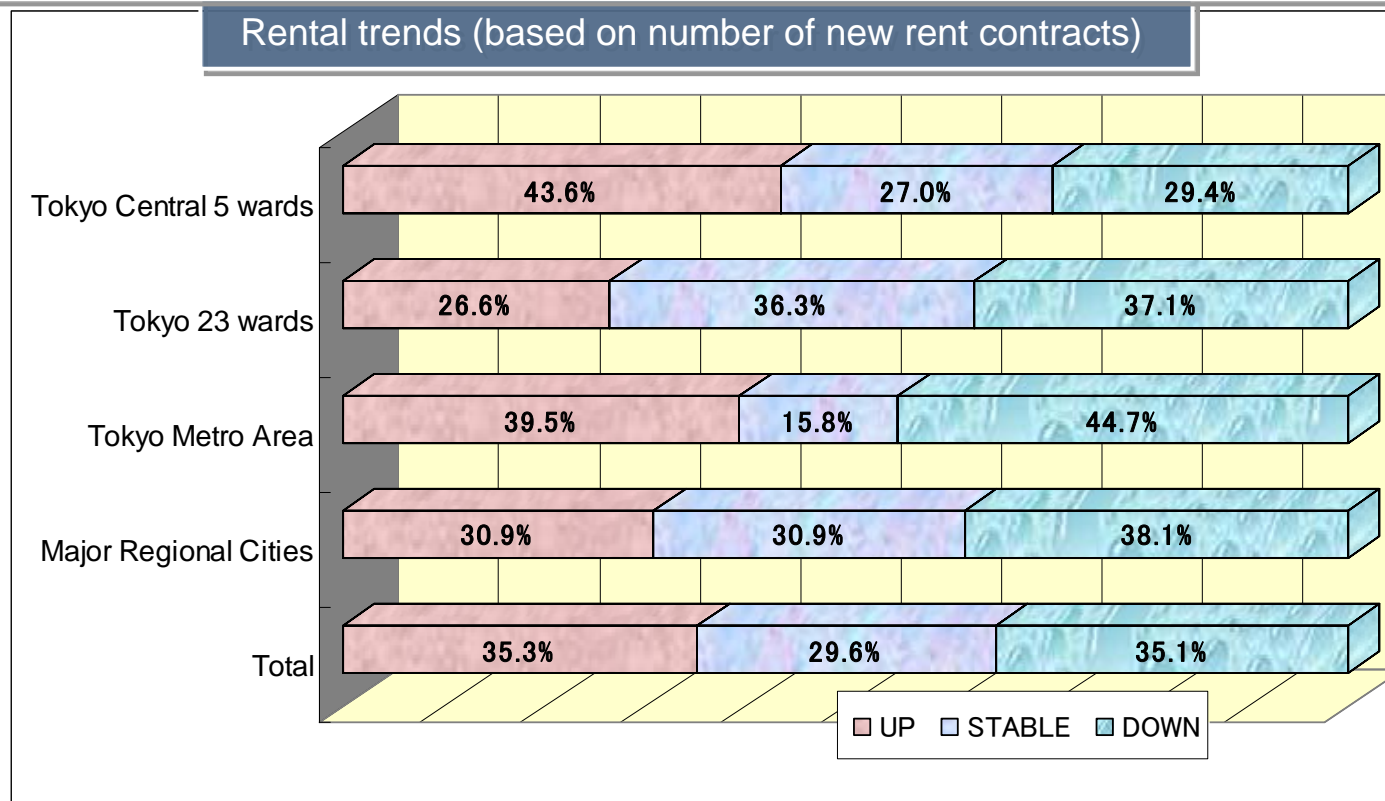
Acquisition Value (Planned)	5,380Mn yen
Seller	Marubeni Corporation
Location	Nihonbashi-bakurocho, Chuo-ku, Tokyo
Rentable Units	132(planned)
Construction Completion	March 2007

(Note) All of the images on this slide are conceptual drawings prepared based on the building planned for construction using design documents and thus may differ from the actual completed building.

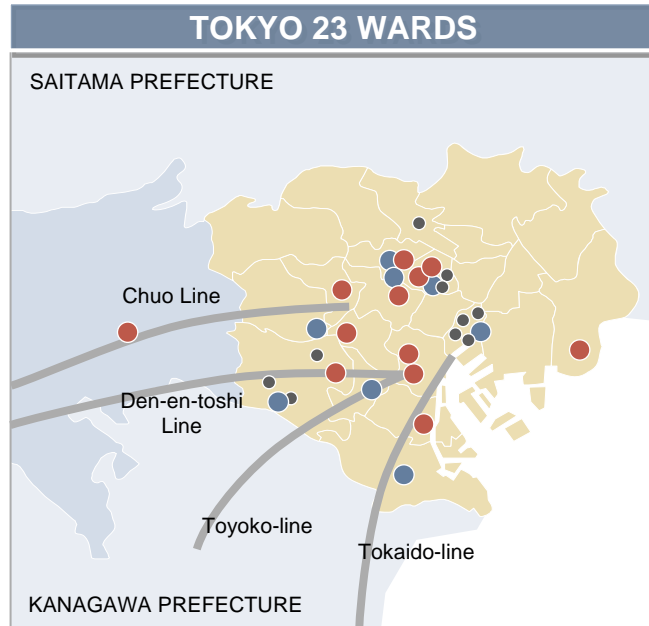
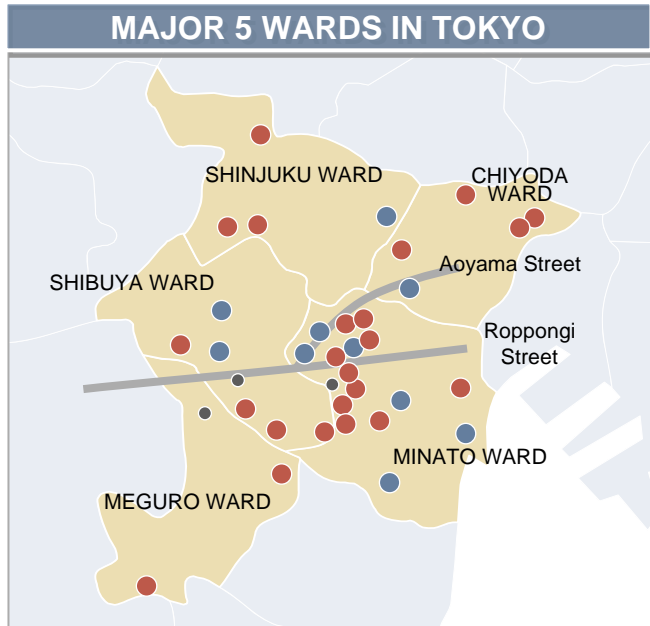
# New Contracted Rent Trends for Properties Owned at the Beginning of the 5<sup>th</sup> Fiscal Period

New rental contracts of properties owned at the beginning of the 5<sup>th</sup> fiscal period minus the four sold properties (422 contracts excluding those renewed) and the contracts of those in the unit immediately prior are compared to analyze the increase level

- On a national basis, a comparison of the total value and number of contracts shows almost equality between increases and decreases
- In the Tokyo central 5 wards, there are more increasing rent contracts than decreasing rent contracts



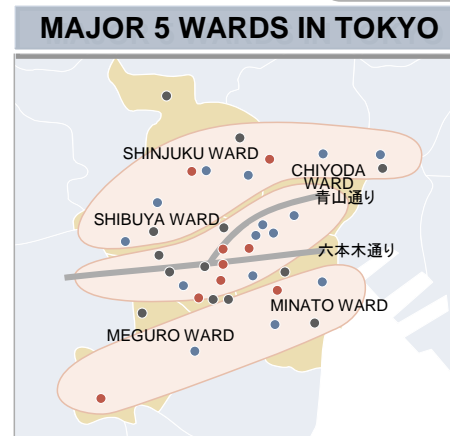
# Rental Housing Market Trends in Tokyo



- Higher occupancy rate
- Higher rent

Centering on highly competitive properties in the area and properties within areas with high competitiveness, there are cases of rents increasing under new contracts when tenants are replaced.

(Reference) 4<sup>th</sup> period



# Support System of Sponsor Group



## Support of external growth

Provision of property information

Collaboration on major development projects

Provision of warehousing function

## Support of internal growth

Setting NRIC specifications through construction management



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## Support of internal growth

Provision of dedicated leasing site

Provision of dedicated resident site

Provision of tenant program services

Conducting of tenant survey

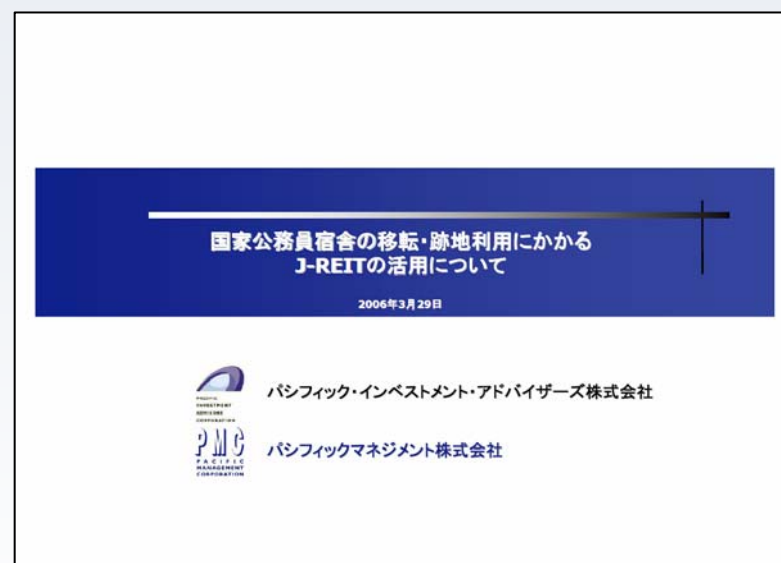
# Pacific Management: Case of Approaching Public Sector Property

Concluded a term leasehold agreement for land in the Minato Mirai District that was owned by the Urban Renaissance Agency and began developing a rental condominium jointly with Daiwa House Industry Co., Ltd. on it



Address	5-50W Minato Mirai, Nishi Ward, Yokohama City, Kanagawa Prefecture
Site	4,990.35m <sup>2</sup>
Total floor space	29,823.45m <sup>2</sup> (under FAR)
Rentable units	415 units (also 2 store areas)
Layout	Studio (38.98m <sup>2</sup> ) – 3LDK (147.42m <sup>2</sup> )
Planned construction completion date	end of July 2008

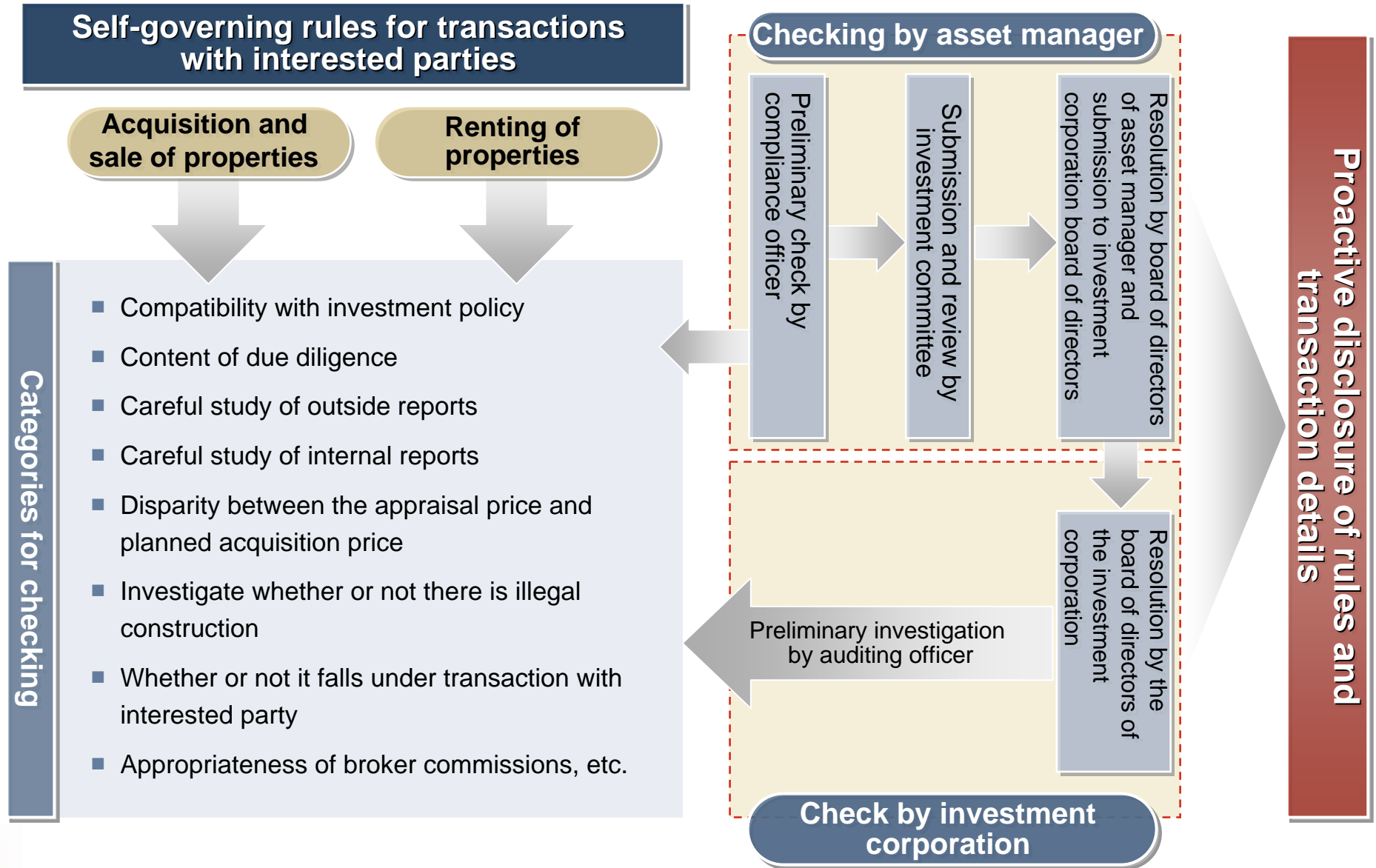
In March 2006, Pacific proposed lodging use by utilizing a J-REIT in the “5<sup>th</sup> Specialist Conference on Relocating National Public Servant Housing and Use of Former Sites”



[http://www.mof.go.jp/singikai/shukusya\\_iten/siryou/20060329.html](http://www.mof.go.jp/singikai/shukusya_iten/siryou/20060329.html)



# Countermeasures for Conflicts of Interests



# “Pacific” Brand Strategy

We are working to spread and reinforce the “Pacific” brand within the luxury rental condominium market

1 We are building a brand beginning with introducing a logo with a refined image for Pacific Residence as a means to reinforce tenant leasing

Pacific Residence logo



Dedicated leasing site

<http://www.pacific-rent.com/>



2 We have begun providing various tenant services to improve tenant satisfaction

Resident guidebook

We provide residents with a special guidebook containing information on building use and management.



Guidebook



Dedicated resident website  
Resident support service  
24-hour management support service

We provide the following via a dedicated resident website

- Announcements from management company
- Inquiries from residents
- Service announcements for residents
- Downloading of various contracts etc.



The above describes services provided at some of the assets managed by NRIC. Although these services are not provided at all of our managed assets, NRIC intends to continue enhancing the measures and services we provide to our tenants hereafter.

# "Pacific" Brand Strategy

## 3 Provision of plans based on diversifying tenant needs

### Serviced apartments

- Contracts from a single month; Furnished
- Weekly room cleaning, linen exchange service



### Pet raising

- Comply with management regulations, then pets are allowed



### Concierge

- Bilingual staff carefully support the residents on a daily basis







### Lounge

- Provide residents with a generous space for their use



## 4 Introducing enhanced specifications and facilities based on an insistence for a quality building

Security		Environment	Comfort
<p><b>Security camera</b></p>  <p>These cameras are installed in the common areas and have a function that prevents alteration by recognizing obstructive acts on the camera itself. It records images for a set period of time.</p>	<p><b>Entry door</b></p>  <p>The entry doors use a crime key lock compliant with dimple keys that are hard to reproduce. In addition, crime prevention is heightened by using a double lock.</p>	<p><b>"Sick-house syndrome" countermeasures</b></p>  <p>Safe non-formaldehyde and low formaldehyde types are used for the finishing materials and paints. The plywood and particle board used in the closets also employ low formaldehyde types.</p>	<p><b>Bathroom heater/dryer</b></p>  <p>The bathroom is equipped with a heater/dryer that can be used to dry laundry on rainy days and to warm up the bathroom on cold winter days.</p>

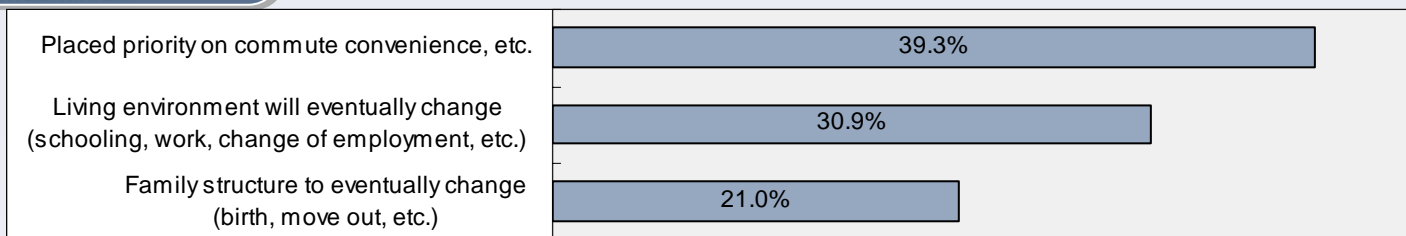
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# “Pacific” Brand Strategy

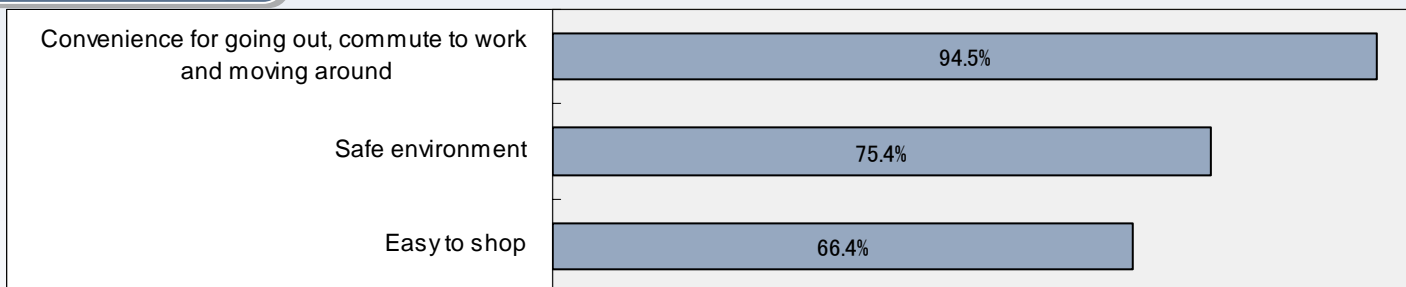
## 5 Improving tenant satisfaction – Grasping resident needs via a survey

NRIC conducted a survey on residents in ninety of the buildings we own (4,496 sent out, 615 valid responses). We provide an excerpt of the primary results below.

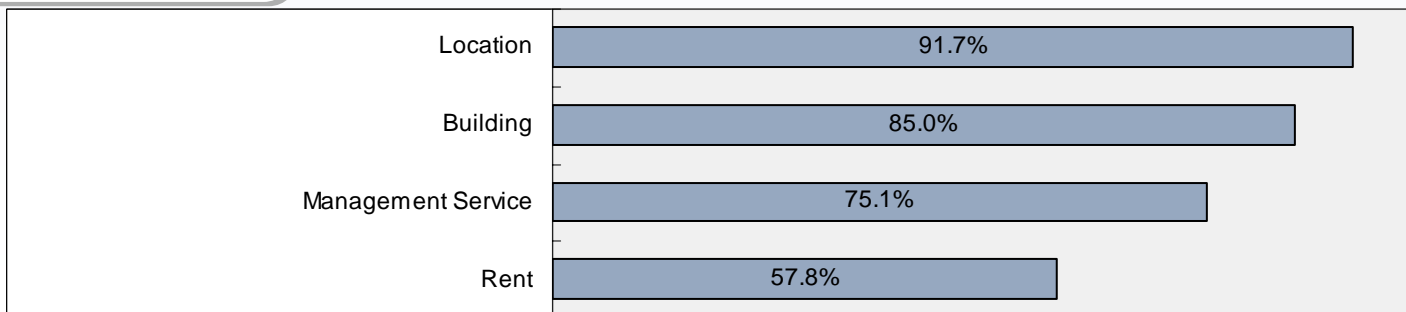
### Reason for selecting a rental condominium



### Points emphasized when moving in



### Satisfaction with present condominium



# Organizational Chart of Asset Management Company

## Number of Directors and Employees: 50 (as of end of July 2006)

Directors (including part-time)	6
Internal Auditor, Compliance and Risk Management Office	2
Investment Planning Department	12
Asset Management Department	11
Administrative Department	19

General Meeting of Shareholders

Auditor

Board of Directors

President and Representative Director

Investment Committee

Disclosure Committee

Internal Auditor

- Conducts internal audits based on the internal audit plan
- Prepares the internal audit report, and reports the internal audit results to the board of directors

Compliance and Risk Management Office

- Checks compliance with internal rules and regulations, etc.
- Checks compliance of overall work with laws, regulations, etc.
- Decides basic items concerning risk management
- Conducts management correlating to the establishment and execution of business plans

Investment Planning Department

- Planning and forming investment corporation
- Selection, evaluation and acquisition work for managed assets to be incorporated into the investment corporation
- Work related to the selling of managed assets owned by the investment corporation

Asset Management Department

- Asset management (AM) work (preparation of the asset management plan, PM work, selection, instruction and monitoring of managers; and grasping and confirming management conditions) related to individual managed assets owned by the investment corporation
- Work related to the overall operation and management of the investment corporation portfolio

Administrative Department

- Work related to the overall procurement of capital (issuing investment units and investment corporation bonds, borrowings) for the investment corporation
- Work related to the overall accounting of the investment corporation
- Work related to overall IR and disclosure of the investment corporation
- Work related to the administration and planning of the general meeting of unitholders and board of directors of the investment corporation
- Work related to the overall management of the asset manager

# Vision of Nippon Residential Investment Corporation

**Nippon Residential Investment Corporation** will provide **excellent financial products** and **excellent rental housing** to society **by administering rental housing** – a vital societal stock of Japan – with the utmost efficiency over the medium- to long-term.

**Tenant**

(people using = customer)

**Unitholders**

(people owning = investors)



NIPPON  
RESIDENTIAL  
INVESTMENT  
CORPORATION

## Demands of the Rental Housing Market

Rental housing with  
excellent specifications

Good management services

Trustworthy owner

Long building lifetimes

Satisfying diverse  
tenant needs

Brand strategy

## Demands of the Financial Markets

Excellent financial products

Stability

Liquidity

Growth  
potential

# Section III

## Reference Material

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**NIPPON  
RESIDENTIAL  
INVESTMENT  
CORPORATION**



**PACIFIC  
INVESTMENT  
ADVISORS  
CORPORATION**

# Portfolio Strategy:

## Characteristics of Core Assets and Sub-Core Assets

### Core Assets

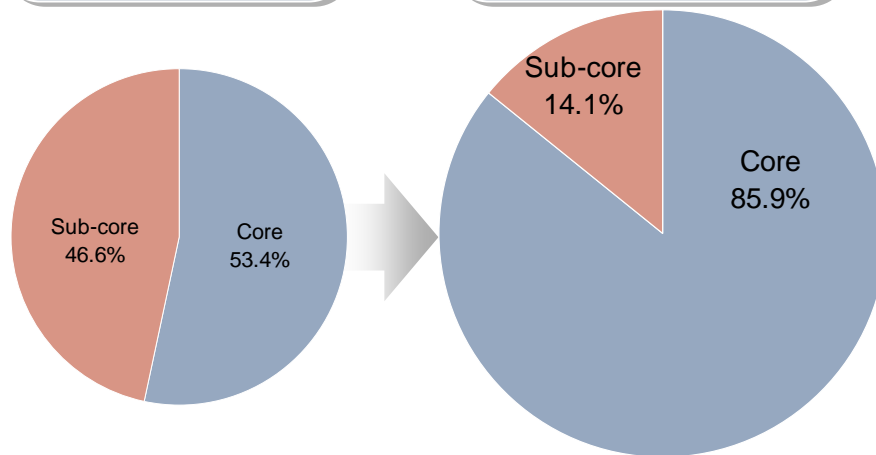
- Properties that can provide a particularly good living environment continually over the long-term
- Competitiveness in the rental housing market
- Long-term stability and growth potential
- Planned management from a longer-term perspective
- Promotion of the brand strategy

### Sub-core Assets

- Properties with relatively strong profitability and liquidity for which steady rental income can be expected over the medium- to long-term
- Secure revenue-earning opportunity through flexible, dynamic incorporation into the portfolio
- Secure liquidity in the real estate market
- Dynamic management in line with real estate market trends and asset value variations

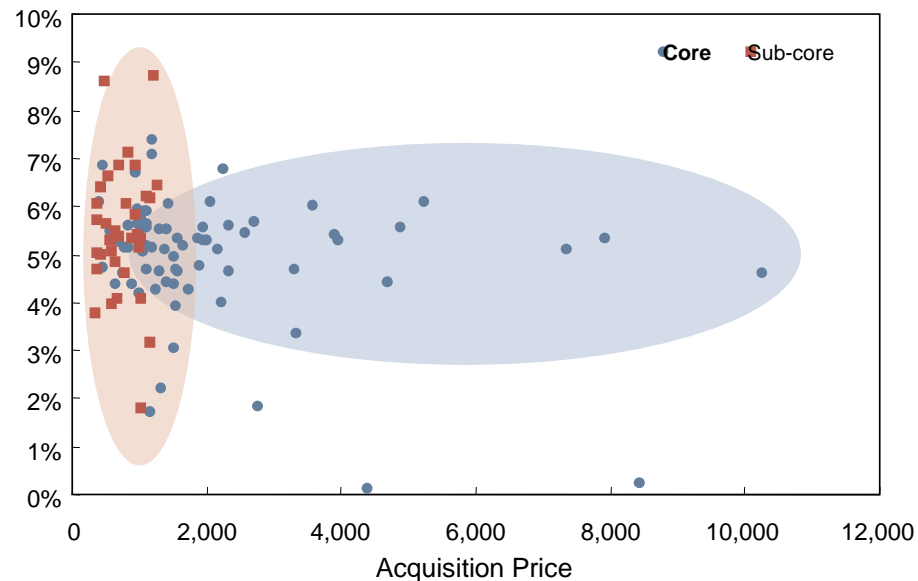
38 properties at time of IPO

109 properties owned at end of 5th fiscal period



(Note) The investment ratio is the percentage that the total acquisition prices of acquired assets belonging to a certain category comprise of the total acquisition prices for all acquired assets. Further, sold properties are classified as sub-core.

NOI yield during 5<sup>th</sup> fiscal period

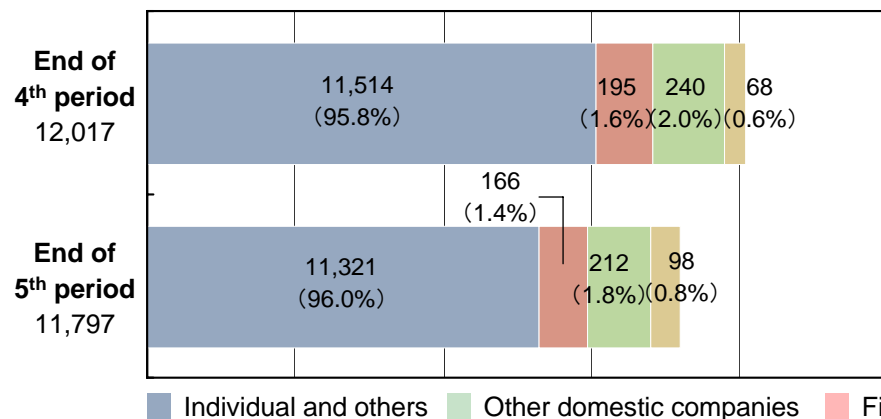




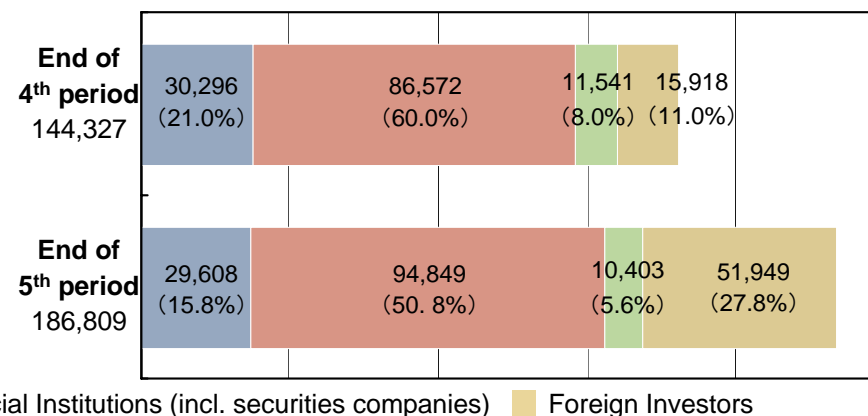
# Investment Units Conditions

## Possession of Investment Units

### Number of Investors



### Number of Units held by Investor Type



### Major Investors (As of May 31, 2006)

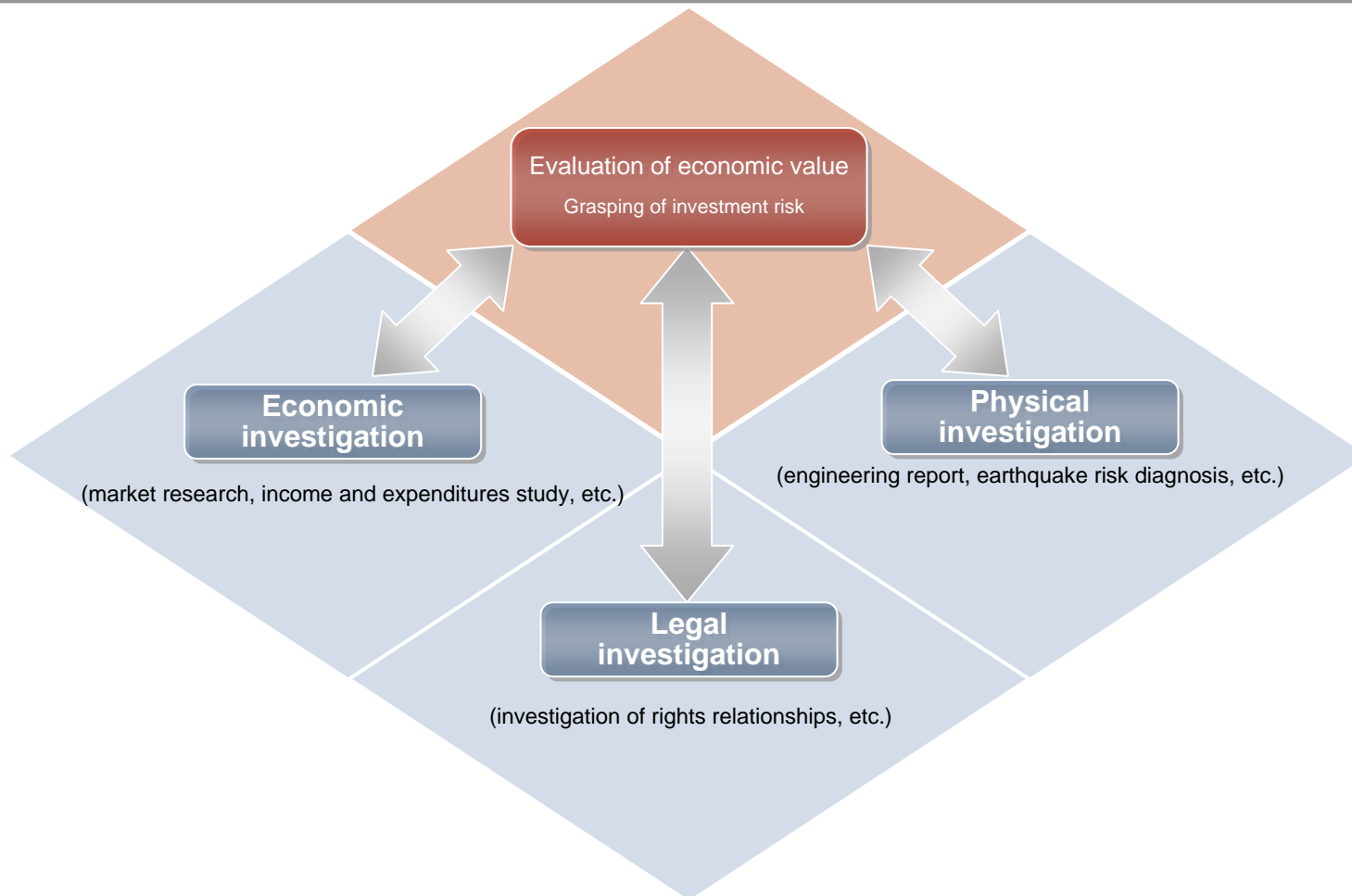
Rank	Investor	number of units
1	Japan Trustee Services Bank, Ltd. (Trust)	11,850
2	NikkoCiti Trust and Banking Corporation (Trust)	11,715
3	The Master Trust Bank of Japan, Ltd. (Trust)	6,752
4	Trust & Custody Services Bank, Ltd. (Securities Investment Trust)	5,701
5	CB LDN STANDARD LIFE ASSUARANCE COMPANY	4,523
6	STATE STREET BANK AND TRUST COMPANY	4,282
7	Aiden Corporation, Ltd.	4,127
8	National Mutual Insurance Federation of Agricultural Cooperatives	4,001
9	MORGAN STANLEY & CO. INC	3,989
10	The Bank of Ikeda, Ltd.	3,519

### (Reference) Major Investors (As of Nov. 30, 2005)

Rank	Investor
1	Japan Trustee Services Bank, Ltd. (Trust)
2	NikkoCiti Trust and Banking Corporation (Trust)
3	The Master Trust Bank of Japan, Ltd. (Trust)
4	Trust & Custody Services Bank, Ltd. (Securities Investment Trust)
5	Aiden Corporation, Ltd.
6	The Bank of Ikeda, Ltd.
7	Hokuto Bank, Ltd.
8	National Mutual Insurance Federation of Agricultural Cooperatives
9	Aozora Bank, Ltd.
10	North Pacific Bank, Ltd.

# Due Diligence

When selecting individual properties, NRIC makes investment decisions after discerning the economic value and risk of said property through the conducting of due diligence. The due diligence process investigates and studies the forecast revenues, future potential of the area in which it is located, building and facility specifications, earthquake resistance performance, rights relationships, building management conditions, environment and soil quality issues, etc. of the concerned property.



# Due Diligence Items of this REIT

## Physical Investigation: (Main investigators) Engineering firms, etc.

- Building condition investigation ····(1) Structure, facilities, specifications, etc. (2) Legal compliance (Building Standards Law, Fire Service Law, etc.) (3) Maintenance and management conditions (4) Need for urgent repairs (5) Presence of toxic substances (6) Land use history
- Earthquake risk diagnosis ··· (1) Ground and soil quality (2) Earthquake resistance of building (3) Danger of fire occurring (4) Danger of collision with neighboring buildings
- Soil and environment investigation ····(1) Soil pollution (2) Groundwater contamination (3) Regulations concerning soil pollution countermeasures (yes/no)

## Legal Investigation: (Main investigators) Lawyers, etc.

- (1) Rights related to ownership, mortgages, etc. (2) Lease agreement related (3) Boundary related (boundary confirmation status, encroachment on boundaries, etc.) (5) Dispute related (6) Resident tenant attributes (7) Late payment conditions

## Economic Investigation: (Main investigators) Appraisal agencies, etc.

- Market research ······(1) Appraised value (2) Economic trends (3) Land price trends (4) Demand, supply and competition in surrounding housing market
- Income and expenditures study ······(1) Rental business income and expenditures such as rents, vacancy rate, management costs, etc. (2) Return on revenues

# Description of Pacific Management Corporation

## Company Overview

Representative	President and Representative Director Masaru Takatsuka
Listed Exchange	First tier, Tokyo Stock Exchange
Code No.	8902

## Consolidated Financial Statements Overview (year ended November 2005)

### Management Performance

Sales	72,743 million yen
Ordinary Income	8,466 million yen
Net Income	4,546 million yen

### Financial Status (as of end of November 2005)

Total Assets	135,707 million yen
Shareholders' Equity	27,679 million yen
Shareholders' Equity to Total Assets	20.4%

## Business Domain

### Related to Investors

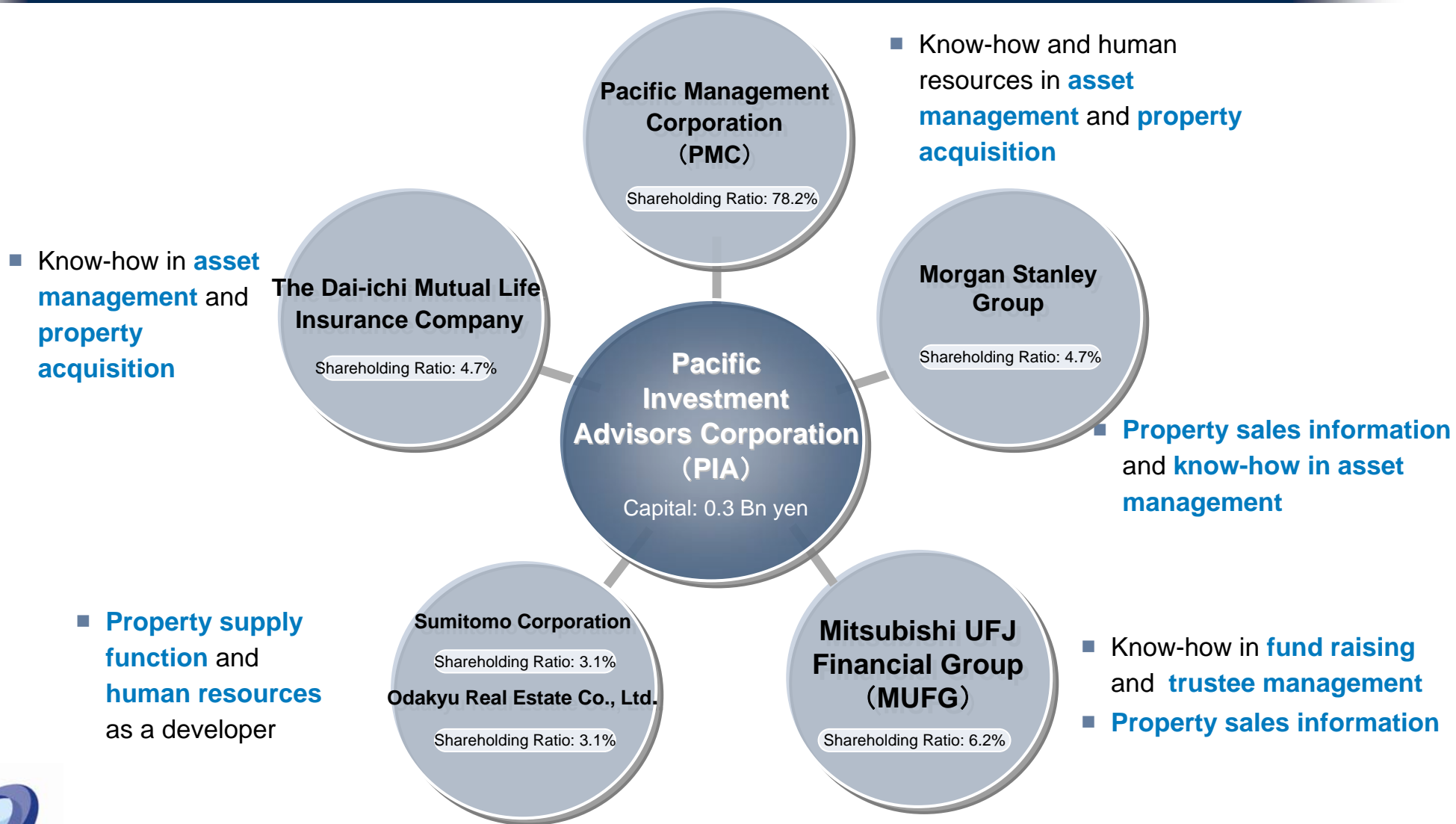
- Formation and management of real estate funds (provision of asset management opportunities)
- Due diligence (investment decisions)
- Non-recourse loans (procurement of investment funds)
- Asset management
  - Prompt and diverse management is possible through national cooperating company network

### Related to Originators (real estate owners)

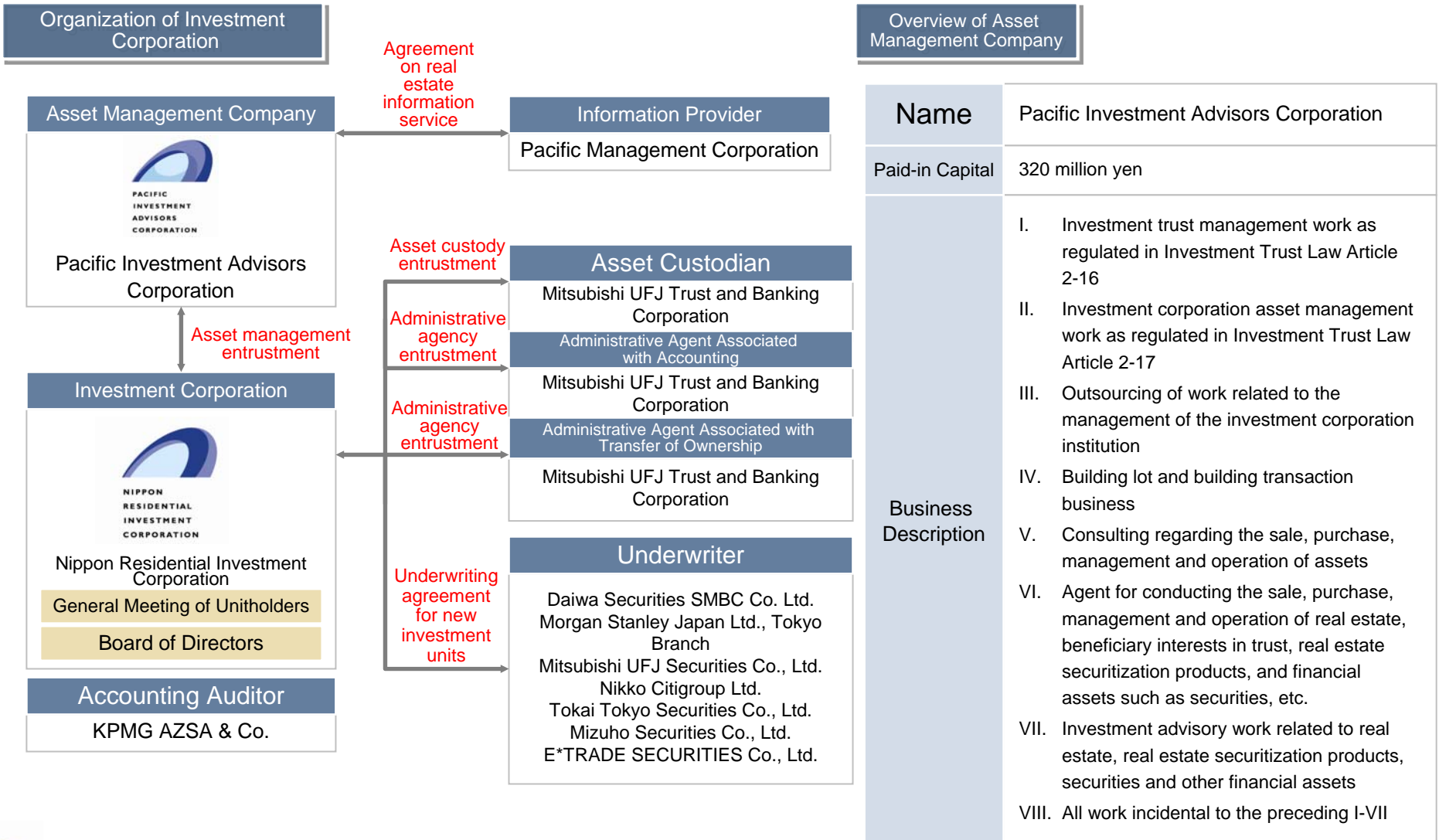
- Asset reorganization advisor

# Profile of Pacific Investment Advisors Corp.

Sponsored by Pacific Management Corporation and Other Companies



# Overview of Investment Corporation/Asset Management Company



# Properties Roster

109 Properties owned at the end of 5<sup>th</sup> fiscal period

Asset Number	Asset Type	Area	Property Name	Acquisition Price (million yen)	Rentable Units	Asset Number	Asset Type	Area	Property Name	Acquisition Price (million yen)	Rentable Units
S-1	Core1	Tokyo 23 Wards	Pacific Livew Shinkawa	2,050	83	S-46	Sub-core	Tokyo 23 Wards	ZESTY KOMAZAWADAIGAKU	393	18
S-2	Core1	Tokyo Central 5 Wards	Pacific Livew Shiba Daimon	1,900	63	S-47	Sub-core	Tokyo Central 5 Wards	ZESTY YOYOGI	377	16
S-3	Sub-core	Tokyo Central 5 Wards	Glenpark Sangubashi	1,040	27	S-48	Sub-core	Tokyo Central 5 Wards	ZESTY NISHISHINJUKU	436	19
S-4	Sub-core	Tokyo Central 5 Wards	Fresca Yoyogiuehara II	524	17	S-49	Sub-core	Tokyo 23 Wards	ZESTY KYODO	344	15
S-5	Sub-core	Tokyo Central 5 Wards	Leopalace Udagawacho Mansion	569	30	S-50	Core1	Major Regional Cities	Pacific Livew Utsubokoan	1,200	94
S-7	Sub-core	Tokyo 23 Wards	Escort Kami-Ikebukuro	644	44	S-51	Core1	Tokyo 23 Wards	Pacific Residence Tsukishima I	1,176	40
S-8	Core1	Tokyo 23 Wards	Pacific Residence Shin-Nakano	448	24	S-52	Core2	Tokyo 23 Wards	CYNTHIA Oimachi	1,100	48
S-9	Sub-core	Tokyo Metropolitan Area	Dormitory Haramachida	490	73	S-56	Core2	Tokyo Central 5 Wards	LUKE	1,530	34
S-10	Sub-core	Tokyo Metropolitan Area	J Stage Minami-Urawa	700	63	C-1	Core1	Tokyo 23 Wards	Pacific Residence Bunkyoootowa	3,590	104
S-13	Sub-core	Major Regional Cities	Yoshizuka AG Building No.6 and No.7	428	86	C-2	Core1	Tokyo 23 Wards	Pacific Residence Sengoku	760	33
S-14	Core1	Tokyo 23 Wards	Pacific Livew Shirokanedai	1,250	32	C-3	Core1	Tokyo Central 5 Wards	Pacific Livew Jiyugaoka	1,080	28
S-15	Core2	Major Regional Cities	Grand Blue Hakata	1,582	155	C-4	Core1	Tokyo 23 Wards	Pacific Residence Yushima	1,110	39
S-16	Sub-core	Tokyo 23 Wards	J Stage Honancho	952	91	C-6	Sub-core	Tokyo 23 Wards	ZESTY Ikegami Building A and Building B	381	19
S-17	Core2	Tokyo 23 Wards	Park Habio Kyobashi	2,725	63	C-8	Core1	Tokyo Metropolitan Area	Pacific Livew Hachioji	700	40
S-18	Core1	Major Regional Cities	Pacific Livew Tenjinbashi	970	78	C-9	Sub-core	Major Regional Cities	Grand Heights Hibino	1,230	124
S-19	Core1	Tokyo 23 Wards	Pacific Residence Yushimasanchome	1,020	63	C-10	Core1	Major Regional Cities	Pacific Residence Koyocho	454	40
S-20	Core1	Tokyo Central 5 Wards	Pacific Residence Shinjuku East	1,397	54	C-11	Core1	Tokyo Central 5 Wards	Pacific Livew Nagatacho	1,000	23
S-21	Core1	Tokyo Central 5 Wards	Pacific Livew Shinjuku Higashi	854	48	C-12	Core1	Tokyo Central 5 Wards	Pacific Residence Suidobashi	2,330	65
S-22	Core1	Tokyo Central 5 Wards	Pacific Residence Kandaiwamotocho	1,657	65	C-13	Core1	Tokyo Central 5 Wards	PT Nogizaka	3,900	68
S-23	Core2	Major Regional Cities	Umeda Excelheights	5,250	414	C-14	Core1	Tokyo Central 5 Wards	Pacific Residence Akasaka I	1,300	37
S-24	Core1	Tokyo 23 Wards	Pacific Residence Tsukiji	1,320	54	C-15	Core2	Tokyo Central 5 Wards	Apartments Nishi-Azabu	7,920	125
S-25	Core1	Tokyo 23 Wards	Pacific Residence Sasaduka	1,950	96	C-16	Core1	Major Regional Cities	Pacific Residence Tenjinminami	1,200	56
S-26	Core1	Tokyo Central 5 Wards	Pacific Residence Minamiazabu	1,060	37	C-17	Core1	Major Regional Cities	Pacific Livew Hakataeki-Minami	420	39
S-27	Core1	Tokyo Central 5 Wards	Pacific Residence Ebisu Higashi	660	26	C-18	Core1	Tokyo 23 Wards	Pacific Residence Ningyocho	572	25
S-28	Core1	Tokyo 23 Wards	Pacific Residence Meguronishi	800	20	C-19	Core1	Tokyo Central 5 Wards	Pacific Residence Daikanyama	2,180	42
S-29	Core1	Tokyo Central 5 Wards	Pacific Residence Hiroo 3chome	850	29	C-20	Core1	Tokyo Central 5 Wards	Pacific Residence Ichigaya	2,580	85
S-30	Core1	Tokyo Central 5 Wards	Pacific Residence Akasaka II	1,567	37	C-21	Core1	Tokyo Metropolitan Area	Pacific Residence Kichijoji	1,445	48
S-31	Core1	Tokyo 23 Wards	Pacific Livew Kyobashi	1,401	52	C-22	Core1	Tokyo 23 Wards	Pacific Residence BunkyoSengoku	1,557	45
S-32	Core1	Major Regional Cities	Pacific Residence Sannomiyahigashi	2,247	161	C-23	Core1	Tokyo Central 5 Wards	Pacific Residence Akasaka Hinokicho	4,710	87
S-33	Core1	Tokyo 23 Wards	Pacific Livew Tamagawa	1,514	98	C-24	Core1	Tokyo Central 5 Wards	Pacific Residence Takanawa	1,550	31
S-34	Sub-core	Tokyo 23 Wards	Maison Korakuen	710	31	C-26	Core2	Tokyo 23 Wards	Storia SANGEN-JAYA	3,311	78
S-35	Core1	Tokyo 23 Wards	Pacific Livew Ginzahigashi	2,348	94	C-27	Core1	Tokyo 23 Wards	Pacific Livew Chojamaru	3,338	71
S-36	Sub-core	Tokyo 23 Wards	Relation Oji	1,027	61	C-28	Sub-core	Tokyo Central 5 Wards	L'air Minami Aoyama	1,030	13
S-37	Sub-core	Tokyo Metropolitan Area	No. 6 Zelkova Mansion	609	33	C-29	Core2	Major Regional Cities	Mare	963	38
S-38	Core1	Tokyo 23 Wards	Pacific Livew Wasedanishi	1,100	63	C-30	Core1	Tokyo Central 5 Wards	Pacific Livew Kandahigashi	1,880	64
S-39	Sub-core	Major Regional Cities	KC21 Building	1,167	79	C-31	Sub-core	Major Regional Cities	Melody Heim Shin-Osaka	956	70
S-40	Core1	Tokyo Central 5 Wards	Pacific Livew Hiroo	1,741	76	C-32	Sub-core	Major Regional Cities	Melody Heim Matsubara	643	53
S-41	Sub-core	Tokyo Metropolitan Area	Cosmo Nishi-Funabashi II	799	70	C-33	Core1	Tokyo 23 Wards	Pacific Livew Iriya	1,190	49
S-42	Core1	Tokyo Metropolitan Area	Pacific Livew Yokohama Kannai	1,950	102	C-34	Core1	Tokyo Central 5 Wards	Pacific Residence Shinkawa	1,570	31
S-43	Sub-core	Tokyo 23 Wards	K2	393	22	F-1	Core1	Tokyo Central 5 Wards	Pacific Residence Sakuragaoka	3,960	66
S-44	Sub-core	Tokyo Metropolitan Area	FLATS OKURAYAMA	895	64	F-2	Core1	Tokyo Central 5 Wards	Pacific Residence Mejiro Otomeyama	1,100	19
S-45	Core2	Tokyo Central 5 Wards	Pianeta Shiodome	2,782	67	F-3	Core1	Tokyo 23 Wards	Pacific Residence Shinkawa	1,420	36

# Properties Roster

## 109 Properties owned at the end of 5<sup>th</sup> fiscal period

Asset Number	Asset Type	Area	Property Name	Acquisition Price (million yen)	Rentable Units
F-4	Sub-core	Tokyo 23 Wards	Setagaya Sun Heights	982	38
F-5	Sub-core	Tokyo 23 Wards	Ars Shin-Otsuka	1,117	31
F-8	Sub-core	Tokyo Metropolitan Area	Maison Kashiwa	840	56
F-9	Sub-core	Major Regional Cities	Sky Heights Hirabari	554	36
F-10	Core1	Tokyo 23 Wards	Pacific Residence Mejiro	7,350	162
F-11	Core1	Tokyo Central 5 Wards	Pacific Residence Shibaura	4,900	154
F-12	Core1	Major Regional Cities	Pacific Residence Shirakabehigashi	1,070	33
F-13	Core1	Major Regional Cities	Pacific Residence Sakaihigashi	890	50
F-14	Sub-core	Tokyo Metropolitan Area	Maison Yachiyodai	1,281	39
F-15	Sub-core	Tokyo 23 Wards	Abreast Kasai	807	29
F-16	Core1	Major Regional Cities	Pacific Residence Uzumasa	958	48
F-17	Core1	Major Regional Cities	Pacific Residence Izumi	4,400	122
L-1	Sub-core	Tokyo 23 Wards	Manoa Okamoto	590	12
L-2	Core2	Tokyo Central 5 Wards	Bellwood	1,530	6
L-3	Core2	Tokyo Central 5 Wards	Grand Forme Ichigaya Haraikatamachi	970	6
L-4	Sub-core	Tokyo Central 5 Wards	Meguro Hillside Court	1,000	18
L-5	Sub-core	Tokyo 23 Wards	Petit Cour Kinuta	684	11
L-7	Core2	Tokyo Central 5 Wards	Motoazabu Pacific Livewace	10,270	41
L-8	Core1	Tokyo Central 5 Wards	PT Roppongi	8,456	83
L-9	Core1	Tokyo Central 5 Wards	Pacific Residence Kamimeguro	1,000	16
L-10	Core1	Tokyo Central 5 Wards	Pacific Residence Yoyogikoen	1,310	6
L-11	Core2	Tokyo Central 5 Wards	Windsor House Hiroo	2,000	12
L-12	Sub-core	Tokyo Central 5 Wards	SOHO Kita Aoyama	1,160	10
L-13	Core1	Tokyo 23 Wards	Pacific Residence Ohi	1,120	22
L-14	Core2	Tokyo Central 5 Wards	Root Azabu Jyuban	2,220	26
TTL				182,693	6,087

## Properties to be acquired during 6<sup>th</sup> period and onwards

Asset Number	Asset Type	Area	Property Name	Acquisition Price (million yen)	Rentable Units
S-54	Core1	Tokyo Central 5 Wards	Pacific Residence Kamiochiai	1,310	75(plan)
S-55	Core1	Tokyo 23 Wards	Pacific Residence Higashishinagawa	2,317	122(plan)
S-57	Core1	Tokyo Central 5 Wards	Pacific Residence Toranomom	1,484	63(plan)
C-25	Core1	Tokyo 23 Wards	Pacific Tower Meguroyamate	14,507	356(plan)
F-18	Core1	Tokyo 23 Wards	Pacific Residence Nihonbashi-Bakurocho	5,380	132(plan)
TTL				24,999	748(plan)





# Borrowings

## (short term and long term repayable within 1 year)

Classification		Balance at previous period end (thousand)	Increase in current period (thousand yen)	Decrease in current period (thousand yen)	Balance as of report date (thousand yen)	Average interest rate (note1)	Repayment date	Purpose	Remarks
Lender									
Short term loan	Mitsubishi UFJ Trust and Banking Corporation	—	—	—	2,100,000	0.55636%	2006/8/11	(note4)	Unsecured Non-guaranteed
	The Sumitomo Trust & Banking Co., Ltd.	—	—	—	2,100,000				
	Mizuho Corporate Bank, Ltd.	—	—	—	1,200,000				
	AOZORA BANK, LTD.	—	—	—	600,000				
	The Chiba Bank Limited	—	—	—	1,625,000	0.55636%	2006/9/1	(note5)	
	THE BANK OF FUKUOKA, LTD.	—	—	—	1,625,000				
	SUMITOMO MITSUI BANKING CORPORATION	—	—	—	4,000,000	0.55636%	2006/6/30	(note6)	
	subtotal	22,430,000 (note3)	—	9,180,000 (note3)	13,250,000				
Long term loan (repayable within one year)	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,250,000	—	—	3,250,000	0.55636%	2006/11/30	(note7)	Secured Non-guaranteed
	The Chuo Mitsui Trust and Banking Company, Limited	1,550,000	—	—	1,550,000				
	Mitsubishi UFJ Trust and Banking Corporation	1,200,000	—	—	1,200,000				
	The Sumitomo Trust & Banking Co., Ltd.	1,250,000	—	—	1,250,000				
	RESONA BANK, LTD.	1,200,000	—	—	1,200,000				
	AOZORA BANK, LTD.	800,000	—	—	800,000				
	The Norinchukin Bank	1,250,000	—	—	1,250,000				
	THE SHIZUOKA BANK, LTD.	500,000	—	—	500,000				
	The Chiba Bank Limited	500,000	—	—	500,000				
	subtotal	11,500,000	—	—	11,500,000				
Total	33,930,000			24,750,000					

# Borrowing (Long Term Borrowing)

Classification		Balance at previous period end (thousand)	Increase in current period (thousand yen)	Decrease in current period (thousand yen)	Balance as of report date (thousand yen)	Average interest rate (note1)	Repayment date	Purpose	Remarks	
Lender										
Long term loan	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,800,000	—	—	3,800,000	1.42673% (note2)	2009/2/28	(note6)	Secured Non-guaranteed	
	The Chuo Mitsui Trust and Banking Company, Limited	1,550,000	—	—	1,550,000					
	Mitsubishi UFJ Trust and Banking Corporation	1,300,000	—	—	1,300,000					
	The Sumitomo Trust & Banking Co., Ltd.	1,300,000	—	—	1,300,000					
	RESONA BANK,LTD.	1,300,000	—	—	1,300,000					
	AOZORA BANK, LTD.	750,000	—	—	750,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,250,000	—	—	3,250,000	1.33125% (note2)	2009/11/30	(note7)	Secured Non-guaranteed	
	The Chuo Mitsui Trust and Banking Company, Limited	1,550,000	—	—	1,550,000					
	Mitsubishi UFJ Trust and Banking Corporation	1,200,000	—	—	1,200,000					
	The Sumitomo Trust & Banking Co., Ltd.	1,250,000	—	—	1,250,000					
	RESONA BANK,LTD.	1,200,000	—	—	1,200,000					
	AOZORA BANK, LTD.	800,000	—	—	800,000					
	The Norinchukin Bank	1,250,000	—	—	1,250,000					
	THE SHIZUOKA BANK, LTD.	500,000	—	—	500,000					
	The Chiba Bank Limited	500,000	—	—	500,000					
		subtotal	21,500,000	—	—	21,500,000				
		Total	55,430,000			46,250,000				

(Note 1) The average interest is displayed after the loan interest of each loan agreement (weighted average of end-of-period balance) is rounded to five decimal places.

(Note 2) The weighted average interest rate that considers the interest swap effect is displayed for loans for which interest swap transactions were conducted with the objective of avoiding interest fluctuation risks.

(Note 3) The 9,180 million yen in short-term loans borrowed prior to the end of the last fiscal period have been repaid before maturation by the end of this fiscal period.

(Note 4) Used for funds to purchase real estate in trust.

(Note 5) Used for funds to purchase real estate, real estate leasehold rights and real estate in trust.

(Note 6) Used for funds to purchase real estate and real estate in trust.

(Note 7) Used for funds to purchase real estate and real estate in trust, and for funds to repay short-term loans.

(Note 8) The following represents the scheduled repayment amounts for each year within the next five years calculated from the end of this fiscal period for long-term loans (excluding that due within 1 year or less).

	within 2 years	within 3 years	within 4 years	within 5 years
Long-term loan	—	10,000,000(thousand yen)	11,500,000(thousand yen)	—

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