



Nippon Residential Investment Corp.

Semiannual Report 9th Fiscal Period From December 1, 2007 to May 31, 2008



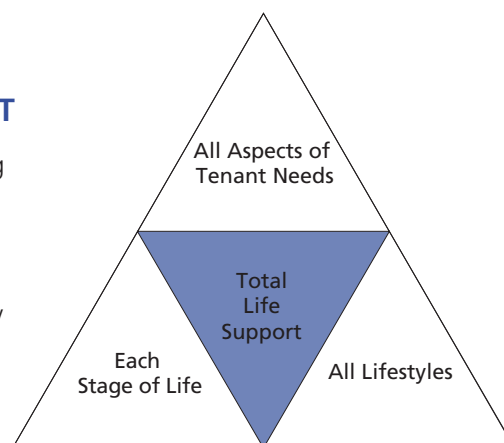
NIPPON
RESIDENTIAL
INVESTMENT
CORPORATION

Nippon Residential Investment Corp.

The Comprehensive Residential Property REIT

NRIC is a comprehensive residential property REIT offering “Total Life Support” in superior quality rental housing properties.

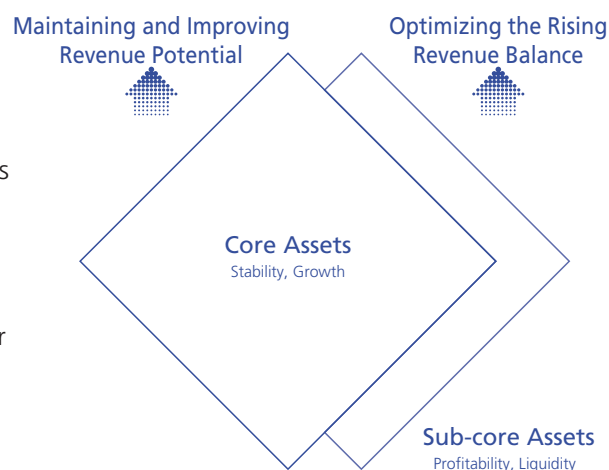
Our properties offer living environments and services covering all aspects of tenant needs and that are uniquely catered to each tenant’s stage of life and lifestyle.



Asset Classification

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



Japan’s First Residential J-REIT Listed on TSE

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

■ Largest Asset Property Holdings of All J-REITs

With 139 properties and 9,344 rentable units (as of the end of May 2008), 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 A2 (Stable) from Moody’s Investors Service Inc. and A+ (Stable) from R & I.

■ Close Cooperation with Pacific Holdings Inc.

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.

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To Our Unitholders

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

Since listing, NRIC has been dedicated to securing stable earnings, as well as engaging in judicious investments into highly competitive rental housing in the rental housing market. Consequently, the asset size of our entire portfolio expanded to 139 properties worth ¥303.5 billion (sum of acquisition prices) by the end of the ninth fiscal period. This means NRIC boasts the largest portfolio size among J-REITs specializing in residential properties. Our efforts were certainly not limited to increasing size. We were also committed to maintaining and enhancing the quality of our portfolio, and were able to secure revenue growth and stability.

From a financial perspective, the US subprime mortgage crisis has still been effecting the stock and financial market; however, NRIC will continue to work to diversify fund procurement methods and sources.

The financial statements, asset management report and statements on cash distributions, as well as accompanying schedules, concerning our performance for the ninth fiscal period (December 1, 2007 to May 31, 2008) were approved at a meeting of NRIC's board of directors held on July 23, 2008. Below is an overview of our management and details of our financial results.

In the ninth fiscal period, NRIC recorded operating revenues of ¥9,316 million, ordinary profit of ¥3,603 million and net income of ¥3,602 million. Based on these results, we have set the cash distributions as ¥14,577 per investment unit.

NRIC will continue to provide superior rental housing and management services, and conduct management with the aim of securing steady growth of our assets under management and stable revenues in the medium to long term.

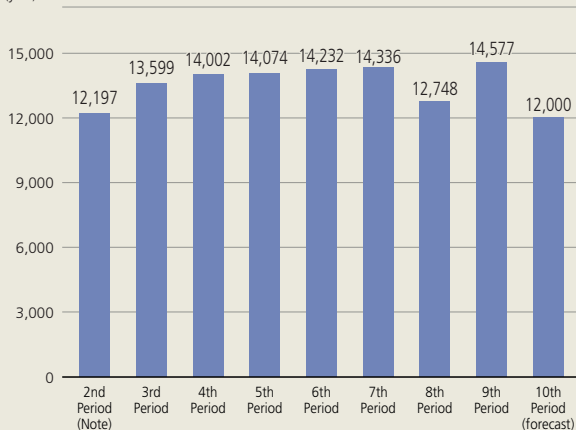
We look forward to your continued support and encouragement.



M. Nishimura

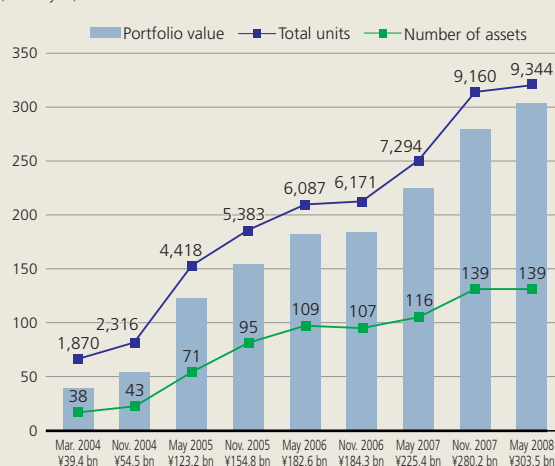
Masaru Nishimura
Chief Executive Officer
Nippon Residential Investment Corporation

Distribution per Unit
(yen)



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

Portfolio Growth
(billion yen)



Report of Activities in the 9th Fiscal Period

Building a Stable Revenue Base

Since listing in March 2004, NRIC has focused on building our asset management performance centering on efforts aimed at “stable growth in asset management revenues, and maintaining and enhancing asset value.” The following outlines the concrete measures NRIC implemented during the ninth fiscal period.

Takeshi Takano

President and Chairman of the Board
Pacific Residential Corporation



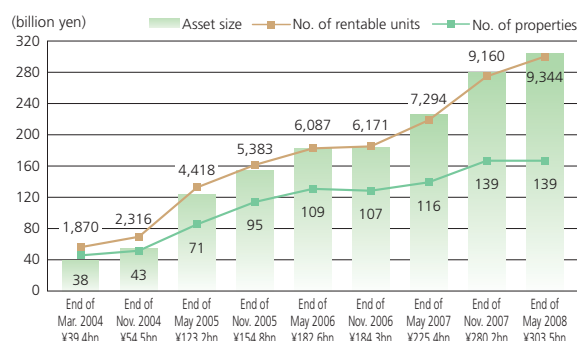
External Growth – Portfolio and Quality Enhancement

Constructing a High-Quality Residential Portfolio through Judicious Investment in Highly-Competitive, Superior Properties

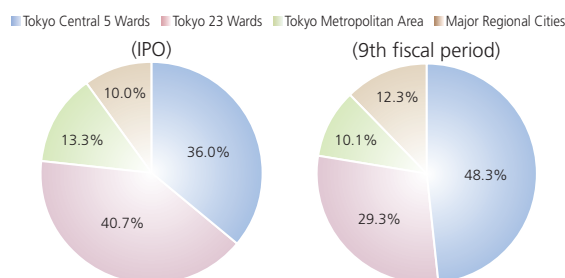
NRIC established goals to ensure steady revenue growth, secure stable revenue inflow through asset diversification, and reduce operating and management costs to a minimum level by making use of economies of scale. To realize these goals, NRIC consistently conducts judicious investment into highly competitive, superior properties in downtown Tokyo, particularly the area known as the Tokyo Central 5 Wards.

NRIC newly acquired two properties during the ninth fiscal period. In addition, NRIC has been replacing assets as a measure to enhance the quality of the portfolio by selling assets since the third fiscal period. Based on this measure, NRIC sold two properties during the ninth fiscal period. These initiatives resulted in a portfolio of 139 properties amounting to ¥303.5 billion (sum of acquisition prices) at the end of the ninth fiscal period. Consequently, NRIC has managed to build a portfolio with the largest size and highest value as a J-REIT specializing in residential properties, and to form a basis for future stable management over the medium and long term.

Portfolio Growth



Investment Composition by Region (acquisition price basis)



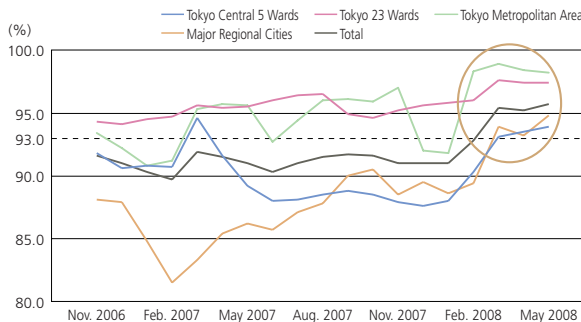
Internal Growth – Utilizing the Portfolio Network

Achieving Record-High Occupancy Rates

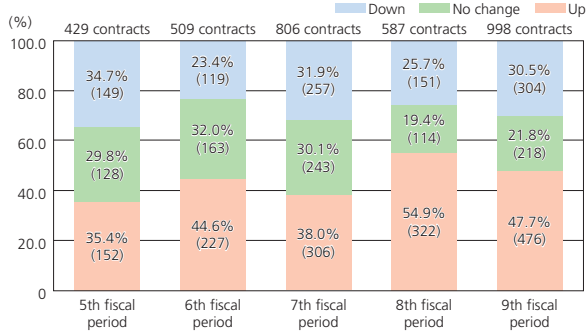
NRIC has been focused on leasing activities, which is of utmost importance in the pursuit of internal growth, through the establishment of fourteen zones by further dividing each of the four areas NRIC has classified (Tokyo Central 5 Wards, Tokyo 23 Wards (excluding Tokyo Central 5 Wards), Tokyo Metropolitan Area and Major Regional Cities) as well as the downtown Tokyo area where properties are concentrated into smaller areas. NRIC has been promoting reductions in downtime by developing the most appropriate leasing strategy for every area and zone based on a thorough assessment of the geographical and property characteristics as well as market trends. As a result, in the ninth fiscal period, the entire portfolio's average occupancy rate during the fiscal period reached 93.5%, which is the highest occupancy rate NRIC has recorded since listing. The occupancy rate for the Tokyo 23 Wards, which accounts for about 80% of NRIC's portfolio (based on acquisition price), was 93.7% and the occupancy rate for the Tokyo Metropolitan Area and Major Regional Cities, which account for the remaining 20% or so of the portfolio, was 93.2%. NRIC achieved high occupancy rates in each of the areas in this manner and these contributed to enhancing revenue (average occupancy rate of the entire portfolio as of the end of the ninth fiscal period was 95.7%).

Concerning rent trends, of the entire portfolio's 998 new contracts (contracts with previous contracts, but excluding contracts for stores, offices, etc. and properties purchased during the ninth fiscal period), we raised rent on 476 contracts, or 47.7% of the contracts. Similarly, of the 1,110 renewal contracts (excluding contracts for stores, offices, etc.), we improved the rent on 250 contracts, or 22.5% of the contracts.

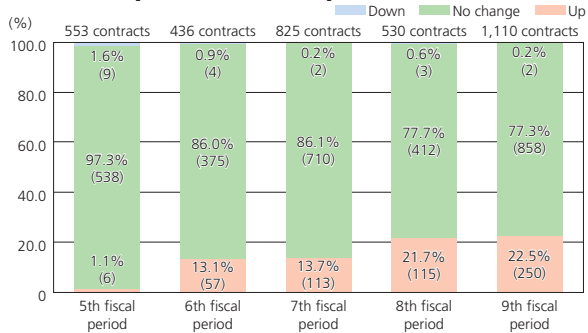
Changes in Occupancy Rate



Rent Trends [New Contracts]



Rent Trends [Renewal Contracts]



Optimal Property Management

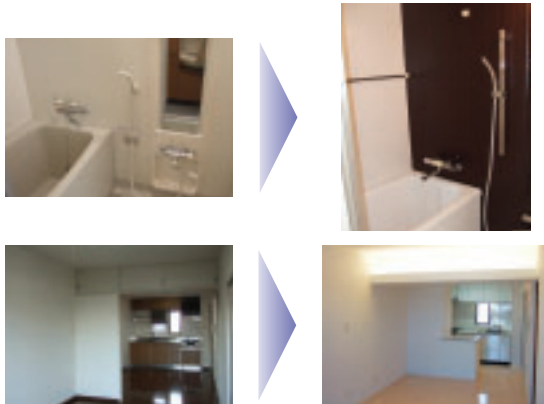
For the administration and management of portfolio assets, NRIC selects the best company to outsource property management services (hereafter, the property management company) by taking into account their experience and performance, as well as how high their ability is to solicit new tenants and how specialized they are in the concerned area and the rest of the real estate market.

In view of capturing new demand in correlation with the opening of the Tokyo Metro Fukutoshin Line, NRIC boosted the value of Pacific Residence Mejiro by changing the specifications and design of the common-use portion to one that fosters a sense of superior quality. NRIC also boosted the value of the private-use portion of Pacific Residence Kichijoji

F-10 Pacific Residence Mejiro



C-21 Pacific Residence Kichijoji

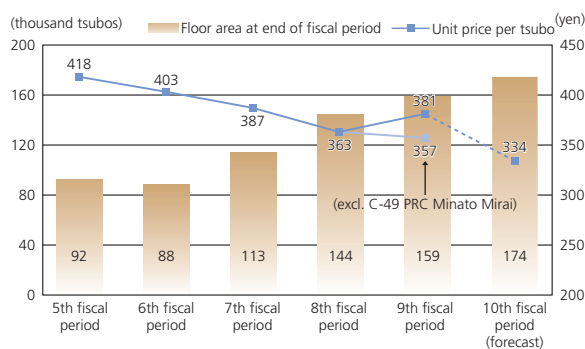


from the perspective of maintaining and enhancing property competitiveness and raising tenant satisfaction.

Moreover, in collaboration with the property management company, NRIC has also focused on cost reductions derived from consolidating building management companies to make full use of economies of scale in the portfolio. Consequently, NRIC anticipates reductions of about ¥3 million in total for the ninth fiscal period, and about ¥36 million in total per fiscal period for the tenth fiscal period and subsequent fiscal periods (about ¥6 million per month).

As the changes shown in the graph below illustrate, the unit cost per tsubo for building management fees has been gradually declining across the fiscal periods.

Changes in Building Management Fees Based on Unit Price per Tsubo



Maintaining High Property Management Levels

NRIC regularly evaluates the performance and credibility of property management companies to which rental management and property management of portfolio assets are outsourced. Additionally, NRIC changes property management companies depending on those evaluation results. During the ninth fiscal period as well, the property management company was changed for sixteen properties. By changing property management companies, NRIC sustains management of portfolio assets at constantly high levels.

Flexible Financial Strategy

Well-balanced Fund Procurement

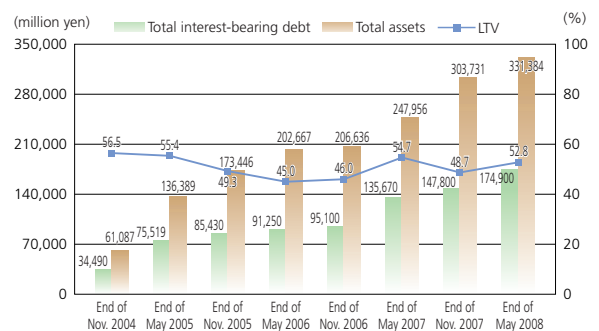
In procuring funds, we have been taking measures focused on achieving a balance between “maintaining a healthy debt ratio,” “minimizing fund procurement costs” and “preserving financial stability.”

Maintaining a Healthy Debt Ratio

NRIC primarily conducts fund procurement through loans focused on liquidity to acquire properties during the fiscal period. During the ninth fiscal period, NRIC procured funds by taking out an aggregate amount of ¥28,080 million in loans (of which, ¥1,980 million was repaid before the maturity date during the fiscal period) to fund the acquisition of Pacific Royal Court Minato Mirai Ocean Tower and Park Tower Shibaura Bayward Urban Wing.

As a result of these funds, the LTV (Loan to Value = Interest-bearing debt ÷ Total assets) was 52.8% at the end of the ninth fiscal period.

Change in LTV

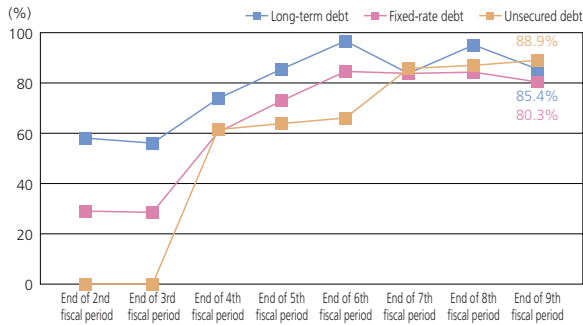


Financial Stability

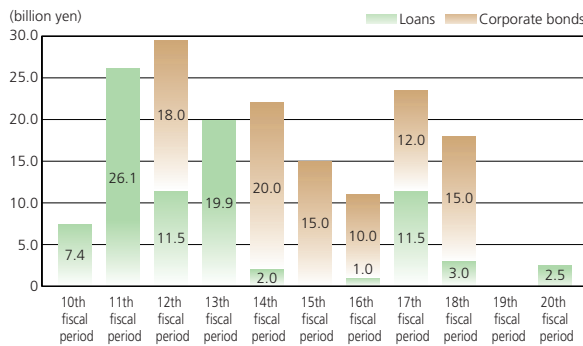
In anticipation of rising interest rates, NRIC has been dedicated to building a stable financial foundation through ongoing efforts to promote long-term interest-bearing debt accounts and loans that have fixed interest rates. As a result, the ratio of interest-bearing debt that is long term was 85.4% and the ratio of loans with fixed interest rates was 80.3% at the end of the ninth fiscal period.

Moreover, NRIC has been working to diversify fund procurement sources. At the end of the ninth fiscal period, the number of financial institutions lending to NRIC (financial institutions with which NRIC has an outstanding loan balance) was 21 financial institutions.

Trend in Fiscal Indicators Related to Interest-bearing Debt



Dispersion of Maturity Date

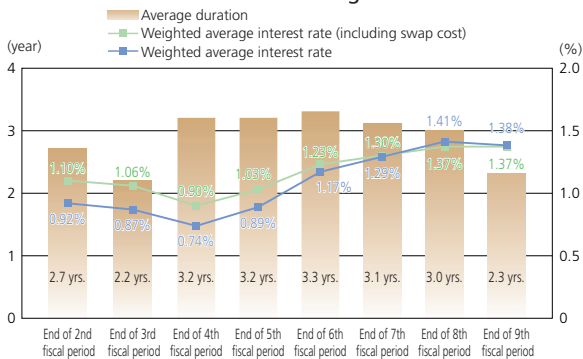


Minimizing Fund Procurement Costs

NRIC has been striving to hedge the risk of rising interest rates by proactively making use of derivatives. Such efforts have enabled NRIC to minimize loan interest rates while averting the impact of market interest rates.

Furthermore, going forward, NRIC will minimize fund procurement costs while closely monitoring market interest rate trends.

Trends in Interest Rates and Average Duration of Loans



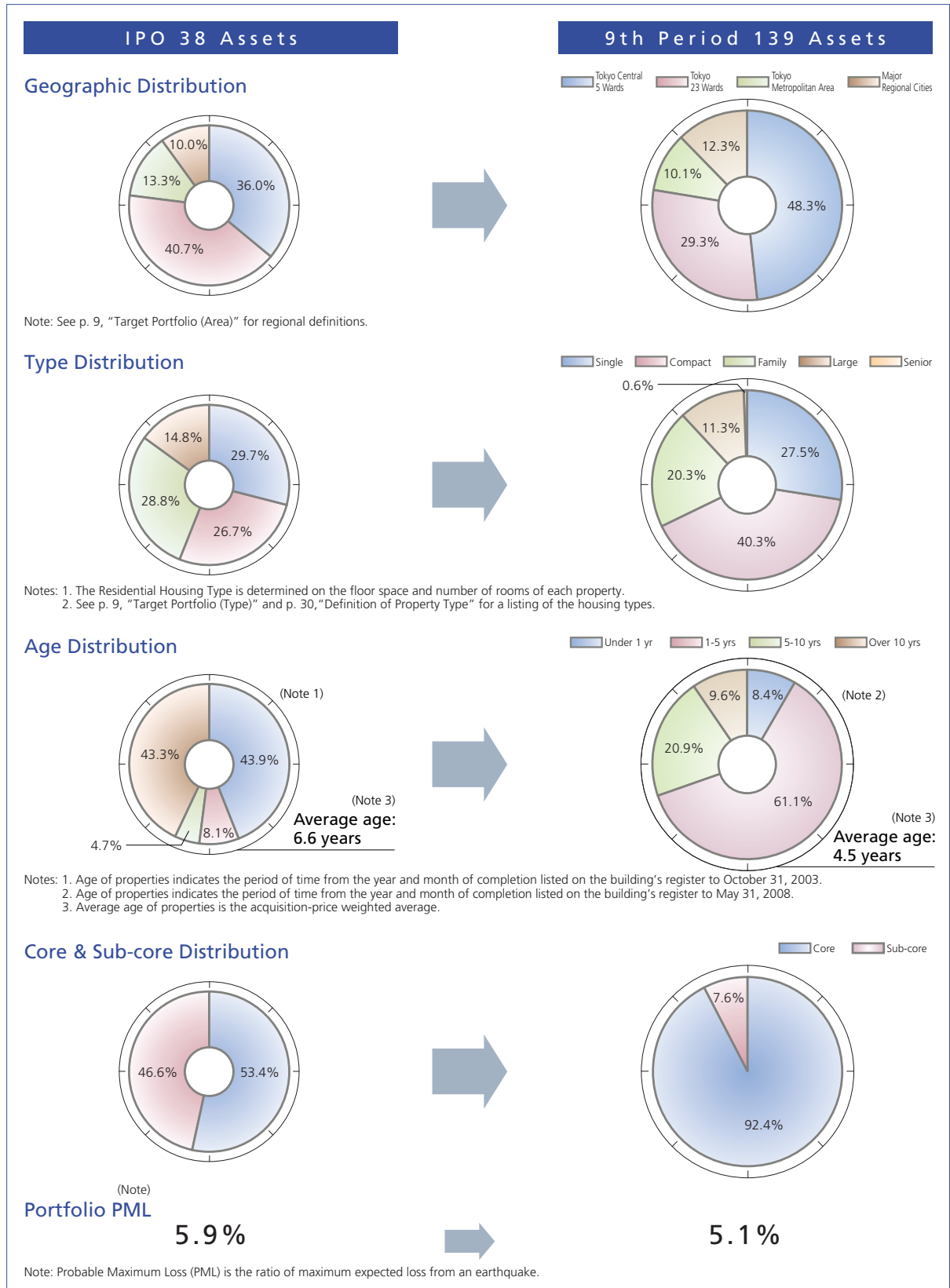
Outlook for the Tenth Fiscal Period

Stagnation in the stock market and turmoil in the financial markets stemming from the subprime mortgage crisis in the U.S. are presumed to continue into the tenth fiscal period. Nevertheless, in the rental housing market, population in the Tokyo Metropolitan Area, where the majority of NRIC's portfolio is located, is forecast to continue increasing and stable demand is anticipated to contribute to NRIC's revenue.

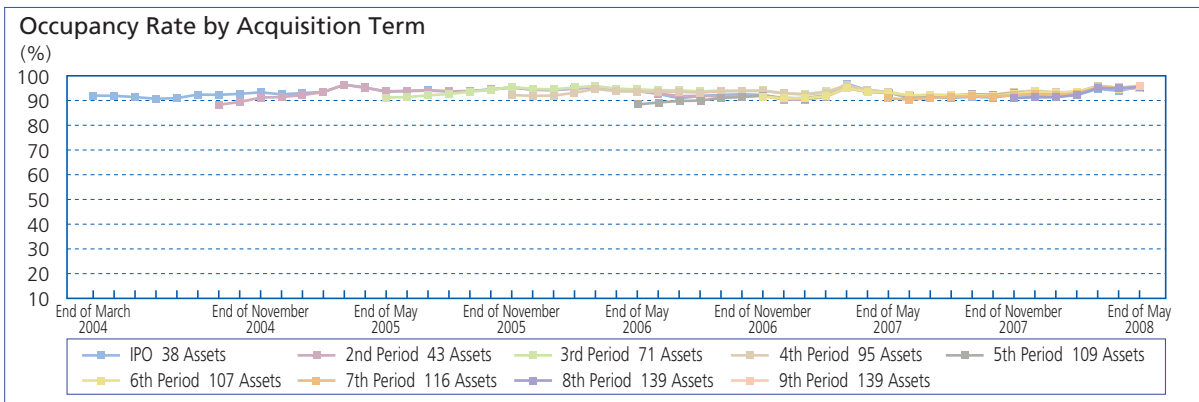
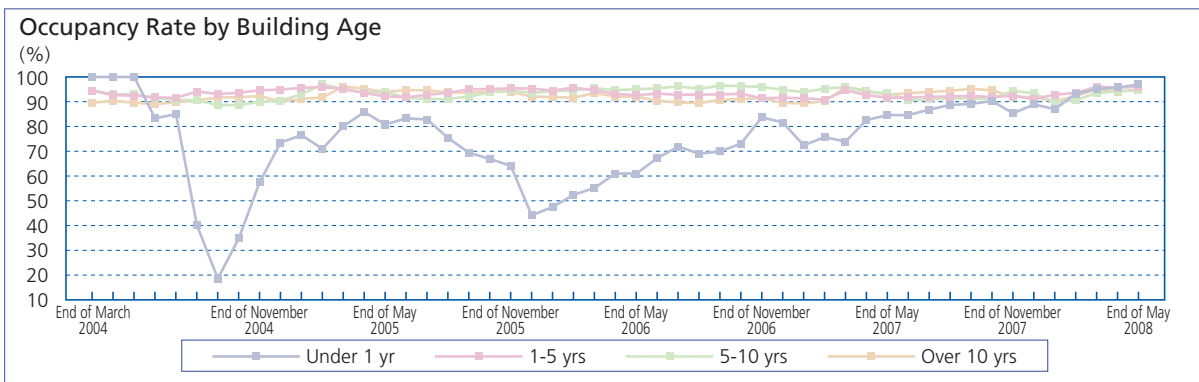
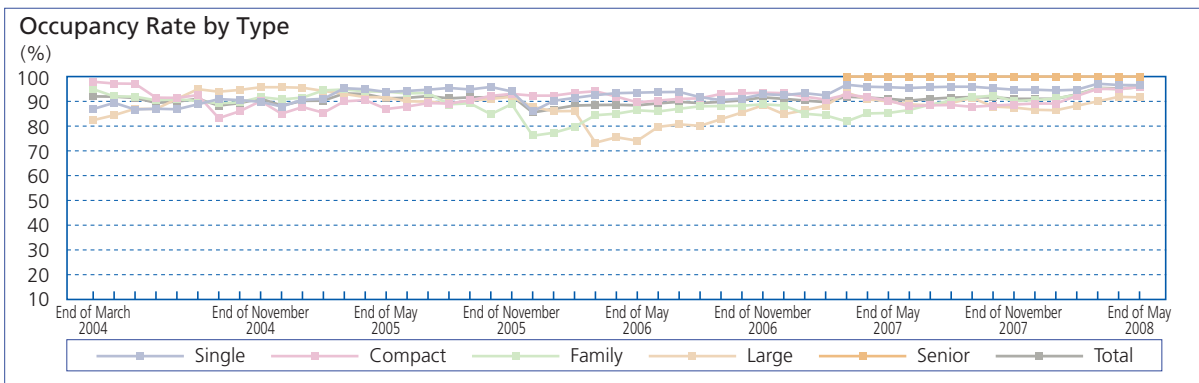
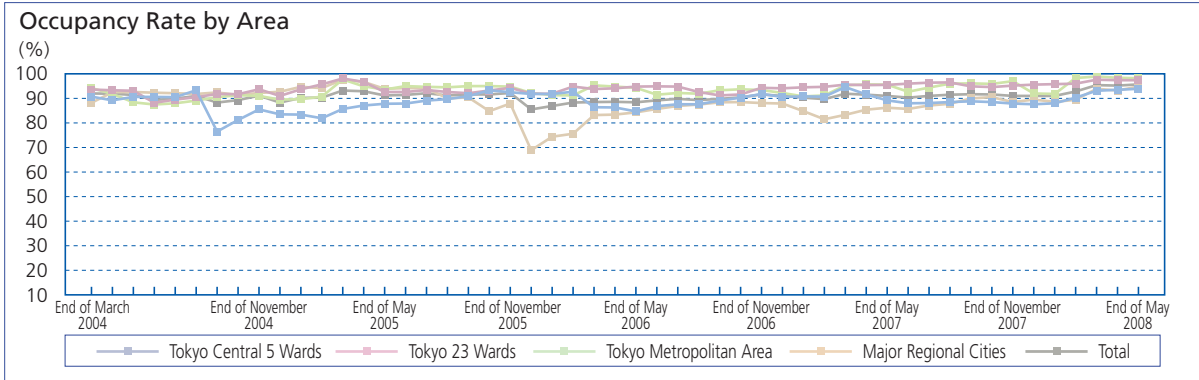
In addition to consistently maintaining occupancy rates at the 95.7% level reached at the end of the ninth fiscal period during the tenth fiscal period and subsequent fiscal periods, NRIC will be committed to strengthening its ability to generate steady revenue through such means as increasingly reducing management costs for portfolio assets. At the same time, NRIC will be dedicated to further enhancing performance so as to fulfill the expectations of unitholders. NRIC looks forward to the continued support and encouragement of unitholders.

Real Estate Portfolio

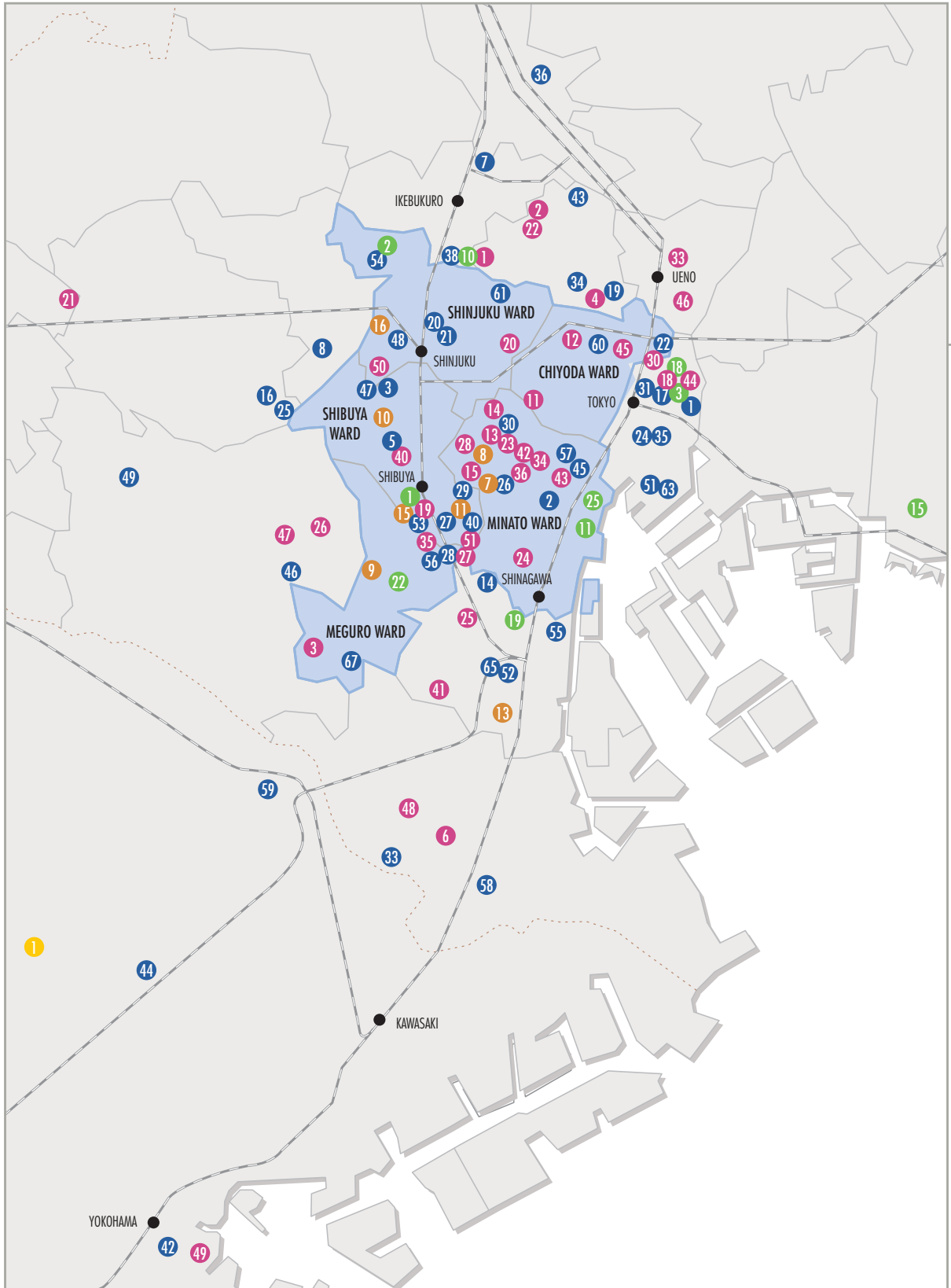
Diversified High Quality Portfolio



Changes in Occupancy Rate of Portfolio (as of May 31, 2008)



P O R T F O L I O M A P



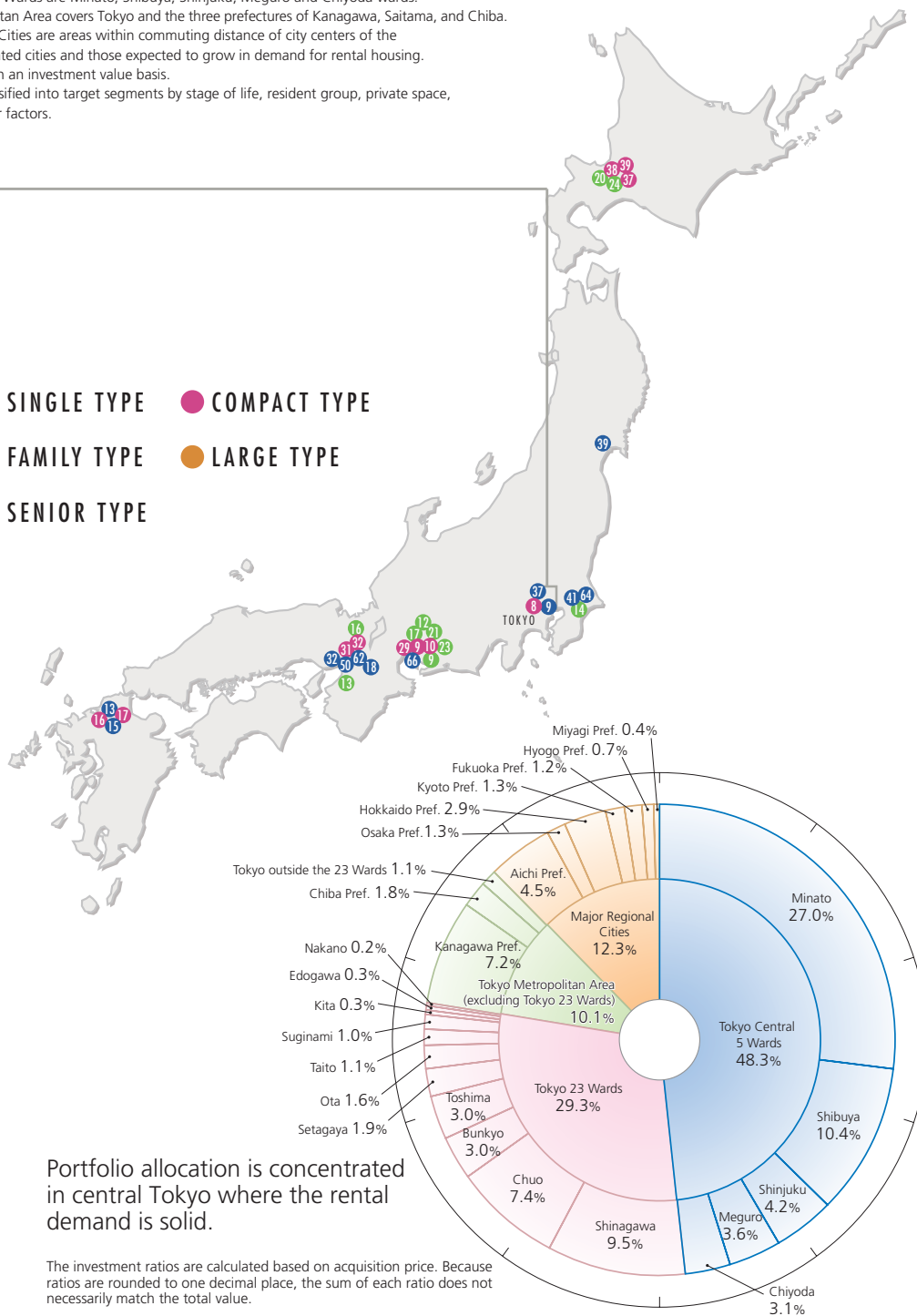
Note: See p. 13, "Properties Roster" for the detail of each property.

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.

- SINGLE TYPE
- FAMILY TYPE
- SENIOR TYPE
- COMPACT TYPE
- LARGE TYPE

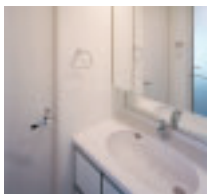




Portfolio Properties

S-54 Pacific Residence Kamiochiai

Tokyo Central 5 Wards



Property Information

Location: Kamiochiai, Shinjuku-ku, Tokyo
Land Space: 819.34m²
Rentable Floor Space: 1,740.50m²
Building Structure: RC B1F/6F
Date of Completion: 2006/9
Acquisition Price: ¥1,332 million
Date of Acquisition: 2007/2

Facilities

- Keyed main entrance
- TV intercom
- Elevator
- Parking lot
- Delivery box
- Security cameras in common area

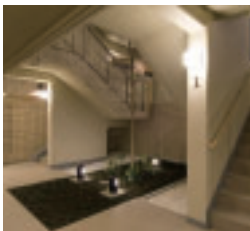
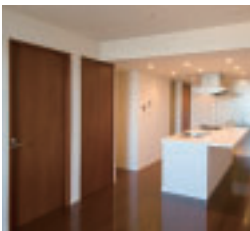
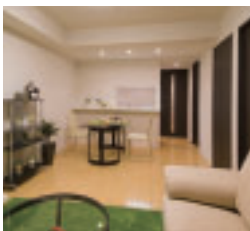
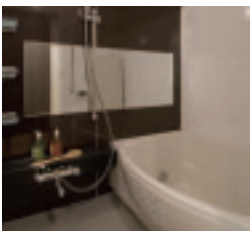
Access

4-minute walk from Ochiai Station on the Tokyo Metro Tozai line
3-minute walk from Nakai Station on the Toei Subway Oedo line



S-59 Pacific Residence Musashikosugi

Tokyo Metropolitan Area



Property Information

Location: Nakahara-ku, Kawasaki-shi, Kanagawa Pref.

Land Space: 1,330.80m²

Rentable Floor Space: 2,560.40m²

Building Structure: RC B1F/5F

Date of Completion: 2007/2

Acquisition Price: ¥1,767 million

Date of Acquisition: 2007/6

Facilities

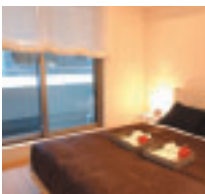
- Keyed main entrance
- TV intercom
- Elevator
- Parking lot
- Security cameras in common area

Access

9-minute walk from Musashi-Kosugi Station on the Tokyu-Toyoko line and the Tokyu-Meguro line
9-minute walk from Musashi-Kosugi Station on the JR Nambu line

C-15 Apartments Nishi-Azabu

Tokyo Central 5 Wards



Property Information

Location: Nishi-Azabu, Minato-ku, Tokyo
Land Space: 1,194.72m²
Rentable Floor Space: 7,078.64m²
Building Structure: SRC B1F/14F
Date of Completion: 2004/7
Acquisition Price: ¥7,920 million
Date of Acquisition: 2004/12

Facilities

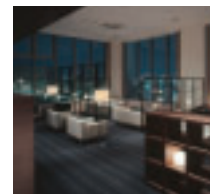
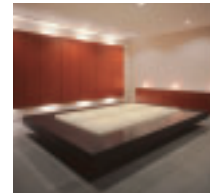
- Front staff
- Keyed main entrance
- TV intercom
- Elevator
- Parking lot
- Delivery box
- Security cameras in common area

Access

11-minute walk from Hiroo Station on the Tokyo Metro Hibiya line

C-25 Pacific Tower Meguro-Fudomae

Tokyo 23 Wards



Property Information

Location: Nishigotanda, Shinagawa-ku, Tokyo

Land Space: 2,929.35m²

Rentable Floor Space: 21,019.77m²

Building Structure: RC B3F/30F

Date of Completion: 2007/1

Acquisition Price: ¥14,507 million

Date of Acquisition: 2007/2

Facilities

- Front staff
- Keyed main entrance
- TV intercom
- Elevator
- Parking lot
- Security cameras in common area
- Disposer
- Sky lounge
- Fitness gym

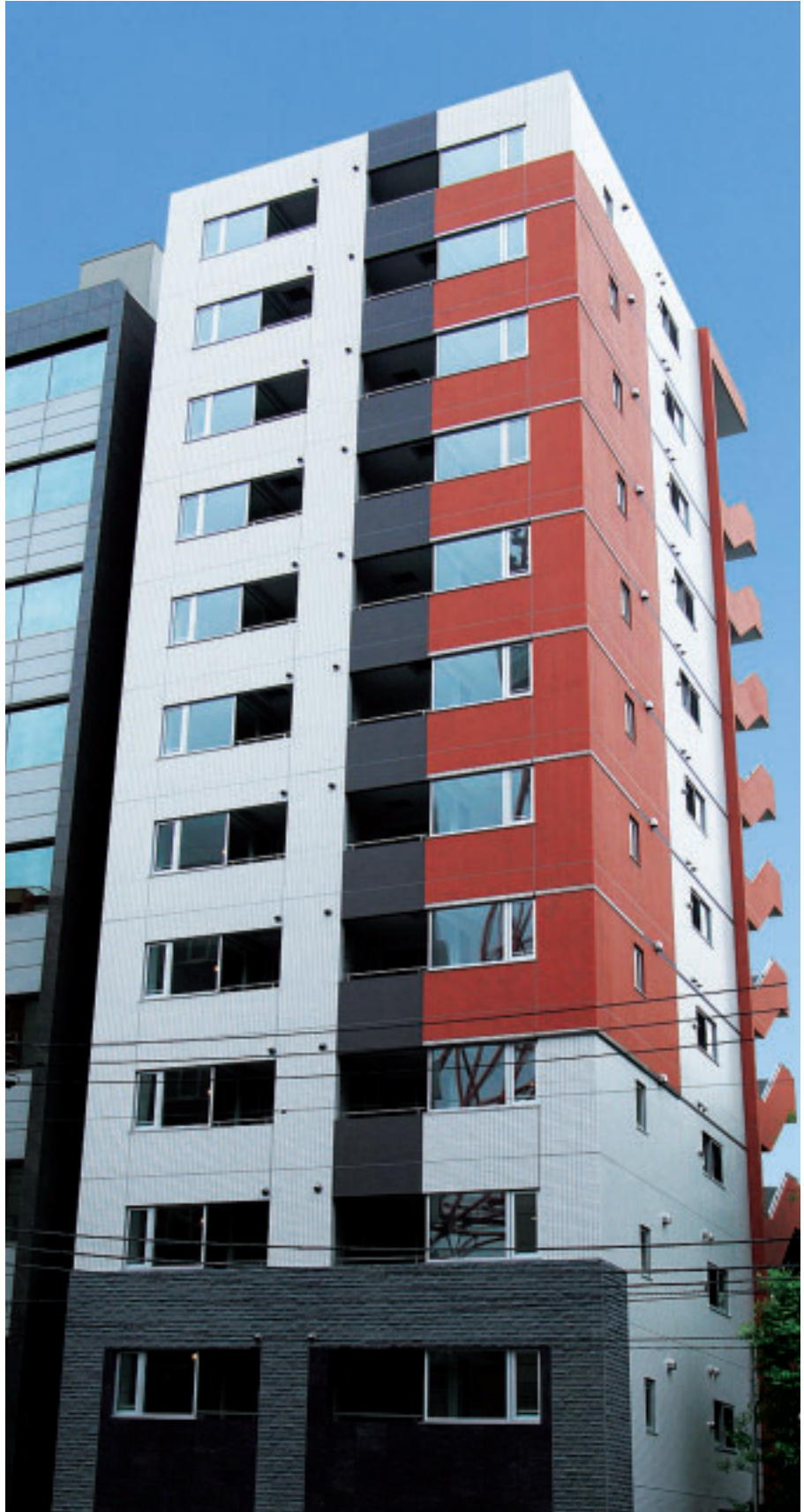
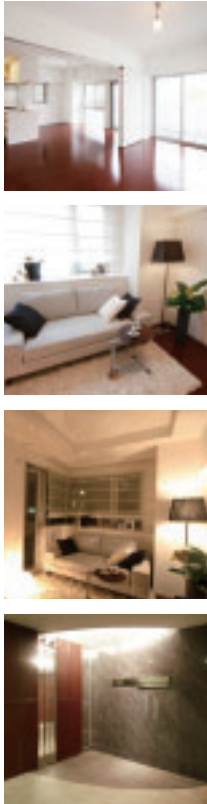
Access

7-minute walk from Fudomae Station on the Tokyu-Meguro line

7-minute walk from Gotanda Station on the JR Yamanote line

C-34 Pacific Residence Higashiazabu

Tokyo Central 5 Wards



Property Information

Location: Higashiazabu, Mitato-ku, Tokyo
Land Space: 284.52m²
Rentable Floor Space: 1,582.54m²
Building Structure: RC 12F
Date of Completion: 2006/4
Acquisition Price: ¥1,570 million
Date of Acquisition: 2006/5

Facilities

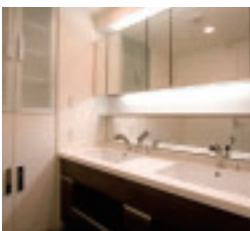
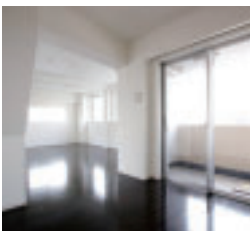
- Keyed main entrance
- TV intercom
- Elevator
- Parking lot
- Delivery box
- Security cameras in common area

Access

5-minute walk from Akabanebashi Station on the Toei Subway Oedo line

C-35 Pacific Residence Ebisu-Minami

Tokyo Central 5 Wards



Property Information

Location: Ebisu-Minami, Shibuya-ku, Tokyo

Land Space: 713.24m²

Rentable Floor Space: 2,023.88m²

Building Structure: RC B1F/8F

Date of Completion: 2007/3

Acquisition Price: ¥2,436 million

Date of Acquisition: 2007/3

Facilities

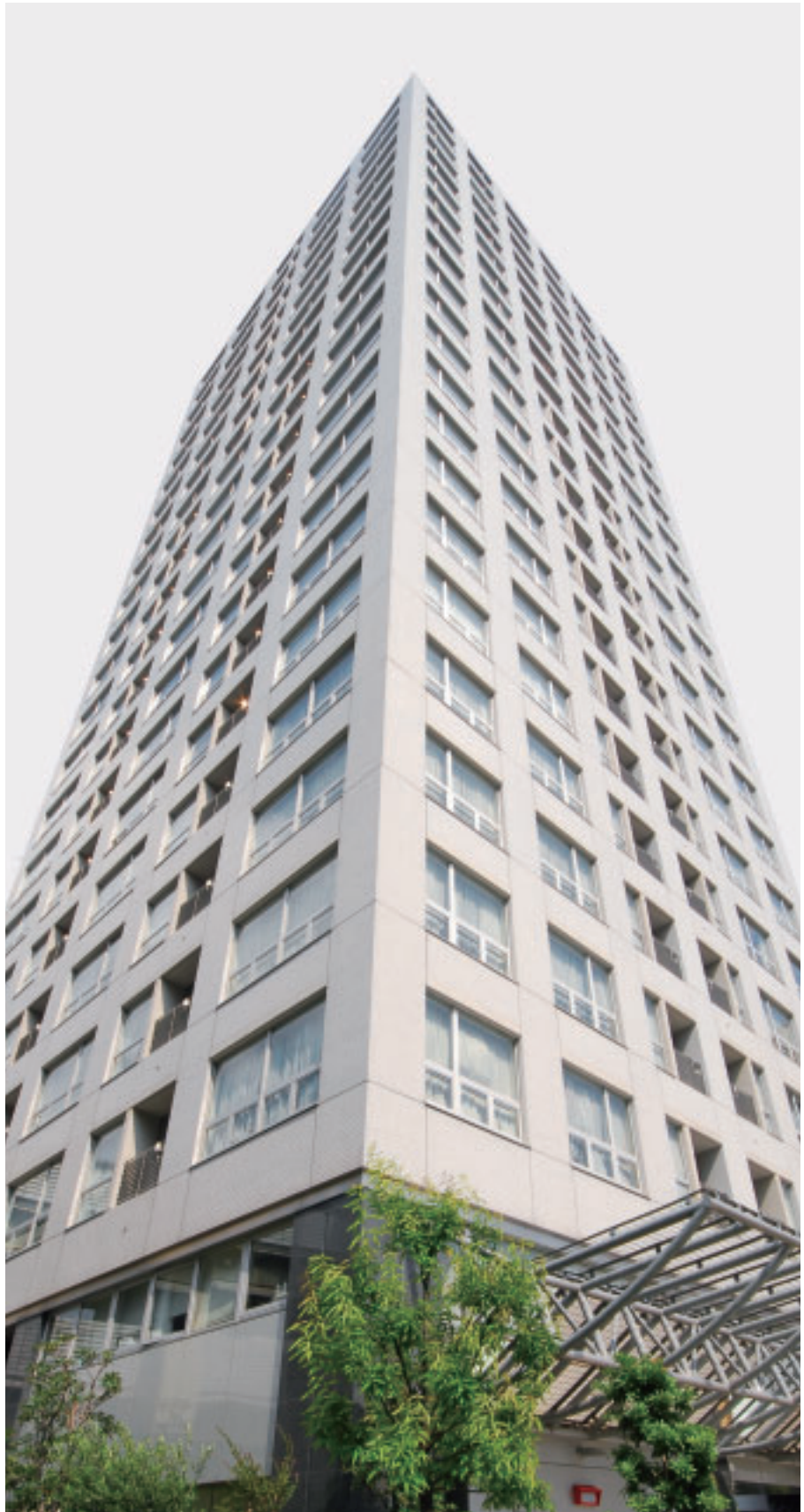
- Keyed main entrance
- TV intercom
- Elevator
- Parking lot
- Delivery box
- Security cameras in common area

Access

8-minute walk from Ebisu Station on the JR Yamanote line

C-36 Pacific Tower Azabu-juban

Tokyo Central 5 Wards



Property Information

Location: Mita, Minato-ku, Tokyo
Land Space: 1,096.46m²
Rentable Floor Space: 7,207.18m²
Building Structure: RC B2F/25F
Date of Completion: 2003/1
Acquisition Price: ¥9,060 million
Date of Acquisition: 2006/12

Facilities

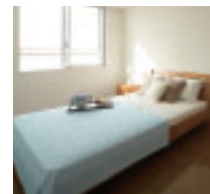
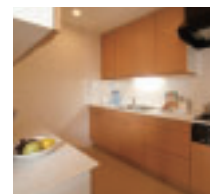
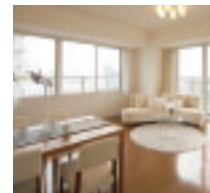
- Front concierge
- Keyed main entrance
- TV intercom
- Elevator
- Parking lot
- Delivery box
- Security cameras in common area

Access

4-minute walk from Azabu-Juban Station on the Toei Subway Oedo line and Tokyo Metro Nanboku line

C-49 Pacific Royal Court Minato Mirai (Ocean Tower)

Tokyo Metropolitan Area



Property Information

Location: Minato-Mirai, Nishi-ku,
Yokohama-shi, Kanagawa Pref.

Land Space: 4,990.30m²

Rentable Floor Space: 26,082.53m²

Building Structure: SRC B1F/29F

Date of Completion: 2007/11

Acquisition Price: ¥15,221 million

Date of Acquisition: 2007/12

Facilities

- Front concierge
- Keyed main entrance
- TV intercom
- Elevator
- Parking lot
- Delivery box
- Security cameras in common area
- Fitness gym
- Trunk room

Access

7-minute walk from Shin-Takasima
Station on the Yokohama High-Speed
Railway Minato Mirai line
15-minute walk from Yokohama Station
on the JR Tokaido line

F-17 Pacific Residence Izumi

Major Regional Cities



Property Information

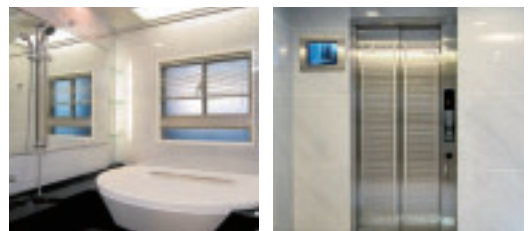
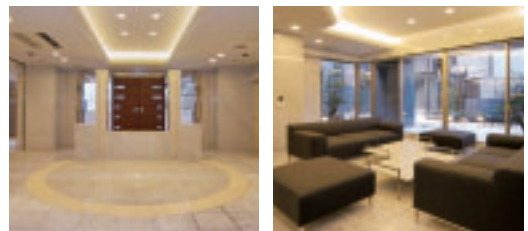
Location: Izumi, Higashi-ku, Nagoya-shi, Aichi Pref.
Land Space: 2,575.53m²
Rentable Floor Space: 9,715.22m²
Building Structure: SRC 15F
Date of Completion: 2005/11
Acquisition Price: ¥4,400 million
Date of Acquisition: 2005/12

Facilities

- Keyed main entrance
- TV intercom
- Elevator
- Parking lot
- Security cameras in common area

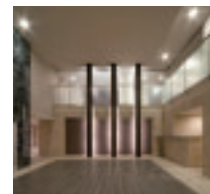
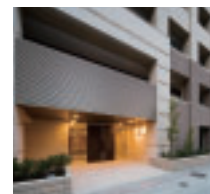
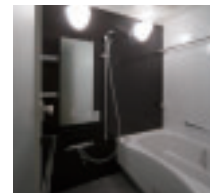
Access

7-minute walk from Hisaya-Odori Station on the Nagoya Shiei Subway Sakura-dori line and Meijo line



F-18 Pacific Residence Nihonbashi-Bakurocho

Tokyo 23 Wards



Property Information

Location: Nihonbashi-Bakurocho, Chuo-ku, Tokyo
Land Space: 1,095.45m²
Rentable Floor Space: 8,502.12m²
Building Structure: RC 17F
Date of Completion: 2007/2
Acquisition Price: ¥5,380 million
Date of Acquisition: 2007/4

Facilities

- Keyed main entrance
- TV intercom
- Elevator
- Parking lot
- Delivery box
- Security cameras in common area

Access

1-minute walk from Bakurocho Station on the JR Sobu line
2-minute walk from Bakuroyokoyama Station on the Toei Subway Shinjuku line

F-19 Pacific Residence Gotenyama

Tokyo 23 Wards



Property Information

Location: Kita-Shinagawa, Shinagawa-ku, Tokyo

Land Space: 856.80m²

Rentable Floor Space: 1,228.15m²

Building Structure: RC B1F/3F

Date of Completion: 2007/1

Acquisition Price: ¥1,186 million

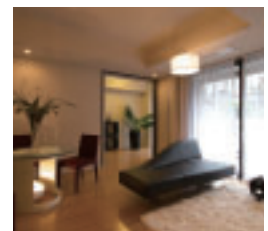
Date of Acquisition: 2007/2

Facilities

- Keyed main entrance
- TV intercom
- Elevator
- Parking lot
- Delivery box
- Security cameras in common area
- Disposer

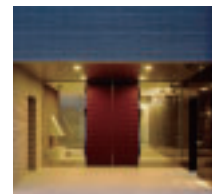
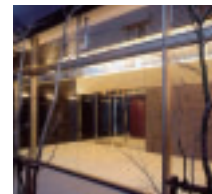
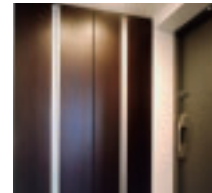
Access

9-minute walk from Kita-Shinagawa Station on the Keihin-Kyuko line
14-minute walk from Osaki Station on the Rinkai line and JR line



F-21 Pacific Residence Tokugawa

Major Regional Cities



Property Information

Location: Higashi-ku, Nagoya-shi, Aichi pref.
Land Space: 1,193.12m²
Rentable Floor Space: 2,282.49m²
Building Structure: RC 9F
Date of Completion: 2006/12
Acquisition Price: ¥975 million
Date of Acquisition: 2007/1

Facilities

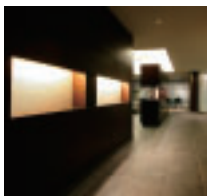
- Keyed main entrance
- TV intercom
- Elevator
- Parking lot
- Delivery box
- Security cameras in common area

Access

5-minute walk from Morishita Station on the Meitetsu Seto line

F-22 Pacific Residence Yutenji

Tokyo Central 5 Wards



Property Information

Location: Nakameguro, Meguro-ku, Tokyo
Land Space: 2,396.69m²
Rentable Floor Space: 5,423.36m²
Building Structure: RC B1F/7F
Date of Completion: 2006/8
Acquisition Price: ¥5,940 million
Date of Acquisition: 2007/8

Facilities

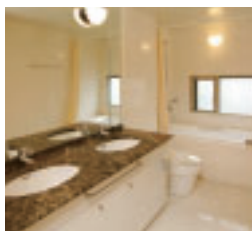
- Keyed main entrance
- TV intercom
- Elevator
- Parking lot
- Delivery box
- Security cameras in common area

Access

5-minute walk from Yutenji Station on the Tokyu-Toyoko line

L-7 Motoazabu Place

Tokyo Central 5 Wards



Property Information

Location: Moto-Azabu, Minato-ku, Tokyo

Land Space: 6,036.42m²

Rentable Floor Space: 7,382.62m²

Building Structure: RC 3-5F

Date of Completion: 2001/2

Acquisition Price: ¥10,270 million

Date of Acquisition: 2005/3

Facilities

- Front staff
- Keyed main entrance
- TV intercom
- Elevator
- Parking lot
- Security cameras in common area

Access

- 9-minute walk from Azabu-Juban Station on the Tokyo Metro Nanboku line
- 9-minute walk from Azabu-Juban Station on the Toei Subway Oedo line

L-8 Pacific Tower Roppongi

Tokyo Central 5 Wards



Property Information

Location: Roppongi, Minato-ku, Tokyo
Land Space: 1,038.93m²
Rentable Floor Space: 5,978.20m²
Building Structure: RC B2F/27F
Date of Completion: 2006/2
Acquisition Price: ¥8,456 million
Date of Acquisition: 2006/3

Facilities

- Front concierge
- Keyed main entrance
- TV intercom
- Elevator
- Parking lot
- Delivery box
- Security cameras in common area
- Fitness gym
- Trunk room

Access

5-minute walk from Roppongi Station on the Tokyo Metro Hibiya line
5-minute walk from Nogizaka Station on the Tokyo Metro Chiyoda line
4-minute walk from Roppongi Station on the Toei Subway Oedo line

L-15 Pacific Residence Daikanyama-Sarugakucho/Daikanyama Parkside Village

Tokyo Central 5 Wards



Property Information

Location: Sarugakucho, Shibuya-ku, Tokyo

Land Space: 2,469.06m²

Rentable Floor Space: 5,977.18m²

Building Structure: RC B1F/9F,B1F/3F

Date of Completion: 2006/5,1982/11

Acquisition Price: ¥8,140 million

Date of Acquisition: 2007/6

Facilities

- Keyed main entrance
- TV intercom
- Elevator
- Parking lot
- Delivery box
- Security cameras in common area

Access

7-minute walk from Daikanyama Station on the Tokyu-Toyoko line

Properties Roster

Roster of Assets owned at the end of 9th fiscal period

Property No. (note1)	Asset Type (note2)	Area (note3)	Property Name	Acquisition Price (mn yen) (note 4)	Building Structure (note5,6)	Number of Floors (note5,6)	Rentable Units (note7)	Date of Completion (note5)
S-1	Core1	Tokyo 23 Wards	Pacific Livew Shinkawa	2,050	RC	7F	83	Feb.2003
S-2	Core1	Tokyo Central 5 Wards	Pacific Livew Shiba Daimon	1,900	RC	B1F/10F	63	Nov.2002
S-3	Sub-core	Tokyo Central 5 Wards	Glenpark Sangubashi	1,040	RC	7F	27	Mar.2003
S-5	Sub-core	Tokyo Central 5 Wards	Leopalace Udagawacho Mansion	569	RC	5F	30	Aug.2001
S-7	Sub-core	Tokyo 23 Wards	Escort Kami-Ikebukuro	644	RC	8F	44	Dec.2001
S-8	Core1	Tokyo 23 Wards	Pacific Residence Shin-Nakano	448	SRC	11F	24	Jun.2002
S-9	Sub-core	Tokyo Metropolitan Area	Dormitory Haramachida	490	SRC/S	B1F/12F	73	Jul.1992
S-13	Sub-core	Major Regional Cities	Yoshizuka AG Building No.6 and No.7	428	RC	5F	86	No.6: Mar.1987 No.7: Jan.1988
S-14	Core1	Tokyo 23 Wards	Pacific Livew Shirokanedai	1,250	RC	B1F/5F	32	May 2004
S-15	Core2	Major Regional Cities	Grand Blue Hakata	1,582	SRC	14F	155	Mar.2002
S-16	Sub-core	Tokyo 23 Wards	J Stage Honancho	952	RC	B1F/7F	91	Mar.1992
S-17	Core2	Tokyo 23 Wards	Park Habio Kyobashi	2,725	SRC/S	B1F/13F	63	Aug.2004
S-18	Core1	Major Regional Cities	Pacific Livew Tenjinbashi	970	SRC	12F	78	Feb.2000
S-19	Core1	Tokyo 23 Wards	Pacific Residence Yushimasanchome	1,020	SRC	12F	63	Mar.2004
S-20	Core1	Tokyo Central 5 Wards	Pacific Residence Shinjuku East	1,397	RC	10F	54	Feb.2004
S-21	Core1	Tokyo Central 5 Wards	Pacific Livew Shinjuku higashi	854	SRC	8F	48	Aug.2000
S-22	Core1	Tokyo Central 5 Wards	Pacific Residence Kandaiwamotocho	1,657	RC	B1F/15F	65	Feb.2004
S-24	Core1	Tokyo 23 Wards	Pacific Residence Tsukiji	1,320	RC	11F	54	Dec.2005
S-25	Core1	Tokyo 23 Wards	Pacific Residence Sasaduka	1,950	RC	6F	96	Mar.2000
S-26	Core1	Tokyo Central 5 Wards	Pacific Residence Minamiazabu	1,060	RC	B1F/9F	37	Feb.2001
S-27	Core1	Tokyo Central 5 Wards	Pacific Residence Ebisuhighashi	660	SRC	10F	26	Jan.2001
S-28	Core1	Tokyo 23 Wards	Pacific Residence Meguronishi	800	RC	B1F/7F	20	Oct.1999
S-29	Core1	Tokyo Central 5 Wards	Pacific Residence Hiroo 3chome	850	RC	2~3F	29	Sep.1999
S-30	Core1	Tokyo Central 5 Wards	Pacific Residence Akasaka II	1,567	RC	B1F/5F	37	Jan. 2005
S-31	Core1	Tokyo 23 Wards	Pacific Livew Kyobashi	1,401	SRC/S	B1F/15F	52	Jan. 2005
S-32	Core1	Major Regional Cities	Pacific Residence Sannomiyahigashi	2,247	RC	15F	161	Nov. 2005
S-33	Core1	Tokyo 23 Wards	Pacific Livew Tamagawa	1,514	RC	7F	98	Sep. 2004
S-34	Sub-core	Tokyo 23 Wards	Maison Korakuen	710	SRC	11F	31	Oct. 2004
S-35	Core1	Tokyo 23 Wards	Pacific Livew Ginzahigashi	2,348	SRC	B1F/14F	94	Sep. 2004
S-36	Sub-core	Tokyo 23 Wards	Relation Oji	1,027	RC	11F	61	Feb. 2005
S-37	Sub-core	Tokyo Metropolitan Area	No. 6 Zelkova Mansion	609	RC	9F	33	Feb. 2003
S-38	Core1	Tokyo 23 Wards	Pacific Livew Wasedanishi	1,100	RC	12F	63	Jul. 2005
S-39	Sub-core	Major Regional Cities	KC21 Building	1,167	SRC	11F	79	Mar. 1997
S-40	Core1	Tokyo Central 5 Wards	Pacific Livew Hiroo	1,741	SRC	12F	76	Nov. 2005
S-41	Sub-core	Tokyo Metropolitan Area	Cosmo Nishi-Funabashi II	799	RC/S	B1F/7F	70	Mar. 1992
S-42	Core1	Tokyo Metropolitan Area	Pacific Livew Yokohama Kannai	1,950	SRC	11F	102	Aug. 2004
S-43	Sub-core	Tokyo 23 Wards	K2	393	SRC	B1F/11F	25	Sep. 1992
S-44	Sub-core	Tokyo Metropolitan Area	FLATS Okurayama	895	RC	5F	64	Mar. 1998
S-45	Core2	Tokyo Central 5 Wards	Pianeta Shiodome	2,782	RC	12F	67	Feb. 2005
S-46	Sub-core	Tokyo 23 Wards	ZESTY Komazawadaigaku	393	RC	4F	18	Oct. 2004
S-47	Sub-core	Tokyo Central 5 Wards	ZESTY Yoyogi	377	RC	4F	16	Feb. 2005
S-48	Sub-core	Tokyo Central 5 Wards	ZESTY Nishishinjuku	436	RC	5F	19	Feb. 2005
S-49	Sub-core	Tokyo 23 Wards	ZESTY Kyodo	344	RC	4F	15	Feb. 2005
S-50	Core1	Major Regional Cities	Pacific Livew Utsuboko	1,200	SRC	15F	94	Jan. 2006
S-51	Core1	Tokyo 23 Wards	Pacific Residence Tsukishima I	1,176	RC	9F	40	Feb. 2006
S-52	Core2	Tokyo 23 Wards	CYNTHIA Oimachi	1,100	RC	13F	48	Dec. 2005
S-53	Core1	Tokyo Central 5 Wards	Pacific Residence Ebisu	3,500	RC	15F	61	Jan. 2006
S-54	Core1	Tokyo Central 5 Wards	Pacific Residence Kamiochiai	1,332	RC	B1F/6F	70	Sep. 2006
S-55	Core1	Tokyo 23 Wards	Pacific Residence Higashi-Shinagawa	2,317	RC	11F	122	Aug. 2006
S-56	Core2	Tokyo Central 5 Wards	LUKE	1,530	RC	B1F/5F	34	Jan. 2006
S-57	Core1	Tokyo Central 5 Wards	Pacific Residence Toranomom	1,484	RC	B1F/14F	63	Sep. 2006
S-58	Core1	Tokyo 23 Wards	Pacific Residence Kamata I	1,579	RC	15F	78	Sep. 2006
S-59	Core1	Tokyo Metropolitan Area	Pacific Residence Musashikosugi	1,767	RC	B1F/5F	68	Feb. 2007

Property No. (note1)	Asset Type (note2)	Area (note3)	Property Name	Acquisition Price (mn yen) (note 4)	Building Structure (note5,6)	Number of Floors (note5,6)	Rentable Units (note7)	Date of Completion (note5)
S-60	Core1	Tokyo Central 5 Wards	Pacific Residence Kanda-Ogawamachi	1,370	RC	14F	52	Mar. 2006
S-61	Core1	Tokyo Central 5 Wards	Pacific Residence Sodai-dori	1,090	RC	12F	52	Aug. 2006
S-62	Core1	Major Regional Cities	Pacific Residence Kyoto-ekimae	2,200	RC	B1F/10F	116	Feb. 2006
S-63	Core1	Tokyo 23 Wards	Pacific Residence Tsukishima II	2,650	RC	12F	105	Sep. 2006
S-64	Core1	Tokyo Metropolitan Area	Pacific Residence Funabashi I and II	3,300	RC	9-10F	172	Mar. 2007
S-65	Core1	Tokyo 23 Wards	Pacific Residence Oimachi I	1,267	RC	9F	40	Jul. 2007
S-66	Core1	Major Regional Cities	Pacific Residence Takaoka	3,000	RC	B1F/15F	198	Aug. 2007
S-67	Core1	Tokyo Central 5 Wards	Pacific Residence Ookayama	1,301	RC	B2F/3F	53	Nov. 2007
C-1	Core1	Tokyo 23 Wards	Pacific Residence Bunkyo-towa	3,590	RC	B1F/10F	104	Aug. 2003
C-2	Core1	Tokyo 23 Wards	Pacific Residence Sengoku	760	SRC	12F	33	Feb. 2003
C-3	Core1	Tokyo Central 5 Wards	Pacific Livew Jiyugaoka	1,080	SRC	B1F/10F	28	Mar. 2002
C-4	Core1	Tokyo 23 Wards	Pacific Residence Yushima	1,110	RC	11F	39	Feb. 2003
C-6	Sub-core	Tokyo 23 Wards	ZESTY Ikegami Building A and Building B	381	RC	4F	19	Jul. 2003
C-8	Core1	Tokyo Metropolitan Area	Pacific Livew Hachioji	700	RC	9F	40	Jan. 1988
C-9	Sub-core	Major Regional Cities	Grand Heights Hibino	1,230	SRC	14F	124	Apr. 1992
C-10	Core1	Major Regional Cities	Pacific Residence Koyochi	454	RC	5F	40	Feb. 2000
C-11	Core1	Tokyo Central 5 Wards	Pacific Livew Nagatacho	1,000	RC	10F	23	Jan. 2003
C-12	Core1	Tokyo Central 5 Wards	Pacific Residence Suidobashi	2,330	SRC	B1F/14F	65	Dec. 2004
C-13	Core1	Tokyo Central 5 Wards	Pacific Tower Nogizaka	3,900	RC	B2F/19F	68	Aug. 2004
C-14	Core1	Tokyo Central 5 Wards	Pacific Residence Akasaka I	1,300	RC	5F	37	May 2004
C-15	Core2	Tokyo Central 5 Wards	Apartments Nishi-Azabu	7,920	SRC	B1F/14F	125	Jul. 2004
C-16	Core1	Major Regional Cities	Pacific Residence Tenjinminami	1,200	SRC	15F	56	Jan. 2004
C-17	Core1	Major Regional Cities	Pacific Livew Hakataeki-Minami	420	SRC/RC	11F	39	Jan. 2003
C-18	Core1	Tokyo 23 Wards	Pacific Residence Ningyocho	572	RC	B1F/7F	25	Mar. 2004
C-19	Core1	Tokyo Central 5 Wards	Pacific Residence Daikanyama	2,180	RC	B1F/8F	42	Jul. 2004
C-20	Core1	Tokyo Central 5 Wards	Pacific Residence Ichigaya	2,580	SRC	B1F/14F	85	Aug. 2004
C-21	Core1	Tokyo Metropolitan Area	Pacific Residence Kichijoji	1,445	RC	3F	48	Mar. 1995
C-22	Core1	Tokyo 23 Wards	Pacific Residence Bunkyo-sengoku	1,557	SRC	13F	45	Apr. 2005
C-23	Core1	Tokyo Central 5 Wards	Pacific Residence Akasaka Hinokicho	4,710	RC	B1F/8F	87	Sep. 1999
C-24	Core1	Tokyo Central 5 Wards	Pacific Residence Takanawa	1,550	SRC	B2F/8F	31	Jan. 2003
C-25	Core1	Tokyo 23 Wards	Pacific Tower Meguro-Fudomae	14,507	RC	B3F/30F	358	Jan. 2007
C-26	Core1	Tokyo 23 Wards	Pacific Residence Sangen-Jaya I	3,311	RC	B1F/14F	78	Jan. 2005
C-27	Core1	Tokyo 23 Wards	Pacific Livew Chojamaru	3,338	RC	B2F/3F	71	Mar. 2005
C-28	Sub-core	Tokyo Central 5 Wards	L'air Minami Aoyama	1,030	RC	B1F/4F	13	Mar. 2005
C-29	Core2	Major Regional Cities	Mare	963	SRC	12F	38	Feb. 2005
C-30	Core1	Tokyo Central 5 Wards	Pacific Livew Kandahigashi	1,880	SRC	15F	64	Oct. 2003
C-31	Sub-core	Major Regional Cities	Melody Heim Shin-Osaka	956	SRC	10F	70	Apr. 1994
C-32	Sub-core	Major Regional Cities	Melody Heim Matsubara	643	RC	8F	53	Mar. 1994
C-33	Core1	Tokyo 23 Wards	Pacific Livew Iriya	1,190	SRC	11F	49	Dec. 2004
C-34	Core1	Tokyo Central 5 Wards	Pacific Residence Higashi-Azabu	1,570	RC	12F	31	Apr. 2006
C-35	Core1	Tokyo Central 5 Wards	Pacific Residence Ebisu-Minami	2,436	RC	B1F/8F	39	Mar. 2007
C-36	Core1	Tokyo Central 5 Wards	Pacific Tower Azabu-juban	9,060	RC	B2F/25F	113	Jan. 2003
C-37	Core1	Major Regional Cities	Pacific Residence Minami-ichijo	1,910	RC	B1F/15F	179	Dec.2006
C-38	Core1	Major Regional Cities	Pacific Residence Odori-Nishi	1,790	RC	B1F/15F	103	Dec.2006
C-39	Core1	Major Regional Cities	Pacific Residence Kita-sanjo	1,261	RC	B1F/11F	100	Jan. 2007
C-40	Core2	Tokyo Central 5 Wards	COSMOS GRACIA Shibuya	1,633	SRC	B1F/11F	40	Jun. 2006
C-41	Core1	Tokyo 23 Wards	Pacific Livew Nakanobu	2,040	RC	14F	65	Nov. 2005
C-42	Core1	Tokyo Central 5 Wards	Pacific Residence Azabudai	2,040	RC	14F	47	Feb. 2006
C-43	Core1	Tokyo Central 5 Wards	Pacific Residence Shibadaimon	1,980	RC	13F	48	Aug. 2006
C-44	Sub-core	Tokyo 23 Wards	Glana Nihonbashi	1,550	RC	10F	45	Aug. 2006
C-45	Sub-core	Tokyo Central 5 Wards	Nostel Court Kanda	1,320	RC	13F	43	Jun. 2006
C-46	Core2	Tokyo 23 Wards	COSMOS GRACIA Shin-Okachimachi	2,162	RC	15F	69	Mar. 2007
C-47	Core1	Tokyo 23 Wards	Pacific Residence Sangen - jaya II	1,750	RC	8F	34	Mar. 2006
C-48	Core1	Tokyo 23 Wards	Pacific Residence Chidoricho	1,500	RC	5F	60	Sep. 2006
C-49	Core1	Tokyo Metropolitan Area	Pacific Royal Court Minato Mirai Ocean Tower	15,221	SRC	B1F/29F	416	Nov. 2007
C-50	Core1	Tokyo Central 5 Wards	Pacific Residence Nishi-Shinjuku	2,020	RC	B1F/4F	74	May 2007

Property No. (note1)	Asset Type (note2)	Area (note3)	Property Name	Acquisition Price (mn yen) (note 4)	Building Structure (note5,6)	Number of Floors (note5,6)	Rentable Units (note7)	Date of Completion (note5)
C-51	Core1	Tokyo Central 5 Wards	Pacific Residence Hiroo-Minami	1,180	RC	10F	26	Aug.2007
F-1	Core1	Tokyo Central 5 Wards	Pacific Residence Sakuragaoka	3,960	SRC	B2F/12F	66	Apr. 2003
F-2	Core1	Tokyo Central 5 Wards	Pacific Residence Mejiro Otomeyama	1,100	RC	B1F/3F	19	Dec. 2002
F-3	Core1	Tokyo 23 Wards	Pacific Residence Shinkawa	1,420	SRC	14F	36	Feb. 2003
F-9	Sub-core	Major Regional Cities	Sky Heights Hirabari	554	RC	B1F/9F	36	Feb.1995
F-10	Core1	Tokyo 23 Wards	Pacific Residence Mejiro	7,350	SRC	B1F/10F	162	Jan.1999
F-11	Core1	Tokyo Central 5 Wards	Pacific Residence Shibaura	4,900	SRC	B2F/15F	154	Sep. 1991
F-12	Core1	Major Regional Cities	Pacific Residence Shirakabehigashi	1,070	RC	8F	33	May 2005
F-13	Core1	Major Regional Cities	Pacific Residence Sakaihigashi	890	SRC/RC	15F	50	Aug. 2005
F-14	Sub-core	Tokyo Metropolitan Area	Maison Yachiyodai	1,281	SRC	8F	39	Aug. 1989
F-15	Sub-core	Tokyo 23 Wards	Abreast Kasai	807	RC	7F	29	Jan. 2000
F-16	Core1	Major Regional Cities	Pacific Residence Uzumasa	958	RC	B1F/7F	48	Jan. 2000
F-17	Core1	Major Regional Cities	Pacific Residence Izumi	4,400	SRC	15F	122	Nov. 2005
F-18	Core1	Tokyo 23 Wards	Pacific Residence Nihonbashi-Bakurocho	5,380	RC	17F	132	Feb. 2007
F-19	Core1	Tokyo 23 Wards	Pacific Residence Gotenyama	1,186	RC	B1F/3F	16	Jan. 2007
F-20	Core1	Major Regional Cities	Pacific Residence Maruyama Kita-gojo	1,284	RC	15F	56	Feb. 2007
F-21	Core1	Major Regional Cities	Pacific Residence Tokugawa	975	RC	9F	27	Dec. 2006
F-22	Core1	Tokyo Central 5 Wards	Pacific Residence Yutenji	5,940	RC	B1F/7F	118	Aug. 2006
F-23	Core1	Major Regional Cities	Pacific Residence Higashiyama-Motomachi	991	RC	B1F/4F	23	Sep. 2007
F-24	Core1	Major Regional Cities	Pacific Residence Odori-Koen	2,680	RC	B1F/14F	109	Aug. 2007
F-25	Core2	Tokyo Central 5 Wards	Park Tower Shibaura Bayward Urban Wing	14,510	RC	B1F/29F	191	May 2005
L-7	Core2	Tokyo Central 5 Wards	Motoazabu Place	10,270	RC	3~5F	41	Feb. 2001
L-8	Core1	Tokyo Central 5 Wards	Pacific Tower Roppongi	8,456	RC	B2F/27F	83	Feb. 2006
L-9	Core1	Tokyo Central 5 Wards	Pacific Residence Kamimeguro	1,000	RC	B1F/5F	16	Jan. 1993
L-10	Core1	Tokyo Central 5 Wards	Pacific Residence Yoyogikoen	1,310	RC	B1F/4F	6	Jul. 1998
L-11	Core2	Tokyo Central 5 Wards	Windsor House Hiroo	2,000	RC	B1F/3F	12	Jun. 2003
L-13	Core1	Tokyo 23 Wards	Pacific Residence Ohi	1,120	RC	B1F/5F	22	Oct. 1989
L-15	Core1	Tokyo Central 5 Wards	Pacific Residence Daikanyama-Sarugakucho/Daikanyama Parkside Village	8,140	RC	B1F/9F B1F/3F	77	May 2006 Nov. 1982
L-16	Sub-core	Tokyo Central 5 Wards	Luxeair Kita-Shinjuku	1,900	RC	B1F/5F	26	Feb. 1997
SE-1	Core2	Tokyo Metropolitan Area	Life & Senior House Kohoku II	1,950	SRC	6F	78	Oct. 2004
Total				303,584	-	-	9,344	-

Roster of Assets to be acquired during 10th fiscal period and onwards

Property No. (note1)	Asset Type (note2)	Area (note3)	Property Name	Acquisition Price (mn yen) (note 4)	Building Structure (note5,6)	Number of Floors (note5,6)	Rentable Units (note7)	Date of Completion (note5)
S-68	Core2	Tokyo 23 Wards	COSMOS GRACIA Kinshicho Aquver	2,908	RC	14F	99	Jan. 2008
C-49	Core1	Tokyo Metropolitan Area	Pacific Royal Court Minato Mirai Urban Tower	11,715 (planned)	SRC	B1F/29F	418	May 2008
Total				14,623	-	-	517	-

Note 1. 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.

Note 2. Asset Type (Core, Sub-core)

Core assets are properties determined to have a 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 3. Tokyo Central 5 Wards are defined as Minato, Shibuya, Shinjuku, Meguro and Chiyoda Ward. Tokyo 23 Wards are the remaining wards other than Tokyo Central 5 Wards. Tokyo Metropolitan area is the remaining parts in Tokyo (excluding Tokyo 23 Wards) and the adjacent prefectures Kanagawa, Saitama, 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. Acquisition Prices are rounded down to the nearest million yen. Therefore, the sum of each figure does not necessarily match the total value.

Note 5. The "Building Structure", "Number of Floors" and "Date of Completion" are based on official registration entries.

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 May 2008.

Definition of Property Type

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(s) 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) bedroom(s) with separate combined lounge, dining and kitchen room with a space of 8 jo or more.

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FINANCIAL REPORT

For the 9th Period from December 1, 2007 to May 31, 2008

<Results of Operations>

Selected Financial Data

	(Yen in millions)				
	9th. Period	8th. Period	7th. Period	6th. Period	5th. Period
Operating revenues	¥ 9,317	¥ 7,940	¥ 6,911	¥ 6,343	¥ 5,817
Operating expenses	4,591	3,743	3,374	3,061	2,763
Operating income	4,726	4,197	3,537	3,282	3,054
Income before income tax	3,604	3,158	2,680	2,661	2,631
Net income	3,603	3,151	2,678	2,659	2,629
Total assets	331,385	303,732	247,956	206,636	202,668
Total unitholders' equity	152,061	151,517	108,382	108,360	108,405
Unitholders' capital	148,418	148,418	105,593	105,593	105,593
Number of units issued (units)	247,153	247,153	186,809	186,809	186,809
Total unitholders' equity per unit (Yen)	615,249	613,047	580,177	580,056	580,300
Cash distribution	3,603	3,151	2,678	2,658	2,629
Distribution per unit (Yen)	14,577	12,748	14,336	14,232	14,074
Net operating income from property leasing activities	6,766	6,177	4,834	4,271	4,126
FFO (Funds From Operation) per unit (Yen)	19,655	17,814	17,873	16,323	16,932
Debt service coverage ratio (times)	6	6	6	8	10
Number of days	183	183	182	183	182

Funds from Operations

	(Yen in millions)	
	9th. Period	8th. Period
Net income	3,603	3,151
Adjustments:		
Depreciation	1,816	1,527
Amortization	144	135
Net gain on sales of discontinued operations	705	410
FFO	4,858	4,403

FFO (funds from operations) is computed as net income (performed 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)	
	9th. Period	8th. Period
Retained earnings	3,602,937	3,150,950
Undistributed earnings	188	244
Cash distribution	3,602,749	3,150,706
(per unit) (Yen)	14,577	12,748

Number of properties and related units for the periods presented

		Properties	Number of Units	Purchase Price (Yen in millions)
	At May. 31, 2007	116	7,294	225,466
8th. Period Acquisitions		26	1,941	58,682
8th. Period Dispositions		3	75	3,886
	At Nov. 30, 2007	139	9,160	280,262
9th. Period Acquisitions		2	608	29,732
9th. Period Dispositions		2	424	6,410
	At May. 31, 2008	139	9,344	303,584

Total debt summary and debt maturity schedule

Debt Summary

		9th. Period	8th. Period
Secured		19,400	19,400
Unsecured		155,500	128,400
	Total	174,900	147,800
Fixed Rate		140,400	124,400
Floating Rate		34,500	23,400
	Total	174,900	147,800

Debt Maturity Schedule

Year	Yen in millions	% of Total
within 1 year	33,500	19.2%
1 to 2 years	49,400	28.2%
2 to 3 years	37,000	21.2%
3 to 4 years	34,500	19.7%
4 to 5 years	18,000	10.3%
after 5 years	2,500	1.4%
	Total	100.0%

Above numbers include the amount of bonds issued.

Capitalization

date	remarks	Units outstanding		Paid-in capital	
		Increase	Balance	Increase	Balance
		(number of units)		(Yen in millions)	
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
Dec 12 2005	Public Offering	41,000	185,327	21,866	104,803
Jan 11 2006	Allocation of new units to third party	1,482	186,809	790	105,593
Jun 21 2007	Public Offering	60,000	246,809	42,581	148,174
Jul 20 2007	Allocation of new units to third party	344	247,153	244	148,418

Investment Portfolio**Living-type**

As of May 31, 2008

		Investments	Investment to
		Yen in millions	total assets
			%
Trust Assets	Single Type	42,561	12.9
	Compact Type	41,515	12.5
	Family Type	42,556	12.9
	Large Type	22,348	6.7
	Senior Type	–	–
	sub-total	148,980	45.0
Real Property	Single Type	43,980	13.3
	Compact Type	85,825	25.9
	Family Type	20,834	6.3
	Large Type	12,694	3.8
	Senior Type	2,104	0.6
	sub-total	165,437	49.9
Cash and other assets		16,968	5.1
	total assets	331,385	100.0

Asset-type

As of May 31, 2008

		Investments	Investment to
		Yen in millions	total assets
			%
Trust Assets	Core Type	135,251	40.8
	Sub-Core Type	13,729	4.2
	sub-total	148,980	45.0
Real Property	Core Type	155,738	47.0
	Sub-Core Type	9,699	2.9
	sub-total	165,437	49.9
Cash and other assets		16,968	5.1
	total assets	331,385	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 May 31, 2008 and November 30, 2007, and the related statements of operations, changes in unitholders' equity and cash flows for each of the six months ended May 31, 2008 and November 30, 2007 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 May 31, 2008 and November 30, 2007, and the results of its operations and its cash flows for each of the six months ended May 31, 2008 and November 30, 2007, in conformity with accounting principles generally accepted in Japan.

KPMG AZSA & Co.

Tokyo, Japan
August 21, 2008

NIPPON RESIDENTIAL INVESTMENT CORPORATION
BALANCE SHEETS
as of May 31, 2008 and November 30, 2007

	<u>As of May 31, 2008</u>	<u>As of November 30, 2007</u>
	(Yen in millions)	
ASSETS		
Investments in real estate (including trust accounts)		
Land	¥ 168,302	¥ 163,603
Depreciable property	152,857	132,348
Construction in progress	5	8
Investments in real estate	<u>321,164</u>	<u>295,959</u>
Accumulated depreciation	(7,957)	(6,330)
Investments in real estate, net	<u>313,207</u>	<u>289,629</u>
Other investments		
Leasehold rights	1,215	1,215
Cash and deposits (including trust accounts)	14,630	11,209
Rent receivables	299	304
Allowance for doubtful receivables	(11)	(4)
Receivables, net	<u>288</u>	<u>300</u>
Consumption tax receivables	102	101
Long-term prepaid expense	796	796
Other assets	1,147	482
TOTAL ASSETS	<u>¥ 331,385</u>	<u>¥ 303,732</u>
LIABILITIES and UNITHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable and accrued expenses	¥ 1,042	¥ 1,058
Received in advance	37	46
Short-term loans	25,600	7,400
Income taxes payable	3	1
Long-term loans due within 1 year	7,900	-
Long-term loans	51,400	50,400
Bonds	90,000	90,000
Security deposit	3,220	3,122
Other liabilities	122	188
TOTAL LIABILITIES	<u>¥ 179,324</u>	<u>¥ 152,215</u>
UNITHOLDERS' EQUITY:		
Unitholders' capital	¥ 148,418	¥ 148,418
Units authorized ; 2,000,000 units		
Units issued and outstanding ;		
247,153 units as of May 31, 2008		
247,153 units as of Nov 30, 2007		
Retained earnings	3,603	3,151
Deferred hedge gain (loss)	40	(52)
TOTAL UNITHOLDERS' EQUITY	<u>¥ 152,061</u>	<u>¥ 151,517</u>
TOTAL LIABILITIES and UNITHOLDERS' EQUITY	<u>¥ 331,385</u>	<u>¥ 303,732</u>

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

NIPPON RESIDENTIAL INVESTMENT CORPORATION
STATEMENTS OF OPERATIONS
For the six months ended May 31, 2008 and November 30, 2007

	<u>May 31, 2008</u>	<u>November 30, 2007</u>
	(Yen in millions)	
OPERATING REVENUES		
Rental income	¥ 8,612	¥ 7,530
Gain on sales of investments in real estate	705	410
Total operating revenues	<u>9,317</u>	<u>7,940</u>
OPERATING EXPENSES		
Property operating expenses		
Asset and property management fee	813	653
Property, repairs and maintenance	311	257
Trustee fee	54	44
Real estate taxes and insurance	301	202
Other operating expenses	367	197
Total property operating expenses	<u>1,846</u>	<u>1,353</u>
Property depreciation	1,816	1,527
General and administrative expenses	929	863
Total operating expenses	<u>4,591</u>	<u>3,743</u>
OPERATING INCOME	<u>4,726</u>	<u>4,197</u>
Interest and other income	229	109
Interest expenses	(1,175)	(930)
Other financing costs	(99)	(101)
Unit issue expenses	-	(44)
Other depreciation and amortization	(68)	(66)
Other expenses	(9)	(7)
INCOME BEFORE INCOME TAXES	<u>3,604</u>	<u>3,158</u>
INCOME TAXES		
Current	3	1
Deferred	(2)	6
NET INCOME	<u>¥ 3,603</u>	<u>¥ 3,151</u>
Earnings per unit:		
Net income (in Yen)	¥ 14,577	¥ 13,101
Weighted average number of units outstanding	247,153	240,504

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 May 31, 2007	186,809	¥108,382
Public offering (included allocation of new units to third party)		42,825
Cash distributions paid		(2,678)
Net income		3,151
Deferred hedge revenue		(163)
Balance as of Nov 30, 2007	247,153	¥151,517
Cash distributions paid		(3,151)
Net income		3,603
Deferred hedge revenue		92
Balance as of May 31, 2008	247,153	¥152,061
Balance as of May 31, 2008		
Unitholders' capital		¥148,418
Retained earnings		¥3,603
Deferred hedge revenue		¥40
Total amounts of Unitholders' equity		¥152,061

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

NIPPON RESIDENTIAL INVESTMENT CORPORATION

Statements of Cash Flows

For the six months ended May 31, 2008 and November 30, 2007

	(Yen in millions)	
	May 31, 2008	November 30, 2007
Cash Flows from Operating Activities		
Income before income taxes	¥ 3,604	¥ 3,158
Depreciation and amortization	1,816	1,527
Bad debt loss	-	0
Amortization of long-term prepaid expenses	77	69
Amortization of organization expenses	-	6
Amortization of bond issuance costs	68	60
Interest income	(19)	(19)
Interest expense	1,175	930
Changes in assets and liabilities		
Allowance for doubtful receivables	7	(3)
Rent receivables	5	(12)
Consumption tax receivables	(1)	12
Accounts payable	41	8
Other payables	(2)	(13)
Accrued expenses	37	210
Received in advance	(9)	(203)
Sales of real estate (including trust accounts)	6,718	3,959
Long-term prepaid expenses	(102)	(98)
Others	(27)	65
Sub-total	13,388	9,656
Interest received	19	19
Interest paid	(1,135)	(836)
Proceeds from insurance	25	5
Income taxes paid	(0)	(11)
Net cash provided by operating activities	12,297	8,833
Cash Flows from Investing Activities		
Receives from time deposits	-	1,000
Purchase of real estate (including trust assets and leasehold rights)	(32,220)	(61,967)
Payments for deposits	(707)	-
Proceeds from security deposit (including trust accounts)	97	505
Repayment of long-term deposits payable	(6)	(6)
Others	(0)	(11)
Net cash used in investing activities	(32,836)	(60,479)
Cash Flows from Financing Activities		
Proceeds from short-term loans	20,180	11,810
Repayment of short-term loans	(1,980)	(26,580)
Proceeds from long-term loans	8,900	5,900
Proceeds from issuance of units	-	42,780
Proceeds from bonds	-	20,897
Distributions to unitholders	(3,140)	(2,677)
Net cash provided by financing activities	23,960	52,130
Net Increase in Cash and Cash Equivalents	3,421	484
Cash and Cash Equivalents at the beginning of Period	11,209	10,725
Cash and Cash Equivalents at the end of Period	¥ 14,630	¥ 11,209

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 December 1, 2007 to May 31, 2008 and for the period from June 1, 2007 to November 30, 2007

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 Residential Corporation (hereinafter “PRS”) 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 May 31, 2008, NRIC owned 139 properties (including beneficiary rights) containing 9,344 units.

Pacific Investment Advisors Corporation changed its name to Pacific Residential Corporation on June 1, 2008.

Basis of presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Japanese Investment Trust Law and the Japanese Financial Instruments and Exchange Law, and in conformity with accounting principles generally accepted in Japan (hereinafter “Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language financial statements, but not required for fair presentation, is not presented 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 to the financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

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 months 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 3–47 years

Structures 7–20 years

Furniture and fixtures 3–15 years

c) Organization costs and bonds issuance costs

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

Bonds issuance costs are amortized over the period of the bonds under the straight line method.

d) Allowance for doubtful receivables

To cover possible credit losses, an allowance for doubtful receivables is provided for any amount deemed uncollectible. The allowance is calculated on the basis of historical default rates for normal claims or on the basis of individual assessments on specific claims on debtors threatened with bankruptcy.

e) 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.

f) Revenue recognition

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

g) 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.

h) Derivative financial instruments

NRIC utilizes interest rate swap and cap contracts as derivative financial instruments only for the purpose of hedging its exposure to changes in interest rates. NRIC deferred recognition of gains or losses resulting from changes in fair value of interest rate swap and cap contracts which meet the criteria for deferral hedging accounting.

Note-3 Secured assets

At May 31, 2008 and November 30, 2007, the following assets were pledged as collateral for the following loans:

	As of May 31, 2008	As of Nov 30, 2007
	(Yen in millions)	
Pledged assets:		
Bank deposits	¥ 1,040	¥ 1,194
Buildings and improvements	18,622	18,853
Structures	140	144
Furniture and fixtures	12	3
Land	20,998	20,998
Total	<u>¥ 40,812</u>	<u>¥ 41,192</u>
Loans secured by the pledged assets:		
Long-term loans due within 1 year	7,900	-
Long-term loans	11,500	19,400
Total	<u>¥ 19,400</u>	<u>¥ 19,400</u>

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

Short-term loans comprise of the following:

	Yen in millions	
	As of May 31,2008	As of Nov 30,2007
Unsecured loans from banks:		
with interest ranging from 1.14% to 1.19%.....	25,600	-
with interest ranging from 0.94% to 1.14%.....	-	7,400
Total	¥ 25,600	¥ 7,400

Long-term debt comprise of the following:

	Yen in millions	
	As of May 31,2008	As of Nov 30,2007
Secured loans, representing obligations to banks:		
Due 2009 with interest ranging from 1.22% to 1.28%	19,400	-
Due 2009 with interest ranging from 1.16% to 1.22%	-	19,400
Unsecured loans, representing obligations to banks:		
Due 2010 to 2012 with interest ranging from 1.24% to 1.74%.....	29,900	-
Due 2010 to 2012 with interest ranging from 1.25% to 1.74%.....	-	21,000
Unsecured loans, representing obligations to insurance companies:		
Due 2011 to 2013 with interest ranging from 1.79% to 2.20%.....	10,000	10,000
Unsecured 0.74% bonds, due 2010.....	10,000	10,000
Unsecured 0.84% bonds, due 2010.....	10,000	10,000
Unsecured 1.28% bonds, due 2012.....	10,000	10,000
Unsecured 1.50% bonds, due 2011.....	15,000	15,000
Unsecured 1.54% bonds, due 2009.....	12,000	12,000
Unsecured 1.84% bonds, due 2012.....	12,000	12,000
Unsecured 1.58% bonds, due 2009.....	6,000	-
Unsecured 1.36% bonds, due 2009.....	-	6,000
Unsecured 1.83% bonds, due 2011.....	10,000	-
Unsecured 1.48% bonds, due 2011.....	-	10,000
Unsecured 1.90% bonds, due 2012.....	5,000	5,000
Total	¥ 149,300	¥ 140,400

The annual maturities of long-term debt as of May 31, 2008 were as follows:

	(Yen in millions)
Due after 1 to 2 years	49,400
Due after 2 to 3 years	37,000
Due after 3 to 4 years	34,500
Due after 4 to 5 years	18,000
After 5 years	2,500
Total	<u>141,400</u>

Note-5 Per unit information

Net asset value per unit as of May 31, 2008 and November 30, 2007 was ¥615,249 and ¥ 613,047.

Note-6 Cash and Cash equivalents

Cash and cash equivalents, as of May 31, 2008 and November 30, 2007 consisted of the follows:

	Yen in millions	
	As of May 31,2008	As of Nov 30,2007
Cash and deposits (including trust accounts)	14,630	11,209
Cash and cash equivalents(including trust accounts)	¥ 14,630	¥ 11,209

Note-7 Income taxes

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

	Rate	
	9th. Period	8th. Period
Statutory effective tax rate	39.39%	39.39%
Deductible cash distributions paid	(39.38)	(39.17)
Others	0.02	0.02
Effective tax rate	0.03%	0.24%

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 May 31, 2008 (equivalent to ¥14,577 per unit) to its unitholders (¥12,748 per unit was distributed for the period ended November 30, 2007). 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-8 Derivatives and hedge accounting

NRIC has entered into interest rate swap and cap contracts with several Japanese financial institutions to hedge its variable rate long-term debt obligations. NRIC utilizes interest rate swap and cap contracts, which are derivative financial instruments, only for the purpose of mitigating future risks of fluctuations of interest rates, but does not enter into such transactions for speculative or trading purposes. NRIC entered into such derivative transactions to hedge risk in accordance with its Articles of Incorporation and the established risk management policies of PRS.

The following summarizes the notional amounts and the estimated fair value of the interest-related positions outstanding as of May 31, 2008:

	Yen in millions	
	Notional amount	Fair value
Interest rate swaps:		
Receive/float and pay/fixed	37,400	92
Interest rate caps:	17,000	100

Note-9 Significant subsequent events

Cash Distribution

As of July 23, 2008, the NRIC Board of Directors resolved to effect payment of a cash distribution of ¥14,577 per unit aggregating ¥ 3,603 million to unitholders of record on May 31, 2008.

Corporate Data

Corporate Data of NRIC

Name:	Nippon Residential Investment Corporation
Representative:	Masaru Nishimura, Chief Executive Officer
Address:	11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo
Contact:	Pacific Residential Corporation 11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo Phone: +81-3-5251-8528

History of NRIC

December 2, 2002	Notification by the founder (Pacific Residential 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
December 12, 2005	Public issue of investment units
January 11, 2006	Private placement of investment units
August 30, 2006	General Meeting of Unitholders
June 21, 2007	Public issue of investment units
July 20, 2007	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.

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