

May 11, 2006

For Immediate Release



**NIPPON
RESIDENTIAL
INVESTMENT
CORPORATION**

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Notification on Acquisition of Pacific Residence Toranomon

Nippon Residential Investment Corporation (NRIC) announces the decision made today to acquire the following asset as detailed below.

1. Overview of Acquisition

(1) Property Name	Pacific Residence Toranomon (hereafter, the "Property")
(2) Asset Type	Real estate
(3) Acquisition Value	1,484,250,000 yen (excluding acquisition costs, real property tax, city planning tax, consumption tax and local consumption tax) [Payment Schedule] Pay 10 million yen (down payment) upon conclusion of sale and purchase agreement Pay remainder upon transfer
(4) Sale and Purchase Agreement Date	May 11, 2006
(5) Scheduled Acquisition Date	On a date separately agreed to by NRIC and the seller. However, it shall be no later than November 20, 2006. ...Execute transfer based on the concerned real estate sale and purchase agreement when the terms for payment of sales proceeds specified in the concerned agreement are fulfilled.
(6) Seller	Aoyama Mainland Co., Ltd. (hereafter, the "Seller")
(7) Financing	Cash on hand or debt financing

2. Purpose of Acquisition

The Property will be acquired with the following reason based on NRIC's Articles of Incorporation and investment policy.

(1) Reason	In addition to heightening the portfolio share in the 5 central wards of Tokyo (Note), this will reduce the average age of our portfolio and enhance the portfolio.
(2) Property Characteristics	<p>(i) Location and Convenience The Property enjoys a close proximity to the city center only a 6-minute walk from Toranomon Station on the Tokyo Metro Ginza Line, a 5-minute walk from Uchisaiwaicho Station on the Toei Mita Subway Line, and a 9-minute walk from Shimbashi Station on the JR Yamanote Line.</p> <p>(ii) Architectural Plan for the Property The Property is a brand new property scheduled to be completed in October 2006. In addition, the interior and exterior finish, size of the rental units, facilities within the rental units, etc. equal or exceed the standard level. Thus, we anticipate demand from singles who emphasize proximity to their workplace in Kamiyacho, Toranomon, Shimbashi and Shiodome, and also believe the Property's competitiveness to be relatively high.</p>
(3) Significance, etc. of Acquiring the Property	<p>(i) Expansion of Property Acquisition Method Generally, by concluding an agreement with set conditions, including the sale and purchase price, prior to completion of building construction enables acquisition of brand new properties that excel over properties acquired after construction is completed. The aim with this Property is also to secure such an excellent brand new property.</p> <p>(ii) Risks of Investing in Development Projects and How to Avoid These Risks The Property is real estate that is being developed primarily by the Seller and thus involves risks until construction on the building is complete such as construction completion and building delivery risks and risks related to market fluctuations including real-estate prices and rents. These potential risks can be minimized in the following manner:</p> <p>(a) Construction completion and building delivery risks can be avoided by setting as conditions on payment of the sales proceeds terms like that the Seller will construct the building according to the design and specifications by the scheduled construction completion date and that the Seller will report to NRIC on the progress of construction work and other information at regular meetings.</p> <p>(b) Market fluctuation risks through the scheduled construction completion date can be avoided by obtaining a survey report concerning the price of the Property as set forth in "3. Description of Asset to be Acquired (1) Overview of Real Estate Appraisal Method" below from Mori Appraisal & Investment Consulting, Inc.</p> <p>(iii) Other Significance of Acquiring the Property</p>

	The acquisition of the Property will reduce the average age of our portfolio and thus stable growth of managed assets can be anticipated.
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(Note) The 5 central wards of Tokyo refer to the Minato, Shibuya, Shinjuku, Meguro and Chiyoda Wards.

3. Description of Asset to be Acquired

(1) Overview of Real Estate

Property Name		Pacific Residence Toranomon
Location (Note 1)		2-310-20 Nishi-Shimbashi, Minato-ku, Tokyo (lot number)
Access		6-minute walk from Toranomon Station on the Tokyo Metro Ginza Line 5-minute walk from Uchisaiwaicho Station on the Toei Mita Subway Line 9-minute walk from Shimbashi Station on the JR Yamanote Line
Land	Ownership	Proprietary ownership
	Zoning (Note 2)	Commercial
	Lot Size (Note 1)	302.11m ²
	FAR/Building Coverage Ratio (Note 3)	600%/80%
Building	Ownership	Proprietary ownership
	Type (Note 1)	Apartment (planned)
	Floor Space (Note 1)	1,785.73m ² (planned)
	Construction Completion	November 2006 (planned)
	Structure (Note 1)	Reinforced concrete structure; 14 floors above ground and 1 below (planned)
	Leasable Units	63 units (planned) (1K: 63 units)
	Leasable Area	1,353.41m ² (planned)
Acquisition Value		1,484,250,000 yen (excluding acquisition costs, real property tax, city planning tax, consumption tax and local consumption tax)
Special Notations (collateral, etc.)		None
Appraisal Method	Method	Valuation survey by Mori Appraisal & Investment Consulting, Inc. (Note 4)
	Estimated Value	1,490,000,000 yen
	Survey Date	April 1, 2006

(Note 1) Information that appears on the registry was used for the location and lot size. In addition, information on the building is all from plans. Information for type, floor space and structure are as set forth in the confirmation certificate (No. ERI06004008) dated February 22, 2006.

(Note 2) The entry for the zoning is from the zoning type indicated in Article 8-1-1 of the City Planning Law.

(Note 3) The FAR uses the ratio of the floor area of the building versus the lot area as designated in Article 52 of the Building Standards Law and the building coverage ratio uses the building area versus the lot area as designated in Article 53 of the Building Standards Law.

A valuation survey differs from the appraised value found by the appraisal of real estate prescribed in Article 2-1 of the Law concerning Real-Estate Appraisal. As construction on the subject building is not complete, making

confirmation of the subject real estate difficult, the value is one that was found by the appraiser by applying the appraisal method under the assumption that construction on the to-be-constructed building was completed as planned at the time of reference of the survey.

4. Seller Profile

Company Name	Aoyama Mainland Co., Ltd.
Head Office Address	1-7-6 Uchi-Kanda, Chiyoda-ku, Tokyo
Representative	Ryozo Nishihara, Representative Director
Paid-in Capital	300 million yen
Line of Business	<ol style="list-style-type: none"> 1. Owning, leasing, managing, selling, purchasing and brokering rental buildings and other real estate 2. Providing real estate backed loans and other monetary loans 3. Contracting, designing and managing construction and civil engineering work 4. General insurance agency 5. Matters related to soliciting life insurance 6. Operating restaurants 7. All work incidental to the above
Relationship with NRIC	None

5. Matters concerning Design, etc. of Asset to be Acquired

NRIC has verified the Property's architect, building contractor, building designer, structural designer (engineer) and building inspection agency. The details are given in the following tables.

Neither the Property's architect, building contractor or designers is a company announced by the Ministry of Land, Infrastructure and Transport as of May 10, 2006. However, it was Japan ERI Co., Ltd. that conducted the building inspection. In light of this, NRIC asked a specialist third party investigation agency (Meiho Facility Works Ltd.) to conduct a reinvestigation and has received investigation results reporting that no willful falsification, fabrication or other illegal act was found with the structural calculation and other documents and that it deemed the structural calculations to be compliant with legal requirements.

In the due diligence conducted when properties are purchased, NRIC also has earthquake risk analyses conducted without fail from a different perspective to the building inspection agency's building inspection. NRIC makes acquisition decisions only after appropriate earthquake risk analyses have been conducted on the property that is to be purchased, independently taking into account the structural resistance of the building that is to be purchased based on examinations of structural drawings,

structural design overviews and other documents or drawings and site studies. In the case of this Property as well, NRIC will ensure analyses are conducted by the date of acquisition and will make the acquisition decision based on those results.

(Reference 1) Businesses Associated with Designing the Asset to be Acquired

Property Name	Pacific Residence Toranomom
Owner	Aoyama Mainland Co., Ltd.
Building Contractor	UEKI Corporation
Building Designer	Atelier T Plus K.K.
Structural Designer	Atelier T Plus K.K.
Building Inspection Agency	Japan ERI Co., Ltd.

(Reference 2) Profile of Third Party Investigation Agency (Reinvestigation of Structural Calculation Documents)

Company Name	Meiho Facility Works Ltd.
Head Office Address	5-4 Kojimachi, Chiyoda-ku, Tokyo
Representative	Akira Sakata, Representative Director
Paid-in Capital	530,526,000 yen
Line of Business	<ol style="list-style-type: none"> 1. Project management (proposing basic plans for construction projects and providing comprehensive management services from design through to the end of construction as the agent for the client) 2. Construction management (assisting in the selection of the building contractor and managing the state of construction implementation as the agent for the client in construction projects) 3. Facility management (services involving studying/analyzing and proposing basic facility plans in line with business issues and demands of the client) and related consulting work regarding facility management 4. Turnkey building construction, electrical work, plumbing, interior finishing and fire fighting facility construction 5. Design work for construction projects (architectural design, setting electrical installations, machinery and facility design, information facility design, office layout, etc.) 6. Consulting work for design projects 7. Selling and renting office appliances, information and telecommunication equipment, fixtures, interior fittings, etc. 8. Developing, selling, leasing and renting computer hardware and software 9. Manufacturing, selling, exporting, importing and constructing telecommunication equipment 10. Employment agency that dispatches its own full-time workers 11. All work incidental to the above
Relationship with NRIC	None

(Reference 3) Profile of Third Party Investigation Agency (Earthquake Risk Analysis)

Company Name	InterRisk Research Institute & Consulting, Inc.
Head Office Address	3-9 Kanda-Surugadai, Chiyoda-ku, Tokyo
Representative	Tadashi Yasuda, President and Representative Director
Paid-in Capital	330 million yen
Line of Business	1. Accepting orders for and consulting on investigative studies concerning risks faced by individuals, corporations, organizations, etc. and risk management 2. Accepting orders for and consulting on investigative studies concerning the economy, finance, society, lifestyle and culture, science and engineering, natural science, etc. 3. Gathering and providing information, training and consulting related to the above two items 4. Holding various workshops and seminars and publishing publications, etc. related to the above items 5. Other work incidental or related to the above items
Relationship with NRIC	None

6. Outlook

The management performance outlook for NRIC for the fiscal period ending in May 2006 (December 1, 2005 – May 31, 2006) does not change as a result of acquisition of the Property.

- This document was distributed to the press clubs within the Tokyo Stock Exchange, Ministry of Land, Infrastructure and Transport and construction trade newspaper of the Ministry of Land, Infrastructure and Transport.
- Nippon Residential Investment Corporation's website is <http://www.nric.co.jp>

[Attachment 1] Summary of Survey Report on the Property's Price

(Unit: thousand yen)

	Description	Appraisal Reasoning
Estimated value (specified price)	1,490,000	
Total income	86,227	
Rental income	83,300	Appraised the assumed rent after considering location and the building's unique qualities like its grade.
Parking lot use fee	—	
Operating profit from and amortization of key money, etc.	1,826	Assumed key money as 1.0 month of the tenant rent and appraised the return as 2.0%.
Renewal fee income	824	After considering the fee at time of renewal, recorded as 0.5 months worth of new rent. Further, appraised the average renewal rate for each year as about 23%.
Operating profit from guarantees, etc.	278	Assumed guarantees as 2.0 months of the tenant rent and appraised the return as 2.0%.
Total expenses	17,455	
Maintenance and management fee	2,014	Appraised as 1,488 yen/m ² × leased area.
Repair costs	375	Appraised as 210 yen/m ² × floor area.
Utilities	712	Appraised as 526 yen/m ² × leased area.
Property management fee	2,374	Appraised as the amount equivalent to 3.0% of the rental income, etc.
Tenant soliciting fee	2,172	Appraised as the average of the estimated amounts for 10 years.
Housing restoration fee	321	Appraised as 1,000 yen/m ² × vacant area.
Taxes, etc.	3,866	Assumed amount for both the land and building.
Liability insurance premium	225	Appraised with the assumption that it is a certain percentage of the replacement cost.

Reserves for demolition of building, etc.	375	Appraised as 0.1% of the replacement cost.
Losses from vacancies, etc.	4,270	Appraised vacancy rate as 5% for rental units after considering such factors as the current vacancy rates and rent levels in the concerned area, the future supply/demand balance and unique qualities of the property.
Cost of major repairs	750	Appraised as 420 yen/m ² × floor area.
Net profit	68,773	
Cap rate	4.6%	
Capitalized value from the direct capitalization method	1,500,000	
Price from the DCF method	1,490,000	
Discount rate	4.3%	
Terminal cap rate	4.7%	
Price from the cost approach	864,000	
Land price	489,000	
Building price	375,000	

(Note 1) In the above survey report, construction on the subject building was yet to be completed, making confirmation of the subject real estate difficult. Therefore, the figures are no more than an appraisal of the price expressing an estimated investment value for the sake of investors under the assumption that the building subject to this survey was completed according to design and specifications at the time of reference of the survey. Thus, when construction on the Property is actually completed, the respective values may differ from the above amounts.

(Note 2) The reason that the value for total expenses listed above does not match the sum total of itemized expenses is because the value for individual itemized expenses is taken from the survey report and each rounded to the nearest thousand yen. The above total expenses are the value arrived at when the values for itemized expenses as indicated in the survey report are summed up and then that sum total rounded to the nearest thousand yen.

This English language notice is a translation of the Japanese language notice dated May 11, 2006 and was prepared solely for the convenience of, and reference by, overseas investors. NRIC makes no warranties as to its accuracy or completeness.