

May 18, 2006

For Immediate Release



**NIPPON  
RESIDENTIAL  
INVESTMENT  
CORPORATION**

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### Notification on Acquisition of LUKE

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	LUKE (hereafter, the "Property")
(2) Asset Type	Real estate
(3) Acquisition Value	1,530,000,000 yen (excluding acquisition costs, real property tax, city planning tax, consumption tax and local consumption tax) [Payment Schedule] Pay all upon transfer
(4) Sale and Purchase Agreement Date	May 18, 2006
(5) Scheduled Acquisition Date	May 18, 2006
(6) Seller	Nomura Real Estate Development 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	(i) Location and Convenience The Property is situated within a 7-minute walk from Meguro

	<p>Station on the JR Yamanote Line, Tokyu Meguro Line and Tokyo Metro Namboku Line. Situated in an elevated spot in a quiet residential area, the Property boasts excellent dwelling environment. Moreover, the commute to central business districts in the city is highly convenient.</p> <p>(ii) Architectural Plan for the Property The Property is a relatively new property with construction completed in January 2006. In addition, the finish including the interior and exterior and facilities within the rental units equal or exceed the standard level. Thus, we anticipate demand from primarily singles and DINKs who emphasize comfort in living, lifestyle convenience and proximity to the city.</p>
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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		LUKE
Location (Note 1)		1-5-26,1-5-27 and 1-5-28 Meguro, Meguro-ku, Tokyo (lot number) 1-2-20 Meguro, Meguro-ku, Tokyo (residential)
Access		7-minute walk from Meguro Station on the JR Yamanote Line, Tokyu Meguro Line and Tokyo Metro Namboku Line
Land	Ownership	Proprietary ownership
	Zoning (Note 2)	Class 1 exclusive residential zone for medium- and high-rise buildings
	Lot Size (Note 1)	687.83m <sup>2</sup>
	FAR/Building Coverage Ratio (Note 3)	200%/60%
Building	Ownership	Proprietary ownership
	Type (Note 1)	Apartment, parking lot, bicycle parking space
	Floor Space (Note 1)	1,576.50m <sup>2</sup>
	Construction Completion (Note 1)	January 2006
	Structure (Note 1)	Reinforced concrete structure with flat roof; 5 floors above ground and 1 below
Acquisition Value		1,530,000,000 yen (excluding acquisition costs, real property tax, city planning tax, consumption tax and local consumption tax)
Appraisal Method	Method	Appraisal by Daiwa Real Estate Appraisal Co., Ltd.
	Appraised Value	1,500,000,000 yen
	Appraised Date	April 20, 2006
Overview of Lease (Note 4)	No. of Tenants (Note 5)	1
	Leasable Units	34 units (1R: 6 units; 1K: 15 units; 1K+S: 4 units; 1LDK: 3 units; 1LDK+N: 4 units; 2LDK: 1 unit; 2LDK+N: 1 unit)

	Leased Units	31 units
	Total Leasable Area	1,448.84 m <sup>2</sup>
	Total Leased Area	1,320.24 m <sup>2</sup>
	Monthly Rent (Note 6)	5,785 thousand yen
	Deposit, etc. (Note 7)	11,570 thousand yen
	Occupancy Rate (based on no. of units)	91.18% (Note 8)
	Occupancy Rate (based on area)	91.12% (Note 8)
Special Notations		None

(Note 1) Information that appears on the registry was used for the location (excluding residential indication), lot size, type, floor space, construction completion date and structure.

(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.

(Note 4) The overview of the lease lists the figures as of the sale and purchase agreement date.

(Note 5) The total number of tenants is entered as one tenant when a single tenant leases multiple rental units. As for sub-leased properties where a single sublessor subleases the property to multiple subtenants, the number of tenants is treated as one tenant.

(Note 6) The monthly rent indicated is the total sum of the monthly rent (includes common expenses but excludes monthly parking lot usage fees) of each of the tenants with whom lease agreements have been concluded as of the sale and purchase agreement date. The amount has been rounded down to the nearest thousand yen and excludes consumption tax, etc.

(Note 7) The deposit, etc. indicates the total sum of the deposits, etc. (excludes the parking lot portion) of each of the tenants with whom lease agreements have been concluded as of the sale and purchase agreement date. The amount has been rounded down to the nearest thousand yen.

(Note 8) The occupancy rate is rounded to two decimal places.

Investigation of Building Conditions	Investigator	Tokyo Bldg-Tech Center Co., Ltd.
	Emergency Repairs	No (urgent repairs)
	Near-term Repairs	No (repairs needed within a year)
	Repairs and Upkeep Thought to be Needed Over Next 12 Years	3,380,000 yen
	Replacement Price	408,000,000 yen
	Date of Building Condition Report	April 18, 2006
Earthquake	PML Value	13.3%

Risk Analysis		This PML value was calculated based on the earthquake risk analysis report issued by InterRisk Research Institute & Consulting, Inc. However, this report is no more than the viewpoint of InterRisk and the content is not guaranteed. PML, or probable maximum loss, refers to the probability of the maximum loss from an earthquake and in this case the level of damage that may result from the assumed maximum earthquake size (large earthquake that occurs once every 475 years = large earthquake with 10% or greater probability of occurring within 50 years) assumed for the assumed scheduled use period expressed as a percentage (%) of the replacement cost of the expenses expected to be required to restore the damages.
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#### 4. Seller Profile

Company Name	Nomura Real Estate Development Co., Ltd.
Head Office Address	1-26-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo
Representative	Hirohisa Suzuki, President
Paid-in Capital	2,000,000,000 yen
Line of Business	<ol style="list-style-type: none"> <li>1. Owning, leasing and managing real estate</li> <li>2. Selling, purchasing, brokering and appraising real estate</li> <li>3. Developing, forming and selling housing lots, commercial land, industrial land, etc.</li> <li>4. Designing, supervising and contracting building construction and civil engineering work</li> </ol>
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 of the Property's architect, building contractor or designers is a company announced by the Ministry of Land, Infrastructure and Transport as of May 17, 2006, but it was eHomes Ltd. that conducted the building inspection. However, 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 of 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	LUKE
Owner	Nomura Real Estate Development Co., Ltd.
Building Contractor	Nomura Construction Industrial Co., Ltd.
Building Designer	C.R.A. Architectural Planning Y.K.
Structural Designer	C.R.A. Architectural Planning Y.K.
Building Inspection Agency	eHomes 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"> <li>1. Construction management</li> <li>2. Project management</li> <li>3. Facility management and related consulting work</li> <li>4. Turnkey building construction, electrical work, plumbing, interior finish work and fire station construction</li> <li>5. Design work for construction projects</li> <li>6. Consulting work for design projects</li> <li>7. Selling and renting office appliances, information and telecommunication equipment, fixtures, fittings and ornaments</li> <li>8. Developing, selling, leasing and renting computer hardware and software</li> <li>9. Manufacturing, selling, exporting, importing and constructing telecommunication equipment</li> <li>10. Employment agency for dispatching specialists</li> <li>11. All work incidental to the above</li> </ol>
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	<ol style="list-style-type: none"> <li>1. Accepting orders for and consulting on investigative studies concerning risks faced by individuals, corporations, organizations, etc. and risk management</li> <li>2. Accepting orders for and consulting on investigative studies concerning the economy, finance, society, lifestyle and culture, science and engineering, natural science, etc.</li> <li>3. Gathering and providing information, training and consulting related to the above two items</li> <li>4. Holding various workshops and seminars and publishing publications, etc. related to the above items</li> <li>5. Other work incidental or related to the above items</li> </ol>
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 Appraisal on the Property's Price

(Unit: thousand yen)

	Description	Appraisal Reasoning
Appraised value (specified price)	1,500,000	
Total income	88,045	
Rental income	84,128	Appraised the assumed rent after considering such factors as the medium-to long-term competitiveness based on rent levels of present agreements and new rent levels and trends of similar buildings in the same supply/demand area.
Parking lot income	960	Appraised the appropriate rent taking into account current rent levels and rent levels in the surrounding area.
Key money income	2,016	Appraised based on the tenant replacement rate and vacancy rate.
Renewal fee income	672	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 20%.
Operating profit from deposits	270	Appraised based on a 2.0% return for the guarantees at full occupancy minus the amounts corresponding to the vacancies.
Total expenses	17,363	
Building maintenance fee	2,123	Appraised as 400 yen a month per tsubo of leasable area.
Utilities	789	Appraised as 150 yen a month per tsubo of leasable area.
Property management fee	2,446	Appraised as the amount equivalent to 3.0% of the rental income, etc.
Tenant soliciting fee	2,039	Recorded as the amount equivalent to 1 months worth of rent of a new tenant.
Tenant replacement cost	504	Appraised with the replacement rate considered and an assumption of 4,000

		yen per tsubo in maintenance costs when tenants move out of their units.
Taxes, etc.	4,122	Land: Appraised based on the appraised values of real property for fiscal 2005. Building: Assumed.
Liability insurance premium	163	Appraised as 0.04% of the replacement cost for the building.
Losses from vacancies, etc.	3,545	Appraised vacancy rate as 5% for rental units (1K+S type) and 4% for rental units (types other than 1K+S) 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.
Capital expenditures	1,632	Appraised as 0.4% of the replacement cost for the building.
Net profit	70,682	
Cap rate	4.6%	
Capitalized value from the direct capitalization method	1,540,000	
Price from the DCF method	1,460,000	
Discount rate	4.5%	
Terminal cap rate	4.8%	
Price from the cost approach	1,040,000	The appraisal firm decided on the concerned price after combining the land and building prices and then rounding to the nearest million yen.
Land price	628,695	
Building price	408,000	

(Note 1) The above figures are the annual income and expenses assumed based on the capitalization method (direct capitalization method) that are indicated on the real estate appraisal, and are not the forecast figures of the registry.

(Note 2) The reason that the value for total income listed above does not match the sum total of itemized income is because the value for individual itemized income is taken from the real estate appraisal and each rounded to the nearest thousand yen. The above total income are the value arrived at when the values for itemized income as indicated in the real estate appraisal 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 18, 2006 and was prepared solely for the convenience of, and reference by, overseas investors. NRIC makes no warranties as to its accuracy or completeness.*