

October 26, 2006

For Immediate Release



**NIPPON
RESIDENTIAL
INVESTMENT
CORPORATION**

Nippon Residential Investment Corporation
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Notification on Acquisition of Pacific Residence Tokugawa

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

1. Overview of Acquisition

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| (1) Property Name | F-21 Pacific Residence Tokugawa (hereafter, the “Property”) |
| (2) Asset Type | Real estate |
| (3) Acquisition Value | 975,650,000 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 | October 26, 2006 |
| (5) Scheduled Acquisition Date | On a date separately agreed to by NRIC and the seller. However, it shall be no later than the end of March 2007. ...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 | Mitsui Fudosan Residential 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.

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| (1) Reason | In addition to heightening the portfolio share in ordinance designated cities (excluding the Tokyo metropolitan area), etc. (Note), this will reduce the average age of our portfolio and enhance the portfolio. |
| (2) Property Characteristics | <p>(i) Location and Convenience The Property is situated in the central area of Higashi Ward, Nagoya City. With places like Sakae, which is at the center of Nagoya City, accessible in roughly about 10 minutes by car or route bus, the Property boasts good proximity to downtown Nagoya. The Property's neighborhood is located behind a main road and is a residential area where primarily low- and medium-rise apartment complexes and general housing can be found. The residential environment surrounding the Property is generally good.</p> <p>(ii) Architectural Plan for the Property The Property is a brand new property scheduled to be completed in January 2007. The interior and exterior finishing, size of the rental units, facilities within the rental units, etc. equal or exceed the standard level. In light of these factors, we anticipate demand from primarily family households that emphasize convenience such as proximity to the downtown while also desiring a good living environment.</p> |
| (3) Significance, etc. of Acquiring the Property | <p>(i) Expansion of Property Acquisition Method Generally, 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 potential risks until construction on the building is complete such as construction completion and building delivery risks. However, NRIC has taken steps to avoid such construction completion and building delivery risks 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>(iii) Other Significance of Acquiring the Property The acquisition of the Property will reduce the average age of our portfolio and thus stable growth of managed assets can be anticipated.</p> |

(Note) Ordinance designated city, etc. refers to an area that is within commuting

distance of a central area of an ordinance-designated city and where an increased demand for rental housing, etc. is anticipated.

3. Description of Asset to be Acquired

(1) Overview of Real Estate

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| Property Name | | Pacific Residence Tokugawa |
| Location (Note 1) | | 2-801 Tokugawa, Higashi-ku, Nagoya-shi, Aichi (lot number) |
| Access | | 5-minute walk from Morishita Station on the Meitetsu Seto Line |
| Land | Ownership | Proprietary ownership |
| | Zoning (Note 2) | Neighborhood commercial zone |
| | Lot Size (Note 1) | 1,193.12m ² |
| | FAR/Building Coverage Ratio (Note 3) | 200%/80% (Note 5) |
| Building | Ownership | Proprietary ownership |
| | Type (Note 1) | Apartment (planned) |
| | Floor Space (Note 1) | 2,625.61m ² (planned) |
| | Construction Completion | January 2007 (planned) |
| | Structure (Note 1) | Reinforced concrete structure; 9 floors above ground |
| | Leasable Units | 27 units (2LDK: 6 units; 3LDK: 3 units; 3LDK+N: 9 units; 4LDK: 9 units) (planned) |
| | Leasable Area | 2,282.49m ² (planned) |
| Acquisition Value | | 975,650,000 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 Daiwa Real Estate Appraisal Co., Ltd. (Note 4) |
| | Estimated Value | 984,000,000 yen |
| | Survey Date | September 20, 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. ERI06019925) dated July 12, 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.

(Note 4) 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.

(Note 5) The designated building coverage ratio for this land is 80%, but the building coverage ratio is 90% as a result of the increase associated with deregulations for corner lots.

4. Seller Profile

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| Company Name | Mitsui Fudosan Residential Co., Ltd. |
| Head Office Address | 3-1-20 Nihonbashi Muromachi, Chuo-ku, Tokyo |
| Representative | Mitsuhiro Matsumoto, Representative Director |
| Paid-in Capital | 40 billion yen |
| Line of Business | <ol style="list-style-type: none"> 1. Acquiring, owning, disposing and leasing real estate 2. Managing and utilizing real estate 3. Selling, purchasing and brokering real estate 4. Developing, forming and selling housing subdivisions, etc. 5. Constructing and selling housing 6. Designing, constructing, supervising and contracting building construction 7. Work based on the Real Estate Syndication Law 8. Work related to soliciting life insurance policies and as a general insurance agency, as well as work as an insurance agency based on the Automobile Liability Security Law 9. Investing equity into and selling, purchasing, brokering and managing equity investment holdings in tokutei mokuteki kaisha (special purpose company), tokubetsu mokuteki kaisha (company designated in the Regulations concerning Terminology, Forms and Preparation Methods of Financial Statements, etc.) and real estate investment trusts 10. Employment agency 11. All work incidental to the above |
| Relationship with NRIC and Investment Trust Management Company | None |

5. Broker Profile

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| Company Name | Pacific Management Corporation |
| Head Office Address | 2-11-1 Nagata-cho, Chiyoda-ku, Tokyo |
| Representative | Masaru Takatsuka, Representative Director |
| Commission | 29,269,500 yen (excluding consumption tax and local consumption tax) |
| Relationship with NRIC and Investment Trust Management Company | Pacific Management Corporation is a shareholder of NRIC's asset management company and constitutes an interested party, etc. of the asset management company as defined in the Law concerning Investment Trusts and Investment Corporations. Pacific Management Corporation has a 78.2% stake in the asset management company. |

6. 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.

None of the Property's architects, building contractors or designers is a company announced by the Ministry of Land, Infrastructure and Transport as of October 25, 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 inspections. 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

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|----------------------------|--------------------------------------|
| Property Name | Pacific Residence Tokugawa |
| Owner | Mitsui Fudosan Residential Co., Ltd. |
| Building Contractor | Kyoritsu Construction Co., Ltd. |
| Building Designer | Tanaka Sogo Sekkei K.K. |
| Structural Designer | Inugai Kenchiku Sekkei Jimusho K.K. |
| Building Inspection Agency | Japan ERI Co., Ltd. |

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

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| Company Name | Meiho Facility Works Ltd. |
| Head Office Address | 5-4 Kojimachi, Chiyoda-ku, Tokyo |
| Representative | Kazutoshi Omi, President and 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 |

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| | <p>the client) and related consulting work regarding facility management</p> <p>4. Turnkey building construction, electrical work, plumbing, interior finishing and fire fighting facility construction</p> <p>5. Design work for construction projects (architectural design, setting electrical installations, machinery and facility design, information facility design, office layout, etc.)</p> <p>6. Consulting work for design projects</p> <p>7. Selling and renting office appliances, information and telecommunication equipment, fixtures, interior fittings, etc.</p> <p>8. Developing, selling, leasing and renting computer hardware and software</p> <p>9. Manufacturing, selling, exporting, importing and constructing telecommunication equipment</p> <p>10. Employment agency that dispatches its own full-time workers</p> <p>11. All work incidental to the above</p> |
| Relationship with NRIC | None |

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

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

7. Outlook of Management Performance After Acquisition of Concerned Asset

The management performance outlook for NRIC for the fiscal period ending in November 2006 (June 1, 2006 – November 30, 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 |
|--|-------------|---|
| Appraised value (specified price) | 984,000 | |
| Total income | 72,129 | |
| Rental income | 62,972 | Appraised the assumed rent after considering such factors as the medium-to long-term competitiveness based on new rent levels and trends of similar buildings in the same supply/demand area. |
| Parking lot income | 7,193 | Appraised the assumed rent taking into account the rent levels in the surrounding area. |
| Key money income | 1,008 | Appraised based on the tenant replacement rate and vacancy rate. |
| Renewal fee income | 756 | 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 30%. |
| Operating profit from guarantees, etc. | 202 | Appraised based on a 2.0% return for the guarantees at full occupancy minus the amounts corresponding to the vacancies. |
| Other income | 45 | |
| Total expenses | 18,305 | |
| Building maintenance fee | 3,314 | Appraised as 400 yen a month per tsubo of leasable floor space. |
| Utilities | 1,243 | Appraised as 150 yen a month per tsubo of leasable floor space. |
| Property management fee | 2,022 | Appraised as the amount equivalent to 3.0% of the rental income, etc. |
| Tenant soliciting fee | 1,123 | Recorded as the amount equivalent to 1 month worth of rent of a new tenant. |
| Tenant replacement cost | 530 | Appraised with the replacement rate considered and appraising maintenance |

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| | | costs when tenants move out of their units as being 4,000 yen per tsubo. |
| Taxes, etc. | 4,645 | Land: Appraised based on the appraised values of real property for fiscal 2006. Building: Assumed. |
| Liability insurance premium | 238 | Appraised as an annual amount of 300 yen per tsubo of floor space. |
| Losses from vacancies, etc. | 2,807 | Appraised vacancy rate as 4% after considering such factors as the current vacancy rates and rent levels in the concerned area, the future supply/demand balance and unique qualities. |
| Capital expenditures | 2,383 | Appraised as an annual amount of 3,000 yen per tsubo of floor space. |
| Net profit | 53,870 | |
| Cap rate | 5.4% | |
| Capitalized value from the direct capitalization method | 998,000 | |
| Price from the DCF method | 969,000 | |
| Discount rate | 5.3% | |
| Terminal cap rate | 5.6% | |
| Price from the cost approach | 895,000 | |
| Land price | 323,336 | |
| Building price | 572,000 | |

(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.

(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 itemized income is taken from the survey report and each rounded to the nearest thousand yen. The above total income is the value arrived at when the values for itemized income 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 October 26, 2006 and was prepared solely for the convenience of, and reference by, overseas investors. NRIC makes no warranties as to its accuracy or completeness.