

December 11, 2006

For Immediate Release



**NIPPON  
RESIDENTIAL  
INVESTMENT  
CORPORATION**

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## Notification on Acquisition of Life & Senior House Kohoku II

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	SE-1 Life & Senior House Kohoku II (hereafter, the "Property")
(2) Asset Type	Real estate
(3) Acquisition Value	1,950,000,000 yen (excluding acquisition costs, real property tax, city planning tax, consumption tax and local consumption tax) [Payment Schedule] Pay all sales proceeds upon transfer
(4) Sale and Purchase Agreement Date	December 11, 2006
(5) Scheduled Acquisition Date	On a date separately agreed to by NRIC and the seller. However, it shall be no later than March 31, 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	Seikatsu Kagaku Unei K.K.

	(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 Tokyo metropolitan area (Note), this will reduce the average age of our portfolio and enhance the portfolio. Moreover, to secure stability and growth potential of the portfolio by heightening the portfolio share in Senior Type properties and to pursue the construction of a “comprehensive housing-type” portfolio.
(2) Property Characteristics	(i) Location and Convenience The Property is situated within a 15-minute walk from Nakamachidai Station on the Yokohama City Subway Line. The surrounding area, including the Property’s neighborhood, has lots arranged in an orderly fashion as a result of the region having undergone a land readjustment project and Chigasaki Park can be found on the northern side of the neighborhood. These form a favorable living environment. Consequently, NRIC believes that the area exhibits land qualities appropriate for fee-based senior housing.  (ii) Architectural Plan for the Property The Property was designed as a senior housing and is a relatively new property for which construction was completed in October 2003. Therefore, the design and facility specifications are outstanding and NRIC believes that it will be able to secure residents over the medium and long term in a stable manner.
(3) Operator Characteristics	The operator of the Property, Seikatsu Kagaku Unei K.K. (see “Seller Profile” below), is a company that was established in September 1991 engaged primarily in planning and operating fee-based senior housing, housing for the elderly and housing for multi-generations. The company operates more than 20 senior housing facilities and over 1,000 rooms for living when all facilities are combined. The company is positioned at the top of the operator rankings in terms of supply volume as well. Anticipations lie on the company to increasingly expand its number of operated facilities in the future by utilizing its know-how from existing senior housing facilities.

(Note) The Tokyo metropolitan area refers to the Tokyo (excluding the 23 wards of Tokyo), Kanagawa, Saitama and Chiba Prefectures.

## 3. Description of Asset to be Acquired

### (1) Overview of Real Estate

Property Name	Life & Senior House Kohoku II
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Location (Note 1)		2-18-2 Chigasaki-minami, Tsuzuki-ku, Yokohama-shi, Kanagawa (lot number) 2-18-7 Chigasaki-minami, Tsuzuki-ku, Yokohama-shi, Kanagawa (residential)
Access		15-minute walk from Nakamachidai Station on the Yokohama City Subway Line
Land	Ownership	Proprietary ownership
	Zoning (Note 2)	Class 2 residential zone
	Lot Size (Note 1)	2,789.32m <sup>2</sup>
	FAR/Building Coverage Ratio (Note 3)	200%/60%
Building	Ownership	Proprietary ownership
	Type (Note 1)	Senior housing
	Floor Space (Note 1)	5,433.40m <sup>2</sup>
	Construction Completion (Note 1)	October 2003
	Structure (Note 1)	Steel-framed reinforced concrete structure with flat roof; 6 floors above ground
Acquisition Value		1,950,000,000 yen (excluding acquisition costs, real property tax, city planning tax, consumption tax and local consumption tax)
Appraisal Method	Appraisal Method	Appraisal by Daiwa Real Estate Appraisal Co., Ltd.
	Appraised Value	1,950,000,000 yen
	Appraised Date	November 20, 2006

Tenant Conditions	<p>The Property is a property for use by the Seller itself and has not been leased in the past. The number of rooms for living available for occupancy at the Property is 77 rooms (5,433.40m<sup>2</sup>) and the actual occupancy was 100% at the date the sale and purchase agreement was concluded. (Of the total number of rooms for living (77 rooms), the 76 rooms for living that are usually available for occupancy were all occupied and the remaining 1 room is a room for living put aside as a vacant room at all times for residents moving from a general room for living to a room for living with long-term nursing care.)</p> <p>In addition, on a date after the date the sale and purchase agreement was concluded and no later than the date the transfer is to be executed, NRIC will enter into an agreement to lease the building of the Property in its entirety with NRIC as the lessor and a third party separately selected by NRIC as the lessee as a condition to the execution of the transfer. Furthermore, the Seller is scheduled to enter into a 20-year regular lease agreement to sublease the building of the Property in its entirety with the above third party as the sublessor and the Seller as the sublessee. In the event of significant fluctuations in taxes and public dues for the land or building or significant fluctuations in the price of the land or building or other economic circumstances during the lease term, the lessor and sublessee shall be able to mutually request for rent revisions and revise the rent. However, the degree of increase/decrease in rent that can be mutually requested shall be no more than 3% in 5 years.</p>
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.

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	8,850,000 yen
	Replacement Price	1,234,000,000 yen
	Date of Building Condition Report	October 27, 2006
Earthquake Risk Analysis	PML Value	10.4%
		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.

#### 4. Seller Profile

Company Name	Seikatsu Kagaku Unei K.K.
Head Office Address	Sanyu Bldg, 3-3-3 Takadanobaba, Shinjuku-ku, Tokyo
Representative	Kenta Furutani, Representative Director
Paid-in Capital	163,570,000 yen
Line of Business	<ol style="list-style-type: none"> <li>1. Holding lectures, symposiums, seminars, etc. on living environment</li> <li>2. Planning and consulting work concerning living environment development, long-term nursing care and welfare</li> <li>3. Course and training work for acquiring qualifications and skills concerning long-term nursing care</li> <li>4. Planning and operating fee-based senior housing and other service businesses for the elderly</li> <li>5. Services business in accordance with the Nursing Care Insurance Law</li> </ol>
Relationship with NRIC	Pacific Management Corporation, a shareholder of NRIC's asset management company Pacific Investment Advisors Co., Ltd. (hereafter, the "Asset Management Company"), is scheduled to acquire a 49.6% voting right in relation to the Seller. After that is acquired, the Seller is to fall under the category of an interested party, etc. of the Asset Management Company as defined in the Law concerning Investment Trusts and Investment Corporations (1951 Law No. 198, including amendments thereto). Pacific Management

	Corporation has a 78.2% stake in the Asset Management Company.
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## 5. Overview of Operation Method

Outline of Structure	See “[Attachment 2] Chart of Structure for Acquiring the Property” below
Risk Management	<p>When acquiring/operating senior housing, nursing care facilities and other real estate where services requiring a special governing structure and specialist know-how will be provided, NRIC, as a general rule, leases the real estate in its entirety to an expert operator and organizes a back-up operator. In this manner, NRIC ensures stable cash flows so that the real estate can continue to be leased in its entirety even after the withdrawal of the concerned operator. In acquiring the Property, NRIC will lease the Property in its entirety to Seikatsu Kagaku Unei K.K. as the expert operator and has concluded a back-up service agreement with Care Link Co., Ltd. (see “Profile of Counterparty to Back-Up Service Agreement” below) as the back-up operator.</p> <p>Further, KPMG Healthcare Japan Co., Ltd. conducted due diligence in selecting the operators. In addition, NRIC plans to conduct ongoing monitoring upon entering into an agreement with an expert provider in relation to future monitoring of the operators.</p>

### (Reference) Profile of Company Requested to Conduct Due Diligence

Company Name	KPMG Healthcare Japan Co., Ltd.
Head Office Address	1-8-1 Marunouchi, Chiyoda-ku, Tokyo
Representative	Keiichi Owari, Representative Director
Paid-in Capital	10,000,000 yen
Line of Business	1. Hospital management consulting work 2. All work incidental or related to the above
Relationship with NRIC	None

## 6. Profile of Counterparty to Back-Up Service Agreement

Company Name	Care Link Co., Ltd.
Head Office Address	2-17-3 Kyobashi, Chuo-ku, Tokyo
Representative	Yukio Momiyama, Representative Director
Paid-in Capital	1,262,512,500 yen
Line of Business	1. In-home services business for long-term nursing care in communal living for senile people in accordance with the Nursing Care Insurance Law 2. In-home services business for home-visit nursing care in accordance with the Nursing Care Insurance Law 3. In-home services business for home-visit bathing assistance nursing care in accordance with the Nursing Care Insurance Law 4. In-home services business for nursing day care in

	accordance with the Nursing Care Insurance Law 5. In-home services business for short-stay nursing care in accordance with the Nursing Care Insurance Law
Relationship with NRIC	None

#### 7. Broker Profile

Company Name	Pacific Management Corporation
Head Office Address	2-11-1 Nagata-cho, Chiyoda-ku, Tokyo
Representative	Masaru Takatsuka, Representative Director
Commission	58,500,000 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.

#### 8. 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 involved in the so-called structural calculation fabrication problem announced by the Ministry of Land, Infrastructure and Transport as of December 8, 2006. 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

Property Name	Life & Senior House Kohoku II
Owner	Seikatsu Kagaku Unei K.K.
Building Contractor	Takenaka Corporation
Building Designer	LAU Kokyo Shisetsu Kenkyusho K.K.
Structural Designer	LAU Kokyo Shisetsu Kenkyusho K.K.
Building Inspection Agency	City of Yokohama

(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, President and Representative Director
Paid-in Capital	530,526,000 yen
Line of Business	<ol style="list-style-type: none"> <li>1. Construction management work</li> <li>2. Project management work</li> <li>3. Facility management and related consulting work regarding facility management</li> <li>4. Turnkey building construction, electrical work, plumbing, interior finishing and fire fighting facility 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, interior fittings, etc.</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 that dispatches its own full-time workers</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,</li> </ol>

	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

#### 9. Asset Management Company's Interest in Asset to be Acquired

The abovementioned Seller does not constitute an interested party as defined in the Asset Management Company's internal rules at the time the sale and purchase agreement was concluded. However, as described under "4. Seller Profile," the Seller is to become an interested party by the date the Property is scheduled to be acquired. For that reason, the internal rules are to apply and the required procedures are scheduled to be completed for the signing of the sale and purchase agreement.

#### 10. Outlook of Management Performance

The management performance outlook for NRIC for the fiscal period ending in May 2007 (December 1, 2006 – May 31, 2007) will be announced on a separate occasion.

- 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)

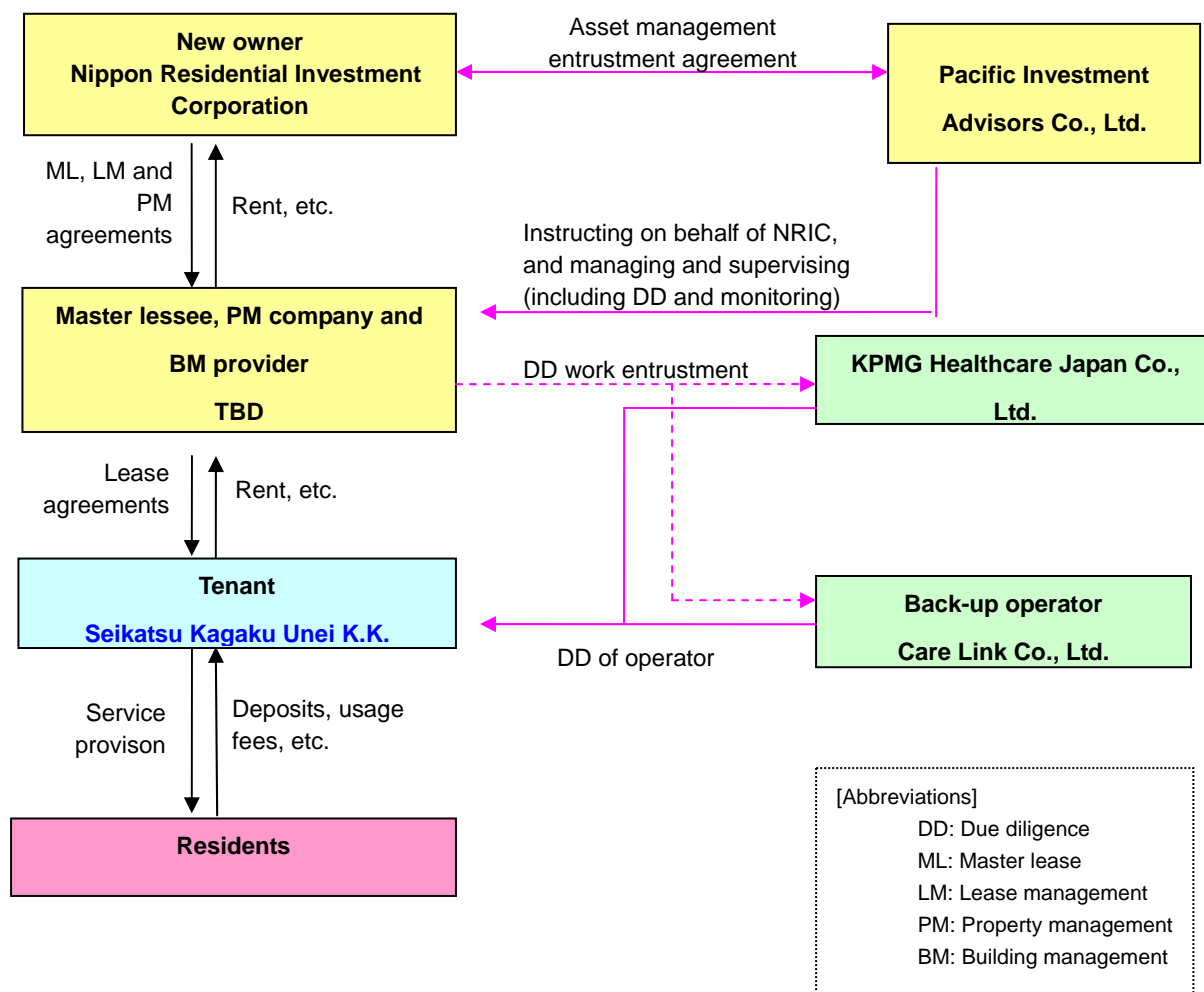
	Description	Appraisal Reasoning
Appraised value (specified price)	1,950,000	
Total income	142,784	
Rental income	137,400	Appraised after considering such factors as the location and unique qualities of the subject senior housing and the rent levels and building lease agreement contents for other senior housing in the same supply/demand area, and presuming that the planned rent will be obtained on an ongoing basis.
Income from common expenses	4,010	Recorded based on the planned agreement for expenses as they relate to building maintenance fees that should be borne by the tenant.
Key money income	—	
Renewal fee income	—	
Operating profit from deposits	1,374	Appraised based on a 2.0% return for the guarantees at full occupancy minus the amounts corresponding to the vacancies.
Total expenses	20,256	
Building maintenance fee	4,130	Recorded the amount equivalent to common expenses received from the tenant.
Utilities	—	Not recorded because the premise is that utilities will be borne by the tenant.
Property management fee	1,414	Appraised as the amount equivalent to 1.0% of the rental income, etc.
Taxes, etc.	8,553	Land: Recorded the fiscal 2006 tax amount (equivalent amount). Building: Appraised based on the fiscal

		2006 standard tax amount.
Liability insurance premium	864	Appraised as the amount equivalent to 0.07% of the building replacement cost.
Brokerage fees	–	Not recorded because leasing in its entirety.
Other expenses	360	Recorded expenses required for back-up operator.
Losses from vacancies, etc.	–	Not recorded in consideration of it being the leasing of the entire building based on a long-term agreement and the likelihood being high that another long-term agreement will be entered into after the end of the agreement.
Capital expenditures	4,936	Appraised as the amount equivalent to 0.4% of the building replacement cost.
Net profit	122,527	
Cap rate	6.2%	
Capitalized value from the direct capitalization method	1,980,000	
Price from the DCF method	1,910,000	
Discount rate	5.8%	
Terminal cap rate	6.5%	
Price from the cost approach	1,850,000	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	752,552	
Building price	1,099,494	

(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 for the current fiscal period.

(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 real estate appraisal and each rounded to the nearest thousand yen. The above total expenses is the value arrived at when the values for itemized expenses as indicated in the real estate appraisal are summed up and then that sum total rounded to the nearest thousand yen.

[Attachment 2] Chart of Structure for Acquiring the Property



*This English language notice is a translation of the Japanese language notice dated December 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.*