

December 19, 2006

For Immediate Release



**NIPPON  
RESIDENTIAL  
INVESTMENT  
CORPORATION**

Nippon Residential Investment Corporation  
2-11-1 Nagata-cho, Chiyoda-ku, Tokyo  
Masaru Nishimura  
Chief Executive Officer  
(Securities Code: 8962)

Investment Trust Management Company:  
Pacific Investment Advisors Corporation  
2-11-1 Nagata-cho, Chiyoda-ku, Tokyo  
Representative:  
Akira Yamanouchi  
President and Chairman of the Board

Inquiries:  
Takeshi Takano  
Director  
(Phone: +81-(0)3-5251-8528)

### Notification on Acquisition of Leaf Court Azabu

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	C-36 Leaf Court Azabu (hereafter, the "Property")
(2) Asset Type	Beneficiary interests in trust (real estate)
(3) Acquisition Value	9,060,000,000 yen (excluding acquisition costs, real property tax, city planning tax, consumption tax and local consumption tax) [Payment Schedule] Pay 100 million yen (down payment) upon conclusion of sale and purchase agreement Pay remainder upon transfer
(4) Sale and Purchase Agreement Date	December 19, 2006
(5) Scheduled Acquisition Date	December 26, 2006 or on a date separately agreed to by NRIC and the seller. However, it shall be no later than the end of February 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	Mars Asset TMK Limited (hereafter, the “Seller”)
(7) Financing	Cash on hand or debt financing

(Note) By concluding the agreement under (4), NRIC will take over the beneficiary interests in trust that has the Property as a trust property (hereafter, the “Trust”) from the current beneficiary on the date mentioned under (5). After NRIC takes over the beneficiary interests, by agreeing to terminate the property management and disposal trust agreement with the trustee of the Trust, The Chuo Mitsui Trust and Banking Co., Ltd. (hereafter, the “Trustee”), on the same date, NRIC is scheduled to receive the Property from the Trustee and own the asset as a future real estate in kind.

## 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 is situated within a 4-minute walk from Azabu-juban Station on the Tokyo Metro Namboku Line and Toei Subway Oedo Line. The surrounding area is a region with medium-rise apartment complexes as well as a mix of stores, offices, business bases, etc. and where the living environment is generally good despite the relatively heavy traffic due to it being positioned alongside a quasi-main road. The Property is also convenient in terms of lifestyle in that there is a full range of stores selling daily necessities, public facilities, hospitals, etc. within walking distance. NRIC foresees the degree of maturity of this area to grow as a residential district centering on apartments in the future. Moreover, as it stands in a good location with its nearest station being in close proximity and excellent access to the city center, the Property can be said to have a relatively high status in the area.</p> <p>(ii) Architectural Plan for the Property The Property is a relatively new property on which construction was completed in January 2003 and is a super high-rise apartment complex with offices. The Property has 113 units in total (of which 2 are offices) and 25 floors above ground. The interior and exterior finish, facilities within rental units, etc. equal or exceed the standard level. Due to these factors, NRIC anticipates demand from primarily singles and small households emphasizing comfortable residence, convenience in terms of lifestyle and proximity to the city center. In addition, considering that there are only a few tower rental housing of the same grade in the surrounding area, NRIC predicts that the high occupancy and market superiority of the Property will continue for some time.</p>

(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

Details of Trust Property		Real estate placed in trust
Trustee		The Chuo Mitsui Trust and Banking Co., Ltd.
Name Identifying Concerned Trust		Leaf Court Azabu
Trust Period		From: March 30, 2004 To: March 30, 2007
Location (Note 1)		1-222-4, 1-213-1, 1-213-2, 1-214-1, 1-214-2 and 1-215 Mita, Minato-ku, Tokyo (lot number) 1-1-12 Mita, Minato-ku, Tokyo (residential)
Access		4-minute walk from Azabu-juban Station on the Tokyo Metro Namboku Line and Toei Subway Oedo Line
Land	Ownership	Proprietary ownership
	Zoning (Note 2)	Neighborhood commercial zone
	Lot Size (Note 1)	1,096.46m <sup>2</sup>
	FAR/Building Coverage Ratio (Note 3)	400%/100% (Note 8)
Building	Ownership	Proprietary ownership
	Type (Note 1)	Apartment, garage and office
	Floor Space (Note 1)	11,053.03m <sup>2</sup>
	Construction Completion (Note 1)	January 2003
	Structure (Note 1)	Reinforced concrete structure with flat roof; 25 floors above ground and 2 floors below ground
Acquisition Value		9,060,000,000 yen (excluding acquisition costs, real property tax, city planning tax, consumption tax and local consumption tax)
Special Notations (collateral, etc.)		None
Appraisal Method	Appraisal Method	Appraisal by Japan Real Estate Institute
	Appraised Value	9,080,000,000 yen
	Appraised Date	November 1, 2006
Overview of Lease (Note 4)	No. of Tenants (Note 5)	1
	Leasable Units	113 units [1K: 23 units; 1LDK: 66 units; 2LDK: 22 units; office: 2 units]
	Leased Units	110 units (Note 9)
	Total Leasable Area	7,207.18m <sup>2</sup>
	Total Leased Area	7,062.72m <sup>2</sup>
	Monthly Rent (Note 6)	36,525 thousand yen
	Deposit, etc. (Note 7)	61,473 thousand yen
	Occupancy (based on no. of units)	97.35% (Note 10)
	Occupancy (based on area)	98.00% (Note 10)
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 figures as of November 15, 2006.
- (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 space usage fees) of each of the tenants with whom lease agreements have been concluded as of November 15, 2006. 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 space portion) of each of the tenants with whom lease agreements have been concluded as of November 15, 2006. The amount has been rounded down to the nearest thousand yen.
- (Note 8) The building of the Property has been constructed and FAR increased after having obtained approval (July 6, 1999; 1999 Bureau of Urban Development Building Guidance Division Approval No. 2) based on the Tokyo Metropolitan Government's comprehensive design approval outline (comprehensive design system for urban residences). The maximum FAR after the increase is 779.99%. The building coverage ratio is restricted to 42.33%.
- (Note 9) Of the 110 units, 68 units are all subleased to a single subtenant. The agreement is scheduled to be individually terminated for each rental unit during the period between April 1, 2007 and the end of May 2007.
- (Note 10) 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	85,620,000 yen
	Replacement Price	2,100,000,000 yen
	Date of Building Condition Report	November 20, 2006
Earthquake Risk Analysis	PML Value	8.9%
		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	Mars Asset TMK Limited
Head Office Address	Aoyasu Bldg. 6F, 7-2-1 Minami-Aoyama, Minato-ku, Tokyo
Representative	Koichi Yokoyama, Director
Paid-in Capital	Specific capital: 100 thousand yen Preferred capital: 5,760,000 thousand yen
Major Shareholder	Not disclosed due to the absence of the Seller's consent.
Line of Business	1. Succeeding, managing and disposing of specific assets in accordance with asset monetization plans based on the Law concerning Liquidation of Assets 2. Other work incidental to the monetization of the abovementioned specific assets
Relationship with NRIC and Investment Trust Management Company	None

#### 5. Broker Profile

Company Name	Pacific Management Corporation
Head Office Address	2-11-1 Nagata-cho, Chiyoda-ku, Tokyo
Representative	Masaru Takatsuka, Representative Director
Commission	90,600,000 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.

#### 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.

As of December 18, 2006, neither of the Property's architect, building contractor or designers is a company announced by the Ministry of Land, Infrastructure and Transport to have been involved in properties with fabricated structural calculation documents.

The Property is a super high-rise architectural structure with a building height that exceeds 60m and adopts the system of base-isolated structure (Note). The Building Standard Law and other laws require ministerial authorization concerning the safety of

such structures. Accordingly, a special technical appraisal committee comprised of experts was established at The Building Center of Japan. Upon a careful evaluation, the committee evaluated there to be no problems in terms of structural strength. Based on this evaluation, ministerial authorization was obtained stating that safety in terms of structural strength can be ascertained.

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.

(Note) Base-isolated structures refer to structures designed for horizontal forces (lateral displacement) from the ground to be absorbed by the seismic isolation portion in the event of an earthquake and thereby minimize lateral displacement of the superstructure without passing the seismic forces directly to the building.

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

Property Name	Leaf Court Azabu
Architect	Fuji Urban Properties Y.K.
Building Contractor	Taisei Corporation
Building Designer	First-Class Architect Office HOU
Structural Designer	T.R.A. K.K.
Building Inspection Agency	Tokyo Metropolitan Government

(Reference 2) Outline of Structure

Structural System for Architectural Structure		Base-isolation structure with seismic isolator (natural laminated rubber bearing + elastic sliding bearing + lead damper) between the reinforced concrete superstructure and the foundation
Overview of Authorization	No.	Ministry of Construction Tokyo Housing Bureau Building Guidance Division Issue No. 571 Ministry of Construction Tokyo Housing Bureau Building Guidance Division Issue No. 134
	Date	November 19, 1999
	Issuer	Masaaki Nakayama, Construction Minister
Overview of Technical Appraisal	No.	BCJ – Toku 34 – SF Bldg
	Date	August 11, 1999
	Issuer	Makoto Tateishi, President The Building Center of Japan

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

Company Name	InterRisk Research Institute & Consulting, Inc.
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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	<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

#### 7. Outlook of Management Performance After Acquisition of Concerned Asset

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)	9,080,000	
Total income	541,377	
Rental income	480,698	Appraised the rent that can potentially be collected on a stable basis over the medium and long term based on the rent levels in the case that new renting is assumed to occur at the current average rent, attributes of the sublessor and other factors.
Parking lot income	24,840	Appraised the usage fee that can potentially be collected on a stable basis over the medium and long term based on the usage fee levels in the case new renting is assumed to occur at the current average usage fee and other factors.
Key money income	9,827	Appraised based on the assumption that the number of months key money can potentially be collected upon new agreements is 1 month and that the average annual tenant replacement rate is 25%.
Renewal fee income	14,741	Appraised based on the assumption that the number of months renewal fee can potentially be collected upon agreement renewals is 1 month, that the average annual tenant replacement rate is 25% and that the average agreement period is 2 years.
Utilities income	1,800	
Other income	7,832	Recorded income from CATV, antenna installation and usage fees, etc.
Operating profit from deposits	1,639	Appraised based on a 2.0% return for the amount arrived at after appraising the number of months of deposits collected on a stable basis over the medium and long term (housing and parking lot: 2 months; office: 5 months) and by additionally taking into account the occupancy rate.
Total expenses	136,156	
Building maintenance fee	26,618	Appraised in reference to such factors as the estimated amount for building maintenance services based on the maintenance entrustment agreement, and the building maintenance fees of similar rental condominiums.



Utilities	3,990	Appraised by taking into account such factors as the utilities of similar rental condominiums in reference to past utilities, and the unique qualities of the real estate subject to the appraisal.
Property management fee	15,291	Appraised in reference to the rate, etc. paid in return for such services based on current agreement terms and conditions, and by taking into account such factors as the rate paid in return for such services at similar real estate and the unique qualities of the real estate subject to the appraisal.
Rental fee	9,802	Appraised it as being 1 months worth of rental income in reference to the current agreement terms and conditions, the rental terms and conditions of similar real estate in the surrounding area, etc., and appraised by additionally taking into account the average tenant replacement rate and occupancy rate.
Renewal fee	7,352	Appraised it as being half the renewal fee income in reference to the current agreement terms and conditions, the rental terms and conditions of similar real estate in the surrounding area, etc., and appraised by additionally taking into account the average tenant replacement rate, average agreement period and occupancy rate.
Restoration fee	3,698	Appraised by taking into account such factors as the standard number of days for restoration per room, percentage borne by the sublessor, average timing for the burden of expenses and degree of restoration.
Taxes, etc.	20,093	Recorded the tax amount appraised based on the fiscal 2006 standard tax amount for the land and the tax amount appraised based on the fiscal 2006 standard tax amount for the building (not considering tax reductions, exemptions and relief applicable to brand new housing).
Liability insurance premium	1,000	Recorded by taking into account such factors as the insurance premiums based on current insurance agreements and the insurance premiums of buildings similar to the real estate subject to the appraisal.
Other expenses	7,350	Recorded CATV usage fee, rental mat usage fee, etc.

	Losses from vacancies, etc.	27,837	Appraised the occupancy rate of a level that would be stable over the medium and long term in view of the characteristics of the real estate subject to the appraisal, the past occupancy performance and the vacancy rates of similar real estate in the surrounding area (housing and office: 95%; parking lot: 90%).
	Capital expenditures	13,125	Appraised in view of such factors as the age of the building and the average annual amount of repairs and upkeep according to the engineering report.
	Net profit	405,221	
	Cap rate	4.4%	
	Capitalized value from the direct capitalization method	9,210,000	
	Price from the DCF method	8,940,000	
	Discount rate	4.2%	
	Terminal cap rate	4.6%	
	Price from the cost approach	7,090,000	
	Sum of land and building prices	5,450,000	
	Land price	3,460,000	
	Building price	1,990,000	
	Upward price revision	+30%	In consideration of the marketability as the land and building combined of the real estate subject to the appraisal.

(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 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 is 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 December 19, 2006 and was prepared solely for the convenience of, and reference by, overseas investors. NRIC makes no warranties as to its accuracy or completeness.*