

December 28, 2006

For Immediate Release



**NIPPON  
RESIDENTIAL  
INVESTMENT  
CORPORATION**

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#### Notification on Acquisition of Pacific Residence Minami-ichijo

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-37 Pacific Residence Minami-ichijo (hereafter, the "Property")
(2) Asset Type	Real estate
(3) Acquisition Value	1,910,000,000 yen (excluding acquisition costs, real property tax, city planning tax, consumption tax and local consumption tax) [Payment Schedule] Pay all sale proceeds upon transfer
(4) Sale and Purchase Agreement Date	December 28, 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 June 2007. ...Execute transfer based on the concerned real estate sale and purchase agreement when the terms for payment of sale proceeds specified in the concerned agreement are fulfilled.
(6) Seller	Daiwa House Industry 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 ordinance designated cities (excluding the Tokyo metropolitan area), etc. (Note 1), this will reduce the average age of our portfolio and enhance the portfolio.
(2) Property Characteristics	The Property is situated within a 2-minute walk from Bus Center Mae Station on the Sapporo City Transportation Tozai Subway Line. In addition to excellent transportation convenience, the Property is situated within walking distance to the east of Sapporo City's business/commercial center. Thus, the Property boasts close proximity to downtown Sapporo and outstanding lifestyle convenience. The Property's neighborhood and surrounding area have been home to apartment complexes from before, but the construction of apartment complexes can be found in great numbers these days due to the recent conspicuous trend in housing supply to return to the city. Furthermore, the Property is a brand new property scheduled to be completed in January 2007. The Property has been designed with for-sale specifications, including adopting the FACT System (Note 2) in all units for the heating facility. Consequently, the Property exhibits excellent design and quality. 1K~2LDK are being planned for the floor layout of the units. In light of these factors, NRIC anticipates a wide range of demand, including singles and small households that desire comfort in living yet also emphasize the convenience of living in the city and location, as well as corporations on the assumption that the Property will be used as corporate housing.
(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 sale 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</p> <p>In recent years, signs of a trend to return to the city have also been seen in regional cities. In Chuo Ward, Sapporo City, the population and number of households have both continued to increase since 2000. Owning the Property, which stands in the described central Sapporo, will enhance the portfolio and further secure geographical dispersion of the portfolio.</p> <p>Moreover, the acquisition of the Property will reduce the average age of our portfolio and thus stable growth of managed assets can be anticipated.</p>
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(Note 1) 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.

(Note 2) The FACT System is an energy-saving floor heating and hot water system that Hokkaido Gas Co., Ltd. has developed newly for household use.

### 3. Description of Asset to be Acquired

Property Name		Pacific Residence Minami-ichijo
Location (Note 1)		2-1-2, 2-1-4, 2-1-5, 2-1-6, 2-2-1, 2-2-4, 2-2-6, 2-2-7 and 2-2-8 Minami-ichijo Higashi, Chuo-ku, Sapporo (lot number)
Access		2-minute walk from Bus Center Mae Station on the Sapporo City Transportation Tozai Line
Land	Ownership	Proprietary ownership
	Zoning (Note 2)	Commercial zone
	Lot Size (Note 1)	1,034.01m <sup>2</sup>
	FAR/Building Coverage Ratio (Note 3)	600%/100%
Building	Ownership	Proprietary ownership
	Type (Note 1)	Apartment (planned)
	Floor Space (Note 1)	8,526.15m <sup>2</sup> (planned)
	Construction Completion	January 2007 (planned)
	Structure (Note 1)	Reinforced concrete structure; 15 floors above ground and 1 below
	Leasable Units	179 units (1K: 70 units; 1DK: 65 units; 1LDK: 13 units; 2LDK: 31 units) (planned)
	Leasable Area	5,928.51m <sup>2</sup> (planned)
Acquisition Value		1,910,000,000 yen (excluding acquisition costs, real property tax, city planning tax, consumption tax and local consumption tax)
Special Notations (collateral, etc.)		None
Appraisal Method	Method	Valuation survey by Daiwa Real Estate Appraisal Co., Ltd. (Note 4)
	Estimated Value	1,910,000,000 yen
	Survey Date	December 10, 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. ERI05027447) dated

August 25, 2005.

- (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.

#### 4. Seller Profile

Company Name	Daiwa House Industry Co., Ltd.
Head Office Address	3-3-5 Umeda, Kita-ku, Osaka City
Representative	Kenji Murakami, Representative Director
Paid-in Capital	110,120,483,981 yen
Major Shareholders	(as of September 30, 2006) 1. Japan Trustee Services Bank, Ltd. (Trust Account) 8.3% 2. The Master Trust Bank of Japan, Ltd. (Trust Account) 6.6% 3. The Bank of Tokyo-Mitsubishi UFJ, Ltd. 2.6%
Line of Business	1. Housing business centering on selling housing in lots, contracting for housing, and developing and selling housing lots 2. Building construction contractor business for industrial buildings such as stores and offices 3. Business in resorts and sports facilities, including resort hotels, golf ranges and sports clubs 4. Home center business as part of comprehensive housing services
Relationship with NRIC and/or Investment Trust Management Company	None

#### 5. Broker Profile

(1)

Company Name	Pacific Management Corporation
Head Office Address	2-11-1 Nagata-cho, Chiyoda-ku, Tokyo
Representative	Masaru Takatsuka, Representative Director
Commission	26,087,250 yen (excluding consumption tax and local consumption tax)
Relationship with NRIC and/or 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.

(2)

Company Name	Earth Planning K.K.
Head Office Address	1-8-3 Shibuya, Shibuya-ku, Tokyo
Representative	Tamio Takahashi, Representative Director
Commission	26,087,250 yen (excluding consumption tax and local consumption tax)
Relationship with NRIC and/or Investment Trust Management Company	None

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 at December 27, 2006, none of the Property's architects, building contractors or designers are a company announced by the Ministry of Land, Infrastructure and Transport to have been involved in properties with fabricated structural calculation documents. 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

Property Name	Pacific Residence Minami-ichijo
Owner	Daiwa House Industry Co., Ltd.
Building Contractor	Asunaro Aoki Construction Co., Ltd.
Building Designer	Taniuchi Architect & Associates Co., Ltd.
Structural Designer	Maeda Corporation
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	Kazutoshi Omi, President and Representative Director
Paid-in Capital	530,526 thousand yen
Line of Business	<ol style="list-style-type: none"> <li>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)</li> <li>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)</li> <li>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</li> <li>4. Turnkey building construction, electrical work, plumbing, interior finishing and fire fighting facility construction</li> <li>5. Design work for construction projects (architectural design, setting electrical installations, machinery and facility design, information facility design, office layout, etc.)</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	Kenichi Enami, 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

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 Survey Report on the Property's Price

(Unit: thousand yen)

	Description	Appraisal Reasoning
Appraised value (specified price)	1,910,000	
Total income	159,733	
Rental income	145,052	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	9,720	Appraised the appropriate rent taking into account the rent levels in the surrounding area.
Key money income	3,372	Appraised based on the tenant replacement rate and vacancy rate.
Renewal fee income	1,124	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 to be about 20%.
Operating profit from guarantees, etc.	465	Appraised based on a 2.0% return for the guarantees at full occupancy minus the amounts corresponding to the vacancies.
Total expenses	51,136	
Building maintenance fee	6,456	Appraised as 300 yen a month per tsubo of leasable floor space.
Utilities	3,874	Appraised as 180 yen a month per tsubo of leasable floor space.
Property management fee	4,318	Appraised as the amount equivalent to 3.0% of the rental income, etc.
Tenant soliciting fee	3,598	Recorded as the amount equivalent to 1 month worth of rent of a new tenant.
Tenant replacement cost	2,001	Appraised with the replacement rate considered and appraising maintenance



		costs when tenants move out of their units as being 4,000 yen per tsubo.
Taxes, etc.	12,574	Land: Appraised based on the fiscal 2006 road rating map property valuation standards. Building: Assumed.
Liability insurance premium	774	Appraised as an annual amount of 300 yen per tsubo of floor space.
Losses from vacancies, etc.	10,834	Appraised as 7% after considering such factors as the average vacancy rates in the concerned area, the future supply/demand balance and the unique qualities of the subject real estate.
Capital expenditures	6,706	Appraised as an annual amount of 2,600 yen per tsubo of floor space.
Net profit	108,597	
Cap rate	5.6%	
Capitalized value from the direct capitalization method	1,940,000	
Price from the DCF method	1,880,000	
Discount rate	5.5%	
Terminal cap rate	5.8%	
Price from the cost approach	1,910,000	
Land price	270,091	
Building price	1,644,000	

(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 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 is 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 December 28, 2006 and was prepared solely for the convenience of, and reference by, overseas investors. NRIC makes no warranties as to its accuracy or completeness.*