

November 18, 2008

For Immediate Release



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Notification of Cancellation of Acquisition of
Pacific Royal Court Minato Mirai Urban Tower and
Revision to Management Performance Forecasts for
Fiscal Period Ending in November 2008 (Tenth Fiscal Period)

Nippon Residential Investment Corporation (NRIC) announces the decision made today to cancel the acquisition of Pacific Royal Court Minato Mirai Urban Tower (hereafter, the “Property”), which was announced in the “Notification on Acquisition of Pacific Royal Court Minato Mirai” dated September 27, 2007.

1. Reason for Canceling the Acquisition and Incurrence of a Penalty

(1) Events Leading Up to Decision on Acquisition of the Property

NRIC decided on September 27, 2007 to acquire the Property to enhance the portfolio in view of the following:

- (i) While construction of residential properties in the “Minato Mirai 21” area in which the Property stands are centered on for-sale condominium complexes, the Property is the only super high-rise large rental condominium complex and thus

the Property is highly rare;

- (ii) Opportunities to acquire twin-tower-type prime properties will be extremely limited in NRIC's investment areas in the future as well; and
- (iii) There is social significance in a listed REIT taking part in the urban development of the "Minato Mirai 21" area that is being promoted by Kanagawa Prefectural Government's City of Yokohama.

In addition, acquisition of Ocean Tower, the tower opposite to the Property of which construction was completed in November 2007, was completed on December 26, 2007 ahead of the acquisition of the Property. NRIC deemed that completing the acquisition of the Property by November 2008 after construction was completed in June 2008 would lead to the realization of the Property and the Ocean Tower being operated together in the form of two buildings as one, as well as enable NRIC to secure stable revenue inflow.

(2) Reason for Canceling the Acquisition

NRIC recognizes that the external environment surrounding NRIC has changed subsequent to the decision on acquisition of the Property as follows:

- (i) Real estate prices (especially of residential properties) have plunged due to turmoil in real estate market conditions stemming from the subprime mortgage crisis in the U.S.; and
- (ii) There is a downturn in the stock market caused by the global credit crunch, and the supply of funds has decreased as a consequence.

Following the abovementioned changes in the environment, NRIC reached the decision to cancel the acquisition of the Property based on the following factors:

- (i) In the case that the Property is acquired, the ratio of interest-bearing debt to total assets will be 54.3%. On the other hand, in the case that the acquisition of the Property is cancelled, the ratio will be 1.8% lower at 52.5% since the outstanding balance of loans will not increase and this will thereby lead to strengthening of the financial management base.

Furthermore, NRIC has identified the maintaining and strengthening of its financial management base as its task of top priority for the immediate future and plans to lower the ratio of interest-bearing debt to total assets to around a 50% level. Based on such policy, NRIC is scheduled to sell portfolio assets while

keeping an eye on real estate trading market trends and has not established restrictions on the timing and amount of the selling of portfolio assets.

- (ii) The fall in investment unit prices triggered by turmoil in the real estate investment trust securities market has made the procurement of funds through the issuance of new investment units difficult.
- (iii) The new lending stance related to real estate adopted by financial institutions is much stricter.

(3) Incurrence of a Penalty

In accordance with the decision to cancel the acquisition of the Property, termination of the sale and purchase agreement on the Property (hereafter, the “Sale and Purchase Agreement”) will result in NRIC being liable to pay a penalty in the amount of 2,343,005,800 yen, which is equivalent to 20% of the sales proceeds (11,715,029,000 yen) (hereafter, the “Penalty”).

The seller of the Property, PD Minato Mirai TMK, constitutes an interested party, etc. of the asset management company as defined in the Law concerning Investment Trusts and Investment Corporations and the Financial Instruments and Exchange Law. Please note, however, that the stipulation set forth in the Sale and Purchase Agreement that sets an amount equivalent to 20% of the sales proceeds as a penalty is not a condition specific to real estate transactions.

Upon consideration of the acquisition of the Property, NRIC deemed that acquisition of the Property would be significant as outlined in (1) above even if the acquisition would be subject to a termination clause (the Penalty). In addition, NRIC did not foresee to the extent that the external environment would undergo drastic changes as described in (2) above.

The payment of the Penalty will not pose problems for NRIC’s cash management, but will cause material impact on the earnings for the fiscal period ending in November 2008 (June 1, 2008 – November 30, 2008). NRIC deeply regrets and sincerely apologizes for the tremendous inconvenience this may cause to unitholders.

2. Outlook

NRIC deeply regrets that the above will result in the management performance outlook for NRIC for the fiscal period ending in November 2008 (Tenth Fiscal Period: June 1, 2008 – November 30, 2008) being revised as follows.

| | Operating Revenues | Ordinary Profit | Net Income | Distribution per Unit (excluding excess of earnings) | Distribution in Excess of Earnings per Unit |
|-----------------------------|--------------------|-----------------|------------------|---|---|
| Previous Forecast (A) | ¥8,967 million | ¥2,968 million | ¥2,965 million | ¥12,000 | ¥ – |
| Revised Forecast (B) | ¥9,025 million | ¥2,990 million | ¥667 million | ¥2,700 | ¥ – |
| Amount of Variation (B – A) | ¥58 million | ¥22 million | (¥2,297 million) | (¥9,300) | ¥ – |
| Rate of Variation | 0.6% | 0.8% | (77.5%) | (77.5%) | – % |

(Note 1) The forecast number of investment units outstanding as of the end of the Tenth Fiscal Period is 247,153 units.

(Note 2) The above forecast figures are forecasts as of today and the actual operating revenues, ordinary profit, net income and distribution per unit may vary. These forecasts are not intended as a guarantee of the distribution amount.

(Note 3) NRIC may revise the forecasts if NRIC anticipates disparities of more than a certain level from the above forecasts.

(Note 4) Figures below the specified unit are rounded down. In addition, the % is rounded to one decimal place.

- This document was distributed to the press clubs within the Tokyo Stock Exchange, Ministry of Land, Infrastructure, Transport and Tourism and construction trade newspaper of the Ministry of Land, Infrastructure, Transport and Tourism.
- Nippon Residential Investment Corporation's website is <http://www.nric.co.jp>

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