

[ENGLISH TRANSLATION]

# **Asset Management Report**

**Nippon Commercial Investment Corporation**

**2nd Fiscal Period**

(September 1, 2006 – February 28, 2007)

2-11-1 Nagata-cho

Chiyoda-ku, Tokyo

Japan

## I. Overview of Asset Management

### 1. Operating Results and Financial Position of Nippon Commercial Investment Corporation (“NCI”)

Fiscal Period		First	Second
Calendar Period		February 22, 2006 – August 31, 2006	September 1, 2006 – February 28, 2007
Operating revenues	in millions of yen	–	5,616
(of which, rental revenue)	in millions of yen	(–)	(5,616)
Operating expenses	in millions of yen	9	2,053
(of which, rental expense)	in millions of yen	(–)	(1,852)
Operating income/Operating loss (-)	in millions of yen	-9	3,562
Ordinary income/Ordinary loss (-)	in millions of yen	-16	2,477
Net income/Net loss (-)	in millions of yen	-9	2,470
Total assets	in millions of yen	148	234,360
Net assets	in millions of yen	90	119,074
Unitholders' capital	in millions of yen	100	116,753
Total investment units issued and outstanding	investment units	200	257,400
Net assets per investment unit	yen	450,438	462,606
Total cash distribution	in millions of yen	–	2,460
Net income per investment unit/Net loss per investment unit (-) (Note 1)	yen	-49,562	11,160 (9,682)
Distribution per investment unit	yen	–	9,558
(of which, distribution of earnings per investment unit)	yen	(–)	(9,558)
(of which, distribution in excess of earnings per investment unit)	yen	(–)	(–)
Ratio of ordinary income to total assets/Ratio of ordinary loss to total assets (-) (Note 2)	%	-13.0	2.1
(annualized)	%	(-24.9)	4.9
Ratio of return on unitholders' equity/Ratio of loss on unitholders' equity (-) (Note 3)	%	-10.4	4.1
(annualized)	%	(-19.9)	9.7
Ratio of net assets to total assets at end of the fiscal period (Note 4)	%	60.5	50.8
Payout ratio (Note 5)	%	–	99.5
Depreciation	in millions of yen	–	678
Capital expenditures	in millions of yen	–	98
Net operating income (NOI) from property leasing activities (Note 6)	in millions of yen	–	4,442
Funds from operation (FFO) per investment unit (Note 7)	yen	-16,662	13,011
FFO multiples (Note 8)	multiples	–	19
Debt service coverage ratio (Note 9)	multiples	–	10
Net income before interest and depreciation (Note 10)	in millions of yen	–	3,711
Interest expense (including bond interest expense)	in millions of yen	–	362
Interest-bearing debt	in millions of yen	–	96,700
Ratio of interest-bearing debt to total assets at end of the fiscal period (Note 11)	%	–	41.3
Operating days (Note 12)	number of days	–	156

(Note 1) The net income (loss) per investment unit was calculated by dividing the net income (loss) by the daily weighted average number of investment units issued and outstanding (first fiscal period: 200 units; second fiscal period: 221,341 units). Furthermore, for the second fiscal period, the net income per investment unit calculated by using the daily weighted average number of investment units issued and outstanding as of September 26, 2006, which is the day when actual asset management activities commenced following listing on the Real Estate Investment Trust Section of the Tokyo Stock Exchange and which is deemed to be the beginning date of the period (255,146 units), is also shown in parentheses.

(Note 2) Ratio of ordinary income (loss) to total assets = Ordinary income (loss) ÷ ((Total assets at beginning of the fiscal period + Total assets at

## [ENGLISH TRANSLATION]

end of the fiscal period)  $\div 2 \times 100$  (rounded to one decimal place)

Further, no asset management activities were, in effect, conducted in the first fiscal period. In addition, asset management activities commenced, in effect, during the second fiscal period on September 26, 2006.

(Note 3) Ratio of return (loss) on unitholders' equity = Net income (loss)  $\div$  ((Net assets at beginning of the fiscal period + Net assets at end of the fiscal period)  $\div 2 \times 100$  (rounded to one decimal place))

(Note 4) Ratio of net assets to total assets at end of the fiscal period = Net assets at end of the fiscal period  $\div$  Total assets at end of the fiscal period  $\times 100$  (rounded to one decimal place)

(Note 5) Payout ratio = Total cash distribution  $\div$  Net income  $\times 100$  (rounded to one decimal place)

(Note 6) NOI from property leasing activities = Rental revenue - Rental expense + Depreciation and amortization

(Note 7) FFO per investment unit = FFO (= Net income (loss) + Depreciation and amortization + Other amortized expenses - Gain (Loss) on sales of real estate)  $\div$  Investment units issued and outstanding at end of the fiscal period (rounded to the nearest yen)

(Note 8) FFO multiples = Investment unit price at end of the fiscal period  $\div$  Annualized FFO per investment unit  
Second fiscal period: Investment unit price at end of February 2007 (604,000 yen)  $\div$  Annualized FFO per investment unit (rounded to the nearest whole number)

(Note 9) Debt service coverage ratio = Net income before interest and depreciation  $\div$  Interest expense (including bond interest expense)

(Note 10) Net income before interest and depreciation = Ordinary income + Expenses not accompanied by cash outlays + Interest expense

(Note 11) Ratio of interest-bearing debt to total assets at end of the fiscal period = Interest-bearing debt at end of the fiscal period  $\div$  Total assets at end of the fiscal period  $\times 100$  (rounded to one decimal place)

(Note 12) The first fiscal period of NCI had 191 operating days from February 22, 2006 to August 31, 2006; however, NCI had, in effect, not commenced asset management activities as of the end of the first fiscal period.

The second fiscal period of NCI had 181 operating days from September 1, 2006 to February 28, 2007; however, NCI had, in effect, only conducted asset management activities for 156 days, which commenced on September 26, 2006.

## 2. Asset Management in the Second Fiscal Period

### A. Main Developments of NCI

NCI was established on February 22, 2006 with paid-in capital of 100,000 thousand yen (200 investment units) in accordance with the Law Concerning Investment Trusts and Investment Corporations (*Toushishintaku Oyobi Touseihoujin ni Kansuru Horitsu*; Law No. 198 of 1951; hereafter, the "ITL"). Pacific Commercial Investment Corporation acted as NCI's promoter. NCI registered with the Kanto Local Finance Bureau in accordance with the ITL on March 22, 2006. Thereafter, on September 26, 2006, NCI issued an additional 245,000 investment units through a public offering and listed its investment units on the Real Estate Investment Trust Section of the Tokyo Stock Exchange (J-REIT Section) where it was assigned a securities identification code of 3229. Moreover, NCI issued an additional 12,200 investment units through a third-party allotment on October 24, 2006. Consequently, at the end of the second fiscal period, the number of investment units issued and outstanding totaled 257,400 investment units and unitholders' capital amounted to 116,753,060 thousand yen.

During the second fiscal period, NCI acquired 34 properties (total acquisition price: 191,703,000 thousand yen) immediately after listing between September 26 and September 28 of 2006 and, in effect, commenced asset management activities. Further, subsequent asset management activities included the additional acquisition of 4 properties (total acquisition price: 10,133,000 thousand yen).

As a result, NCI had 38 properties (total acquisition price: 201,836,000 thousand yen) in its portfolio at the end of the second fiscal period.

### B. Investment Environment and Management Performance

The population influx in the central areas of the three largest metropolitan areas as well as other metropolitan areas of Japan and the concentration of Japan's population in these metropolitan areas appear to have continued in the second fiscal period along with the steady recovery of the Japanese economy. The increase in demand for urban commercial real estate in these metropolitan areas has begun to surface as office vacancy rates decreased and rental rates for new tenants increased.

During this expansionary phase of the economy, NCI conducted asset management activities by adequately leveraging the characteristic features of urban commercial real estate as they are more responsive to economic conditions and tend to benefit more easily from an increase in demand than other types of real estate.

Concerning external growth, NCI increased its operating revenues by 151,161 thousand yen through external growth by capitalizing on the support line agreement with its sponsor, Pacific Management Corporation (hereafter, "PMC"), and newly acquiring 4 additional properties (total acquisition price: 10,133,000 thousand yen) after listing.

## History of Acquired Assets

	September 2006	October 2006	November 2006	December 2006	January 2007	February 2007
Cumulative acquisition price (in thousands of yen)	191,703,000	191,703,000	199,828,000	201,836,000	201,836,000	201,836,000
Cumulative total number of properties acquired	34	34	37	38	38	38
Leasable area (m <sup>2</sup> )	275,229.5	275,229.5	282,414.7	283,682.4	283,682.4	283,682.4
Occupancy rate (%)	97.3	96.4	96.3	96.8	97.2	96.4

Meanwhile, during the second fiscal period, the JBA 3-month TIBOR, a reference interest rate for borrowings, rose by about 10bp. Although a corresponding rise in interest payment expenses was expected, NCI managed to keep the impact immaterial through internal growth and the application of financial strategies. NCI achieved internal growth by increasing its income through adjustments to its rental rates as well as conducting leasing activity that attracted new tenants primarily in office properties. One of its financial strategies was the purchase of interest rate caps as opposed to swap agreements as a means to hedge interest rate fluctuation risks in anticipation of a gradual rise in interest rates. Another financial strategy was the decrease in the applicable spread for borrowings in correlation with the acquisition of issuer ratings as described later in this report.

Consequently, stable occupancy rates were generally maintained with respect to the entire portfolio and an income increase of about 122 million yen above the assumptions made at the time of IPO were achieved for the second fiscal period.

As a result of the above, operating revenues of 5,616,518 thousand yen, ordinary income of 2,477,795 thousand yen and net income of 2,470,232 thousand yen were recorded for the second fiscal period. Further, when the 9,912 thousand yen in losses carried forward from the previous fiscal period are excluded, retained earnings amounts to 2,460,320 thousand yen.

### C. Overview of Capital Procurement

On September 26, 2006, NCI issued additional investment units through a public offering and listed its investment units on the Real Estate Investment Trust Section (J-REIT Section) of the Tokyo Stock Exchange (securities identification code: 3229). Moreover, on October 24, 2006, NCI issued an additional 12,200 investment units through a third-party allotment.

In addition, in the acquisition of 34 properties immediately after listing, NCI borrowed a total of 91,000,000 thousand yen in unsecured and non-guaranteed syndicated loans through a syndicate primarily comprised of Japan's major financial institutions and established a credit facility (on an uncommitted basis) of 15,000,000 thousand yen on September 27, 2006. Furthermore, a total of 5,700,000 thousand yen was also borrowed in connection with the acquisition of additional properties during the second fiscal period.

As a result, borrowings at the end of the second fiscal period totaled 96,700,000 thousand yen from 12 financial companies. Of these, short-term loans account for 36,000,000 thousand yen and long-term loans account for 60,700,000 thousand yen.

Of the borrowings, interest rate caps were purchased for long-term loans as a means to hedge interest rate fluctuation risks. NCI completed the hedging with 0.95% as the cap on 3-month TIBOR for 2-year loans and 1.05% as the cap on 3-month TIBOR for 3-year loans.

[ENGLISH TRANSLATION]

	Loan Amount (thousand yen)	Lenders (Names of Financial Institutions)	Interest Rate	Applicable Interest Rate at the End of the Fiscal Period	Drawdown Date	Repayment Date
Term Loan A	36,000,000	Aozora Bank, Ltd. Mizuho Corporate Bank, Ltd. Shinsei Bank, Limited The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd.	JBA 3-month Japanese yen TIBOR + 0.30%	0.83636%	September 27, 2006	September 27, 2007
Term Loan B	17,000,000	Sumitomo Mitsui Banking Corporation Aozora Bank, Ltd. The Sumitomo Trust and Banking Co., Ltd. The 77 Bank, Ltd.	JBA 3-month Japanese yen TIBOR + 0.35%	0.88636% (Note 1)		September 27, 2008
Term Loan C	38,000,000	Sumitomo Mitsui Banking Corporation Aozora Bank, Ltd. Mizuho Corporate Bank, Ltd. Shinsei Bank, Limited The Sumitomo Trust and Banking Co., Ltd. Resona Bank, Limited. Mitsui Sumitomo Insurance Company, Limited The Norinchukin Bank	JBA 3-month Japanese yen TIBOR + 0.40%	0.93636% (Note 2)		September 27, 2009
Term Loan D	3,500,000	The Chuo Mitsui Trust and Banking Company, Limited	JBA 3-month Japanese yen TIBOR + 0.40%	0.93636% (Note 2)	November 29, 2006	September 27, 2009
Term Loan E	2,200,000	The Chuo Mitsui Trust and Banking Company, Limited	JBA 3-month Japanese yen TIBOR + 0.40%	0.96818% (Note 2)	December 22, 2006	September 27, 2009
Total / Average	96,700,000			0.89107% (Note 3)		

(Note 1) An interest rate cap has been purchased. In effect, the cap on the applicable interest rate (JBA 3-month TIBOR) is 0.95%.

(Note 2) An interest rate cap has been purchased. In effect, the cap on the applicable interest rate (JBA 3-month TIBOR) is 1.05%.

(Note 3) The weighted average interest rate based on loan amount is shown rounded to five decimal places.

Additionally, with an aim to minimize capital procurement costs and diversify procurement sources, NCI obtained issuer ratings from each of Rating and Investment Information, Inc. on December 12, 2006 and Moody's Investors Service, Inc. on December 14, 2006. The acquisition of these issuer ratings led to a weighted average interest rate based on loan amount of 0.89107%.

<Status of Acquisition of Issuer Ratings>

Rating Agency	Rating	Details
Rating and Investment Information, Inc. (R&I)	A	Rating Outlook: Stable
Moody's Investors Service, Inc. (Moody's)	A3	Rating Outlook: Stable

## D. Overview of Financial Performance and Distribution

NCI recorded operating income of 5,616,518 thousand yen, ordinary income of 2,477,795 thousand yen and net income of 2,470,232 thousand yen in the second fiscal period. Further, when the 9,912 thousand yen in losses carried forward from the previous fiscal period are excluded, net income amounts to 2,460,319 thousand yen.

In principle, NCI intends to distribute to unitholders whatever amount it determines to be in excess of 90% of its distributable income as defined in Article 67-15 of the Special Taxation Measures Law (*Sozei Tokubetsu Sochi Hou*). NCI decided to distribute the entire distributable income, excluding any fractional portion of the amount per investment unit that is less than 1 yen, in the second fiscal period. Accordingly, total cash distributions amounted to 2,460,229,200 yen and distributions per investment unit amounted to 9,558 yen.

## 3. Status of Capital Increase

The following table summarizes the change in the number of investment units issued and outstanding as well as unitholders' capital from the date of NCI's establishment through April 25, 2007.

Date	Description	Investment Units Issued and	Unitholders' Capital	Notes
------	-------------	-----------------------------	----------------------	-------

[ENGLISH TRANSLATION]

		Outstanding (investment units)		(in thousands of yen)		
		Increase / Decrease	Balance	Increase / Decrease	Balance	
February 22, 2006	Incorporation through private placement	200	200	100,000	100,000	(Note 1)
September 26, 2006	Capital increase through public offering	245,000	245,200	111,119,750	111,219,750	(Note 2)
October 24, 2006	Capital increase through third-party allotment	12,200	257,400	5,533,310	116,753,060	(Note 3)

(Note 1) NCI was established using capital contributed by Pacific Management Corporation at an issue price of 500,000 yen per investment unit.

(Note 2) NCI issued additional investment units through a public offering at an issue price of 470,000 yen per unit (issue price to underwriters: 453,550 yen) to procure funds for acquiring new properties and commenced its asset management activities.

(Note 3) NCI issued additional investment units to Daiwa Securities SMBC Co. Ltd. as the allottee at an issue price per investment unit of 453,550 yen.

### Price History of Investment Units on the Tokyo Stock Exchange

The following table shows the highest and lowest prices (based on the closing price) of NCI's investment units on the Real Estate Investment Trust Section of the Tokyo Stock Exchange for each fiscal period.

Fiscal Period Settlement of Accounts	(in yen)	
	First (Note 1) August 2006	Second February 2007
Highest	-	670,000
Lowest	-	461,000
Price at Beginning of the Fiscal Period (Note 2)	-	472,000
Price at End of the Fiscal Period (Note 2)	-	604,000

(Note 1) NCI listed its investment units on the Real Estate Investment Trust Section of the Tokyo Stock Exchange on September 26, 2006. There are no figures to report since NCI had not yet listed its investment units as of August 31, 2006.

(Note 2) The price at the beginning of the fiscal period and the price at the end of the fiscal period show the closing prices on the first date of the fiscal period and the last date of the fiscal period, respectively. However, for the second fiscal period, the price at beginning of the fiscal period shown is the closing price on the date of listing (September 26, 2006).

### 4. Distribution Performance

Fiscal Period	(in yen)	
	First	Second
Calendar Period	February 22, 2006 – August 31, 2006	September 1, 2006 – February 28, 2007
Total unappropriated income at end of the fiscal period/ Total unappropriated loss at end of the fiscal period (-)	-9,912,436	2,460,319,770
Accumulated earnings	-9,912,436	90,570
Total cash distribution (Distribution per investment unit)	– (–)	2,460,229,200 (9,558)
Of which, total distribution of earnings (Distribution of earnings per investment unit)	– (–)	2,460,229,200 (9,558)
Of which, total capital reimbursement (Capital reimbursement per investment unit)	– (–)	– (–)

In principle, NCI intends to distribute to unitholders whatever amount it determines to be in excess of 90% of its distributable income as defined in Article 67-15 of the Special Taxation Measures Law (*Sozei Tokubetsu Sochi Hou*). NCI decided to distribute the entire distributable income, excluding any fractional portion of the amount per investment unit that is less than 1 yen, in the second fiscal period. Accordingly, total cash distributions amounted to 2,460,229,200 yen and distributions per investment unit amounted to 9,558 yen.

## 5. Future Management Policy and Key Topics

### A. Management Environment

The recovery, development and expansion of the Japanese economy in the second fiscal period are expected to continue into the subsequent fiscal period as well. In light of this, NCI anticipates an increase in rental rates and land prices reflecting greater tenant needs and an expansion in consumption within the three largest metropolitan areas as well as other metropolitan areas (particularly in the central areas of such metropolitan areas). Accordingly, NCI intends to focus its investment activity primarily on office and retail properties located in such central areas.

Moreover, to secure stable income while diversifying its risk exposure, NCI also intends to invest in some retail properties located in suburban areas that are connected by major public transportation or main roads to the central areas. Retail properties located in such suburban areas include (i) shopping malls and other multi-tenant properties that are expected to offer stable rental revenue and growth potential (hereafter, “Suburban Multi-Tenant Retail Properties”) and (ii) shopping malls and other single-tenant properties with one anchor tenant (*e.g.*, large supermarkets) that are expected to offer stable revenue through fixed rental rates on a long-term basis (hereafter, “Suburban Single-Tenant Retail Properties”).

### B. Future Management Policy and Challenges

#### (1) Management Strategy

The vacancy rates at office properties in the Tokyo business district (*i.e.*, areas covering the Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards) have been decreasing since 2003 as corporate performance, especially that of listed companies, has rapidly improved. As of February 2007, the vacancy rates of office properties in the Tokyo business district hovered at a level between 2.5% and 3.0%. The average rental rates for new tenants of office properties have also been increasing since 2005.

In addition, the average rental rates for new tenants in the Osaka business district (*i.e.*, the Umeda, Minami Morimachi, Yodoyabashi/Honmachi, Senba, Shinsaibashi/Namba and Shin-Osaka areas) and the Nagoya business district (*i.e.*, the Nagoya Station, Fushimi, Sakae and Marunouchi areas) appear to have bottomed out and have begun to show signs of improvement. Vacancy rates also continue to decrease in these areas. NCI will accurately analyze these market trends and apply such information to improve the occupancy rates of office properties, amend lease agreements to adjust rental rates to the then current market standards, and advertise and select new tenants promptly and appropriately when vacancies occur.

#### (2) Investment Strategy

NCI has identified zones in the urban areas of Tokyo, Osaka and Nagoya where NCI intends to focus its office investment activity. These zones have been identified by NCI as areas having the highest concentrations of office properties.

In establishing these zones, NCI considered numerous factors, including its assessment of an area’s transportation infrastructure, growth potential and tenant trends. Within a zone, NCI intends to invest in office properties that it believes to have a competitive advantage over other office properties located in such zone, based on factors such as size, location and building quality.

Backed by the recovery, development and expansion of the Japanese economy mentioned above, the real estate investment market is thriving and the market for the three largest metropolitan areas, including the Tokyo metropolitan area, as well as other metropolitan areas of Japan (particularly the central areas of such metropolitan areas that are NCI’s principal areas of investment), including the three major metropolitan areas, are overheating.

Moreover, NCI seeks to maximize the value of its investment units by securing stable earnings over the medium- to long-term and steadily increasing its portfolio size without being vulnerable to temporary market conditions. For this purpose, NCI is dedicated to securing blue-chip properties by optimally capitalizing on the support of its sponsor and

support line agreement partner, PMC, as well as the PMC Group, and is also committed to acquiring properties that are still under development by the PMC Group.

### (3) Financial Strategy

To further expand its portfolio, NCI is striving to secure additional sources of funding on the one hand and striving to achieve a balance in such areas as long and short loan terms, fixed and variable interest rates and sources of funding on the other, while also working to minimize the overall cost of funding.

As a means to prepare and address the risks of rising interest rates and refinancing, NCI has improved its creditworthiness by obtaining issuer ratings. As such, NCI will increase the ratio of long-term fixed borrowings (including hedges through the purchase of interest rate caps, etc.) and aim to diversify repayment dates and sources of funding, while also considering the issuance of investment corporation bonds.

## 6. Significant Events Occurred Subsequent to the Settlement of Accounts

The following are significant events involving NCI that have occurred after the settlement of accounts.

### A. Acquisition of Assets

NCI decided to acquire the following Specified Asset\* on April 16, 2007. As of today, NCI has completed the acquisition of this Specified Asset. The following is a summary of said Specified Asset.

Property No.	Property Name	Acquisition Price (in thousands of yen) (Note 1)	Location (Note 2)	Asset Type	Usage	Date of Purchase Agreement	Acquisition Date
Office B-4	Esaka Toyo Building	14,500,000	Suita city, Osaka	Trust beneficial interest in real estate	Office property	April 17, 2007	April 17, 2007

(Note 1) "Acquisition Price" indicates the purchase price excluding consumption tax, local consumption tax, fixed property tax, city planning tax and other acquisition costs.

(Note 2) "Location" indicates the smallest independent administrative district of the region where the applicable property is located.

In addition, NCI decided to acquire the following Specified Asset on April 17, 2007. The following is a summary of the said Specified Asset.

Property No.	Property Name	Acquisition Price (in thousands of yen) (Note 1)	Location (Note 2)	Asset Type	Usage	Date of Purchase Agreement	Scheduled Acquisition Date
Office A-25	Kawasaki East One Building	15,100,000	Kawasaki city, Kanagawa	Real estate	Office property	April 20, 2007	On a date no later than June 15, 2007 separately agreed to by both the seller and buyer

(Note 1) "Acquisition Price" indicates the purchase price excluding consumption tax, local consumption tax, fixed property tax, city planning tax and other acquisition costs.

(Note 2) "Location" indicates the smallest independent administrative district of the region where the applicable property is located.

### B. Procurement of Capital

NCI borrowed funds as follows on March 30, 2007 to partially fund future acquisitions of real estate or trust beneficial interest in real estate as well as to pay the expenses associated with such acquisitions.

The borrowing is made under a syndicated loan arrangement, with Sumitomo Mitsui Banking Corporation as the arranger and, through the formation of a syndicate, Sumitomo Mitsui Banking Corporation is scheduled to assign loan

---

\* Translator's note: The term "Specified Assets" used herein means an asset that is set forth in Article 2, Paragraph 1 of the ITL.



obligations to several financial institutions.

**(1) Term Loan F (Tranche A; term: 5 years)**

Lender: Sumitomo Mitsui Banking Corporation  
 Loan amount: 5,000,000 thousand yen  
 Interest rate: JBA 3-month TIBOR + 0.5%  
 The rate applicable for the period between March 30, 2007 and June 29, 2007 is 1.17545%.  
 Drawdown date: March 30, 2007  
 Repayment date: March 30, 2012  
 Collateral: Unsecured  
 Guarantee: Non-guaranteed

**(2) Term Loan F (Tranche B; term: 5 years)**

Lender: Daido Life Insurance Company  
 Loan amount: 2,000,000 thousand yen  
 Interest rate: 1.87% (5-year yen interest rate swap + 0.5%)  
 Drawdown date: March 30, 2007  
 Repayment date: March 30, 2012  
 Collateral: Unsecured  
 Guarantee: Non-guaranteed

The funds borrowed under (1) and (2) above were used to partially fund the acquisition of the trust beneficial interest in real estate as well as to pay the expenses associated with such acquisition as outlined in A. above.

In addition, on March 30, 2007, NCI also entered into an agreement on a commitment line of up to 15,000,000 thousand yen to further improve its financial stability and credit standing, and to minimize NCI's overall financing costs by securing flexible and stable financing means, for example, for the repayment of existing borrowings.

Furthermore, the relevant commitment line agreement is of a syndicate type, with Sumitomo Mitsui Banking Corporation as the arranger, and several financial institutions are expected to participate therein.

As of April 25, 2007, no funds have been drawn on the relevant commitment line agreement.

**(3) Commitment Line Agreement**

Participating financial institution: Sumitomo Mitsui Banking Corporation (on the basis of acceptance of the entire amount)  
 Line of credit: 15,000,000 thousand yen  
 Commitment term: March 30, 2007 to June 30, 2008 (1 year and 3 months)  
 Principal repayment method: Lump-sum repayment on the principal repayment date  
 Collateral/Guarantee: Unsecured and non-guaranteed

**C. Issuance of Investment Corporation Bonds**

NCI decided on April 6, 2007 to issue investment corporation bonds as follows with the intent to allocate funds to the acquisition of Specified Assets and to the repayment of borrowings. NCI received payment for the issuance of investment corporation bonds on April 13, 2007.

**(1) Nippon Commercial Investment Corporation First Series Unsecured Investment Corporation Bonds (term: 3 years)**

Total amount of bonds: 10,000,000 thousand yen  
 Denomination of each bond: 100,000 thousand yen  
 Interest rate: 1.52% per annum  
 Issue price: 100 yen per par value of 100 yen for each investment corporation bond  
 Redemption price: 100 yen per par value of 100 yen for each investment corporation bond  
 Offering method: Private placement  
 Ranking pari passu among the investment corporation bonds  
 Private placement to less than 50 investors and with restrictions on splits and with resale limited to qualified institutional investors

[ENGLISH TRANSLATION]

Offering date: April 6, 2007  
 Payment date: April 13, 2007  
 Redemption date: April 13, 2010  
 Interest payment dates: The first payment shall be on October 13, 2007 and the ensuing payments shall be made on April 13 and October 13 of every year thereafter  
 Financial covenant: Contains a negative pledge  
 Acquired ratings: A (Rating and Investment Information, Inc.)  
 A3 (Moody's Investors Service, Inc.)  
 Collateral/Guarantee: No secured mortgage or guarantee is on the bond and no assets are reserved as security specifically for the bond  
 Fiscal, issuing and paying agent: Mizuho Corporate Bank, Ltd.  
 Underwriter: JPMorgan Securities Japan Co., Limited and Daiwa Securities SMBC Co. Ltd.  
 Use of funds: Acquisition of Specified Assets and repayment of borrowings

(2) Nippon Commercial Investment Corporation Second Series Unsecured Investment Corporation Bonds (term: 5 years)

Total amount of bonds: 17,000,000 thousand yen  
 Denomination of each bond: 100,000 thousand yen  
 Interest rate: 1.96% per annum  
 Issue price: 100 yen per par value of 100 yen for each investment corporation bond  
 Redemption price: 100 yen per par value of 100 yen for each investment corporation bond  
 Offering method: Private placement  
 Ranking pari passu among the investment corporation bonds  
 Private placement to less than 50 investors and with restriction on splits and with resale limited to qualified institutional investors  
 Offering date: April 6, 2007  
 Payment date: April 13, 2007  
 Redemption date: April 13, 2012  
 Interest payment dates: The first payment shall be on October 13, 2007 and the ensuing payments shall be made on April 13 and October 13 of every year thereafter  
 Financial covenant: Contains a negative pledge  
 Acquired ratings: A (Rating and Investment Information, Inc.)  
 A3 (Moody's Investors Service, Inc.)  
 Collateral/Guarantee: No secured mortgage or guarantee is on the bond and no assets are reserved as security specifically for the bond  
 Fiscal, issuing and paying agent: Mizuho Corporate Bank, Ltd.  
 Underwriter: JPMorgan Securities Japan Co., Limited and Daiwa Securities SMBC Co. Ltd.  
 Use of funds: Acquisition of Specified Assets and repayment of borrowings

**Additional Information: Change of Name of Portfolio Assets**

(1) Change to "Pacific Marks" Brand

In pursuit of greater superiority of portfolio assets in the office rental market, NCI decided to introduce the "Pacific Marks" brand for the names of properties that are higher in quality in terms of size, location, facilities, etc. To maximize returns for unitholders, NCI seeks to promote the NCI brand in the office rental market as well as enhance its competitiveness in soliciting tenants, etc. by changing the property names to include the "Pacific Marks" brand name.

As of April 25, 2007, the names of the following properties were changed to include the "Pacific Marks" brand name.

Property No.	Name of Portfolio Asset		Date of Change
	New Name	Former Name	
Office A-6	Pacific Marks Yokohama East	Yokohama Twin Building	April 1, 2007
Office A-12	Pacific Marks Akasaka-mitsuke	Nichijukin Akasaka Building	
Office A-16	Pacific Marks Shin-Yokohama	Shin-Yokohama Benex S-1	
Office B-2	Pacific Marks Higobashi	Higobashi TS Building	
Office	Pacific Marks Sapporo Kita-ichijo	Sapporo Excellent Building	

[ENGLISH TRANSLATION]

C-1			
-----	--	--	--

(2) Change to Exclude the Name of Prior Titleholder, Brand, etc.

In relation to portfolio assets that included the name, brand, etc., of prior titleholders, NCI changed the property names in succession after carefully studying the individual features, etc., of each property. By changing the names of properties that included the name, brand, etc., of prior titleholders, NCI aims to eliminate the image, etc., of the prior titleholder in the office rental market.

As of April 25, 2007, the following property names that included the name, brand, etc., of prior titleholders were changed.

Property No.	Name of Portfolio Asset		Date of Change
	New Name	Former Name	
Office A-9	Akasaka Hikawa Building	Shuwa Akasaka 6chome Building	April 1, 2007
Office A-19	Iwamotocho 163 Building	Shuwa Dai-3 Iwamotocho Building	
Office C-2	Shin-Sapporo Center Building	Chiyoda Seimei Shin-Sapporo Building	

## II. Overview of NCI

### 1. Overview of Capital

Item	First Fiscal Period (As of August 31, 2006)	Second Fiscal Period (As of February 28, 2007)
Total number of investment units authorized	2,000,000 units	2,000,000 units
Total number of investment units issued and outstanding	200 units	257,400 units
Unitholders' capital	100,000,000 yen	116,753,060,000 yen
Number of unitholders	1 person	11,369 persons

### 2. Matters related to Investment Units

Principal unitholders as of February 28, 2007 were as follows.

Name	Number of Investment Units Held (units)	Percentage to Total Investment Units Issued and Outstanding (%)
NikkoCiti Trust and Banking Corporation (Investment Trust Account)	17,205	6.68
Japan Trustee Services Bank, Ltd. (Trust Account)	14,891	5.78
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,339	5.57
Pacific Management Corporation	12,400	4.81
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	9,171	3.56
The Chase Manhattan Bank, N.A. London SL Omnibus Account	6,699	2.60
Luxembourg Offshore Jasdick Lending Account	5,543	2.15
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	5,152	2.00
Resona Bank, Limited.	4,430	1.72
Mellon Bank ABN Amro Global Custody NV	4,276	1.66
Total	94,106	36.56

(Note) The percentage of the number of investment units held by a unitholder to total investment units issued and outstanding is rounded down to the nearest two decimal places.

### 3. Matters related to Directors

The names of directors, etc., as of February 28, 2007 are as follows.

Title	Name	Other Primary Duties	Total Compensation of Each Director During This Fiscal Period (in thousands of yen)
Executive Director	Tomohiro Makino	Chief Executive Officer and President, Pacific Commercial Investment Corporation	1,800
Supervisory Director	Hiroshi Nemoto	Representative Partner, Clifix Certified Public Tax Accountants' Corporation	1,200
Supervisory Director	Tsutomu Kuribayashi	Partner, Kuribayashi Sogo Law Office	
Independent Auditors	KPMG AZSA & Co.	—	30,150

(Note 1) Tomohiro Makino serves concurrently as the chief executive officer and president of Pacific Commercial Investment Corporation, NCI's asset manager, and as executive director of NCI. The approval of the Commissioner of the Financial Services Agency for concurrently holding these positions was obtained on February 17, 2006 pursuant to Article 13 of the ITL. The supervisory directors may also be directors of corporations other than those listed above, but none of the said companies are related to NCI.

(Note 2) Neither the executive or supervisory directors own investment units of NCI in their own name or the name of another.

(Note 3) The total compensation for the Independent Auditors also includes engagements other than those under Article 2, Paragraph 1 of the Certified Public Accountants Law (Agreed-upon procedures engagement, etc.).

### 4. Asset Manager, Custodian and General Administrators

The following are the asset manager, custodian and general administrators as of February 28, 2007.

Outsourced Responsibility	Name
Asset manager	Pacific Commercial Investment Corporation
Custodian	The Sumitomo Trust & Banking Co., Ltd.
General administrator (accounting matters)	Heiseikaikeisha Tax Co.
General administrator (transfer agent)	Mitsubishi UFJ Trust and Banking Corporation
General administrator (administrative matters relating to administration of NCI)	Mitsubishi UFJ Trust and Banking Corporation

## III. Portfolio Assets of NCI

The following summarizes NCI's portfolio assets as of February 28, 2007.

### 1. Composition of NCI Properties

Area (Note 1)	Usage (Note 1)	Investment Target Geographic Region/ Type (Note 1)	Property No.	Property Name	Total Amount Owned (in thousands of yen) (Note 2)	Ratio to Total Assets (%) (Note 3)
Central Area	Office Properties	Urban Area of Tokyo	Office A-1	Hitachi High-Tech Building	18,837,473	8.0
			Office A-2	Korakuen Shinjuku Building	15,700,462	6.7
			Office A-3	Dai-ichi Tsukiji Building	11,540,275	4.9
			Office A-4	Pacific Square Tsukishima	8,185,989	3.5
			Office A-5	Pacific City Nishi-Shinjuku	7,976,703	3.4
			Office A-6	Pacific Marks Yokohama East (formerly, Yokohama Twin Building) (Note 4)	7,151,853	3.1
			Office A-7	Business Court Shin-Urayasu	4,752,532	2.0
			Office A-8	Asahi Seimei Ohmori Building	3,953,897	1.7
			Office A-9	Akasaka Hikawa Building (formerly, Shuwa Akasaka 6chome Building) (Note 4)	3,526,961	1.5
			Office A-10	Jinnan Flag Tower	3,172,117	1.4
			Office A-11	Nissin Nihonbashi Building	2,655,387	1.1
			Office A-12	Pacific Marks Akasaka-mitsuke (formerly, Nichijukin Akasaka Building) (Note 4)	2,487,824	1.1
			Office A-13	Urban Square Yaesu Building	2,236,355	1.0
			Office A-14	Pacific City Hamamatsucho	1,805,320	0.8
			Office A-15	Yokohama Aioicho Building	1,757,539	0.7

[ENGLISH TRANSLATION]

Area (Note 1)	Usage (Note 1)	Investment Target Geographic Region/ Type (Note 1)	Property No.	Property Name	Total Amount Owned (in thousands of yen) (Note 2)	Ratio to Total Assets (%) (Note 3)	
			Office A-16	Pacific Marks Shin-Yokohama (formerly, Shin-Yokohama Benex S-1) (Note 4)	1,705,604	0.7	
			Office A-17	Pearl Idabashi Building	1,616,445	0.7	
			Office A-18	Gotanda Metallion Building	1,312,530	0.6	
			Office A-19	Iwamotocho 163 Building (formerly, Shuwa Dai-3 Iwamotocho Building) (Note 4)	1,155,969	0.5	
			Office A-20	Maruishi Shinbashi Building	1,173,253	0.5	
			Office A-21	TS Hodogaya Building	1,144,492	0.5	
			Office A-22	Shinkawa M Building	3,673,519	1.6	
			Office A-23	Uchikanda Central Building	2,147,495	0.9	
			Office A-24	Mejiro Toyo Building	2,091,556	0.9	
			Office A Sub-Total		111,761,561	47.7	
			Urban Area of Osaka and Urban Area of Nagoya	Office B-1	Snow Crystal Building	8,991,916	3.8
				Office B-2	Pacific Marks Higobashi (formerly, Higobashi TS Building) (Note 4)	5,824,694	2.5
		Office B-3		Nagoya Nishiki Dai-ichi Seimei Building	5,388,720	2.3	
		Office B Sub-Total		20,205,330	8.6		
		Other Metropolitan Areas	Office C-1	Pacific Marks Sapporo Kita-ichijo (formerly, Sapporo Excellent Building) (Note 4)	2,267,588	1.0	
			Office C-2	Shin-Sapporo Center Building (formerly, Chiyoda Seimei Shin-Sapporo Building) (Note 4)	1,245,678	0.5	
			Office C Sub-Total		3,513,267	1.5	
		Office Properties Sub-Total		135,480,159	57.8		
		Retail Properties	Retail Properties in Central Areas	Retail A-1	Shinsaibashi OPA Honkan	33,070,793	14.1
				Retail A-2	Shinsaibashi OPA Kireikan	3,641,846	1.6
				Retail A-3	PACIFIQUE Tenjin	3,732,762	1.6
				Retail A-4	Albore Tenjin	1,462,789	0.6
				Retail A-5	Tenjin Yoshida Building	1,167,143	0.5
				Retail A-6	FLEG Jingumae	2,633,754	1.1
	Retail A Sub-Total			45,709,089	19.5		
	Central Area Sub-Total			181,189,249	77.3		
Suburban Area	Retail Properties	Suburban Multi- Tenant Retail Properties	Retail B-1	Mallage Kashiwa	15,649,301	6.7	
			Retail B-2	Bellfa Uji	3,294,745	1.4	
		Retail B Sub-Total		18,944,046	8.1		
		Suburban Single- Tenant Retail Properties	Retail C-1	Ito-Yokado Owariasahi	8,227,096	3.5	
			Retail C Sub-Total		8,227,096	3.5	
		Retail Properties Sub-Total		72,880,232	31.1		
	Suburban Area Sub-Total		27,171,142	11.6			
Deposits and Other Assets		26,000,463	11.1				
Total Portfolio		234,360,855	100.0				

(Note 1) Classified according to the investment policy of NCI.

(Note 2) "Total Amount Owned" indicates the amount recorded on the balance sheet as of February 28, 2007 (the book value after depreciation in the case of real estate).

(Note 3) "Ratio to Total Assets" indicates the ratio of the total owned amount of the applicable asset to the total amount of assets (rounded to one decimal place).

(Note 4) The names of portfolio assets were changed, effective April 1, 2007. Please refer to "I. Overview of Asset Management; 6. Significant Events Occurred Subsequent to the Settlement of Accounts; Additional Information: Change of Name of Portfolio Assets" for details.

## 2. Principal Assets Owned

Property No.	Property Name	Book Value (in thousands of yen) (Note 2)	Leasable Floor Space (m <sup>2</sup> ) (Note 3)	Leased Floor Space (m <sup>2</sup> ) (Note 4)	Occupancy Rate at End of Fiscal Period (%) (Note 5)	Ratio to Gross Rental Revenue (%) (Note 6)	Primary Usage
Retail A-1	Shinsaibashi OPA Honkan	33,070,793	27,025.42	27,025.42	100.0	10.2	Retail property
Office A-1	Hitachi High-Tech Building	18,837,473	15,781.64	15,781.64	100.0	6.3	Office property
Office A-2	Korakuen Shinjuku Building	15,700,462	11,575.22	11,575.22	100.0	6.3	Office property

[ENGLISH TRANSLATION]

Retail B-1	Mallage Kashiwa	15,649,301	34,552.22	34,227.73	99.1	12.2	Retail property
Office A-3	Dai-ichi Tsukiji Building	11,540,275	5,971.45	5,971.45	100.0	4.2	Office property
Office B-1	Snow Crystal Building	8,991,916	11,028.41	10,059.80	91.2	5.2	Office property
Retail C-1	Ito-Yokado Owariasahi	8,227,096	54,606.34	54,606.34	100.0	3.9	Retail property
Office A-4	Pacific Square Tsukushima	8,185,989	9,336.27	9,336.27	100.0	4.3	Office property
Office A-5	Pacific City Nishi-Shinjuku	7,976,703	6,075.76	5,940.78	97.8	4.2	Office property
Office A-6	Pacific Marks Yokohama East (formerly, Yokohama Twin Building) (Note 1)	7,151,853	10,997.74	10,046.09	91.3	4.5	Office property
	Total	135,331,865	186,950.47	184,570.74	98.7	61.1	

(Note 1) The names of portfolio assets were changed, effective April 1, 2007. Please refer to “I. Overview of Asset Management; 6. Significant Events Occurred Subsequent to the Settlement of Accounts; Additional Information: Change of Name of Portfolio Assets” for details.

(Note 2) Each amount under “Book Value” is rounded down to the nearest thousand yen. Accordingly, the entered amounts do not necessarily add up to the total value.

(Note 3) “Leasable Floor Space” indicates the floor space of the portion acquired by NCI within each real estate held in trust or real estate held directly by NCI.

(Note 4) “Leased Floor Space” indicates the portion of the leasable floor space for which a lease agreement has been concluded with an end-tenant. As a general rule, the floor space that is leased is indicated to be the floor space set forth in the applicable lease agreement. For real estate held in trust, this refers to the lease agreement between the trustee or master lessee and the end-tenant. For real estate held directly by NCI, this refers to the lease agreement between NCI or master lessee and the end-tenant. However, in the case of lease agreements that were entered into in tsubo values upon signing, the leased floor space indicated is the value arrived at after the relevant tsubo value for the floor space set forth in the applicable lease agreement is divided by 0.3025 and then rounded to two decimal places.

(Note 5) “Occupancy Rate” indicates the value arrived at when the result of dividing the leased floor space by the leasable floor space is expressed as a percentage and rounded to one decimal place.

(Note 6) “Ratio to Gross Rental Revenue” indicates the ratio of the rental revenue from the applicable asset to the gross amount of rental revenue (rounded to one decimal place).

### 3. Itemization of Real Estate and Other Assets

As of February 28, 2007, the itemization of NCI’s portfolio assets is as follows.

Property No.	Property Name	Location	Form of Ownership	Appraisal Price at the End of the Fiscal Period (in thousands of yen) (Note 2)
Office A-1	Hitachi High-Tech Building	1-24-14 Nishi-Shinbashi, Minato-ku, Tokyo	Trust beneficial interest in real estate	17,200,000
Office A-2	Korakuen Shinjuku Building	4-15-7 Nishi-Shinjuku, Shinjuku-ku, Tokyo	Trust beneficial interest in real estate	15,380,000
Office A-3	Dai-ichi Tsukiji Building	3-3-8 Irifune, Chuo-ku, Tokyo	Trust beneficial interest in real estate	11,200,000
Office A-4	Pacific Square Tsukushima	1-15-7 Tsukushima, Chuo-ku, Tokyo	Real estate	9,090,000
Office A-5	Pacific City Nishi-Shinjuku	3-2-7 Nishi-Shinjuku, Shinjuku-ku, Tokyo	Trust beneficial interest in real estate	9,040,000
Office A-6	Pacific Marks Yokohama East (formerly, Yokohama Twin Building) (Note 1)	3-4 Sakae-cho, Kanagawa-ku, Yokohama-shi, Kanagawa	Trust beneficial interest in real estate	8,060,000
Office A-7	Business Court Shin-Urayasu	1-9-2 Mihama, Urayasu-shi, Chiba	Trust beneficial interest in real estate	5,890,000
Office A-8	Asahi Seimei Ohmori Building	1-1-10 Ohmori-Kita, Ota-ku, Tokyo	Trust beneficial interest in real estate	4,030,000
Office A-9	Akasaka Hikawa Building (formerly, Shuwa Akasaka 6chome Building) (Note 1)	6-18-3 Akasaka, Minato-ku, Tokyo	Trust beneficial interest in real estate	3,420,000
Office A-10	Jinnan Flag Tower	1-6-3 Jinnan, Shibuya-ku, Tokyo	Trust beneficial interest in real estate	3,130,000
Office A-11	Nissin Nihonbashi Building	10-18 Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo	Trust beneficial interest in real estate	2,570,000
Office A-12	Pacific Marks Akasaka-mitsuke (formerly, Nichijukin Akasaka Building) (Note 1)	3-20-6 Akasaka, Minato-ku, Tokyo	Real estate	2,690,000
Office A-13	Urban Square Yaesu Building	2-4-13 Yaesu, Chuo-ku, Tokyo	Real estate	2,580,000
Office A-14	Pacific City Hamamatsucho	1-10-11 Hamamatsu-cho, Minato-ku, Tokyo	Trust beneficial interest in real estate	1,890,000
Office A-15	Yokohama Aioicho Building	6-104-2 Aioi-cho, Naka-ku, Yokohama-shi, Kanagawa	Trust beneficial interest in real estate	1,730,000

[ENGLISH TRANSLATION]

Property No.	Property Name	Location	Form of Ownership	Appraisal Price at the End of the Fiscal Period (in thousands of yen) (Note 2)
Office A-16	Pacific Marks Shin-Yokohama (formerly, Shin-Yokohama Benex S-1) (Note 1)	3-18-20 Shin-Yokohama, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficial interest in real estate	1,930,000
Office A-17	Pearl Iidabashi Building	4-5-11 Iidabashi, Chiyoda-ku, Tokyo	Trust beneficial interest in real estate	1,790,000
Office A-18	Gotanda Metallation Building	5-21-15 Higashi-Gotanda, Shinagawa-ku, Tokyo	Trust beneficial interest in real estate	1,730,000
Office A-19	Iwamotocho 163 Building (formerly, Shuwa Dai-3 Iwamotocho Building) (Note 1)	1-6-3 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficial interest in real estate	1,180,000
Office A-20	Maruishi Shinbashi Building	5-7-12 Shinbashi, Minato-ku, Tokyo	Trust beneficial interest in real estate	1,230,000
Office A-21	TS Hodogaya Building	15-3 Iwai-cho, Hodogaya-ku, Yokohama-shi, Kanagawa	Trust beneficial interest in real estate	1,180,000
Office A-22	Shinkawa M Building	1-5-17 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest in real estate	3,740,000
Office A-23	Uchikanda Central Building	2-12-6 Uchikanda, Chiyoda-ku, Tokyo	Trust beneficial interest in real estate	2,350,000
Office A-24	Mejiro Toyo Building	3-14-3 Mejiro, Toshima-ku, Tokyo	Trust beneficial interest in real estate	2,200,000
Office B-1	Snow Crystal Building	2-6-13 Umeda, Kita-ku, Osaka-shi, Osaka	Trust beneficial interest in real estate	10,100,000
Office B-2	Pacific Marks Higobashi (formerly, Higobashi TS Building) (Note 1)	1-10-8 Edobori, Nishi-ku, Osaka-shi, Osaka	Trust beneficial interest in real estate	6,012,000
Office B-3	Nagoya Nishiki Dai-ichi Seimei Building	1-6-5 Nishiki, Naka-ku, Nagoya-shi, Aichi	Trust beneficial interest in real estate	5,240,000
Office C-1	Pacific Marks Sapporo Kita-ichijo (formerly, Sapporo Excellent Building) (Note 1)	7-4-4 Kita Ichi-jo Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficial interest in real estate	2,400,000
Office C-2	Shin-Sapporo Center Building (formerly, Chiyoda Seimei Shin-Sapporo Building) (Note 1)	6-2-15 Atsubetsu Chuo Ichi-jo, Atsubetsu-ku, Sapporo-shi, Hokkaido	Trust beneficial interest in real estate	1,250,000
Retail A-1	Shinsaibashi OPA Honkan	1-4-3 Nishi-Shinsaibashi, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest in real estate	31,900,000
Retail A-2	Shinsaibashi OPA Kireikan	1-9-2 Nishi-Shinsaibashi, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest in real estate	3,500,000
Retail A-3	PACIFIQUE Tenjin	2-4-11 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest in real estate	4,280,000
Retail A-4	Albore Tenjin	2-6-24 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka	Real estate	1,320,000
Retail A-5	Tenjin Yoshida Building	2-1-53 Daimyo, Chuo-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest in real estate	1,180,000
Retail A-6	FLEG Jingumae	5-27-7 Jingumae, Shibuya-ku, Tokyo	Trust beneficial interest in real estate	2,530,000
Retail B-1	Mallage Kashiwa	2-3-1 Oyamadai, Kashiwa-shi, Chiba	Trust beneficial interest in real estate	14,100,000
Retail B-2	Bellfa Uji	48 Shimizu, Makishima-cho, Uji-shi, Kyoto	Real estate	3,360,000
Retail C-1	Ito-Yokado Owariasahi	116-4 Ishihara, Minami-Harayama-cho, Owariasahi-shi, Aichi	Real estate	8,000,000
Total				210,402,000

(Note 1) The names of portfolio assets were changed, effective April 1, 2007.

Please refer to “I. Overview of Asset Management; 6. Significant Events Occurred Subsequent to the Settlement of Accounts; Additional Information: Change of Name of Portfolio Assets” for details.

(Note 2) Each of the amounts is rounded down to the nearest thousand yen.

Accordingly, the sum of the amounts do not necessarily add up to the total value.

Property No.	Property Name	Second Fiscal Period (September 1, 2006 to February 28, 2007)			
		Total Number of Tenants at End of Fiscal Period (Note 2)	Occupancy Rate at End of Fiscal Period (%)	Rental Revenue During Fiscal Period (in thousands of yen) (Note 3)	Ratio to Gross Rental Revenue (%) (Note 4)
Office A-1	Hitachi High-Tech Building	– (2)	100.0%	353,947	6.3%

[ENGLISH TRANSLATION]

Property No.	Property Name	Second Fiscal Period (September 1, 2006 to February 28, 2007)			
		Total Number of Tenants at End of Fiscal Period (Note 2)	Occupancy Rate at End of Fiscal Period (%)	Rental Revenue During Fiscal Period (in thousands of yen) (Note 3)	Ratio to Gross Rental Revenue (%) (Note 4)
Office A-2	Korakuen Shinjuku Building	1 (12)	100.0%	353,663	6.3%
Office A-3	Dai-ichi Tsukiji Building	1 (1)	100.0%	238,056	4.2%
Office A-4	Pacific Square Tsukishima	– (4)	100.0%	240,438	4.3%
Office A-5	Pacific City Nishi-Shinjuku	1 (18)	97.8%	233,375	4.2%
Office A-6	Pacific Marks Yokohama East (formerly, Yokohama Twin Building) (Note 1)	1 (13)	91.3%	250,447	4.5%
Office A-7	Business Court Shin-Urayasu	1 (6)	81.5%	195,468	3.5%
Office A-8	Asahi Seimei Ohmori Building	1 (9)	79.2%	120,824	2.2%
Office A-9	Akasaka Hikawa Building (formerly, Shuwa Akasaka 6chome Building) (Note 1)	1 (1)	100.0%	89,420	1.6%
Office A-10	Jinnan Flag Tower	1 (1)	100.0%	71,866	1.3%
Office A-11	Nissin Nihonbashi Building	1 (7)	100.0%	65,652	1.2%
Office A-12	Pacific Marks Akasaka-mitsuke (formerly, Nichijukin Akasaka Building) (Note 1)	– (7)	100.0%	65,765	1.2%
Office A-13	Urban Square Yaesu Building	1 (10)	100.0%	72,663	1.3%
Office A-14	Pacific City Hamamatsucho	1 (7)	100.0%	52,853	0.9%
Office A-15	Yokohama Aioicho Building	1 (12)	95.2%	62,970	1.1%
Office A-16	Pacific Marks Shin-Yokohama (formerly, Shin-Yokohama Benex S-1) (Note 1)	1 (10)	100.0%	69,827	1.2%
Office A-17	Pearl Iidabashi Building	1 (7)	100.0%	58,190	1.0%
Office A-18	Gotanda Metallion Building	1 (10)	100.0%	52,831	0.9%
Office A-19	Iwamotocho 163 Building (formerly, Shuwa Dai-3 Iwamotocho Building) (Note 1)	1 (4)	100.0%	42,775	0.8%
Office A-20	Maruishi Shinbashi Building	1 (6)	100.0%	33,975	0.6%
Office A-21	TS Hodogaya Building	1 (10)	95.6%	35,100	0.6%
Office A-22	Shinkawa M Building	1 (8)	91.7%	46,958	0.8%
Office A-23	Uchikanda Central Building	1 (9)	100.0%	45,555	0.8%
Office A-24	Mejiro Toyo Building	1 (3)	100.0%	27,602	0.5%
Office B-1	Snow Crystal Building	1 (29)	91.2%	289,547	5.2%
Office B-2	Pacific Marks Higobashi (formerly, Higobashi TS Building) (Note 1)	1 (15)	69.9%	176,811	3.1%
Office B-3	Nagoya Nishiki Dai-ichi Seimei Building	1 (12)	94.0%	136,175	2.4%
Office C-1	Pacific Marks Sapporo Kita-ichijo (formerly, Sapporo Excellent Building) (Note 1)	1 (11)	95.6%	89,323	1.6%
Office C-2	Shin-Sapporo Center Building (formerly, Chiyoda Seimei Shin-Sapporo Building) (Note 1)	1 (17)	92.9%	53,911	1.0%
Retail A-1	Shinsaibashi OPA Honkan	1 (1)	100.0%	570,990	10.2%
Retail A-2	Shinsaibashi OPA Kireikan	1 (1)	100.0%	75,578	1.3%
Retail A-3	PACIFIQUE Tenjin	1 (12)	87.1%	104,817	1.9%
Retail A-4	Albore Tenjin	– (4)	67.5%	30,676	0.5%
Retail A-5	Tenjin Yoshida Building	1 (4)	77.0%	33,652	0.6%
Retail A-6	FLEG Jingumae	– (1)	100.0%	31,045	0.6%
Retail B-1	Mallage Kashiwa	1 (81)	99.1%	685,241	12.2%
Retail B-2	Bellfa Uji	1 (33)	95.9%	240,490	4.3%



[ENGLISH TRANSLATION]

Property No.	Property Name	Second Fiscal Period (September 1, 2006 to February 28, 2007)			
		Total Number of Tenants at End of Fiscal Period (Note 2)	Occupancy Rate at End of Fiscal Period (%)	Rental Revenue During Fiscal Period (in thousands of yen) (Note 3)	Ratio to Gross Rental Revenue (%) (Note 4)
Retail C-1	Ito-Yokado Owariasahi	– (1)	100.0%	218,023	3.9%
Total		(399)	96.4%	5,616,518	100.0%

- (Note 1) The names of portfolio assets were changed, effective April 1, 2007. Please refer to “I. Overview of Asset Management; 6. Significant Events Occurred Subsequent to the Settlement of Accounts; Additional Information: Change of Name of Portfolio Assets” for details.
- (Note 2) “Total Number of Tenants at End of Fiscal Period” indicates “1” if there is a master lease agreement and “–” if there is no master lease agreement. The number of end-tenants for the applicable property as of February 28, 2007 is shown in parentheses. The entry is 1 tenant when 1 tenant leases multiple rental units.
- (Note 3) “Rental Revenue During Fiscal Period” indicates the rental revenue from the applicable real estate, etc. for the second fiscal period (rounded down to the nearest thousand yen).
- (Note 4) “Ratio to Gross Rental Revenue” is the ratio of rental revenue from the applicable property to the rental revenue of the entire portfolio (rounded to one decimal place).
- (Note 5) NCI commenced asset management, in effect, on September 26, 2006 and did not acquire any assets during the first fiscal period.

#### 4. Table of Contract Amount, etc. and Status of Market Prices of Specified Transactions\*

As of February 28, 2007, the contract amount and the status of market prices of NCI’s Specified Transactions were as follows.

Table of Contract Amounts, etc. and Status of Market Prices of Specified and Foreign Exchange Transactions (in thousands of yen)

Account	Type	Contract Amounts, etc.		Market Prices
			The portion which, exceeds 1 year	
Transaction other than market transaction	Interest rate cap transaction	30,000,000	30,000,000	138,717
Transaction other than market transaction	Interest rate cap transaction	8,000,000	8,000,000	40,712
Transaction other than market transaction	Interest rate cap transaction	11,500,000	11,500,000	16,929
Transaction other than market transaction	Interest rate cap transaction	5,500,000	5,500,000	6,877
Transaction other than market transaction	Interest rate cap transaction	1,500,000	1,500,000	7,228
Transaction other than market transaction	Interest rate cap transaction	2,000,000	2,000,000	10,178
Transaction other than market transaction	Interest rate cap transaction	2,200,000	2,200,000	10,140
Total		60,700,000	60,700,000	230,783

#### 5. Other Assets

As of February 28, 2007, no other major Specified Assets that would be the primary investment targets of NCI have been incorporated into the portfolio.

### IV. Capital Expenditures for Owned Real Estate

#### 1. Scheduled Capital Expenditures

Of the amount of capital expenditures expected to arise in connection with repairs, construction, etc. currently planned for real estate, etc. owned as of February 28, 2007, the principal capital expenditures are as follows.

The expected construction cost set forth below includes the portion that will be accounted for separately as a cost from an accounting perspective.

\* Translator’s note: The term “Specified Transaction” used herein means a transaction that is set forth in Article 201, Item 1 of the ITL.

[ENGLISH TRANSLATION]

Property No.	Name of Real Estate (Location)	Purpose	Scheduled Implementation Period	Expected Construction Amount (in millions of yen)		
				Total Amount	Amount Paid During Fiscal Period	Amount Already Paid
Office A-1	Hitachi High-Tech Building (Minato ward, Tokyo)	Installation of individual air-conditioning systems	From: March 2007 To: August 2007	185	—	—
Office A-2	Korakuen Shinjuku Building (Shinjuku ward, Tokyo)	Renewal of common area	From: August 2007 To: August 2007	30	—	—
Office A-4	Pacific Square Tsukishima (Chuo ward, Tokyo)	Replacement of hot-water pipes	From: June 2007 To: July 2007	10	10	—
Office A-6	Pacific Marks Yokohama East (formerly, Yokohama Twin Building) (Note) (Yokohama city, Kanagawa)	Renewal of common area	From: March 2007 To: April 2007	35	35	—
		Renovation of exterior walls	From: July 2007 To: August 2007	24	—	—
Office B-1	Snow Crystal Building (Osaka city, Osaka)	Replacement of integrating meter	From: May 2007 To: May 2007	11	11	—

(Note) The names of portfolio assets were changed, effective April 1, 2007. Please refer to “I. Overview of Asset Management; 6. Significant Events Occurred Subsequent to the Settlement of Accounts; Additional Information: Change of Name of Portfolio Assets” for details.

## 2. Capital Expenditures during the Fiscal Period

Of the real estate, etc. owned as of February 28, 2007, the following construction amounts were the relevant capital expenditures that NCI paid during the second fiscal period.

Property No.	Property Name (Location)	Purpose	Implementation Period	Construction Amount Paid (in thousands of yen)
Office A-7	Business Court Shin-Urayasu (Urayasu city, Chiba)	1F partition construction	From: November 2006 To: November 2006	11,189
Office B-2	Pacific Marks Higobashi (formerly, Higobashi TS Building) (Note) (Osaka city, Osaka)	OA floor laying construction	From: February 2007 To: February 2007	12,900
Retail A-1	Shinsaibashi OPA Honkan (Osaka city, Osaka)	North wall signage renovation construction	From: February 2007 To: February 2007	23,462
Other capital expenditures				51,326
Total				98,878

(Note) The name of portfolio assets was changed, effective April 1, 2007. Please refer to “I. Overview of Asset Management; 6. Significant Events Occurred Subsequent to the Settlement of Accounts; Additional Information: Change of Name of Portfolio Assets” for details.

## 3. Reserves for Long-term Repair Plans

(in thousands of yen)

Calendar Period	First Fiscal Period	Second Fiscal Period
	From: February 22, 2006 To: August 31, 2006	From: September 1, 2006 To: February 28, 2007
Balance of reserves at end of the previous fiscal period	—	—
Reserves in fiscal period under review	—	105,962
Reversal of reserves in fiscal period under review	—	—
Amount carried forward to next fiscal period	—	105,962

## V. Expenses and Liabilities

### 1. Itemization of Expenses for Management, etc.

(in thousands of yen)

Item	First Fiscal Period	Second Fiscal Period
	From: February 22, 2006 To: August 31, 2006	From: September 1, 2006 To: February 28, 2007
(a) Asset management fee (Note 1)	-	67,489
(b) Custodian fee	1,064	11,505
(c) General administration fee	3,325	39,627
(d) Directors' compensation	2,500	3,000
(e) Compensation paid (Note 2)	2,173	33,737
(f) Independent Auditors' compensation (Note 3)	-	5,600
(g) Other expenses (expenses related to NCI's operations)	568	40,587
Total	9,632	201,547

(Note 1) In addition to the above, an asset management fee of 1,830,274 thousand yen was paid in the second fiscal period as an acquisition fee for properties that were acquired. A portion of such amount was individually incorporated into the acquisition cost of real estate, etc. of the relevant property.

(Note 2) In addition to the above, 5,000 thousand yen in attorney's fees were incorporated into the organization costs in the first fiscal period and 57,696 thousand yen in attorney's fees related to property acquisitions were individually incorporated in the acquisition cost of real estate, etc. in the second fiscal period.

(Note 3) In addition to the above, there was 20,150 thousand yen in payments to the Independent Auditors that were recorded as expenses in new investment units issuance costs in the second fiscal period.

## 2. Borrowings

The following summarizes the status of borrowings for each financial institution as of February 28, 2007.

(in thousands of yen)

Account			Drawdown Date	Balance at End of First Fiscal Period	Balance at End of Second Fiscal Period	Average Interest Rate (Note)	Repayment Date	Repayment Method	Use	Remarks
	Name of Loan	Name of Bank								
Short-term loans	Term Loan A	Aozora Bank, Ltd.	September 27, 2006	-	4,000,000	0.84%	September 27, 2007	Lump-sum repayment on repayment date	To fund acquisitions of trust beneficial interest in real estate and real estate, and various expenses associated with such acquisitions	Unsecured and non-guaranteed
		Mizuho Corporate Bank, Ltd.		-	5,000,000					
		Shinsei Bank, Limited		-	5,000,000					
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.		-	10,000,000					
		Mitsubishi UFJ Trust and Banking Corporation		-	10,000,000					
		The Sumitomo Trust and Banking Co., Ltd.		-	2,000,000					
	Short-term loans subtotal				36,000,000					
Long-term loans	Term Loan B	Sumitomo Mitsui Banking Corporation	September 27, 2006	-	9,000,000	0.92%	September 27, 2008	Lump-sum repayment on repayment date	To fund acquisitions of trust beneficial interest in real estate and real estate, and various expenses associated with such acquisitions	Unsecured and non-guaranteed
		Aozora Bank, Ltd.		-	4,000,000					
		The Sumitomo Trust and Banking Co., Ltd.		-	3,000,000					
		The 77 Bank, Ltd.		-	1,000,000					
	Term Loan C	Sumitomo Mitsui Banking Corporation	September 27, 2006	-	9,000,000	0.97%	September 27, 2009	Lump-sum repayment on repayment date	To fund acquisitions of trust beneficial interest in real estate and real estate, and various expenses associated with such acquisitions	Unsecured and non-guaranteed
		Aozora Bank, Ltd.		-	4,000,000					
		Mizuho Corporate Bank, Ltd.		-	2,000,000					
		Shinsei Bank, Limited		-	5,000,000					
		The Sumitomo Trust and Banking Co., Ltd.		-	4,000,000					
		Resona Bank, Limited.		-	3,000,000					
		Mitsui Sumitomo Insurance Company, Limited		-	1,000,000					
		The Norinchukin Bank		-	10,000,000					
	Term Loan D	The Chuo Mitsui Trust and Banking Company, Limited	November 29, 2006	-	3,500,000	0.93%	September 27, 2009	Lump-sum repayment on repayment date	To fund acquisitions of trust beneficial interest in real estate and real estate, and various expenses associated with such acquisitions	Unsecured and non-guaranteed
	Term Loan E	The Chuo Mitsui Trust and Banking Company, Limited	December 22, 2006	-	2,200,000	0.97%	September 27, 2009	Lump-sum repayment on repayment date	To fund acquisitions of trust beneficial interest in real estate and real estate, and various expenses associated with such acquisitions	Unsecured and non-guaranteed
	Long-term loans subtotal			-	60,700,000					
	Total			-	96,700,000					

(Note) "Average Interest Rate" indicates the borrowing interest rate for the respective lending bank (rounded to two decimal places).

## 3. Investment Corporation Bonds

As of February 28, 2007, no investment corporation bonds have been issued.

Please refer to "I. Overview of Asset Management; 6. Significant Events Occurred Subsequent to the Settlement of Accounts; C. Issuance of Investment Corporation Bonds" for details.

## VI. Sales and Purchases during the Fiscal Period

### 1. Sales and Purchases of Real Estate and Asset Related Securities

Property No.	Property Name	Acquisition		Transfer			
		Acquisition Date	Acquisition Value (Note 2) (Note 3) (in thousands of yen)	Transfer Date	Transfer Value (Note 2) (in thousands of yen)	Book Value (Note 2) (in thousands of yen)	Gain (Loss) on Disposal (Note 2) (in thousands of yen)
Office A-1	Hitachi High-Tech Building	September 28, 2006	18,100,000	-	-	-	-
Office A-2	Korakuen Shinjuku Building	September 26, 2006	15,100,000	-	-	-	-
Office A-3	Dai-ichi Tsukiji Building	September 26, 2006	11,100,000	-	-	-	-
Office A-4	Pacific Square Tsukishima	September 28, 2006	8,080,000	-	-	-	-
Office A-5	Pacific City Nishi-Shinjuku	September 28, 2006	7,680,000	-	-	-	-
Office A-6	Pacific Marks Yokohama East (formerly, Yokohama Twin Building) (Note 1)	September 27, 2006	7,110,000	-	-	-	-
Office A-7	Business Court Shin-Urayasu	September 27, 2006	4,700,000	-	-	-	-
Office A-8	Asahi Seimei Ohmori Building	September 28, 2006	3,920,000	-	-	-	-
Office A-9	Akasaka Hikawa Building (formerly, Shuwa Akasaka 6chome Building) (Note 1)	September 26, 2006	3,385,000	-	-	-	-
Office A-10	Jinnan Flag Tower	September 27, 2006	3,050,000	-	-	-	-
Office A-11	Nissin Nihonbashi Building	September 26, 2006	2,550,000	-	-	-	-
Office A-12	Pacific Marks Akasaka-mitsuke (formerly, Nichijukin Akasaka Building) (Note 1)	September 28, 2006	2,450,000	-	-	-	-
Office A-13	Urban Square Yaesu Building	September 28, 2006	2,200,000	-	-	-	-
Office A-14	Pacific City Hamamatsucho	September 28, 2006	1,730,000	-	-	-	-
Office A-15	Yokohama Aioicho Building	September 27, 2006	1,710,000	-	-	-	-
Office A-16	Pacific Marks Shin-Yokohama (formerly, Shin-Yokohama Benex S-1) (Note 1)	September 27, 2006	1,700,000	-	-	-	-
Office A-17	Pearl Iidabashi Building	September 27, 2006	1,600,000	-	-	-	-
Office A-18	Gotanda Metallion Building	September 27, 2006	1,300,000	-	-	-	-
Office A-19	Iwamotocho 163 Building (formerly, Shuwa Dai-3 Iwamotocho Building) (Note 1)	September 26, 2006	1,130,000	-	-	-	-
Office A-20	Maruishi Shinbashi Building	September 27, 2006	1,120,000	-	-	-	-
Office A-21	TS Hodogaya Building	September 27, 2006	1,100,000	-	-	-	-
Office A-22	Shinkawa M Building	November 29, 2006	3,540,000	-	-	-	-
Office A-23	Uchikanda Central Building	November 29, 2006	2,060,000	-	-	-	-
Office A-24	Mejiro Toyo Building	December 22, 2006	2,008,000	-	-	-	-
Office B-1	Snow Crystal Building	September 27, 2006	8,950,000	-	-	-	-
Office B-2	Pacific Marks Higobashi (formerly, Higobashi TS Building) (Note 1)	September 26, 2006	5,573,000	-	-	-	-
Office B-3	Nagoya Nishiki Dai-ichi Seimei Building	September 26, 2006	5,180,000	-	-	-	-
Office C-1	Pacific Marks Sapporo Kita-ichijo (formerly, Sapporo Excellent Building) (Note 1)	September 27, 2006	2,250,000	-	-	-	-
Office C-2	Shin-Sapporo Center Building (formerly, Chiyoda Seimei Shin-	September 27, 2006	1,225,000	-	-	-	-

[ENGLISH TRANSLATION]

Property No.	Property Name	Acquisition		Transfer			
		Acquisition Date	Acquisition Value (Note 2) (Note 3) (in thousands of yen)	Transfer Date	Transfer Value (Note 2) (in thousands of yen)	Book Value (Note 2) (in thousands of yen)	Gain (Loss) on Disposal (Note 2) (in thousands of yen)
	Sapporo Building) (Note 1)						
Retail A-1	Shinsaibashi OPA Honkan	September 26, 2006	31,800,000	-	-	-	-
Retail A-2	Shinsaibashi OPA Kireikan	September 26, 2006	3,500,000	-	-	-	-
Retail A-3	PACIFIQUE Tenjin	September 28, 2006	3,700,000	-	-	-	-
Retail A-4	Albore Tenjin	September 28, 2006	1,440,000	-	-	-	-
Retail A-5	Tenjin Yoshida Building	September 27, 2006	1,120,000	-	-	-	-
Retail A-6	FLEG Jingumae	November 16, 2006	2,525,000	-	-	-	-
Retail B-1	Mallage Kashiwa	September 27, 2006	15,100,000	-	-	-	-
Retail B-2	Bellfa Uji	September 27, 2006	3,200,000	-	-	-	-
Retail C-1	Ito-Yokado Owariasahi	September 27, 2006	7,850,000	-	-	-	-
Total			201,836,000		-	-	-

(Note 1) The names of portfolio assets were changed, effective April 1, 2007.

Please refer to “I. Overview of Asset Management; 6. Significant Events Occurred Subsequent to the Settlement of Accounts; Additional Information: Change of Name of Portfolio Assets” for details.

(Note 2) Each of the amounts are rounded down to the nearest thousand yen.

Accordingly, the entered amounts do not necessarily add up to the total value.

(Note 3) “Acquisition Value” indicates the purchase price provided for in the purchase agreement, etc., exclusive of various costs required with the applicable real estate, etc. (brokerage fees, taxes and dues, etc.).

## 2. Sales and Purchases of Other Assets

The majority of principal assets other than the above real estate and asset related securities are bank deposits and deposits held in trust within trust properties.

## 3. Verification of Purchase Price of Specified Assets (Note 4)

Asset Type	Property No.	Property Name	Acquisition Date	Acquisition Value (Note 2) (Note 3) (in thousands of yen)	Appraisal Price (Note 2) (in thousands of yen)
Real estate held in trust	Office A-1	Hitachi High-Tech Building	September 28, 2006	18,100,000	17,200,000
Real estate held in trust	Office A-2	Korakuen Shinjuku Building	September 26, 2006	15,100,000	15,100,000
Real estate held in trust	Office A-3	Dai-ichi Tsukiji Building	September 26, 2006	11,100,000	11,100,000
Real estate	Office A-4	Pacific Square Tsukishima	September 28, 2006	8,080,000	8,360,000
Real estate held in trust	Office A-5	Pacific City Nishi-Shinjuku	September 28, 2006	7,680,000	7,680,000
Real estate held in trust	Office A-6	Pacific Marks Yokohama East (formerly, Yokohama Twin Building) (Note 1)	September 27, 2006	7,110,000	7,340,000
Real estate held in trust	Office A-7	Business Court Shin-Urayasu	September 27, 2006	4,700,000	5,180,000
Real estate held in trust	Office A-8	Asahi Seimei Ohmori Building	September 28, 2006	3,920,000	3,920,000
Real estate held in trust	Office A-9	Akasaka Hikawa Building (formerly, Shuwa Akasaka 6home Building) (Note 1)	September 26, 2006	3,385,000	3,385,000
Real estate held	Office A-10	Jinnan Flag Tower	September 27,	3,050,000	3,100,000

[ENGLISH TRANSLATION]

Asset Type	Property No.	Property Name	Acquisition Date	Acquisition Value (Note 2) (Note 3) (in thousands of yen)	Appraisal Price (Note 2) (in thousands of yen)
in trust			2006		
Real estate held in trust	Office A-11	Nissin Nihonbashi Building	September 26, 2006	2,550,000	2,550,000
Real estate	Office A-12	Pacific Marks Akasaka-mitsuke (formerly, Nichijukin Akasaka Building) (Note 1)	September 28, 2006	2,450,000	2,670,000
Real estate	Office A-13	Urban Square Yaesu Building	September 28, 2006	2,200,000	2,220,000
Real estate held in trust	Office A-14	Pacific City Hamamatsucho	September 28, 2006	1,730,000	1,730,000
Real estate held in trust	Office A-15	Yokohama Aioicho Building	September 27, 2006	1,710,000	1,720,000
Real estate held in trust	Office A-16	Pacific Marks Shin-Yokohama (formerly, Shin-Yokohama Benex S-1) (Note 1)	September 27, 2006	1,700,000	1,870,000
Real estate held in trust	Office A-17	Pearl Iidabashi Building	September 27, 2006	1,600,000	1,690,000
Real estate held in trust	Office A-18	Gotanda Metallion Building	September 27, 2006	1,300,000	1,430,000
Real estate held in trust	Office A-19	Iwamotocho 163 Building (formerly, Shuwa Dai-3 Iwamotocho Building) (Note 1)	September 26, 2006	1,130,000	1,130,000
Real estate held in trust	Office A-20	Maruishi Shinbashi Building	September 27, 2006	1,120,000	1,140,000
Real estate held in trust	Office A-21	TS Hodogaya Building	September 27, 2006	1,100,000	1,180,000
Real estate held in trust	Office A-22	Shinkawa M Building	November 29, 2006	3,540,000	3,710,000
Real estate held in trust	Office A-23	Uchikanda Central Building	November 29, 2006	2,060,000	2,230,000
Real estate held in trust	Office A-24	Mejiro Toyo Building	December 22, 2006	2,008,000	2,200,000
Real estate held in trust	Office B-1	Snow Crystal Building	September 27, 2006	8,950,000	9,490,000
Real estate held in trust	Office B-2	Pacific Marks Higobashi (formerly, Higobashi TS Building) (Note 1)	September 26, 2006	5,573,000	5,573,000
Real estate held in trust	Office B-3	Nagoya Nishiki Dai-ichi Seimei Building	September 26, 2006	5,180,000	5,182,000
Real estate held in trust	Office C-1	Pacific Marks Sapporo Kita-ichijo (formerly, Sapporo Excellent Building) (Note 1)	September 27, 2006	2,250,000	2,400,000
Real estate held in trust	Office C-2	Shin-Sapporo Center Building (formerly, Chiyoda Seimei Shin-Sapporo Building) (Note 1)	September 27, 2006	1,225,000	1,250,000
Real estate held in trust	Retail A-1	Shinsaibashi OPA Honkan	September 26, 2006	31,800,000	31,900,000
Real estate held in trust	Retail A-2	Shinsaibashi OPA Kireikan	September 26, 2006	3,500,000	3,500,000
Real estate held in trust	Retail A-3	PACIFIQUE Tenjin	September 28, 2006	3,700,000	4,100,000
Real estate	Retail A-4	Albore Tenjin	September 28, 2006	1,440,000	1,500,000
Real estate held in trust	Retail A-5	Tenjin Yoshida Building	September 27, 2006	1,120,000	1,180,000
Real estate held in trust	Retail A-6	FLEG Jingumae	November 16, 2006	2,525,000	2,530,000
Real estate held in trust	Retail B-1	Mallage Kashiwa	September 27, 2006	15,100,000	15,100,000
Real estate	Retail B-2	Bellfa Uji	September 27, 2006	3,200,000	3,360,000

[ENGLISH TRANSLATION]

Asset Type	Property No.	Property Name	Acquisition Date	Acquisition Value (Note 2) (Note 3) (in thousands of yen)	Appraisal Price (Note 2) (in thousands of yen)
Real estate	Retail C-1	Ito-Yokado Owariasahi	September 27, 2006	7,850,000	8,000,000
Total				201,836,000	204,900,000

(Note 1) The names of portfolio assets were changed, effective April 1, 2007.

Please refer to "I. Overview of Asset Management; 6. Significant Events Occurred Subsequent to the Settlement of Accounts; Additional Information: Change of Name of Portfolio Assets" for details.

(Note 2) Each of the amounts are rounded down to the nearest thousand yen.

Accordingly, the entered amounts do not necessarily add up to the total value.

(Note 3) "Acquisition Value" indicates the purchase price provided for in the purchase agreement, etc., exclusive of various costs required with the applicable real estate, etc. (brokerage fees, taxes and dues, etc.).

(Note 4) Appraisal of the price, etc. of the above Specified Assets is conducted by KPMG AZSA & Co. at the time the assets are acquired, in accordance with The Japanese Institute of Certified Public Accountants' Industry Audit Practice Committee Report No. 23 "Appraisal of Price, etc. of Specified Assets by Investment Corporations and Investment Trusts." NCI has received a copy of the report for such concerned appraisal from the asset manager.

Asset Type	Transaction Date	Transaction Partner	Rate Rights Exercised	Amount of Premium Paid (in thousands of yen)	Appraisal Price (in thousands of yen)
Interest rate cap transaction	November 14, 2006	The Sumitomo Trust and Banking Co., Ltd.	1.05%	291,000	283,435
Interest rate cap transaction	November 28, 2006	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1.05%	77,600	68,863
Interest rate cap transaction	December 7, 2006	Sumitomo Mitsui Banking Corporation	0.95%	50,025	42,101
Interest rate cap transaction	December 7, 2006	Aozora Bank, Ltd.	0.95%	23,925	20,135
Interest rate cap transaction	December 7, 2006	Sumitomo Mitsui Banking Corporation	1.05%	14,550	14,174
Interest rate cap transaction	December 7, 2006	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1.05%	19,400	18,898
Interest rate cap transaction	January 18, 2007	Mitsubishi UFJ Trust and Banking Corporation	1.05%	16,060	13,957
Total				492,560	461,567

(Note 1) Each of the amounts are rounded down to the nearest thousand yen.

(Note 2) Appraisal of the price, etc., of the above Specified Assets is conducted by the certified public accountant Hitoshi Kumagai at the time the assets are acquired, in accordance with The Japanese Institute of Certified Public Accountants' Industry Audit Practice Committee Report No. 23 "Appraisal of Price, etc., of Specified Assets by Investment Corporations and Investment Trusts." NCI has received a copy of the report for such appraisal from the asset manager.

#### 4. Status of Transactions with Related Parties and Major Shareholders

##### A. Transactions

(in thousands of yen)

Account	Purchase Price, etc.	
	Purchase Price, etc.	Selling Price, etc.
Total Value (Second Fiscal Period)	201,836,000 Purchase price from related parties and major shareholders 94,043,000 (46.5%)	— Selling price to related parties and major shareholders — (—%)
Breakdown of status of transactions with related parties		
Morning Glory Asset Co., Ltd.	20,340,000 (10.0%)	— (—%)
Fine Building Corporation Y.K.	18,910,000 (9.3%)	— (—%)
Mallage Kashiwa Investment Inc.	15,100,000 (7.4%)	— (—%)
Fine View Corporation Inc.	13,330,000 (6.6%)	— (—%)
Pacific Growth Realty Y.K.	12,730,000 (6.3%)	— (—%)
Sky Line Y.K.	4,068,000 (2.0%)	— (—%)
Andromeda Entity Inc.	3,700,000 (1.8%)	— (—%)
Pacific Commercial Realty Y.K.	3,200,000 (1.5%)	— (—%)



[ENGLISH TRANSLATION]

Account	Purchase Price, etc.	
	Purchase Price, etc.	Selling Price, etc.
Pacific Properties Investment Inc.	1,440,000 (0.7%)	— (—%)
Sapphire Line Y.K.	1,225,000 (0.6%)	— (—%)

(Note) Of the related parties of the asset manager with which NCI has concluded an asset management agreement as designated in Article 20 of the Enforcement Order of the ITL (*Toushishintaku Oyobi Touseihoujin ni Kansuru Horitsu Shikourei*; Cabinet Order No. 480 of 2000; including amendments thereto) and the major shareholders of the asset manager as defined in Article 9, Paragraph 3 of the said law, those with whom NCI has entered into a transaction during the second fiscal period are Pacific Growth Realty Y.K., Sky Line Y.K., Pacific Commercial Realty Y.K. and Pacific Properties Investment Inc.

## B. Amount of Fees Paid

Account	Total Amount of Fees Paid (A) (in thousands of yen)	Breakdown of Status of Transaction with Related Parties and Major Shareholders (Note 1)		Ratio to Total Amount (B) ÷ (A) (Note 3)
		Payee	Amount Paid (B) (in thousands of yen)	
Brokerage fee for the purchase of a trust beneficial interest (Note 2)	4,372,546	Pacific Management Corporation	4,153,830	94.9%
Business consignment expense	33,548	Nippon Commercial Properties Corporation	719	2.1%

(Note 1) Of the related parties of the asset manager with which NCI has concluded an asset management agreement as designated in Article 20 of the Enforcement Order of the ITL (*Toushishintaku Oyobi Touseihoujin ni Kansuru Horitsu Shikourei*; Cabinet Order No. 480 of 2000; including amendments thereto) and the major shareholders of the asset manager as defined in Article 9, Paragraph 3 of the said law, NCI entered into a transaction with Pacific Management Corporation during the second fiscal period.

(Note 2) The brokerage fee for the purchase of a trust beneficial interest paid upon a property acquisition is incorporated in the acquisition cost of the applicable real estate held in trust.

(Note 3) Rounded down to the nearest one decimal place.

## 5. Transactions with the Asset Manager relating to the Concurrent Businesses of the Asset Manager

Not applicable since NCI's asset manager (Pacific Commercial Investment Corporation) does not conduct any concurrent businesses in securities, real estate brokerage and real estate syndication.

## VII. Accounting

### 1. Assets, Liabilities, Principal, Profits and Losses

Please refer to the attached Balance Sheets, Statements of Operations, Statements of Changes in Net Assets, Notes to Financial Statements.

### 2. Change in Method for Calculating Depreciation

Not applicable.

### 3. Change in Real Estate Valuation Method

Not applicable.

## VIII. Other

### 1. Use of Fractions of Monetary Amounts and Ratios

Unless otherwise indicated, this report rounds down figures for monetary amounts and rounds off ratios to the nearest specified unit.

### 2. Notice

The following table summarizes the primary contracts entered into or amended in the second fiscal period that were approved by NCI's board of directors.

Date of Meeting of the Board of Directors	Approved/Resolved Item	Description of Approved/Resolved Item
September 1, 2006	Entering into the Memorandum of Understanding on Amendments to the Audit Contract	The audit contract entered into with NCI's Independent Auditors KPMG AZSA & Co. dated July 20, 2006 was amended to include the decision on the amount of compensation, which had not been provided in the contract, and to alter some of the wording.

[ENGLISH TRANSLATION]

September 19, 2006	Entering into the New Investment Units Purchase and Underwriting Agreement	In regard to the issuance of new investment units that was approved at a meeting of the board of directors held on August 21, 2006, the decision was made to enter into new investment units underwriting agreements with each of Daiwa Securities SMBC Co. Ltd., Morgan Stanley Japan Securities Co., Ltd. and three other firms (Note) for the underwriting in Japan and with each of Morgan Stanley & Co. International Limited and Daiwa Securities SMBC Europe Limited for the underwriting outside of Japan.
November 14, 2006	Entering into the Statement on Mutual Agreement in Relation to the Asset Management Agreement	With respect to the compensation for which the maximum rate had been set in the asset management agreement dated February 22, 2006 entered into with NCI's asset manager, Pacific Commercial Investment Corporation, the decision was made to enter into a statement of mutual agreement in relation to the amount of compensation (asset management fee and acquisition fee) for the period between September 1, 2006 and November 30, 2006.
November 28, 2006	Entering into the Audit Contract	The decision was made to enter into an audit contract applicable to the second fiscal period (fiscal period ended February 2007) with NCI's Independent Auditors KPMG AZSA & Co.
November 28, 2006	Entering into the Statement of Mutual Agreement in Relation to the Asset Management Agreement	The decision was made to enter into a statement of mutual agreement with NCI's asset manager, Pacific Commercial Investment Corporation, in relation to the amount of compensation (asset management fee) for the period between December 1, 2006 and February 28, 2007.
February 23, 2007	Entering into the Memorandum of Understanding on Amendments to Part of the General Administration Agreement for Accounting Matters	The decision was made to enter into a memorandum of understanding with NCI's general administrator for accounting matters, Heiseikaikeisha Tax Co., concerning the amount of compensation to be paid for preparing real estate acquisition tax returns, which had not been provided in the general administration agreement for accounting matters, dated February 22, 2006.

(Note) Mitsubishi UFJ Securities Co., Ltd., Shinko Securities Co., Ltd. and Tokai Tokyo Securities Co., Ltd.



## Independent Auditors' Report

To the Board of Directors of  
Nippon Commercial Investment Corporation:

We have audited the accompanying balance sheets of Nippon Commercial Investment Corporation as of February 28, 2007 and August 31, 2006, and the related statements of operations, changes in net assets and cash flows for the six months ended February 28, 2007 and the period from February 22, 2006 to August 31, 2006 expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nippon Commercial Investment Corporation as of February 28, 2007 and August 31, 2006, and the results of its operations and its cash flows for the six months ended February 28, 2007 and the period from February 22, 2006 to August 31, 2006 in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

As discussed in Note 10 to the financial statements, Nippon Commercial Investment Corporation acquired two properties, borrowed funds, and issued investment corporation bonds.

*KPMG AZSA & Co.*

Tokyo, Japan  
April 18, 2007

[ENGLISH TRANSLATION]

## **Semiannual Financial Report**

**Nippon Commercial Investment Corporation**

**2<sup>nd</sup> Fiscal Period**

(September 1, 2006 – February 28, 2007)

4/F Sanno Park Tower

2-11-1 Nagata-cho

Chiyoda-ku, Tokyo

Japan

## FINANCIAL Summary

For the 2nd Period from September 1, 2006 to February 28, 2007

### <Results of Operations>

#### Selected Financial Data

	(Yen in thousands)	
	2nd Period	1st Period
Operating revenues	¥ 5,616,519	¥ —
Operating expenses	2,053,677	9,633
Operating income (loss)	3,562,842	(9,633)
Income or loss before income taxes	2,477,796	(16,205)
Net Income (loss)	2,470,232	(9,912)
Total assets	234,360,856	148,868
Total unitholders' equity	119,213,380	90,088
Unitholders' capital	116,753,060	100,000
Number of units issued (units)	257,400	200
Total unitholders' equity per unit (Yen)	453,586	450,438
Cash distribution	2,460,229	—
Distribution per unit (Yen)	9,558	—
Net operating income from property leasing activities	3,764,389	—
FFO (Funds From Operations) per unit (Yen)	12,253	(16,662)
Debt service coverage ratio (times)	9.8	—
Number of days	181	191

The term for the 1st Period is 191 days from February 22, 2006 to August 31, 2006 and we had no properties.

The term for the 2nd Period is 181 days from September 1, 2006 to February 28, 2007, but we began operating substantially from September 26, 2006.

#### Funds from Operations

	(Yen in thousands)	
	2nd Period	1st Period
Net income (loss)	¥ 2,470,232	¥ (9,912)
Adjustments:		
Depreciation	¥ 678,157	¥ —
Amortization	¥ 5,640	¥ 6,580
<b>FFO</b>	<b>¥ 3,154,029</b>	<b>¥ (3,332)</b>

FFO (Funds From Operations) is computed as net income (loss) (computed in accordance with generally accepted accounting principles in Japan), excluding gains and losses from sales of real estate, plus real estate related depreciation and other amortization.

#### Distribution for the Current Period

	(Yen in thousands)	
	2nd Period	1st Period
Retained earnings (Accumulated deficit)	¥ 2,460,320	¥ (9,912)
Undistributed earnings	91	(9,912)
Cash distribution	2,460,229	—
(per unit) (Yen)	¥ 9,558	¥ —

[ENGLISH TRANSLATION]

**Number of properties for the periods presented**

NCI had 38 properties as of February 28, 2007.

Property Name	Acquisition Price (in millions of yen) (Note 2)	Location (Note 3)	Asset Type	Usage	Date of Purchase Agreement	Acquisition Date
Hitachi High-Tech Building	18,100	Minato ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 28, 2006
Korakuen Shinjuku Building	15,100	Shinjuku ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 26, 2006
Dai-ichi Tsukiji Building	11,100	Chuo ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 26, 2006
Pacific Square Tsukishima	8,080	Chuo ward, Tokyo	Real estate	Office property	August 3, 2006	September 28, 2006
Pacific City Nishi-Shinjuku	7,680	Shinjuku ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 28, 2006
Pacific Marks Yokohama East (Note 1)	7,110	Yokohama city, Kanagawa	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Business Court Shin-Urayasu	4,700	Urayasu city, Chiba	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Asahi Seimei Ohmori Building	3,920	Ota ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 28, 2006
Akasaka Hikawa Building (Note 1)	3,385	Minato ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 26, 2006
Jinnan Flag Tower	3,050	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Nissin Nihonbashi Building	2,550	Chuo ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 26, 2006
Pacific Marks Akasaka-mitsuke (Note 1)	2,450	Minato ward, Tokyo	Real estate	Office property	August 3, 2006	September 28, 2006
Urban Square Yaesu Building	2,200	Chuo ward, Tokyo	Real estate	Office property	August 3, 2006	September 28, 2006
Pacific City Hamamatsucho	1,730	Minato ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 28, 2006
Yokohama Aioicho Building	1,710	Yokohama city, Kanagawa	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Pacific Marks Shin-Yokohama (Note 1)	1,700	Yokohama city, Kanagawa	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Pearl Iidabashi Building	1,600	Chiyoda ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Gotanda Metallation Building	1,300	Shinagawa ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Iwamotocho 163 Building (Note 1)	1,130	Chiyoda ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 26, 2006
Maruishi Shinbashi Building	1,120	Minato ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
TS Hodogaya Building	1,100	Yokohama city, Kanagawa	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Shinkawa M Building	3,540	Chuo ward, Tokyo	Trust beneficiary interest in real estate	Office property	November 28, 2006	November 29, 2006
Uchikanda Central Building	2,060	Chiyoda ward, Tokyo	Trust beneficiary interest in real estate	Office property	November 28, 2006	November 29, 2006
Mejiro Toyo Building	2,008	Toshima ward, Tokyo	Trust beneficiary interest in real estate	Office property	December 22, 2006	December 22, 2006
Snow Crystal Building	8,950	Osaka city, Osaka	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Pacific Marks Higobashi (Note 1)	5,573	Osaka city, Osaka	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 26, 2006
Nagoya Nishiki Dai-ichi Seimei Building	5,180	Nagoya city, Aichi	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 26, 2006
Pacific Marks Sapporo Kita 1 jo (Note 1)	2,250	Sapporo city, Hokkaido	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Shin-Sapporo Center Building (Note 1)	1,225	Sapporo city, Hokkaido	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Shinsaibashi OPA Honkan	31,800	Osaka city, Osaka	Trust beneficiary interest in real estate	Retail property	August 3, 2006	September 26, 2006
Shinsaibashi OPA Kireikan	3,500	Osaka city, Osaka	Trust beneficiary interest in real estate	Retail property	August 3, 2006	September 26, 2006
PACIFIQUE Tenjin	3,700	Fukuoka city, Fukuoka	Trust beneficiary interest in real estate	Retail property	August 3, 2006	September 28, 2006
Albore Tenjin	1,440	Fukuoka city, Fukuoka	Real estate	Retail property	August 3, 2006	September 28, 2006

[ENGLISH TRANSLATION]

Property Name	Acquisition Price (in millions of yen) (Note 2)	Location (Note 3)	Asset Type	Usage	Date of Purchase Agreement	Acquisition Date
Tenjin Yoshida Building	1,120	Fukuoka city, Fukuoka	Trust beneficiary interest in real estate	Retail property	August 3, 2006	September 27, 2006
FLEG Jingumae	2,525	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	Retail property	November 16, 2006	November 16, 2006
Mallage Kashiwa	15,100	Kashiwa city, Chiba	Trust beneficiary interest in real estate	Retail property	August 3, 2006	September 27, 2006
Bellfa Uji	3,200	Uji city, Kyoto	Real estate	Retail property	August 3, 2006	September 27, 2006
Ito-Yokado Owariasahi	7,850	Owariasahi city, Aichi	Real estate	Retail property	August 3, 2006	September 27, 2006
Total	201,836					

(Note 1) "Property Name" is the current property name changed on April 1, 2007.

(Note 2) "Acquisition Price" is the purchase price stated on the beneficiary interest purchase agreement or the real estate purchase agreement (excluding an amount equivalent to consumption tax, etc.) rounded down to the nearest million yen.

(Note 3) "Location" indicates the smallest independent administrative district of the area where the property is located.

## Total debt summary and debt maturity schedule

NCI's total debt summary as of February 28, 2007 and debt maturity schedule are as follows:

### Debt Summary

(Yen in thousands)

	2nd Period	1st Period
Secured	0	0
Unsecured	96,700,000	0
<b>Total</b>	<b>96,700,000</b>	<b>0</b>
Fixed Rate	0	0
Floating Rate	96,700,000	0
<b>Total</b>	<b>96,700,000</b>	<b>0</b>

### Debt Maturity Schedule

Year	Yen in thousands	% of Total
within 1 year	36,000,000	37.2%
1 to 2 years	17,000,000	17.6%
2 to 3 years	43,700,000	45.2%
<b>Total</b>	<b>96,700,000</b>	<b>100.0%</b>

## Capitalization

date	remarks	Units outstanding		Paid-in capital	
		Increase	Balance	Increase	Balance
		(number of units)		(Yen in millions)	
February 22 2006	Incorporated private offering	200	200	¥ 100	¥ 100
September 25 2006	Initial public offering	245,000	245,200	¥ 111,120	¥ 111,220
October 24 2006	Allocation of new units to third party	12,200	257,400	¥ 5,533	¥ 116,753

[ENGLISH TRANSLATION]

# Investment Portfolio

NCI has acquired 38 properties in the 2nd Period. as follows:

Property Name (Note 1)	Acquisition Price (in millions of yen) (Note 2)	Location (Note 3)	Asset Type	Usage	Date of Purchase Agreement	Acquisition Date
Hitachi High-Tech Building	18,100	Minato ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 28, 2006
Korakuen Shinjuku Building	15,100	Shinjuku ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 26, 2006
Dai-ichi Tsukiji Building	11,100	Chuo ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 26, 2006
Pacific Square Tsukishima	8,080	Chuo ward, Tokyo	Real estate	Office property	August 3, 2006	September 28, 2006
Pacific City Nishi-Shinjuku	7,680	Shinjuku ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 28, 2006
Pacific Marks Yokohama East (Note 1)	7,110	Yokohama city, Kanagawa	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Business Court Shin-Urayasu	4,700	Urayasu city, Chiba	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Asahi Seimei Ohmori Building	3,920	Ota ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 28, 2006
Akasaka Hikawa Building (Note 1)	3,385	Minato ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 26, 2006
Jinnan Flag Tower	3,050	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Nissin Nihonbashi Building	2,550	Chuo ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 26, 2006
Pacific Marks Akasaka-mitsuke (Note 1)	2,450	Minato ward, Tokyo	Real estate	Office property	August 3, 2006	September 28, 2006
Urban Square Yaesu Building	2,200	Chuo ward, Tokyo	Real estate	Office property	August 3, 2006	September 28, 2006
Pacific City Hamamatsucho	1,730	Minato ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 28, 2006
Yokohama Aioicho Building	1,710	Yokohama city, Kanagawa	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Pacific Marks Shin-Yokohama (Note 1)	1,700	Yokohama city, Kanagawa	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Pearl Iidabashi Building	1,600	Chiyoda ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Gotanda Metallation Building	1,300	Shinagawa ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Iwamotocho 163 Building (Note 1)	1,130	Chiyoda ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 26, 2006
Maruishi Shinbashi Building	1,120	Minato ward, Tokyo	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
TS Hodogaya Building	1,100	Yokohama city, Kanagawa	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Shinkawa M Building	3,540	Chuo ward, Tokyo	Trust beneficiary interest in real estate	Office property	November 28, 2006	November 29, 2006
Uchikanda Central Building	2,060	Chiyoda ward, Tokyo	Trust beneficiary interest in real estate	Office property	November 28, 2006	November 29, 2006
Mejiro Toyo Building	2,008	Toshima ward, Tokyo	Trust beneficiary interest in real estate	Office property	December 22, 2006	December 22, 2006
Snow Crystal Building	8,950	Osaka city, Osaka	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Pacific Marks Higobashi (Note 1)	5,573	Osaka city, Osaka	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 26, 2006
Nagoya Nishiki Dai-ichi Seimei Building	5,180	Nagoya city, Aichi	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 26, 2006
Pacific Marks Sapporo Kita 1 jo (Note 1)	2,250	Sapporo city, Hokkaido	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Shin-Sapporo Center Building (Note 1)	1,225	Sapporo city, Hokkaido	Trust beneficiary interest in real estate	Office property	August 3, 2006	September 27, 2006
Shinsaibashi OPA Honkan	31,800	Osaka city, Osaka	Trust beneficiary interest in real estate	Retail property	August 3, 2006	September 26, 2006
Shinsaibashi OPA Kireikan	3,500	Osaka city, Osaka	Trust beneficiary interest in real estate	Retail property	August 3, 2006	September 26, 2006
PACIFIQUE Tenjin	3,700	Fukuoka city, Fukuoka	Trust beneficiary interest in real estate	Retail property	August 3, 2006	September 28, 2006
Albore Tenjin	1,440	Fukuoka city, Fukuoka	Real estate	Retail property	August 3, 2006	September 28, 2006



[ENGLISH TRANSLATION]

Property Name (Note 1)	Acquisition Price (in millions of yen) (Note 2)	Location (Note 3)	Asset Type	Usage	Date of Purchase Agreement	Acquisition Date
Tenjin Yoshida Building	1,120	Fukuoka city, Fukuoka	Trust beneficiary interest in real estate	Retail property	August 3, 2006	September 27, 2006
FLEG Jingumae	2,525	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	Retail property	November 16, 2006	November 16, 2006
Mallage Kashiwa	15,100	Kashiwa city, Chiba	Trust beneficiary interest in real estate	Retail property	August 3, 2006	September 27, 2006
Bellfa Uji	3,200	Uji city, Kyoto	Real estate	Retail property	August 3, 2006	September 27, 2006
Ito-Yokado Owariasahi	7,850	Owariasahi city, Aichi	Real estate	Retail property	August 3, 2006	September 27, 2006
Total	201,836					

(Note 1) "Property Name" is the current property name changed on April 1, 2007.

(Note 2) "Acquisition Price" is the purchase price stated on the beneficiary interest purchase agreement or the real estate purchase agreement (excluding an amount equivalent to consumption tax, etc.) rounded down to the nearest million yen.

(Note 3) "Location" indicates the smallest independent administrative district of the area where the property is located.

[ENGLISH TRANSLATION]

NIPPON COMMERCIAL INVESTMENT CORPORATION

**BALANCE SHEETS**

As of February 28, 2007 and August 31, 2006

	As of February 28, 2007 (Yen in thousands)	As of August 31, 2006 (Yen in thousands)
<b>ASSETS</b>		
Investments in real estate (including trust accounts)		
Land (Note3)	¥ 160,520,222	¥ -
Depreciable property (Note3)	48,461,543	-
Investments in real estate	208,981,765	-
Accumulated depreciation	(678,157)	-
Investments in real estate, net	208,303,608	-
Other investments		
Leasehold rights	56,784	-
Cash and cash equivalents (including trust accounts)	22,315,314	76,227
Rent receivables	126,050	-
Consumption tax receivables	2,518,566	-
Prepaid expenses	361,442	-
Deferred tax assets (Note8)	90,152	6,383
Long-term prepaid expenses	209,412	2,656
Security deposits paid	94,649	10,000
Derivatives	230,784	-
Organization costs	44,181	49,820
Other assets	9,914	3,782
<b>TOTAL ASSETS</b>	<b>¥ 234,360,856</b>	<b>¥ 148,868</b>
<b>LIABILITIES and NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	¥ 666,603	¥ 57,673
Received in advance	1,007,804	-
Short-term loans	36,000,000	-
Income taxes payable	234	90
Long-term loans	60,700,000	-
Security deposits received (including trust accounts) (Note3)	16,897,406	-
Other liabilities	14,102	1,017
<b>TOTAL LIABILITIES</b>	<b>115,286,149</b>	<b>58,780</b>
<b>NET ASSETS (Note5):</b>		
Unitholders' capital	116,753,060	100,000
Units authorized ; 2,000,000 units		
Units issued and outstanding ;		
200 units as of August 31, 2006		
257,400 units as of February 28, 2007		
Accumulated deficit	-	(9,912)
Retained Earnings	2,460,320	-
Unrealized losses on hedging derivatives net of taxes	(138,673)	-
<b>TOTAL NET ASSETS</b>	<b>119,074,707</b>	<b>90,088</b>
<b>TOTAL LIABILITIES and NET ASSETS</b>	<b>¥ 234,360,856</b>	<b>¥ 148,868</b>

The accompanying notes to financial statements are an integral part of these balance sheets.

[ENGLISH TRANSLATION]

NIPPON COMMERCIAL INVESTMENT CORPORATION  
**STATEMENTS OF OPERATIONS**

For the six months ended February 28, 2007 and  
the period from February 22, 2006 to August 31, 2006.

	2nd period ended February 28, 2007 (Yen in thousands)	1st period ended August 31, 2006 (Yen in thousands)
<b>OPERATING REVENUES</b>		
Rental income (Note 6)	¥ 5,616,519	¥ -
Total operating revenues	5,616,519	-
<b>OPERATING EXPENSES</b>		
Property operating expenses		
Asset and property management fee (Note 6)	462,694	-
Repairs and maintenance (Note 6)	55,030	-
Real estate taxes and insurance (Note 6)	11,379	-
Other operating expenses (Note 6)	644,869	-
Total property operating expenses	1,173,972	-
Real estate depreciation (Note 6)	678,157	-
General and administrative expenses	201,548	9,633
Total operating expenses	2,053,677	9,633
<b>OPERATING INCOME (LOSS)</b>	<b>3,562,842</b>	<b>(9,633)</b>
Interest and other income	10,779	8
Interest expenses	(362,856)	-
Other financing costs	(187,466)	-
Unit issue expenses	(398,535)	-
Other unit issue costs	(108,347)	-
Amortization of origination costs	(5,640)	(6,580)
Other expenses	(32,981)	-
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(2,477,796)</b>	<b>(16,205)</b>
<b>INCOME TAXES</b>		
Current	1,210	90
Deferred	6,354	( 6,383)
<b>NET INCOME (LOSS)</b>	<b>¥ 2,470,232</b>	<b>¥ (9,912)</b>

**Earnings per unit:**

Net income (loss) (in Yen)	¥ 11,160	¥ (49,562)
Weighted average number of units outstanding	221,341	200

The accompanying notes to financial statements are an integral part of these statements.

[ENGLISH TRANSLATION]

NIPPON COMMERCIAL INVESTMENT CORPORATION  
STATEMENT OF CHANGES IN NET ASSETS

For the period from September 1, 2006 to February 28, 2007

(Yen in thousands)

	Number of Units	Unitholders' Equity			Unrealized Losses on Hedging Derivatives, Net of Taxes	Net Assets
		Unitholders' Capital	Retained Earnings	Total Unitholders' Equity		
<b>Incorporation as of February 22, 2006</b>	200	¥ 100,000		¥ 100,000	¥ -	¥ 100,000
Net loss			(9,912)	(9,912)		(9,912)
<b>Net assets as of August 31, 2006</b>	200	¥ 100,000	¥ (9,912)	¥ 90,088	¥ -	¥ 90,088
Public offering	257,200	116,653,060		116,653,060		¥ 116,653,060
Net income			2,470,232	2,470,232		2,470,232
Net changes during the year					(138,672)	(138,672)
<b>Balance as of February 28, 2007</b>	257,400	¥ 16,753,060	¥ 2,460,320	¥ 119,213,380	¥(138,672)	¥ 119,074,707

The accompanying notes to financial statements are an integral part of these statements.

[ENGLISH TRANSLATION]

NIPPON COMMERCIAL INVESTMENT CORPORATION

**Statements of Cash Flows**

For the six months ended February 28, 2007 and  
the period from February 22, 2006 to August 31, 2006.

	2nd period ended February 28, 2007 (Yen in thousands)	1st period ended August 31, 2006 (Yen in thousands)
<b>Cash Flows from Operating Activities</b>		
Income or loss before income taxes	¥ 2,477,796	¥ ( 16,205)
Depreciation	678,214	-
Amortization of organization expenses	5,640	6,580
Amortization of other financing costs	187,466	-
Amortization of unit issuance costs	398,535	-
Interest and other income	(10,775)	(6)
Interest expenses	362,856	-
Changes in assets and liabilities		
Rent receivables	(126,050)	-
Consumption tax receivables	(2,518,566)	-
Other payables	(316,212)	-
Accounts payable and accrued expenses	457,552	57,673
Received in advance	1,007,804	-
Deposit received	13,085	1,018
Long-term expenses	(439,734)	-
Long-term advance taxes	282	(2,656)
Derivatives	(459,579)	-
Organization expenses	-	(56,400)
Others	(3,302)	(3,781)
<b>Sub-total</b>	<b>1,715,012</b>	<b>(13,778)</b>
Interest received	10,775	6
Interest paid	(211,479)	-
Income taxes paid	(2,243)	-
<b>Net cash provided by (used in) operating activities</b>	<b>1,512,065</b>	<b>(13,772)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of real estate (including trust assets and leasehold rights)	(209,040,260)	-
Payment of security deposits	(84,649)	(10,000)
Proceeds from security deposit (including trust accounts)	17,402,335	-
Repayment of security deposit (including trust accounts)	(504,929)	-
<b>Net cash used in investing activities</b>	<b>(192,227,503)</b>	<b>(10,000)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from short-term loans	36,000,000	-
Proceeds from long-term loans	60,700,000	-
Proceeds from issuance of new units	116,254,525	100,000
<b>Net cash provided by financing activities</b>	<b>212,954,525</b>	<b>100,000</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>22,239,087</b>	<b>76,227</b>
<b>Cash and Cash Equivalents at beginning of Period</b>	<b>76,227</b>	<b>-</b>
<b>Cash and Cash Equivalents at end of Period</b>	<b>¥ 22,315,314</b>	<b>¥ 76,227</b>

The accompanying notes to financial statements are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS

Nippon Commercial Investment Corporation

For the six months ended February 28, 2007 and the period from February 22, 2006 to August 31, 2006.

### Note 1 Organization and Basis of Presentation

#### Organization

Nippon Commercial Investment Corporation (hereinafter “NCI”) was established on February 22, 2006, with ¥100 million of capital contribution by Pacific Commercial Investment Corporation under the Law Concerning Investment Trusts and Investment Corporations of Japan.

Registration with the Kanto Local Finance Bureau of the Ministry of Finance was completed on March 22, 2006. On September 26, 2006, NCI was listed on the J-REIT section of the Tokyo Stock Exchange specializing in office and retail properties in Japan, and started its portfolio investment.

As of February 28, 2007, NCI owned 38 properties.

#### Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Law Concerning Investment Trust and Investment Corporation of Japan, and in conformity with accounting principles generally accepted in Japan (hereinafter “Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions and inclusions) from the audited financial statements of NCI prepared in accordance with Japanese GAAP. Some supplementary information included in the statutory Japanese language financial statements, but not required for fair presentation, is not presented in the accompanying financial statements. NCI has not prepared consolidated financial statements, as it has no subsidiaries.

In preparing the accompanying financial statements, certain reclassifications and modifications have been made in the financial statements issued domestically in order to present them in a form that is more familiar to readers outside of Japan.

### Note 2 Summary of Significant Accounting Policies

#### a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposit placed with banks and short-term investments, which are highly liquid, readily convertible to cash, and with an insignificant risk of price fluctuation, with original maturities of three months or less.

#### b) Investments in real estate (including trust accounts)

Investment properties and beneficial interest in properties in trust are recorded at cost, which included the allocated purchase price and related costs and expenses for acquisition of the properties and the beneficial interests of properties in trust.

Depreciation of these properties, except for land, is calculated on a straight-line basis over the estimated useful lives of the assets ranging as stated below:

Building	22-65 years
Building improvements	2-40 years
Structures	7-63 years
Machinery and equipment	5-25 years
Furniture and fixtures	3-15 years

**c) Leasehold rights and long-term period expenses**

Leasehold rights and long-term period expenses are amortized on a straight-line basis.

**d) Organization costs**

Organization costs are amortized using the straight-line method over five (5) years.

**e) New Investment unit issue costs**

New investment unit issue costs are recorded in the period of payment.

The public offering of new investment units on September 25, 2006 was conducted through an underwriting agreement under which an underwriting securities company underwrote all of the newly issued units at an agreed issue price and sold them at an offering price different from such issue price to investors ("spread method"). Since, pursuant to such spread method, the difference between the offering price and the issue price of ¥4,230,940 thousands is earned by the underwriting securities company as substantial underwriting fees, there were no other underwriting fees paid by NCI to the underwriting securities company.

**f) Taxes on real estate**

Taxes on real estate, such as property taxes and city planning taxes, are recorded as property operating expenses when they are incurred.

NCI pays the seller of the properties the corresponding amounts of taxes for the period from the transfer date of the property to December 31 of that year as part of the purchase price of each property, and capitalizes such amount as a cost of the property. For the period ended February 28, 2007, taxes on real estate of ¥272,686 thousand were capitalized as a cost of the property.

**g) Accounting treatment of beneficial interests in trust assets including real estate**

For trust beneficial interests in real estate, all accounts of assets and liabilities within assets in trust as well as all income generated and expenses incurred from assets in trust are recorded in the relevant balance sheet and income statement accounts.

**h) Income taxes**

Deferred tax assets and liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities utilizing the applicable statutory tax rate.

**Note 3 Secured Assets**

As of February 28, 2007, the assets were pledged as collateral for the loans as follows:

	(Yen in thousands)
Pledged assets:	
Land	¥5,069,796
Buildings	2,404,707
<u>Building improvements</u>	<u>625,653</u>
Total	<u>8,100,158</u>
Loans secured by the pledged assets:	
Security deposits received (including trust accounts)	¥4,257,022

**Note 4 Credit Facility (uncommitted basis)**

NCI entered into a basic agreement for a credit facility of up to 15,000 million yen.

As of February 28, 2007, no funds were raised based on this credit facility agreement.

## Note 5 Unitholders' Equity

NCI maintains at least ¥50 million as the minimum net assets as required by the Law Concerning Investment Trusts and Investment Corporations of Japan.

## Note 6 Operating revenues and expenses

Operating revenues and expenses related to property leasing for the period ended February 28, 2007 were as follows:

Revenues from property leasing	(Yen in thousands)
Rental:	
Rental revenues	¥ 4,174,802
Common area changes	767,743
Parking lots	202,527
Facility changes	36,285
Others	298,718
Subtotal	5,480,075
Other revenues related to property leasing:	
Incidental income	14,657
Miscellaneous income	121,787
Subtotal	136,444
Total revenues from property leasing	5,616,519
Rental expenses:	
Assets and property management fees	462,694
Repairs and maintenance	55,030
Real estate taxes	171
Insurance	11,208
Other operating expenses	644,869
Real estate depreciation	678,157
Total rental expenses	1,852,129
Operating income from property leasing activities	¥ 3,764,390

## Note 7 Per Unit Information

Net assets per unit as of February 28, 2007 and August 31, 2006 were ¥462,606 and ¥450,438, respectively.

## Note 8 Income Taxes

Significant components of deferred tax assets and liabilities were as follows:

	As of February 28, 2007	(Yen in thousands) As of August 31, 2006
Deferred tax assets:		
Net operating loss carryforwards	¥ —	¥ 6,383
Accrued enterprise taxes	30	—
Unrealized losses on hedging derivatives	90,122	—
Total deferred tax assets	¥ 90,152	¥ 6,383
Net deferred tax assets	¥ 90,152	¥ 6,383

The effective income tax rate for NCI for the six months ended February 28, 2007 differs from the Japanese statutory income tax rate for the following reasons:



[ENGLISH TRANSLATION]

For the six months ended  
February 28, 2007

Japanese statutory income tax rate	39.39%
Adjustments:	
Cash distributions	△39.11%
Other	0.03%
Effective income tax rate	0.31%

NCI has a policy of making distributions in excess of 90% of distributable income for a fiscal period to qualify for conditions set forth in the Special Taxation Measures Law of Japan to achieve a deduction of distributions for income tax purposes. Based on such policy, NCI treated the distribution as a tax allowable distribution as defined in the Special Taxation Measures Law of Japan.

In accordance with the distribution policy prescribed in NCI's articles of incorporation, NCI intends to distribute approximately 100% of its distributable income for each period. NCI intends to make regular distributions to unitholders with respect to its fiscal periods, ending at the end of February and August of each year.

## Note 9 Transactions with Related Parties

(2nd Period)

Classification	Name	Address	Principal business or occupation	Share of units owned	Nature of transaction	Amount of transaction (Yen in thousands)	Account	Balance at end of period (Yen in thousands)
The asset manager's parent company	Pacific Management Corporation	Chiyoda ward, Tokyo	Real estate investment fund business	4.8%	Brokerage for beneficial interests in real estate trust	4,153,830 (Note 1)	—	—
The subsidiary of the asset manager's parent company	Pacific Growth Realty Y.K.	Chiyoda ward, Tokyo	Owning, selling, buying and brokering real estate	—	Seller of trust beneficial interests in real estate trust and real estate	12,730,000 (Note 1)	—	—
The subsidiary of the asset manager's parent company	Sky Line Y.K.	Chiyoda ward, Tokyo	Owning, selling, buying and brokering real estate	—	Seller of trust beneficial interests in real estate trust	4,068,000 (Note 1)	—	—
The subsidiary of the asset manager's parent company	Pacific Commercial Realty Y.K.	Chiyoda ward, Tokyo	Owning, selling, buying and brokering real estate	—	Seller of real estate	3,200,000 (Note 1)	—	—
The subsidiary of the asset manager's parent company	Pacific Properties Investment Inc.	Chiyoda ward, Tokyo	Owning, selling, buying and brokering real estate	—	Seller of real estate	1,440,000 (Note 1)	—	—
The custodian company	The Sumitomo Trust & Banking Co., Ltd.	Chiyoda ward, Tokyo	Trust & Banking	—	Trustee of Trust beneficial interests in real estate trust	75,811 (Note 2)	—	—
The custodian company	The Sumitomo Trust & Banking Co., Ltd.	Chiyoda ward, Tokyo	Trust & Banking	—	Banking loans	90,000,000	Short-term loans	20,000,000
					Interest expenses	35,254	Long-term loans	70,000,000
							—	14,162

Notes:

1. The amount of transaction is included in book value of each property.
2. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

[ENGLISH TRANSLATION]

(1st Period)

Classification	Name	Address	Common stock (Yen in thousands)	Principal business or occupation	Units owned	Nature of transaction	Amount of transaction (Yen in thousands)	Account	Balance at end of period (Yen in thousands)
The parent company's subsidiary (i.e., the sister company)	Pacific Commercial Investment Corporation	2-11-1, Nagatacho, Chiyoda-ku, Tokyo	257,500	Investment management trust company	None	Payment for planning and arranging the establishment of the company	50,000 (Notes 1,2 and 3)	Accounts payable and accrued expenses	52,500 (Note 3)

Notes:

1. The amount of transaction is subject to the conditions set forth in NCI's articles of incorporation.
2. The payments for planning and arranging the establishment of NCI are accounted for as organization costs.
3. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.
4. One of the officers of the sister company is an officer at NCI.

## Note 9 Significant Subsequent Events

### a) Cash distribution

As of April 25, 2007, Board of Directors of NCI resolved to effect payment of a cash distribution of ¥9,558 per unit aggregating ¥2,460,229 thousand to unitholders of record on February 28, 2007.

### b) Acquisition of 2 properties

(1) On April 16, 2007, NCI decided to acquire the following property.

Property Name	Acquisition Price (in thousands of yen) (Note 1)	Location (Note 2)	Asset Type	Usage	Date of Purchase Agreement	Acquisition Date
Esaka Toyo Building	14,500,000	Suita city, Osaka	Trust beneficial interest in real estate trust	Office property	April 17, 2007	April 17, 2007

(Note 1) "Acquisition Price" is the purchase price stated on the beneficial interest purchase agreement or the real estate purchase agreement (excluding an amount equivalent to consumption tax, etc.).

(Note 2) "Location" indicates the smallest independent administrative district of the area where the property is located.

(2) On April 17, 2007, NCI decided to acquire the following property.

Property Name	Acquisition Price (in thousands of yen) (Note 1)	Location (Note 2)	Asset Type	Usage	Date of Purchase Agreement	Acquisition Date
Kawasaki East One Building	15,100,000	Kawasaki city, Kanagawa	Real estate	Office property	April 20, 2007	A date no later than June 15, 2007 separately agreed between the seller and buyer

(Note 1) "Acquisition Price" is the purchase price stated on the beneficiary interest purchase agreement or the real estate purchase agreement (excluding an amount equivalent to consumption tax, etc.).

(Note 2) "Location" indicates the smallest independent administrative district of the area where the property is located.

### c) Borrowings

NCI decided to borrow funds as follows as of March 30, 2007 to partially fund the acquisition of properties or trust beneficial interests in properties as well as to pay the expenses associated with such acquisitions.

(1) Term Loan F (Tranche A; term: 5 years)

Lenders: Sumitomo Mitsui Banking Corporation  
Loan amount: 5,000,000 thousands yen  
Interest rate: JBA 3-month TIBOR + 0.5%  
The rate applicable for the period between March 30, 2007 and June 29, 2007 is 1.17545%  
Drawdown date: March 30, 2007  
Repayment date: March 30, 2012  
Collateral: Unsecured

[ENGLISH TRANSLATION]

(2) Term Loan F (Tranche B; term: 5 years)

Lenders:	Daido Life Insurance Company
Loan amount:	2,000,000 thousands yen
Interest rate:	1.87% (5-year yen interest rate swap + 0.50%).
Drawdown date:	March 30, 2007
Repayment date:	March 30, 2012
Collateral:	Unsecured

The funds were used partially for acquisitions as well as the payment of the expenses associated with acquisitions mentioned in “b) Acquisition of 2 properties”.

Additionally, as of March 30, 2007, NCI has entered into the following commitment line agreement of up to 15,000,000 thousands yen. The purpose of establishing the commitment line agreement is to improve financial stability and credit standing further by securing flexible and stable financing means for the repayment of existing borrowings, thereby minimizing NCI's overall financing costs.

The commitment line agreement is of a syndicate type, with Sumitomo Mitsui Banking Corporation as the arranger, and several financial institutions are expected to participate therein. As of April 25, 2007, no funds have been drawn on such commitment line agreement.

Commitment Line Agreement

(1) Financial institution which is an initial participant:	Sumitomo Mitsui Banking Corporation (on the basis of acceptance of the entire amount)
(2) Line of credit:	15,000,000 thousands yen
(3) Commitment term:	From March 30, 2007 to June 30, 2008 (for 1 year and 3 months).
(4) Principal repayment method:	Lump-sum repayment on the principal repayment date.
(5) Collateral/Guarantee:	Unsecured and non-guaranteed.

**d) Issuance of Bonds**

As of April 6, 2007, NCI decided to issue investment corporation bonds that were scheduled to be used to fund the acquisition of Specified Assets as defined in Article 2, Paragraph 1 of the Law Concerning Investment Trusts and Investment Corporations of Japan and to repay the Investment Corporation's debt financing.

(1) Nippon Commercial Investment Corporation First Series Unsecured Investment Corporation Bonds  
(Term: 3 years)

(1) Total Amount of the Investment Corporation Bonds:	10,000,000 thousands yen
(2) Each Price of the Investment Corporation Bonds:	100,000 thousands yen
(3) Interest Rate:	1.52% p.a.
(4) Issue Price:	100 yen per par value of 100 yen for each investment corporation bond.
(5) Redemption Price:	100 yen per par value of 100 yen for each investment corporation bond.
(6) Offering Method:	Private placement (to less than 50 investors and with restrictions on splits and on resale to non-qualified institutional investors).
(7) Offering Date:	April 6, 2007
(8) Payment Date:	April 13, 2007
(9) Redemption Maturity:	The total amount shall be redeemed on April 13, 2010.
(10) Interest Payment Dates:	The first payment date shall be October 13, 2007, thereafter, it will be April 13 and October 13 of every year.

[ENGLISH TRANSLATION]

- |  |   |
|--|---|
| (11) Financial Covenants:                          | The Bonds contain a negative pledge.  |
| (12) Ratings:                                      | A (Rating and Investment Information, Inc.)<br>A3 (Moody's Investors Service, Inc.)                       |
| (13) Collateral/Guarantee:                         | No secured mortgage or guarantee is applicable and no assets are specifically reserved as collateral.     |
| (14) Fiscal Agent, Issuing Agent and Paying Agent: | Mizuho Corporate Bank, Ltd.   |
| (15) Underwriters:                                 | JPMorgan Securities Japan Co., Limited<br>Daiwa Securities SMBC Co. Ltd.                                  |
| (16) Use of Funds:                                 | It is scheduled to be used to fund the acquisition of Specified Assets and to repay NCI's debt financing. |

(2) Nippon Commercial Investment Corporation Second Series Unsecured Investment Corporation Bonds

(Term: 5 years)

- |   |   |
|---|---|
| (1) Total Amount of the Investment Corporation Bonds: | 17,000,000 thousands yen  |
| (2) Each Price of the Investment Corporation Bonds:   | 100,000 thousands yen   |
| (3) Interest Rate:                                    | 1.96% p.a.  |
| (4) Issue Price:                                      | 100 yen per par value of 100 yen for each investment corporation bond.  |
| (5) Redemption Price:                                 | 100 yen per par value of 100 yen for each investment corporation bond.  |
| (6) Offering Method:                                  | Private placement (to less than 50 investors and with restrictions on splits and on resale to non-qualified institutional investors). |
| (7) Offering Date:                                    | April 6, 2007   |
| (8) Payment Date:                                     | April 13, 2007  |
| (9) Redemption Maturity:                              | The total amount shall be redeemed on April 13, 2012.   |
| (10) Interest Payment Dates:                          | The first payment date shall be October 13, 2007, thereafter, it will be April 13 and October 13 of every year.                       |
| (11) Financial Covenants:                             | The Bonds contain a negative pledge.  |
| (12) Ratings:   | A (Rating and Investment Information, Inc.)<br>A3 (Moody's Investors Service, Inc.)   |
| (13) Collateral/Guarantee:                            | No secured mortgage or guarantee is applicable and no assets are specifically reserved as collateral.                                 |
| (14) Fiscal Agent, Issuing Agent and Paying Agent:    | Mizuho Corporate Bank, Ltd.   |
| (15) Underwriters:                                    | JPMorgan Securities Japan Co., Limited<br>Daiwa Securities SMBC Co. Ltd.  |
| (16) Use of Funds:                                    | It is scheduled to be used to fund the acquisition of Specified Assets and to repay NCI's debt financing.                             |

The funds were used partially for the acquisitions as well as the payment of the expenses associated with the acquisitions mentioned in "b) Acquisition of 2 properties".