

# **Asset Management Report**

**Nippon Commercial Investment Corporation**

**8th Fiscal Period**

(September 1, 2009 – February 28, 2010)

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Japan

# I. Overview of Asset Management

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

Fiscal Period		Fourth	Fifth	Sixth	Seventh	Eighth
Calendar Period		September 1, 2007 – February 29, 2008	March 1, 2008 – August 31, 2008	September 1, 2008 – February 28, 2009	March 1, 2009 – August 31, 2009	September 1, 2009 – February 28, 2010
Operating revenue	in millions of yen	8,894	9,777	8,611	8,453	7,817
[of which, total revenue from property leasing]	in millions of yen	[8,205]	[8,477]	[8,611]	[8,233]	[7,817]
Operating expenses	in millions of yen	4,070	4,288	4,771	3,854	5,123
[of which, total expenses from property leasing]	in millions of yen	[3,392]	[3,479]	[3,659]	[3,347]	[3,409]
Operating income	in millions of yen	4,824	5,489	3,840	4,600	2,694
Ordinary income	in millions of yen	3,539	4,097	2,338	2,279	484
Net income	in millions of yen	3,538	4,088	2,341	2,273	483
Total assets	in millions of yen	291,527	294,472	284,354	277,614	268,188
[period-on-period percentage change]	%	[+8.1]	[+1.0]	[–3.4]	[–2.4]	[–3.4]
Net assets	in millions of yen	119,969	120,621	118,883	118,872	117,119
[period-on-period percentage change]	%	[+0.1]	[+0.5]	[–1.4]	[–0.0]	[–1.5]
Unitholders’ capital	in millions of yen	116,753	116,753	116,753	116,753	116,753
Total investment units issued and outstanding	investment units	257,400	257,400	257,400	257,400	257,400
Net assets per investment unit	yen	466,081	468,614	461,860	461,819	455,008
Total cash distribution	in millions of yen	3,538	4,088	2,342	2,273	483
Net income per investment unit (Note 1)	yen	13,746	15,883	9,097	8,830	1,875
Distribution per investment unit	yen	13,746	15,883	9,097	8,830	1,876
[of which, distribution of earnings per investment unit]	yen	[13,746]	[15,883]	[9,097]	[8,830]	[1,876]
[of which, distribution in excess of earnings per investment unit]	yen	[–]	[–]	[–]	[–]	[–]
Ratio of ordinary income to total assets (Note 2)	%	1.3	1.4	0.8	0.8	0.2
[annualized]	%	[2.5]	[2.8]	[1.6]	[1.6]	[0.4]
Ratio of return on unitholders’ equity (Note 3)	%	3.0	3.4	2.0	1.9	0.4
[annualized]	%	[5.9]	[6.7]	[3.9]	[3.8]	[0.8]
Ratio of net assets to total assets at end of the fiscal period (Note 4)	%	41.2	41.0	41.8	42.8	43.7
[period-on-period change]	%	[–3.2]	[–0.2]	[+0.8]	[+1.0]	[+0.9]
Payout ratio (Note 5)	%	100.0	99.9	100.0	100.0	100.0
Depreciation and amortization	in millions of yen	955	979	1,020	1,011	1,012
Capital expenditures	in millions of yen	507	800	265	337	494
Net operating income (NOI) from property leasing (Note 6)	in millions of yen	5,768	5,977	5,971	5,897	5,420
Funds from operation (FFO) per investment unit (Note 7)	yen	15,836	15,707	16,382	13,678	14,345
FFO multiples (Note 8)	multiples	15	7	1	6	4
Debt service coverage ratio (Note 9)	multiples	6	6	4	4	3
Net income before interest and depreciation (Note 10)	in millions of yen	5,756	6,422	4,759	4,870	3,674
Interest expenses (including interest expenses on investment corporation bonds)	in millions of yen	991	1,079	1,116	1,128	1,226
Interest-bearing liabilities	in millions of yen	149,500	151,000	147,637	143,180	136,695
Ratio of interest-bearing liabilities to total assets at end of the fiscal period (Note 11)	%	51.3	51.3	51.9	51.6	51.0
Operating days	number of days	182	184	181	184	181

- (Note 1) The net income per investment unit was calculated by dividing the net income by the daily weighted average number of investment units issued and outstanding.
- (Note 2) Ratio of ordinary income to total assets = Ordinary income  $\div$  ((Total assets at beginning of the fiscal period + Total assets at end of the fiscal period)  $\div$  2)  $\times$  100 (rounded to one decimal place)
- (Note 3) Ratio of return on unitholders' equity = Net income  $\div$  ((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 = Distribution per investment unit  $\div$  Net income per investment unit  $\times$  100 (rounded down to the nearest one decimal place)  
However, the payout ratio for the fourth through sixth fiscal periods was calculated as follows:  
Payout ratio = Total cash distribution  $\div$  Net income  $\times$  100 (rounded down to the nearest one decimal place)
- (Note 6) NOI from property leasing = Total revenue from property leasing – Total expenses from property leasing + Depreciation and amortization
- (Note 7) FFO per investment unit = FFO  $\div$  Investment units issued and outstanding at end of the fiscal period (rounded to the nearest yen)  
FFO = Net income + Depreciation and amortization + Other amortized expenses – Gain (Loss) on sales of real estate properties
- (Note 8) FFO multiples = Investment unit price at end of the fiscal period  $\div$  Annualized FFO per investment unit (rounded down to the nearest whole number)
- | Fiscal period   | Fourth  | Fifth   | Sixth  | Seventh | Eighth  |
|---|---------|---------|--------|---------|---------|
| Investment unit price at end of the fiscal period (yen) | 478,000 | 223,100 | 45,350 | 167,200 | 112,100 |
- (Note 9) Debt service coverage ratio = Net income before interest and depreciation  $\div$  Interest expenses (including interest expenses on investment corporation bonds) (rounded to the nearest whole number)
- (Note 10) Net income before interest and depreciation = Ordinary income + Expenses not accompanied by cash outlays + Interest expenses
- (Note 11) Ratio of interest-bearing liabilities to total assets at end of the fiscal period = Interest-bearing liabilities at end of the fiscal period  $\div$  Total assets at end of the fiscal period  $\times$  100 (rounded to one decimal place)

## 2. Asset Management in the Eighth Fiscal Period

### A. Main Developments of NCI

NCI was established on February 22, 2006 with investments in capital of 100 million yen (200 investment units) in accordance with the Law Concerning Investment Trusts and Investment Corporations (*Toushishintaku Oyobi Touseihoujin ni Kansuru Houritsu*; Law No. 198 of 1951, including amendments thereto; hereafter, the “ITL”). Pacific Commercial Corporation (hereafter, the “Asset Manager”) 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 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 fiscal period under review (NCI’s eighth fiscal period, which is the fiscal period ended February 2010: from September 1, 2009 to February 28, 2010), the number of investment units issued and outstanding totaled 257,400 investment units and unitholders’ capital amounted to 116,753 million yen.

### B. Investment Environment and Management Performance

In the eighth fiscal period, while the global economy continued to be under severe circumstances as evident by the deteriorating employment situation and other factors, there were signs of moderate economic recovery attributable in part to the effects of economic stimulus packages. In the Japanese economy, there were signs of corporate earnings improving and the decrease in capital investment ceasing as a result of progress in cost reductions, increase in sales and other steps taken by companies. Backed by such developments, there were signs of recovery in also the corporate business sentiment, personal consumption and other aspects. However, the economic circumstances remained harsh due in part to the weak autonomy and high unemployment rates.

In the office property rental market, the moves to reduce office floor space due to worsening corporate earnings continued

and new supply increased advertised floor space. Owing to these, among other causes, office property vacancy rates increased and rental rates are also on a downward trend in downtown Tokyo and other major urban areas across Japan. Consequently, there continued to be intense competition over attracting tenants.

In the retail property rental market, personal consumption, which influences the trends of said market, also saw signs of recovery as a result of economic policies and other effects. Overall, however, employment concerns and uncertainty over the income environment prompted a stronger defensive stance on lifestyle and consciousness to save, and thus increasingly intensifying the price competition. Although robust performance was found with certain companies, products, etc. that grasped consumers' preference for low prices, the environment surrounding retail tenants still continued to be harsh.

In the real estate trading market, there was gradual easing of financial market turmoil and other impacts and progress in also real estate price adjustments. As a result of these, among other factors, there were some cases of new property acquisitions through capital increases, etc. by REITs, as well as other sale and purchase transactions, and the market began to show signs of recovery in real estate transactions. The volume of transactions, however, remained stagnant.

Under such circumstances, NCI pursued asset management aimed at securing stable earnings over the medium to long term. This was achieved through measures for ensuring stable occupancy rates, such as maintaining occupancy rates by focusing on building even better relations with existing tenants, along with striving to enhance marketing activities based on a flexible leasing strategy, such as adopting free-rent agreements in attracting new tenants.

Moreover, recognizing that further reduction of interest-bearing liabilities is a task of top priority for greater stability in the financial base, NCI sold 1 office property (sale price: 6,800 million yen; loss on sale: 1,244 million yen) in February 2010 and used some of the proceeds from that sale to fund the repayment of a portion of its existing loans in the same month.

As a result, as of the end of the eighth fiscal period, NCI's portfolio comprised of 27 office properties and 10 retail properties to total 37 properties with a total leasable floor space of 322,602.95m<sup>2</sup> and occupancy rate of 94.5%.

#### <History of Acquired Assets>

	September 2009	October 2009	November 2009	December 2009	January 2010	February 2010
Aggregate acquisition price of portfolio assets (in millions of yen)	249,473	249,473	249,473	249,473	249,473	241,793
Number of properties in the portfolio	38	38	38	38	38	37
Total leasable floor space (m <sup>2</sup> )	328,821.67	328,811.42	328,682.28	328,678.90	328,608.83	322,602.95
Occupancy rate (%)	95.6	95.1	93.7	93.8	94.3	94.5

(Note) Each is the figure as of the end of the relevant month.

### C. Overview of Capital Procurement

In March 2009, the Asset Manager's parent company Pacific Holdings, Inc. (hereafter, "PHI") received an order of commencement of corporate reorganization proceedings (PHI received an order of confirmation of the reorganization plan from the Tokyo District Court on March 31, 2010). In effect, NCI has been without a sponsor since that time. This event has caused substantial impact on NCI's financial management. Moreover, given the impact that the external environment surrounding NCI, progress of the processes of the selection of a new sponsor, etc. has on capital procurement, among other factors, NCI has been focusing on securing liquidity and reducing interest-bearing liabilities more than ever before under the recognition that ensuring sound financial management is a task of top priority.

During the eighth fiscal period, NCI borrowed short-term loans payable in the amount of 53,485 million yen in September 2009 and 52,813 million yen in December 2009, each as the refinancing of short-term loans payable that were due for repayment in the respective months. A portion of the repayment was funded by cash reserves in each of the refinancing, the amount of which was 500 million yen and 673 million yen, respectively. Furthermore, in February 2010, in correlation with the sale of 1 portfolio property mentioned earlier in “B. Investment Environment and Management Performance,” NCI used the proceeds from that sale to fund the repayment of a portion of its existing loans (repayment amount: 4,912 million yen) in advance of the principal repayment date based on the basic memorandums of agreement on collateral, dated December 26, 2008. In addition, NCI used 400 million yen in cash reserves to also fund the partial early repayments. Combined, NCI implemented partial early repayments of a total amount of 5,312 million yen. In this manner, in each case of refinancing and partial early repayment, NCI worked to build a sound financial base through the reduction of interest-bearing liabilities by taking such measures as funding a portion of the repayment with cash reserves.

As a result, the balance of NCI’s interest-bearing liabilities at the end of the eighth fiscal period totaled 136,695 million yen (down 6,485 million yen compared to at the end of the seventh fiscal period) borrowed from 17 banks, corporations, etc. Furthermore, the ratio of interest-bearing liabilities to total assets at the end of the eighth fiscal period was 51.0% (down 0.6 percentage points compared to at the end of the seventh fiscal period).

#### <Changes in the Balance of Interest-Bearing Liabilities>

(in millions of yen)

	End of August 2009	End of September 2009		End of December 2009	End of February 2010	
		Drawdown	Repayment		Drawdown	Repayment
Short-term loans payable	11,888	53,485	11,888	53,485	52,813	53,485
Long-term loans payable (Note 1)	104,292	—	42,097	62,195	—	—
Investment corporation bonds (Note 1)	27,000	—	—	27,000	—	—
Total interest-bearing liabilities	143,180	53,485	53,985	142,680	52,813	53,485
Increase (Decrease) (Note 2)	—	—	—	(500)	—	—

(Note 1) Long-term loans payable and investment corporation bonds include the amount that is scheduled for repayment (redemption) within 1 year.

(Note 2) The amount of increase (decrease) in total interest-bearing liabilities from the balance at the end of August 2009.

The following summarizes the investment corporation bonds and ratings of NCI as of the end of the eighth fiscal period.

#### <Overview of Investment Corporation Bonds>

Name	Offering Method	Issue Amount (in millions of yen)	Interest Rate	Issue Date	Maturity
First Series Unsecured Investment Corporation Bonds (Note)	Private placement	10,000	1.52% p.a.	April 13, 2007	April 13, 2010
Second Series Unsecured Investment Corporation Bonds	Private placement	17,000	1.96% p.a.	April 13, 2007	April 13, 2012
Total	—	27,000	—	—	—

(Note) Of the issue amount, some (1,900 million yen) was retired by purchase funded by cash reserves on March 23, 2010. Moreover, redemption of the remaining amount (8,100 million yen) was completed on April 13, 2010.

### <Status of Issuer Ratings>

Rating Agency	Rating	Details
Rating and Investment Information, Inc. (R&I)	(BB) (Note 1)	Rating Outlook: Negative

(Note 1) The rating was downgraded from (BBB-) to (BB) on March 11, 2009 and remains on the rating monitor (with a view to downgrading).

(Note 2) The rating for investment corporation bonds was downgraded from (BB+) to (BB-) on March 11, 2009 and remains on the rating monitor (with a view to downgrading).

### D. Overview of Performance and Distribution

As a result of the abovementioned management, the management performance for the eighth fiscal period was 7,817 million yen in operating revenue, 2,694 million yen in operating income, 484 million yen in ordinary income and 483 million yen in net income.

In principle, NCI intends to distribute as dividend such amount as it determines, which shall be in excess of 90% of its distributable earnings as defined in Article 67-15 of the Special Taxation Measures Law (*Sozei Tokubetsu Sochi Hou*). NCI decided to distribute the entire amount of unappropriated retained earnings, excluding fractional amounts less than 1 yen in the distribution per investment unit, in the eighth fiscal period. Accordingly, total cash distributions amounted to 482,882,400 yen and distribution per investment unit amounted to 1,876 yen.

### 3. Status of Capital Increase

During the eighth fiscal period, NCI did not increase or make other change to its capital and there is, therefore, no change in the unitholders' capital and such. The following table summarizes the change in the number of investment units issued and outstanding and in the amount of unitholders' capital up to the end of the eighth fiscal period.

Date	Description	Investment Units Issued and Outstanding (investment units)		Unitholders' Capital (in thousands of yen)		Notes
		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 PHI 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 investment unit (issue price to underwriters: 453,550 yen per investment unit) to procure funds for acquiring new properties and commenced its asset management activities.

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

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

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

(in yen)

Fiscal Period	Fourth	Fifth	Sixth	Seventh	Eighth
Settlement of Accounts	February 2008	August 2008	February 2009	August 2009	February 2010
Highest	504,000	447,000	278,500	197,900	181,400
Lowest	369,000	200,400	43,400	43,500	106,400
Price at Beginning of the Fiscal Period (Note)	451,000	447,000	226,900	46,300	175,000
Price at End of the Fiscal Period (Note)	478,000	223,100	45,350	167,200	112,100

(Note) 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.

#### 4. Distribution Performance

In principle, NCI intends to distribute as dividend such amount as it determines, which shall be in excess of 90% of its distributable earnings as defined in Article 67-15 of the Special Taxation Measures Law (*Sozei Tokubetsu Sochi Hou*). NCI decided to distribute the entire amount of unappropriated retained earnings, excluding fractional amounts less than 1 yen in the distribution per investment unit, in the eighth fiscal period. Accordingly, total cash distributions amounted to 482,882,400 yen and distribution per investment unit amounted to 1,876 yen.

(in yen)					
Fiscal Period	Fourth	Fifth	Sixth	Seventh	Eighth
Calendar Period	September 1, 2007 – February 29, 2008	March 1, 2008 – August 31, 2008	September 1, 2008 – February 28, 2009	March 1, 2009 – August 31, 2009	September 1, 2009 – February 28, 2010
Total unappropriated retained earnings	3,538,271,709	4,088,389,697	2,341,579,938	2,272,971,666	482,932,180
Accumulated earnings	51,309	105,497	12,138	129,666	49,780
Total cash distribution	3,538,220,400	4,088,284,200	2,341,567,800	2,272,842,000	482,882,400
[Distribution per investment unit]	[13,746]	[15,883]	[9,097]	[8,830]	[1,876]
Of which, total distribution of earnings	3,538,220,400	4,088,284,200	2,341,567,800	2,272,842,000	482,882,400
[Distribution of earnings per investment unit]	[13,746]	[15,883]	[9,097]	[8,830]	[1,876]
Of which, total capital reimbursement	–	–	–	–	–
[Capital reimbursement per investment unit]	[–]	[–]	[–]	[–]	[–]

#### 5. Future Management Policy and Key Topics

##### A. Management Environment

The Japanese economy ahead, for the time being, is expected to see the employment situation continue to be in severe circumstances. On the other hand, amid improvements in corporate earnings, the outlook is that factors such as improvements in overseas economies, centering on Asia, and effects of emergency economic packages will serve to keep the economy on the road to recovery. Meanwhile, there is a need to pay heed to there being concerns of stagnation in overseas economies, impact of deflation, and other risks of downward pressures on the economy. In addition, there are persistent concerns of worsening of the employment situation. Consequently, there is recognized to be a need to watch the circumstances with caution.

In the office property rental market, there is an ongoing trend of office downsizing and rental rate levels continue to be on a weak note. Meanwhile, there were also some moves to expand floor space and relocate due to consolidation of offices, indicating full-fledged recovery of business performance is anticipated in the future.

In the retail property rental market, while there are effects underpinned by economic packages, personal consumption will not see full-fledged recovery until the employment situation stabilizes as business performance improves. Consequently, for the time being, tenants with no competitive advantage will likely continue to face tough circumstances.

In the real estate trading market, the sharp downward trend in real estate trading prices is about to settle down and the financial and economic environment is headed for recovery. Thus, the volume of transactions is anticipated to grow in the future. In addition, there are signs of the financial market turmoil and credit crunch easing, and the supply of funds to the real estate market improving. However, as economic uncertainty is yet to clear, NCI believes there is an ongoing need to closely monitor the lending stance of financial institutions, etc. and other developments in the financing environment.

Under the described investment environment, NCI will conduct asset management aimed at securing stable earnings over the medium to long term based on the following policy.

## **B. Future Management Policy and Challenges**

### **(1) Selection of a New Sponsor**

Since PHI, which is the Asset Manager's parent company and essentially NCI's sponsor (PHI is hereafter referred to in this section (1) as the "Current Sponsor"), received an order of commencement of corporate reorganization proceedings in March 2009, NCI, the Asset Manager and the financial advisor for both companies have been advancing procedures for the selection of the party to which the Current Sponsor's stake in the Asset Manager shall be transferred (hereafter, the "New Sponsor") with the cooperation of NCI's main financial institutions.

In the selection of the New Sponsor, priority has been placed on ensuring returns for unitholders of NCI and establishing a structure of ongoing support from NCI's main financial institutions even after selection of the New Sponsor. After discussions with several candidates, preferential negotiation rights were granted on September 10, 2009 to several Japanese candidates that proposed structures encompassing proposal of a structure for a merger of NCI. As a result of the discussions that followed, one company was selected from among them as the final candidate on November 30, 2009.

NCI and the Asset Manager have been increasingly advancing the series of processes of the selection of the New Sponsor. One such process is holding discussions with the final candidate towards determining the specific structure, including execution of an agreement on the transfer of Asset Manager shares. In addition, one such process in terms of financing is completing the borrowing of funds outlined in "6. Material Events Occurred Subsequent to the Settlement of Accounts; A. Borrowing of Funds; Term Loan 36" below as the refinancing of the loan payable with principal repayment due in March 2010 (approximately 50.3 billion yen) outlined in "6. Material Events Occurred Subsequent to the Settlement of Accounts; B. Repayment of Funds" below.

NCI and the Asset Manager will continue to pursue discussions in view of completing the procedures for the selection of the New Sponsor as soon as possible.

### **(2) Management Strategy**

#### **(i) Value Added Strategy**

With respect to office properties, in addition to enhancing the competitiveness of its portfolio assets in the office property rental market, NCI will strive to enhance the value of its assets on an ongoing basis by maintaining occupancy rates and rental rate unit prices. Such maintaining of occupancy rates and rental rate unit prices will be derived from NCI engaging in timely renovations to provide a comfortable office environment for its tenants, which will thereby improve the satisfaction level of its tenants.

Moreover, with respect to retail properties, NCI will continue to renovate its facilities to prevent its facilities from becoming obsolete and engage in various promotions, etc., from the perspective of tenants that operate the stores and of customers that use the facilities as well as to support the operation of its retail tenants.

## **(ii) Rental Rate Revisions**

Under the management environment described above, NCI will aim to enhance its earnings on an ongoing basis by responding appropriately to rental rate renewals and new contracts. Furthermore, by paying close attention to fluctuations in economic and rental market conditions, and by making management decisions on a timely and case-by-case basis, NCI will work to continue maintaining its high occupancy levels.

## **(iii) Maintenance and Management of Assets**

To maintain and enhance the medium- to long-term value of its portfolio assets, NCI will strive to adequately repair and renew its buildings and facilities based on its long-term repair plans and policies.

## **(3) Investment Strategy**

Pursuant to its investment policy, NCI intends to focus its investment activity primarily on office and retail properties located in the three largest metropolitan areas (Tokyo, Osaka, and Nagoya) as well as other metropolitan areas (particularly in the central areas). In addition, NCI intends to invest in office properties and retail properties located in urban areas so that such investments account for 70% or more of the entire portfolio (based on acquisition price). In light of the domestic and global economic conditions and fluctuations in the real estate market, NCI intends to improve the quality of its portfolio taking into consideration the profitability and future potential of individual properties.

## **(4) Financial Strategy**

Positioning the minimizing of financing risks as a task of top priority, NCI will be totally devoted to maintaining favorable relations with its financial institutions so as to realize smooth financing.

Specifically, in each separate case of financing, to minimize interest rate fluctuation risks, NCI strives to achieve a balance in such areas as long and short loan terms, and fixed and variable interest rates, while also working to reduce financing costs overall. In addition, to minimize refinancing risks, NCI aims to diversify repayment dates and sources of funding. NCI has been committed to diversifying the sources of funding since its listing when it borrowed funds from 10 domestic financial institutions. NCI will seek to maintain smooth relationships, while continuing to procure capital with a view to achieving balance.

Moreover, to address the risks of rising interest rates, NCI will pay close attention to interest rate fluctuations and continue to strive to conduct systematic financial operations by considering the purchase of interest rate caps, execution of interest rate swap agreements and other hedging instruments that hedge interest rate fluctuation risks.

Furthermore, recognizing that completion of the procedures for the selection of the New Sponsor as soon as possible as described in “(1) Selection of a New Sponsor” above is a task of top priority for ensuring NCI’s sound financial management, NCI is dedicating its utmost efforts towards the realization of such.

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

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

### A. Borrowing of Funds

NCI decided on March 25, 2010 to borrow funds as follows to fund the repayment of an existing loan payable in connection with the principal repayment of the existing loans payable becoming due. NCI executed on March 29, 2010.

#### Term Loan 36 (term: 3 months)

Lenders:	Sumitomo Mitsui Banking Corporation The Norinchukin Bank Shinsei Bank, Limited The Chuo Mitsui Trust and Banking Company, Limited Mizuho Corporate Bank, Ltd. Aozora Bank, Ltd. The Sumitomo Trust and Banking Co., Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Resona Bank, Ltd.
Loan amount:	50,300,001 thousand yen
Interest rate:	JBA 1-month yen TIBOR + 1.80% The rate applicable for the period between March 29, 2010 (inclusive) and April 29, 2010 (inclusive) is 2.05545% (Note).
Drawdown date:	March 29, 2010
Repayment date:	June 29, 2010
Principal repayment method:	Lump-sum repayment on the principal repayment date
Collateral/Guarantee:	Secured/Non-guaranteed
(Note) The rate applicable for the most recent period is shown.	

NCI decided on April 6, 2010 to borrow funds as follows to fund the redemption of investment corporation bonds, the redemption of which was due on April 13, 2010. NCI executed on April 8, 2010.

#### Term Loan 37 (term: about 2 years and 5 months)

Lender:	[Trustee] The Sumitomo Trust and Banking Co., Ltd. (Real Estate Market Stabilization Fund Account)
Loan amount:	8,000,000 thousand yen
Interest rate:	JBA 3-month yen TIBOR + 3.96984% (Note 1) (The rate applicable for the period between April 8, 2010 (inclusive) and June 15, 2010 (inclusive) is the rate reasonably determined by the lending financial institution + 3.96984%.) The rate applicable for the period between April 8, 2010 (inclusive) and June 15, 2010 (inclusive) is 4.31645% (Note 2).
Drawdown date:	April 8, 2010
Final principal repayment date:	September 18, 2012
Principal repayment method:	The first repayment shall be due on June 15, 2010 and subsequent repayments shall be due on the 15th day of every March, June, September and December thereafter (or the next business day when the repayment date is not a business day) in the amount of 20,000 thousand yen each, and lump-sum repayment of the remaining amount shall be due on the final principal repayment date.
Collateral/Guarantee:	Secured/Non-guaranteed
(Note 1) The initial spread is 3.96984% (p.a.). The spread applicable to the interest payment that first becomes due on or after April 8, 2011 and subsequent interest payments is set for periods of 3 months at 0.05% over the spread of the interest calculation period immediately preceding the concerned 3-month period.	
(Note 2) The rate applicable for the most recent period is shown.	

## B. Repayment of Funds

NCI completed the repayment of the following existing loan payable, the principal repayment of which was due on March 29, 2010, with the loan payable noted in “A. Borrowing of Funds; Term Loan 36” above and cash reserves.

### Term Loan 35 (term: 3 months)

Lenders:	Sumitomo Mitsui Banking Corporation The Norinchukin Bank Shinsei Bank, Limited The Chuo Mitsui Trust and Banking Company, Limited Mizuho Corporate Bank, Ltd. Aozora Bank, Ltd. The Sumitomo Trust and Banking Co., Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Resona Bank, Ltd.
Repayment amount:	50,373,056 thousand yen (Note)
Repayment date:	March 29, 2010
Principal repayment method:	Lump-sum repayment on the principal repayment date
(Note)	NCI has partially repaid 2,440 million yen of the initial 52,813 million yen loan amount on February 18, 2010, prior to the principal repayment date.

## C. Partial Retirement by Purchase of Investment Corporation Bonds

NCI decided on March 17, 2010 to implement a retirement by purchase of some of its investment corporation bonds as follows. NCI completed the retirement by purchase on March 23, 2010.

### Details of the Investment Corporation Bonds Retired by Purchase

Name:	Nippon Commercial Investment Corporation First Series Unsecured Investment Corporation Bonds (Ranking <i>pari passu</i> among the investment corporation bonds; Private placement to less than 50 investors with restrictions on splits and on resale to non-qualified institutional investors)
Total amount of the investment corporation bonds:	10,000,000 thousand yen
Interest rate:	1.52000%
Maturity:	April 13, 2010
Amount of the retirement by purchase:	1,900,000 thousand yen
Date of the retirement by purchase:	March 23, 2010
Funds for the retirement by purchase:	Retirement funded by cash reserves
Estimated amount of decrease in interest expenses on investment corporation bonds from the retirement by purchase:	1,701 thousand yen

## D. Redemption of Investment Corporation Bonds

NCI completed the redemption of the following investment corporation bonds, the redemption of which was due on April 13, 2010, with the loan payable noted in “A. Borrowing of Funds; Term Loan 37” above and cash reserves.

Name:	Nippon Commercial Investment Corporation First Series Unsecured Investment Corporation Bonds (Ranking <i>pari passu</i> among the investment corporation bonds; Private placement to less than 50 investors with restrictions on splits and on resale to non-qualified institutional investors)
Redemption amount:	8,100,000 thousand yen (Note)
Maturity:	April 13, 2010
(Note)	The initial issue amount is 10,000 million yen. As outlined in “C. Partial Retirement by Purchase of Investment Corporation Bonds” above, NCI implemented a retirement by purchase of some of this amount (1,900 million yen) on March 23, 2010.

## II. Overview of NCI

### 1. Overview of Capital

Item	Fourth Fiscal Period (as of February 29, 2008)	Fifth Fiscal Period (as of August 31, 2008)	Sixth Fiscal Period (as of February 28, 2009)	Seventh Fiscal Period (as of August 31, 2009)	Eighth Fiscal Period (as of February 28, 2010)
Total number of investment units authorized (units)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total number of investment units issued and outstanding (units)	257,400	257,400	257,400	257,400	257,400
Unitholders' capital (yen)	116,753,060,000	116,753,060,000	116,753,060,000	116,753,060,000	116,753,060,000
Number of unitholders (persons)	8,864	9,682	11,760	11,582	11,251

### 2. Matters related to Investment Units

Principal unitholders as of February 28, 2010 are as follows.

Name	Number of Investment Units Held (units)	Percentage to Total Investment Units Issued and Outstanding (%) (Note 1)
NikkoCiti Trust and Banking Corporation (Investment Trust Account)	19,792	7.68
Goldman Sachs International	16,917	6.57
Japan Trustee Services Bank, Ltd. (Trust Account)	13,214	5.13
Pacific Holdings, Inc. (Note 2)	12,400	4.81
Deutsche Bank AG London PB Non-Treaty Clients 613	10,276	3.99
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	9,542	3.70
Northern Trust Company (AVFC) Sub Account American Client	8,986	3.49
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,513	3.30
The Fuji Fire and Marine Insurance Co., Ltd.	8,137	3.16
BNP Paribas Securities Services Singapore / BP2S Sydney / JASDEC / Australian Residents	6,472	2.51
Total	114,249	44.38

(Note 1) The percentage (of the number of investment units held) to total investment units issued and outstanding is rounded down to the nearest two decimal places.

(Note 2) Pacific Holdings, Inc. filed a petition to commence corporate reorganization proceedings with the Tokyo District Court on March 10, 2009 and received an order of commencement of corporate reorganization proceedings from said Court on March 31, 2009. Later, on March 31, 2010, it received an order of confirmation of the reorganization plan from said Court.

### 3. Matters related to Directors

The names of directors, etc. as of February 28, 2010 are as follows.

Title	Name	Principal Concurrent Positions, etc. Held	Total Compensation of Each Director, etc. during the Fiscal Period (in thousands of yen)
Executive Director	Tomohiro Makino	Representative Director, OFFICE MAKINO Corporation	4,589
		Representative Director, ORAGA HSC Inc.	
Supervisory Director	Masaharu Hino	Partner, Masaharu Hino Law Office	4,500
	Tsutomu Kuribayashi	Partner, Kuribayashi Sogo Law Office	
	Junya Iwasaki	Executive Director, Minoli Kaikei	
Accounting Auditor	KPMG AZSA & Co.	—	12,500

(Note 1) Tomohiro Makino was appointed executive director at NCI's third general meeting of unitholders held on February 19, 2010.

(Note 2) Masaharu Hino, Tsutomu Kuribayashi and Junya Iwasaki were appointed supervisory directors at NCI's third general meeting of unitholders held on February 19, 2010.

(Note 3) The executive director and supervisory directors may also be directors of corporations other than those listed above, but none of said corporations or those listed above are related to NCI.

(Note 4) Neither the executive nor supervisory directors own investment units of NCI in their own name or the name of another.

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

The following are the asset manager, asset custodian and general administrators as of February 28, 2010.

Outsourced Responsibility	Name
Asset manager	Pacific Commercial Corporation
Asset custodian	The Sumitomo Trust and 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 the organization)	Mitsubishi UFJ Trust and Banking Corporation
General administrator (special account manager)	Mitsubishi UFJ Trust and Banking Corporation
General administrator (administrative matters relating to investment corporation bonds)	Mizuho Corporate Bank, Ltd.

### III. Portfolio Assets of NCI

The following summarizes NCI's portfolio assets as of February 28, 2010.

#### 1. Composition of NCI Properties

Asset Type	Use (Note 1)	Investment Target Geographic Region (Note 1)	Total Amount Owned (in thousands of yen) (Note 2)	Ratio to Total Assets (Note 3)
Beneficiary Right of Real Estate in Trust	Office Properties	Urban Area of Tokyo	90,594,459	33.8%
		Urban Area of Osaka and Urban Area of Nagoya	35,032,261	13.1%
		Other Metropolitan Areas	3,458,079	1.3%
	Retail Properties	Kanto Large Metropolitan Area	24,635,832	9.2%
		Kansai Large Metropolitan Area	36,236,570	13.5%
		Chukyo Large Metropolitan Area	—	—
		Other Large Metropolitan Areas	6,840,096	2.6%
Real Estate	Office Properties	Urban Area of Tokyo	38,137,086	14.2%
		Urban Area of Osaka and Urban Area of Nagoya	—	—
		Other Metropolitan Areas	—	—
	Retail Properties	Kanto Large Metropolitan Area	—	—
		Kansai Large Metropolitan Area	3,123,652	1.2%
		Chukyo Large Metropolitan Area	7,989,798	3.0%
		Other Large Metropolitan Areas	1,447,538	0.5%
Deposits and Other Assets			20,692,401	7.7%
Total Assets			268,187,772	100.0%

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

(Note 2) "Total Amount Owned" indicates the amount recorded on the balance sheets as of February 28, 2010 (the book value after depreciation in the case of real estate properties).

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

Area (Note 1)	Use / Type (Note 1)	Investment Target Geographic Region (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	19,041,657	7.1%	
			Office A-2	Pacific Marks Shinjuku ParkSide	15,555,465	5.8%	
			Office A-3	Pacific Marks Tsukiji	11,419,078	4.3%	
			Office A-4	Pacific Marks Tsukishima	8,171,275	3.0%	
			Office A-6	Pacific Marks Yokohama East	7,026,175	2.6%	
			Office A-7	Pacific Marks Shin-Urayasu	4,663,549	1.7%	
			Office A-8	Oomori City Building	3,897,497	1.5%	
			Office A-9	Akasaka Hikawa Building	3,655,529	1.4%	
			Office A-10	Pacific Marks Shibuya-Koendoori	3,144,458	1.2%	
			Office A-11	Pacific Marks Nihonbashi-Tomizawacho	2,628,413	1.0%	
			Office A-12	Pacific Marks Akasaka-mitsuke	2,460,859	0.9%	
			Office A-15	Yokohama Aioicho Building	1,706,883	0.6%	
			Office A-16	Pacific Marks Shin-Yokohama	1,621,582	0.6%	
			Office A-22	Pacific Marks Shinkawa	3,516,316	1.3%	
			Office A-24	Pacific Marks Mejiro	2,085,797	0.8%	
			Office A-25	Pacific Marks Kawasaki	15,653,757	5.8%	
			Office A-26	Towa Hamamatsucho Building	7,466,239	2.8%	
			Office A-27	Lila Hijirizaka	4,447,039	1.7%	
			Office A-28	Pacific Marks Aobadai	3,165,822	1.2%	
			Office A-29	Otsuka HT Building	2,070,901	0.8%	
			Office A-30	Pacific Marks Shinjuku south-gate	5,333,254	2.0%	
		Office A Subtotal				128,731,545	48.0%
		Urban Area of Osaka and Urban Area of Nagoya	Office B-1	Pacific Marks Nishi-Umeda	8,737,805	3.3%	
			Office B-2	Pacific Marks Higobashi	5,798,641	2.2%	
			Office B-3	Nagoya-Nishiki City Building	5,288,585	2.0%	
			Office B-4	Pacific Marks Esaka	15,207,230	5.7%	
		Office B Subtotal				35,032,261	13.1%
		Other Metropolitan Areas	Office C-1	Pacific Marks Sapporo Kita-ichijo	2,225,328	0.8%	
			Office C-2	Shin-Sapporo Center Building	1,232,751	0.5%	
		Office C Subtotal				3,458,079	1.3%
		Office Properties Subtotal					167,221,885
	Retail Properties in Central Areas	Kanto Large Metropolitan Area	Retail A-6	Albore Jingumae	2,621,681	1.0%	
			Retail A-1	Shinsaibashi OPA Honkan	32,660,065	12.2%	
		Kansai Large Metropolitan Area	Retail A-2	Shinsaibashi OPA Kireikan	3,576,505	1.3%	
			Retail A-3	PACIFIQUE Tenjin	3,673,943	1.4%	
		Other Large Metropolitan Areas	Retail A-4	Albore Tenjin	1,447,538	0.5%	
			Retail A-7	Albore Sendai	3,166,153	1.2%	
		Retail A Subtotal				47,145,885	17.6%
Central Area Subtotal					214,367,770	79.9%	
Suburban Area	Suburban Multi-Tenant Retail Properties	Kanto Large Metropolitan Area	Retail B-1	Mallage Kashiwa	17,506,373	6.5%	
		Kansai Large Metropolitan Area	Retail B-2	Bellfa Uji	3,123,652	1.2%	
		Retail B Subtotal				20,630,025	7.7%
	Suburban Single-Tenant Retail Properties	Kanto Large Metropolitan Area	Retail C-2	Nitori Yokohama Kariba I.C.	4,507,778	1.7%	
		Chukyo Large Metropolitan Area	Retail C-1	Ito-Yokado Owariasahi	7,989,798	3.0%	
	Retail C Subtotal				12,497,576	4.7%	
	Retail Properties Subtotal					80,273,486	29.9%
Suburban Area Subtotal					33,127,601	12.4%	
Deposits and Other Assets					20,692,401	7.7%	
Total Portfolio					268,187,772	100.0%	

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

(Note 2) "Total Amount Owned" indicates the amount recorded on the balance sheets as of February 28, 2010 (the book value after depreciation in the case of real estate properties).

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

## 2. Principal Assets Owned

The following summarizes the principal assets owned by NCI (the 10 properties with the highest book value at the end of the fiscal period) as of February 28, 2010.

Property No.	Property Name	Book Value (in thousands of yen) (Note 1)	Leasable Floor Space (m <sup>2</sup> ) (Note 2)	Leased Floor Space (m <sup>2</sup> ) (Note 3)	Occupancy Rate at End of the Fiscal Period (Note 4)	Ratio to Total Revenue from Property Leasing (Note 5)	Primary Use
Retail A-1	Shinsaibashi OPA Honkan	32,660,065	27,025.42	27,025.42	100.0%	9.1%	Retail property
Office A-1	Hitachi High-Tech Building	19,041,657	15,781.64	15,781.64	100.0%	6.1%	Office property
Retail B-1	Mallage Kashiwa	17,506,373	40,017.79	38,563.96	96.4%	9.3%	Retail property
Office A-25	Pacific Marks Kawasaki	15,653,757	7,381.36	7,087.15	96.0%	4.3%	Office property
Office A-2	Pacific Marks Shinjuku ParkSide	15,555,465	11,418.92	11,142.73	97.6%	6.1%	Office property
Office B-4	Pacific Marks Esaka	15,207,230	20,047.39	19,790.01	98.7%	6.9%	Office property
Office A-3	Pacific Marks Tsukiji	11,419,078	5,971.45	5,971.45	100.0%	3.8%	Office property
Office B-1	Pacific Marks Nishi-Umeda	8,737,805	11,035.17	9,532.79	86.4%	4.9%	Office property
Office A-4	Pacific Marks Tsukishima	8,171,275	9,336.27	8,885.98	95.2%	2.8%	Office property
Retail C-1	Ito-Yokado Owariasahi	7,989,798	54,606.34	54,606.34	100.0%	3.1%	Retail property
Total		151,942,503	202,621.75	198,387.47	97.9%	56.5%	

(Note 1) Each amount under “Book Value” is rounded to the nearest thousand yen. Accordingly, the entered amounts do not necessarily add up to the total value.

(Note 2) “Leasable Floor Space” indicates the floor space of the portion acquired by NCI within each real estate in trust or real estate held directly by NCI that may be leased.

(Note 3) “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 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 4) “Occupancy Rate at End of the Fiscal Period” 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 5) “Ratio to Total Revenue from Property Leasing” indicates the ratio of the revenue from property leasing of the applicable asset to the total amount of revenue from property leasing (rounded to one decimal place).

## 3. Itemization of Real Estate and Other Assets

As of February 28, 2010, the itemization of assets owned by NCI is as follows.

Property No.	Property Name	Location	Form of Ownership	Appraisal Price at End of the Fiscal Period (in thousands of yen) (Note)
Office A-1	Hitachi High-Tech Building	1-24-14 Nishi-Shinbashi, Minato-ku, Tokyo	Beneficiary right of real estate in trust	16,580,000
Office A-2	Pacific Marks Shinjuku ParkSide	4-15-7 Nishi-Shinjuku, Shinjuku-ku, Tokyo	Beneficiary right of real estate in trust	14,800,000
Office A-3	Pacific Marks Tsukiji	3-3-8 Irifune, Chuo-ku, Tokyo	Beneficiary right of real estate in trust	8,660,000
Office A-4	Pacific Marks Tsukishima	1-15-7 Tsukishima, Chuo-ku, Tokyo	Real estate	7,710,000
Office A-6	Pacific Marks Yokohama East	3-4 Sakae-cho, Kanagawa-ku, Yokohama-shi, Kanagawa	Beneficiary right of real estate in trust	7,380,000
Office A-7	Pacific Marks Shin-Urayasu	1-9-2 Mihama, Urayasu-shi, Chiba	Beneficiary right of real estate in trust	4,400,000
Office A-8	Oomori City Building	1-1-10 Ohmori-Kita, Ota-ku, Tokyo	Beneficiary right of real estate in trust	4,220,000
Office A-9	Akasaka Hikawa Building	6-18-3 Akasaka, Minato-ku, Tokyo	Beneficiary right of real estate in trust	3,490,000
Office A-10	Pacific Marks Shibuya-Koendoori	1-6-3 Jinnan, Shibuya-ku, Tokyo	Beneficiary right of real estate in trust	2,790,000
Office A-11	Pacific Marks Nihonbashi-Tomizawacho	10-18 Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo	Beneficiary right of real estate in trust	2,390,000

Property No.	Property Name	Location	Form of Ownership	Appraisal Price at End of the Fiscal Period (in thousands of yen) (Note)
Office A-12	Pacific Marks Akasaka-mitsuke	3-20-6 Akasaka, Minato-ku, Tokyo	Real estate	2,570,000
Office A-15	Yokohama Aioicho Building	6-104-2 Aioi-cho, Naka-ku, Yokohama-shi, Kanagawa	Beneficiary right of real estate in trust	1,140,000
Office A-16	Pacific Marks Shin-Yokohama	3-18-20 Shin-Yokohama, Kohoku-ku, Yokohama-shi, Kanagawa	Beneficiary right of real estate in trust	1,850,000
Office A-22	Pacific Marks Shinkawa	1-5-17 Shinkawa, Chuo-ku, Tokyo	Beneficiary right of real estate in trust	3,710,000
Office A-24	Pacific Marks Mejiro	3-14-3 Mejiro, Toshima-ku, Tokyo	Beneficiary right of real estate in trust	1,990,000
Office A-25	Pacific Marks Kawasaki	11-1 Ekimae-Honcho, Kawasaki-ku, Kawasaki-shi, Kanagawa	Real estate	11,420,000
Office A-26	Towa Hamamatsucho Building	2-6-2 Hamamatsu-cho, Minato-ku, Tokyo	Beneficiary right of real estate in trust	6,590,000
Office A-27	Lila Hijirizaka	3-4-9 and 3-4-10 Mita, Minato-ku, Tokyo	Real estate	3,590,000
Office A-28	Pacific Marks Aobadai	3-10-1 Aobadai, Meguro-ku, Tokyo	Beneficiary right of real estate in trust	1,900,000
Office A-29	Otsuka HT Building	3-43-1 Minami-Otsuka, Toshima-ku, Tokyo	Real estate	1,640,000
Office A-30	Pacific Marks Shinjuku south-gate	4-2-16 Shinjuku, Shinjuku-ku, Tokyo	Real estate	3,640,000
Office B-1	Pacific Marks Nishi-Umeda	2-6-13 Umeda, Kita-ku, Osaka-shi, Osaka	Beneficiary right of real estate in trust	8,990,000
Office B-2	Pacific Marks Higobashi	1-10-8 Edobori, Nishi-ku, Osaka-shi, Osaka	Beneficiary right of real estate in trust	5,150,000
Office B-3	Nagoya-Nishiki City Building	1-6-5 Nishiki, Naka-ku, Nagoya-shi, Aichi	Beneficiary right of real estate in trust	3,790,000
Office B-4	Pacific Marks Esaka	9-1 Toyotsu-cho, Suita-shi, Osaka	Beneficiary right of real estate in trust	12,300,000
Office C-1	Pacific Marks Sapporo Kita-ichijo	7-4-4 Kita Ichi-jo Nishi, Chuo-ku, Sapporo-shi, Hokkaido	Beneficiary right of real estate in trust	2,010,000
Office C-2	Shin-Sapporo Center Building	6-2-15 Atsubetsu Chuo Ichi-jo, Atsubetsu-ku, Sapporo-shi, Hokkaido	Beneficiary right of real estate in trust	1,090,000
Retail A-1	Shinsaibashi OPA Honkan	1-4-3 Nishi-Shinsaibashi, Chuo-ku, Osaka-shi, Osaka	Beneficiary right of real estate in trust	28,000,000
Retail A-2	Shinsaibashi OPA Kireikan	1-9-2 Nishi-Shinsaibashi, Chuo-ku, Osaka-shi, Osaka	Beneficiary right of real estate in trust	2,970,000
Retail A-3	PACIFIQUE Tenjin	2-4-11 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka	Beneficiary right of real estate in trust	2,960,000
Retail A-4	Albore Tenjin	2-6-24 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka	Real estate	1,080,000
Retail A-6	Albore Jingumae	5-27-7 Jingumae, Shibuya-ku, Tokyo	Beneficiary right of real estate in trust	2,120,000
Retail A-7	Albore Sendai	2-4-5 Chuo, Aoba-ku, Sendai-shi, Miyagi	Beneficiary right of real estate in trust	2,770,000
Retail B-1	Mallage Kashiwa	2-3-1 Oyamadai, Kashiwa-shi, Chiba	Beneficiary right of real estate in trust	10,900,000
Retail B-2	Bellfa Uji	48 Shimizu, Makishima-cho, Uji-shi, Kyoto	Real estate	2,050,000
Retail C-1	Ito-Yokado Owariasahi	116-4 Ishihara, Minami-Harayama-cho, Owariasahi-shi, Aichi	Real estate	6,280,000
Retail C-2	Nitori Yokohama Kariba I.C.	164-1 and 164-30 Kariba-cho, Hodogaya-ku, Yokohama-shi, Kanagawa	Beneficiary right of real estate in trust	3,190,000
Total				208,110,000

(Note) “Appraisal Price at End of the Fiscal Period” is rounded to the nearest thousand yen. Accordingly, the entered amounts do not necessarily add up to the total value.

Property No.	Property Name	Seventh Fiscal Period (from March 1, 2009 to August 31, 2009)				Eighth Fiscal Period (from September 1, 2009 to February 28, 2010)			
		Total No. of Tenants at End of the Fiscal Period (Note 1)	Occupancy Rate at End of the Fiscal Period (Note 2)	Revenue from Property Leasing during the Fiscal Period (in thousands of yen) (Note 3)	Ratio to Total Revenue from Property Leasing (Note 4)	Total No. of Tenants at End of the Fiscal Period (Note 1)	Occupancy Rate at End of the Fiscal Period (Note 2)	Revenue from Property Leasing during the Fiscal Period (in thousands of yen) (Note 3)	Ratio to Total Revenue from Property Leasing (Note 4)
Office A-1	Hitachi High-Tech Building	– [1]	98.9%	479,141	5.8%	– [2]	100.0%	473,988	6.1%
Office A-2	Pacific Marks Shinjuku ParkSide	1 [11]	95.6%	465,058	5.6%	1 [13]	97.6%	473,704	6.1%
Office A-3	Pacific Marks Tsukiji	1 [1]	100.0%	301,025	3.7%	1 [1]	100.0%	300,935	3.8%
Office A-4	Pacific Marks Tsukishima	– [4]	67.1%	203,245	2.5%	– [6]	95.2%	218,763	2.8%
Office A-5	Pacific Marks Nishi-Shinjuku (Note 5)	1 [20]	93.8%	263,723	3.2%	– [–]	–	264,060	3.4%
Office A-6	Pacific Marks Yokohama East	1 [10]	79.7%	329,991	4.0%	1 [10]	78.1%	268,656	3.4%
Office A-7	Pacific Marks Shin-Urayasu	1 [9]	100.0%	256,111	3.1%	1 [11]	75.4%	190,827	2.4%
Office A-8	Oomori City Building	1 [8]	100.0%	177,847	2.2%	1 [8]	100.0%	176,456	2.3%
Office A-9	Akasaka Hikawa Building	1 [1]	100.0%	122,900	1.5%	1 [1]	100.0%	123,768	1.6%
Office A-10	Pacific Marks Shibuya-Koendoori	1 [1]	100.0%	86,520	1.1%	1 [1]	100.0%	86,722	1.1%
Office A-11	Pacific Marks Nihonbashi-Tomizawacho	1 [8]	100.0%	86,061	1.0%	1 [7]	84.7%	86,872	1.1%
Office A-12	Pacific Marks Akasaka-mitsuke	– [7]	100.0%	77,513	0.9%	– [7]	100.0%	80,808	1.0%
Office A-13	Urban Square Yaesu Building (Note 6)	– [–]	–	15,377	0.2%	– [–]	–	–	–
Office A-15	Yokohama Aioicho Building	1 [13]	78.3%	60,080	0.7%	1 [15]	79.3%	50,987	0.7%
Office A-16	Pacific Marks Shin-Yokohama	1 [9]	83.9%	76,198	0.9%	1 [9]	83.9%	72,623	0.9%
Office A-22	Pacific Marks Shinkawa	1 [9]	100.0%	138,550	1.7%	1 [9]	100.0%	148,529	1.9%
Office A-24	Pacific Marks Mejiro	1 [3]	100.0%	73,511	0.9%	1 [3]	100.0%	73,375	0.9%
Office A-25	Pacific Marks Kawasaki	– [35]	89.4%	333,576	4.1%	– [38]	96.0%	337,746	4.3%
Office A-26	Towa Hamamatsucho Building	1 [16]	100.0%	229,661	2.8%	1 [14]	78.8%	199,342	2.6%
Office A-27	Lila Hijirizaka	– [15]	100.0%	153,943	1.9%	– [13]	58.4%	141,985	1.8%
Office A-28	Pacific Marks Aobadai	1 [5]	88.7%	76,013	0.9%	1 [5]	88.7%	75,493	1.0%
Office A-29	Otsuka HT Building	– [6]	100.0%	62,530	0.8%	– [6]	100.0%	63,527	0.8%
Office A-30	Pacific Marks Shinjuku south-gate	– [11]	100.0%	96,505	1.2%	– [10]	88.6%	91,447	1.2%
Office B-1	Pacific Marks Nishi-Umeda	1 [24]	95.5%	373,431	4.5%	1 [24]	86.4%	384,841	4.9%
Office B-2	Pacific Marks Higobashi	1 [17]	92.1%	211,804	2.6%	1 [18]	92.0%	206,623	2.6%
Office B-3	Nagoya-Nishiki City Building	1 [12]	95.1%	161,345	2.0%	1 [11]	85.6%	154,527	2.0%
Office B-4	Pacific Marks Esaka	1 [31]	99.0%	553,568	6.7%	1 [32]	98.7%	542,265	6.9%
Office C-1	Pacific Marks Sapporo Kita-ichijo	1 [12]	97.8%	109,503	1.3%	1 [11]	76.1%	93,141	1.2%
Office C-2	Shin-Sapporo Center Building	1 [17]	96.6%	68,278	0.8%	1 [15]	86.4%	62,772	0.8%
Retail A-1	Shinsaibashi OPA Honkan	1 [1]	100.0%	709,388	8.6%	1 [1]	100.0%	709,382	9.1%
Retail A-2	Shinsaibashi OPA Kireikan	1 [1]	100.0%	87,768	1.1%	1 [1]	100.0%	87,768	1.1%
Retail A-3	PACIFIQUE Tenjin	1 [12]	65.4%	93,502	1.1%	1 [12]	65.5%	76,634	1.0%
Retail A-4	Albore Tenjin	– [6]	100.0%	41,536	0.5%	– [6]	100.0%	40,600	0.5%
Retail A-6	Albore Jingumae	– [1]	100.0%	51,351	0.6%	– [2]	100.0%	65,043	0.8%
Retail A-7	Albore Sendai	1 [5]	100.0%	124,267	1.5%	1 [5]	100.0%	109,537	1.4%
Retail B-1	Mallage Kashiwa	1 [97]	95.8%	761,836	9.3%	1 [96]	96.4%	728,978	9.3%
Retail B-2	Bellfa Uji	1 [34]	96.9%	210,552	2.6%	1 [35]	97.1%	209,460	2.7%
Retail C-1	Ito-Yokado Owariasahi	– [1]	100.0%	242,786	2.9%	– [1]	100.0%	242,769	3.1%
Retail C-2	Nitori Yokohama Kariba I.C.	1 [1]	100.0%	266,615	3.2%	1 [1]	100.0%	102,000	1.3%
Total		[475]	95.9%	8,232,609	100.0%	[460]	94.5%	7,816,953	100.0%

- (Note 1) "Total No. of Tenants at End of the 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 is shown in parentheses [ ]. The entry is 1 tenant when 1 tenant leases multiple rental units.
- (Note 2) "Occupancy Rate at End of the Fiscal Period" indicates the value arrived at when the result of dividing the leased floor space by the leasable floor space of the applicable property at the end of the relevant fiscal period is expressed as a percentage and rounded to one decimal place.
- (Note 3) "Revenue from Property Leasing during the Fiscal Period" indicates the revenue from property leasing of the applicable real estate property for the relevant fiscal period (rounded to the nearest thousand yen).
- (Note 4) "Ratio to Total Revenue from Property Leasing" is the ratio of revenue from property leasing of the applicable property to the revenue from property leasing of the entire portfolio (rounded to one decimal place).
- (Note 5) This property was sold on February 18, 2010.
- (Note 6) This property was sold on March 24, 2009.

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

As of February 28, 2010, the contract amount, etc. and the status of market prices of NCI's specified transactions are as follows.

Table of Contract Amount, etc. and Status of Market Prices of Specified and Foreign Exchange Contract Transactions

Account	Type	Contract Amount, etc. (in thousands of yen) (Note 1)		Market Price (in thousands of yen) (Note 2)
			Of which, exceeds 1 year	
Transaction other than market transaction	Interest rate swap transaction	4,594,117	4,594,117	(119,216)
	Interest rate swap transaction	5,944,704	—	(30,141)
	Interest rate swap transaction	6,000,000	—	(35,219)
	Interest rate cap transaction	1,837,647	—	2
	Interest rate cap transaction	3,032,117	—	76
Total		21,408,586	4,594,117	(184,498)

(Note 1) The contract amount, etc. shown is based on notional principal, etc.

(Note 2) Valued by the counterparty to the concerned transaction agreement at an amount calculated based on the going rate of interest, etc.

#### 5. Other Assets

Type	Issue	Total Face Value (in thousands of yen)	Book Value (in thousands of yen)	Accrued Interest (in thousands of yen)	Accrued Interest Prepaid (in thousands of yen)	Valuation (in thousands of yen)	Unrealized Gain (Loss)	Remarks
Japanese Government Bonds	Principal portion of Separate Trading of Registered Interest and Principal Securities (STRIPS) (5 years; No. 69)	10,000	9,840	—	—	9,938	—	Deposited as operating guarantees.
Total		10,000	9,840	—	—	9,938	—	

## IV. Capital Expenditures for Owned Real Estate

### 1. Scheduled Capital Expenditures

The principal capital expenditures in connection with repairs, construction, and related matters that are expected to arise with respect to owned real estate properties as of February 28, 2010 are as follows.

The expected construction amount provided below includes the portion accounted for in accounting costs.

Property No.	Name of Real Estate Property (Location)	Purpose	Scheduled Implementation Period	Expected Construction Amount (in thousands of yen)		
				Total Amount	Amount Paid during the Fiscal Period	Amount Already Paid
Office A-8	Oomori City Building (Ota-ku, Tokyo)	Renovation of exterior walls (first semester)	August 2010 – August 2010	19,000	–	–
Retail A-3	PACIFIQUE Tenjin (Fukuoka-shi, Fukuoka)	Change of entry to compartment 101	May 2010 – May 2010	16,500	–	–
Retail B-1	Mallage Kashiwa (Kashiwa-shi, Chiba)	Interior finishing work to introduce/relocate tenants	March 2010 – July 2010	90,000	–	–
Retail B-2	Bellfa Uji (Uji-shi, Kyoto)	Interior finishing work to introduce tenants	September 2010 – September 2010	150,000	–	–
Retail C-1	Ito-Yokado Owariasahi (Owariasahi-shi, Aichi)	Repair of exterior walls	August 2010 – August 2010	30,000	–	–

### 2. Capital Expenditures during the Fiscal Period

The following are construction amounts that are considered to be capital expenditures paid by NCI during the eighth fiscal period.

Property No.	Name of Real Estate Property (Location)	Purpose	Implementation Period	Construction Amount Paid (in thousands of yen)
Office A-4	Pacific Marks Tsukishima (Chuo-ku, Tokyo)	Installation of additional electrical transformers, etc.	January 2010 – February 2010	10,190
Office A-8	Oomori City Building (Ota-ku, Tokyo)	Replacement of automated parking lot	April 2009 – November 2009	85,428
Office A-9	Akasaka Hikawa Building (Minato-ku, Tokyo)	Installation of individual air-conditioning systems	August 2009 – February 2010	157,029
Office A-9	Akasaka Hikawa Building (Minato-ku, Tokyo)	Replacement of central monitoring system	December 2009 – February 2010	11,510
Office C-2	Shin-Sapporo Center Building (Sapporo-shi, Hokkaido)	Renovation of exterior walls	September 2009 – November 2009	10,663
Other capital expenditures				219,152
Total				493,972

### 3. Reserves for Long-term Repair Plans

(in thousands of yen)

Calendar Period	Fourth Fiscal Period	Fifth Fiscal Period	Sixth Fiscal Period	Seventh Fiscal Period	Eighth Fiscal Period
	September 1, 2007	March 1, 2008	September 1, 2008	March 1, 2009	September 1, 2009
	– February 29, 2008	– August 31, 2008	– February 28, 2009	– August 31, 2009	– February 28, 2010
Balance of reserves at end of the previous fiscal period	301,489	349,436	336,633	274,120	411,299
Reserves in the fiscal period under review	281,895	208,055	233,538	279,814	258,838
Reversal of reserves in the fiscal period under review	233,948	220,858	296,051	142,635	293,750
Amount carried forward to the next fiscal period	349,436	336,633	274,120	411,299	376,387

## V. Expenses and Liabilities

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

(in thousands of yen)

Item	Seventh Fiscal Period	Eighth Fiscal Period
	March 1, 2009	September 1, 2009
	– August 31, 2009	– February 28, 2010
(a) Asset management fee (Note 1)	377,286	326,360
(b) Asset custody fee	13,859	13,715
(c) Administrative service fees	29,232	35,012
(d) Directors' compensations	9,300	9,089
(e) Audit fee	12,500	12,500
(f) Compensations (Note 2)	15,976	18,001
(g) Other operating expenses (expenses related to NCI's operations)	49,145	55,155
Total	507,298	469,832

(Note 1) In addition to the above, there was an asset management fee that was individually deducted from the gain on sales of real estate properties of 12,750 thousand yen in the seventh fiscal period and 34,000 thousand yen in the eighth fiscal period.

(Note 2) In addition to the above, there was an attorney's fee that was individually deducted from the gain on sales of real estate properties of 689 thousand yen in the seventh fiscal period and 213 thousand yen in the eighth fiscal period.

## 2. Loans Payable

The following summarizes the status of loans payable as of February 28, 2010.

	Account		Drawdown Date	Balance at End of Seventh Fiscal Period (in thousands of yen)	Balance at End of Eighth Fiscal Period (in thousands of yen)	Average Interest Rate (Note 1)	Repayment Date	Repayment Method	Use	Remarks
	Name of Loan	Lender(s)								
Short-term loans payable	Term Loan 28	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 29, 2009	3,504,000	—	1.32%	Sept. 28, 2009	(Note 3)	(Note 4)	(Note 5)
	Term Loan 29	Mitsubishi UFJ Trust and Banking Corporation	June 29, 2009	3,504,000	—	1.32%	Sept. 28, 2009	(Note 3)	(Note 4)	(Note 5)
	Term Loan 30	Mizuho Corporate Bank, Ltd.	June 29, 2009	3,504,000	—	1.32%	Sept. 28, 2009	(Note 3)	(Note 4)	(Note 5)
	Term Loan 32	Shinsei Bank, Limited	June 29, 2009	876,000	—	1.32%	Sept. 28, 2009	(Note 3)	(Note 4)	(Note 5)
	Term Loan 33	The Shinkumi Federation Bank	June 29, 2009	500,000	—	1.27%	Sept. 28, 2009	(Note 3)	(Note 4)	(Note 5)
	Term Loan 34 (Note 2)	Sumitomo Mitsui Banking Corporation	Sept. 28, 2009	—	—	1.81%	Dec. 28, 2009	(Note 3)	(Note 4)	(Note 5)
		The Norinchukin Bank		—	—					
		Shinsei Bank, Limited		—	—					
		The Chuo Mitsui Trust and Banking Company, Limited		—	—					
		Mizuho Corporate Bank, Ltd.		—	—					
		Aozora Bank, Ltd.		—	—					
		The Sumitomo Trust and Banking Co., Ltd.		—	—					
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	—					
		Mitsubishi UFJ Trust and Banking Corporation		—	—					
		Resona Bank, Limited		—	—					
		Mitsui Sumitomo Insurance Company, Limited		—	—					
	Term Loan 35	Sumitomo Mitsui Banking Corporation	Dec. 28, 2009	—	9,072,695	2.07%	March 29, 2010	(Note 3)	(Note 4)	(Note 5)
		The Norinchukin Bank		—	9,072,696					
		Shinsei Bank, Limited		—	5,361,377					
		The Chuo Mitsui Trust and Banking Company, Limited		—	5,171,436					
		Mizuho Corporate Bank, Ltd.		—	5,114,656					
		Aozora Bank, Ltd.		—	3,629,078					
		The Sumitomo Trust and Banking Co., Ltd.		—	3,629,078					
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	3,300,116					
		Mitsubishi UFJ Trust and Banking Corporation		—	3,300,116					
		Resona Bank, Limited		—	2,721,808					
		Subtotal			11,888,000					
Current portion of long-term loans payable	Term Loan C	The Norinchukin Bank	Sept. 27, 2006	9,633,212	—	1.11%	Sept. 27, 2009	(Note 3)	(Note 4)	(Note 5)
		Sumitomo Mitsui Banking Corporation		8,669,891	—					
		Shinsei Bank, Limited		4,816,606	—					
		Aozora Bank, Ltd.		3,853,285	—					
		The Sumitomo Trust and Banking Co., Ltd.		3,853,285	—					
		Resona Bank, Limited		2,889,963	—					
		Mizuho Corporate Bank, Ltd.		1,926,642	—					
		Mitsui Sumitomo Insurance Company, Limited		963,321	—					
	Term Loan D	The Chuo Mitsui Trust and Banking Company, Limited	Nov. 29, 2006	3,371,624	—	1.11%	Sept. 27, 2009	(Note 3)	(Note 4)	(Note 5)
	Term Loan E	The Chuo Mitsui Trust and Banking Company, Limited	Dec. 22, 2006	2,119,307	—	1.11%	Sept. 27, 2009	(Note 3)	(Note 4)	(Note 5)
	Term Loan J	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Sept. 27, 2007	3,853,285	3,675,294	1.06%	Sept. 27, 2010	(Note 3)	(Note 4)	(Note 5)
		Mitsubishi UFJ Trust and Banking Corporation		3,853,285	3,675,294					
		Shinsei Bank, Limited		1,926,642	1,837,647					
		Aozora Bank, Ltd.		1,926,642	1,837,647					
		The Sumitomo Trust and Banking Co., Ltd.		963,321	918,823					

	Account		Drawdown Date	Balance at End of Seventh Fiscal Period (in thousands of yen)	Balance at End of Eighth Fiscal Period (in thousands of yen)	Average Interest Rate (Note 1)	Repayment Date	Repayment Method	Use	Remarks
	Name of Loan	Lender(s)								
Current portion of long-term loans payable	Term Loan N	The Chuo Mitsui Trust and Banking Company, Limited	Nov. 29, 2007	1,926,642	1,837,647	1.06%	Sept. 27, 2010	(Note 3)	(Note 4)	(Note 5)
	Term Loan O	Aozora Bank, Ltd.	Nov. 29, 2007	3,178,960	3,032,117	1.07%	Nov. 29, 2010	(Note 3)	(Note 4)	(Note 5)
	Term Loan R	Sumitomo Mitsui Banking Corporation	Sept. 29, 2008	9,633,212	9,188,234	1.57%	Sept. 29, 2010	(Note 3)	(Note 4)	(Note 5)
		Aozora Bank, Ltd.		3,853,285	3,675,294					
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.		481,661	459,412					
	Term Loan S	Sumitomo Mitsui Banking Corporation	Oct. 30, 2008	6,646,916	6,339,881	1.10%	April 30, 2010	(Note 3)	(Note 4)	(Note 5)
	Term Loan T	Sumitomo Mitsui Banking Corporation	Oct. 30, 2008	6,261,588	5,972,352	1.57%	Oct. 29, 2010	(Note 3)	(Note 4)	(Note 5)
	Term Loan U	The Sumitomo Trust and Banking Co., Ltd.	Sept. 29, 2008	2,889,964	2,756,470	1.57%	Sept. 29, 2010	(Note 3)	(Note 4)	(Note 5)
	Term Loan 31	Aozora Bank, Ltd.	June 29, 2009	1,313,000	1,252,350	2.02%	Nov. 29, 2010	(Note 3)	(Note 4)	(Note 5)
Subtotal				90,805,539	46,458,462					
Short-term loans payable subtotal				102,693,539	96,831,518					
Long-term loans payable	Term Loan F (Tranche A)	Sumitomo Mitsui Banking Corporation	March 30, 2007	1,444,982	1,378,236	1.17%	March 30, 2012	(Note 3)	(Note 4)	(Note 5)
		Sompo Japan Insurance Inc.		963,321	918,823					
		The Sumitomo Trust and Banking Co., Ltd.		963,321	918,823					
		The Mie Bank, Ltd.		963,321	918,823					
		The Hiroshima Bank, Ltd.		481,661	459,412					
	Term Loan F (Tranche B)	Daido Life Insurance Company	March 30, 2007	1,926,642	1,837,647	2.02%	March 30, 2012	(Note 3)	(Note 4)	(Note 5)
	Term Loan G	Daido Life Insurance Company	June 26, 2007	1,926,642	1,837,647	2.41%	June 26, 2012	(Note 3)	(Note 4)	(Note 5)
	Term Loan K	National Mutual Insurance Federation of Agricultural Cooperatives	Sept. 27, 2007	963,321	918,823	1.98%	Sept. 27, 2011	(Note 3)	(Note 4)	(Note 5)
		Aioi Insurance Co., Ltd.		963,321	918,823					
	Term Loan L	Development Bank of Japan Inc.	Sept. 27, 2007	963,321	918,823	1.97%	Sept. 27, 2011	(Note 3)	(Note 4)	(Note 5)
	Term Loan Q	Development Bank of Japan Inc.	July 25, 2008	1,926,642	1,837,647	2.11%	Sept. 27, 2011	(Note 3)	(Note 4)	(Note 5)
Long-term loans payable subtotal				13,486,496	12,863,528					
Total				116,180,034	109,695,046					

(Note 1) "Average Interest Rate" indicates the borrowing interest rate for the respective lenders (rounded to two decimal places).

(Note 2) The concerned loan payable was drawn down in the amount of 53,485,136 thousand yen on September 28, 2009 and repaid in full on December 28, 2009.

(Note 3) Lump-sum repayment on repayment date.

(Note 4) Each loan payable is used to fund the acquisition of beneficiary rights of real estate in trust or real estate as well as to pay the expenses associated with such acquisition, or to fund the refinancing of loans payable.

(Note 5) Secured and non-guaranteed.

The properties that are pledged as collateral are all assets owned by NCI.

### 3. Investment Corporation Bonds

The following summarizes the status of investment corporation bonds issued as of February 28, 2010.

Issue	Issue Date	Balance at End of Seventh Fiscal Period (in thousands of yen)	Balance at End of Eighth Fiscal Period (in thousands of yen)	Interest Rate	Maturity	Redemption Method	Use	Remarks
First Series Unsecured Investment Corporation Bonds (Note 1)	April 13, 2007	10,000,000	10,000,000	1.52%	April 13, 2010	(Note 2)	(Note 3)	(Note 4)
Second Series Unsecured Investment Corporation Bonds	April 13, 2007	17,000,000	17,000,000	1.96%	April 13, 2012	(Note 2)	(Note 3)	(Note 4)
Total	—	27,000,000	27,000,000	—	—	—	—	—

(Note 1) Of the issue amount, some (1,900 million yen) was retired by purchase funded by cash reserves on March 23, 2010. Moreover, redemption of the remaining amount (8,100 million yen) was completed on April 13, 2010.

(Note 2) Lump-sum repayment on repayment date.

(Note 3) The funds are used to fund the acquisition of specified assets and the repayment of borrowings.

(Note 4) Ranking *pari passu* among the investment corporation bonds; private placement to less than 50 investors with restrictions on splits and on resale to non-qualified institutional investors.

### 4. Short-term Investment Corporation Bonds

Not applicable.

## VI. Sale and Purchase during the Fiscal Period

### 1. Sale and Purchase of Real Estate Properties and Asset Related Securities

Property No.	Property Name	Acquisition		Sale			
		Acquisition Date	Acquisition Value (in thousands of yen)	Sale Date	Sale Value (in thousands of yen) (Note 1) (Note 2)	Book Value (in thousands of yen) (Note 1)	Gain (Loss) on Sales (in thousands of yen) (Note 1)
Office A-5	Pacific Marks Nishi-Shinjuku	—	—	Feb. 18, 2010	6,800,000	8,009,458	(1,244,193)
Total		—	—	—	6,800,000	8,009,458	(1,244,193)

(Note 1) Each amount is rounded to the nearest thousand yen.

(Note 2) “Sale Value” indicates the sale price provided for in the sale agreement, etc.

### 2. Sale and Purchase of Other Assets

Asset Type	Buy		Sell		Balance at End of Eighth Fiscal Period	
	No. of Coupons, etc.	Amount (in thousands of yen)	No. of Coupons, etc.	Amount (in thousands of yen)	No. of Coupons, etc.	Amount (in thousands of yen)
Bonds	—	—	—	—	1	9,840
Total	—	—	—	—	1	9,840

(Note) The amount indicates the price due, and does not include accrued interest and various other costs.

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

### 3. Appraisal of Price, etc. of Specified Assets

#### A. Real Estate Properties

	Asset Type	Property No.	Property Name	Sale Date	Sale Value (in thousands of yen) (Note 1) (Note 2)	Appraisal Price (in thousands of yen) (Note 1) (Note 3)
Sale	Real estate in trust	Office A-5	Pacific Marks Nishi-Shinjuku	February 18, 2010	6,800,000	8,100,000
	Total				6,800,000	8,100,000

(Note 1) Each amount is rounded to the nearest thousand yen.

(Note 2) “Sale Value” indicates the sale price provided for in the sale agreement, etc.

(Note 3) Appraisal of price, etc. of the above specified assets was conducted by KPMG AZSA & Co., in accordance with The Japanese Institute of Certified Public Accountants’ Industry Audit Practice Committee Statement No. 23 “Appraisal of Price, etc. of Specified Assets by Investment Trusts and Investment Corporations.” NCI has received a copy of the appraisal report for the concerned appraisal from the Asset Manager.

## B. Other Assets

Asset Type	Transaction Date	Transaction Partner	Notional Principal of Partial Cancellation Portion (in thousands of yen) (Note 1)	Notional Principal After Partial Cancellation (in thousands of yen) (Note 1)	Amount Due for Cancellation (in thousands of yen) (Note 1)	Comparable Price for Appraisal (in thousands of yen) (Note 1) (Note 2)
Interest rate swap partial cancellation transaction	February 18, 2010	Sumitomo Mitsui Banking Corporation	222,489	4,594,117	5,885	8,625
	February 18, 2010	The Sumitomo Trust and Banking Co., Ltd.	578,471	5,944,704	3,656	2,684
Total			800,960	10,538,821	9,541	11,309

Asset Type	Transaction Date	Transaction Partner	Notional Principal of Partial Cancellation Portion (in thousands of yen) (Note 1)	Notional Principal After Partial Cancellation (in thousands of yen) (Note 1)	Amount Due for Cancellation (in thousands of yen) (Note 1)	Comparable Price for Appraisal (in thousands of yen) (Note 1) (Note 2)
Interest rate cap partial cancellation transaction	February 18, 2010	Mitsubishi UFJ Trust and Banking Corporation	88,995	1,837,647	327	337
	February 18, 2010	Aozora Bank, Ltd.	146,843	3,032,117	—	4
Total			235,838	4,869,764	327	341

(Note 1) Each amount is rounded to the nearest thousand yen.

(Note 2) Appraisal of the price, etc. of the above specified assets was conducted by certified public accountant Shuhei Ito, in accordance with The Japanese Institute of Certified Public Accountants' Industry Audit Practice Committee Statement No. 23 "Appraisal of Price, etc. of Specified Assets by Investment Trusts and Investment Corporations," at the time of sale of the asset. NCI has received a copy of the appraisal report for the concerned appraisal from the Asset Manager.

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

### A. Transactions

Not applicable.

### B. Amount of Fees Paid

(in thousands of yen)

Account	Total Amount of Fees Paid (A) (in thousands of yen)	Breakdown of Status of Transactions with Related Parties and Major Shareholders (Note 1)		Ratio to Total Amount (B) ÷ (A) (Note 2)
		Payee	Amount Paid (B) (in thousands of yen)	
Business consignment expenses	27,013	Nippon Commercial Properties Corporation	1,240	4.5%

(Note 1) Related parties and major shareholders are related parties of the Asset Manager as designated in Article 201, Paragraph 1 of the ITL, Article 123 of the Enforcement Order of the ITL and Article 26, Paragraph 1, Item 27 of The Investment Trusts Association, Japan's Rules on Management Reports, etc. of Investment Trusts and Investment Corporations, and major shareholders of the Asset Manager as defined in Article 29-4, Paragraph 2 of the Financial Instruments and Exchange Law (*Kinyuu Shouhin Torihiki Hou*; Law No. 25 of 1948, including amendments thereto). During the eighth fiscal period, NCI paid fees to Nippon Commercial Properties Corporation as shown.

(Note 2) Rounded 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 Corporation) does not conduct any concurrent businesses in the type I financial instruments business, type II financial instruments business, real estate brokerage or real estate syndication.

## **VII. Accounting**

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

Please refer to the attached BALANCE SHEETS, STATEMENTS OF INCOME, STATEMENTS OF UNITHOLDERS' EQUITY, NOTES TO FINANCIAL STATEMENTS and STATEMENTS OF CASH DISTRIBUTIONS.

### **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 figures for monetary amounts and rounds off ratios to the nearest specified unit.

### 2. Notice

#### General Meeting of Unitholders

NCI held its third general meeting of unitholders on February 19, 2010. The following table summarizes the items that were resolved at such general meeting of unitholders.

Agenda	Description of Resolved Item
Partial amendments to the articles of incorporation	Resolutions on amendments to the articles of incorporation concerning the following items were adopted. (1) Necessary changes to the wording in light of dematerialization of investment certificates in accordance with enactment of the Law for Partial Amendments to the Law Concerning Book-Entry Transfer of Corporate Bonds and Other Securities for the Purpose of Streamlining the Settlement of Trades of Stocks and Other Securities ( <i>Kabushiki Tou no Torihiki ni Kakaru Kessai no Gourika wo Hakaru Tame no Shasai Tou no Furikae ni Kansuru Houritsu Tou no Ichibu wo Kaiseisuru Houritsu</i> ; Law No. 88 of 2004); (2) Necessary establishment of provisions, changes to the wording and updating of provisions in light of amendments to the Special Taxation Measures Law ( <i>Sozei Tokubetsu Sochi Hou</i> ; Law No. 26 of 1957, including amendments thereto), with respect to the requirements for application of special provisions for taxation on investment corporations, changing the definition and scope of lenders of borrowings, changing the amount used as the basis for calculating the requirements for the amount of dividends paid to the amount of distributable earnings and establishing new requirements for application of special provisions for taxation upon a merger of investment corporations; (3) Addition of carbon dioxide equivalent quotas pursuant to the Law on Promotion of Global Warming Countermeasures ( <i>Chikyuu Ondanka Taisaku no Suishin ni Kansuru Houritsu</i> ; Law No. 117 of 1998, including amendments thereto) and other similar quantities or emissions credits (including emissions credits concerning greenhouse gas emissions) as investment assets in view of diversifying the means of fulfilling the obligation of reducing greenhouse gas emissions in light of partial amendments to said Law; and (4) Furthermore, in addition to changing the wording, other necessary changes to update the articles.
Appointment of 1 executive director	Tomohiro Makino was appointed (reappointed) executive director.
Appointment of 3 supervisory directors	Three persons – Masaharu Hino, Tsutomu Kuribayashi and Junya Iwasaki – were appointed (reappointed) supervisory directors.

#### Meeting of NCI's Board of Directors

The following table summarizes the primary contracts for which execution, amendment, etc. were approved by NCI's board of directors in the eighth fiscal period.

Date of Meeting of the Board of Directors	Approved/Resolved Item	Description of Approved/Resolved Item
February 19, 2010	Execution of statement of mutual understanding on amendments to the asset management agreement	In light of resolutions on amendments to NCI's articles of incorporation being adopted at the third general meeting of unitholders, amendments were made to the sections of the asset management agreement in which the articles of incorporation shall apply mutatis mutandis.

# **Semiannual Financial Report**

**Nippon Commercial Investment Corporation**

**8<sup>th</sup> Fiscal Period**

(September 1, 2009– February 28, 2010)

1-14-1 Kanda Jinbo-cho,  
Chiyoda-ku, Tokyo  
Japan



## 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, 2010 and August 31, 2009 and the related statements of income, changes in net assets and cash flows for each of the six months ended February 28, 2010 and August 31, 2009 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, 2010 and August 31, 2009, and the results of its operations and its cash flows for each of the six months ended February 28, 2010 and August 31, 2009 in conformity with accounting principles generally accepted in Japan.

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

As discussed in Note 12 to the financial statements, subsequent to the balance sheet date, Nippon Commercial Investment Corporation borrowed funds and repaid funds, retired by purchase partially investment corporation bonds, and redeemed investment corporation bonds.

*KPMG AZSA & Co.*

Tokyo, Japan  
April 14, 2010

## FINANCIAL Summary

For the 8th Period from September 1, 2009 to February 28, 2010.

### <Results of Operations>

#### Selected Financial Data

	(Yen in thousands)				
	8th Period	7th Period	6th Period	5th Period	4th Period
Operating revenues	¥ 7,816,953	¥ 8,453,331	¥ 8,610,731	¥ 9,777,117	¥ 8,894,101
Operating expenses	5,122,948	3,853,813	4,771,052	4,288,232	4,069,993
Operating income	2,694,005	4,599,518	3,839,679	5,488,885	4,824,108
Income before income taxes	484,217	2,278,923	2,337,896	4,097,030	3,539,397
Net Income	482,803	2,272,960	2,341,474	4,088,338	3,538,151
Total assets	268,187,772	277,614,005	284,354,405	294,472,109	291,527,387
Total net assets	117,119,061	118,872,315	118,882,791	120,621,183	119,969,289
Unitholders' capital	116,753,060	116,753,060	116,753,060	116,753,060	116,753,060
Number of units issued (units)	257,400	257,400	257,400	257,400	257,400
Total net assets per unit (Yen)	455,008	461,819	461,860	468,614	466,081
Cash distribution	482,882	2,272,842	2,341,568	4,088,284	3,538,220
Distribution per unit (Yen)	1,876	8,830	9,097	15,883	13,746
Net operating income from property leasing activities	5,420,118	5,897,367	5,971,152	5,976,692	5,768,049
FFO (Funds From Operations) per unit (Yen)	14,345	13,678	16,383	15,707	15,836
Debt service coverage ratio (times)	3.0	4.3	4.3	6.0	5.8
Number of days	181	184	181	184	182

#### Funds from Operations

	(Yen in thousands)	
	8th Period	7th Period
Income before income taxes	¥ 484,217	¥ 2,278,923
Adjustments:		
Depreciation	1,012,173	1,011,359
Amortization	951,911	451,236
Net loss on sales of investments in real estate	1,244,193	—
Net gain on sales of investments in real estate	—	(220,722)
<b>FFO</b>	<b>¥ 3,692,494</b>	<b>¥ 3,520,796</b>

FFO (Funds From Operations) is computed as income before income taxes (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)	
	8th Period	7th Period
Retained earnings	¥ 482,933	¥ 2,272,972
Undistributed earnings	51	130
Cash distribution	482,882	2,272,842
(per unit) (Yen)	<b>1,876</b>	<b>8,830</b>

## Number of properties for the periods presented

NCI had 37 properties as of February 28, 2010.

Property Name	Acquisition Price (Yen in millions) (Note 1)	Location (Note 2)	Asset Type	Usage	Date of Purchase Agreement	Acquisition Date
Hitachi High-Tech Building	18,100	Minato-ku, Tokyo	Trust beneficial interest in real estate	Office property	August 3, 2006	September 28, 2006
Pacific Marks Shinjuku Park Side	15,100	Shinjuku-ku, Tokyo	Trust beneficial interest in real estate	Office property	August 3, 2006	September 26, 2006
Pacific Marks Tsukiji	11,100	Chuo-ku, Tokyo	Trust beneficial interest in real estate	Office property	August 3, 2006	September 26, 2006
Pacific Marks Tsukishima	8,080	Chuo-ku, Tokyo	Real estate	Office property	August 3, 2006	September 28, 2006
Pacific Marks Yokohama East	7,110	Yokohama-shi, Kanagawa	Trust beneficial interest in real estate	Office property	August 3, 2006	September 27, 2006
Pacific Marks Shin-Urayasu	4,700	Urayasu-shi, Chiba	Trust beneficial interest in real estate	Office property	August 3, 2006	September 27, 2006
Oomori City Building	3,920	Ota-ku, Tokyo	Trust beneficial interest in real estate	Office property	August 3, 2006	September 28, 2006
Akasaka Hikawa Building	3,385	Minato-ku, Tokyo	Trust beneficial interest in real estate	Office property	August 3, 2006	September 26, 2006
Pacific Marks Shibuya-Koendoori	3,050	Shibuya-ku, Tokyo	Trust beneficial interest in real estate	Office property	August 3, 2006	September 27, 2006
Pacific Marks Nihonbashi -Tomizawacho	2,550	Chuo-ku, Tokyo	Trust beneficial interest in real estate	Office property	August 3, 2006	September 26, 2006
Pacific Marks Akasakamitsuke	2,450	Minato-ku, Tokyo	Real estate	Office property	August 3, 2006	September 28, 2006
Yokohama Aioicho Building	1,710	Yokohama-shi, Kanagawa	Trust beneficial interest in real estate	Office property	August 3, 2006	September 27, 2006
Pacific Marks Shin-Yokohama	1,700	Yokohama-shi, Kanagawa	Trust beneficial interest in real estate	Office property	August 3, 2006	September 27, 2006
Pacific Marks Shinkawa	3,540	Chuo-ku, Tokyo	Trust beneficial interest in real estate	Office property	November 28, 2006	November 29, 2006
Pacific Marks Mejiro	2,008	Toshima-ku, Tokyo	Trust beneficial interest in real estate	Office property	December 22, 2006	December 22, 2006
Pacific Marks Kawasaki	15,100	Kawasaki-shi, Kanagawa	Real estate	Office property	April 20, 2007	May 30, 2007
Towa Hamamatsucho Building	7,242	Minato-ku, Tokyo	Trust beneficial interest in real estate	Office property	October 30, 2007	October 30, 2007
Lila Hijirizaka	4,300	Minato-ku, Tokyo	Real estate	Office property	October 30, 2007	October 30, 2007
Pacific Marks Aobadai	3,050	Meguro-ku, Tokyo	Trust beneficial interest in real estate	Office property	November 28, 2007	November 28, 2007
Otsuka HT Building	2,000	Toshima-ku, Tokyo	Real estate	Office property	November 29, 2007	November 29, 2007
Pacific Marks Shinjuku south-gate	5,100	Shinjuku-ku, Tokyo	Real estate	Office property	December 21, 2007	March 3, 2008
Pacific Marks Nishi-Umeda	8,950	Osaka-shi, Osaka	Trust beneficial interest in real estate	Office property	August 3, 2006	September 27, 2006
Pacific Marks Higobashi	5,573	Osaka-shi, Osaka	Trust beneficial interest in real estate	Office property	August 3, 2006	September 26, 2006
Nagoya-Nishiki City Building	5,180	Nagoya-shi, Aichi	Trust beneficial interest in real estate	Office property	August 3, 2006	September 26, 2006
Pacific Marks Esaka	14,500	Suita-shi, Osaka	Trust beneficial interest in real estate	Office property	April 17, 2007	April 17, 2007
Pacific Marks Sapporo Kita 1 jo	2,250	Sapporo-shi, Hokkaido	Trust beneficial interest in real estate	Office property	August 3, 2006	September 27, 2006
Shin-Sapporo Center Building	1,225	Sapporo-shi, Hokkaido	Trust beneficial interest in real estate	Office property	August 3, 2006	September 27, 2006
Shinsaibashi OPA Honkan	31,800	Osaka-shi, Osaka	Trust beneficial interest in real estate	Retail property	August 3, 2006	September 26, 2006
Shinsaibashi OPA Kireikan	3,500	Osaka-shi, Osaka	Trust beneficial interest in real estate	Retail property	August 3, 2006	September 26, 2006
PACIFIQUE Tenjin	3,700	Fukuoka-shi, Fukuoka	Trust beneficial interest in real estate	Retail property	August 3, 2006	September 28, 2006
Albore Tenjin	1,440	Fukuoka-shi, Fukuoka	Real estate	Retail property	August 3, 2006	September 28, 2006
Albore Jingumae	2,525	Shibuya-ku, Tokyo	Trust beneficial interest in real estate	Retail property	November 16, 2006	November 16, 2006
Albore Sendai	3,100	Sendai-shi, Miyagi	Trust beneficial interest in real estate	Retail property	November 29, 2007	November 29, 2007
Mallage Kashiwa	17,310	Kashiwa-shi,	Trust beneficial interest	Retail	August 3,	September 27,

Property Name	Acquisition Price (Yen in millions) (Note 1)	Location (Note 2)	Asset Type	Usage	Date of Purchase Agreement	Acquisition Date
		Chiba	in real estate	property	2006	2006
Bellfa Uji	3,200	Uji-shi, Kyoto	Real estate	Retail property	August 3, 2006	September 27, 2006
Ito-Yokado Owariasahi	7,850	Owariasahi-shi, Aichi	Real estate	Retail property	August 3, 2006	September 27, 2006
Nitori Yokohama Kariba I.C.	4,395	Yokohama-shi, Kanagawa	Trust beneficial interest in real estate	Retail property	November 30, 2007	November 30, 2007
Total	241,793					

(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.) rounded down to the nearest million yen.

(Note 2) "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, 2010 and August 31, 2009 and debt maturity schedule as of February 28, 2010 are as follows:

#### Debt Summary

(Yen in millions)

	As of February 28, 2010	As of August 31, 2009
Secured	109,695	116,180
Unsecured	27,000	27,000
<b>Total</b>	<b>136,695</b>	<b>143,180</b>
Fixed Rate	56,678	100,212
Floating Rate	80,017	42,968
<b>Total</b>	<b>136,695</b>	<b>143,180</b>

#### Debt Maturity Schedule

Year	As of February 28, 2010	% of Total
within 1 year	106,832	78.1%
1 to 2 years	4,594	3.4%
2 to 3 years	25,269	18.5%
<b>Total</b>	<b>136,695</b>	<b>100.0%</b>

Above numbers include the amount of bonds issued.

### 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 26, 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

### Investment Portfolio

NCI has sold 1 property in the 8th Period as follows:

Property Name	Sale Value (Yen in millions) (Note 1)	Location (Note 2)	Asset Type	Usage	Date of Sales Agreement	Sale Date
Pacific Marks Nishi-Shinjuku	6,800	Shinjuku-ku, Tokyo	Trust beneficial interest In real estate	Office property	February 16, 2010	February 18, 2010

Property Name	Sale Value (Yen in millions) (Note 1)	Location (Note 2)	Asset Type	Usage	Date of Sales Agreement	Sale Date
Total	6,800					

(Note 1) "Sale Value" is the purchase price stated on the beneficial interest sales agreement or the real estate sales agreement (excluding an amount equivalent to consumption tax, etc.) rounded down to the nearest million yen.

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

**NIPPON COMMERCIAL INVESTMENT CORPORATION**  
**BALANCE SHEETS**

As of February 28, 2010 and August 31, 2009

	As of February 28, 2010 (Yen in thousands)	As of August 31, 2009 (Yen in thousands)
<b>ASSETS</b>		
Investments in real estate (including trust accounts)		
Land	¥ 193,266,986	¥ 199,643,868
Depreciable property	58,445,881	59,857,879
Construction in progress	1,130	150,294
Investments in real estate	251,713,997	259,652,041
Accumulated depreciation	(6,057,462)	(5,288,444)
Investments in real estate, net	245,656,535	254,363,597
Other investments		
Leasehold rights	1,839,966	1,839,966
Cash and deposits (including trust accounts)	19,779,032	20,398,960
Rent receivables	202,833	154,590
Investment securities	9,839	9,811
Deferred tax assets	87,387	109,990
Long-term prepaid expenses	31,175	80,677
Security deposits paid	82,404	82,404
Prepaid expenses	402,811	465,251
Organization costs	10,340	15,980
Bonds issuance costs	38,253	55,664
Other assets	47,197	37,115
<b>TOTAL ASSETS</b>	<b>¥ 268,187,772</b>	<b>¥ 277,614,005</b>
<b>LIABILITIES and NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	¥ 1,286,426	¥ 1,488,557
Received in advance	1,048,271	1,163,162
Current portion of bonds	10,000,000	10,000,000
Short-term loans	50,373,056	11,888,000
Current portion of long-term loans	46,458,462	48,744,052
Income taxes payable	1,649	-
Consumption taxes payable	127,041	75,078
Bonds	17,000,000	17,000,000
Long-term loans	12,863,528	55,547,983
Security deposits received (including trust accounts)	9,969,721	11,155,018
Derivatives	184,498	227,591
Other liabilities	1,756,059	1,452,249
<b>TOTAL LIABILITIES</b>	<b>151,068,711</b>	<b>158,741,690</b>
<b>NET ASSETS:</b>		
Unitholders' capital	116,753,060	116,753,060
Units authorized ; 2,000,000 units		
Units issued and outstanding ;		
257,400 units as of February 28, 2010 and		
August 31, 2009		
Retained Earnings	482,933	2,272,972
Unrealized losses on hedging derivatives, net of taxes	(116,932)	(153,717)
<b>TOTAL NET ASSETS</b>	<b>117,119,061</b>	<b>118,872,315</b>
<b>TOTAL LIABILITIES and NET ASSETS</b>	<b>¥ 268,187,772</b>	<b>¥ 277,614,005</b>

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

**NIPPON COMMERCIAL INVESTMENT CORPORATION**  
**STATEMENTS OF INCOME**

For the six months ended February 28, 2010 and August 31, 2009

	8th period ended February 28, 2010 (Yen in thousands)	7th period ended August 31, 2009 (Yen in thousands)
<b>OPERATING REVENUES</b>		
Rental income	¥ 7,816,953	¥ 8,232,609
Gain on sales of investments in real estate	—	220,722
Total operating revenues	7,816,953	8,453,331
<b>OPERATING EXPENSES</b>		
Property operating expenses		
Asset and property management fee	657,337	689,830
Repairs and maintenance	115,064	143,018
Real estate taxes and insurance	764,503	572,195
Other operating expenses	859,931	930,199
Total property operating expenses	2,396,835	2,335,242
Loss on sales of investments in real estate	1,244,193	—
Real estate depreciation	1,012,088	1,011,273
General and administrative expenses	469,832	507,298
Total operating expenses	5,122,948	3,853,813
<b>OPERATING INCOME</b>	2,694,005	4,599,518
Interest and other income	7,175	19,349
Interest expenses on loans	(985,599)	(883,158)
Interest expenses on bonds	(239,941)	(245,259)
Other financing costs	(928,859)	(428,185)
Mortgaging related expenses	(9,918)	(636,972)
Amortization of organization costs	(5,640)	(5,640)
Amortization of bonds issuance costs	(17,411)	(17,411)
Other expenses	(29,595)	(123,319)
<b>INCOME BEFORE INCOME TAXES</b>	484,217	2,278,923
<b>INCOME TAXES</b>		
Current	2,658	605
Deferred	(1,244)	5,358
<b>NET INCOME</b>	¥ 482,803	¥ 2,272,960

**Earnings per unit:**

Net income (in Yen)	¥ 1,876	¥ 8,830
Weighted average number of units outstanding	257,400	257,400

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

NIPPON COMMERCIAL INVESTMENT CORPORATION  
**STATEMENTS OF CHANGES IN NET ASSETS**

For the six months ended February 28, 2010 and August 31, 2009

	Number of units	Unitholders' equity			(Yen in thousands)	
		Unitholders' capital	Retained earning	Total unitholders' equity	Unrealized losses on hedging derivatives, net of taxes	Net assets
<b>Balance as of February 28, 2009</b>	257,400	¥ 116,753,060	¥ 2,341,580	¥ 119,094,640	¥ (211,849)	¥ 118,882,791
Cash distributions paid			(2,341,568)	(2,341,568)		(2,341,568)
Net income			2,272,960	2,272,960		2,272,960
Net changes during the period					58,132	58,132
<b>Balance as of August 31, 2009</b>	257,400	¥ 116,753,060	¥ 2,272,972	¥ 119,026,032	¥ (153,717)	¥ 118,872,315
Cash distributions paid			(2,272,842)	(2,272,842)		(2,272,842)
Net income			482,803	482,803		482,803
Net changes during the period					36,785	36,785
<b>Balance as of February 28, 2010</b>	257,400	¥ 116,753,060	¥ 482,933	¥ 117,235,993	¥ (116,932)	¥ 117,119,061

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

NIPPON COMMERCIAL INVESTMENT CORPORATION  
**STATEMENTS OF CASH FLOWS**  
For the six months ended February 28, 2010 and August 31, 2009

	8th period ended February 28, 2010 (Yen in thousands)	7th period ended August 31, 2009 (Yen in thousands)
<b>Cash Flows from Operating Activities</b>		
Income before income taxes	¥ 484,217	¥ 2,278,923
Depreciation	1,012,173	1,011,359
Amortization of organization costs	5,640	5,640
Amortization of other financing costs	928,859	428,185
Amortization of bond issuance costs	17,411	17,411
Interest and other income	(5,074)	(9,009)
Interest expenses	1,225,540	1,128,417
Loss on disposal of property and equipment	30,324	-
Changes in assets and liabilities		
Decrease in investments in real estate due to sale	8,009,458	2,233,034
Rent receivables	(48,243)	6,086
Prepaid expenses	(817,471)	(201,833)
Accounts payable and accrued expenses	(105,721)	118,961
Consumption taxes payable	54,593	(51,033)
Received in advance	(114,891)	(34,372)
Deposit received	760	9,082
Long-term period expenses	-	(46,945)
Derivatives	17,540	81,991
Others	2,576	160
<b>Sub-total</b>	<b>10,697,691</b>	<b>6,976,057</b>
Interest received	5,046	12,755
Interest paid	(1,326,614)	(1,151,685)
Income taxes paid	936	(5,149)
<b>Net cash provided by operating activities</b>	<b>9,377,059</b>	<b>5,831,978</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investment securities	-	1,510,000
Purchase of investment securities	-	(9,789)
Purchases of real estate (including trust accounts)	(349,591)	(481,697)
Proceeds from security deposits (including trust accounts)	194,455	433,019
Repayment of security deposits (including trust accounts)	(1,077,057)	(2,703,188)
Other	(11,627)	(5,059)
<b>Net cash used in investing activities</b>	<b>(1,243,820)</b>	<b>(1,256,714)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from short-term loans	106,297,713	25,588,000
Repayment of short-term loans	(67,812,657)	(13,700,000)
Proceeds from long-term loans	-	1,313,000
Repayment of long-term loans	(44,970,045)	(17,658,057)
Distributions to unitholders	(2,268,178)	(2,340,791)
<b>Net cash used in financing activities</b>	<b>(8,753,167)</b>	<b>(6,797,848)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(619,928)</b>	<b>(2,222,584)</b>
<b>Cash and Cash Equivalents at beginning of Period</b>	<b>20,398,960</b>	<b>22,621,544</b>
<b>Cash and Cash Equivalents at end of Period</b>	<b>¥ 19,779,032</b>	<b>¥ 20,398,960</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, 2010 and August 31, 2009.

### 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 (Investment Trust Law 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 property investments in Japan, and started its portfolio investment.

As of February 28, 2010, NCI owned 37 properties.

#### Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Law 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) Investment securities

Held-to-maturity securities are stated at amortized cost method (straight-line method).

Non marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

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

Investment properties and beneficial interest in properties in trust are recorded at cost, which includes 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:

Buildings	22-65 years
Building improvements	2-47 years
Structures	7-63 years

Machinery and equipment	5-30 years
Furniture and fixtures	2-25 years

**d) Leasehold rights and long-term prepaid expenses**

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

**e) Organization costs and bonds issuance costs**

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

Bonds issuance costs are amortized using the straight-line method over the issuance period of the bonds.

**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 incur.

NCI pays the seller of the properties the corresponding tax amount for the period from the properties transfer date to December 31 of that year as included in the purchase price of each property, and capitalizes such amount as the cost of the property. For the 8th period ended February 28, 2010 and the 7th period ended August 31, 2009, the property taxes and city planning taxes, etc. that was included in the acquisition cost of real estate properties is nil.

**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 differences between the financial statement and income tax basis of assets and liabilities utilizing the applicable statutory tax rate.

**Note 3. Secured Assets**

As of February 28, 2010 and August 31, 2009, the assets were pledged as collateral for the loans and the security deposits received as follows:

	(Yen in thousands)	
	As of February 28, 2010	As of August 31, 2009
Pledged assets:		
Cash and deposits (including trust accounts)	¥13,604,405	¥14,865,423
Land (including trust accounts)	193,266,986	199,643,868
Depreciable property (including trust accounts), net	52,388,419	54,569,435
Total	<u>¥ 259,259,810</u>	<u>¥ 269,078,726</u>
Loans and Security deposits secured by the pledged assets:		
Short-term loans	¥50,373,056	¥11,888,000
Current portion of long-term loans	46,458,461	48,744,052
Long-term loans	12,863,528	55,547,983
Security deposits received (including trust accounts)	426,989	428,061
Total	<u>¥ 110,122,034</u>	<u>¥ 116,608,096</u>

#### Note 4. Short-term debt and long-term debt

Short-term debts comprise of the following:

	(Yen in thousands)	
	<u>As of February 28, 2010</u>	<u>As of August 31, 2009</u>
Secured loans from banks:		
Due 2009 to 2010 with interest ranging from 1.09% to 1.33%	—	¥60,632,052
Due 2010 to 2011 with interest ranging from 1.06% to 2.07%	¥96,831,518	—
Unsecured 1.52% bonds, due 2010	10,000,000	10,000,000
Total	¥106,831,518	¥70,632,052

Long-term debts comprise of the following:

	(Yen in thousands)	
	<u>As of February 28, 2010</u>	<u>As of August 31, 2009</u>
Secured loans, representing obligations to banks:		
Due 2010 to 2012 with interest ranging from 1.18% to 2.31%	—	¥55,547,983
Due 2011 to 2012 with interest ranging from 1.17% to 2.41%	¥12,863,528	—
Unsecured 1.96% bonds, due 2012	17,000,000	17,000,000
Total	¥29,863,528	¥72,547,983

The annual maturities of long-term debt as of February 28, 2010 were as follows:

	(Yen in thousands)
Due after 1 to 2 years	¥4,594,117
Due after 2 to 3 years	25,269,411
Total	<u>¥29,863,528</u>

#### Note 5. Credit Facility

##### Uncommitted basis

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

As of February 28, 2010, no funds were raised based on this credit facility agreement.

#### Note 6. Unitholders' Equity

NCI maintains at least 50 million yen as the minimum net assets as required by the Investment Trust Law of Japan.

#### Note 7. Operating revenues and expenses

Operating revenues and expenses related to property leasing for the 8th period ended February 28, 2010 and the 7th period ended August 31, 2009 were as follows:

	(Yen in thousands)	
	<u>8th Period</u>	<u>7th Period</u>
Revenues from property leasing:		
Rental:		
Rental revenues	¥5,743,167	¥5,974,971
Common area charges	964,750	1,006,598
Parking lots	252,521	261,665
Facility charges	68,399	74,034
Others	<u>615,881</u>	<u>649,896</u>
Subtotal	7,644,718	7,967,164

Other revenues related to property leasing:		
Incidental income	2,650	6,387
Miscellaneous income	<u>169,585</u>	<u>259,058</u>
Subtotal	<u>172,235</u>	<u>265,445</u>
Total revenues from property leasing	<u>7,816,953</u>	<u>8,232,609</u>
Rental expenses:		
Assets and property management fees	657,337	689,830
Repairs and maintenance	115,064	143,018
Real estate taxes	750,037	557,704
Insurance	14,466	14,491
Other operating expenses	859,931	930,199
Real estate depreciation	<u>1,012,088</u>	<u>1,011,273</u>
Total rental expenses	<u>3,408,923</u>	<u>3,346,515</u>
Operating income from property leasing activities	<u>¥ 4,408,030</u>	<u>¥ 4,886,094</u>

## Note 8. Per Unit Information

Net assets per unit as of February 28, 2010 and August 31, 2009 were ¥455,008 and ¥461,819, respectively.

## Note 9. Cash and Cash equivalents

Cash and cash equivalents, as of February 28, 2010 and August 31, 2009 consisted of the follows:

	(Yen in thousands)	
	<u>As of February 28, 2010</u>	<u>As of August 31, 2009</u>
Cash and deposits (including trust accounts)	¥ 19,779,032	¥ 20,398,960
Cash and cash equivalents	¥ 19,779,032	¥ 20,398,960

## Note10. Income Taxes

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

	(Yen in thousands)	
	<u>As of February 28, 2010</u>	<u>As of August 31, 2009</u>
Deferred tax assets:		
Accrued business office taxes	¥1,347	¥1,320
Accrued enterprise taxes	130	—
Amount equivalent to accrued property taxes	3,115	—
Amount equivalent to accrued real estate acquisition taxes	—	1,915
Deposits received	5,034	5,034
Unrealized losses on hedging derivatives	75,802	99,649
Other	1,959	2,072
Total deferred tax assets	87,387	109,990
Net deferred tax assets	¥ 87,387	¥ 109,990

The effective tax rates on NCI's income as well as the applicable statutory tax rates are reflected as follows:

	Rate	
	8th Period	7th Period
Japanese statutory income tax rate	39.33%	39.33%
Adjustments:		
Cash distributions	△39.22%	△39.10%
Other	0.18%	0.03%
Effective income tax rate	0.29%	0.26%

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 this 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 also intends to make regular distributions to unitholders with respect to its fiscal periods, at the end of February and August of each year.

## Note 11. Transactions with Related Parties

(8th 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 custodian company	The Sumitomo Trust and Banking Co., Ltd.	Chiyoda-ku, Tokyo	Trust and banking	—	Trustee of Trust beneficial interests in real estate trust	6,300	—	—
					Borrowing of short-term loans	7,658,116	Short-term loans	3,629,078
					Repayment of short-term loans	4,029,038		
					Repayment of current portion of long-term loans	4,031,276	Current portion of long-term loans	3,675,294
					Repayment of long-term loans	44,498	Long-term loans	918,823
					Interest expenses	93,470	Accrued expenses	29,711

(Note 1) Consumption taxes are not included in transaction amounts and are included in the balance outstanding at the end of the period.

(Note 2) The transaction terms and conditions are determined based on actual market conditions.

(7th 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 custodian company	The Sumitomo Trust and Banking Co., Ltd.	Chiyoda-ku, Tokyo	Trust and banking	—	Trustee of Trust beneficial interests in real estate trust	6,300	—	—
					Repayment of current portion of long-term loans	57,156	Current portion of long-term loans	3,853,285
					Repayment of long-term loans	71,445	Long-term loans	4,816,606
					Interest expenses	77,924	Accrued expenses	39,127

(Note 1) Consumption taxes are not included in transaction amounts and are included in the outstanding balances at the period-end.

(Note 2) The transaction terms and conditions are determined based on actual market conditions.

## Note 12. Significant Subsequent Events

### a) Cash distribution

As of April 14, 2010, the Board of Directors of NCI resolved to effect payment of a cash distribution of ¥1,876 per unit aggregating ¥482,882 thousand to unitholders of record on February 28, 2010.

## b) Borrowings of Funds

NCI decided on March 25, 2010 to borrow funds as follows to fund the repayment of funds in connection with the principal repayment of the existing loans payable becoming due. NCI executed on March 29, 2010.

### Term Loan 36 (term: 3 months)

Lenders:	Sumitomo Mitsui Banking Corporation The Norinchukin Bank Shinsei Bank, Limited The Chuo Mitsui Trust and Banking Company, Limited Mizuho Corporate Bank, Ltd. Aozora Bank, Ltd. The Sumitomo Trust and Banking Co., Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Resona Bank, Ltd.
Loan amount:	50,300,001 thousand yen
Interest rate:	JBA 1-month yen TIBOR + 1.80% The rate applicable for the period between March 29, 2010 (inclusive) and April 29, 2010 (inclusive) is 2.05545% (Note).
Drawdown date:	March 29, 2010
Repayment date:	June 29, 2010
Principal repayment method:	Lump-sum repayment on the principal repayment date
Collateral/Guarantee:	Secured/Non-guaranteed
(Note) The rate applicable for the most recent period is shown.	

NCI decided on April 6, 2010 to borrow funds as follows to fund the redemption of investment corporation bonds, the redemption of which was due on April 13, 2010. NCI executed on April 8, 2010.

### Term Loan 37 (term: about 2 years and 5 months)

Lender:	The Sumitomo Trust and Banking Co., Ltd. (Real Estate Market Stabilization Fund Account)
Loan amount:	8,000,000 thousand yen
Interest rate:	JBA 3-month yen TIBOR + 3.96984% (Note 1) (The rate applicable for the period between April 8, 2010 (inclusive) and June 15, 2010 (inclusive) is the rate reasonably determined by the lending financial institution + 3.96984%.) The rate applicable for the period between April 8, 2010 (inclusive) and June 15, 2010 (inclusive) is 4.31645% (Note 2).
Drawdown date:	April 8, 2010
Final principal repayment date:	September 18, 2012
Principal repayment method:	The first repayment shall be due on June 15, 2010 and subsequent repayments shall be due on the 15th day of every March, June, September and December thereafter (or the next business day when the repayment date is not a business day) in the amount of 20,000 thousand yen each, and lump-sum repayment of the remaining amount shall be due on the final principal repayment date.
Collateral/Guarantee:	Secured/Non-guaranteed
(Note 1) The initial spread is 3.96984% (p.a.). The spread applicable to the interest payment that first becomes due on or after April 8, 2011 and subsequent interest payments is set for periods of 3 months at 0.05% over the spread of the interest calculation period immediately preceding the concerned 3-month period.	
(Note 2) The rate applicable for the most recent period is shown.	

### c) Repayment of Funds

NCI completed the repayment of the following existing loan payable, the principal repayment of which was due on March 29, 2010, with the loan payable noted in “b) Borrowing of Funds; Term Loan 36” above and cash reserves.

Term Loan 35 (term: 3 months)

Lenders:	Sumitomo Mitsui Banking Corporation The Norinchukin Bank Shinsei Bank, Limited The Chuo Mitsui Trust and Banking Company, Limited Mizuho Corporate Bank, Ltd. Aozora Bank, Ltd. The Sumitomo Trust and Banking Co., Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Resona Bank, Ltd.
Repayment amount:	50,373,056 thousand yen (Note)
Repayment date:	March 29, 2010
Principal repayment method:	Lump-sum repayment on the principal repayment date

(Note) NCI has partially repaid 2,440 million yen of the initial 52,813 million yen loan amount on February 18, 2010, prior to the principal repayment date.

### d) Partial Retirement by Purchase of Investment Corporation Bonds

NCI decided on March 17, 2010 to implement a retirement by purchase of some of its investment corporation bonds as follows. NCI completed the retirement by purchase on March 23, 2010.

Details of the Investment Corporation Bonds Retired by Purchase

Name:	Nippon Commercial Investment Corporation First Series Unsecured Investment Corporation Bonds (Ranking <i>pari passu</i> among the investment corporation bonds; Private placement to less than 50 investors with restrictions on splits and on resale to non-qualified institutional investors)
Total amount of the investment corporation bonds:	10,000,000 thousand yen
Interest rate:	1.52000%
Maturity:	April 13, 2010
Amount of the retirement by purchase:	1,900,000 thousand yen
Date of the retirement by purchase:	March 23, 2010
Funds for the retirement by purchase:	Retirement funded by cash reserves
Estimated amount of decrease in interest expenses on investment corporation bonds from the retirement by purchase:	1,701 thousand yen

### e) Redemption of Investment Corporation Bonds

NCI completed the redemption of the following investment corporation bonds, the redemption of which was due on April 13, 2010, with the loan payable noted in “b). Borrowing of Funds; Term Loan 37” above and cash reserves.

Name:	Nippon Commercial Investment Corporation First Series Unsecured Investment Corporation Bonds
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(Ranking *pari passu* among the investment corporation bonds; Private placement to less than 50 investors with restrictions on splits and on resale to non-qualified institutional investors)

Redemption amount: 8,100,000 thousand yen (Note)

Maturity: April 13, 2010

(Note) The initial issue amount is 10,000 million yen. As outlined in “d). Partial Retirement by Purchase of Investment Corporation Bonds” above, NCI implemented a retirement by purchase of some of this amount (1,900 million yen) on March 23, 2010.