

New City Residence Investment Corporation

Fourth Fiscal Period Results
(September 1, 2006 — February 28, 2007)

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April 24, 2007

FINANCIAL REPORT FOR THE FOURTH FISCAL PERIOD
(September 1, 2006 — February 28, 2007)

New City Residence Investment Corporation is listed on the Tokyo Stock Exchange with the securities code number 8965.

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Board of Directors meeting for approval of financial results: April 24, 2007
Planned start of dividend payments: May 18, 2007

This financial report has been prepared in accordance with Japanese accounting standards and Japanese law. Figures have been rounded down to eliminate amounts of less than one million yen.

PERFORMANCE FOR THE FOURTH FISCAL PERIOD

(1) Business Results

	(Millions of yen; %)							
	Operating Revenues	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change	Net Income	Percentage Change
Fourth Fiscal Period	¥5,678	35.2%	¥3,151	51.8%	¥2,442	49.4%	¥2,437	49.5%
Third Fiscal Period	¥4,201	25.6%	¥2,075	19.3%	¥1,635	13.9%	¥1,630	13.8%

	(Yen; %)					
	Net Income per Unit	Return on Unitholders' Equity (ROE)	(Reference) Annualized	Ordinary Income to Total Assets	(Reference) Annualized	Ordinary Income to Operating Revenues
Fourth Fiscal Period	¥16,804	3.1%	6.3%	1.4%	2.9%	43.0%
Third Fiscal Period	¥13,301	2.4%	4.9%	1.1%	2.2%	38.9%

Notes:

- Fourth Fiscal Period: September 1, 2006 – February 28, 2007
Third Fiscal Period: March 1, 2006 – August 31, 2006
- Net income per unit was calculated using the following average number of investment units outstanding (weighted average).
Average number of investment units for the Fourth Fiscal Period: 145,062 units
Average number of investment units for the Third Fiscal Period: 122,612 units
- Changes in accounting policies: No
- Percentage changes are compared to the previous period for operating revenues, operating income, ordinary income and net income. Figures are rounded to the second decimal point.
- Annualized percentage figures for the Fourth Fiscal Period = Percentage figures for the fiscal period under review / number of days in the actual period of investment management (181 days) × 365 days
Annualized percentage figures for the Third Fiscal Period = Percentage figures for the fiscal period under review / number of days in the actual period of investment management (184 days) × 365 days
- Total asset and unitholders' equity figures used in return on unitholders' equity and ordinary income to total assets were calculated using the averages of these amounts at the beginning of the fiscal period and the end of the fiscal period.

(2) Distributions

(Millions of yen; Yen; %)

	Distribution per Unit (Yen) Excluding excess of earnings	Total Distributions (Millions of yen)	Distribution in Excess of Earnings per Unit (Yen)	Total Distributions in Excess of Earnings (Millions of yen)	Payout Ratio (%)	Distribution Ratio to Unitholders' Equity (%)
Fourth Fiscal Period	¥14,858	¥2,437	–	–	99.9%	2.8%
Third Fiscal Period	¥13,302	¥1,630	–	–	100.0%	2.4%

Note: The payout ratio is rounded down to the nearest first decimal place.

(3) Financial Position

(Millions of yen; Yen; %)

	Total Assets (Millions of yen)	Unitholders' Equity (Millions of yen)	Unitholders' Equity to Total Assets (%)	Unitholders' Equity per Unit (Yen)
Fourth Fiscal Period	¥181,509	¥88,242	48.6%	¥537,843
Third Fiscal Period	¥164,094	¥66,756	40.7%	¥544,451

Note:

The number of investment units outstanding as of February 28, 2007 totaled 164,068 units.

The number of investment units outstanding as of August 31, 2006 totaled 122,612 units.

FORECAST OF RESULTS FOR THE FIFTH FISCAL PERIOD

(Millions of yen; Yen)

	Operating Revenues (Millions of yen)	Ordinary Income (Millions of yen)	Net Income (Millions of yen)	Distribution per Unit (Yen) Excluding excess of earnings	Distribution in Excess of Earnings per Unit (Yen)
Fifth Fiscal Period	¥5,690	¥2,135	¥2,133	¥13,000	–

Reference:

Weighted average number of investment units for the Fifth Fiscal Period: 164,068 units

Notes:

1. Fifth Fiscal Period: March 1, 2007 – August 31, 2007
2. Forecasts presented above are based on “Assumptions for Operating Forecasts for the Fifth Fiscal Period (from March 1, 2007 to August 31, 2007)” identified in a separate reference. (*omitted in English version). Forecasts for operating revenues, ordinary income, net income, distribution per unit and distribution in excess of earnings per unit may differ significantly from actual results due to changes in operating conditions and a variety of factors including the acquisition and sales of investment properties and changes in real estate markets. Accordingly, New City Residence Investment Corporation does not guarantee any distribution amount.

1. Management Policy and Conditions

(1) Management Policy

The basic policy of New City Residence Investment Corporation (NCRI) is to manage investment assets from a medium- to long-term perspective to secure steady growth and stable revenues (Article 27 of the Articles of Incorporation of NCRI (hereafter, AIC)).

NCRI shall invest in real estate related assets comprising of or backed by real estate that is used entirely or partially for residential purposes (as defined in AIC Article 29). In addition, NCRI's investment region is centered on the Tokyo metropolitan area (refers to the Tokyo, Kanagawa, Chiba and Saitama Prefectures) and also areas that allow a balanced geographically diversified portfolio.

The asset management company of NCRI, CBRE Residential Management K.K. (hereafter, Asset Management Company), shall establish management guidelines in correlation with the management policy applied to investment assets of NCRI and designate these as the management policy for NCRI's assets under management. These Management Guidelines shall function as the internal rules of the Asset Management Company and consider the basic investment policy for investment assets designated in the AIC while also being based on the AIC and the Asset Management Agreement between the Asset Management Company and NCRI. These Management Guidelines shall be established in a manner that the Asset Management Company judged to be best after considering economic conditions, capital market trends, interest rate trends, the market environment surrounding real estate, development in the local economy, population shifts and changes in household composition, lifestyle changes and residential preferences, changes in the regulatory environment and other factors. Therefore, these Management Guidelines shall be dynamically and flexibly amended at the discretion of the Asset Management Company in an effort to ensure the most effective implementation of the basic investment policy of NCRI designated in the AIC and such amendments shall be made in correlation with changes in the various economic and real estate environments listed above.

(2) Operating Conditions

NCRI was established on September 27, 2004 based on the Investment Trust and Investment Corporation Law (Law No. 198 in 1951 and including amendments thereafter; hereafter, ITL). Later on December 15, 2004, 72,800 new investment units were offered through a public offering as NCRI listed on the Real Estate Investment Trust section of the Tokyo Stock Exchange (TSE) Securities Code: 8965. NCRI also added new investment units with a third party allotment of 1,456 units on January 12, 2005; a public offering of 46,600 units on September 13, 2005; and, a third party allotment of 1,456 units on October 12, 2005. NCRI issued 40,000 new investment units this fiscal period on November 22, 2006 through a public offering and also 1,456 new investment units on December 20, 2006 through a third party allotment. Consequently, NCRI has 164,068 investment units outstanding as of the end of this fiscal period and a total unitholders' equity of 85,791 million yen. NCRI aims to improve the management efficiency by entrusting the management of assets to the Asset Management Company and dedicating itself to the management of residential assets, while also aiming to lower risk by diversifying the geographical areas subject to investment, the tenants and the housing types. These steps are taken to conduct the management of investment assets from a medium- to long-term perspective to secure steady growth and stable revenues based on the basic policy designated in the AIC.

① Conditions during This Fiscal Period

(A) Management Environment

The following is the general management environment surrounding NCRI.

a. Rental Housing Market

The manner of owning and using real estate among individuals and companies is changing in the rental housing market. There continues to be solid demand for top tier rental housing among individuals due to their diversifying lifestyles and work format, and among companies because of the shift to renting instead of owning corporate housing, which is being encouraged by the introduction by NCRI of rent subsidies to companies who rent corporate housing. The rise in the price of land suitable for development has also caused the prices of houses and condominiums for sale to climb and the price advantage of rents for rental housing is beginning to comparatively stand out. We anticipate that the demand for rental properties will continue to perform strongly.

As for supply, central Tokyo, as well as major metropolitan areas such as Tokyo, Osaka and Nagoya, have seen a remarkable rise in land acquisition prices in recent years and have a

significant scarcity of land appropriate for development. In these areas the sale of new for-sale condominiums continues to do well despite rising prices and there is presently a slowing of supply in good quality rental housing. NCRI believes that the supply remains inadequate for the strong demand. On the other hand, in the core regional cities, there again is a shift in the individual and corporate sectors from ownership to rental and also new supply of rental housing. This has generated new demand for rental housing, but NCRI believes that the supply of top tier rental housing with high grade buildings remains inadequate.

b. Investment Market for residential housing

The recovery in land prices is becoming conspicuous centering on central Tokyo and major metropolitan areas in correlation with improvements in corporate earnings and personal consumption. This has invigorated investment in Japanese revenue-generating real estate among Japanese and foreign investors. Among this, investment in rental housing that is anticipated to have a strong demand base in the future also continues to increase. The competition to acquire rental housing in excellent locations and with high standards is intensifying.

(B) Operating conditions as of the end of the fourth fiscal period

a. Growth of Portfolio in Fourth Fiscal Period

(i) Acquisition of Additional Properties and the Sale of Owned Properties

NCRI began the fourth fiscal period with 93 properties (150.4 billion yen on an acquisition price base, 5,409 leasable units) under asset management. Following this, NCRI made additional investments and sale of investment asset in carefully selected assets, towards its goal of securing steady growth and stable revenues for the medium- to long-term in accordance with our basic policy. NCRI aggressively acquired large properties in central Tokyo this fiscal period and raised its average asset size to about 1.8 billion yen (or about 1.5 times its IPO level) and in this manner sought to further stabilize the portfolio. NCRI also sold three properties during this period that not only generated 944 million yen in capital gains but also lowered the age of our portfolio. As a result, the assets owned as of the end of this fiscal period total 94 properties worth 167 billion yen, meaning that NCRI has grown about 2.7 times compared to its IPO.

The following uses tables to summarize the NCRI assets under management acquired and sold during this fiscal period.

	Properties Acquired During the Concerned Month (No. of Properties / Total Acquisition Price) (Note 1)	Properties Sold During the Concerned Month (No. of Properties / Total Sale Price) (Note 2)	Total at End of Month (based on acquired properties) (Note 2)	Total Leasable Units (based on acquired properties) (Note 3)
Sep. 2006	-	-	93 properties 150.4 billion yen	5,409 units
Oct. 2006	-	3 properties 8.7 billion yen	90 properties 142.8 billion yen	5,314 units
Nov. 2006	-	-	90 properties 142.8 billion yen	5,314 units
Dec. 2006	4 properties 24.3 billion yen	-	94 properties 167.0 billion yen	5,779 units
Jan. 2007	-	-	94 properties 167.0 billion yen	5,779 units
Feb. 2007	-	-	94 properties 167.0 billion yen	5,779 units

(Note 1) "Properties Acquired During the Concerned Month" refers to properties acquired during the month under review by NCRI and the properties acquired through trust beneficiary interests in real estate.

(Note 2) "Properties Sold During the Concerned Month" refers to properties sold during the month under review by NCRI and the properties sold through trust beneficiary interests in real estate.

(Note 3) "Total at End of Month" represents the total number of properties owned by the NCRI at the end of the month under review and the underlying assets for trust beneficiary interests for the same period. The total also includes the acquisition price for the real estate and trust beneficiary interests mentioned here.

(Note 4) "Total Leasable Units" represents the total leasable units in real estate which NCRI already owns and

real estate for which the 4 trust beneficiary held interests at the end of the month under review.

(ii) Avoiding the Leasing Up Risk

NCRI continues to devote its efforts to acquiring young properties. There is generally the risk with young properties that tenants cannot be secured (leasing up risk) because they have only recently commenced operations. To avoid this risk, NCRI concludes sales and purchase agreements with termination clauses when necessary with some young properties. This clause says that NCRI will not acquire the said property until it has reached a certain occupancy level (gross leased floor space of leased units for which lease contracts have been concluded of the gross leasable floor space, hereafter; occupancy). In fact, two of the properties acquired by NCRI this fiscal period have sales and purchase agreements with termination terms. The acquisition terms for these two properties include the requirement that occupancy be at least 50%. In addition, the new large Catherina Mita Towersuite (New City Residence) acquired during this fiscal period was acquired after it was confirmed that there were 150 prospective rental agreements for the property (about 56.8% of the portion acquired by NCRI in this property). In this manner, NCRI takes steps to acquire new properties at a steady occupancy stage so that the profitability of the portfolio is not lowered when acquiring new or young properties.

(iii) Improvement of occupancy

The average occupancy as of the end of the fourth fiscal period for the portfolio is 94.2% on an area base. Even the development properties acquired during the fiscal period that had low occupancy levels have been leased up quickly. New City Residence Shinagawa Seaside Tower (acquisition price of 9,350 million yen and 208 leasable units), which was acquired in June 2006 of the previous fiscal period, had only an occupancy of 34.6% at the end of June. Five months later the occupancy reached 82.7% (end of November 2006) and is now as of the end of this fiscal period at the end of February 2007 basically fully occupied at 95.7%.

A comparison with the portfolio held at the end of the last fiscal period at the end of August 2006 (90 properties excluding the three properties sold this fiscal period) shows that the average occupancy for the concerned 90 properties has risen slightly more than four percentage points, from 92.2% (as of end of the third fiscal period) to 96.3% (as of the end of the fourth fiscal period).

b. Capital Procurement Conditions

NCRI focused on further stabilizing financial affairs this fiscal period after analyzing the market environment and financial trends. NCRI raised the objectives of lowering the debt ratio, realizing smooth refinancing, increasingly lengthening the period over which capital is procured and converting to fixed interest rates.

Concerning results in this fiscal period, NCRI issued investment units through a public offering and third party allotment in November 2006 to allocate funds to the repayment of short-term borrowings, acquisition of specified assets (the meaning as stipulated in Article 2-1 of the ITL; hereafter, the same) and other purposes. As a result, NCRI had 164,068 investment units outstanding and 85.7 billion yen in total unitholders' equity as of the end of this fiscal period. NCRI also took out large short- and long-term borrowings reaching an amount of 43.0 billion yen in total under the objective of applying those funds to obtaining specified assets and refinancing long-term borrowings that are nearly maturing. Upon refinancing, the borrowing period was extended longer than the subject borrowings and thereby the maturities diversified. Furthermore, for 23.0 billion yen of the long-term borrowings, the interest rates were converted to fixed interest rates via interest rate swaps.

As a result, NCRI's outstanding interest-bearing debt as of the end of this fiscal period was 90.3 billion yen (of which, 37.5 billion yen is in short-term borrowings (including 12.2 billion yen in long-term borrowings scheduled for repayment within a year), 38.8 billion yen in long-term borrowings and 14 billion yen in investment corporation bonds). As a result, the ratio of interest bearing liabilities to total unitholders' equity at the end of the period was 49.7%, the ratio of long-term interest bearing debt was 58.5% and the ratio of long-term fixed interest debt (ratio of fixed interest-bearing debt to total interest-bearing debt) was 52.3%.

Furthermore, NCRI submitted a shelf registration statement for investment corporation bonds in November 2006 to enable dynamic and flexible capital raising and arranged for the following issuing limits.

Overview of Shelf Registration Statement

Planned issuance amount	100 billion yen or less
Planned issuance period	Between December 8, 2006 and December 7, 2008
Usage of capital	Funds to acquire specified assets, funds to repay borrowings, funds to redeem investment corporation bonds, funds to refund deposits and guarantees, funds to pay for maintenance and repairs, working capital, etc.

Further, the status of the rating of NCRI as of the end of this fiscal period was as follows.

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

(Note1) The issuer rating of Moody's Investors Service, Inc. is Moody's opinion on the ability of an issuer to honor its senior unsecured financial obligations and contracts. The outlook is Moody's opinion on the direction of the rating in the medium-term and is expressed as Positive, Negative, Stable, etc.

(Note2) The issuer rating of the Rating & Information Inc., (R&I) is R&I's opinion on the general debt repayment ability for financial debt the issuer has. The rating is an opinion on the medium-term direction of the issuer rating and is expressed as Positive, Negative, Stable, etc.

c. Overview of Performance and Distribution

As a result of the above management, NCRI posted the following performance in the fourth fiscal period: 5,678 million yen in operating revenues, 3,151 million yen in operating income, 2,442 million yen in ordinary income and 2,437 million yen in net income.

As for distributions, as a result of the application of Article 67-15 of the Special Taxation Measures Law (Law No. 26 in 1957, including revisions thereafter), NCRI is distributing the entire unappropriated income, excluding fractions below one yen, as distributions per unit with the intent of recording profit distributions as losses. Consequently, the distribution per unit has been set at 14,858 yen.

② Forecast for Next Fiscal Period

(A) Management Policy and Issues

The Ministry of Land, Infrastructure and Transport announced official land prices as of January 1, 2007 and found that the national average land price (for all uses) had risen for the first time in 16 years. In particular, the rise in land prices was conspicuous in the three major metropolitan areas of Tokyo, Osaka and Nagoya where demand for condominiums and offices was particularly strong. Additionally, prices recovered in core regional cities like Sendai and Fukuoka and revealed that the prolonged land deflation that had continued since the collapse of the bubble economy had finally ended. In correlation with this, the deal prices for land suitable for development has climbed in central Tokyo, the major metropolitan areas centered on Tokyo, Osaka and Nagoya and in core regional cities. This combined with the voracious investment demand resulting from the inflow of overseas capital in line with globalization have intensified the competition to acquire top tier rental housing and the supply demand situation is very tight.

NCRI also has positioned the "close, new and large" properties it has acquired to date in Tokyo, Osaka and other major metropolitan areas as core properties within the portfolio. These top tier properties have experienced rising rent levels with the changing of tenants as a result of the strong rental demand and we expect this trend to become even more conspicuous. In addition to this raising of rent rates, NCRI will work to reduce management costs within asset management and to maintain and improve the management level so that sustainable internal growth of earnings can be attained.

On the other hand, the lifting of the zero interest policy by the Bank of Japan means a new phase of rising interest rates must be dealt with concerning financing. In addition to reinforcing financing by increasing capital procured at fixed interest rates and extending loan lengths, there is a greater need to enhance the portfolio and establish a strategy for efficient management.

(B) Forecasts for Operating Conditions

- a. NCRI anticipates the following operating conditions in the fifth period (March 1, 2007 – August 31, 2007): Operating revenues 5,690 million yen, ordinary income 2,135 million yen, net income 2,133 million yen and distributions per unit 13,000 yen. Further, please see Assumptions for Operating Forecasts for the Fifth Fiscal Period on page 11 for the assumptions to this forecast.

(Note) The above forecasts were calculated as of today based on certain assumptions and the actual operating revenues, ordinary income, net income and distribution per unit may change as a result of the future acquisition or sale of real estate, fluctuations in the real estate market, etc., other changes in the conditions surrounding NCRI. These forecasts also do no guarantee the amount of distributions.

b. Material facts that developed after the accounts settlement

(i) Conclusion of Asset Transfer Agreement

NCRI has decided and announced the sale of the asset entered below (hereafter, asset scheduled for sale) to enhance the portfolio over the medium to long term and to enhance management efficiency. This decision was reached after deciding the transfer time, price, etc. were appropriate after comprehensively considering the trends in the real estate sale and purchase market, forecasts for developments in the surrounding area, profitability forecasts, the conditions of individual properties and the overall composition of the portfolio.

Property No.	Property Name	Sale Price (Millions of yen)	Sale Date (planned)
C-21	NCR Jinbocho	¥3,275	June 29, 2007

(ii) Issuance of Investment Corporation Bonds

NCRI issued investment corporation bonds as follows for the purpose of repaying borrowings based on a decision for issuance of investment corporation bonds and submission of issuance registration by the board of officers at a meeting held on November 30, 2006 and the payments for these bonds were completed on April 12, 2007.

Name	Issue Date	Issue Amount (Millions of yen)	Interest	Redemption Date	Redemption Method	Remarks
Second Series of Unsecured Bonds	April 12, 2007	¥12,000	1.79%	April 12, 2012	Repayment in full on maturity	(Note)
Third Series of Unsecured Bonds	April 12, 2007	¥5,000	2.15%	April 11, 2014	Repayment in full on maturity	(Note)

(Note) Raking *pari passu* among the investment corporation bonds.

(iii) Repayment of Borrowings

NCRI repaid the following borrowings after the end of the fourth fiscal period prior to the repayment deadline.

Lender	Repayment Amount (Millions of yen)	Debt Financing Method	Repayment Date
Sumitomo Mitsui Banking Co.	¥4,300.39	Unsecured • Unguaranteed	April 17, 2007
The Chuo Mitsui Trust and Banking Co., Ltd.	¥2,150.25		
Shinsei Bank, Ltd.	¥2,150.20		
Aozora Bank, Ltd.	¥1,411.06		
The Bank of Fukuoka, Ltd.	¥1,343.87		
North Pacific Bank, Ltd.	¥1,343.87		
The Sumitomo Trust & Banking, Co., Ltd.	¥940.71		
Resona Bank, Ltd.	¥671.93		
Hyakugo Bank, Ltd.	¥671.93		

Mitsui Sumitomo Insurance Co., Ltd.	¥671.93		
The Yamaguchi Bank, Ltd.	¥671.93		
The Chiba Bank, Ltd.	¥671.93		
Total	¥17,000		

Assumptions for Operating Forecasts for the Fifth Fiscal Period (March 1, 2007 – August 31, 2007)

Item	Assumptions
Fiscal Period	<ul style="list-style-type: none"> Fifth Fiscal Period: March 1, 2007 – August 31, 2007 (184 days)
Assets under management	<ul style="list-style-type: none"> The assumption for the assets under management in the fifth fiscal period is 100 properties. This is comprised of 94 properties owned as of February 28, 2007 and is arrived at by adding New City Residence Sakae acquired on March 23, 2007, New City Residence Shinsaibashi East Tower and New City Residence Sannomiya, both acquired on March 27, 2007, as well as the following four properties scheduled to be acquired; New City Residence Kotodaikoen on April 26, 2007, New City Residence Morishita West (tentative name) on June 30, 2007, New City Residence Ichibancho (tentative name) on July 31, 2007 and New City Residence Omachi (tentative name) on August 15, 2007, and subtracting New City Residence Jinbocho which is scheduled for sale on June 29, 2007, from this total. (*) These forecasts are based on the premise that the properties will be acquired on the above indicated dates but the dates may change in agreement with the seller on a case-by-case basis.
Number of Investment Units Outstanding	<ul style="list-style-type: none"> Forecasts are based on the assumption that the 164,068 investment units outstanding as of February 28, 2007 will not change through to the end of the fifth fiscal period.
Interest-bearing Liabilities Ratio	<ul style="list-style-type: none"> The interest-bearing liabilities ratio as of February 28, 2007 is about 51%. Forecasts are based on the assumption that, after considering new borrowings, etc. for closing the transactions on properties to be acquired during the fifth fiscal period (including those already acquired to date), the interest-bearing liabilities ratio will increase to about 54% by the end of the fifth fiscal period. The following formula was used to calculate the interest-bearing liabilities ratio in this table. $\text{Ratio of interest-bearing liabilities} = \frac{\text{total interest-bearing liabilities}}{\text{total interest-bearing liabilities} + \text{total equity}} \times 100$
Operating Expenses	<ul style="list-style-type: none"> The depreciation and amortization has been calculated using the straight-line method including incidental costs and future additional capital expenditures. We expect depreciation and amortization to be 844 million yen in the fifth fiscal period.
Distribution per Unit	<ul style="list-style-type: none"> Distributions are calculated based on the assumption that 100% of earnings are distributed in accordance with the cash distribution policy stipulated in NCRI's AIC.
Distribution in Excess of Earnings per Unit	<ul style="list-style-type: none"> NCRI does not currently anticipate distributions in excess of earnings.

2. Financial Statements, etc.

(1) Financial Statements

1. Balance Sheets

Item	Fourth Fiscal Period (as of February 28, 2007)		Third Fiscal Period (as of August 31, 2006)		Change	
	Amount (thousand yen)	Ratio (%)	Amount (thousand yen)	Ratio (%)	Amount (thousand yen)	YoY (%)
Assets						
I. Current assets						
Cash and deposits		4,713,872		3,624,190	1,089,681	
Cash and deposits in trust		3,885,406		3,835,147	50,258	
Accounts receivable – trade		136,718		125,735	10,982	
Prepaid expenses		47,387		58,439	(11,051)	
Advances paid		700,000		1,218,000	(518,000)	
Consumption tax receivable		-		46,449	(46,449)	
Other current assets		24,134		17,456	6,677	
Allowance for doubtful accounts		(3,616)		(2,075)	(1,540)	
Total current assets		9,503,902	5.2	8,923,342	580,560	6.5
II. Non-current assets						
1. Property and equipment						
Buildings	10,896,689		8,100,235			
Accumulated depreciation	174,835	10,721,854	67,282	8,032,952	2,688,901	
Structures	87,157		56,072			
Accumulated depreciation	1,021	86,136	383	55,688	30,448	
Machinery and equipment	209,476		161,176			
Accumulated depreciation	4,545	204,931	1,696	159,480	45,451	
Tools, furniture and fixtures	357,431		264,293			
Accumulated depreciation	16,617	340,813	6,380	257,912	82,900	
Land		16,600,462		11,074,399	5,526,063	
Buildings held in trust	52,387,383		48,717,249			
Accumulated depreciation	1,988,547	50,398,835	1,519,113	47,198,135	3,200,700	
Structure held in trust	503,391		464,381			
Accumulated depreciation	12,828	490,563	9,581	454,800	35,762	
Machinery and equipment held in trust	615,229		582,216			
Accumulated depreciation	31,528	583,701	23,585	558,631	25,070	
Tools, furniture and fixtures held in trust	409,766		407,363			
Accumulated depreciation	50,518	359,247	34,948	372,414	(13,166)	
Land held in trust		90,926,678		85,836,151	5,090,526	
Property and equipment, net		170,713,224	94.1	154,000,564	16,712,659	10.9
2. Intangible assets						
Leasehold rights held in trust		913,996		913,996	-	
Other intangible assets		5,252		5,429	(177)	
Total intangible assets		919,248	0.5	919,425	(177)	(0.0)
3. Investments and other assets						
Guarantee deposits		10,274		10,274	-	
Long-term prepaid expenses		116,156		95,642	20,514	
Reserve for repairs and maintenance		181,632		65,435	116,197	
Derivative assets		28,871		31,348	(2,477)	
Total investments and other assets		336,934	0.2	202,701	134,233	66.2
Total non-current assets		171,969,407	94.8	155,122,691	16,846,715	10.9
III. Deferred assets						
Investment corporation bond issuance costs		36,604		48,806	(12,201)	
Total deferred assets		36,604	0.0	48,806	(12,201)	(25.0)
Total assets		181,509,914	100.0	164,094,839	17,415,074	10.6

Item	Fourth Fiscal Period (as of February 28, 2007)		Third Fiscal Period (as of August 31, 2006)		Change	
	Amount (thousand yen)	Ratio (%)	Amount (thousand yen)	Ratio (%)	Amount (thousand yen)	YoY (%)
Liabilities						
I. Current liabilities						
Accounts payable – trade	255,079		162,516		92,562	
Short-term borrowings	25,300,000		33,500,000		(8,200,000)	
Current portion of long-term borrowings	12,200,000		10,200,000		2,000,000	
Accounts payable – other	382,161		327,937		54,224	
Accrued expenses	155,213		120,506		34,706	
Accrued consumption tax	32,675		-		32,675	
Accrued income taxes	4,983		605		4,378	
Advances received	436,150		383,743		52,406	
Deferred tax liabilities	11,038		-		11,038	
Other current liabilities	13,381		48,678		(35,297)	
Total current liabilities	38,790,684	21.4	44,743,987	27.3	(5,953,303)	(13.3)
II. Non-current liabilities						
Investment corporation bonds	14,000,000		14,000,000		-	
Long-term borrowings	38,800,000		36,900,000		1,900,000	
Deferred tax liabilities	-		12,348		(12,348)	
Leasehold and security deposits	217,062		127,520		89,541	
Leasehold and security deposits held in trust	1,455,701		1,554,656		(98,954)	
Derivative liabilities	3,592		-		3,592	
Total non-current liabilities	54,476,356	30.0	52,594,525	32.0	1,881,830	3.6
Total liabilities	93,267,040	51.4	97,338,513	59.3	(4,071,472)	(4.2)
Unitholders' Equity						
I.						
1. Unitholders' capital	85,791,179		65,106,293		20,684,885	
2. Retained earnings						
Unappropriated retained earnings	2,437,788		1,631,032		806,755	
Total	88,228,967	48.6	66,737,326	40.7	21,491,641	32.2
II. Difference of Appraisals and Conversion						
1. Deferred hedge income	13,906		19,000		(5,093)	
Total	13,906	0.0	19,000	0.0	(5,093)	(26.8)
Total unitholders' equity	88,242,874	48.6	66,756,326	40.7	21,486,547	32.2
Total liabilities and total unitholders' equity	181,509,914	100.0	164,094,839	100.0	17,415,074	10.6

2. Statements of Income

Item	Fourth Fiscal Period From: September 1, 2006 To: February 28, 2007			Third Fiscal Period From: March 1, 2006 To: August 31, 2006			Change	
	Amount (thousand yen)		Ratio (%)	Amount (thousand yen)		Ratio (%)	Amount (thousand d yen)	YoY (%)
1. Operating revenues								
Real estate rental revenues	4,734,746			4,201,057				
Gain on sales of real estate properties	944,147	5,678,893	100.0	-	4,201,057	100.0	1,477,836	35.2
2. Operating expenses								
Real estate rental expenses	1,856,401			1,559,231				
Asset management fees	462,192			398,530				
Asset custodian fees	10,704			7,561				
General administration fees	27,212			22,939				
Directors' salaries	4,200			4,200				
Other operating expenses	166,782	2,527,493	44.5	132,940	2,125,403	50.6	402,090	18.9
Operating income		3,151,400	55.5		2,075,654	49.4	1,075,746	51.8
3. Non-operating revenues								
Interest income	805			197				
Miscellaneous revenues	1,907	2,712	0.0	1,886	2,083	0.0	629	30.2
4. Non-operating expenses								
Interest expense	371,280			240,258				
Financing expenses	123,257			73,871				
Interest expense on investment corporation bonds	110,903			113,899				
New investment unit issuance costs	88,544			-				
Amortization of investment corporation bond issuance costs	12,201			12,201				
Other non-operating expenses	5,505	711,692	12.5	2,369	442,601	10.5	269,091	60.8
Ordinary income		2,442,420	43.0		1,635,136	38.9	807,283	49.4
Income before income taxes		2,442,420	43.0		1,635,136	38.9	807,283	49.4
Current income taxes	5,012			4,128				
Deferred income taxes	(333)	4,679	0.1	42	4,170	0.1	508	12.2
Net income		2,437,740	42.9		1,630,965	38.8	806,775	49.5
Retained earnings brought forward from previous period		47			67		(19)	(29.0)
Unappropriated retained earnings at end of period		2,437,788			1,631,032		806,755	49.5

3. Statements of Cash Flows

Item	Notes	Fourth Fiscal Period	Third Fiscal Period
		From: September 1, 2006 To: February 28, 2007	From: March 1, 2006 To: August 31, 2006
		Amount (thousand yen)	Amount (thousand yen)
I. Cash flows from operating activities			
Income before income taxes		2,442,420	1,635,136
Depreciation and amortization		737,301	651,652
Amortization of long-term prepaid expenses		39,552	35,503
Amortization of investment corporation bond issuance costs		12,201	12,201
Interest income		(805)	(197)
Interest expense		482,183	354,158
New investment unit issuance costs		88,544	-
Decrease (Increase) in accounts receivable – trade		(9,798)	(23,560)
Decrease (Increase) in consumption tax receivable		46,449	(15,323)
Increase (Decrease) in accounts payable – trade		92,562	(12,649)
Increase (Decrease) in accounts payable – other		61,057	111,527
Increase (Decrease) in accrued consumption tax		32,675	-
Increase (Decrease) in advances received		52,406	118,133
Decrease due to sales of property and equipment held in trust		7,706,296	-
Long-term prepaid expenses paid		(60,066)	-
Other		(86,059)	(27,891)
Subtotal		11,636,922	2,838,689
Interest received		805	190
Interest paid		(447,477)	(290,636)
Income taxes paid		(634)	(4,962)
Net cash provided by operating activities		11,189,615	2,543,281
II. Cash flows from investing activities			
Payments for purchases of property and equipment		(7,294,971)	(17,912,409)
Payments for purchases of property and equipment held in trust		(16,661,391)	(9,894,496)
Payments for advances paid		(700,000)	(1,218,000)
Payments for purchases of intangible assets		(245)	(2,308)
Payments for guarantee deposits		-	(100)
Proceeds from leasehold and security deposits		103,286	149,511
Payments for leasehold and security deposits		(3,692)	(3,276)
Payments for depositing deposits for leasehold and security deposits		(132,678)	(151,297)
Proceeds from withdrawal of deposits for leasehold and security deposits		16,380	3,278
Proceeds from leasehold and security deposits held in trust		277,060	264,210
Payments for leasehold and security deposits held in trust		(313,338)	(132,931)
Payments for depositing deposits held in trust for leasehold and security deposits held in trust		(283,119)	(288,485)
Proceeds from withdrawal of deposits held in trust for leasehold and security deposits held in trust		423,981	136,855
Payments for reserve for repairs and maintenance		(121,738)	(3,435)
Net cash used in investing activities		(24,690,468)	(29,052,885)
III. Cash flows from financing activities			
Proceeds from short-term borrowings		25,300,000	27,700,000
Repayments of short-term borrowings		(33,500,000)	-
Proceeds from long-term borrowings		17,700,000	-
Repayments of long-term borrowings		(13,800,000)	-
Proceeds from issuance of investment units		20,684,885	-
Payments for new investment unit issuance costs		(88,544)	-
Dividends paid		(1,630,984)	(1,433,579)
Net cash provided by financing activities		14,665,356	26,266,420
IV. Net increase (decrease) in cash and cash equivalents		1,164,504	(243,183)
V. Cash and cash equivalents at beginning of period		5,673,658	5,916,841
VI. Cash and cash equivalents at end of period		6,838,162	5,673,658

【Property Portfolio】

(As of February 28, 2007)

No.	Property Name (Note2)	Acquisition Price (millions of yen) (Note3)	Acquisition Date	No. of Leasable Units (units) (Note4)	Leasable Floor Space (㎡) (Note5)	Occupancy Rate (%) (Note6)
Tokyo Central Five Wards (Note1)						
C-1	NCR Minami Aoyama	3,783	Dec. 15, 2004	62	3,473.28	98.2
C-2	NCR Nishi Azabu Twin Tower	3,315	Dec. 17, 2004	60	3,296.44	95.5
C-3	NCR Nishi Azabu	3,143	Dec. 15, 2004	37	2,802.62	95.4
C-4	NCR Ochanomizu	2,300	Dec. 17, 2004	44	2,507.30	93.8
C-5	NCR Sangubashi	1,734	Dec. 15, 2004	26	1,898.47	92.5
C-6	NCR Shinjyuku Ichibankan	1,978	Dec. 15, 2004	105	2,235.58	98.1
C-7	NCR Shinjyuku Nibankan	889	Dec. 15, 2004	41	1,024.49	97.5
C-8	NCR Nihonbashi East	1,622	Dec. 15, 2004	62	1,940.94	96.5
C-9	NCR Nihonbashi West	1,480	Dec. 15, 2004	55	1,858.34	97.7
C-10	NCR Ginza Twin I	1,133	Dec. 15, 2004	40	1,444.52	98.4
C-11	NCR Ginza Twin II	968	Dec. 15, 2004	33	1,244.54	100.0
C-12	NCR Harajyuku	1,220	Dec. 17, 2004	21	1,225.26	100.0
C-13	NCR Mita	986	Dec. 15, 2004	30	1,128.80	100.0
C-14	NCR Yoyogi Uehara	765	Dec. 17, 2004	25	811.95	100.0
C-15	NCR Sendagaya	695	Dec. 17, 2004	21	803.03	95.8
C-16	NCR Shinjyuku 7 Chome	626	Dec. 17, 2004	23	957.6	90.9
C-17	NCR Ichigaya Sanaicho	577	Dec. 17, 2004	21	694.16	90.0
C-18	NCR Nihonbashi Ningyocho I	1,230	Feb. 25, 2005	32	1,747.90	96.8
C-19	NCR Nihonbashi Ningyocho II	1,290	Feb. 25, 2005	38	1,826.80	100.0
C-20	NCR Shin-Ochanomizu	1,160	Feb. 25, 2005	32	1,308.38	97.3
C-21	NCR Jinbocho	2,803	Jun. 10, 2005	65	3,201.83	92.9
C-22	NCR Nihonbashi Ningyocho III	1,662	Jun. 10, 2005	63	2,117.46	90.4
C-23	NCR Jinbocho II	1,470	Jul. 5, 2005	60	1,628.80	98.4
C-24	NCR Ginza East III	841	Jul. 5, 2005	41	972.51	95.3
C-25	NCR Shinjuku Gyoen I	3,140	Jul. 28, 2005	108	3,594.16	100.0
C-26	NCR Sasazuka	3,050	Jul. 28, 2005	90	3,701.70	98.8
C-27	NCR Takanawadai	1,180	Jul. 28, 2005	32	1,147.44	96.9
C-28	NCR Nihonbashi Ningyocho IV	842	Jul. 28, 2005	48	1,105.20	100.0
C-29	NCR Shinjuku Gyoen II	580	Jul. 28, 2005	27	668.79	100.0
C-30	NCR Ginza East IV	510	Jul. 28, 2005	20	681	95.0
C-31	NCR Takanawadai II	1,530	Sep. 21, 2005	40	1,567.84	92.8
C-32	NCR Minami Azabu	840	Sep. 21, 2005	24	882.67	86.4
C-33	NCR Minami Azabu East	1,260	Dec. 26, 2005	40	1,217.92	92.5
C-34	NCR Ginza	4,000	Apr. 27, 2006	96	3,494.42	99.1
C-35	NCR Nihonbashi Suitengu	3,332	Apr. 27, 2006	88	4,602.95	96.0
C-36	NCR Takanawa	10,995	Jan. 11, 2006	169	10,408.26	95.7
C-37	NCR Higashi Nihonbashi	4,930	Dec. 1, 2006	103	6,442.28	99.2
C-38	Catherina Mita Towersuite (NCR)	16,200	Dec. 22, 2006	264	17,553.76	65.4
Subtotal		90,059	-	2,186	99,219.39	91.1
Tokyo 23 Wards excluding Central Five Wards (Note1)						

M-2	NCR Todoroki	1,850	Dec. 15, 2004	22	2,863.78	94.9
M-3	NCR Honjo Azumabashi	1,122	Dec. 15, 2004	35	2,255.88	100.0
M-4	NCR Kitazawa	1,070	Dec. 17, 2004	15	1,220.16	80.0
M-5	NCR Meguro	1,050	Dec. 17, 2004	26	1,414.73	100.0
M-6	NCR Senzokukoen	921	Dec. 17, 2004	19	1,608.40	100.0
M-8	NCR Monzennakacho	524	Dec. 15, 2004	31	887.94	100.0
M-9	NCR Denenchofu	511	Dec. 17, 2004	17	1,066.08	100.0
M-10	NCR Negishi	356	Dec. 17, 2004	12	594.79	92.1
M-11	NCR Kamiikedai	238	Dec. 17, 2004	12	414.45	100.0
M-12	NCR Otsuka	1,290	Feb. 25, 2005	54	1,784.50	92.8
M-13	NCR Morishita	985	Feb. 25, 2005	38	1,383.90	100.0
M-14	NCR Wakabayashi Koen	970	Apr. 21, 2005	23	1,425.43	100.0
M-15	NCR Asakusabashi	870	Apr. 19, 2005	32	1,537.84	96.4
M-16	NCR Gakugeidaigaku	1,210	May. 31, 2005	38	1,602.88	92.1
M-17	NCR Jiyugaoka	1,470	Jul. 28, 2005	40	1,472.47	95.5
M-18	NCR Mejiro East	1,080	Jul. 29, 2005	29	1,658.90	100.0
M-19	NCR Iriya	675	Jul. 29, 2005	22	1,415.15	100.0
M-20	NCR Ikebukuro	3,227	Sep. 21, 2005	87	3,644.35	96.0
M-21	NCR Kaname-cho	1,360	Jan. 11, 2006	73	1,624.06	100.0
M-22	NCR Ueno Tower	2,990	Feb.1, 2006	102	4,197.66	97.0
M-23	NCR Shinagawa Seaside Tower	9,350	June. 30,2006	208	12,732.35	95.3
M-24	NCR Yakumo	1,160	Dec. 1, 2006	18	1,276.91	94.5
M-26	NCR Togoshiginza	1,960	Dec. 13, 2006	80	2,682.22	100.0
Subtotal		36,239	-	1,033	50,764.83	96.6
Greater Tokyo excluding Tokyo 23 Wards (Note1)						
G-1	NCR Yokohama East	6,753	Dec. 15, 2004	228	12,349.46	98.8
G-2	NCR Funabashi Honcho	1,083	Dec. 17, 2004	86	1,496.40	100.0
G-3	SH Motosumiyoshi	1,058	Dec. 15, 2004	57 (73) (Note8)	2,910.25	91.4
G-4	NCR Toyoda	1,053	Dec. 15, 2004	67	3,630.55	98.4
G-5	NCR Nishi Funabashi	997	Dec. 17, 2004	81	1,597.32	97.5
G-6	NCR Maihama	844	Dec. 17, 2004	61	1,287.72	94.9
G-7	NCR Ichikawamyoden	769	Dec. 17, 2004	58	1,218.00	100.0
G-8	NCR Kumegawa	715	Dec. 17, 2004	31	2,013.93	93.8
G-9	NCR Urayasu	653	Dec. 17, 2004	51	1,074.53	100.0
G-10	NCR Minamigyotoku I	648	Dec. 17, 2004	49	1,031.81	93.9
G-11	NCR Minamigyotoku II	447	Dec. 17, 2004	35	724.63	82.9
G-12	NCR Nogeyama	469	Dec. 17, 2004	30	744.9	100.0
G-13	NCR Minamirinkan	456	Dec. 17, 2004	29	1,489.44	96.5
G-14	NCR Shonan	445	Dec. 17, 2004	19	1,082.28	94.7
G-15	LM Fuchinobe Honcho	222	Dec. 17, 2004	15 (26) (Note8)	997.92	79.5

G-16	LM Higashi Oume Daisan	175	Dec. 17, 2004	33 (61) (Note8)	659.03	79.5
G-17	PT Ichikawa	620	Jul. 28, 2005	40	876.89	100.0
G-18	PT Shioyaki	310	Jul. 28, 2005	36	583.76	88.9
G-19	PT Horie	193	Jul. 28, 2005	22	374.33	85.6
Subtotal		17,910	-	1,028	36,143.15	96.0
Regional Cities (Note1)						
R-1	NCR Ohdori-koen	726	Dec. 17, 2004	40	2,996.24	74.7
R-2	Goshikiyama Heights	720	Dec. 15, 2004	33	2,253.34	100.0
R-3	NCR Nishikoen	379	Dec. 17, 2004	30	1,483.50	100.0
R-4	NCR Nishi Ohori	258	Dec. 17, 2004	17	1,013.22	100.0
R-5	NCR Kakogawa	274	Dec. 17, 2004	34	1,888.02	85.3
R-6	LM Maebashi Nishikatakai	202	Dec. 17, 2004	23 (40) (Note8)	1,284.45	96.0
R-7	Aprile Tarumi	1,710	Feb. 25, 2005	99	6,545.25	100.0
R-9	Crest Kusatsu	3,830	Jun. 28, 2005	540	13,452.80	100.0
R-10	NCR Honmachi East	1,740	Dec.1, 2005	117	3,471.39	93.1
R-11	NCR Shin-Umeda	1,640	Dec.1, 2005	108	3,279.36	92.3
R-12	NCR Shizuoka Takajo	770	Mar.30, 2006	45	1,731.52	93.3
R-13	NCR Abeno	5,400	Apr.27, 2006	153	10,832.11	97.4
R-14	NCR Otedori	382	Apr.27, 2006	31	860.48	84.3
R-16	NCR Nipponbashi Kouzu	4,780	Jun.30, 2006	262	9,334.47	97.5
Subtotal		22,811	-	1,532	60,426.15	96.1
Total		167,019	-	5,779	246,553.52	94.2

(Note 1) “Tokyo Central Five Wards” comprises Minato Ward, Shibuya Ward, Shinjuku Ward, Chiyoda Ward and Chuo Ward. The “Tokyo 23 Wards excluding Central Five Wards” comprises all 23 wards of Tokyo excluding the aforementioned five wards. The “Greater Tokyo excluding Tokyo 23 Wards” comprises Tokyo Prefecture excluding the 23 Wards of Tokyo, and Kanagawa, Chiba, and Saitama Prefectures. “Regional Cities” comprises all other areas excluding the aforementioned.

(Note 2) Under “Property Name,” “NCR” is the acronym for New City Residence, “LM” for Lions Mansion, “SH” for Sonnen Heim and “PT” for Park Terrace.

(Note 3) The Acquisition price column has the acquisition price of already acquired assets entered.

(Note 4) The No. of Leasable Apartments column indicates the leasable apartments of individual real estate and trust real estate as of August 31,

2006. The number of units included in the portfolio after the public offering is indicated for the compartmentalized ownership properties.

(Note 5) The Leasable Floor Space column indicates the area of the individual real estate and trust real estate acquired or scheduled to be acquired by NCRI that can be leased.

(Note 6) The Occupancy column indicates the ratio that the leased floor space of individual real estate and trust real estate comprises of their total leasable floor spaces and the data as of August, 2006.

(Note 7) The Percentage of Total Rental Revenue figures rounded to the first decimal place.

(Note 8) The No. of Leasable Apartments column for the following compartmentalized ownership buildings has the number of apartments included in acquired assets and planned acquisition assets entered with the number of apartments for the entire building entered in the parentheses. SH Motosumiyoshi, LM Fuchinobe Honcho, LM Higashi Oume Daisan and LM Maebashi Nishikatakai