NEW CITY RESIDENCE
New City Residence Investment Corporation

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For Immediate Release

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Notice Concerning Revisions to Distribution Forecasts for the Fiscal Period Ending August 31, 2008

New City Residence Investment Corporation ("NCRI") is revising its forecast for distribution in the fiscal period ended August 31, 2008 (March 1, 2008 – August 31, 2008) announced on April 22, 2008, in response to the filing of a petition for commencement of civil rehabilitation proceedings with the Tokyo District Court on October 9, 2008 based on a resolution adopted at the meeting of the Board of Directors held earlier that day.

1. Revisions to Distribution Forecasts for the Fiscal Period Ending August 31, 2008

	Distribution per unit	Distribution in excess of earnings per share
Previous Forecast (April 22, 2008)	10,050 yen	—
Forecast (October 10, 2008)	0 yen	—

Note : Expected number of issued and outstanding investment shares as of the end of the indicated period: 182,068 shares
Reference : Distribution per unit of the previous period: 14,954 yen

2. Reasons for Revision of Forecasted Management Situation

NCRI filed a petition for commencement of civil rehabilitation proceedings with the Tokyo District Court on October 9, 2008 based on a resolution adopted at the meeting of the Board of Directors held earlier that day. In response, after having held discussions today with its accounting auditor, NCRI has deemed it will need to record the following allowances and such in the Seventh Fiscal Period.

This English language notice is a translation of the Japanese language notice issued on the same day and was prepared solely for the convenience of, and reference by, overseas investors. NCRI makes no warranties as to its accuracy or completeness.

(1) Recording an impairment loss corresponding to the 1,217 million yen in loss on sale resulting from the September 26, 2008 sale of New City Residence Yokohama East, New City Residence Togoshiginza and New City Residence Minami Azabu East, the disposition of which was decided on September 25, 2008

(2) Recording a provision for loss corresponding to the 5,538 million yen penalty stipulated in the sales and purchase agreement due to no longer being able to acquire New City Residence Ikebukuro Precious Tower (projected acquisition price: 27,691 million yen), the acquisition of which was decided on December 13, 2007 (Note 1)

(3) Recording 918 million yen (estimated) in income taxes in correlation with NCRI no longer fulfilling the so-called tax conduit requirements (Note 2)

NCRI is revising its outlook (forecast figures) for operating conditions in the Seventh Fiscal Period to reflect the above.

(Note 1) The sales and purchase agreement for New City Residence Ikebukuro Precious Tower (the "Property" in this note) allows NCRI to terminate the agreement by paying a penalty (an amount equivalent to 20% of the approximately 27.7 billion yen in sales proceeds) if NCRI shall become unable to perform the sales and purchase agreement. At the time the decision was made to acquire the Property, NCRI had sufficient reason to believe that it will be able to procure funds for the acquisition of the Property by the deadline for executing the transaction (last day of October 2008). However, following the abovementioned recent civil rehabilitation petition, NCRI deemed that it will need to record a provision for loss in the Seventh Fiscal Period for the abovementioned penalty. Until yesterday's filing of a petition for commencement of civil rehabilitation proceedings, NCRI had been conducting various ongoing efforts to procure funds for the acquisition of the Property. However, the turmoil in the financial markets and credit crunch on a global basis stemming from the subprime mortgage crisis and other factors have caused drastic deterioration in the market environment. In this current market environment, NCRI ended up not being able to procure the funds for the acquisition and this gave rise to a penalty under the sales and purchase agreement. The penalty stipulation that states the penalty shall be an amount equivalent to 20% of the sales proceeds is a common condition in real estate transactions and is not considered a condition specific to the sales and purchase agreement for the Property. In addition, the reason why the penalty was not projected to generate in previously announced operating forecasts for the Seventh Fiscal Period was because NCRI had sufficient reason to believe that it will be able to procure funds for the acquisition of the Property by the deadline for executing the transaction (last day of October 2008). In NCRI's civil rehabilitation proceedings, this penalty will be treated similar to the debt of other loans, etc. as a general debt.

(Note 2) Pursuant to tax laws, the Special Tax Treatment for Investment Corporations allows an investment corporation that fulfills certain requirements (conduit requirements) to include in the investment corporation's expenses the amount of cash distributions that are distributions of earnings in order to eliminate double taxation between the investment corporation and unitholders. One of the conduit requirements is that the amount of distributions, etc. paid shall be more than 90% of the amount of distributable income. NCRI will record a net loss in the Seventh Fiscal Period from recording the abovementioned impairment loss and provision for loss. Consequently, although taxable income will result in taxation, NCRI is not scheduled to pay distributions, etc. and this will mean NCRI will not meet the abovementioned requirement. Accordingly, the conduit requirements will not be fulfilled.

- URL: http://www.ncrinv.co.jp/eng