

Outline of Nippon Accommodations Fund





Disclaimer

Please be sure to read these notes before reading this document.

- This English document is intended for informational purposes only. The contents of this document do not constitute an offer to sell or solicitation of an offer to buy or sell any security of Nippon Accommodations Fund Inc. or otherwise, nor is it advice or the recommendation of Nippon Accommodations Fund Inc. to enter into any transaction.
- Information in this document other than that concerning past or present facts contains future projections. Such future projections are based on certain assumptions and judgments made in light of the information obtained as of the time of the posting of such projections. Moreover, such future projections include and may be affected by unknown risks and uncertainties. For these reasons, such future projections are not meant to guarantee the actual performance, management results, financial details or other future matters of Nippon Accommodations Fund Inc. Actual results may differ greatly from the performance, management results, financial details and other matters expressed or implied by such future projections.
- Information contained in this document is presented as of the relevant time of its issuance. This document does not reflect any changes in circumstances that may have occurred subsequent to its issuance. In addition, the Nippon Accommodations Fund Inc. is not responsible for updating the information in it.
- The contents of this document may be changed without notice.
- The information in this document is copyrighted by Nippon Accommodations Fund Inc. Reproduction, modification, publication, distribution and commercial use of the information in this document or on our website are prohibited.



Overview of Our Strengths

1. Investment in “Accommodation Assets”

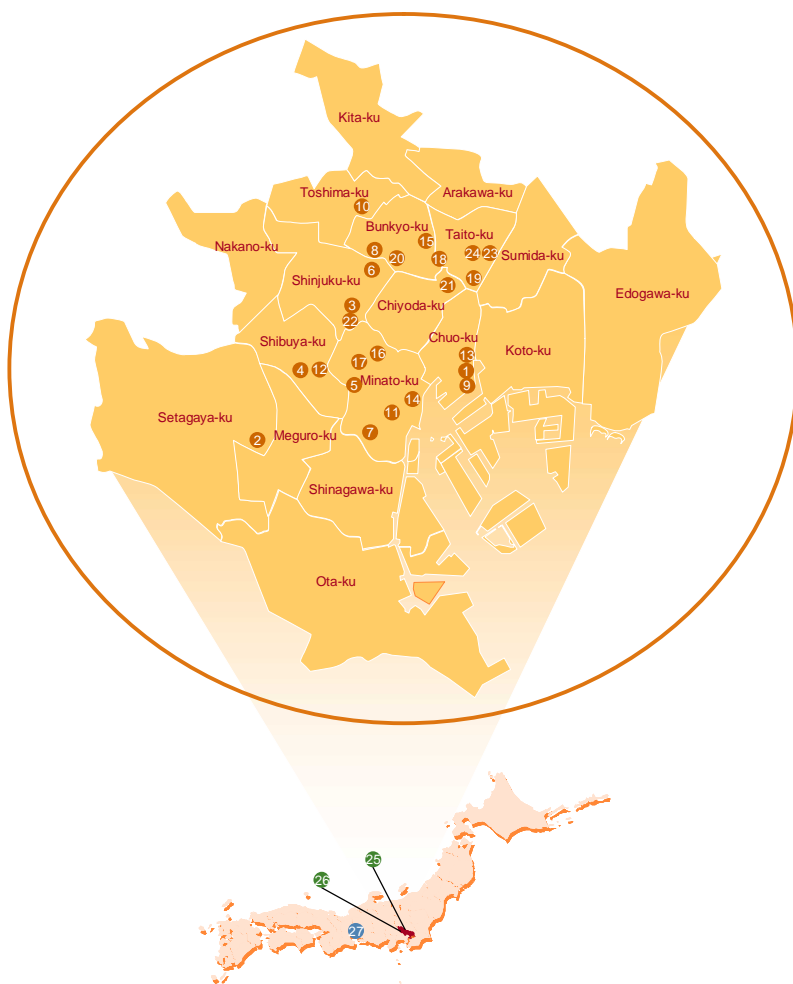
- Nippon Accommodations Fund (NAF) will invest in “Accommodation Assets”; newly developed properties created in response to ongoing social and lifestyle changes
- NAF defines “Accommodation Assets” as rental apartments, dormitory/student apartments, serviced apartments, senior residences and corporate housing (NO HOTEL PROPERTIES)
- NAF will work to maximize the value of “Accommodation Assets” by providing accommodations (services that satisfy diverse tenant needs)

2. Utilization of the Mitsui Fudosan Group

- The Mitsui Fudosan Group has structured a value chain as a one-stop service provider from planning/development to management/operation of “Accommodation Assets”
- NAF will make full use of the Mitsui Fudosan Group’s value chain for its investment management
- Mitsui Fudosan’s properties and the Mitsui Fudosan Group’s extensive real estate information network will give NAF greater access to investment opportunities

Portfolio Summary

Portfolio Map



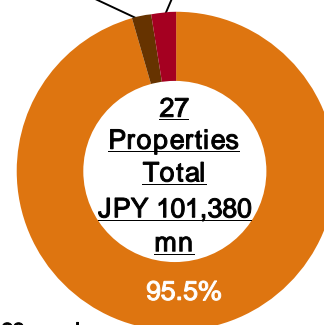
Investment Criteria

- **Area**
 - Tokyo 23 wards (80% or more)
 - Greater Tokyo
 - Other Major Cities (Sapporo, Sendai, Nagoya, Kyoto, Osaka, Kobe, Hiroshima, Fukuoka)
- **Investment size**
JPY1 bn or more per property (in principle)
- **Ownership interest**
Fee Simple (in principle)
- **Building structure**
RC or SRC (No wooden structures)

Portfolio by Area (acquisition price-based)

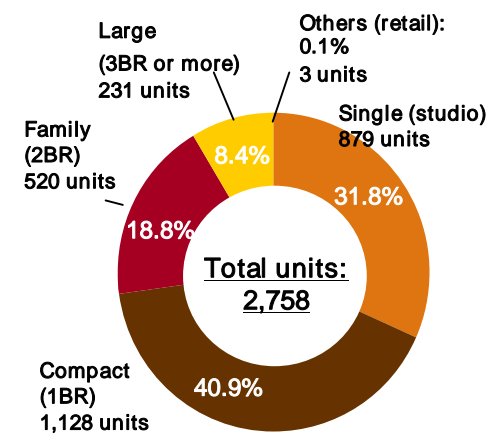
Greater Tokyo:
2.1% (2 properties)
JPY 2,120 mn

Other Major Cities
2.4% (1 property)
JPY 2,440 mn



Tokyo 23 wards
95.5% (24 properties)
JPY 96,820 mn

Portfolio by Category (unit-based)



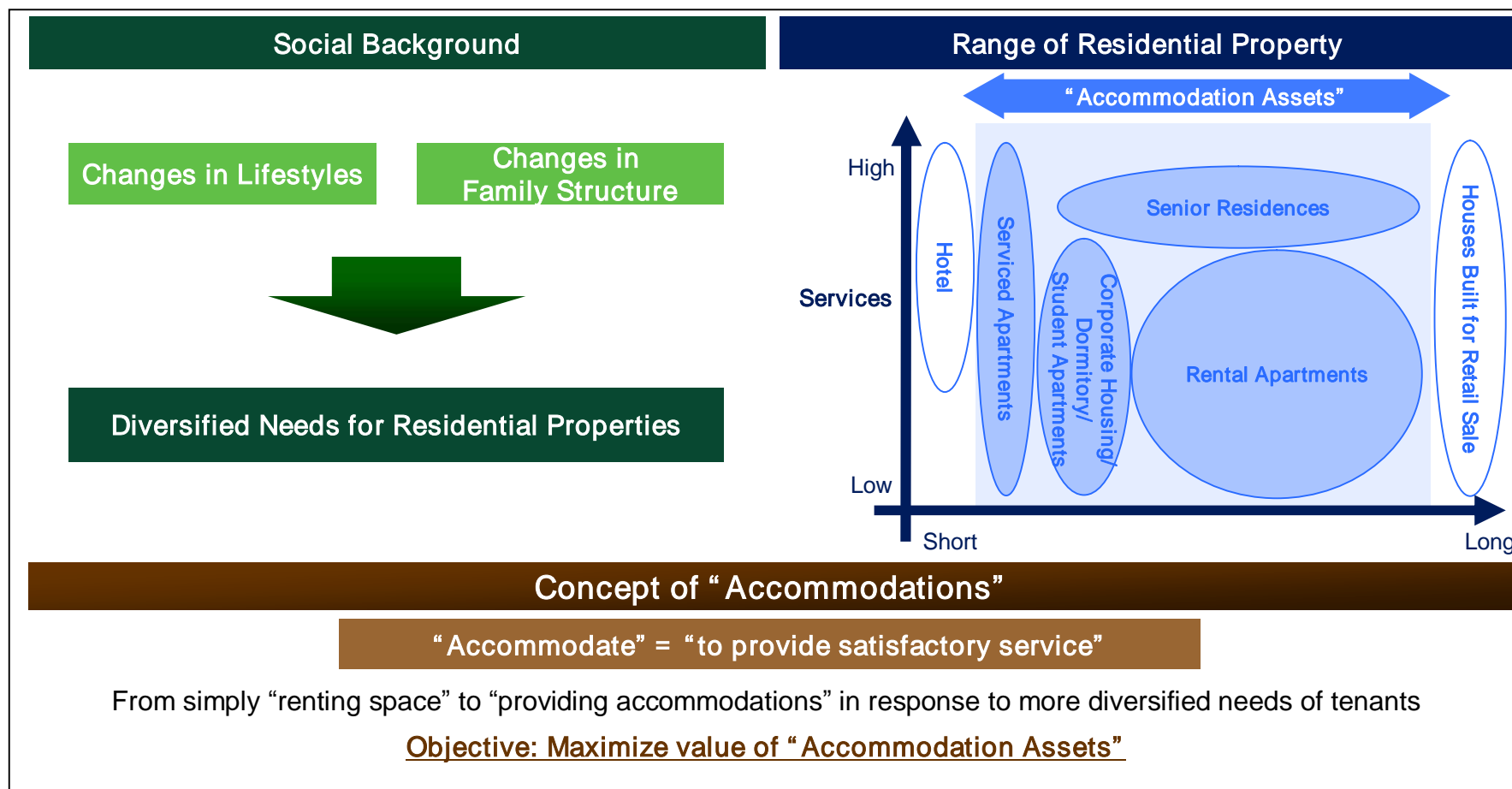


Portfolio Summary (cont'd)

No.	Name	Location	Acquisition Price (JPY mn) (Note)	Portfolio Share (%)	Rentable Area (sq. m.)	Rentable Units (units)	PML (%)
1	Okawabata Apartment Communities (River Point Tower, Park Side Wings, Pier West House)	Chuo-ku, Tokyo	29,696	29.3	43,812.41	544	4.9 9.9 8.9
2	Park Axis Gakugei Daigaku	Setagaya-ku, Tokyo	1,760	1.7	2,437.66	64	9.7
3	Park Axis Ichigaya	Shinjuku-ku, Tokyo	2,570	2.5	3,313.33	84	8.5
4	Park Axis Shibuya Jinnan	Shibuya-ku, Tokyo	3,230	3.2	2,766.62	75	8.7
5	Park Axis Aoyama Kotto-dori	Minato-ku, Tokyo	1,730	1.7	1,537.24	40	9.2
6	Park Axis Kagurazaka Stage	Shinjuku-ku, Tokyo	1,400	1.4	1,891.05	59	8.4
7	Park Axis Shirokanedai	Minato-ku, Tokyo	5,140	5.1	4,704.44	99	12.0
8	Park Axis Bunkyo Stage	Bunkyo-ku, Tokyo	4,440	4.4	6,078.93	154	7.2
9	Park Axis Tsukishima	Chuo-ku, Tokyo	930	0.9	1,383.99	30	10.1
10	Park Axis Otsuka	Toshima-ku, Tokyo	1,655	1.6	2,606.37	52	7.4
11	Park Axis Minami Azabu	Minato-ku, Tokyo	3,939	3.9	3,938.14	64	9.2
12	Park Axis Shibuya	Shibuya-ku, Tokyo	1,282	1.3	1,094.28	20	10.7
13	Park Axis Nihonbashi Stage	Chuo-ku, Tokyo	7,557	7.5	10,025.40	184 Residential, 1 Retail	11.3
14	Park Axis Hamamatsu-cho	Minato-ku, Tokyo	2,025	2.0	2,426.45	80	9.4
15	Park Axis Hongo no Mori	Bunkyo-ku, Tokyo	2,910	2.9	3,317.94	86 Residential, 1 Retail	11.2
16	Park Axis Tameike Sanno	Minato-ku, Tokyo	2,860	2.8	2,710.69	70	9.8
17	Park Axis Roppongi Hinokicho Koen	Minato-ku, Tokyo	2,170	2.1	2,054.46	46	9.5
18	Park Axis Ochanomizu Stage	Bunkyo-ku, Tokyo	9,710	9.6	12,025.25	324	10.0
19	Park Axis Okachimachi	Taito-ku, Tokyo	1,070	1.1	1,621.73	42	10.3
20	Park Cube Hongo	Bunkyo-ku, Tokyo	1,760	1.7	2,160.12	60	10.1
21	Park Cube Kanda	Chiyoda-ku, Tokyo	2,454	2.4	3,194.59	95	10.9
22	Park Cube Ichigaya	Shinjuku-ku, Tokyo	1,794	1.8	2,127.50	51	9.1
23	Park Cube Asakusa Tawaramachi	Taito-ku, Tokyo	2,508	2.5	4,012.68	76	9.1
24	Park Cube Ueno	Taito-ku, Tokyo	2,233	2.2	3,041.61	91	10.8
Tokyo 23 Wards Total			96,824	95.5	124,282.88	2,490 Residential, 2 Retail	
25	Park Cube Keio Hachioji	Hachioji-shi, Tokyo	991	1.0	2,814.32	52	9.6
26	Park Cube Keio Hachioji II	Hachioji-shi, Tokyo	1,130	1.1	3,082.32	47 Residential, 1 Retail	9.5
Greater Tokyo Total			2,121	2.1	5,896.64	99 Residential, 1 Retail	
27	Park Axis Meieki Minami	Nagoya-shi, Aichi	2,440	2.4	5,565.13	169	5.8
Other Major Cities Total			2,440	2.4	5,565.13	169	
Grand Total			101,385	100.00	135,744.65	2,758 Residential, 3 Retail	5.1

(Note): "Acquisition Price" does not include acquisition-related expenses, property tax (to be capitalized) and consumption tax (not refundable for residential properties).
Amounts are rounded down to the nearest million.

Investment in Accommodation Assets



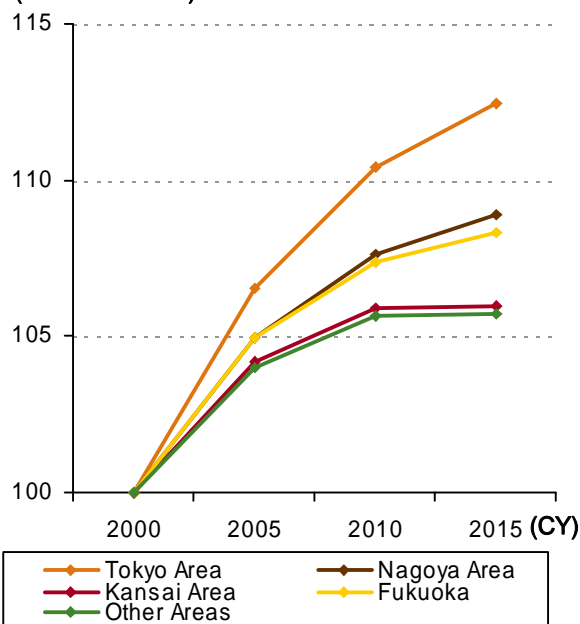
NAF will invest in "Accommodation Assets"
 Mainly rental apartments but also dormitory/student apartments,
 serviced apartments, senior residences and corporate housing (NO HOTELS).

Rental Apartment Market Characteristics (1)

Demand

Estimated Number of Households

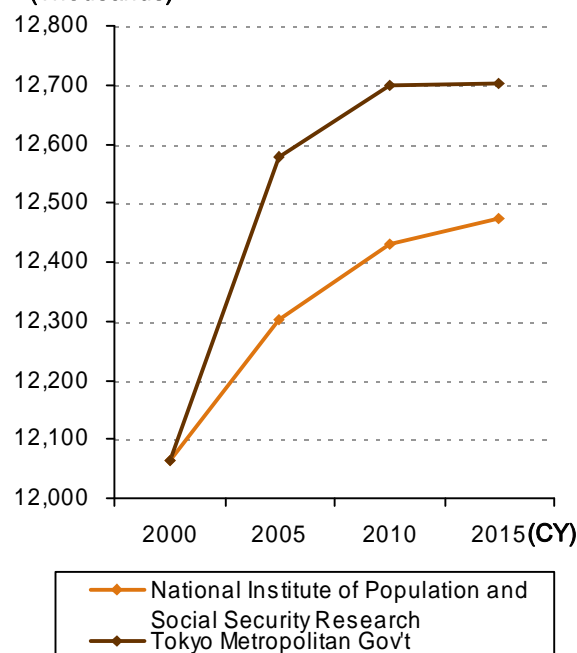
(Year 2000=100)



Steady growth of households

Tokyo Population Forecast

(Thousands)



Rising population in Tokyo

Homeownership Rate by Age

(%)

	1978	1988	1998	2003
Average	59.9	61.1	60	60.9
- 25	9.9	4.5	2.7	2.7
25-54	58.6	58.9	54.1	52.9
55-59	79	79.3	76.7	76.7
60-64	77.9	80.3	79.2	78.9
65-74		77.4	81.2	80
75-	75.9	75.5	79.4	80.3

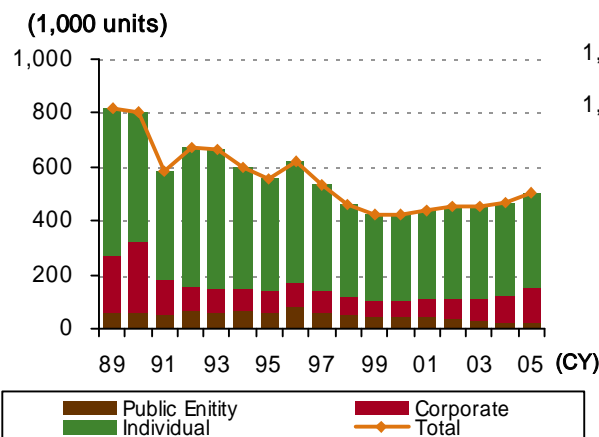
Decreasing homeownership rate in the 25-54 age bracket

(Note 1) "Tokyo Area" includes Tokyo, Saitama, Chiba and Kanagawa; "Nagoya Area" includes Aichi, Gifu and Mie; and "Kansai Area" includes Kyoto, Osaka, Hyogo and Nara. "Fukuoka" means Fukuoka Prefecture alone. "Other Areas" means nationwide households (estimated) excluding Hokkaido, Miyagi, Tokyo Area, Nagoya Area, Kansai Area and Fukuoka.

Rental Apartment Market Characteristics (2)

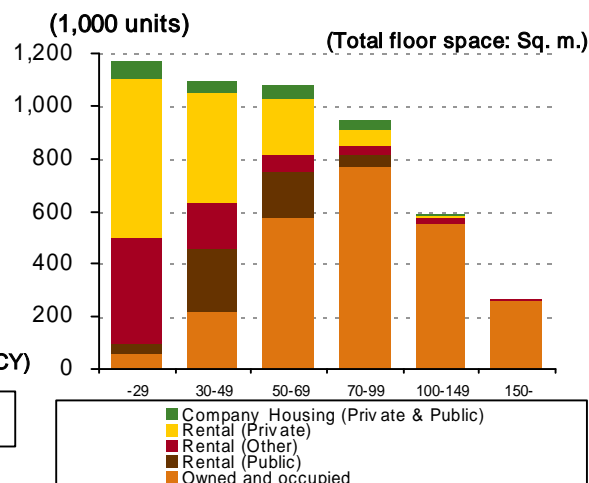
Supply

Number of Rental Apartments
(Nationwide)



Limited supply from
private companies

Number of Houses
in Tokyo by Floor Space (2003)



Relatively scarce quality apartments

(Note 1) "Rental housing" means houses built for rent.

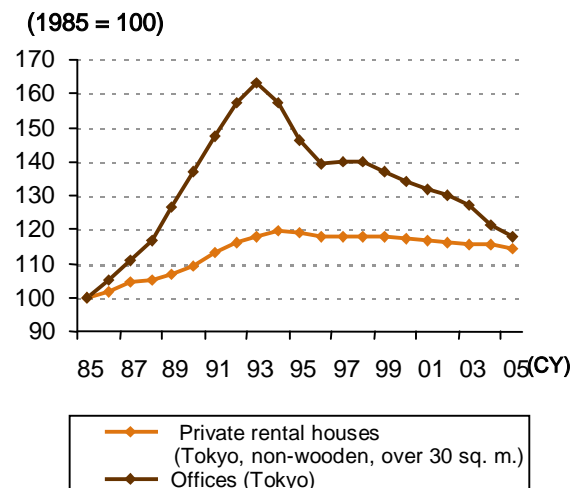
(Note 2) "Public Entity" means the central government (including Urban Renaissance Agency), local governments and related entities; "Corporate" means stock companies and limited companies; and "Individual" means individuals, sole proprietors and non-corporate organizations.

(Note 1) "Owned and occupied" means houses held by households who reside therein.

(Note 2) "Rental (Public)" means rental apartments owned by Urban Development Corporation (currently Urban Renaissance Agency), local prefectural governments, municipal governments and other related public housing corporations; "Rental (Private)" means non-wooden multifamily housing held by individuals or companies; "Company Housing (Private & Public)" means corporate housing and apartments for employees; "Rental (Other)" means rental apartments excluding "Rental (Public)," "Rental (Private)" and "Company Housing."

Stability

Residential and Office Rents



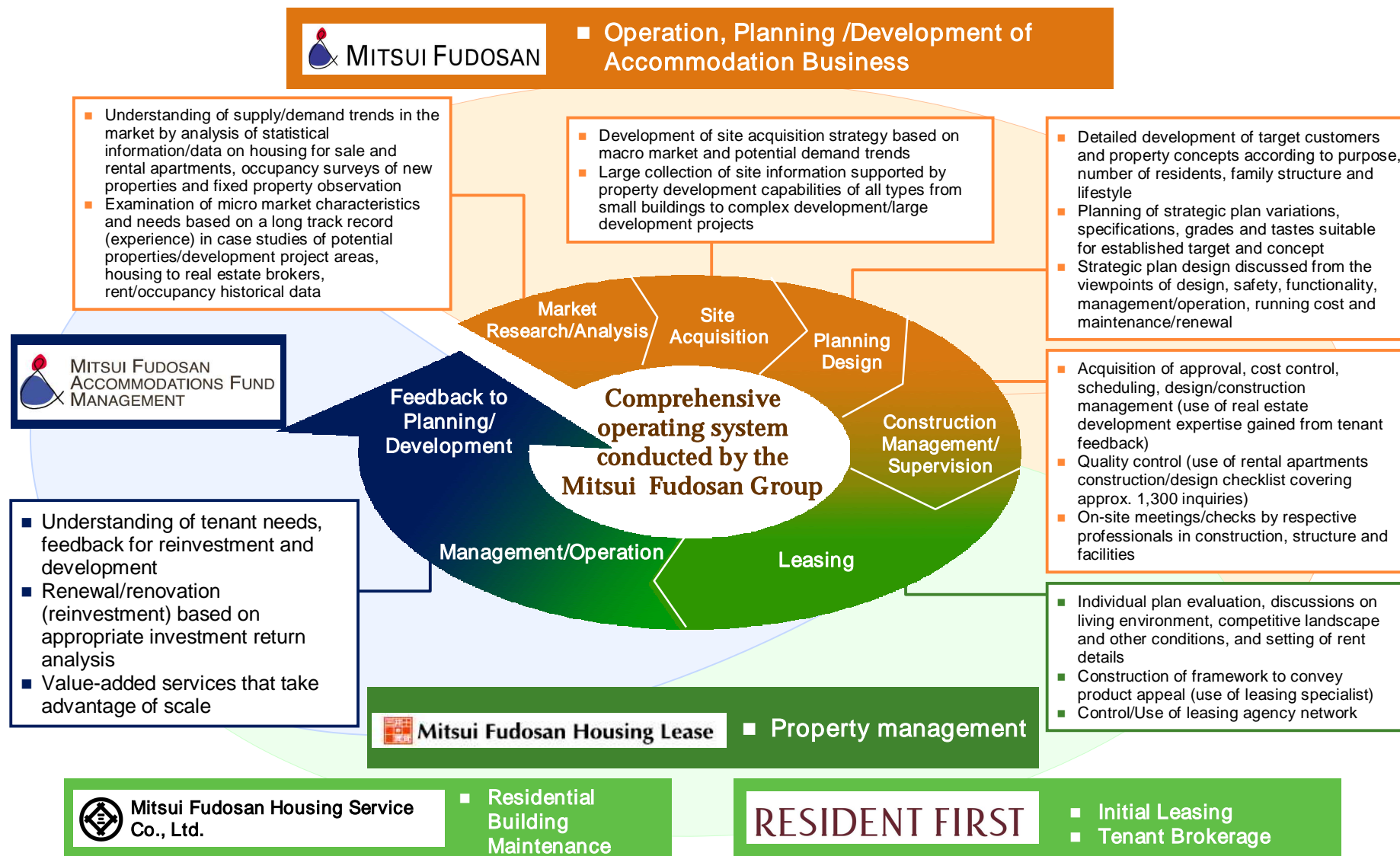
Relatively stable rents

(Note 1) "Private rental houses (Tokyo non-wooden, over 30 sq. m.)" shows indexed rent per 3.3 sq. m. of rental apartments of 30 sq. m. or larger located in the 23 wards of Tokyo, excluding wooden houses. "Office (Tokyo)" shows indexed rent derived from average rent of surveyed buildings located in Ota, Koto, Shinagawa, Shibuya, Shinjuku, Sumida, Taito, Chuo, Chiyoda, Toshima, Nerima, Minato and Meguro wards in Tokyo, Machida-shi, Kawasaki-shi, Yokohama-shi, Saitama-shi, Chiba-shi and Mito-shi, as well as tenant leasing of certain tenants of the surveyed buildings in Shibuya, Chuo and Minato wards, and Kawasaki-shi and Mito-shi.

The rental apartment market will continue to remain competitive due to scarcity of quality assets



The Mitsui Fudosan Group's Value Chain





Mitsui Fudosan's "Accommodation Asset" Development Capabilities

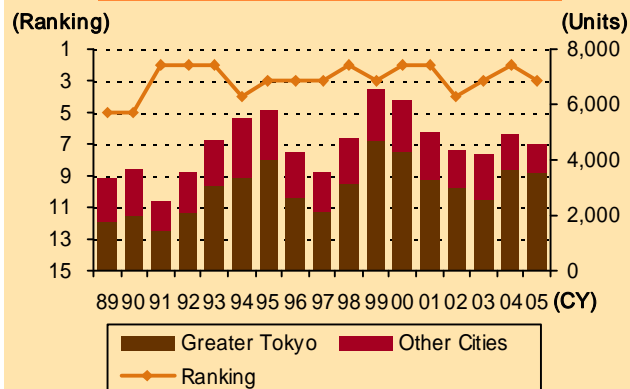
Understanding of residential land/development information based on considerable condominium development experience in major cities nationwide

Condominium Development



Flow of information supported by large supply

Units of Condominiums Sold by Mitsui Fudosan



Mitsui Fudosan

Development Information/ Tenant Needs

- Park Axis series of urban apartments
- Large developments



Use of Mitsui Fudosan's Accommodation Asset development capabilities, taking advantage of a wide range of real estate/tenant information

Understanding of development information/tenant needs brought from multipurpose real estate development experience

Multipurpose Real Estate Development

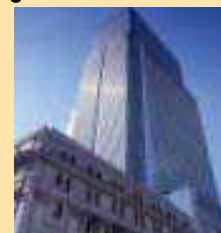
Large Re-Development Projects

- Tokyo Midtown Project
Location: Akasaka, Minato-ku, Tokyo
Use: Office, Retail, Hotel, Residential, Art Museum
- Toyosu Redevelopment
Use: Residential, Shopping Center "LalaPort Toyosu"



Office Building Development/Management

- Nihonbashi Mitsui Tower
Location: Nihonbashi Muromachi, Chuo-ku, Tokyo
- Kasumigaseki Building
Location: Kasumigaseki, Chiyoda-ku, Tokyo



Retail Property Development/Management

- COREDO Nihonbashi
Location: Nihonbashi, Chuo-ku, Tokyo
- TOKYO-BAY LaLaPort
Location: Hamamachi, Funabashi-shi, Chiba



Mitsui Fudosan's Apartment Development Capabilities

Apartment Development

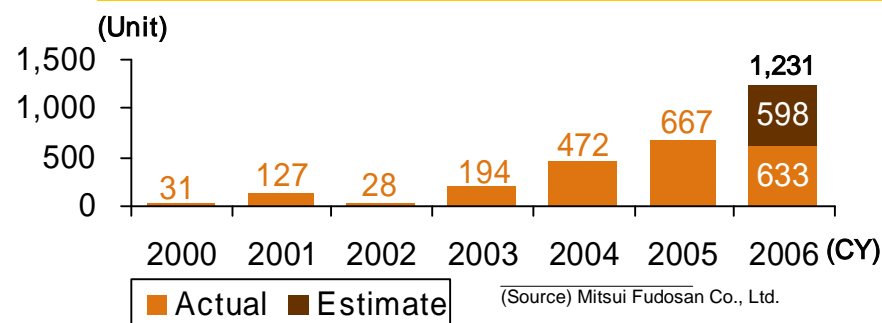
Okawabata Apartment Communities

- Completed in 1988 and 1989
- Total units: 544
 - ◆ Part of Okawabata River City 21 Development project
 - ◆ River Point Tower is Tokyo's first high-rise apartment building
 - ◆ Large-scale complex development project including condominiums, rental apartments, and office and retail facilities on approx. 9 ha. of land
 - ◆ Provides daily convenience for tenants with restaurants and sports facilities as well as 24-hour manned service including concierge services

Park Axis Series

- 2,152 units completed (as of March 2006)

Park Axis Series Track Record and Pipeline



Large Apartment Development Projects

Minami Aoyama 1-Chome (Tokyo Metro Gov't)

Residential Complex Reconstruction Project (Note)

(JV among Mitsui Fudosan, Tokyo Metro Gov't, ITOCHU and Taisei)

- To be completed in 2007
- Total units: 390



Shibaura Island Project A1, A3 Blocks

(JV among Mitsui Fudosan, Ken, Orix Real Estate, Nippon Steel City Produce and Daiwa House.)

- To be completed in 2007, 2008
- Total units: 2,000



NAF has acquired Okawabata Apartment Communities (544 units) and 19 buildings of Park Axis series (1,744 units)

(Note) Acquisition of the above buildings is not planned as of July 2006.



Leveraging the Mitsui Fudosan Group's Residential Property Management/Operation Capabilities

Management/Operation Capabilities Leveraging Expertise of the Mitsui Fudosan Group

Property Management



Mitsui Fudosan Housing Lease



- Unified property / tenant management data
- Promotes efficient and sure operation

Mitsui Fudosan Housing Lease will manage/operate all of NAF's assets

RESIDENT FIRST Co., Ltd.

Initial Leasing/Tenant Brokerage

- Efficient leasing enabled by direct sales from a Mitsui Fudosan Group company with deep understanding of the property
- Able to obtain direct customer feedback for use in development, management/operation and acquisition of assets

Mitsui Fudosan Housing Service Co., Ltd.

Residential Building Maintenance

- Extensive experience mainly in condominiums sold by Mitsui Fudosan

Sustain asset value growth over the long term to maintain and improve rent and occupancy

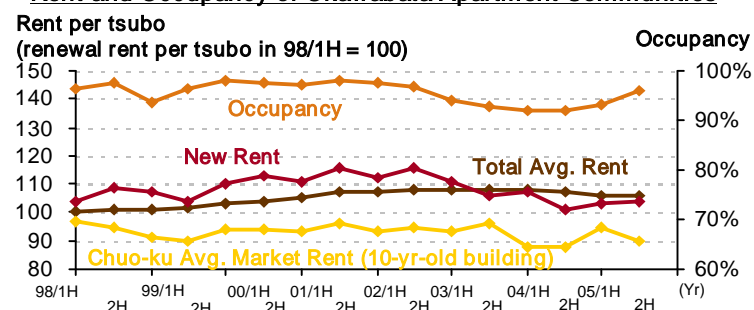
Case of Okawabata Apartment Communities

- Taking advantage of Group companies' engineering capabilities and accumulated expertise in condominiums



- Efficient CapEx from a long-term perspective:
 - Repair of external wall (1999)
 - Renewal of home security system (2000 – 2003)
 - Renewal of residential air-conditioning ahead of schedule (2000 -), etc.

Rent and Occupancy of Okawabata Apartment Communities

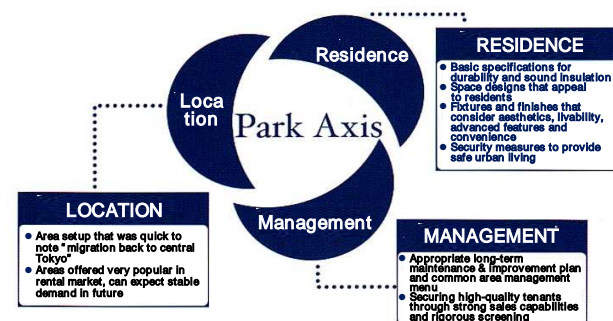


Okawabata Apartment Communities have maintained the above rent/occupancy even 17-18 years after completion

Property Brand Strategy

“Park Axis” Series

- Residential rental apartments planned / developed by Mitsui Fudosan
- Leverages Mitsui Fudosan’s expertise in condominium business
- Features design, facilities and finishes to fit urban lifestyles



“Park Cube” Series

- Planned / developed by third parties other than the Mitsui Fudosan Group
- Meets NAF’s own construction and design standards

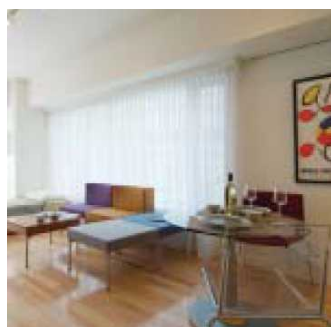
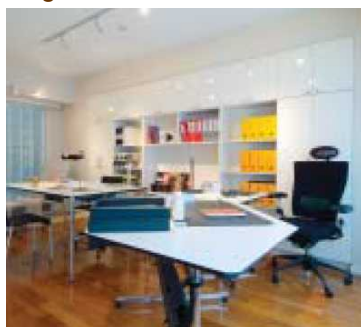


Brand value enhanced by total quality management

Portfolio with potential for sustainable asset value growth over the long term

Development Plans to Meet Diversified Demands

Taking advantage of the Mitsui Fudosan Group's marketing expertise, the "Park Axis" series is designed with a detailed targeting strategy considering location and surrounding environment. Apartments are developed according to those plans (floor plan, facilities, etc.) to meet specific target demands in response to a wide range of lifestyles and lifestyles.



Combining Function and Aesthetic Design

For the "Park Axis" series to maintain its appeal for a long period of time, Mitsui Fudosan's designs combine function and aesthetic design in everything from the façade (exterior), entrance and corridor to the doorway of each unit. In cooperation with architects and/or interior designers, additional differentiation is sought to offer a design suitable to its surrounding environment and customer attributes.

For example, Ryoichi Misawa, President of Misawa Associates, has been selected to cooperate on Park Axis Nihonbashi Stage, and Masuo Fujiwara, President of We & F, is cooperating on Park Axis Aoyama Kotto-dori and Park Axis Tameike-Sanno.

Support Services for Resident Convenience

■ [Concierge Service]

Providing reception services similar to those of a concierge (customer relations at hotels) to satisfy needs of tenants looking for a quality lifestyle as well as everyday services.

■ [Household Services]

Providing services in partnership with other service providers to increase tenant convenience in areas including house cleaning, furniture/home appliance leasing, food catering and transportation service to and from hospital/school.

■ [Payment by Credit Card]

24-hour Internet credit card payments available for initial payments (deposit and key money)



Reception (Park Axis Nihonbashi Stage)

Support Services to Ensure Safety and Comfort

■ [C-Desk]

24/7, toll free service to accept/respond to requests for rent renewal and issuance of certification of parking space as well as trouble shooting including water leaks, air conditioning and water heater problems

■ [Tenant Guidebook]

Distribution of "Tenant Guidebook" to assist tenants from moving in to moving out. It also explains procedures for paying water, gas, electricity and other utility bills.



(Image picture)



(Tenant Guidebook)

The above is a summary of services/support already provided in some of the buildings in the portfolio at IPO. These services are not necessarily available at all buildings. NAF is willing to improve and provide these services/support to more buildings.

More quality, safety and comfort in an advanced information/telecommunications environment

The “Park Axis” series is designed and constructed under total quality management based on Mitsui Fudosan’s expertise in condominiums, considering easy facility renewals, maintenance and convenience of tenants. It takes a proactive approach to ensure safety and comfort, key issues in today’s society, in providing rental apartments.

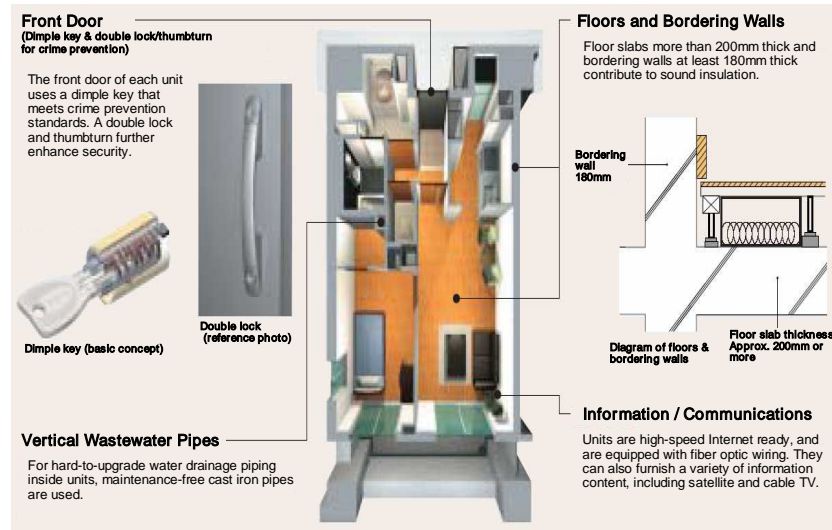


Diagram of Security Measures

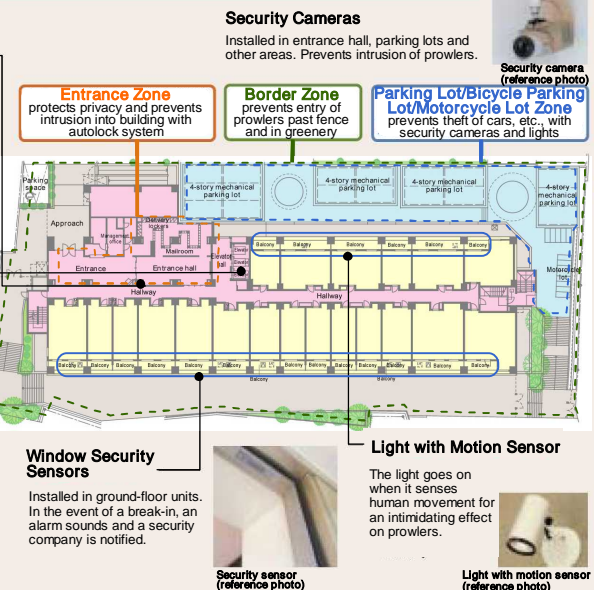
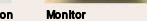
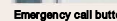
Autolock

A camera-equipped autolock system allows residents to check visitors by video as well as voice.



Elevators

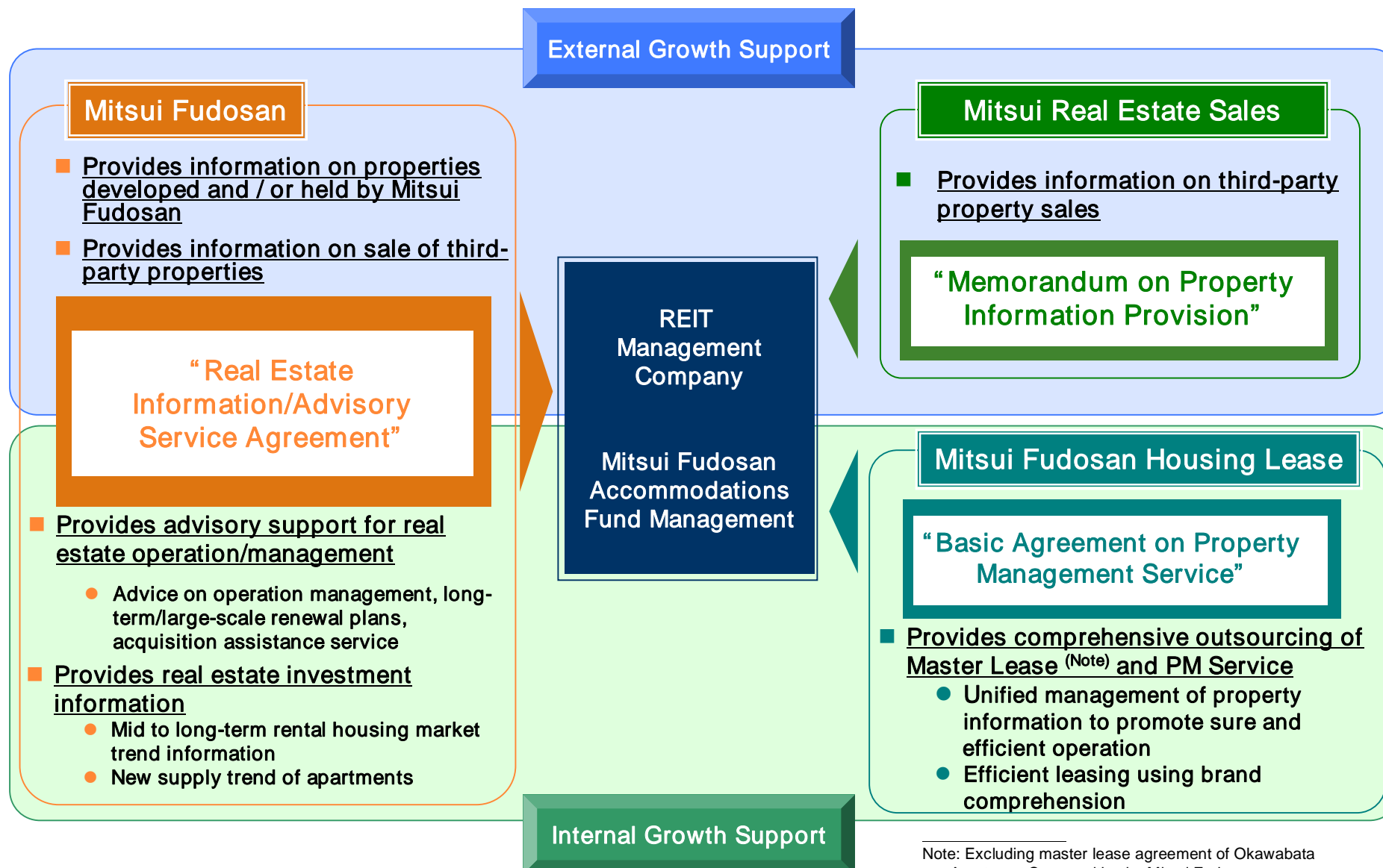
Doors have security windows, and security cameras are installed in elevator cages. In addition, a monitor showing the inside of the cage is installed in the elevator hall on the entrance floor to help prevent danger inside the closed elevator.



The above illustrates a model unit and a general plot plan of Park Axis Ochanomizu Stage. This is not applicable to all properties.



Support Agreements with the Mitsui Fudosan Group

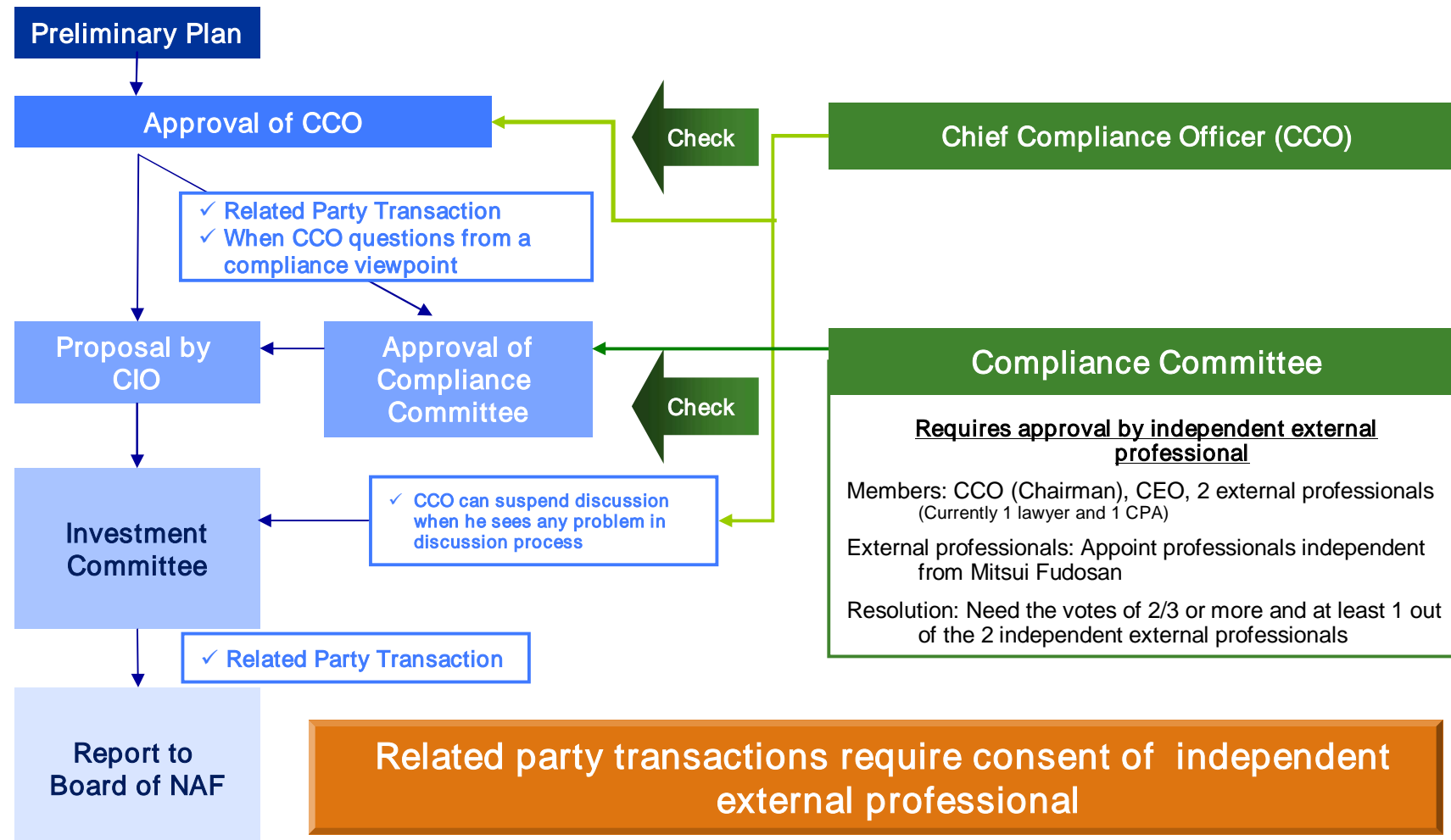




Decision-Making Process and Mitigating Conflict of Interest

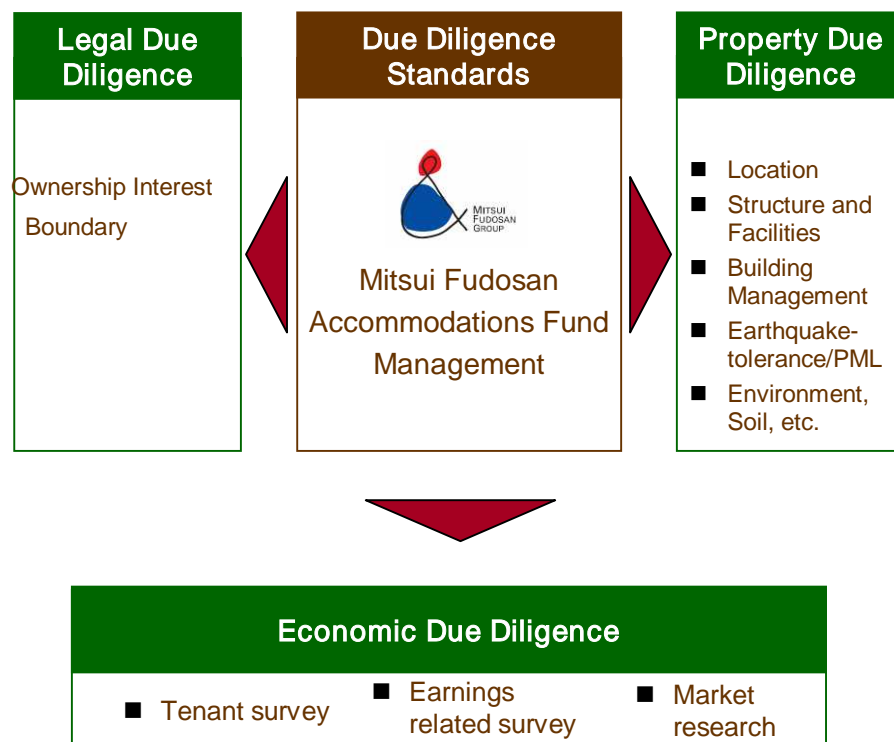
Investment Policy & Acquisitions/Sale Decision Process

Compliance Checking System



Due Diligence by the REIT Management Company

The REIT management company makes overall investment decisions using the following due diligence standards, which are based on asset management guidelines.



As part of the due diligence process, an appraisal report and engineering report are obtained from third-party professionals to make judgments. In addition, the REIT management company conducts the following research on its own to make investment decisions.

Use of Mitsui Fudosan's Support

Provides information on real estate investment (rental housing market information)

Advisory service (due diligence and review of engineering drawings and construction, etc.)

Double Check of Structural Validation

In principle, the REIT performs due diligence/confirmation when acquiring each property* under a double-checking structure, using one other company in addition to Mitsui Fudosan to ensure compliance with new earthquake-resistant construction standards, including structural calculation data sheets by the relevant expert.

* Excluding River Point Tower (Approved by the Minister of MoLIT)



Financial Strategy

Financial Strategy

■ LTV (*): Max. 60%

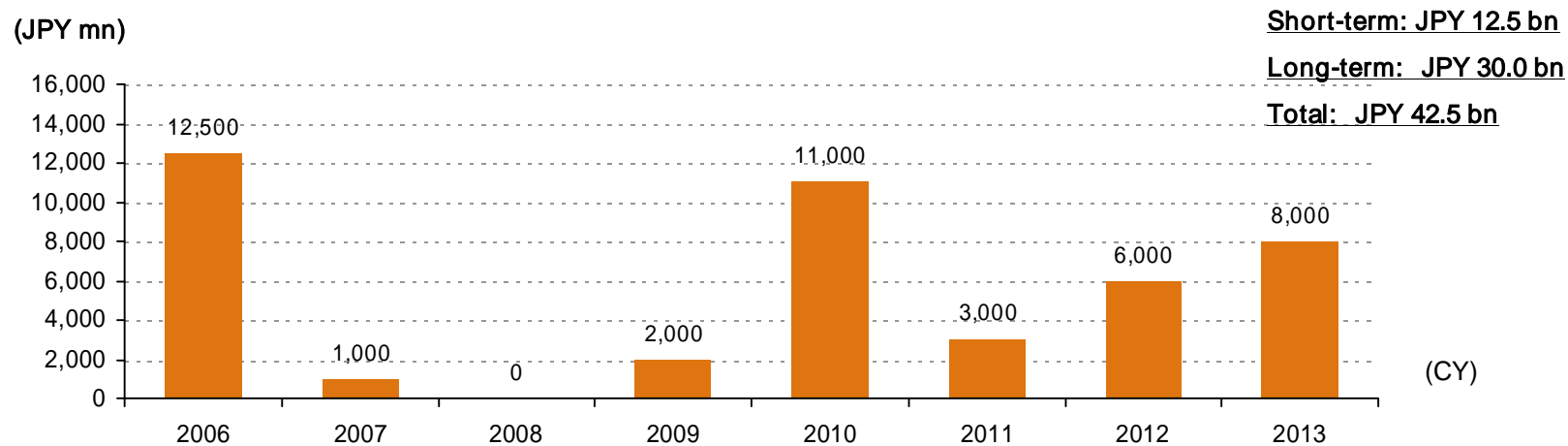
(*): $LTV = \frac{\text{Interest Bearing Debt}}{\text{Total Assets}}$
Interest Bearing Debt = Loan + Bond

■ Maturity Diversification (Please see below)

■ Existing Loan (as of September 2006)

- ◆ Weighted average interest rate:
Total: 1.40%
Long-term: 1.72%
- ◆ % of long-term fixed-rate interest bearing debt (*): 70.6%
- ◆ Weighted average duration of long-term debt: 5.1 years
- ◆ # of lenders: 9
- ◆ Unsecured/Unguaranteed

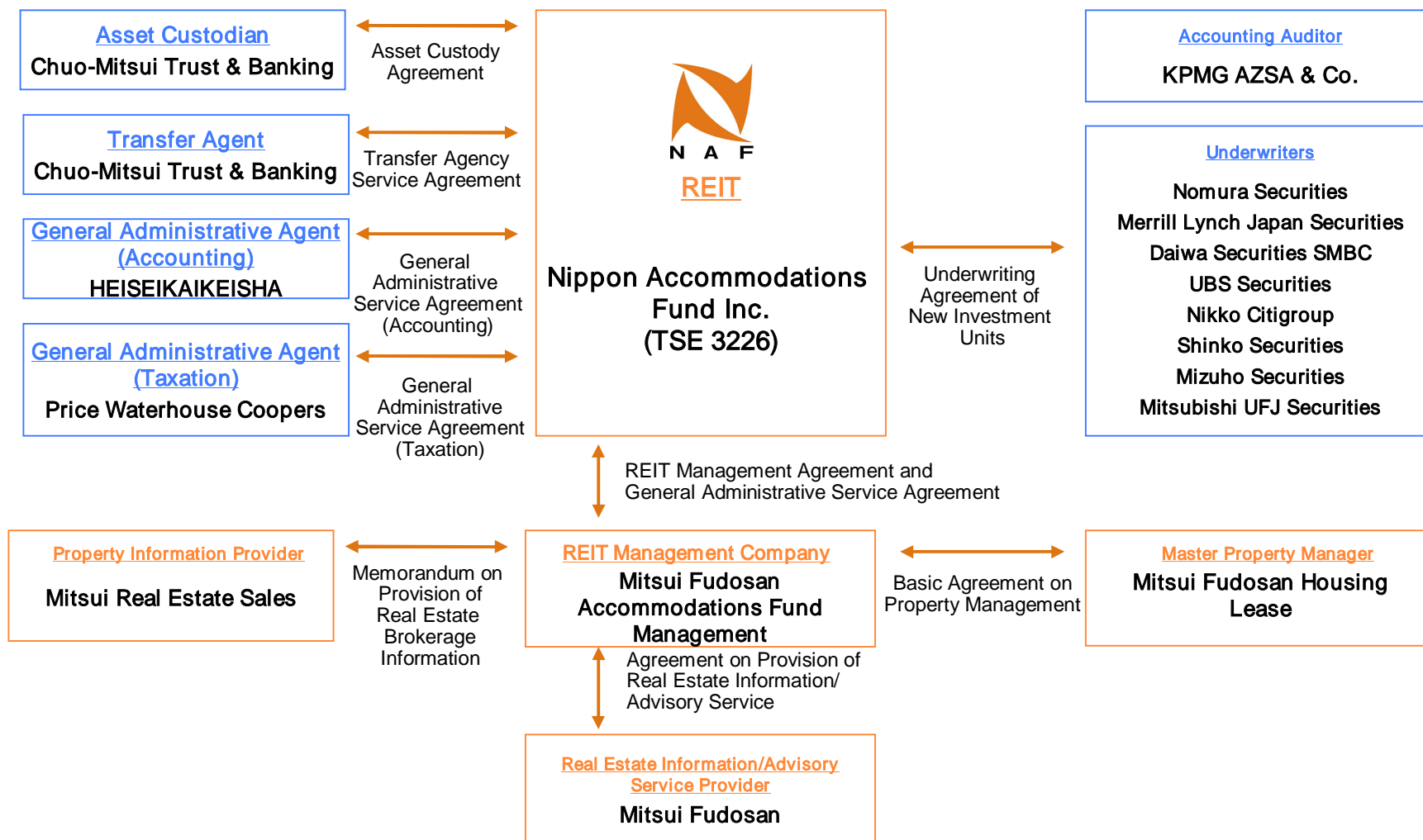
Debt Maturity Ladder (As of September 2006)





Related Companies/Structure of the REIT

Structure of the REIT





Overview of the REIT Management Company

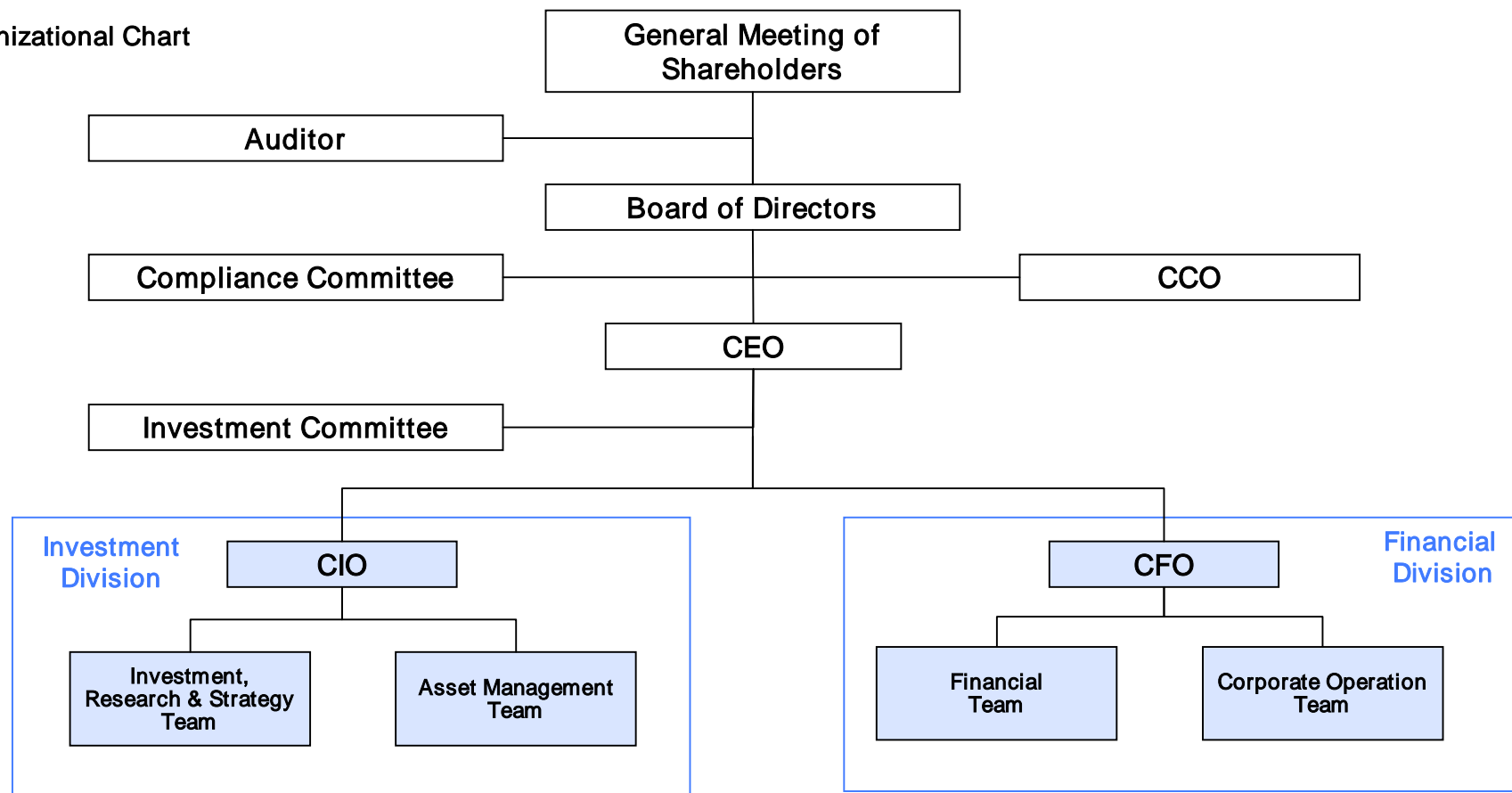
Company Overview of Mitsui Fudosan Accommodations Fund Management Co., Ltd.

Address: 2-1-1 Nihonbashi Muromachi, Chuo-ku, Tokyo

Shareholders' equity: JPY 300 mn

Shareholder: Mitsui Fudosan Co., Ltd. (100%)

Organizational Chart



Appendix



Portfolio Overview: Okawabata Apartment Communities

Okawabata Apartment Communities

Okawabata Apartment Communities



River Point Tower



Park Side Wings



Acquisition price: JPY 29,696 mn

Appraisal value: JPY 29,700 mn

PML:

River Point Tower 4.9 %

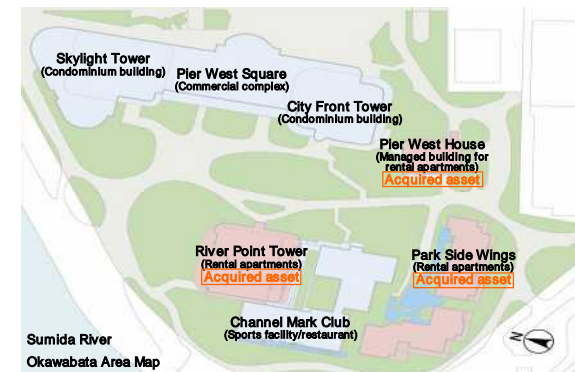
Park Side Wings 9.9 %

Pier West House 8.9 %

Address: Chuo-ku, Tokyo

Units: 544

Pier West House





Portfolio Overview: Park Axis Series

Park Axis Shirokanedai



Acquisition price: JPY 5,140 mn
Appraisal value: JPY 5,140 mn
PML: 12.0 %
Address: Minato-ku, Tokyo
Units: 99

Park Axis Nihonbashi Stage



Acquisition price: JPY 7,557 mn
Appraisal value: JPY 7,570 mn
PML: 11.3 %
Address: Chuo-ku, Tokyo
Units: 184 Residential; 1 Retail



Portfolio Overview: Park Axis Series

Park Axis Ochanomizu Stage



Acquisition price: JPY 9,710 mn
Appraisal value: JPY 9,820 mn
PML: 10.0%
Address: Bunkyo-ku, Tokyo
Units: 324

Park Axis Meieki-Minami



Acquisition price: JPY 2,440 mn
Appraisal value: JPY 2,440 mn
PML: 5.8 %
Address: Nakamura-ku, Nagoya
Units: 169



Portfolio Overview: Park Cube Series

Park Cube Kanda



Acquisition price: JPY 2,454 mn
Appraisal value: JPY 2,480 mn
PML: 10.9 %
Address: Chiyoda-ku, Tokyo
Units: 95

Park Cube Keio Hachioji II



Acquisition price: JPY 1,130 mn
Appraisal value: JPY 1,130 mn
PML: 9.5 %
Address: Hachioji-shi, Tokyo
Units: 47 Residential; 1 Retail



Mitigating Conflict of Interest

Definition of Related Parties

1. “Stakeholders” (as defined in the investment trust law)
- +
2. Shareholders of the REIT management company
- +
3. SPC, of which the shareholders of the REIT management company own more than 15%

Acquisition from Sponsor Related Party



Status of 27 properties in the initial portfolio

- 15 out of 27 properties acquired constitute related-party transactions
- All 27 properties acquired below appraisal value (Independent appraiser: Daiwa Real Estate Appraisal, Morii Appraisal & Investment Consulting)