

NAF Report

September 2021 – February 2022

32nd Period







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Distribution

Confirmed distribution

32nd Period (Feb.22)
Per unit **¥10,485**

Expected distribution

33rd Period (Aug.22)
Per unit **¥10,010**

Expected distribution

34th Period (Feb.23)
Per unit **¥10,260**

* The forecasted figures are calculated based on certain assumptions as of April 19, 2022. The actual figures may change due to various factors including fluctuations in rent revenues owing to changes in tenants and other factors, changes in properties, fluctuation in interest, and additional issuance of investment units. Accordingly, the forecasts are not a guarantee of any cash distribution amount, etc. The forecasted figures are stated based on the details announced in the Financial Results for the Fiscal Period from September 1, 2021 to February 28, 2022 released on April 19, 2022.

(Please view the above Financial Results from the NAF website (<https://www.naf-r.jp/english/>).)

Strategies and Features

NAF's basic policy is to secure stable earnings and steady growth in the Investment Assets from the medium- and long-term view, aiming to maximize the value of unitholders.

1. Investment in Accommodation Assets

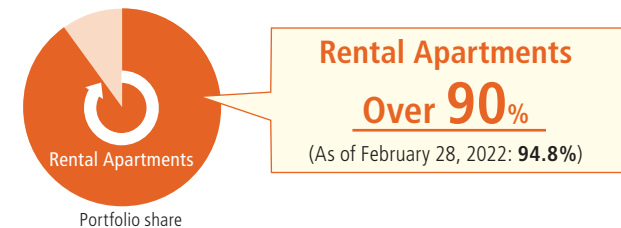
NAF defines real estate that is mainly used/may be used for residence or hotels as "Accommodation Assets" and invests in two areas of "Rental Apartments" and "Hospitality Facilities."

NAF's core investment strategy is to continue acquisition of "Rental Apartments" and stable operations.

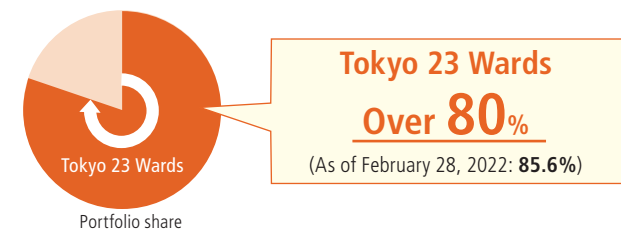
■ Investment in Accommodation Assets



■ Proportion of Investment in Assets



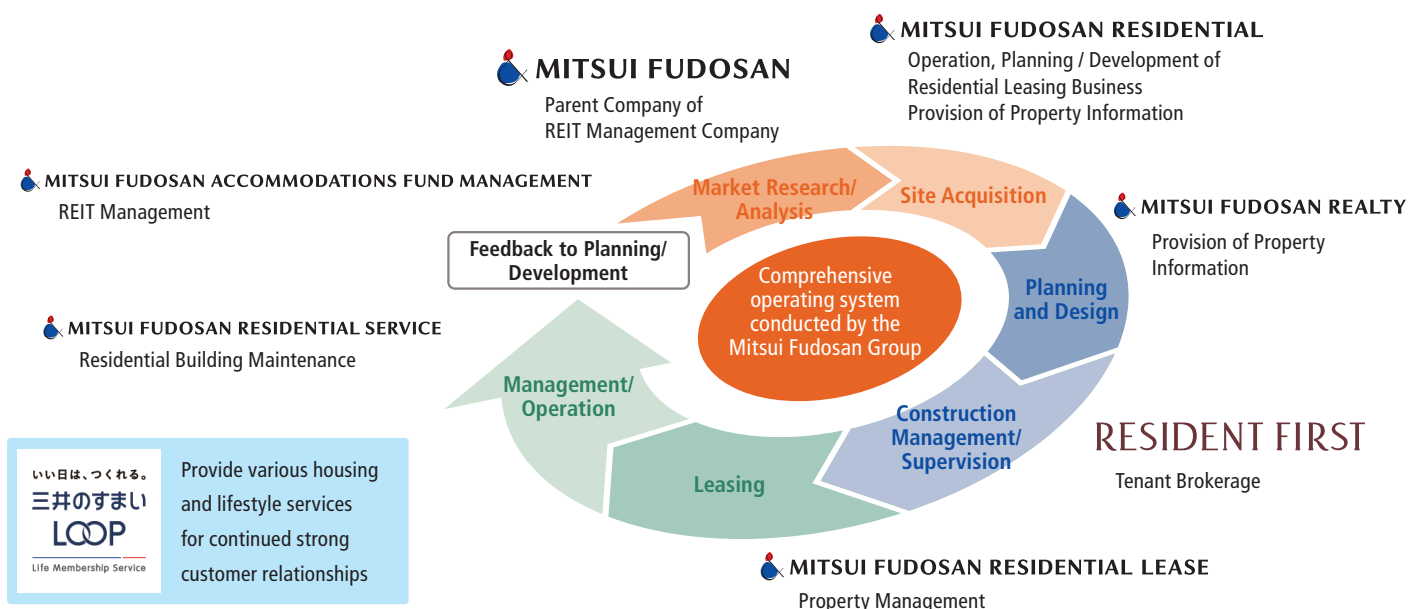
■ Investment Areas



Rental Apartments: Greater Tokyo*¹, mainly Tokyo 23 wards, and Other Major Cities*²
Hospitality Facilities: Major cities throughout Japan and their suburbs
*1. Tokyo, Kanagawa, Chiba and Saitama
*2. Each of the urban areas of Sapporo, Sendai, Nagoya, Osaka, Kyoto, Kobe, Hiroshima and Fukuoka cities

2. Leveraging the Mitsui Fudosan Group

NAF utilizes to the full extent comprehensive capabilities of the Mitsui Fudosan Group, such as in information gathering, planning/development and management/operation, in order to achieve its external and internal growth.



Intensive investment in Tokyo 23 Wards

88.5%

NAF follows a basic policy of making intensive investment in Tokyo 23 wards and selective investment in other major cities.

Focus on single and compact type apartments

83.3%

NAF invests more heavily in single and compact units designed for single tenants or small-sized households.

High quality Rental Apartments



NAF is expanding the Park Axis (developed by the Mitsui Fudosan Group) and Park Cube (developed by third parties) brands.

Portfolio scale (total acquisition value)

¥337.9 billion

NAF aims to secure stable earnings and steady growth in the Investment Assets, from the medium- and long-term view.

Maintain a high occupancy rate

96.8%

(32nd period: average month-end occupancy rate)

Since IPO in August 2006, NAF has consistently maintained a high occupancy rate.

Earning of high credit ratings

R&I.....AA-

S&P.....A+

NAF has earned the highest credit ratings among Residential J-REITs.

* Unless stated otherwise, information stated above is current as of the end of the 32nd period (February 28, 2022).
The ratio of properties in Tokyo 23 wards is based on acquisition price of Rental Apartments only.
The ratio of properties that consist of single and compact units is based on units of Rental Apartments only (excluding retail units).

To Our Stakeholders



First of all, I would like to convey my sincere appreciation to you, our unitholders.

Thank you all very much for your kind support of Nippon Accommodations Fund (NAF).

NAF was listed on the Real Estate Investment Trust Securities Market (J-REIT Market) of the Tokyo Stock Exchange in August 4, 2006. Ever since, we have continued to achieve a steady track record, and as of February 28, 2022, we have completed our 32nd fiscal period (fiscal period ended February 28, 2022).

Going forward, I ask our unitholders for their ongoing support and cooperation, as NAF will continue its operation while working collaboratively with Mitsui Fudosan Accommodations Fund Management Co., Ltd., the asset management company of NAF with the aim of boosting unitholder value.

Takashi Ikeda

Executive Director of Nippon Accommodations Fund Inc.

Message from the new CEO



First of all, I would like to convey my sincere appreciation to you, our unitholders for your kind support of Nippon Accommodations Fund (NAF).

My name is Hiroshi Kojima. I became the new President and CEO of the asset management company, Mitsui Fudosan Accommodations Fund Management Co., Ltd., on April 1, 2022. I look forward to working with all our stakeholders.

As of February 28 2022, NAF's portfolio consisted of 134 properties and a total acquisition value of ¥337.9 billion.

As a result of above operations during the period, NAF recorded total revenues of ¥12,217 million, operating income of ¥5,726 million and net income of ¥5,278 million. The distribution per unit was ¥10,485.

NAF will continue to leverage the strength of the Mitsui Fudosan Group to the maximum and invest its assets to secure stable earnings and steady growth in the Investment Assets from the medium- and long-term view.

NAF will continue working to earn the trust of our unitholders and requests your continued support and cooperation.

Hiroshi Kojima

President and CEO of Mitsui Fudosan Accommodations Fund Management Co., Ltd.

Financial Highlights

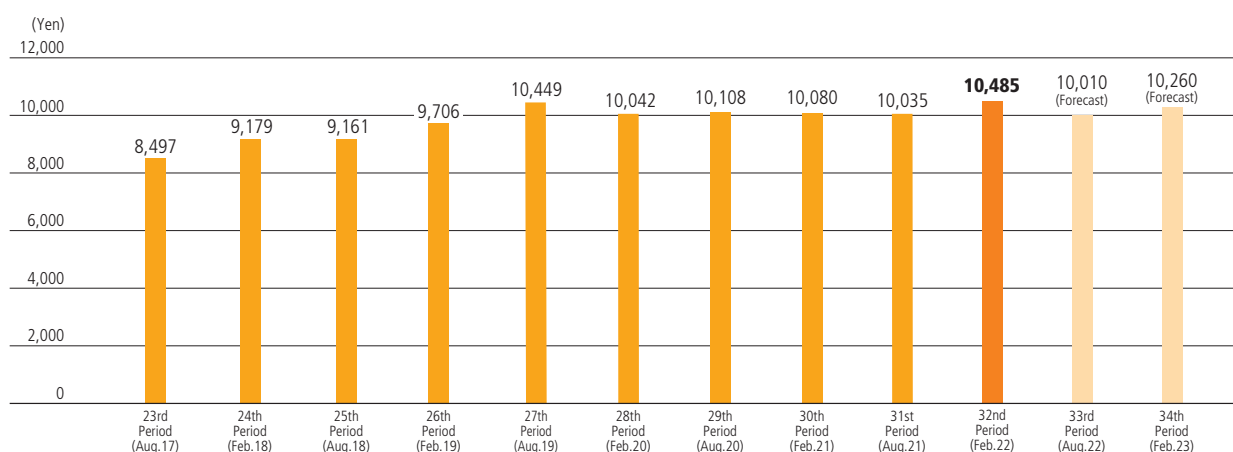
- Distribution per unit for the 32nd period came to **¥10,485**.
- Total assets at the end of the period were **¥326,050 million**, interest-bearing debt was **¥167,500 million**, and LTV (Loan-to-Value) ratio was **51.4%**.
- Net assets were **¥151,153 million** (up ¥226 million from the end of the previous fiscal period).

	31st Period (Actual) (Ended August 31, 2021)	32nd Period (Actual) (Ending February 28, 2022)	33rd Period (Forecast) (Ending August 31, 2022)	34th Period (Forecast) (Ending February 28, 2023)
Total revenues	¥11,986 million	¥12,217 million	¥12,248 million	¥12,219 million
Operating income	¥5,428 million	¥5,726 million	¥5,497 million	¥5,630 million
Net income	¥4,978 million	¥5,278 million	¥5,040 million	¥5,165 million
LTV (Loan-to-Value) ratio* ¹	51.7%	51.4%	51.7%	51.7%
Distribution per unit	¥10,035	¥10,485	¥10,010	¥10,260
Assets under management				
Acquisition price basis	¥337,930 million	¥337,930 million	¥340,340 million	¥340,340 million
Number of properties	134	134	135	135

*Amount does not include consumption tax or local consumption tax.

*¹ LTV (Loan-to-Value) ratio = Total interest-bearing debt / Total assets x 100

Track record of Distribution per Unit



Note: The forecasted figures are calculated based on certain assumptions as of April 19, 2022. The actual figures may change due to various factors including fluctuations in rent revenues owing to changes in tenants and other factors, changes in properties, fluctuation in interest, and additional issuance of investment units. Accordingly, the forecasts are not a guarantee of any cash distribution amount, etc. The forecasted figures are stated based on the details announced in the Financial Results for the Fiscal Period from September 1, 2021 to February 28, 2022 released on April 19, 2022.

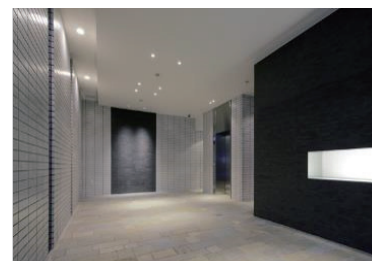
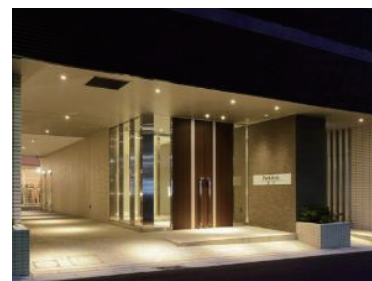
(Please view the above Financial Results from the NAF website (<https://www.naf-r.jp/english/>).)

Status of Portfolio

NAF is realizing steady external growth and stable revenues by leveraging the value chain of the Mitsui Fudosan Group, acquiring stable and selective properties, and conducting suitable management of operations.

New Acquisition in the 33rd Period

Rental Apartments	
Property name	Park Axis Kikukawa
Location	Sumida-ku, Tokyo
Acquisition date	April, 4, 2022
Completion date	June 20, 2014
Rentable area (m ²)	2,595.60
Rentable units (Units)	81
Acquisition price (Yen in millions)	2,410
NOI yield*	4.3%
Seller	Mitsui Fudosan Residential Co., Ltd.



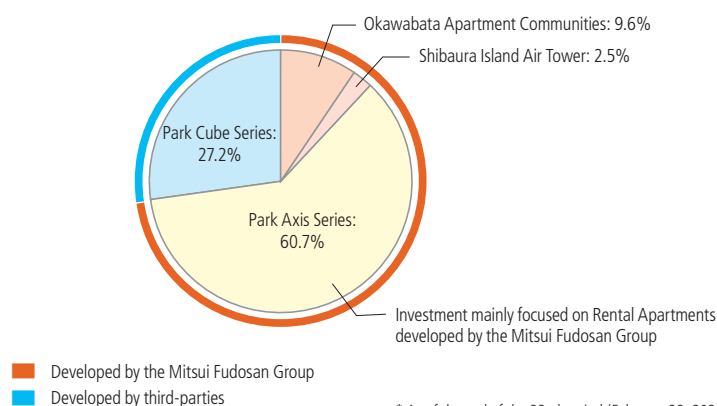
* Appraisal operating revenue of the entire portfolio x NAF's ownership ratio / Acquisition price x 100

Stable Acquisitions of Park Axis Series Developed by the Mitsui Fudosan Group

NAF's core acquisition strategy is the stable acquisitions of Park Axis Series properties, which are Rental Apartments developed by the Mitsui Fudosan Group.

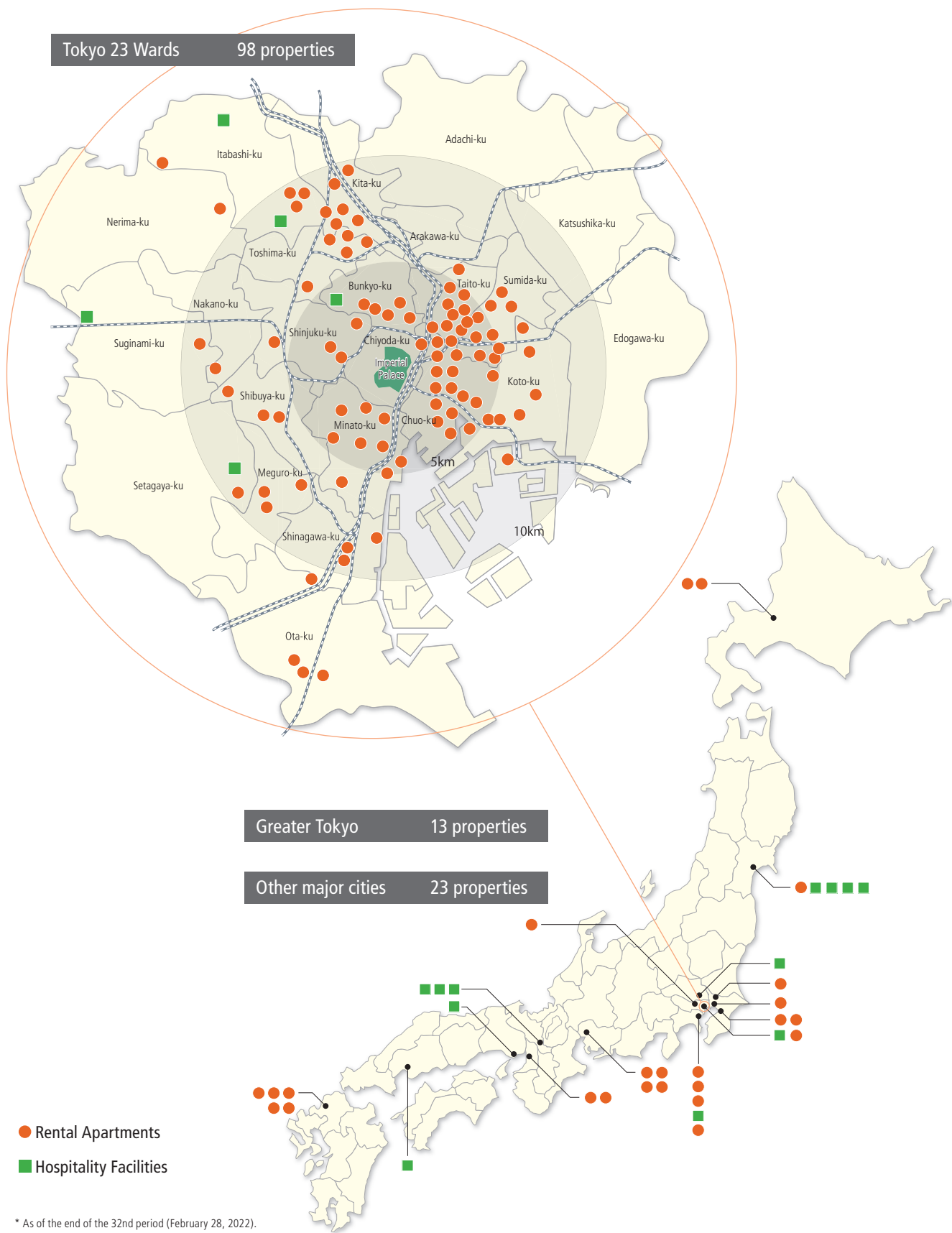
Park Axis Series have many merits. By utilizing the Mitsui Fudosan Group's long-standing knowhow of the housing business, their location is chosen for its suitability for Rental Apartment development and the properties are planned and designed flexibly to fit with their surroundings. In addition, the properties are built to strictly comply with originally established design standards and are subject to stringent quality. Due to such high quality and strong brand awareness, the Park Axis Series has established a powerful brand presence in the Rental Apartment market.

Asset Classification of Rental Apartments



* As of the end of the 32nd period (February 28, 2022).
* The calculation is based on an acquisition price.

Portfolio Map



Sustainability Initiatives

1 Structure for Promotion and External Assessment

Sustainability Policy

Reduction of Environmental Load

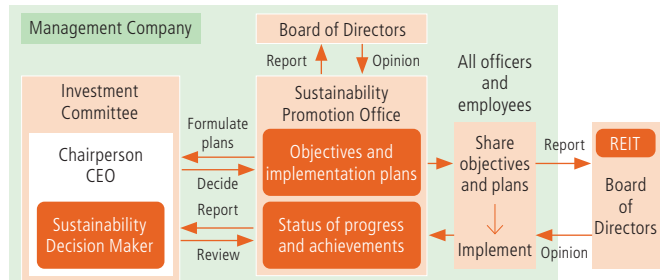
Collaborations with Various Internal and External Stakeholders

Initiatives for Governance

<https://www.naf-r.jp/english/profile/3-4.html>

In-House Structure for Promotion of Sustainability

Sustainability Promotion Office established to ensure effective sustainability policies



Identification of materiality

NAF identifies materiality for relevant initiatives when promoting sustainability.

Promote Energy Efficiency and CO ₂ Emissions Reduction
Acquire External Certification and Assessment on Sustainability
Develop Human Capital and Raise Sustainability Awareness Among Our Employees
Enhance Tenant Satisfaction, Safety and Comfort
Build Partnerships with Property Companies and Operators
Contribute to Community Development
Ensure Fairness and Transparency of Corporate Governance

Consistently Acquire External Certification of Sustainability

We consistently acquire external certification including GRESB Real Estate Assessment as opportunities to improve NAF's sustainability initiatives.

GRESB Real Estate Assessment



SMBC Environmental Assessment



2 Environment

Installation of LED lighting in common areas

Systematically installing LED lighting promotes energy saving and reduction of CO₂ emissions throughout our portfolio.

Installation completed
103 properties
In the 32nd Period
5 properties

(As of February 28, 2022)



External Certification of Investment Properties

We strive to acquire DBJ Green Building certification to ensure the validity and objectivity of the results of our initiatives to reduce environmental impact.



Certification Details	
No. of properties	7
Total floor space	231,343m²
Percentage of floor space certified	30.6 %

(As of February 28, 2022)

Initiatives on Climate Change - Endorsement of the TCFD



In September 2021, the Asset Management Company endorsed the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). In addition, the Asset Management Company joined the TCFD Consortium, which is an organization of companies in Japan that support the TCFD recommendations. For details regarding disclosure based on the TCFD recommendations, please refer to the NAF website.

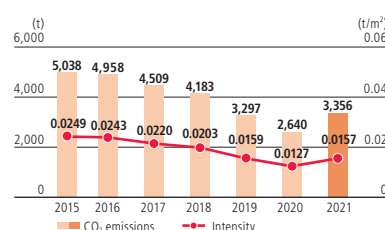
Environmental Performance

Targets

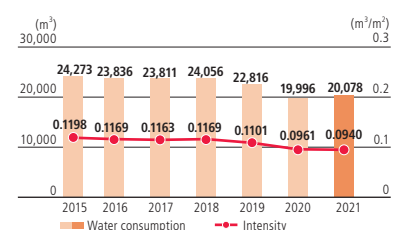
Indicator	Target (target year: 2030)
Energy-originated CO ₂ emissions (intensity basis)	50% reduction compared with 2015 results
Water consumption (intensity basis)	No increase compared with 2015 results
Percentage of properties with Green Building Certification in entire portfolio (floor area basis)	40%

Results

CO₂ emissions from energy use



Water consumption



3 Social

■ Employees of the Asset Management Company

The Asset Management Company recognizes that human resources are its most valuable assets and has implemented various initiatives for its employees.

Human Resource Development

The Company takes various measures to foster human resources having a high level of expertise, deep knowledge and ethical values.

- Support for Acquisition of Qualifications
- Support for Education and Training
- Interviews for Setting Objectives of Individual Employees
- Performance Evaluations

Health and Safety, Respect for Human Rights

We maintain healthy workplaces that facilitate work so that all officers and employees can fully demonstrate their abilities.

- Implementation of Periodic Medical Examinations, etc.
- Work-Life Balance
- Special Leave Program (maternity leave, caregiver leave and time off for sick/injured childcare, etc.)
- Consultation Service Office for Compliance
- Promotion of Active Roles for Women
- Support for Childcare and Nursing Care

■ Supply Chains

When selecting/evaluating suppliers, which are important in NAF's asset management, NAF keeps in mind the promotion of sustainability throughout its supply chain by also confirming suppliers' initiatives in consideration of society, the environment, etc.

■ Tenants

We conduct various initiatives to improve safety, security and comfort in assets under management to enhance tenant satisfaction.

Greater Satisfaction

Initiatives in collaboration with property management company (Mitsui Fudosan Residential Lease)

- Toll-Free Helpline for Tenants
- Chatbot to Answer Inquiries
- Renovation of Common Areas
- Tenant Satisfaction Surveys

Awareness-raising Training for Officers and Employees

In cooperation with Mitsui Fudosan Residential Lease Co., Ltd., NAF is working to learn property management knowledge and enhance tenant safety and security, and level of satisfaction.

■ Local Communities

As a member of local communities in which the assets we manage are located, we contribute to community formation and vitalization.

Cooperation in Local Events

At the Okawabata Apartment Communities, NAF has proactively cooperated in activities of the management association and strives to contribute to formation of a local community.



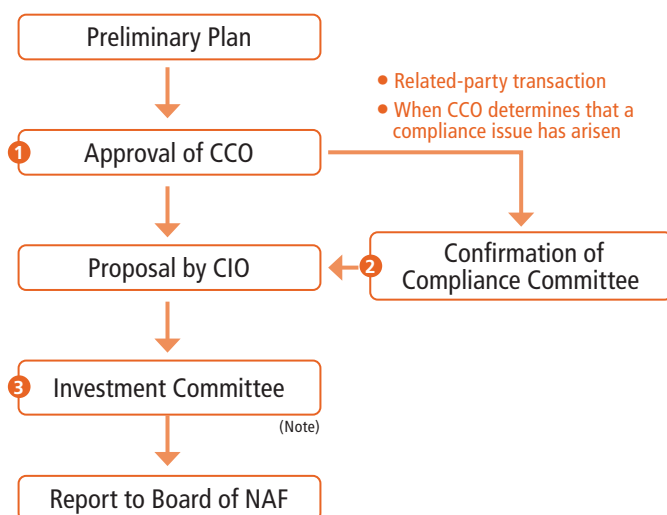
Beetle petting event



Evening of firefly viewing

4 Governance

■ The Asset Management Company's decision making process flow for acquiring or selling investment assets



Compliance Checking System

① Approval by Chief Compliance Officer (CCO)

The following require approval of the Compliance Committee

- Related-party transactions*
- When CCO determines that a compliance issue has arisen

*Property acquisition price from sponsor-related parties is below appraisal value

② The Compliance Committee

Requires approval by independent external professionals

Members: CCO (Chairperson), CEO, 2 external professionals (Currently 1 lawyer and 1 CPA)

External professionals: Appoint professionals independent from sponsor-related parties

Resolution: Requires the votes of 2/3 or more members and at least 1 of the 2 independent external professionals

③ Functions as a Check on the Investment Committee

CCO can suspend discussion when he sees any problem in the discussion process

Note: When NAF acquires or sells of assets in transactions with related parties as defined by the Investment Trust and Investment Corporation Act of Japan, the Asset Management Company must obtain consent from NAF based on the approval of NAF's Board of Directors prior to the deliberations of the Investment Committee. However, such consent is not required for property or other real estate acquisitions stipulated by Article 245-2-1 of the Investment Trust and Investment Corporation Act as having immaterial impact on NAF's assets because the acquisition cost represents less than 10 percent of the book value of NAF's investment properties.

Portfolio Summary (As of February 28, 2022)

No.	Name	Location	Acquisition Price (Note 1) (Yen in millions)	Portfolio Share (%)	Rentable Area (m ²)	Rentable Units Number of Rooms (Units/rooms)	PML (Note2) (%)
1	Okawabata Apartment Communities	Chuo-ku, Tokyo	30,816	9.1	43,812.41	544	
	River Point Tower						1.8
	Park Side Wings						2.7
	Pier West House						2.7
	Okawabata Parking						1.7
2	Park Axis Gakugei Daigaku	Setagaya-ku, Tokyo	1,760	0.5	2,437.66	64	5.0
4	Park Axis Shibuya Jinnan	Shibuya-ku, Tokyo	3,230	1.0	2,766.62	75	4.1
5	Park Axis Aoyama Kotto Dori	Minato-ku, Tokyo	1,730	0.5	1,537.24	40	4.5
6	Park Axis Kagurazaka Stage	Shinjuku-ku, Tokyo	1,400	0.4	1,891.05	59	3.0
7	Park Axis Shirokanedai	Minato-ku, Tokyo	5,140	1.5	4,704.44	99	4.2
8	Park Axis Bunkyo Stage	Bunkyo-ku, Tokyo	4,440	1.3	6,078.93	154	3.6
9	Park Axis Tsukushima	Chuo-ku, Tokyo	930	0.3	1,383.99	30	3.2
10	Park Axis Otsuka	Toshima-ku, Tokyo	1,655	0.5	2,606.37	52	2.4
11	Park Axis Minami Azabu	Minato-ku, Tokyo	3,939	1.2	3,938.14	64	3.0
13	Park Axis Nihonbashi Stage	Chuo-ku, Tokyo	7,557	2.2	10,025.40	184 residential, 1 retail, etc.	4.5
14	Park Axis Hamamatsucho	Minato-ku, Tokyo	2,025	0.6	2,426.45	80	3.3
15	Park Axis Hongo no Mori	Bunkyo-ku, Tokyo	2,910	0.9	3,317.94	86 residential, 1 retail, etc.	4.0
16	Park Axis Tameike Sanno	Minato-ku, Tokyo	2,860	0.8	2,710.69	70	3.5
17	Park Axis Roppongi Hinokicho Koen	Minato-ku, Tokyo	2,170	0.6	2,054.46	46	5.8
18	Park Axis Ochanomizu Stage	Bunkyo-ku, Tokyo	9,710	2.9	12,025.25	324	3.9
19	Park Axis Okachimachi	Taito-ku, Tokyo	1,070	0.3	1,621.73	42	4.0
20	Park Cube Hongo	Bunkyo-ku, Tokyo	1,760	0.5	2,160.12	60	3.9
21	Park Cube Kanda	Chiyoda-ku, Tokyo	2,454	0.7	3,194.59	95	2.4
22	Park Cube Ichigaya	Shinjuku-ku, Tokyo	1,949	0.6	2,288.46	53	2.9
23	Park Cube Asakusa Tawaramachi	Taito-ku, Tokyo	2,508	0.7	4,012.68	76	2.8
24	Park Cube Ueno	Taito-ku, Tokyo	2,233	0.7	3,041.61	91	2.8
29	Park Axis Meguro Honcho	Meguro-ku, Tokyo	1,810	0.5	1,884.77	60	5.8
30	Park Axis Shin Itabashi	Itabashi-ku, Tokyo	3,430	1.0	4,395.99	152	
	East						3.4
	West						3.3
31	Park Axis Akihabara	Chiyoda-ku, Tokyo	1,200	0.4	1,346.07	41	3.3
32	Park Axis Toyochi	Koto-ku, Tokyo	3,950	1.2	5,412.40	140	5.8
33	Park Axis Takinogawa	Kita-ku, Tokyo	1,820	0.5	2,924.75	48 residential, 1 retail, etc.	4.0
34	Park Axis Asakusabashi	Taito-ku, Tokyo	2,717	0.8	3,400.78	78 residential, 1 retail, etc.	3.2
38	Park Axis Nihonbashi Hamacho	Chuo-ku, Tokyo	5,540	1.6	6,999.83	118	4.2
39	Park Cube Yoyogi Tomigaya	Shibuya-ku, Tokyo	1,975	0.6	1,929.10	38	5.8
41	Park Axis Monzen Nakacho	Koto-ku, Tokyo	1,700	0.5	1,886.39	55	5.1
42	Park Cube Itabashi Honcho	Itabashi-ku, Tokyo	4,170	1.2	5,317.07	165 residential, 1 retail, etc.	2.9
43	Park Cube Gakugei Daigaku	Meguro-ku, Tokyo	910	0.3	957.88	24	6.8
44	Park Cube Oimachi	Shinagawa-ku, Tokyo	1,440	0.4	1,511.12	65	3.2
46	Park Axis Nishigahara	Kita-ku, Tokyo	840	0.2	1,435.83	46	2.4
47	Park Axis Kinshicho	Sumida-ku, Tokyo	1,448	0.4	2,288.13	65	4.2
48	Park Axis Tatsumi Stage	Koto-ku, Tokyo	7,464	2.2	16,474.06	299 residential, 1 retail, etc.	5.1
51	Park Axis Kameido	Koto-ku, Tokyo	2,359	0.7	3,986.78	118	5.6
52	Park Axis Honancho	Nakano-ku, Tokyo	745	0.2	1,231.08	31	3.0
53	Park Axis Itabashi	Kita-ku, Tokyo	1,448	0.4	2,567.96	64	5.3
54	Park Axis Oshiage	Sumida-ku, Tokyo	1,193	0.4	2,121.29	57 residential, 1 retail, etc.	4.9
55	Park Axis Takadanobaba	Toshima-ku, Tokyo	1,222	0.4	1,463.25	36 residential, 1 retail, etc.	2.7
59	Park Axis Toyosu	Koto-ku, Tokyo	14,300	4.2	25,537.94	401 residential, 2 retail, etc.	3.9
60	Park Axis Hatchobori	Chuo-ku, Tokyo	1,760	0.5	2,416.29	63 residential, 1 retail, etc.	3.2

No.	Name	Location	Acquisition Price (Note 1) (Yen in millions)	Portfolio Share (%)	Rentable Area (m ²)	Rentable Units Number of Rooms (Units/rooms)	PML (Note 2) (%)
61	Park Axis Itabashi Honcho	Itabashi-ku, Tokyo	987	0.3	2,048.31	66	4.0
62	Park Axis Sumiyoshi	Sumida-ku, Tokyo	1,006	0.3	1,785.72	60	7.4
63	Park Cube Yotsuya Sanchome	Shinjuku-ku, Tokyo	2,749	0.8	3,599.82	130	5.1
64	Park Cube Hatchobori	Chuo-ku, Tokyo	4,200	1.2	5,191.86	118 residential, 2 retail, etc.	2.4
68	Park Axis Kamata Ichibankan	Ota-ku, Tokyo	1,069	0.3	1,721.28	63	6.7
70	Park Axis Taito Negishi	Taito-ku, Tokyo	672	0.2	1,283.13	40	4.2
72	Park Axis Komagome	Toshima-ku, Tokyo	1,389	0.4	1,979.51	39 residential, 1 retail, etc.	2.5
74	Park Axis Itabashi Honcho Nibankan	Itabashi-ku, Tokyo	1,859	0.6	3,661.58	99	3.1
75	Shibaura Island Air Tower (Note 3)	Minato-ku, Tokyo	7,905	2.3	17,646.33	270 residential, 2 retail, etc.	
	Air Tower						1.9
	Air Terrace						7.5
84	Park Cube Higashi Shinagawa	Shinagawa-ku, Tokyo	6,060	1.8	10,636.67	201	3.5
86	Park Cube Sasazuka	Shibuya-ku, Tokyo	2,200	0.7	2,416.00	92 residential, 1 retail, etc.	3.4
88	Park Axis Higashi Jujo	Kita-ku, Tokyo	1,700	0.5	2,893.54	70 residential, 1 retail, etc.	3.1
91	Park Cube Heiwadai	Nerima-ku, Tokyo	1,204	0.4	2,656.00	34	2.8
92	Park Cube Meguro Tower	Meguro-ku, Tokyo	9,000	2.7	12,367.62	193 residential, 1 retail, etc.	2.2
93	Park Cube Nihonbashi Suitengu	Chuo-ku, Tokyo	2,711	0.8	4,235.33	77	4.4
94	Park Cube Ginza East	Chuo-ku, Tokyo	2,269	0.7	3,358.63	77	3.0
95	Park Cube Kayabacho	Chuo-ku, Tokyo	1,105	0.3	1,695.06	27 residential, 1 retail, etc.	3.2
96	Park Cube Honjo Azumabashi	Sumida-ku, Tokyo	1,252	0.4	2,241.63	45	4.6
97	Park Axis Kiyosumi Shirakawa	Koto-ku, Tokyo	696	0.2	1,159.84	36	3.7
98	Park Axis Asakusabashi Nichome	Taito-ku, Tokyo	1,079	0.3	1,569.00	48	3.4
99	Park Axis Nishi Sugamo	Kita-ku, Tokyo	1,439	0.4	2,326.32	56	3.9
100	Park Axis Ueno	Taito-ku, Tokyo	1,389	0.4	1,992.29	59	3.3
101	Park Axis Akihabara East	Taito-ku, Tokyo	1,369	0.4	1,890.20	58	3.8
103	Park Axis Kayabacho	Chuo-ku, Tokyo	1,809	0.5	2,355.07	72	3.0
104	Park Axis Kinshicho Shinsui Koen	Sumida-ku, Tokyo	1,369	0.4	2,085.62	60	7.5
105	Park Cube Kasuga Andozaka	Bunkyo-ku, Tokyo	2,670	0.8	3,581.09	68	2.7
106	Park Cube Kameido	Koto-ku, Tokyo	3,020	0.9	4,442.09	121 residential, 1 retail, etc.	5.5
108	Park Axis Shin Okachimachi East	Taito-ku, Tokyo	1,299	0.4	1,847.01	49	3.0
110	Park Axis Nihonbashi Honcho	Chuo-ku, Tokyo	1,469	0.4	1,808.12	49	2.5
111	Park Cube Nishigahara Stage	Kita-ku, Tokyo	4,110	1.2	19,693.35	357 residential, 1 retail, etc.	2.5
112	Park Cube Atagoyama Tower	Minato-ku, Tokyo	8,650	2.6	8,389.91	165	2.4
113	Park Axis Shibaura	Minato-ku, Tokyo	1,045	0.3	1,273.60	42	5.2
114	Park Axis Asakusa Kuramae	Taito-ku, Tokyo	1,095	0.3	1,456.35	45	3.0
115	Park Axis Kamata Station Gate	Ota-ku, Tokyo	4,144	1.2	4,582.72	157 residential, 1 retail, etc.	3.2
116	Park Axis Kinshicho Residence	Sumida-ku, Tokyo	1,251	0.4	1,793.33	56	4.0
117	Park Axis Oshiage Sumida Koen	Sumida-ku, Tokyo	1,055	0.3	1,610.49	49	5.2
120	Park Axis Magome Residence	Ota-ku, Tokyo	1,450	0.4	1,621.94	55	9.6
121	Park Axis Higashi Ueno	Taito-ku, Tokyo	1,250	0.4	1,460.10	45	4.0
122	Park Axis Higashi Koenji	Suginami-ku, Tokyo	2,300	0.7	2,679.96	85	5.1
125	Park Cube Shin Itabashi	Itabashi-ku, Tokyo	1,700	0.5	1,930.12	70 residential, 1 retail, etc.	2.9
126	Park Cube Nishi Shinjuku	Shinjuku-ku, Tokyo	2,400	0.7	1,809.56	57 residential, 1 retail, etc.	3.4
129	Park Axis Oshiage Terrace	Sumida-ku, Tokyo	2,610	0.8	2,498.08	80	6.6
130	Park Axis Ikegami	Ota-ku, Tokyo	1,260	0.4	1,391.34	45	6.7
132	Park Axis Akatsuka	Itabashi-ku, Tokyo	2,420	0.7	2,403.67	86 residential, 2 retail, etc.	3.2
133	Park Cube Oimachi Residence	Shinagawa-ku, Tokyo	5,807	1.7	4,271.17	170 residential, 1 retail, etc.	4.0
134	Park Axis Toyochi Shinsui Koen	Koto-ku, Tokyo	6,380	1.9	7,254.57	190 residential, 2 retail, etc.	5.8
137	Park Axis Kikukawa Station Gate	Sumida-ku, Tokyo	3,200	0.9	3,411.32	107	5.7
138	Park Axis Kiba Canal West	Koto-ku, Tokyo	4,660	1.4	4,430.50	146 residential, 1 retail, etc.	6.7
139	Park Axis Kiba Canal East	Koto-ku, Tokyo	1,830	0.5	1,830.46	63 residential, 1 retail, etc.	7.0
Tokyo 23 Wards Total			283,250	83.8	399,792.20	8,999 residential, 32 retail, etc.	

No.	Name	Location	Acquisition Price (Note 1) (Yen in millions)	Portfolio Share (%)	Rentable Area (m ²)	Rentable Units Number of Rooms (Units/rooms)	PML (Note2) (%)
26	Park Cube Keio Hachioji II	Hachioji-shi, Tokyo	1,130	0.3	3,082.32	47 residential, 1 retail, etc.	4.0
40	Park Axis Nishi Funabashi	Funabashi-shi, Chiba	1,020	0.3	2,074.35	55	3.2
66	Park Axis Yokohama Idogaya	Yokohama-shi, Kanagawa	1,419	0.4	2,706.59	99 residential, 1 retail, etc.	6.3
67	Park Axis Chiba Shinmachi	Chiba-shi, Chiba	1,679	0.5	3,318.15	77 residential, 7 retail, etc.	1.9
69	Park Axis Chiba	Chiba-shi, Chiba	970	0.3	2,270.32	91	2.3
85	Park Cube Kita Matsudo	Matsudo-shi, Chiba	1,200	0.4	2,358.66	108 residential, 1 retail, etc.	1.6
87	Park Cube Musashi Kosugi	Kawasaki-shi, Kanagawa	2,250	0.7	3,057.36	136	3.3
102	Park Axis Yokohama Tanmachi Koen	Yokohama-shi, Kanagawa	1,119	0.3	1,682.46	63	4.1
109	Park Axis Yokohama Yamashitacho	Yokohama-shi, Kanagawa	1,539	0.5	2,325.92	70 residential, 1 retail, etc.	8.2
135	Park Axis Ofuna	Yokohama-shi, Kanagawa	2,100	0.6	4,752.68	73	14.8
Greater Tokyo Total			14,426	4.3	27,628.81	819 residential, 11 retail, etc.	
27	Park Axis Meieki Minami	Nagoya-shi, Aichi	2,440	0.7	5,565.13	169	3.7
35	Park Axis Marunouchi	Nagoya-shi, Aichi	1,920	0.6	3,821.75	98 residential, 1 retail, etc.	2.9
36	Park Axis Ropponmatsu	Fukuoka-shi, Fukuoka	1,515	0.4	3,473.67	111 residential, 1 retail, etc.	2.5
37	Park Axis Hakataeki Minami	Fukuoka-shi, Fukuoka	1,890	0.6	4,668.29	176 residential, 1 retail, etc.	3.0
45	Park Axis Naka Gofukumachi	Fukuoka-shi, Fukuoka	742	0.2	2,707.88	112	2.9
49	Park Axis Shirakabe	Nagoya-shi, Aichi	1,547	0.5	4,735.89	86	3.0
50	Park Axis Sendai	Sendai-shi, Miyagi	2,320	0.7	8,843.17	204	2.8
56	Park Axis Hakata Minoshima	Fukuoka-shi, Fukuoka	960	0.3	3,461.85	112	2.7
57	Park Axis Takamiya Higashi	Fukuoka-shi, Fukuoka	605	0.2	2,289.21	70	5.1
58	Park Axis Sapporo Shokubutsuen Mae	Sapporo-shi, Hokkaido	1,650	0.5	7,845.01	146	1.1
65	Park Axis Shin Sapporo	Sapporo-shi, Hokkaido	827	0.2	3,729.05	84 residential, 1 retail, etc.	2.4
73	Park Axis Utsubo Koen	Osaka-shi, Osaka	2,399	0.7	4,952.45	133	8.6
107	Park Cube Kitahama	Osaka-shi, Osaka	1,970	0.6	4,683.33	138	5.7
127	Park Axis Kanayama WEST	Nagoya-shi, Aichi	1,770	0.5	4,795.13	63	4.4
Other Major Cities Total			22,555	6.7	65,571.81	1,702 residential, 4 retail, etc.	
Rental Apartments Total			320,231	94.8	492,992.82	11,520 residential, 47 retail, etc.	
76	Dormy Ashiya	Ashiya-shi, Hyogo	928	0.3	3,729.45	140	6.6
77	Kawaijuku Kyoto Gakushin Ryo	Kyoto-shi, Kyoto	991	0.3	3,492.88	134	12.9
78	Sundai Horikawa Ryo	Kyoto-shi, Kyoto	916	0.3	2,793.71	113	8.8
79	Dormy Rakuohoku	Kyoto-shi, Kyoto	374	0.1	1,489.86	70	8.8
80	Rikkyo University International Dormitory (RUID) Shiki	Shiki-shi, Saitama	1,478	0.4	3,061.89	127	3.0
81	Dormy Naka Itabashi	Itabashi-ku, Tokyo	1,041	0.3	2,439.17	106	5.5
82	Philosophia Nishidai	Itabashi-ku, Tokyo	1,249	0.4	2,969.25	121	5.3
83	Dormy Musashi Kosugi	Kawasaki-shi, Kanagawa	1,152	0.3	3,017.34	112	7.3
89	Artis Sendai Kakyoin	Sendai-shi, Miyagi	540	0.2	2,234.24	60	3.0
90	Artis Sendai Kimachi Dori	Sendai-shi, Miyagi	1,160	0.3	4,864.04	142	2.7
118	Medical Home Granda Sangen Jaya (Land with leasehold interest)	Setagaya-ku, Tokyo	735	0.2	—	—	—
119	Dormy Nishi Ogikubo	Suginami-ku, Tokyo	1,100	0.3	1,616.52	71	8.8
123	Granda Kanazawa Hakkei	Yokohama-shi, Kanagawa	774	0.2	1,826.29	58	9.6
124	Dormy Kamisugi	Sendai-shi, Miyagi	1,050	0.3	3,151.56	124	4.6
128	Dormy Odawara	Sendai-shi, Miyagi	521	0.2	2,452.14	78	0.2
131	Chisun Hotel Hiroshima	Hiroshima-shi, Hiroshima	1,880	0.6	4,275.59	170	6.4
136	Campus terrace Waseda	Bunkyo-ku, Tokyo	1,810	0.5	1,747.51	82	3.5
Hospitality Facilities Total			17,699	5.2	45,161.44	1,708	
Grand Total			337,930	100.0	583,154.26	13,275	2.5 (Portfolio PML)

Notes: 1. Acquisition Price does not include acquisition-related expenses, property tax or consumption tax.
2. PML = Probable maximum loss Portfolio PML is the PML for all NAF's portfolio, 133 properties excluding Medical Home Granda Sangen Jaya (Land with leasehold interest).
3. Rentable units and rentable area for Shibaura Island Air Tower are calculated by multiplying NAF's ownership (31%) by the property's total rentable units and total rentable area and rounding to the nearest unit and one-hundredth of a square meter, respectively.
4. Rentable units and rentable area for Park Axis Akatsuka are calculated by multiplying NAF's ownership (55%) by the property's total rentable units and total rentable area and rounding to the nearest unit and one-hundredth of a square meter, respectively.

Management's Discussion and Analysis

Summary of Selected Financial Data

	Yen in millions (Except per unit data or where otherwise indicated)			U.S. dollars in thousands (Note 1) (Except per unit data)
	32nd Period September 1, 2021 to February 28, 2022	31st Period March 1, 2021 to August 31, 2021	30th Period September 1, 2020 to February 28, 2021	32nd Period September 1, 2021 to February 28, 2022
Total revenues (Note 2)	¥ 12,217	¥ 11,986	¥ 11,560	\$ 105,729
Rental revenues	11,742	11,437	11,088	101,618
Other revenues related to property leasing	475	548	471	4,110
Operating expenses	6,490	6,557	6,294	56,166
Income before income taxes	5,279	4,978	4,862	45,685
Net income (a)	5,278	4,978	4,861	45,677
Funds from operations (Note 3)	7,327	7,028	6,844	63,409
Net operating income from property leasing activities (Note 3)	9,138	8,820	8,550	79,082
Total amount of cash distribution (b)	5,278	5,052	5,074	45,677
Depreciation and amortization	2,048	2,050	1,982	17,723
Capital expenditures	506	256	337	4,379
Total assets (c)	326,050	327,824	317,740	2,821,722
Interest-bearing debt	167,500	169,500	159,500	1,449,588
Total net assets (d)	151,153	150,926	151,023	1,308,117
Total number of common units issued (Units) (e)	503,472	503,472	503,472	
Net assets per unit (Yen/\$) (d) / (e)	300,222	299,772	299,964	2,598.19
Distribution per unit (Yen/\$) (b) / (e)	10,485	10,035	10,080	90.73
Funds from operations per unit (Yen/\$) (Note 3)	14,554	13,960	13,594	125.95
ROA (Note 4)	1.6%	1.5%	1.6%	
(Annual rate)	(3.3%)	(3.1%)	(3.1%)	
ROE (Note 4)	3.5%	3.3%	3.3%	
(Annual rate)	(7.0%)	(6.5%)	(6.7%)	
LTV (Loan-to-value) ratio (Note 3)	51.4%	51.7%	50.2%	
Capital ratio (d) / (c)	46.4%	46.0%	47.5%	
Payout ratio (b) / (a) (Note 5)	100.0%	101.5%	104.4%	
Number of days in the period	181	184	181	
Number of investment properties (Note 6)	134	134	129	
Total rentable area (m ²)	538,154	538,154	515,984	
The occupancy rate at the end of the period (Note 6)	96.9%	96.1%	97.1%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥115.55 = U.S.\$1.00, the approximate exchange rate as of February 28, 2022.

2. "Total revenues" do not include consumption tax.

3. Funds from operations: Net income + Depreciation and amortization – Gain on sale of investment properties

Net operating income from property leasing activities: (Revenues from property leasing – Rental expenses) + Depreciation and amortization

Funds from operations per unit: (Net income + Depreciation and amortization – Gain on sale of investment properties) ÷ Total number of units issued and outstanding at the end of the period

LTV ratio: Interest-bearing debt ÷ Total assets

4. ROA: Income before income taxes ÷ {(Initial total assets + Total assets at the end of the period) ÷ 2}

ROE: Net income ÷ {(Initial net assets + Net assets at the end of the period) ÷ 2}

The figures in parentheses are annualized based on the number of actual days in each period.

Annual equivalent amounts for the period ended February 28, 2022: Amount for the period ÷ Actual days in the period (181) × 365 days

Annual equivalent amounts for the period ended August 31, 2021: Amount for the period ÷ Actual days in the period (184) × 365 days

Annual equivalent amounts for the period ended February 28, 2021: Amount for the period ÷ Actual days in the period (181) × 365 days

Net assets and total assets used in calculating ROA and ROE are beginning-of-period and period-end averages, respectively.

5. "Payout ratio" is calculated to one decimal place only.

6. "Number of investment properties" means properties generally perceived to be one residential building.

"The occupancy rate at the end of the period" is the ratio of gross leased area to total rentable area at the end of the period.

Overview

Investment Environment and Operating Performance

During the six months ended February 28, 2022 (the “32nd Period”), the Japanese economy showed signs of recovery, despite the continuing severe situation due to the impact of the novel coronavirus disease (COVID-19). Personal consumption showed signs of recovery even in the consumption of services such as eating out and travel due to the lifting of the declaration of a state of emergency and progress in vaccination, while exports, corporate performance, and capital investment also recovered against the backdrop of an economic recovery both in Japan and abroad. However, in the latter half of the period, the rapid spread of new strains of COVID-19 and the implementation of priority preventative measures in many prefectures, etc. resulted in a stall in the recovery of personal consumption.

In NAF’s main investment area, the residential rental market, tenant leasing activities normalized and occupancy rates in major areas remained steady even though the spread of the infections continued.

In the real estate trading market, transactions were carried out in a proactive manner as demand from investors with regard to rental apartments, where occupancy and revenue is stable, was steady.

No properties were acquired during the period under review, and NAF’s assets under management at the end of the period under review were unchanged from the end of the previous period.

As a result, NAF’s portfolio as of February 28, 2022 consisted of 134 properties valued at ¥337,930 million on an acquisition price basis.

In this environment, as a result of Mitsui Fudosan Residential Lease Co., Ltd., the property management company of NAF, and Mitsui Fudosan Accommodations Fund Management Co., Ltd., the asset management company of NAF, properly collaborating and working on management and operation of NAF’s rental apartments portfolio, occupancy rates for rental apartments were 96.6% at the end of the period under review, and rent change before and after turnover maintained an upward trend at 0.8% at the time of tenant turnover. In addition, NAF aims to reduce costs by utilizing the merits of outsourcing all property management tasks to the property management company while examining, whenever necessary, the adequacy of the grade of property management, cost of management and operation.

Meanwhile in the management of “Hospitality Facilities” ^(Note), NAF has concluded long-term contracts regarding fixed rents to a professional operator or business corporation in order to aim for stable rental revenue. Regarding the circumstances of each property, despite the continuing difficult situation for hotels, dormitories and corporate housing as well as senior residences have been stably occupied in general. In addition, the asset management company regularly monitors the management and operational activities, and makes adjustments through professional dialog with the operator or business corporation as necessary.

In order to maintain and improve the competitiveness of NAF’s portfolio, operations, such as appropriate renewal work according to the property age, and work to enhance the property value, are systematically carried out, and in the period under review, NAF carried out facility upgrades to air-conditioning facilities, etc. and renovations in private areas at Okawabata Apartment Communities, etc. In addition, NAF is not only making continuous efforts to reduce costs, but also introducing such features as environmentally friendly, energy-saving facilities, which includes changing the lighting in common areas to LED lighting, in a timely manner.

As a result of these activities, the occupancy rate for NAF’s overall portfolio as of February 28, 2022 remained at a high level of 96.9%.

Consequently, for the 32nd Period, NAF recorded total revenues of ¥12,217 million, operating income of ¥5,726 million, income before income taxes of ¥5,279 million and net income of ¥5,278 million.

Note: “Hospitality Facilities” is a generic term for “Accommodation Assets” that includes the four categories of “Dormitories, Corporate Housing,” “Serviced Apartments,” “Senior Residences,” and “Hotels,” excluding “Rental Apartments.”

Changes in Assets, Liabilities and Net Assets

Total assets as of February 28, 2022 decreased from August 31, 2021 by ¥1,774 million to ¥326,050 million. Total current assets decreased by ¥416 million to ¥15,443 million and total investment properties net of accumulated depreciation compared with August 31, 2021 decreased by ¥1,386 million to ¥308,724 million as a result of normal depreciation.

NAF's basic policy is to carry out operations in a conservative manner that gives consideration to such matters as maintaining stable distributions in the medium and long term. In the period under review, NAF continued to pursue financing from various sources with diversified repayment dates and an emphasis on long-term, fixed-rate loans in its procurement of funds by taking into account market trends and interest rate levels, and refinancing existing loans. In addition, a total of ¥4,000 million in investment corporation bonds were issued in September 2021, and the procured funds were used as the funds for partial repayment of borrowings that had come due.

As a result, at the end of the period, total interest-bearing debt amounted to ¥167,500 million (¥2,000 million decrease from previous period), the long-term debt ratio was 98.8%, the long-term, fixed-rate debt ratio was 96.4%, and the loan-to-value (LTV) ratio was 51.4%. The average remaining maturity of long-term interest-bearing debt was 4.9 years and the number of financial institutions was 26. Furthermore, the weighted average interest rate at the end of the period was 0.51%.

NAF also has secured a commitment line for the purpose of securing flexible and stable fund procurement methods. At the end of the period under review, its total maximum borrowing amount was ¥15,000 million.

Net assets totaled ¥151,153 million as of February 28, 2022. Unitholders' capital was unchanged at ¥145,449 million, and retained earnings increased to ¥5,703 million from ¥5,476 million as of August 31, 2021.

Distributions to Unitholders

NAF determines the amount of cash distributions such that they exceed 90 percent of NAF's retained earnings available for dividends as set forth in Article 67-15 of the Act on Special Measures Concerning Taxation. For the 32nd Period, cash distributions totaled ¥5,278,903,920, or ¥10,485 per unit.

	Yen in thousands, except per unit amounts		
	32nd Period September 1, 2021 to February 28, 2022	31st Period March 1, 2021 to August 31, 2021	30th Period September 1, 2020 to February 28, 2021
Retained earnings	¥5,278,992	¥4,978,117	¥4,861,818
Reversal of reserves for reduction entry	—	74,224	213,179
Undistributed earnings	88	—	—
Total cash distribution	5,278,903	5,052,341	5,074,997
(Per unit)	10,485	10,035	10,080
Distribution of retained earnings	5,278,903	5,052,341	5,074,997
(Per unit)	10,485	10,035	10,080
Cash distribution in excess of retained earnings	—	—	—
(Per unit)	—	—	—

Note: The above cash distributions were paid after the close of the period.

Funding

Balance of Paid-in Capital

NAF was established on October 12, 2005 with initial paid-in capital of ¥100 million. NAF began investing activities on November 29, 2005 after ¥21,140 million was raised through private placement. As of February 28, 2022, NAF had issued 503,472 investment units out of 4,000,000 total authorized units. NAF's investment units were listed on the J-REIT section of the Tokyo Stock Exchange in August 2006 upon the completion of a public offering. As the Act on Investment Trusts and Investment Corporations does not contain any provision for the issuance of more than one class of units, NAF's investment units comprise the sole class of units authorized and issued by NAF.

Changes in Total Number of Investment Units Issued and Outstanding

The following are changes in paid-in capital and units outstanding over the last five years.

The following are changes in paid-in capital and units outstanding over the last five years:						
Issue date	Remarks	Units outstanding		Paid-in capital		Notes
		Increase	Balance	Increase	Balance	
		(Units)		(Yen in millions)		
December 15, 2020	Public offering	18,000	502,522	9,352	144,956	Note 1
January 13, 2021	Third-party allocation	950	503,472	493	145,449	Note 2

Notes: 1. Public offering of new units for ¥537,225 per unit (excluding underwriting fee: ¥519,593) to fund property acquisition.

2. Additional issue of new units (third-party allocation) for ¥519,593 per unit undertaken pursuant to the public offering in Note 1.

Market Price of Units

High/Low (closing price) of units on the Tokyo Stock Exchange:

	32nd Period September 1, 2021 to February 28, 2022	31st Period March 1, 2021 to August 31, 2021	30th Period September 1, 2020 to February 28, 2021	29th Period March 1, 2020 to August 31, 2020	28th Period September 1, 2019 to February 29, 2020
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
High	¥670,000	¥697,000	¥663,000	¥688,000	¥728,000
Low	587,000	571,000	541,000	442,000	652,000

Borrowings

Borrowings from financial institution as of February 28, 2022 are shown below.

Short-term loans

Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of maturity (Note 2)	Repayment method	Use of funds	Notes
Sumitomo Mitsui Trust Bank, Limited	¥2,000	0.11227%	May 31, 2022	Bullet payment	(Note 3)	Unsecured/ unguaranteed/ pari passu (Note 4)
Total short-term loans	¥2,000					

Long-term loans (Note 6)

Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of maturity	Repayment method	Use of funds	Notes
Sumitomo Mitsui Banking Corporation	¥ 1,500	0.21045% (Note 5)	July 31, 2029	Bullet payment	(Note 3)	Unsecured/ unguaranteed/ pari passu (Note 4)
	2,000	0.19950%	August 15, 2022			
	2,000	0.20700%	September 30, 2022			
	2,000	0.16000%	May 31, 2023			
	4,500	0.18000%	February 29, 2024			
	1,000	0.26000%	February 27, 2026			
	3,000	0.21000%	May 28, 2025			
	2,000	0.30000%	November 30, 2027			
Sumitomo Mitsui Trust Bank, Limited	1,500	0.12545% (Note 5)	August 31, 2023			
	1,000	0.16545% (Note 5)	August 31, 2027			
	2,000	0.22000%	September 30, 2025			
NIPPON LIFE INSURANCE COMPANY	2,000	0.93375%	November 30, 2022			
	3,000	0.98750%	May 31, 2024			
	2,000	0.25000%	June 30, 2026			
	1,000	0.50000%	April 30, 2031			
	1,000	0.53000%	November 28, 2031			
Development Bank of Japan Inc.	3,000	1.05400%	April 11, 2023			
	2,500	1.32900%	February 6, 2024			
	2,500	1.39800%	August 6, 2024			
	2,500	1.17750%	April 1, 2025			
	2,000	0.18248%	December 30, 2027			
	4,000	0.54779%	April 18, 2029			
The Hachijuni Bank, Ltd.	3,000	0.64293%	October 21, 2030			
	1,000	0.23550%	September 17, 2024			
	1,500	0.29000%	May 29, 2026			
	1,000	0.48000%	March 31, 2031			
	1,000	0.53000%	June 30, 2031			
Mizuho Bank, Ltd.	1,000	0.18561%	May 31, 2022			
	1,000	0.21561%	May 31, 2023			
	2,000	0.42456%	March 31, 2027			
	1,000	0.48000%	August 30, 2030			
	1,000	0.48000%	February 28, 2031			
	1,000	0.53000%	November 28, 2031			
The Chugoku Bank, Limited	2,000	0.55000%	July 31, 2023			
	2,000	0.21880%	May 29, 2026			
	1,000	0.22000%	November 29, 2024			
	1,000	0.24000%	January 5, 2026			
	1,000	0.36000%	June 28, 2028			
Shinsei Bank, Limited	1,000	1.22500%	January 19, 2023			
	1,000	0.99250%	May 28, 2024			
	1,000	0.53000%	May 30, 2031			
	1,000	0.53000%	June 30, 2031			

Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of maturity	Repayment method	Use of funds	Notes
Shinkin Central Bank	¥ 2,000	0.38880%	January 29, 2027	Bullet payment	(Note 3)	Unsecured/ unguaranteed/ pari passu (Note 4)
	3,000	0.30950%	July 31, 2025			
	2,000	0.12930%	January 31, 2025			
	2,000	0.26930%	January 31, 2028			
	3,000	0.38178%	December 29, 2028			
The Bank of Fukuoka, Ltd.	2,000	0.43500%	February 26, 2027			
	2,000	0.33500%	April 30, 2026			
	1,000	0.65000%	January 8, 2032			
	1,000	0.45000%	October 31, 2029			
	1,500	0.68000%	April 30, 2032			
MUFG Bank, Ltd.	3,000	0.79375%	March 7, 2022			
	3,000	0.85500%	September 7, 2022			
	3,000	0.76500%	May 31, 2022			
	3,000	0.62125%	October 3, 2022			
	3,000	0.54500%	April 27, 2029			
	2,000	0.48000%	March 15, 2030			
	1,000	0.32000%	September 30, 2027			
	1,000	0.48000%	September 13, 2030			
	1,000	0.47000%	August 30, 2030			
The Norinchukin Bank	1,000	0.27000%	December 30, 2025			
	2,000	0.37000%	April 28, 2028			
	2,000	0.32000%	July 1, 2027			
	3,000	0.36000%	November 30, 2028			
Mizuho Trust & Banking Co., Ltd.	1,000	1.15750%	June 14, 2022			
	1,000	1.08625%	August 23, 2022			
	1,500	0.38380%	March 29, 2028			
	1,000	0.42000%	February 28, 2029			
	1,000	0.38000%	November 30, 2028			
The Yamaguchi Bank, Ltd.	1,000	1.26000%	June 14, 2023			
	1,000	1.28125%	July 19, 2023			
	1,000	0.98750%	May 31, 2024			
	1,000	0.55500%	April 27, 2029			
	1,000	0.71000%	June 28, 2033			
Daishi Hokuetsu Bank, Ltd.	1,000	0.36000%	June 30, 2028			
	1,000	0.30000%	June 30, 2027			
TAIJU LIFE INSURANCE COMPANY LIMITED	1,000	1.04375%	March 28, 2024			
	1,000	0.53000%	June 27, 2031			
The Ashikaga Bank, Ltd.	2,000	0.27000%	December 30, 2025			
	1,000	0.36000%	June 28, 2028			
DAIDO LIFE INSURANCE COMPANY	1,000	0.53000%	June 30, 2031			
TAIYO LIFE INSURANCE COMPANY	2,000	0.64750%	December 30, 2024			
The Iyo Bank, Ltd.	1,000	0.09000%	March 31, 2022			

Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of maturity	Repayment method	Use of funds	Notes
The Yamanashi Chuo Bank, Ltd.	¥ 1,000	0.31630%	June 30, 2026	Bullet payment	(Note 3)	Unsecured/ unguaranteed/ pari passu (Note 4)
	1,000	0.45000%	December 17, 2029			
	1,000	0.65000%	December 16, 2031			
The 77 Bank, Ltd.	1,000	0.40500%	June 30, 2028			
	1,000	0.48000%	March 29, 2030			
	1,000	0.48000%	February 28, 2031			
	1,000	0.53000%	November 28, 2031			
The Chiba Bank, Ltd.	1,000	0.32250%	September 3, 2025			
SUMITOMO LIFE INSURANCE COMPANY	1,000	0.66000%	September 3, 2030			
	1,000	0.68000%	April 30, 2032			
	1,000	0.48000%	July 1, 2030			
	1,000	0.71000%	June 30, 2033			
Mitsui Sumitomo Insurance Company, Limited	1,000	0.29000%	October 30, 2026			
	1,000	0.32000%	August 31, 2027			
The Hyakugo Bank, Ltd.	1,000	0.48000%	February 28, 2031			
Total long-term loans	¥157,500					
Total loans	¥159,500					

Notes: 1. "Interest rate" is rounded to the nearest hundred-thousandth. The weighted average interest rate is presented for the outstanding balance of short-term loans if the institution has provided more than one short-term loan.

2. The earliest maturity of short-term loans is presented if the institution has provided more than one short-term loan.

3. Use of the proceeds of debt financing included purchase of property or real estate trust beneficiary interests, refinancing of other loans, and operating expenses.

4. The loan agreements between NAF and each financial institution stipulate that the above loans from all financial institutions rank pari passu to each other.

5. The interest rate is applied from February 28, 2022 to March 30, 2022.

6. The expected annual maturities of long-term loans within five years (excluding maturities within one year) of the balance sheet date are as follows.

	(Yen in millions)			
	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount	¥18,500	¥14,500	¥16,500	¥13,500

Bonds

Issue	Issue date	Balance as of February 28, 2022 (Yen in millions)	Coupon	Maturity date	Redemption	Use of proceeds	Notes
No.3 Unsecured Bonds (green bonds)	July 16, 2020	¥2,000	0.260%	July 16, 2025	Bullet payment	(Note 1)	(Note 2)
No.4 Unsecured Bonds (green bonds)	July 16, 2020	2,000	0.520%	July 16, 2030			
No.5 Unsecured Bonds (green bonds)	September 30, 2021	1,000	0.320%	September 28, 2029			
No.6 Unsecured Bonds	September 30, 2021	2,000	0.390%	September 30, 2031			
No.7 Unsecured Bonds	September 30, 2021	1,000	0.680%	September 30, 2036			
Total		¥8,000					

Notes: 1. Use of proceeds includes repayment of borrowings.

2. These bonds are only issued to rank pari passu with other bonds issued.

3. The total amount of bonds repayable within 5 years of the date of the balance sheet and expected to be repaid by specific year(s) is as follows.

	(Yen in millions)			
	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Unsecured Bonds	—	—	¥2,000	—

Capital Expenditures

1. Planned

NAF is planning or conducting the following capital expenditures for the renovation of its properties. The amounts below include repairs and maintenance costs that will be expensed as incurred. Moreover, in addition to a steady planning of expenditures for construction, repair and renovation of facilities, a plan of renewal construction is being implemented in order to increase competitive power in the market as well as to increase the level of tenant satisfaction.

Name of property	Objective	Estimated duration	Estimated amounts		
			Total amounts	Payment for the current period (September 1, 2021 to February 28, 2022)	Cumulative amount paid
Okawabata Apartment Communities, Riverpoint Tower	Renewal of air conditioners in rentable areas (Phase II)	From March 2022 to July 2022	¥181	¥—	¥—
Park Axis Sapporo Shokubutsuen Mae	Large-scale repair works	From March 2023 to August 2023	120	—	—
Okawabata Apartment Communities, Riverpoint Tower and Other	Renovation of rentable areas	From March 2022 to August 2022	80	—	—
Dormy Kamisugi	Large-scale repair works	From March 2022 to August 2022	70	—	—
Park Axis Higashi Jujo	Repair of outside walls	From April 2022 to August 2022	58	—	—
Park Axis Kagurazaka Stage	Large-scale repair works	From June 2022 to August 2022	53	—	—

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NAF posted ¥506 million in capital expenditures together with ¥559 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
Okawabata Apartment Communities, Riverpoint Tower	Renewal of air conditioners in rentable areas (Phase I)	From June 2021 to February 2022	¥170
Okawabata Apartment Communities, Riverpoint Tower and Other	Renovation of 10 rentable areas	From September 2021 to February 2022	54
Okawabata Apartment Communities, Okawabata Parking Lot	Replacement of parts for mechanical parking system	From August 2021 to February 2022	21
Park Axis Takinogawa	Repair of outside walls	From August 2021 to November 2021	15
Shibaura Island Air Tower	Earthquake-proofing for specific ceilings of clubhouse building	From December 2021 to February 2022	12
Park Axis Minami Azabu	Replacement of parts for mechanical parking system	From September 2021 to February 2022	11
Other capital expenditures		From September 2021 to February 2022	221
Total			¥506

Expenses regarding Entrustment, etc.

The following table sets forth the breakdown of entrustment fees, etc. paid by NAF.

	Yen in millions		
	32nd Period September 1, 2021 to February 28, 2022	31st Period March 1, 2021 to August 31, 2021	30th Period September 1, 2020 to February 28, 2021
Asset management fees	¥ 920	¥ 892	¥ 864
Asset custody fees	15	14	14
Agent fees (stock transfer, accounting and administrative)	29	35	29
Directors' remuneration	7	7	7
Auditor's fees	12	12	12
Other expenses	376	377	373
Total	¥1,362	¥1,341	¥1,301

Related Party Transactions

1. Transactions

None applicable

2. Fees Paid for the Period from September 1, 2021 to February 28, 2022

Category	Total fees paid (A) (Yen in millions)	Description of transactions with related parties (Note 1)		B/A (Note 2)
		Paid to	Amount of payment (B) (Yen in millions)	
Property management fees	¥795	Mitsui Fudosan Residential Lease Co., Ltd.	¥795	100.0%
Building management fees	414	Mitsui Fudosan Residential Lease Co., Ltd.	409	98.8%
		Mitsui Fudosan Realty Co., Ltd.	5	1.2%
Operation management fees	4	Mitsui Fudosan Investment Advisors, Inc.	4	100.0%
Leasing-related service fees, etc.	177	RESIDENT FIRST CO., LTD.	10	5.9%
		Mitsui Fudosan Realty Tohoku Co., Ltd.	1	0.9%
		Mitsui Fudosan Realty Co., Ltd.	0	0.4%
		Mitsui Fudosan Realty Sapporo Co., Ltd.	0	0.1%

3. Other Payments to Related Parties (Note 1)

Paid to	Amount of payment (Yen in millions)	Item
Accommodation First Co., Ltd.	¥28	Repair and maintenance costs
Mitsui Fudosan Facilities Co., Ltd.	10	Repair and maintenance costs
Mitsui Fudosan Residential Service Hokkaido Co., Ltd.	1	Repair and maintenance costs
Mitsui Fudosan Residential Service Tohoku Co., Ltd.	1	Repair and maintenance costs

Notes: 1. "Related parties" means parties defined in the government ordinance regarding the Act on Investment Trusts and Investment Corporations, principally, parties related to an asset management company.

2. Figures indicate percentages of total price.

Financial Statements

Balance Sheets

Nippon Accommodations Fund Inc.

As of February 28, 2022 and August 31, 2021

	Yen in millions		U.S. dollars in thousands (Note 1)
	32nd Period As of February 28, 2022	31st Period As of August 31, 2021	32nd Period As of February 28, 2022
Assets			
Current assets:			
Cash and cash equivalents (Note 2)	¥ 13,821	¥ 14,297	\$ 119,610
Rent receivables	1,570	1,487	13,587
Other current assets	50	75	432
Total current assets	15,443	15,860	133,647
Investment properties (Note 2, 4, 5):			
Land including trust accounts	211,080	211,048	1,826,741
Depreciable property and improvements including trust accounts	148,444	147,814	1,284,673
Accumulated depreciation	(50,800)	(48,752)	(439,636)
Total investment properties	308,724	310,110	2,671,778
Other assets (Note 4)	1,882	1,853	16,287
Total Assets	¥ 326,050	¥ 327,824	\$2,821,722
Liabilities and Net Assets			
Liabilities			
Current liabilities:			
Short-term loans (Note 6)	¥ 2,000	¥ 4,000	\$ 17,308
Long-term loans due within one year (Note 6, 13)	23,000	22,000	199,048
Accounts payable	1,435	1,440	12,418
Rent received in advance	1,979	1,949	17,126
Accrued expenses and other liabilities	234	242	2,025
Total current liabilities	28,648	29,631	247,927
Long-term liabilities:			
Long-term loans (Note 6, 13)	134,500	139,500	1,163,998
Bonds (Note 6, 13)	8,000	4,000	69,234
Tenant security deposits	3,747	3,765	32,427
Total long-term liabilities	146,247	147,265	1,265,659
Total Liabilities	¥ 174,896	¥ 176,897	\$1,513,595
Net Assets			
Unitholders' capital (Note 7)	¥ 145,449	¥ 145,449	\$1,258,753
Retained earnings	5,703	5,476	49,355
Total Net Assets	¥ 151,153	¥ 150,926	\$ 1,308,117
Total Liabilities and Net Assets	¥ 326,050	¥ 327,824	\$2,821,722

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

Statements of Income

Nippon Accommodations Fund Inc.

September 1, 2021 to February 28, 2022, March 1, 2021 to August 31, 2021 and September 1, 2020 to February 28, 2021

	Yen in millions			U.S. dollars in thousands (Note 1)
	32nd Period September 1, 2021 to February 28, 2022	31st Period March 1, 2021 to August 31, 2021	30th Period September 1, 2020 to February 28, 2021	32nd Period September 1, 2021 to February 28, 2022
Revenues				
Rental (Note 8, 15)	¥ 11,742	¥ 11,437	¥ 11,088	\$ 101,618
Other revenues related to property leasing (Note 8, 15)	475	548	471	4,110
Total revenues	12,217	11,986	11,560	105,729
Operating Expenses				
Property management fees (Note 8)	1,255	1,235	1,187	10,861
Real estate taxes and insurance (Note 8)	648	648	636	5,607
Repairs and maintenance (Note 8)	559	644	591	4,837
Other rental expenses (Note 8)	615	637	593	5,322
Depreciation and amortization (Note 8)	2,048	2,050	1,982	17,723
Asset management fees	920	892	864	7,961
Other expenses	441	448	437	3,816
Total operating expenses	6,490	6,557	6,294	56,166
Operating Income	5,726	5,428	5,266	49,554
Interest and other income	4	3	32	34
Interest expense	(434)	(435)	(423)	(3,755)
Other expenses	(16)	(17)	(13)	(138)
Income before Income Taxes	5,279	4,978	4,862	45,685
Current and deferred income taxes (Note 10)	0	0	0	0
Net Income	¥ 5,278	¥ 4,978	¥ 4,861	\$ 45,677

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

Statements of Changes in Net Assets

Nippon Accommodations Fund Inc.

For the period from September 1, 2020 to February 28, 2022

	Number of Units (Note 7)	Yen in millions		
		Unitholders' Capital	Retained Earnings	Total
Balance as of September 1, 2020	484,522	¥ 135,603	¥ 5,609	¥ 141,213
Cash distribution	—	—	(4,897)	(4,897)
Issuance of new units through public offering as of December 15, 2020	18,000	9,352	—	9,352
Issuance of new units through allocation to a third party as of January 13, 2021	950	493	—	493
Net income	—	—	4,861	4,861
Balance as of February 28, 2021	503,472	145,449	5,573	151,023
Cash distribution	—	—	(5,074)	(5,074)
Net income	—	—	4,978	4,978
Balance as of August 31, 2021	503,472	145,449	5,476	150,926
Cash distribution	—	—	(5,052)	(5,052)
Net income	—	—	5,278	5,278
Balance as of February 28, 2022	503,472	¥ 145,449	¥ 5,703	¥ 151,153

	Number of Units (Note 7)	U.S. dollars in thousands (Note 1)		
		Unitholders' Capital	Retained Earnings	Total
Balance as of August 31, 2021	503,472	\$1,323,466	\$ 49,827	\$1,373,303
Cash distribution	—	—	(43,721)	(43,721)
Net income	—	—	45,677	45,677
Balance as of February 28, 2022	503,472	\$1,258,753	\$ 49,355	\$1,308,117

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

Statements of Cash Flows

Nippon Accommodations Fund Inc.

September 1, 2021 to February 28, 2022, March 1, 2021 to August 31, 2021 and September 1, 2020 to February 28, 2021

	Yen in millions			U.S. dollars in thousands (Note 1)
	32nd Period September 1, 2021 to February 28, 2022	31st Period March 1, 2021 to August 31, 2021	30th Period September 1, 2020 to February 28, 2021	32nd Period September 1, 2021 to February 28, 2022
Cash Flows from Operating Activities:				
Income before income taxes	¥ 5,279	¥ 4,978	¥ 4,862	\$ 45,685
Depreciation and amortization	2,048	2,050	1,982	17,723
Amortization of investment unit issuance expenses	5	5	2	43
Amortization of bond issue costs	3	2	2	25
Interest expense	434	435	423	3,755
(Increase) Decrease in rent receivables	(83)	52	(41)	(718)
Increase (Decrease) in accounts payable	(5)	9	75	(43)
Increase (Decrease) in rents received in advance	29	67	27	250
Cash payments of interest expense	(437)	(429)	(435)	(3,781)
Other, net	21	(0)	32	181
Net Cash Provided by Operating Activities	7,296	7,171	6,931	63,141
Cash Flows from Investing Activities:				
Payments for purchases of investment properties	(662)	(20,535)	(2,716)	(5,729)
Payments for security deposits paid to lessors	—	(14)	—	—
Proceeds from tenant security deposits	268	477	301	2,319
Payments for tenant security deposits	(287)	(401)	(321)	(2,483)
Other, net	(3)	(8)	(3)	(25)
Net Cash Used in Investing Activities	(684)	(20,482)	(2,739)	(5,919)
Cash Flows from Financing Activities:				
Proceeds from short-term loans	4,000	10,000	7,000	34,617
Repayment of short-term loans	(6,000)	(9,000)	(7,000)	(51,925)
Proceeds from long-term loans	6,000	19,000	10,000	51,925
Repayment of long-term loans	(10,000)	(10,000)	(8,000)	(86,542)
Proceeds from bonds	4,000	—	—	34,617
Payments for bond issue costs	(34)	—	—	(294)
Proceeds from issuance of investment units	—	—	9,814	—
Payment of distribution	(5,053)	(5,074)	(4,898)	(43,729)
Net Cash Provided by (Used in) Financing Activities	(7,087)	4,925	6,916	(61,332)
Net Change in Cash and Cash Equivalents	(475)	(8,385)	11,108	(4,110)
Cash and Cash Equivalents at the Beginning of the Period	14,297	22,682	11,574	123,729
Cash and Cash Equivalents at the End of the Period (Note 2)	¥ 13,821	¥ 14,297	¥ 22,682	\$ 119,610

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

Notes to Financial Statements

Nippon Accommodations Fund Inc.

September 1, 2021 to February 28, 2022, March 1, 2021 to August 31, 2021 and September 1, 2020 to February 28, 2021

Note 1 Organization and Basis of Presentation

Organization

Nippon Accommodations Fund Inc. (hereinafter "NAF") was established on October 12, 2005 as an investment corporation under the Act on Investment Trusts and Investment Corporations with Mitsui Fudosan Accommodations Fund Management Co., Ltd. (hereinafter "MFAFM") acting as a sponsor. Registration with the Kanto Local Finance Bureau of the Ministry of Finance was completed on November 11, 2005 and NAF started acquisition of properties on November 30, 2005.

NAF is an externally managed real estate fund, formed as an investment corporation. MFAFM, as NAF's asset management company, is engaged in the acquisition, management, and renovation of accommodation assets. MFAFM is a 100% subsidiary of Mitsui Fudosan Co., Ltd.

On August 3, 2006, NAF had raised approximately ¥40,000 million through an initial public offering of investment units. Those investment units are listed on the J-REIT section of the Tokyo Stock Exchange.

As of February 28, 2022, NAF had ownership and/or beneficiary interests in 134 properties containing approximately 538,154 square meters of rentable space. As of February 28, 2022, NAF had leased approximately 521,593 square meters to tenants. The occupancy rate for the properties was approximately 96.9%.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Act on Investment Trusts and Investment Corporations and the Financial Instruments and Exchange Act and its related accounting regulations, 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 from the financial statements of NAF prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. 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. NAF does not prepare consolidated financial statements, as NAF has no subsidiaries.

Amounts less than 1 million yen have been omitted. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the approximate exchange rate on February 28, 2022, which was ¥115.55 to U.S.\$1.00. The convenience translation should not be construed as representation that the Japanese yen amounts have been, or could in future be, converted into U.S. dollars at this or any other rate of exchange.

Note 2 Summary of Significant Accounting Policies

Cash and Cash Equivalents

NAF considers all highly liquid investments with original maturity of three months or less to be cash and cash equivalents.

Investment Properties

Investment properties are recorded at cost, which includes the purchase price and related costs and expenses for acquisition of the properties and the beneficiary interests of properties in trust. Property and equipment balances are depreciated using the straight-line method over the estimated useful lives. The estimated useful lives of the principal investment properties (including assets held in trust) are as follows:

Buildings and improvements	2-63 years
Structures	2-60 years
Machinery and equipment	2-45 years
Tools, furniture and fixtures	2-15 years

Costs related to the renovation, construction and improvement of properties are capitalized. Expenditures for repairs and maintenance which do not add to the value or prolong the useful life of a property, are expensed as incurred.

Deferred Assets

Investment unit issuance expenses are capitalized and amortized over the period of three years under the straight-line method.

Bond issue costs are amortized over the period of the bonds under the straight-line method.

Income Taxes

Income taxes are accounted for on the basis of income for financial statement purposes. The tax effect of temporary differences between the amounts of assets and liabilities for financial statements and for income tax purposes is recognized as deferred taxes.

Revenue Recognition

The content of principal performance obligations for NAF regarding revenue from contracts with customers and the normal timing when those performance obligations are satisfied (normal timing when revenue is recognized) are as described below.

Sale of investment properties

For sale of investment properties, revenue is recognized at the timing that control of the investment property, etc. is acquired by the purchaser, which is the customer, through fulfillment of the delivery obligations specified in the contract for the sale of the investment property. In the statement of income, the amount obtained by deducting "cost of investment properties sold," determined by the book value of the real estate properties sold, and "other sales expenses," determined by the expenses directly incurred through the sales, from "revenues from sale of investment properties," determined by the proceeds from sale of investment properties, is presented as either "gain on sale of investment properties" or "loss on sale of investment properties."

Real Estate Taxes

Properties are subject to taxes including property tax, city planning tax and depreciable asset tax. Taxes for each fiscal period are charged to income on an accrual basis.

The owner of properties is registered in a record maintained by the local government in each jurisdiction, and the taxes are imposed on the owner registered in the record, as of January 1, based on the assessment made by the local government.

Even when a property is purchased on a date other than January 1 of any given calendar year, these taxes for that year are imposed on the seller. The buyer pays the seller the corresponding tax amounts for the period from the property's transfer date to December 31 of that year as part of the purchase prices of each property, and capitalizes these amounts as the cost of the property. Capitalized property tax for the period ended August 31, 2021 amounted to ¥35 million. No property tax was capitalized for the period ended February 28, 2022.

Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate

For trust beneficiary interests in real estate, all assets and liabilities associated with 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.

Note 3 Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition, Etc.

NAF has applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current period, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The impact of this change on the financial statements is immaterial.

In accordance with the transitional measure provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition, a note on revenue recognition for the previous fiscal period is not presented.

Application of Accounting Standard for Fair Value Measurement, Etc.

NAF has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the current period, and NAF has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The impact of this change on the financial statements is immaterial.

Note 4 Significant Accounting Estimates

Impairment of Investment Properties and Other Assets

(1) Carrying amount in the financial statements

	Yen in millions	
	As of February 28, 2022	As of August 31, 2021
Investment properties	¥308,724	¥310,110
Other assets	616	616

(2) Information on the details of the significant accounting estimates for identified items

In accordance with the Accounting Standard for Impairment of Fixed Assets, NAF has applied the accounting treatment to reduce the book value of investment properties and other assets to a recoverable amount when the invested amount is deemed to be unrecoverable due to lowered profitability.

In applying the accounting treatment, the respective properties owned by NAF are regarded as a single asset group, and judgment is made whether it is required to recognize impairment losses when indications of impairment are deemed to exist for the group due to continuous operating losses, a significant drop in the market value and significant deterioration of the business environment, etc.

Future cash flow estimates are used to determine whether or not to recognize impairment losses. When it is determined that impairment losses should be recognized, the book value is reduced to the recoverable amount, and the reduced amount is recorded as impairment losses.

In calculating the future cash flow, the underlying rent, occupancy rate and real estate rental expenses, etc. are determined by comprehensively taking into account the market trends and transaction cases of similar properties, etc.

The performance and the market value of each property may be affected by the trends in the real estate rental market and real estate transaction market. Accordingly, when changes arise to the assumptions of the estimate, they may affect the financial position and results of operation of NAF in the following fiscal period.

Note 5 Schedule of Investment Properties

Investment properties as of February 28, 2022 and August 31, 2021 consisted of the following:

	Yen in millions					
	As of February 28, 2022			As of August 31, 2021		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥ 154,296	¥ —	¥ 154,296	¥ 154,263	¥ —	¥ 154,263
Land in trust	56,784	—	56,784	56,784	—	56,784
Land including trust total	211,080	—	211,080	211,048	—	211,048
Buildings and improvements	102,821	(31,849)	70,971	102,649	(30,408)	72,241
Buildings and improvements in trust	37,750	(13,495)	24,255	37,430	(13,023)	24,406
Buildings and improvements including those in trust total	140,572	(45,344)	95,227	140,079	(43,431)	96,648
Structures	1,766	(1,100)	665	1,764	(1,069)	694
Machinery and equipment	2,383	(1,786)	597	2,351	(1,747)	603
Tools, furniture and fixtures	1,391	(1,078)	312	1,347	(1,051)	296
Construction in process	1	—	1	0	—	0
Structures in trust	1,136	(540)	595	1,134	(522)	612
Machinery and equipment in trust	652	(533)	118	613	(525)	88
Tools, furniture and fixtures in trust	529	(415)	113	510	(403)	106
Construction in process in trust	11	—	11	11	—	11
Other investment properties total	7,872	(5,455)	2,416	7,734	(5,320)	2,414
Total	¥ 359,524	¥ (50,800)	¥ 308,724	¥ 358,862	¥ (48,752)	¥ 310,110

Note 6 Short-Term Loans and Long-Term Debt

The annual interest rate on short-term loans as of February 28, 2022 was 0.1% and the rate as of August 31, 2021 was 0.1%. Long-term debt consists of the following:

	Yen in millions	
	As of February 28, 2022	As of August 31, 2021
Unsecured loans due 2022 to 2033 principally from banks and insurance companies with interest rates mainly ranging from 0.1% to 1.4%	¥157,500	¥161,500
0.260% unsecured bonds due 2025	2,000	2,000
0.520% unsecured bonds due 2030	2,000	2,000
0.320% unsecured bonds due 2029	1,000	—
0.390% unsecured bonds due 2031	2,000	—
0.680% unsecured bonds due 2036	1,000	—
	¥165,500	¥165,500

The annual maturities of long-term debt as of February 28, 2022 were as follows:

	Yen in millions
Due after one to two years	¥18,500
Due after two to three years	14,500
Due after three to four years	18,500
Due after four to five years	13,500
Due after five years	77,500

NAF currently has commitment line contracts of ¥15,000 million with three financial institutions. The unused amount of such commitment line was ¥15,000 million as of February 28, 2022.

Note 7 Unitholders' Capital

	As of February 28, 2022	As of August 31, 2021	As of February 28, 2021
Total number of common units authorized	4,000,000	4,000,000	4,000,000
Total number of common units issued and outstanding	503,472	503,472	503,472

NAF shall maintain minimum net assets of at least ¥50 million as required by the Act on Investment Trusts and Investment Corporations.

Note 8 Rental Revenues and Expenses

Rental revenues and expenses for the periods ended February 28, 2022, August 31, 2021 and February 28, 2021 were as follows:

	Yen in millions		
	32nd Period September 1, 2021 to February 28, 2022	31st Period March 1, 2021 to August 31, 2021	30th Period September 1, 2020 to February 28, 2021
Revenues from Property Leasing:			
Rental:			
Rental revenues	¥ 11,233	¥ 10,941	¥ 10,607
Facility charge	509	495	481
Subtotal	11,742	11,437	11,088
Other revenues related to property leasing:			
Income from leasing rights, etc.	350	398	346
Utilities income	19	18	18
Other miscellaneous income	105	131	106
Subtotal	475	548	471
Total revenues from property leasing	12,217	11,986	11,560
Rental Expenses:			
Property management fees	1,255	1,235	1,187
Repairs and maintenance	559	644	591
Real estate taxes	629	629	618
Trust fees	9	9	10
Utilities	120	103	107
Insurance	19	19	18
Depreciation and amortization	2,048	2,050	1,982
Leasing-related service fees, etc.	177	188	178
Other rental expenses	307	334	298
Total rental expenses	5,127	5,216	4,992
Operating income from property leasing activities	¥ 7,089	¥ 6,769	¥ 6,567

Changes in Presentation Methods

"Utilities income," which was included in "miscellaneous income" in the six months ended August 31, 2021 and February 28, 2021, is presented separately from the six months ended February 28, 2022, in order to enhance clarity of disclosure. In conjunction with this change, the accounting item "miscellaneous income" has been renamed "other miscellaneous income."

As a result, the ¥149 million presented as "miscellaneous income" for the six months ended August 31, 2021 was reclassified as ¥18 million in "utilities income" and ¥131 million in "other miscellaneous income," and the ¥125 million presented as "miscellaneous income" for the six months ended February 28, 2021 was reclassified as ¥18 million in "utilities income" and ¥106 million in "other miscellaneous income."

Note 9 Leases

NAF leases some of its investment properties to outside parties under non-cancelable operating leases. As of February 28, 2022 and August 31, 2021, future minimum rental revenues under the non-cancelable operating leases were as follows:

	Yen in millions	
	As of February 28, 2022	As of August 31, 2021
Due within one year	¥ 447	¥ 548
Due after one year	1,554	1,312
Total	¥2,001	¥1,860

Note 10 Income Taxes

NAF is subject to income taxes in Japan. The effective tax rates on NAF's income based on applicable Japanese tax law were 0.02%, 0.02% and 0.02% for the periods ended February 28, 2022, August 31, 2021 and February 28, 2021, respectively. The following table summarizes the significant differences between the statutory tax rates and NAF's effective tax rates for financial statement purposes.

	32nd Period September 1, 2021 to February 28, 2022	31st Period March 1, 2021 to August 31, 2021	30th Period September 1, 2020 to February 28, 2021
Statutory effective tax rate	31.46%	31.46%	31.46%
Deductible distributions paid	(31.45)	(31.92)	(32.84)
Reversal of reserves for reduction entry	—	0.47	1.38
Others	0.01	0.01	0.02
Effective tax rate	0.02%	0.02%	0.02%

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of February 28, 2022, August 31, 2021 and February 28, 2021 were as follows:

	Yen in thousands		
	As of February 28, 2022	As of August 31, 2021	As of February 28, 2021
Deferred tax assets:			
Enterprise taxes	¥15	¥13	¥8
Total deferred tax assets	15	13	8
Net deferred tax assets	¥15	¥13	¥8

NAF was established as an investment corporation under the Act on Investment Trusts and Investment Corporations, and as long as an investment corporation distributes to its unitholders at least 90% of earnings available for dividends for a period and other requirements prescribed in Japanese tax regulations are met, the investment corporation is allowed to deduct the total amount of distributions paid in calculating its taxable income under Japanese tax regulations.

Note 11 Per Unit Information

Information about earnings per unit for the periods ended February 28, 2022, August 31, 2021 and February 28, 2021 and net assets per unit as of February 28, 2022, August 31, 2021 and February 28, 2021 were as follows.

The computation of earnings per unit is based on the weighted average number of common units outstanding during the period. The computation of net assets per unit is based on the number of common units outstanding at each period end.

	Yen		
	32nd Period September 1, 2021 to February 28, 2022	31st Period March 1, 2021 to August 31, 2021	30th Period September 1, 2020 to February 28, 2021
Earnings per Unit:			
Net income	¥ 10,485	¥ 9,887	¥ 9,874
Weighted average number of common units outstanding	503,472	503,472	492,326
	As of February 28, 2022	As of August 31, 2021	As of February 28, 2021
Net Assets per Unit	¥ 300,222	¥ 299,772	¥ 299,964

Note 12 Transactions with Related Parties

(September 1, 2021 - February 28, 2022)

(1) Parent Company and Major Corporate Unitholders: None applicable

(2) Affiliates: None applicable

(3) Sister Companies: None applicable

(4) Directors and Major Individual Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction (Yen in millions)	Account	Balance at the end of the period (Yen in millions)
Director and/or close relative	Tateyuki Ikura	Executive Director of NAF and President & CEO of MFAFM	Payment of asset management fee to MFAFM (Note 1)	¥920 (Note 2)	Accounts payable	¥1,013
			Payment for the provision of general administration relating to organizational management to MFAFM (Note 3)	¥0	—	—

Notes: 1. Tateyuki Ikura entered into this transaction as a representative of MFAFM, and this amount is subject to the conditions set forth in the by-laws of NAF.
2. No fees for management related to acquisition of properties included in the book value of each investment property, etc. were required to be disclosed as asset management fees.
3. Tateyuki Ikura entered into this transaction as a representative of MFAFM, and this amount is set forth in the "General Administration Agreement relating to Organizational Management" concluded between NAF and MFAFM.
4. "Amount of transaction" does not include consumption taxes.
"Balance at the end of the period" includes consumption taxes.

(March 1, 2021 - August 31, 2021)

(1) Parent Company and Major Corporate Unitholders: None applicable

(2) Affiliates: None applicable

(3) Sister Companies: None applicable

(4) Directors and Major Individual Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction (Yen in millions)	Account	Balance at the end of the period (Yen in millions)
Director and/or close relative	Tateyuki Ikura	Executive Director of NAF and President & CEO of MFAFM	Payment of asset management fee to MFAFM (Note 1)	¥990 (Note 2)	Accounts payable	¥982
			Payment for the provision of general administration relating to organizational management to MFAFM (Note 3)	¥6	—	—

Notes: 1. Tateyuki Ikura entered into this transaction as a representative of MFAFM, and this amount is subject to the conditions set forth in the by-laws of NAF.
2. The amount of asset management fees includes ¥97 million of management fees related to acquisition of properties included in the book value of each investment property, etc.
3. Tateyuki Ikura entered into this transaction as a representative of MFAFM, and this amount is set forth in the "General Administration Agreement relating to Organizational Management" concluded between NAF and MFAFM.
4. "Amount of transaction" does not include consumption taxes.
"Balance at the end of the period" includes consumption taxes.

(September 1, 2020 - February 28, 2021)

(1) Parent Company and Major Corporate Unitholders: None applicable

(2) Affiliates: None applicable

(3) Sister Companies: None applicable

(4) Directors and Major Individual Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction (Yen in millions)	Account	Balance at the end of the period (Yen in millions)
Director and/or close relative	Tateyuki Ikura	Executive Director of NAF and President & CEO of MFAFM	Payment of asset management fee to MFAFM (Note 1)	¥875 (Note 2)	Accounts payable	¥950
			Payment for the provision of general administration relating to organizational management to MFAFM (Note 3)	¥1	—	—

Notes: 1. Tateyuki Ikura entered into this transaction as a representative of MFAFM, and this amount is subject to the conditions set forth in the by-laws of NAF.

2. The amount of asset management fees includes ¥11 million of management fees related to acquisition of properties included in the book value of each investment property, etc.

3. Tateyuki Ikura entered into this transaction as a representative of MFAFM, and this amount is set forth in the "General Administration Agreement relating to Organizational Management" concluded between NAF and MFAFM.

4. "Amount of transaction" does not include consumption taxes.
"Balance at the end of the period" includes consumption taxes.

Note 13 Financial Instruments

(September 1, 2021 - February 28, 2022)

1. Status of Financial Instruments

(1) Policy for Financial Instruments

NAF procures funds for acquisition of assets and other uses through bank loans, issuance of bonds and investment units.

NAF may enter into derivative transactions solely for the purpose of hedging interest rate risk. Currently, NAF is not engaged in any derivative transactions. NAF strives for efficiency in its funding plans and has an operating policy of minimizing surplus funds.

(2) Financial Instruments, Their Risks and Risk Management System

Funds from loans and bonds are primarily used for acquiring assets and to repay interest-bearing debt. NAF manages associated liquidity and interest rate fluctuation risk in ways such as diversifying its credit sources and maturities, and by mainly using fixed-rate loans.

(3) Supplemental Explanation regarding Fair Values of Financial Instruments

Since certain assumptions and factors are used in calculating the fair values of financial instruments, the values may differ if different assumptions and factors are used.

2. Estimated Fair Value of Financial Instruments

Book value, fair value and the difference between the two as of February 28, 2022 were as follows. Notes on the fair values of "cash and cash equivalents" and "short-term loans" have been omitted as they are cash or the book value of these liabilities is considered to approximate fair value because these instruments are settled within a short period of time, and the information on "tenant security deposits" is immaterial.

	Yen in millions		
	Book value	Fair value	Difference
(1) Long-term loans due within one year	¥ 23,000	¥ 23,099	¥ 99
(2) Bonds	8,000	8,046	46
(3) Long-term loans	¥ 134,500	¥ 135,709	¥ 1,209

Notes: 1. Methods to estimate fair value of financial instruments

(1) Long-term loans due within one year, (2) Bonds and (3) Long-term loans

Fair values of fixed-rate instruments are based on the present value of principal and interest cash flows discounted at the current interest rate estimated to be applied if similar new financing was arranged. Fair values of variable-rate instruments are considered to be their book values because these instruments reflect market interest rates over short time periods.

2. Repayment schedule for loans and bonds after February 28, 2022

	Yen in millions					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Bonds	¥ —	¥ —	¥ —	¥ 2,000	¥ —	¥ 6,000
Long-term loans	23,000	18,500	14,500	16,500	13,500	71,500
Total	¥ 23,000	¥ 18,500	¥ 14,500	¥ 18,500	¥ 13,500	¥ 77,500

(March 1, 2021 - August 31, 2021)

1. Status of Financial Instruments

Same as above.

2. Estimated Fair Value of Financial Instruments

Book value, fair value and the difference between the two as of August 31, 2021 were as follows. Notes on the fair values of "cash and cash equivalents" and "short-term loans" have been omitted as they are cash or the book value of these liabilities is considered to approximate fair value because these instruments are settled within a short period of time, and the information on "tenant security deposits" is immaterial.

	Yen in millions		
	Book value	Fair value	Difference
(1) Long-term loans due within one year	¥ 22,000	¥ 22,087	¥ 87
(2) Bonds	4,000	4,050	50
(3) Long-term loans	139,500	141,464	1,964
Total	¥ 165,500	¥ 167,602	¥ 2,102

Notes: 1. Methods to estimate fair value of financial instruments

(1) Long-term loans due within one year, (2) Bonds and (3) Long-term loans

Fair values of fixed-rate instruments are based on the present value of principal and interest cash flows discounted at the current interest rate estimated to be applied if similar new financing was arranged. Fair values of variable-rate instruments are considered to be their book values because these instruments reflect market interest rates over short time periods.

2. Repayment schedule for loans and bonds after August 31, 2021

	Yen in millions					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Bonds	¥ —	¥ —	¥ —	¥ 2,000	¥ —	¥ 2,000
Long-term loans	22,000	22,500	15,500	14,500	16,500	70,500
Total	¥ 22,000	¥ 22,500	¥ 15,500	¥ 16,500	¥ 16,500	¥ 72,500

Note 14 Investment and Rental Properties

(September 1, 2021 - February 28, 2022)

NAF owns rental properties including land located in Tokyo and other areas. The book value, net changes in the book value and the fair value of the investment and rental properties were as follows.

Yen in millions			
Book value			Fair value
As of September 1, 2021	Change during the 32nd Period	As of February 28, 2022	As of February 28, 2022
¥310,714	¥(1,387)	¥309,327	¥438,594

Notes: 1. "Book value" is the acquisition cost inclusive of acquisition expenses less accumulated depreciation and excluding expenses for construction in process.
 2. In "Change during the 32nd Period," the main factor for the increase in book value was capital expenditures. The main factor for the decrease in book value was depreciation.
 3. "Fair value as of February 28, 2022" is based on appraisals provided by independent real estate appraisers.

Information about profit and loss from investment and rental properties for the period ended February 28, 2022 is disclosed in Note 8, Rental Revenues and Expenses.

(March 1, 2021 - August 31, 2021)

NAF owns rental properties including land located in Tokyo and other areas. The book value, net changes in the book value and the fair value of the investment and rental properties were as follows.

Yen in millions			
Book value			Fair value
As of March 1, 2021	Change during the 31st Period	As of August 31, 2021	As of August 31, 2021
¥292,229	¥18,484	¥310,714	¥432,749

Notes: 1. "Book value" is the acquisition cost inclusive of acquisition expenses less accumulated depreciation and excluding expenses for construction in process.
 2. In "Change during the 31st Period," the main factor for the increase in book value was the acquisition of properties for ¥20,227 million. The main factor for the decrease in book value was depreciation.
 3. "Fair value as of August 31, 2021" is based on appraisals provided by independent real estate appraisers.

Information about profit and loss from investment and rental properties for the period ended August 31, 2021 is disclosed in Note 8, Rental Revenues and Expenses.

Note 15 Revenue Recognition

(September 1, 2021 - February 28, 2022)

Information on disaggregation of revenue from contracts with customers

For information on disaggregation of revenue from contracts with customers, please refer to Note 8 "Rental Revenues and Expenses." Note that revenues based on ASBJ Statement No. 13 "Accounting Standard for Lease Transactions" are included in Note 8 "Rental Revenues and Expenses."

Revenue from contracts with customers are primarily "utilities income."

Note 16 Segment Information

(September 1, 2021 - February 28, 2022)

1. Segment Information

Segment information has been omitted as NAF has only one segment, which is real estate leasing business.

2. Related Information**(1) Information by Products and Services**

Disclosure of this information has been omitted as NAF has a single product/service line that accounts for more than 90% of total revenues.

(2) Information by Geographic Areas**1) Operating revenues**

Disclosure of this information has been omitted as total domestic revenues account for more than 90% of total revenues.

2) Investment properties

Disclosure of this information has been omitted as total domestic investment properties account for more than 90% of the book value of total investment properties.

(3) Information on Major Tenants

Tenant	Operating revenues (Yen in millions)	Related segment
Mitsui Fudosan Residential Lease Co., Ltd.	¥11,555	Real estate leasing business

(March 1, 2021 - August 31, 2021)

1. Segment Information

Segment information has been omitted as NAF has only one segment, which is real estate leasing business.

2. Related Information**(1) Information by Products and Services**

Disclosure of this information has been omitted as NAF has a single product/service line that accounts for more than 90% of total revenues.

(2) Information by Geographic Areas**1) Operating revenues**

Disclosure of this information has been omitted as total domestic revenues account for more than 90% of total revenues.

2) Investment properties

Disclosure of this information has been omitted as total domestic investment properties account for more than 90% of the book value of total investment properties.

(3) Information on Major Tenants

Tenant	Operating revenues (Yen in millions)	Related segment
Mitsui Fudosan Residential Lease Co., Ltd.	¥11,332	Real estate leasing business

(September 1, 2020 - February 28, 2021)

1. Segment Information

Segment information has been omitted as NAF has only one segment, which is real estate leasing business.

2. Related Information**(1) Information by Products and Services**

Disclosure of this information has been omitted as NAF has a single product/service line that accounts for more than 90% of total revenues.

(2) Information by Geographic Areas**1) Operating revenues**

Disclosure of this information has been omitted as total domestic revenues account for more than 90% of total revenues.

2) Investment properties

Disclosure of this information has been omitted as total domestic investment properties account for more than 90% of the book value of total investment properties.

(3) Information on Major Tenants

Tenant	Operating revenues (Yen in millions)	Related segment
Mitsui Fudosan Residential Lease Co., Ltd.	¥10,939	Real estate leasing business

Note 17 **Significant Subsequent Events**

None applicable

Independent Auditor's Report



Independent auditor's report

To the Board of Directors of Nippon Accommodations Fund Inc.:

Opinion

We have audited the accompanying financial statements of Nippon Accommodations Fund Inc. ("the Company"), which comprise the balance sheets as at February 28, 2022 and August 31, 2021, the statements of income, statements of changes in net assets and statements of cash flows for each of the six months ended February 28, 2022, August 31, 2021 and February 28, 2021, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2022 and August 31, 2021, and its financial performance and its cash flows for each of the six months ended February 28, 2022 and August 31, 2021, and February 28, 2021 in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Supervisory Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Supervisory directors are responsible for overseeing the executive director's performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a

Independent Auditor's Report

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the executive director regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the executive director with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with him all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying financial statements with respect to the period ended February 28, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Independent Auditor's Report

松本 大明

Hiroaki Matsumoto

Designated Engagement Partner

Certified Public Accountant

松井 貴志

Takashi Matsui

Designated Engagement Partner

Certified Public Accountant

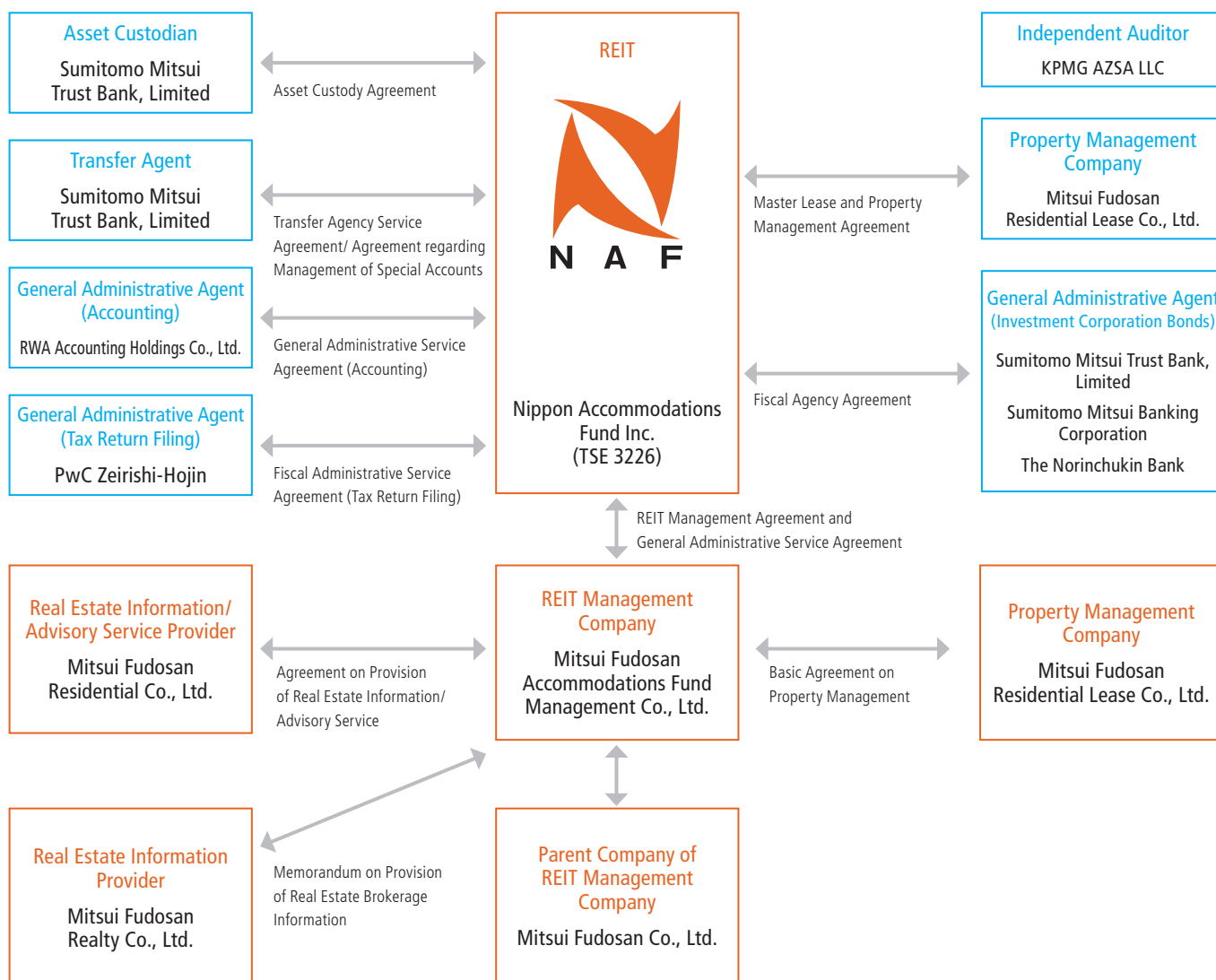
KPMG AZSA LLC

Tokyo Office, Japan

May 30, 2022

Summary of REIT

Structure of REIT (as of February 28, 2022)



Nippon Accommodations Fund Inc. ("NAF") has concluded a REIT Management Agreement with Mitsui Fudosan Accommodations Fund Management Co., Ltd., the asset management company required under the Act on Investment Trusts and Investment Corporations, and has entrusted management of all of its assets.

Mitsui Fudosan Accommodations Fund Management Co., Ltd. is a 100 percent subsidiary of Mitsui Fudosan Co., Ltd., and has concluded contracts with other companies in the Mitsui Fudosan Group to promote smooth, effective management of NAF's assets. Through an Agreement on

Provision of Real Estate Information/Advisory Service with Mitsui Fudosan Residential Co., Ltd., information regarding real estate sales and other management advisory information is provided. In addition, a Memorandum on Provision of Real Estate Brokerage Information with Mitsui Fudosan Realty Co., Ltd. provides access to certain real estate property information. Also, a Basic Agreement on Property Management with Mitsui Fudosan Residential Lease Co., Ltd., is fundamental to NAF's policy of outsourcing property management services of all its rental apartments.

Summary of Asset Management Company

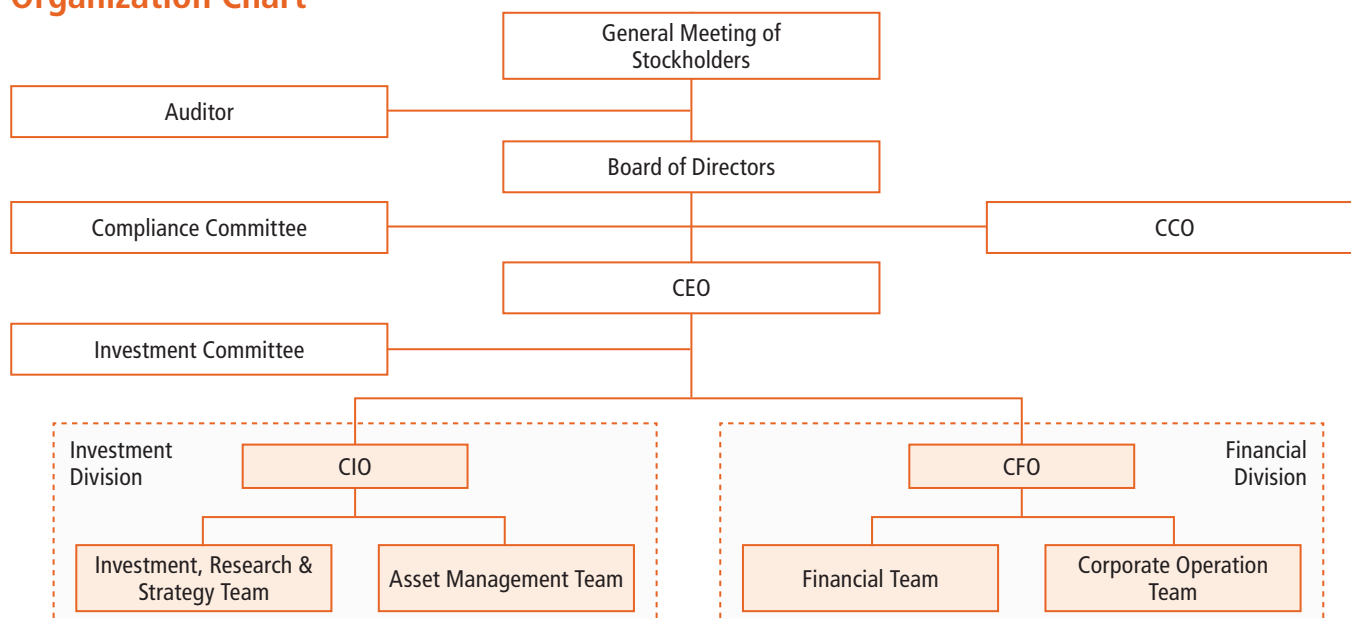
Summary of Asset Management Company (as of April 1, 2022)

Trade name	Mitsui Fudosan Accommodations Fund Management Co., Ltd.
Corporate office	4-1, Nihonbashi 1-chome, Chuo-ku, Tokyo 103-0027, Japan
TEL	+81-3-3246-3677
Date of incorporation	January 4, 2005
Capital	¥300 million
Unitholder	Mitsui Fudosan Co., Ltd. (100%)
Representative	Hiroshi Kojima President & CEO
Main Business	Investment Management Business Financial instruments business operator Director-General of the Kanto Local Finance Bureau (financial instruments business) No. 401
Independent auditor	KPMG AZSA LLC

History

January 4, 2005	Established
March 4, 2005	Obtained license as a building lots and building transactions agent under the Building Lots and Building Transactions Law
March 25, 2005	Changed name (from "MF Residential Asset Management Co., Ltd." to "Mitsui Fudosan Residential Fund Management Co., Ltd.")
July 8, 2005	Obtained approval as a discretionary transaction agent under the Building Lots and Building Transactions Law
September 26, 2005	Obtained approval as a REIT management company under the Investment Trust and Investment Corporation Act of Japan
December 15, 2005	Changed name to Mitsui Fudosan Accommodations Fund Management Co., Ltd.
February 8, 2006	Obtained approval to undertake management of the institutions
September 30, 2007	Registration of financial instruments and exchange business

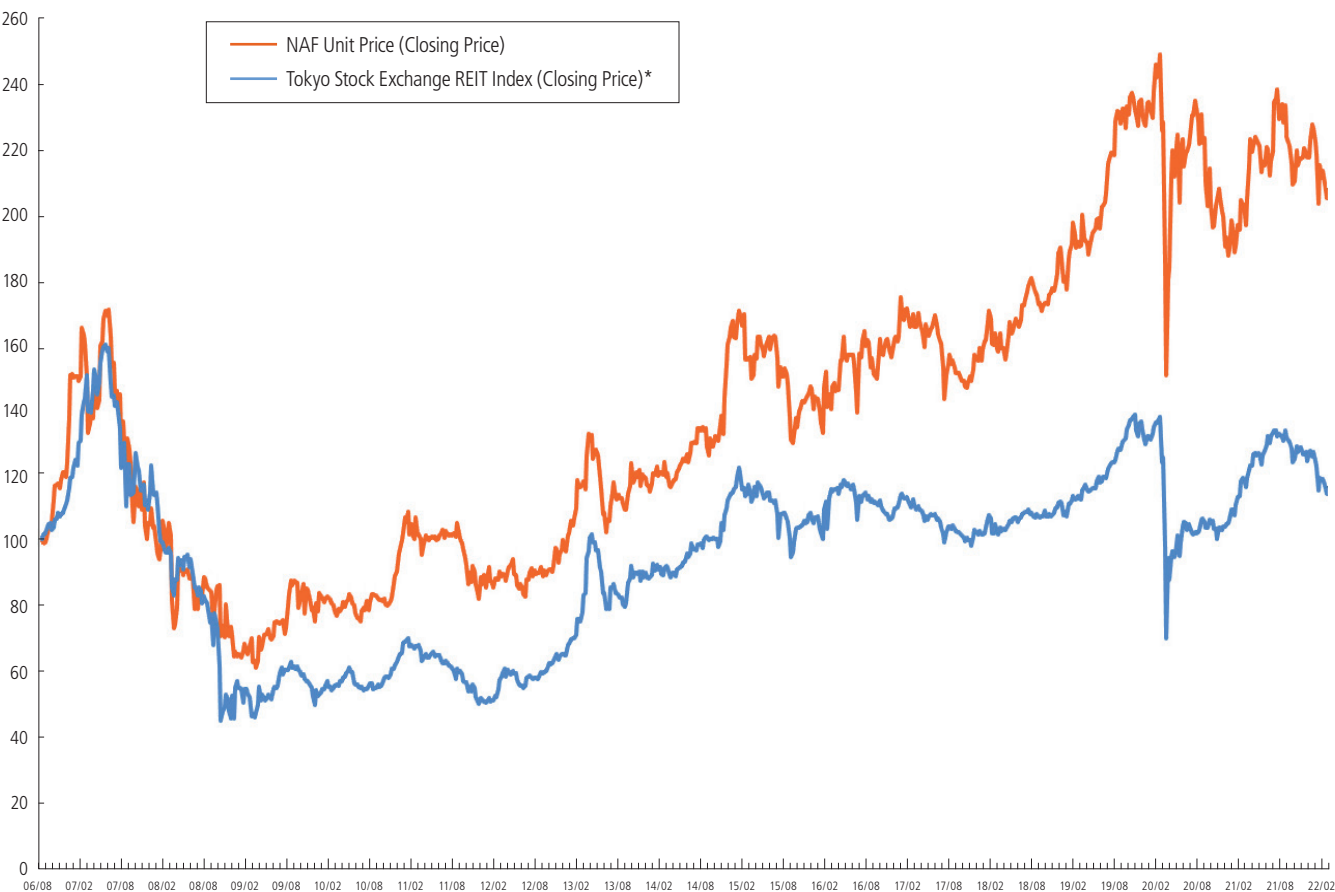
Organization Chart



Status of Unitholders

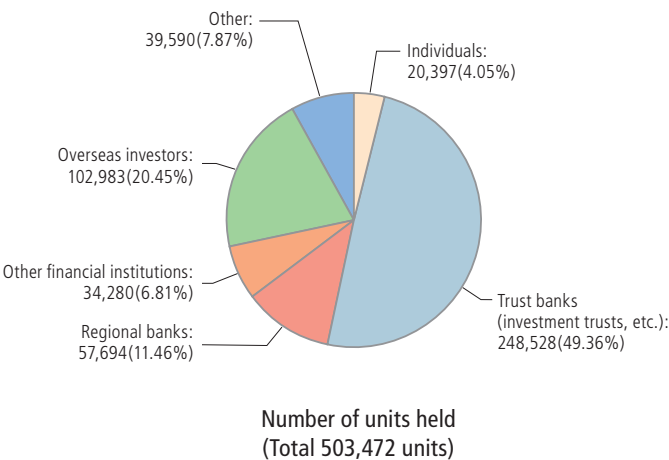
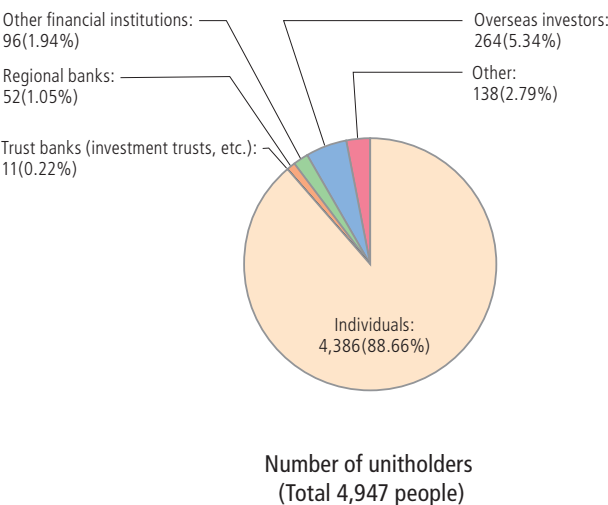
Historical Unit Price since IPO

Index: Date of IPO (NAF: August 4, 2006) = 100



* The Tokyo Stock Exchange calculates and presents the Tokyo Stock Exchange REIT Index, which is a weighted average aggregate market price index for all real estate investment trusts listed on the Tokyo Stock Exchange.

Composition and Distribution of Unitholders (as of February 28, 2022)



Disclaimer

This document was prepared solely for the convenience of and reference by overseas investors and does not correspond to the original Japanese documents. The information provided in this document does not constitute the disclosure or asset management reports required under the Financial Instruments and Exchange Act or Act on Investment Trusts and Investment Corporations.

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