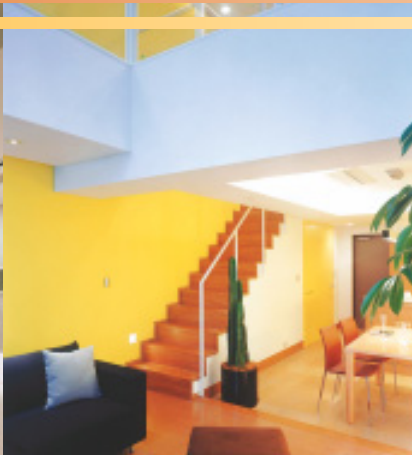


Generating Returns from the Accommodation Value Chain



2nd Period

NAF Report | April 2006 – February 2007

Profile

Nippon Accommodations Fund Inc. (“NAF”) was incorporated as an investment corporation on October 12, 2005 with an initial investment by Mitsui Fudosan Co., Ltd. (“Mitsui Fudosan”), and was listed on the Tokyo Stock Exchange on August 4, 2006 with assets of more than ¥100 billion. NAF invests in accommodation assets* located mainly in the 23 wards of Tokyo. The Investment Trust and Investment Corporation Act of Japan requires an investment corporation to be managed by an external entity. NAF’s assets are managed by Mitsui Fudosan Accommodations Fund Management Co., Ltd., a 100 percent subsidiary of Mitsui Fudosan.

* Accommodation assets in this report are defined as rental apartments, dormitory/student apartments, serviced apartments, senior residences and corporate housing. They do not include hotel properties.



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Financial Highlights

	Yen in millions (Except per unit data or where otherwise indicated)		U.S. dollars in thousands (Note 1) (Except per unit data)
	2nd Period April 1, 2006 to February 28, 2007	1st Period October 12, 2005 to March 31, 2006	2nd Period April 1, 2006 to February 28, 2007
Total revenue (Note 2)	¥ 5,072	¥ 924	\$ 42,823
Income before income taxes	2,030	378	17,139
Net income	2,028	377	17,123
Funds from operations (Note 3)	2,873	507	24,257
Net operating income from property leasing activities (Note 3)	4,131	734	34,878
Total amount of cash distribution (a)	2,028	377	17,123
Total assets	108,097	43,644	912,673
Total liabilities	45,090	22,028	380,699
Net assets (b)	63,007	21,617	531,974
LTV (Loan-to-value) ratio (Note 3)	39.3%	48.1%	
Total number of units issued (units) (c)	113,480	42,480	
Net assets per unit (Yen/\$) (b) / (c)	555,223	508,871	4,687.80
Distribution per unit (Yen/\$) (a) / (c)	17,871	8,871	150.89
Funds from operations per unit (Yen/\$) (Note 3)	25,359	11,936	214.11

Notes 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118.44 = U.S.\$1.00 in effect on February 28, 2007.

2. Total revenue does not include consumption taxes.

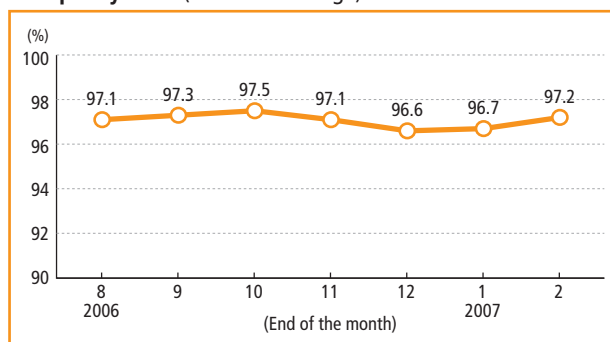
3. Funds from operations: Net income + Depreciation and amortization – Gain on sale of investment properties

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

LTV ratio: Interest-bearing debt ÷ Total assets

Funds from operations per unit: (Net income + Depreciation and amortization) ÷ Total number of units issued and outstanding at end of period

Occupancy Rate (Portfolio average)



NAF's properties have maintained a stable high occupancy rate since the listing on the stock exchange.

Ratings (As of February 28, 2007)

Rating Agency	Rating	Outlook
Moody's Investors Service Inc.	A1	Stable
Rating and Investment Information Inc.	AA	Stable
Standard and Poor's		
Long-term Corporate	A+	Stable
Short-term Corporate	A-1	—

NAF's ratings from major rating agencies are among the highest for J-REITs.

1. NAF is Japan's first...

- ... listed residential J-REIT, with over ¥100 billion in assets at IPO.
- ... residential J-REIT sponsored by a real estate company.

2. NAF's portfolio is...

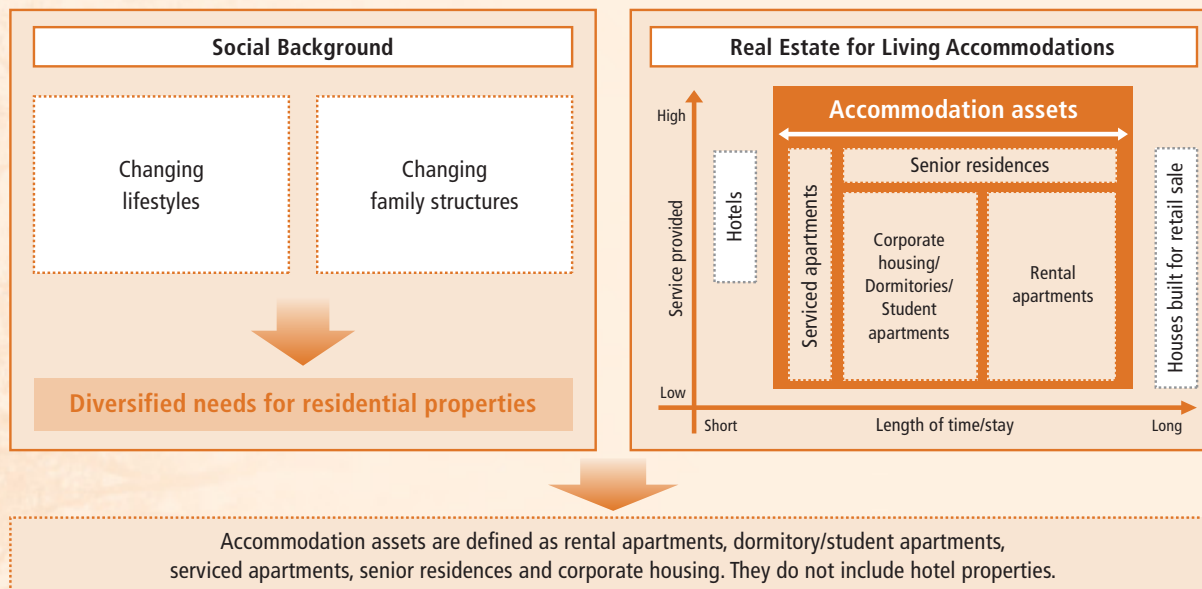
- ... currently made up of 27 acquired properties with a total acquisition value of ¥101,385 million.
- ... located in popular areas and comprises large-scale properties.
The occupancy rate is 97.2 percent.

3. Total return on NAF properties is...

- ... ¥17,871 in distribution per unit for the 2nd period, with a forecast of ¥12,340 per unit for the 3rd period.
- ... a 139.2 percent total return since its Tokyo Stock Exchange listing on August 4, 2006.

4. NAF's finances are...

- ... highly sound: The LTV (Loan to Value) ratio is 39.3 percent and the long-term fixed ratio is 70.6 percent.
- ... rated A1 by Moody's, AA by Rating and Investment Information, A+ (Long-term) and A-1 (Short-term) by Standard and Poor's.



NAF's Two Core Strategies

1. Investment in Accommodation Assets

Accommodation Assets: newly developed residential properties created in response to ongoing social and lifestyle changes

Objective: to maximize the value of Accommodation Assets by providing accommodations that satisfy diverse tenant needs

2. Utilization of the Mitsui Fudosan Group

Full and active use of the Mitsui Fudosan Group's value chain from planning and development to management and operation

Access to investment opportunities through Mitsui Fudosan's properties and its Group's extensive real estate information network

To Our Stakeholders

Nippon Accommodations Fund Inc. (NAF) acquired 21 properties during the period ended February 28, 2007, and maintained a high occupancy rate averaging 97.2 percent at the end of the period. Results exceeded projections when NAF listed its investment units. Looking forward, NAF will invest in accommodation assets and leveraging the comprehensive strengths of the Mitsui Fudosan Group in working to generate steady external and internal growth and further expand unitholder value.

Nobuyuki Nakai

Executive Director of Nippon Accommodations Fund Inc.

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

Overview of Performance

During NAF's 2nd Period (April 1, 2006 to February 28, 2007), demand continued to expand for new properties in the rental housing market in the 23 wards of Tokyo because of the population influx from other areas and the increase in one- and two-person households. Occupancy rates were strong and rents increased moderately for properties with competitive advantage from factors including location, property management and facilities. Competition to acquire income-producing properties intensified as a result of marked increases in land prices, particularly in city centers.

Given these conditions, NAF generated steady growth by using the Mitsui Fudosan Group's pipeline to selectively invest in highly competitive properties. We acquired four properties in April 2006 and seventeen properties in August 2006, and sold one property in June 2006. Consequently, as of February 28, 2007 NAF's portfolio consisted of 27 properties valued at ¥101,385 million on an acquisition price basis.

As a result, operating revenues for the 2nd Period totaled ¥5,072 million, operating income was ¥2,706

million, and net income totaled ¥2,028 million. Cash distribution per unit totaled ¥17,871, which exceeded projections when NAF listed its investment units.

Fundamental Management Policies and Outlook

NAF will invest in accommodation assets and leverage the comprehensive strengths of the Mitsui Fudosan Group with the aim of expanding unitholder value by structuring and managing a high-quality portfolio of rental housing, primarily in the 23 wards of Tokyo.

Our strategy for generating external growth entails using the Mitsui Fudosan Group's pipeline and further enhancing our proprietary information channels to quickly obtain information on outstanding buildings with the aim of steadily acquiring properties. In the 3rd Period, which will end August 31, 2007, we have already acquired three properties: Park Cube Ikebukuro Kanamecho in March 2007, and Park Axis Meguro Honcho and Park Axis Shin Itabashi in April 2007.

Our strategy for generating internal growth entails managing and operating rental properties with the



objective of maximizing rental revenues over the medium-to-long term. We will formulate and implement leasing strategies tailored to the individual features of each of our properties with the aim of increasing rents and occupancy rates. We have moved to reduce operating costs by concluding a comprehensive property management arrangement with a master property management company. NAF is also working to further enhance tenant satisfaction by providing customer service that responds to tenant needs.

NAF's financial strategy emphasizes the continued use of long-term, fixed-rate loans to counter the risk of future increases in interest rates and refinancing risk. Moreover, we will work to diversify and increase the flexibility of access to funding.

In addition, we intend to earn the trust of unitholders and other stakeholders. We will therefore assiduously maintain compliance and management transparency while further strengthening our corporate governance and risk management systems.

As a result of these efforts, NAF projects operating revenues of ¥3,498 million, net income of ¥1,400 million

and a cash distribution per unit of ¥12,340 for the 3rd Period ending August 31, 2007. This projection assumes no acquisitions or transfers of properties and no issue of new units.

NAF will make maximum use of the comprehensive strengths of the Mitsui Fudosan Group and will promote the most appropriate management, operation and brand strategies to raise competitiveness and add outstanding new properties to its portfolio. Our objectives are stable revenues and steady growth in assets under management.

April 2007

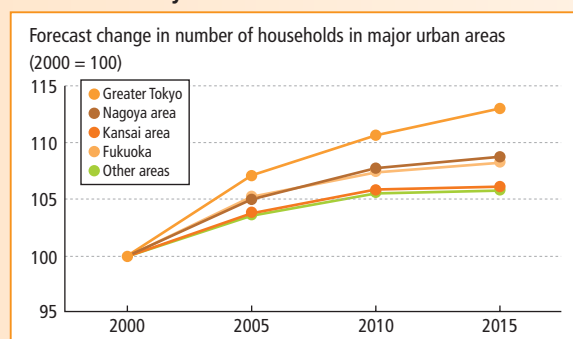
Nobuyuki Nakai

Executive Director of Nippon Accommodations Fund Inc.
President and CEO of Mitsui Fudosan Accommodations
Fund Management Co., Ltd.

Rental Apartment Investment Characteristics

The high-quality rental apartments that NAF selects as accommodation assets are highly attractive, competitive properties that generate stable earnings.

Demand: Steady Growth of Households



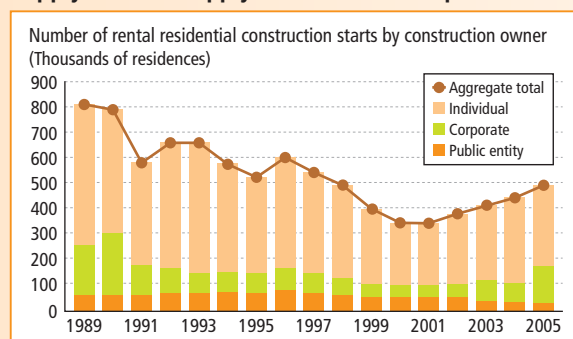
Source: National Institute of Population and Social Security Research
 Note: Other areas excludes Hokkaido, Miyagi, Greater Tokyo, Nagoya area, Kansai area, Hiroshima and Fukuoka.

Demand: Decreasing Home Ownership Rate in the 25-54 Age Bracket

	1978	1988	1998	2003
Average	59.9	61.1	60.0	60.9
Under 25	9.9	4.5	2.7	2.7
25 to 54	58.6	58.9	54.1	52.9
55 to 59	79.0	79.3	76.7	76.7
60 to 64	77.9	80.3	79.2	78.9
60 to 74	75.9	77.4	81.2	80.0
75 and over		75.5	79.4	80.3

Source: "Housing in Japan (1978)," Prime Minister's Office; "Housing Statistical Survey (1988)" and "Housing/Land Statistical Survey (1998)," General Affairs Agency; "Housing/Land Statistical Survey (2003)," Ministry of Internal Affairs and Communications

Supply: Limited Supply from Private Companies



Source: "Housing Construction Statistics," Ministry of Land, Infrastructure and Transport

Growing Rental Needs and Demand

Japan's population is projected to decrease in the future. Given an aging population with a low birthrate and the trend toward nuclear families, however, the number of smaller households is conversely projected to increase. Moreover, lifestyles are evolving, with changes in the employment environment and a move toward urban homes in pursuit of more convenient living. NAF concentrates investment in large urban areas, primarily the 23 wards of Tokyo, where projected stable growth in the number of households points to expanding demand for rental apartments.

In addition, over the past 25 years, the age at which people in Japan acquire their own home has been trending upward, with a decreasing rate of home ownership among people between the ages of 25 and 54, the primary rental customer segment. This trend indicates a shift toward rental apartment occupancy.

A Tight Supply of High-Quality Rental Apartments

Conventionally, individual landowners seeking to utilize their assets effectively have been the principal source of rental apartments in Japan, and the supply by private companies has been limited. In this environment, in 2004, the former Urban Development Corporation was reorganized as the Urban Renaissance Agency, an independent administrative institution. Rather than directly supplying rental apartments, the Urban Renaissance Agency now takes the position of transferring or leasing tracts of land it has prepared to private developers. Thus control of the supply of rental apartments is shifting to the private sector.

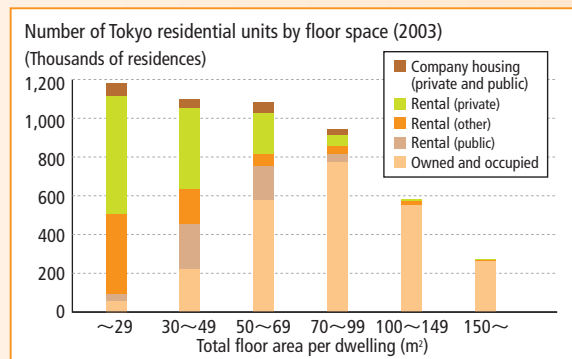
In addition, the available rental apartments generally do not compare favorably to owned houses in terms of floor space or building and construction quality. Looking

at apartment floor space per unit in Tokyo, units with the least amount of floor space are concentrated in company housing and rental housing, and units with greater floor space are increasingly concentrated in owned and occupied houses. In Tokyo, company and rental units tend to have less floor space, while owned and occupied houses are generally much larger. As a result, high-quality apartments are scarce, as demand grows but the supply remains limited.

High-Quality Rental Apartments Generate Highly Stable Earnings

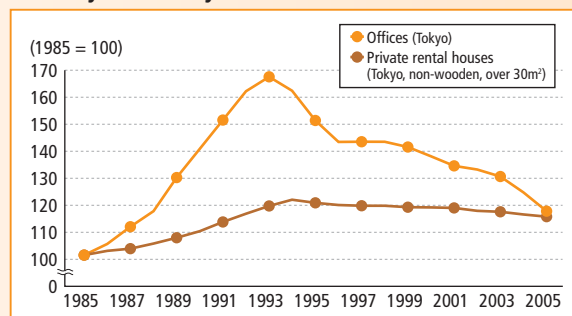
In general, apartment rents are not greatly affected by changes in economic conditions or asset values. Moreover, the risk of sudden shifts in vacancy and lease rates is lower for rental apartments than for office buildings because apartment lease contracts are subdivided and diversified in terms of contract period and renewal and termination dates. As a result, the potential for fluctuations in earnings is also limited. These conditions allow NAF to structure a diversified portfolio of rental apartments through investments congruent with NAF's basic policy of securing stable earnings.

Supply: Relative Scarcity of Quality Apartments



Source: "2003 Housing/Land Statistical Survey (August 2004)," Ministry of Internal Affairs and Communications

Stability: Relatively Stable Rents



Source: "Annual Report: Consumer Price Index," Cabinet Office, Ministry of Internal Affairs and Communications, and "Service Price Index for the Private Sector," Bank of Japan

Common Practices in Japan's Rental Apartment Market

Contract Validity Period

Leases in Japan are generally 2-year contracts, which can be renewed by paying an extension fee (usually one month's rent).

Security Deposit

The tenant must pay a security deposit in advance to the landlord to insure against future unpaid rent and/or damages. Generally, it is equal to two months' rent and is typically refunded when moving out (a cleaning and/or repair fee may be deducted prior to refund).

Key Money

The tenant pays key money to the landlord prior to signing a lease contract. It is equivalent to two months' rent and is not refunded.

Commission Fee

A commission fee is paid to the leasing agent; by regulation, it cannot exceed one month's rent.

Guarantor/Joint Surety

A guarantor is required when signing a lease contract. The guarantor must have an income sufficient to cover the rent if the tenant cannot pay and/or the cost of repairs to the apartment if the tenant causes any damage.

External Growth

NAF uses the pipeline it shares with the Mitsui Fudosan Group and its own information network to acquire highly competitive properties for steady external growth.

New Acquisitions (As of April 2007)

Park Axis Meguro Honcho

The quiet, convenient location of Park Axis Meguro Honcho is near central Tokyo, with easy access to main business and commercial districts.

Acquisition date:	April 19, 2007
Acquisition price:	¥ 1,810 million
Rentable area:	1,884.77 m ²
Address:	Meguro-ku, Tokyo
Units:	60
Completed:	July 2006



Park Axis Shin Itabashi

Park Axis Shin Itabashi is a 2-minute walk from a subway station that provides a direct link to central Tokyo.

Acquisition date:	April 19, 2007
Acquisition price:	¥ 3,430 million
Rentable area:	2,145.66 m ² (East) 2,250.33 m ² (West)
Address:	Itabashi-ku, Tokyo
Units:	152
Completed:	February 2007



Park Cube Ikebukuro Kanamecho

Three minutes from the nearest subway and within walking distance of Ikebukuro, Park Cube Ikebukuro Kanamecho is near Rikkyo University and other schools.

Acquisition date:	March 23, 2007
Acquisition price:	¥ 1,608 million
Rentable area:	1,886.82 m ²
Address:	Toshima-ku, Tokyo
Units:	65
Completed:	March 2007



Internal Growth

NAF works to improve property competitiveness and tenant satisfaction in order to raise rents and occupancy rates for steady internal growth.

Renovations



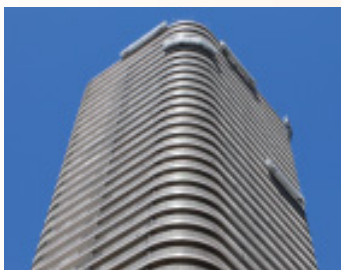
Bathrooms



New flooring finishes

Investing in strategic renovations helps to improve the market competitiveness of our operating assets. In the 2nd Period, we worked to maintain and improve the asset value of the Okawabata Apartment Communities by renovating tenant spaces, including upgrades to baths and kitchens, repairing flooring and renewing color schemes.

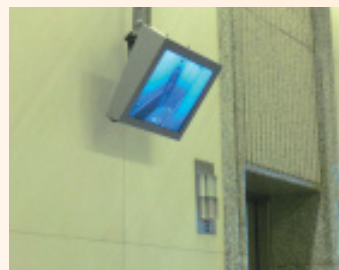
Exterior Maintenance



River Point Tower

Investment in repairs reduces project time and cuts property maintenance and management costs. During the 2nd Period, NAF made improvements to exterior wall tiling and paintwork at the Okawabata Apartment Communities. (Scheduled project period: August 2006 to October 2007)

Enhanced Security



Elevator monitor display

NAF makes capital investments in security to meet tenant needs and increase property competitiveness. During the 2nd Period, NAF strengthened security by installing elevator monitors in buildings that did not have them.

Common Area Improvements

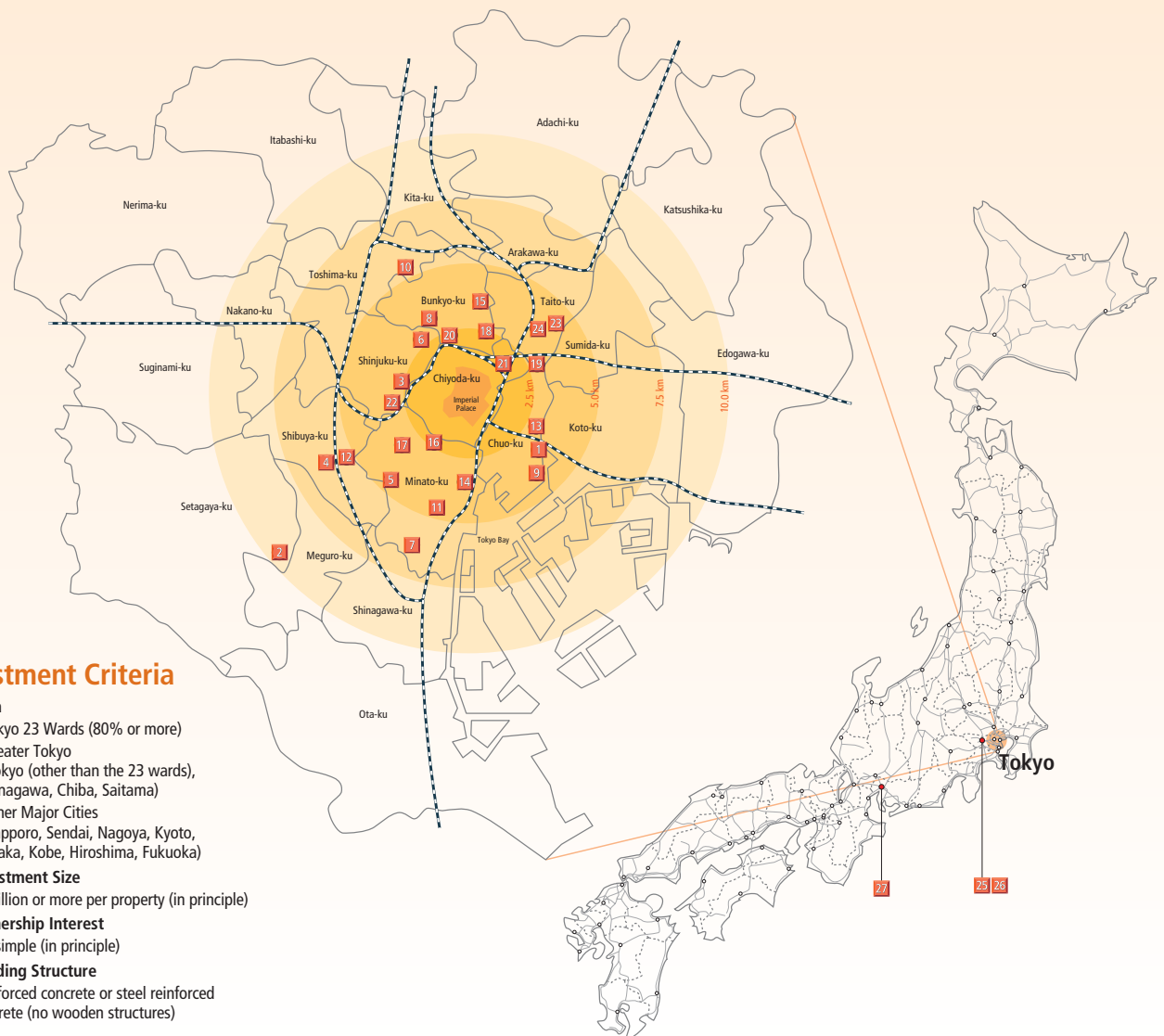
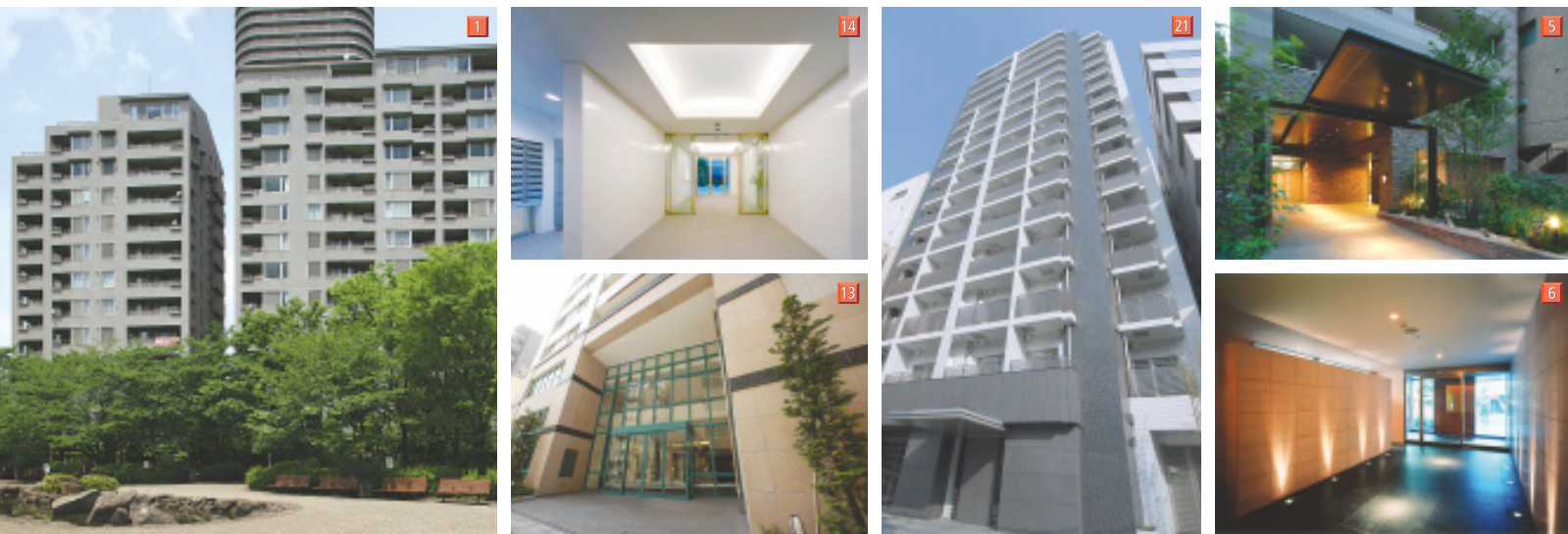


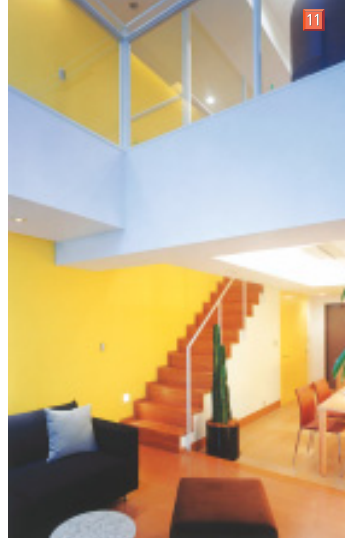
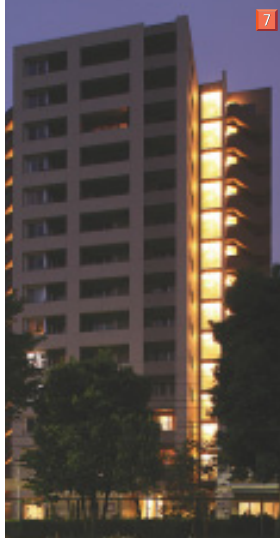
New furniture and Christmas tree

NAF provides high-value-added services that meet tenant needs to increase their satisfaction. Measures in the 2nd Period to improve amenities in NAF accommodations included providing lobby furniture and Christmas decorations at certain properties.

Portfolio Map

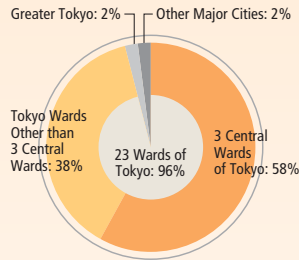
(As of February 28, 2007. Numbers in red for each property refer to the Portfolio Summary on pages 16-17.)





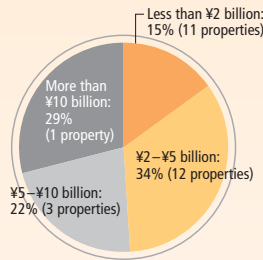
- 1 Okawabata (River Point Tower)
- Okawabata (Park Side Wings)
- Okawabata (Pier West House)
- 2 Park Axis Gakugei Daigaku
- 3 Park Axis Ichigaya
- 4 Park Axis Shibuya Jinnan
- 5 Park Axis Aoyama Kotto Dori
- 6 Park Axis Kagurazaka Stage
- 7 Park Axis Shirokanedai
- 8 Park Axis Bunkyo Stage
- 9 Park Axis Tsukishima
- 10 Park Axis Otsuka
- 11 Park Axis Minami Azabu
- 12 Park Axis Shibuya
- 13 Park Axis Nihonbashi Stage
- 14 Park Axis Hamamatsucho
- 15 Park Axis Hongo no Mori
- 16 Park Axis Tameike Sanno
- 17 Park Axis Roppongi Hinokicho Koen
- 18 Park Axis Ochanomizu Stage
- 19 Park Axis Okachimachi
- 20 Park Cube Hongo
- 21 Park Cube Kanda
- 22 Park Cube Ichigaya
- 23 Park Cube Asakusa Tawaramachi
- 24 Park Cube Ueno
- 25 Park Cube Keio Hachioji
- 26 Park Cube Keio Hachioji II
- 27 Park Axis Meieki Minami

Regional Allocation



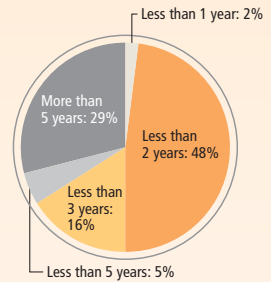
96% of portfolio is located in the 23 wards of Tokyo

Portfolio by Acquisition Price



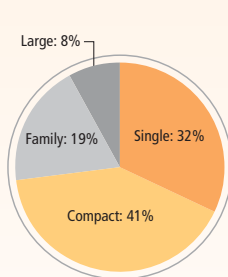
Average ¥3.75 billion per property

Portfolio by Property Age



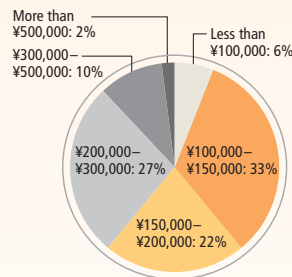
Average 6.7 years

Portfolio by Category



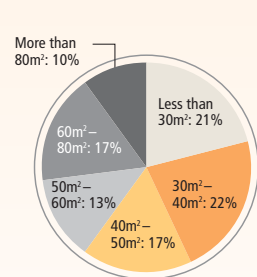
Percentage of single and compact: 73%

Portfolio by Monthly Rent



Average ¥197,000 per unit

Portfolio by Unit Area



Average 49m² per unit

Notes: 1. 3 Central Wards of Tokyo includes Chiyoda, Chuo and Minato wards; Greater Tokyo includes Tokyo (other than the 23 wards), Kanagawa, Chiba and Saitama; Other Major Cities includes Sapporo, Sendai, Nagoya, Kyoto, Osaka, Kobe, Hiroshima and Fukuoka.
 2. Percentages for Regional Allocation, Portfolio by Acquisition Price and Portfolio by Property Age are based on acquisition price. Average property age has been calculated using a weighted average based on acquisition price.
 3. Percentages for Portfolio by Category, Portfolio by Monthly Rent and Portfolio by Property Area are unit-based, excluding retail units.

Property Brand Strategy

NAF aims to maintain and improve the long-term competitiveness and value of its assets. The Park Axis series and the Park Cube series are central to the structure of NAF's portfolio.

Park Axis Series

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



Residence

- Basic specifications for durability and sound insulation
- Space designs that appeal to residents
- Fixtures and finishes that consider aesthetics, livability, advanced features and convenience
- Security measures to provide safe urban living

Location

- Area setup that was quick to note "migration back to central Tokyo"
- Areas offered are popular in rental market, can expect stable demand in future

Management

- Appropriate long-term maintenance and improvement plan and common area management menu
- Securing high-quality tenants through strong leasing capabilities and rigorous screening

Park Cube Series

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



Management

- Appropriate long-term maintenance and improvement plan and common area management menu
- Securing high-quality tenants through strong leasing capabilities and rigorous screening

Quality

- Basic specifications for durability and sound insulation
- Fixtures and finishes that consider functionality, advanced features and convenience
- Security that provides safe and secure residential spaces

Brand value enhanced by total quality management

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

Five features differentiate NAF: development plans that respond to diversifying needs; designs that address both form and function; support services for resident convenience; services to ensure safety and comfort; and an advanced information and communications environment for superior quality, safety and security.



Development Plans That Meet Diversifying Needs

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

Designs That Address Both Form and Function

For the Park Axis series to maintain its appeal for a long period of time, Mitsui Fudosan's designs combine

function and aesthetics in everything from the façade (exterior), entrance and corridor to the doorway of each unit. In cooperation with architects and/or interior designers, additional differentiation is sought to offer a design suitable to its surrounding environment and customer attributes.

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

Support Services for Convenience, Safety and Security

Services available to tenants include a concierge, apartment cleaning, furniture/home appliance leasing, catering and hospital/school transportation. Initial deposit and key money payments can be made via the Internet.

For tenant safety and comfort, the toll-free C-Desk deals around the clock with lease renewal, parking space certification and apartment troubleshooting. Tenants also receive a guidebook to assist them from moving in to moving out, including explanations of procedures for paying utility bills. The Park Axis series is designed and constructed under total quality management based on Mitsui Fudosan's expertise in condominiums.



Reception (Park Axis Nihonbashi Stage)



Customer support center



Tenant guidebooks

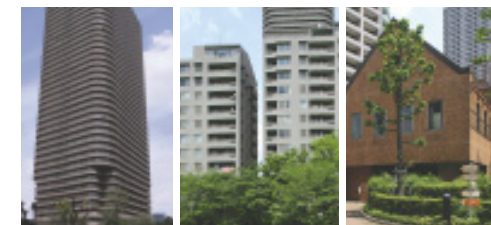
The above is a summary of services/support provided at some buildings in NAF's portfolio. These services are not necessarily available at all buildings. NAF is willing to improve and provide these services/support to more buildings.

Representative Accommodation Assets

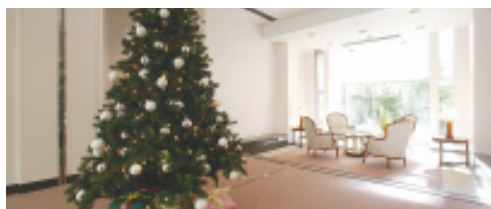
(Numbers in red for each property refer to the Portfolio Summary on pages 16-17.)

1

Okawabata Apartment Communities

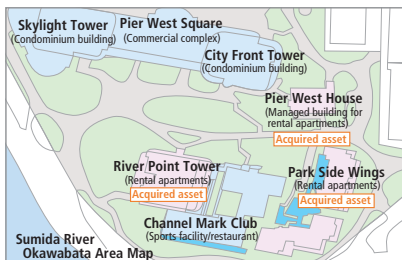


① River Point Tower ② Park Side Wings ③ Pier West House



Part of the large-scale Okawabata River City 21 development, Okawabata Apartment Communities offers an on-site 24-hour management system. River Point Tower was the first high-rise rental apartment complex in Tokyo

Acquisition price:	¥29,696 million
Appraisal value:	¥29,700 million
PML:	① 4.9% ② 9.9% ③ 8.9%
Address:	Chuo-ku, Tokyo
Units:	544
Acquisition date:	November 30, 2005
Site area:	30,291.75m ²
Land ownership right:	① Land use rights 23.19% ② Land use rights 8.60% ③ Common ownership 1.62%
Floor area of building:	① 42,177.83m ² ② 15,737.63m ² ③ 847.27m ²
Completed:	① March 30, 1989 ② July 19, 1988 (Building expansion on March 30, 1989) ③ April 4, 1988



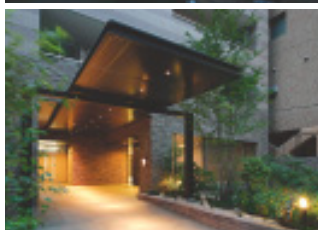
Park Axis Aoyama Kotto Dori

5



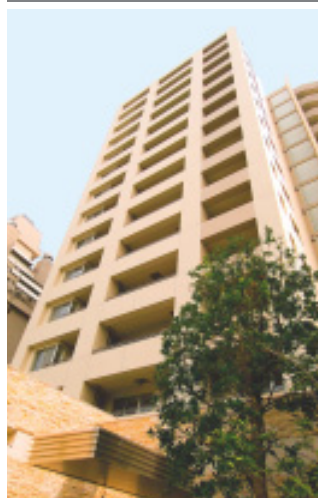
Located near sophisticated clothing boutiques and cafes, Park Axis Aoyama Kotto Dori is in an exclusive residential area.

Acquisition price:	¥1,730 million
Appraisal value:	¥1,730 million
PML:	9.2%
Address:	Minato-ku, Tokyo
Units:	40
Acquisition date:	November 30, 2005
Site area:	502.76m ²
Floor area of building:	1,939.54m ²
Completed:	August 31, 2005



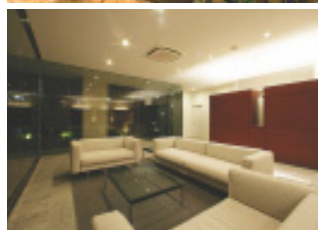
Park Axis Shirokanedai

7



Trendy cafes and restaurants and the Institute for Nature Study opposite enhance the fashionable residential area around Park Axis Shirokanedai.

Acquisition price:	¥5,140 million
Appraisal value:	¥5,140 million
PML:	12.0%
Address:	Minato-ku, Tokyo
Units:	99
Acquisition date:	April 12, 2006
Site area:	1,063.80m ²
Floor area of building:	5,992.92m ²
Completed:	September 9, 2005



Notes: 1. Appraisal values are as of November 30, 2005 for properties 1 through 5; February 28, 2006 for property 6; March 31, 2006 for properties 7 through 10; and April 30, 2006 for properties 11 through 27.
2. PML = Probable maximum loss

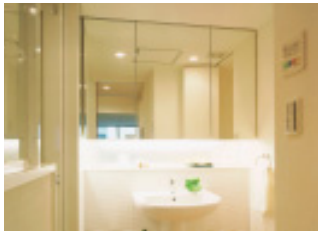
Park Axis Minami Azabu

11



Located near the famous Azabu Juban shopping area, Minami Azabu has been popular for many years as an excellent neighborhood to live in.

Acquisition price:	¥3,939 million
Appraisal value:	¥3,960 million
PML:	9.2%
Address:	Minato-ku, Tokyo
Units:	64
Acquisition date:	August 7, 2006
Site area:	956.12m ²
Floor area of building:	5,060.75m ²
Completed:	February 28, 2003



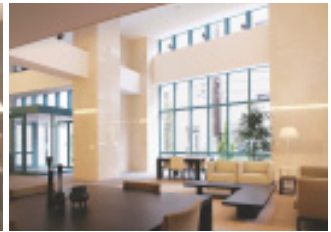
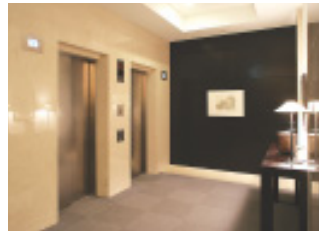
Park Axis Nihonbashi Stage

13



Park Axis Nihonbashi Stage is a neighborhood landmark and provides dedicated concierge, delivery and catering services for residents.

Acquisition price:	¥7,557 million
Appraisal value:	¥7,570 million
PML:	11.3%
Address:	Chuo-ku, Tokyo
Units:	184 Residential; 1 Retail
Acquisition date:	August 7, 2006
Site area:	1,443.06m ²
Floor area of building:	12,488.08m ² (includes 49.35m ² parking area)
Completed:	August 31, 2004



Park Axis Meieki Minami

27



Park Axis Meieki Minami is located in a convenient, comfortable area, and an 11-minute walk from Nagoya Station on the Shinkansen Line.

Acquisition price:	¥2,440 million
Appraisal value:	¥2,440 million
PML:	5.8%
Address:	Nakamura-ku, Nagoya
Units:	169
Acquisition date:	August 7, 2006
Site area:	1,223.73m ²
Floor area of building:	6,919.04m ²
Completed:	February 8, 2006



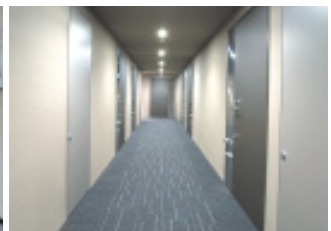
Park Cube Kanda

21

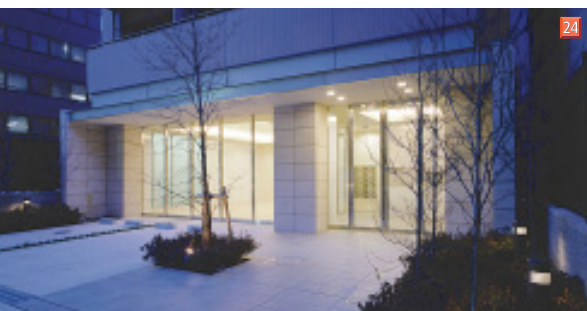
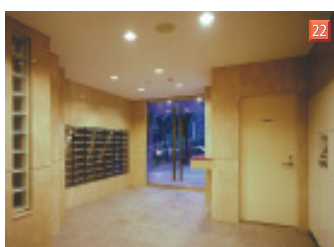


Adjacent to Nihonbashi, Otemachi and Akihabara, Park Cube Kanda has an attractive design and is convenient for commuting.

Acquisition price:	¥2,454 million
Appraisal value:	¥2,480 million
PML:	10.9%
Address:	Chiyoda-ku, Tokyo
Units:	95
Acquisition date:	August 7, 2006
Site area:	506.93m ²
Floor area of building:	4,000.74m ²
Completed:	October 1, 2005



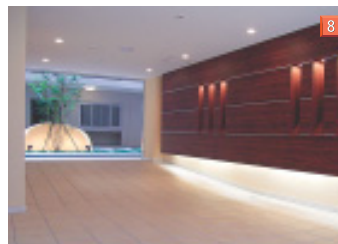
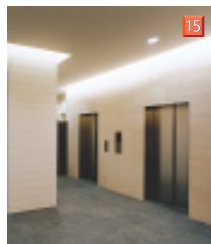
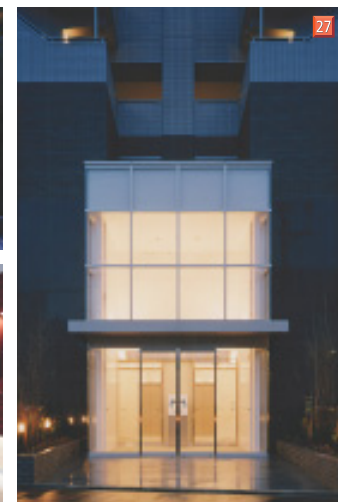
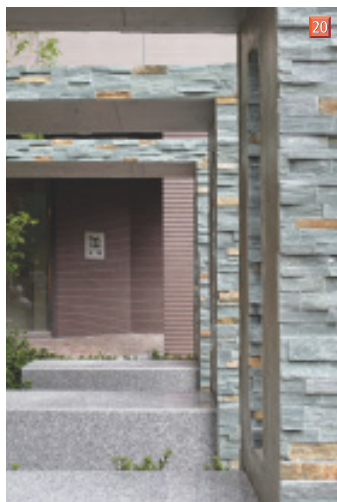
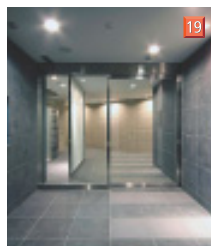
Portfolio Summary



No.	Name	Location
1	Okawabata Apartment Communities River Point Tower Park Side Wings Pier West House	Chuo-ku, Tokyo
2	Park Axis Gakugei Daigaku	Setagaya-ku, Tokyo
3	Park Axis Ichigaya	Shinjuku-ku, Tokyo
4	Park Axis Shibuya Jinnan	Shibuya-ku, Tokyo
5	Park Axis Aoyama Kotto Dori	Minato-ku, Tokyo
6	Park Axis Kagurazaka Stage	Shinjuku-ku, Tokyo
7	Park Axis Shirokanedai	Minato-ku, Tokyo
8	Park Axis Bunkyo Stage	Bunkyo-ku, Tokyo
9	Park Axis Tsukishima	Chuo-ku, Tokyo
10	Park Axis Otsuka	Toshima-ku, Tokyo
11	Park Axis Minami Azabu	Minato-ku, Tokyo
12	Park Axis Shibuya	Shibuya-ku, Tokyo
13	Park Axis Nihonbashi Stage	Chuo-ku, Tokyo
14	Park Axis Hamamatsucho	Minato-ku, Tokyo
15	Park Axis Hongo no Mori	Bunkyo-ku, Tokyo
16	Park Axis Tameike Sanno	Minato-ku, Tokyo
17	Park Axis Roppongi Hinokicho Koen	Minato-ku, Tokyo
18	Park Axis Ochanomizu Stage	Bunkyo-ku, Tokyo
19	Park Axis Okachimachi	Taito-ku, Tokyo
20	Park Cube Hongo	Bunkyo-ku, Tokyo
21	Park Cube Kanda	Chiyoda-ku, Tokyo
22	Park Cube Ichigaya	Shinjuku-ku, Tokyo
23	Park Cube Asakusa Tawaramachi	Taito-ku, Tokyo
24	Park Cube Ueno	Taito-ku, Tokyo
Tokyo 23 Wards Total		
25	Park Cube Keio Hachioji	Hachioji-shi, Tokyo
26	Park Cube Keio Hachioji II	Hachioji-shi, Tokyo
Greater Tokyo Total (Note 3)		
27	Park Axis Meieki Minami	Nagoya-shi, Aichi
Other Major Cities Total		
Grand Total		

Notes: 1. Acquisition Price does not include acquisition-related expenses, property tax (to be capitalized) and consumption tax (not refundable for residential properties). Amounts are rounded down to the nearest million.

2. PML = Probable maximum loss



(As of February 28, 2007)

Acquisition Price (Note 1) (Yen in millions)	Portfolio Share (%)	Rentable Area (sq. m.)	Rentable Units	PML (Note 2) (%)	Developer
29,696	29.3	43,812.41	544	4.9	Mitsui Fudosan
				9.9	
				8.9	
1,760	1.7	2,437.66	64	9.7	Mitsui Fudosan
2,570	2.5	3,313.33	84	8.5	Mitsui Fudosan
3,230	3.2	2,766.62	75	8.7	Mitsui Fudosan
1,730	1.7	1,537.24	40	9.2	Mitsui Fudosan
1,400	1.4	1,891.05	59	8.4	Mitsui Fudosan
5,140	5.1	4,704.44	99	12.0	Mitsui Fudosan
4,440	4.4	6,078.93	154	7.2	Mitsui Fudosan
930	0.9	1,383.99	30	10.1	Mitsui Fudosan
1,655	1.6	2,606.37	52	7.4	Mitsui Fudosan
3,939	3.9	3,938.14	64	9.2	Mitsui Fudosan
1,282	1.3	1,094.28	20	10.7	Mitsui Fudosan
7,557	7.5	10,025.40	184 Residential, 1 Retail	11.3	Mitsui Fudosan
2,025	2.0	2,426.45	80	9.4	Mitsui Fudosan
2,910	2.9	3,317.94	86 Residential, 1 Retail	11.2	Mitsui Fudosan
2,860	2.8	2,710.69	70	9.8	Mitsui Fudosan
2,170	2.1	2,054.46	46	9.5	Mitsui Fudosan
9,710	9.6	12,025.25	324	10.0	Mitsui Fudosan
1,070	1.1	1,621.73	42	10.3	Mitsui Fudosan
1,760	1.7	2,160.12	60	10.1	Other Party
2,454	2.4	3,194.59	95	10.9	Other Party
1,794	1.8	2,127.50	51	9.1	Other Party
2,508	2.5	4,012.68	76	9.1	Other Party
2,233	2.2	3,041.61	91	10.8	Other Party
96,824	95.5	124,282.88	2,490 Residential, 2 Retail		
991	1.0	2,814.32	52	9.6	Other Party
1,130	1.1	3,082.32	47 Residential, 1 Retail	9.5	Other Party
2,121	2.1	5,896.64	99 Residential, 1 Retail		
2,440	2.4	5,565.13	169	5.8	Mitsui Fudosan
2,440	2.4	5,565.13	Residential 169		
101,385	100.00	135,744.65	2,758 Residential, 3 Retail	5.1	

3. Greater Tokyo includes Tokyo (other than the 23 wards), Kanagawa, Chiba and Saitama.

The Mitsui Fudosan Group's Value Chain

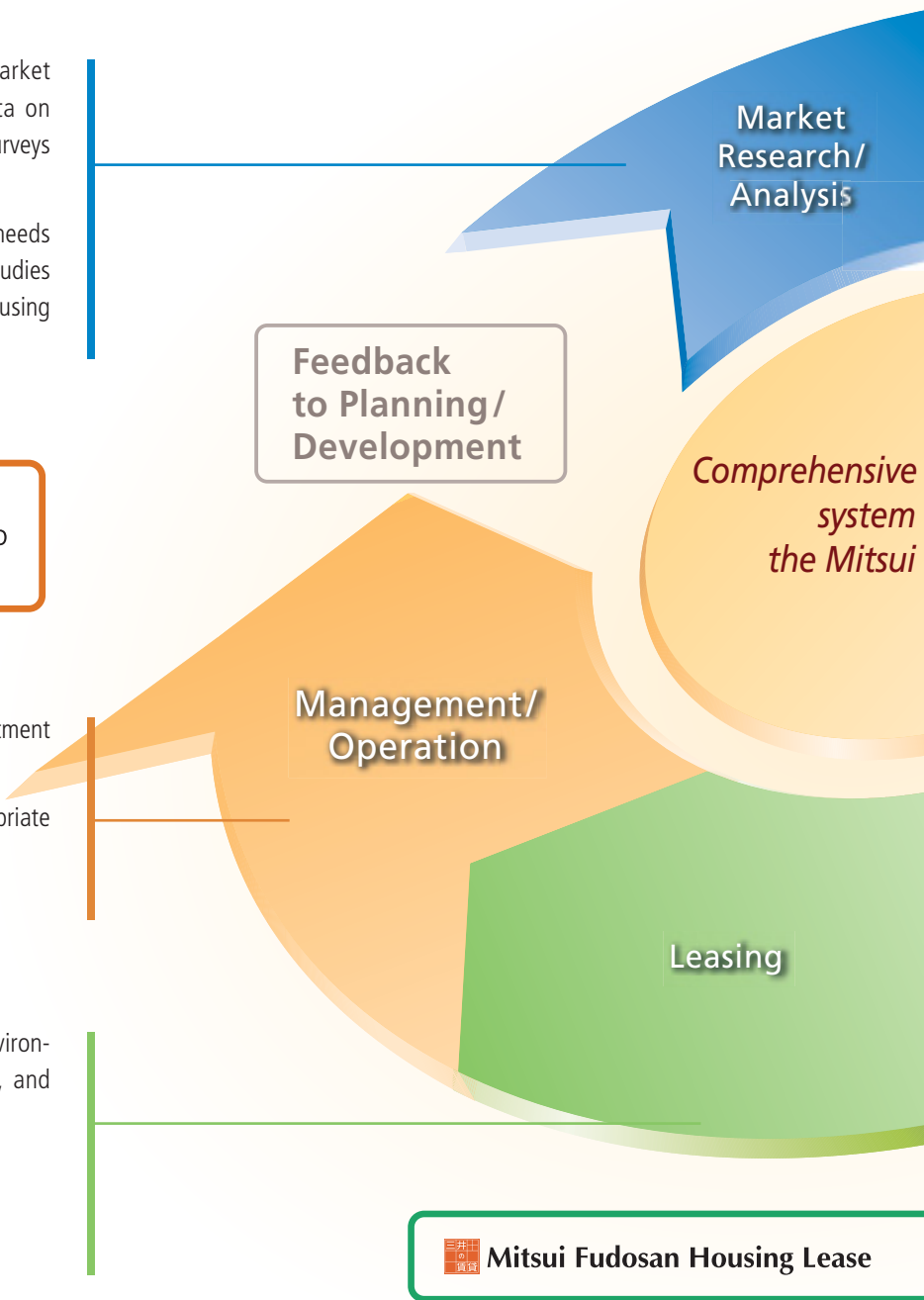
The companies of the Mitsui Fudosan Group form a comprehensive operating system for rental properties that spans from market research, site selection and acquisition, planning and development to leasing, management and operation, in which the Group functions as a single organic value chain.

- Understanding of supply/demand trends in the market through the analysis of statistical information/data on housing for sale and rental apartments, occupancy surveys of new properties and fixed property observation
- Examination of micro market characteristics and needs based on a long track record (experience) in case studies of potential properties/development project areas, housing to real estate brokers, rent/occupancy historical data



- Understanding of tenant needs, feedback for reinvestment and development
- Renewal/renovation (reinvestment) based on appropriate investment return analysis
- Value-added services that take advantage of scale

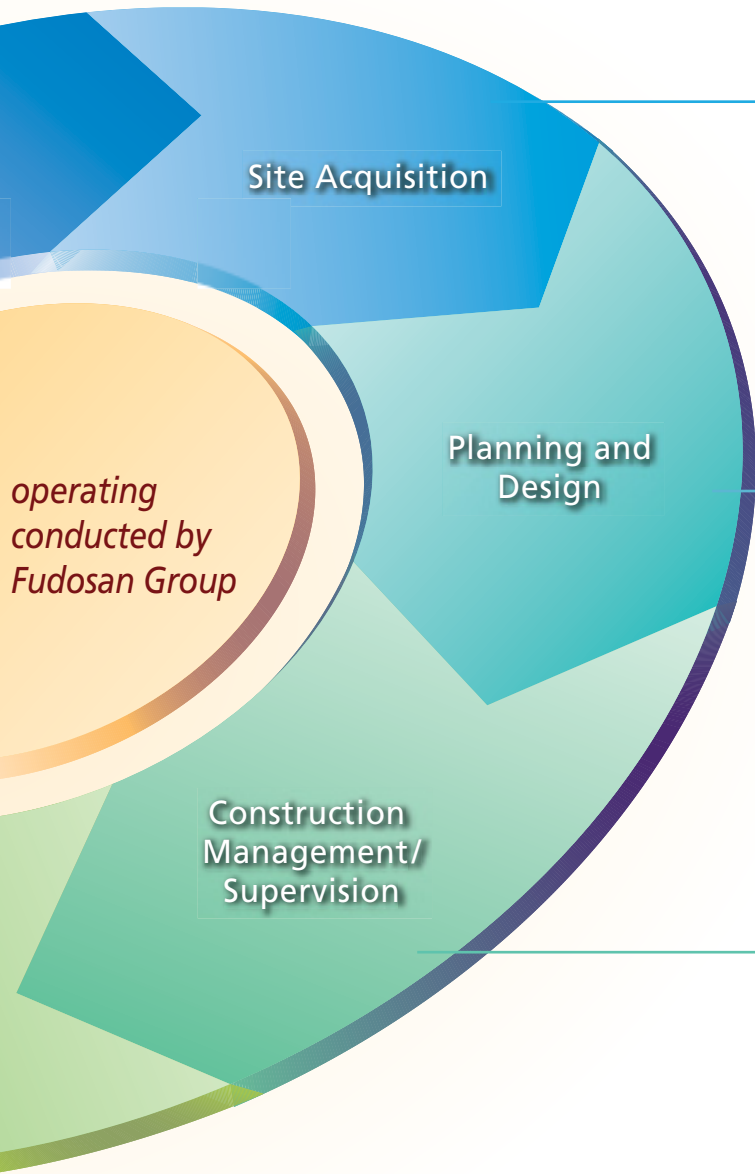
- Individual plan evaluation, discussions on living environment, competitive landscape and other conditions, and setting of rent details
- Construction of framework to convey product appeal (use of leasing specialist)
- Control/use of leasing agency network





MITSUI FUDOSAN

Operation, Planning/
Development of Accommodation Business



Site Acquisition

- Development of site acquisition strategy based on macro market and potential demand trends
- Large collection of site information supported by property development capabilities of all types from small buildings to complex development/large development projects

Planning and Design

- Detailed development of target customers and property concepts according to purpose, number of residents, family structure and lifestyle
- Planning of strategic plan variations, specifications, grades and tastes suitable for established target and concept
- Strategic plan design discussed from the viewpoints of design, safety, functionality, management/operation, running cost and maintenance/renewal

Construction Management/
Supervision

- Acquisition of approval, cost control, scheduling, design/construction management (use of real estate development expertise gained from tenant feedback)
- Quality control (Use of rental apartments construction/design checklist covering approx. 1,300 inquiries)
- On-site meetings/checks by respective professionals in construction, structure and facilities

Property Management

RESIDENT FIRST

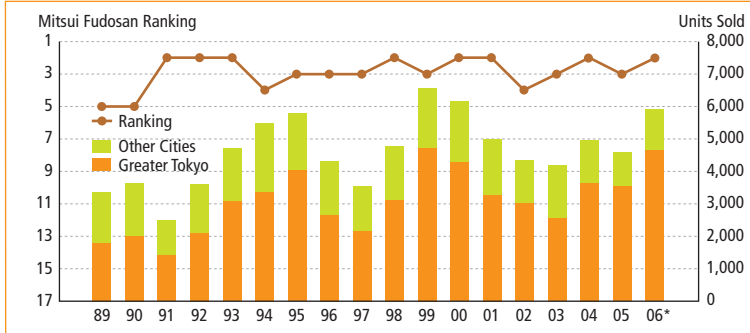
Initial Leasing
Tenant Brokerage

Mitsui Fudosan's Accommodation Asset Development Capabilities

Condominium Development

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

Condominium Units Sold by Mitsui Fudosan

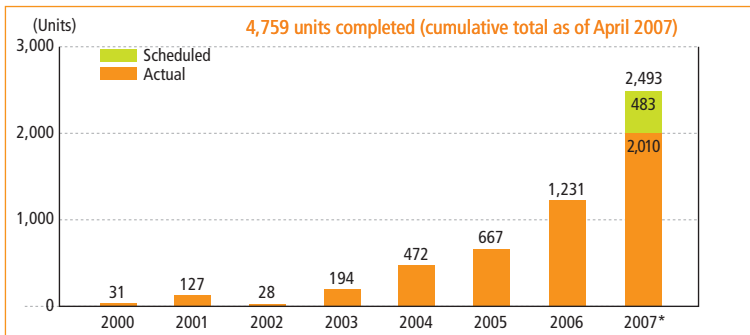


* From October 2006, Mitsui Fudosan's condominium sales are handled by its wholly owned subsidiary Mitsui Fudosan Residential Co., Ltd.

Apartment Development

During 1988 and 1989, Mitsui Fudosan developed 544 rental housing units at the Okawabata River City 21 complex in Chuo-ku, Tokyo. Since 1999, Mitsui Fudosan has been developing and supplying numerous rental housing units within the Park Axis series.

Park Axis Series Units Supplied by Mitsui Fudosan



Source: Mitsui Fudosan Co., Ltd. * Included Shibaura Island Project (with stores and joint venture portion).

As of April 2007, NAF has acquired Okawabata Apartment Communities (544 units) and 21 buildings of the Park Axis series (1,956 units).

Large Apartment Development Projects



Park Axis Aoyama 1-chome Tower (Note)
 (JV among Mitsui Fudosan, Tokyo Metro Government, ITOCHU and Taisei)
 ■ Completed in March 2007
 ■ Total units: 383

Shibaura Island Project A1 Block (Air Tower), A3 Block (Note)
 (JV among Mitsui Fudosan, Ken, Orix Real Estate, Nippon Steel City Produce and Daiwa House*)
 ■ Completed in March 2007 (Air Tower)
 ■ To be completed in 2008 (A3 Block)
 ■ Total units: 1,900
 * Daiwa House in JV for A3 block only.



Note: Acquisition of these buildings is not planned as of April 2007.

Property Management

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



Mitsui Fudosan Housing Lease

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

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

RESIDENT FIRST

Initial Leasing/Tenant Brokerage

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



Mitsui Fudosan Housing Service

Residential Building Maintenance

- Extensive experience mainly in condominiums sold by Mitsui Fudosan

Example: Okawabata Apartment Communities

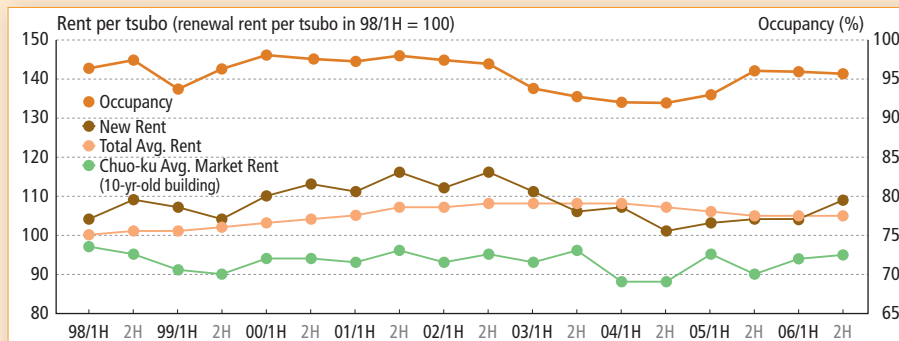
Okawabata Apartment Communities have maintained the rent/occupancy shown below even 18-19 years after completion.

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

Efficient capital expenditures from a long-term perspective:

- Repair of external wall (1999)
- Renewal of home security system (2000 – 2003)
- Renewal of residential air conditioning ahead of schedule (2000 –)
- Improvements to exterior wall tiling and paintwork (2006 –), etc.

Rent and Occupancy of Okawabata Apartment Communities



Corporate Structure and Governance

Nippon Accommodations Fund Inc. has structured systems for compliance and risk management and operates fairly and transparently with the aim of increasing investor value.

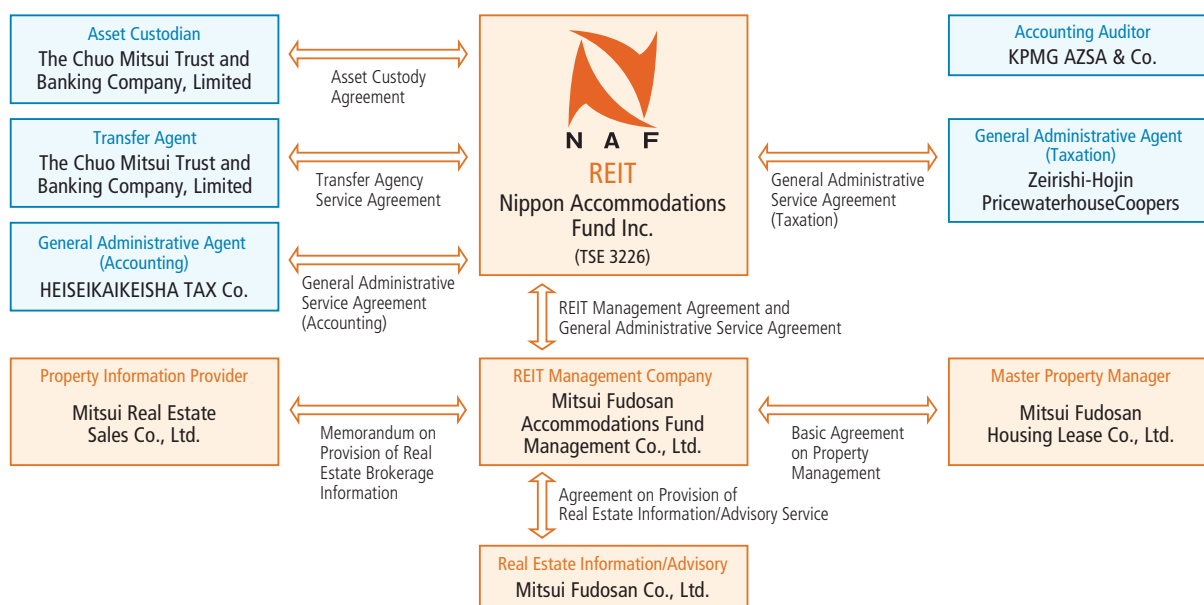
Real Estate Investment Trust (REIT) Structure

Nippon Accommodations Fund Inc. (NAF) is an investment corporation established with the objective of investing in assets, primarily Designated Assets as defined by the Investment Trust and Investment Corporation Act of Japan. NAF was established on October 12, 2005, with Mitsui Fudosan Accommodations Fund Management Co., Ltd. (the "REIT Management Company") as its asset management company.

NAF has entrusted management of all of its assets to the REIT Management Company, which is the asset management company required by the Investment Trust and Investment Corporation Act of Japan. Operating in accordance with the asset management contract concluded on October 13, 2005, the REIT Management Company manages NAF's assets according to NAF's asset management and administration policies and the asset management guidelines embodied in the internal regulations of the REIT Management Company. The asset management guidelines take current investment conditions into account and follow NAF's basic operating principle of taking a medium-to-long-term perspective in managing

assets to secure stable earnings and steadily increase assets under management. These guidelines may change in the future in response to changes in the external investment environment and the status of NAF's assets under management.

In addition, the REIT Management Company has concluded contracts with the Mitsui Fudosan Group to promote smooth, effective management of NAF's assets. A Real Estate Information and Advisory Service Agreement with Mitsui Fudosan Co., Ltd. provides information regarding real estate owned or developed by Mitsui Fudosan Accommodations Business Division, and other management advisory information. A Memorandum on Provision of Real Estate Brokerage Information with Mitsui Fudosan Real Estate Sales Co., Ltd. provides access to real estate brokerage information. A Basic Agreement on Property Management with Mitsui Fudosan Housing Lease Co., Ltd., the master property management company to which NAF has entrusted all its properties, is fundamental to NAF's policy of outsourcing the property management services required in managing real estate.



Management Team



Michihiko Takabe
(Attorney at Law)
Supervisory Director

Yuji Yokoyama
Executive Director

Nobuyuki Nakai
Executive Director

Takeo Tomita
(Attorney at Law)
Supervisory Director

Hiroyuki Sodeyama
(Certified Public Accountant,
Certified Public Tax Accountant)
Supervisory Director

Corporate Structure

General Meeting of Unitholders

In accordance with the current Articles of Incorporation, the General Meeting of Unitholders is held within the 23 wards of Tokyo. In accordance with the Investment Trust and Investment Corporation Act of Japan and NAF's Articles of Incorporation, NAF convenes a General Meeting of Unitholders. The General Meeting of Unitholders adopts or vetoes resolutions on the basis of a simple majority of the voting rights of unitholders in attendance. Decisions on substantive resolutions such as changes in the Articles of Incorporation require the attendance of unitholders that control a simple majority of total units issued and outstanding, and a two-thirds majority of the voting rights of such unitholders. The asset management policies and standards are stipulated by NAF's Articles of Incorporation.

Executive Directors, Supervisory Directors, Independent Auditor and the Board of Directors

NAF's Articles of Incorporation stipulate that NAF must have one or more executive directors, and two or more supervisory directors (but always equal to the number of

executive directors plus at least one additional supervisory director). As of February 28, 2007, NAF had two executive directors and three supervisory directors. NAF's accounting auditor is KPMG AZSA & Co.

NAF's executive directors are responsible for business execution. In addition, they have authority for all judicial and extrajudicial proceedings related to the operations of NAF.

Supervisory directors are responsible for supervising business execution by the executive directors.

The Board of Directors acts in accordance with the Investment Trust and Investment Corporation Act of Japan and NAF's Articles of Incorporation and other internal rules in exercising their responsibility to supervise the performance of the executive directors. In accordance with the current Articles of Incorporation, the Board of Directors passes or vetoes resolutions on the basis of a simple majority of executive and supervisory directors on the Board who are in attendance and are able to vote. Executive and supervisory directors with a vested interest in a resolution are prohibited from participating in related decisions.

The accounting auditor is selected by the General Meeting of Unitholders. It audits documents including NAF's financial statements. In addition, it is charged with reporting to supervisory directors any unlawful acts or

material violations of laws, regulations or NAF's Articles of Incorporation that executive directors may commit in the course of their duties. The accounting auditor also performs other duties as required by laws and regulations.

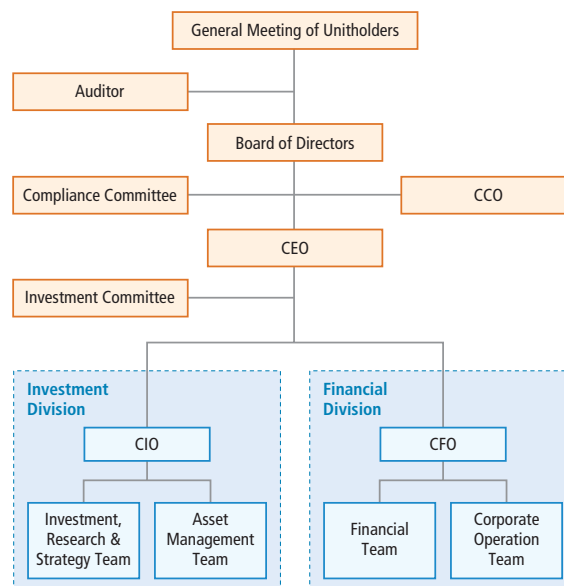
Compliance Initiatives

The REIT Management Company assumes full responsibility for compliance in order to structure an appropriate asset management system for NAF. A Chief Compliance Officer (CCO) has been appointed to supervise compliance with laws, regulations and internal rules on the part of the asset management company.

The CCO is responsible for internal audits at the REIT Management Company. The Chief Executive Officer (CEO) may also appoint other employees to participate as needed in internal audits, based on the recommendations of the CCO.

NAF's entire organization and all personnel within it are subject to internal audits. As a rule, internal audits are conducted on a regular basis in accordance with the compliance program, but the CEO may initiate extraordinary audits.

Corporate Governance Structure



Investment Strategy and the Process for Acquiring and Selling Properties

The REIT Management Company acts in accordance with NAF's Articles of Incorporation in formulating and amending the asset management guidelines that determine fundamental investment policies and internal rules. In addition, it makes decisions regarding the acquisition and sale of specific assets under management in accordance

with the asset management guidelines.

A diagram of the investment policies of the asset management guidelines and the process for acquiring and selling specific assets under management follows on page 48.

Investment Risk Management System

NAF itself is responsible for complying with the Investment Trust and Investment Corporation Act of Japan and related laws and regulations in managing risks. In addition, the REIT Management Company has established appropriate internal rules. In conjunction with appropriate organizational systems, it is providing education and

implementing other measures to enhance the culture of compliance among officers and employees.

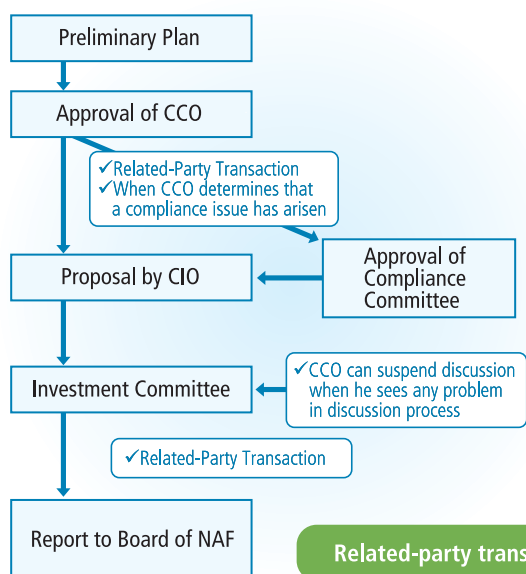
NAF's Board of Directors convenes as needed more than once every three months, and resolves important matters and reports on the status of business execution in accordance with laws, regulations and internal rules for

the Board of Directors. Independent supervisory directors supervise business execution. Moreover, supervisory directors can obtain as needed reports on operations and financial condition from the REIT Management Company and from NAF's asset custodian, The Chuo Mitsui Trust and Banking Company, Limited. They can also conduct required research. Of note, one of NAF's executive directors has obtained approval in accordance with the Investment Trust and Investment Corporation Act of Japan to serve concurrently as the president and chief executive officer of Mitsui Fudosan Accommodations Fund

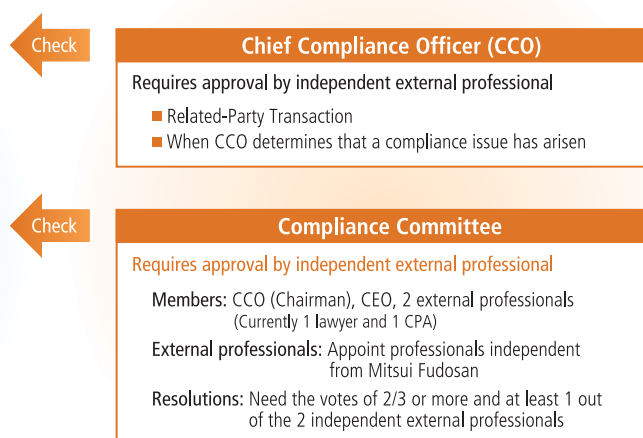
Management Co., Ltd.

The REIT Management Company formulates and revises an annual management plan that is the blueprint for management and administration policies that comply with the asset management guidelines. This annual plan and compliance with the asset management guidelines serve to eliminate or minimize risk. In addition, the REIT Management Company has established internal risk management regulations and a department that focuses on managing each type of risk appropriately.

Investment Policy & Acquisition/Sale Decision Process



Compliance Checking System



Related-party transactions require consent of independent external professional

Restrictions on Related-Party Transactions

Laws and regulations prohibit the REIT Management Company from conducting specified transactions with related parties. In the case of a transaction with a potential conflict of interest between an entity specified under the Investment Trust and Investment Corporation Act of Japan and its ordinances and its asset management company, in principle the REIT Management Company must prepare a brief describing the transaction and deliver it to NAF, other related asset management companies and

other entities specified by the Investment Trust and Investment Corporation Act of Japan and its ordinances.

With the objective of enhancing returns for NAF's unitholders, the REIT Management Company's internal regulations specify rules for handling related-party transactions. The REIT Management Company has established standards and procedures for related-party transactions and executes appropriate asset management for NAF by eliminating conflicts of interest.

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)
	2nd Period April 1, 2006 to February 28, 2007	1st Period October 12, 2005 to March 31, 2006	2nd Period April 1, 2006 to February 28, 2007
Total revenue (Note 2)	¥ 5,072	¥ 924	\$ 42,823
Rental revenue	4,830	849	40,780
Other revenue	242	75	2,043
Operating expenses	2,366	458	19,976
Income before income taxes	2,030	378	17,139
Net income (a)	2,028	377	17,123
Funds from operations (Note 3)	2,873	507	24,257
Net operating income from property leasing activities (Note 3)	4,131	734	34,878
Total amount of cash distribution (b)	2,028	377	17,123
Depreciation and amortization	850	130	7,177
Capital expenditures	301	26	2,541
Total assets (c)	108,097	43,644	912,673
Interest-bearing debt	42,500	21,000	358,831
Total net assets (d)	63,007	21,617	531,974
Total number of common units issued (units) (e)	113,480	42,480	
Net assets per unit (Yen/\$) (d) / (e)	555,223	508,871	4,687.80
Distribution per unit (Yen/\$) (b) / (e)	17,871	8,871	150.89
Funds from operations per unit (Yen/\$) (Note 3)	25,359	11,936	214.11
Return on total assets (Note 4)	2.7%	1.7%	
(Annual rate)	(2.9%)	(3.7%)	
ROE (Note 4)	4.8%	3.5%	
(Annual rate)	(5.2%)	(7.4%)	
LTV (Loan-to-value) ratio (Note 3)	39.3%	48.1%	
Capital ratio (d) / (c)	58.3%	49.5%	
Payout ratio (b) / (a) (Note 5)	100.0%	100.0%	
Number of days in period	334	171	
Number of investment properties (Note 6)	27	7	
Total rentable area (m ²)	135,744	56,919	
Average occupancy rate at end of period (Note 6)	97.2%	96.1%	

Notes 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118.44=U.S. \$1.00, the approximate exchange rate on February 28, 2007.

2. Total revenue does not include consumption tax.

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

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

Funds from operations per unit: (Net income + Depreciation and amortization) ÷ Total number of units issued and outstanding at end of period

Loan-to-value: Interest-bearing debt ÷ Total assets

4. Return on total assets: Income before income taxes ÷ ((Initial total assets + Total assets at end of period) ÷ 2)

ROE: Net income ÷ ((Initial unitholders' equity + Unitholders' equity at end of 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, 2007: Amount for the period ÷ Actual days in the period (334) x 365 days

Annual equivalent amount for the period ended March 31, 2006: Amount for the period ÷ Actual days in the period (171) x 365 days

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

Paid-in capital at the company's establishment is used for net assets and total assets for the beginning of the period ended March 31, 2006 (¥100 million each).

5. Payout ratio figures are calculated to one decimal place only.

6. Number of investment properties means units generally perceived to be one office building. Occupancy rate is the ratio of gross leased area to total rentable area at the end of the period.

Investment Environment and Operating Performance

During the period from April 1, 2006 to February 28, 2007 (the "2nd Period"), the Japanese economy continued a moderate growth trend. Improved corporate performance supported a continued stable increase in capital investment, which in turn enhanced the employment environment.

Demand was stable in the rental housing market, particularly in the 23 wards of Tokyo because of the population influx from other areas and the increase in one- and two-person households. On the supply side, new properties increased as a result of aggressive growth in investment in rental housing among private funds, Japanese real estate investment trusts (J-REITs) and others. However, there was still only a limited number of properties out of the overall housing market that offer superior location, property management and facilities. Among these properties, occupancy rates were strong and rents increased moderately.

In the real estate market, land prices increased markedly, particularly in central Tokyo, and competition to acquire income-producing properties continued to intensify.

Given these conditions, during the 2nd Period NAF selectively acquired properties that are highly competitive because of the quality of their location, facilities, specifications and other features. We managed our assets based on a portfolio structure policy of limiting investment to properties in the Greater Tokyo area and other major cities. NAF acquired four properties in April 2006 valued at a total of ¥12,165 million on an acquisition price basis, and seventeen properties in August 2006 valued at a total of ¥48,834 million on an acquisition price basis. We sold one property in June 2006. As a result of these activities, NAF's portfolio as of February 28, 2007 consisted of 27 properties valued at ¥101,385 million on an acquisition price basis with total rentable area of approximately 136,000m².

At the same time, NAF raised the competitiveness of its properties with the goal of increasing rents and occupancy rates. Our efforts included reviewing operating costs and conducting surveys to understand tenant needs in order to provide customer services to meet them. Moreover, we also implemented measures to maintain or improve asset value, including large-scale exterior renovation of the residential areas of Okawabata Apartment Communities. As a result of these activities, the average occupancy rate for NAF's portfolio remained at a high level of 97.2 percent as of February 28, 2007.

Overview of Results

NAF listed on the Tokyo Stock Exchange during the 2nd Period. Based on Article 33 of NAF's Articles of Incorporation, the 1st and 2nd fiscal periods varied compared to the normal six-month fiscal periods for an investment trust. The 1st Period began on October 12, 2005 and ended on March 31, 2006, a total of 171 days. The 2nd Period began on April 1, 2006 and ended on February 28, 2007, a total of 334 days. Beginning with the 3rd period, NAF's fiscal periods will consistently be six months long.

During the 2nd Period, operating revenues totaled ¥5,072 million and operating income totaled ¥2,706 million.

Distributions to Unitholders

NAF determines the amount of cash distributions such that they exceed 90 percent of NAF's taxable income available for dividends as set forth in Article 67-15 of the Special Taxation Measures Law of Japan. For the 2nd Period, cash distributions totaled ¥2,028,001,080, or ¥17,871 per unit.

	Yen in thousands, except per unit amounts	
	2nd Period April 1, 2006 to February 28, 2007	1st Period October 12, 2005 to March 31, 2006
Net income available for distribution	¥2,028,037	¥376,848
Undistributed net income	36	8
Total cash distribution	2,028,001	376,840
Per unit	17,871	8,871
Distribution from net income	2,028,001	376,840
Per unit	17,871	8,871
Cash distribution in excess of net income	—	—
Per unit	—	—

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

Changes in Assets, Liabilities and Net Assets

Assets

Total assets as of February 28, 2007 increased ¥64,452 million from March 31, 2006 to ¥108,097 million.

Current assets increased ¥2,766 million from March 31, 2006 to ¥4,462 million. Investment properties increased ¥61,679 million from March 31, 2006 to ¥103,605 million as a result of the acquisition of new properties and other factors. Compared to March 31, 2006, land including land held in trust increased ¥41,209 million and buildings including buildings held in trust increased ¥20,370 million.

Liabilities

Current liabilities increased ¥10,422 million from March 31, 2006 to ¥13,823 million. Short-term loans increased ¥9,500 million from March 31, 2006 to ¥12,500 million due to the acquisition of properties.

Long-term loans increased ¥12,000 million from March 31, 2006 to ¥30,000 million because NAF used long-term debt to acquire properties. Security deposits increased ¥641 million from March 31, 2006 to ¥1,267 million.

Consequently, interest-bearing debt as of February 28, 2007 increased ¥21,500 million from March 31, 2006 to ¥42,500 million. The ratio of long-term, fixed-rate debt to total interest-bearing debt was 70.6 percent, compared to 85.7 percent as of March 31, 2006. The loan-to-value ratio, calculated as interest-bearing debt divided by total assets at the end of the period, decreased to 39.3 percent from 48.1 percent as of March 31, 2006.

Net Assets

Net assets totaled ¥63,007 million as of February 28, 2007. Unitholders' capital increased to ¥60,979 million due to factors including an additional issue of investment units.

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 placements. As of February 28, 2007, NAF had issued 113,480 investment units out of 2,000,000 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 Investment Trust and Investment Corporation Act of Japan does not contain any provision for the issue of more than one class of units, NAF's investment units comprise the sole class of units authorized and issued by NAF.

Issue date	Remarks	Units outstanding		Paid-in capital		Notes
		Increase	Balance	Increase	Balance	
		(Units)		(Yen in millions)		
October 12, 2005	Initial capital (private)	200	200	¥ 100	¥ 100	Note 1
November 29, 2005	Private placement	42,280	42,480	21,140	21,240	Note 2
August 3, 2006	Public offering	67,200	109,680	37,612	58,852	Note 3
September 4, 2006	Third party allocation	3,800	113,480	2,127	60,979	Note 4

Notes: 1. NAF was established with initial capital of ¥500,000 per unit.

2. Follow-on private offering at ¥500,000 per unit to raise funds for acquisition of investment properties.

3. Public offering of new units for ¥580,000 per unit (excluding underwriting fee: ¥559,700) to fund property acquisition.

4. Additional issue of new units (third party allocation) for ¥559,700 per unit undertaken pursuant to the public offering in Note 3.

Market Price of Units

High/Low (closing price) of units on the TSE:

	2nd Period April 1, 2006 to February 28, 2007 (Yen)
High	¥1,000,000
Low	583,000

Borrowings

Borrowings by financial institution as of February 28, 2007 are shown below.

Short-term debt

Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of maturity (Note 2)	Repayment method	Use of funds	Notes
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥ 3,000	0.8%	May 7, 2007	Bullet payment	(Note 3)	Unsecured /unguaranteed /pari passu (Note 4) Floating rate
The Sumitomo Trust & Banking Co., Ltd.	3,000	0.8%	April 12, 2007			
The Hachijuni Bank, Ltd.	1,000	0.8%	April 12, 2007			
Mizuho Corporate Bank, Ltd.	3,500	0.8%	May 7, 2007			
The Chugoku Bank, Ltd. Mitsubishi UFJ Trust and Banking Corporation	1,000 1,000	0.8% 0.7%	March 12, 2007 April 27, 2007			
Total short-term debt	¥12,500					

Long-term debt

Lender	Balance (Yen in millions)	Interest rate	Date of maturity	Repayment method	Use of funds	Notes
Sumitomo Mitsui Banking Corporation	¥ 2,000	1.2%	November 30, 2009	Bullet payment	(Note 3)	Unsecured /unguaranteed /pari passu (Note 4) Fixed rate
	5,000	1.4%	November 30, 2010			
The Chuo Mitsui Trust and Banking Co., Ltd.	3,000	1.4%	November 30, 2010			
The Sumitomo Trust & Banking, Co., Ltd.	3,000	1.8%	November 30, 2012			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000	1.5%	February 26, 2010			
Nippon Life Insurance Company	3,000	1.6%	February 28, 2011			
The Development Bank of Japan	3,000	2.1%	April 11, 2012			
	3,000	2.2%	April 11, 2013			
	5,000	2.1%	August 6, 2013			
The Hachijuni Bank, Ltd.	1,000	1.8%	April 12, 2010			
Total long-term debt	¥30,000					
Total borrowings	¥42,500					

- Notes: 1. The interest rate is presented by loan from each lending institution and is rounded to the nearest tenth. The weighted average interest rate is presented for the outstanding balance of short-term borrowings if the institution has provided more than one short-term loan.
2. The earliest maturity of short-term borrowings 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 borrowings, and operating expenses.
4. The loan agreements between NAF and each financial institution stipulate that the above borrowings from all financial institutions rank pari passu to each other.
5. The expected annual maturities of long-term borrowings within five years 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	¥ —	¥4,000	¥12,000	¥ —

Capital Expenditures

1. Planning

NAF is planning 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 program of expenditures for construction, repair and renovation of facilities, a program 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 (from April 1, 2006 to February 28, 2007)	Cumulative amount paid
Okawabata Apartment Communities	Renovation of air conditioning equipment, water cisterns for fire-fighting, etc.	From March 2007 to July 2007	¥ 61	—	—
	Repairs and renovation of outer walls, etc. (Construction area 2)	From March 2007 to October 2007	241	—	—
	Repairs and renovation of outer walls, etc. (Construction area 3)	From July 2007 to February 2008	191	—	—
	Inside stairway interior improvement	From October 2007 to December 2007	44	—	—

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NAF posted ¥301 million in capital expenditures together with ¥104 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
Okawabata Apartment Communities	Repairs and renovation of outer walls, etc. (Construction area 1)	From August 2006 to February 2007	¥232
	Renovation of plumbing construction, renewal construction in rentable areas, etc.	From April 2006 to February 2007	53
Other Properties	Security improvements, provision of amenities to tenants, etc.	From April 2006 to February 2007	15
Total			¥301

3. Cash Reserve for Capital Improvements

NAF accumulates cash reserves from cash flows to prepare for large-scale mid-term to long-term capital improvements and repairs and maintenance that will be conducted in accordance with NAF's business plan for each property.

	Yen in millions	
	As of February 28, 2007	As of March 31, 2006
Reserve balance at the beginning of the period	¥523	¥ —
Amount accumulated in the current period	191	523
Withdrawal from reserves in the current period	300	—
Amount carried forward	¥413	¥523

Expenses regarding Entrustment, etc.

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

Item	Yen in millions, except per unit amounts	
	2nd Period April 1, 2006 to February 28, 2007	1st Period October 12, 2005 to March 31, 2006
Asset management fees	¥377	¥ 69
Asset custody fees	6	1
Agent fees (stock transfer, accounting and administrative)	26	6
Directors' remuneration	18	10
Auditor's fees	12	2
Other expenses	141	49
Total	¥580	¥137

Related Party Transactions

(1) Ongoing Transactions

Category	Total price (A) (Yen in millions)	Description of transactions with related parties (Note 1)		B/A (Note 2)
		Paid to / received from	Amount of payment (B) (Yen in millions)	
Acquisition price of real estate and real estate held in trust	¥60,999	Mitsui Fudosan Co., Ltd.	¥33,325	54.6%
Sales price of real estate	672	Mitsui Fudosan Co., Ltd.	672	100.0%

(2) Fees Paid for the Period from April 1, 2006 to February 28, 2007

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)	
Brokerage fees	¥171	Mitsui Fudosan Investment Advisors Inc.	¥171	100.0%
Property management fees	331	Mitsui Fudosan Housing Lease Co., Ltd.	331	100.0%
Building management fees	175	Mitsui Fudosan Housing Lease Co., Ltd.	175	100.0%
Leasing related service fees	68	Resident First Co., Ltd.	18	26.1%
		Mitsui Rehouse Tokyo Co., Ltd.	1	1.2%
		Mitsui Home Estate Co., Ltd.	1	1.1%

(3) Other Payments to Related Parties

Paid to	Amount of payment (Yen in millions)	Item
Mitsui Fudosan Housing Service Co., Ltd.	¥17	Repair and maintenance costs
Mitsui Home Remodeling Co., Ltd.	6	Repair and maintenance costs

Notes: 1. "Related parties" means parties defined in Article 20 of the government ordinance regarding the Investment Trust and Investment Corporation Act of Japan, principally, parties related to an asset management company.

2. Figures indicate percentages of total prices.

Financial Statements

Balance Sheets

Nippon Accommodations Fund Inc.

As of February 28, 2007 and March 31, 2006

	Yen in millions		U.S. dollars in thousands (Note 1)
	2nd Period As of February 28, 2007	1st Period (Unaudited) As of March 31, 2006	2nd Period As of February 28, 2007
Assets			
Current assets:			
Cash and cash equivalents	¥ 3,917	¥ 1,475	\$ 33,072
Rent receivables	459	191	3,875
Consumption tax receivables and other current assets	84	30	709
Total current assets	4,462	1,696	37,673
Investment properties (Note 3):			
Land including trust accounts	71,872	30,663	606,822
Depreciable property and improvements including trust accounts	32,709	11,393	276,165
Accumulated depreciation	(976)	(130)	(8,240)
Total investment properties	103,605	41,926	874,747
Other assets	30	22	253
Total Assets	¥108,097	¥43,644	\$912,673
Liabilities			
Current liabilities:			
Short-term loans (Note 4)	¥ 12,500	¥ 3,000	\$105,539
Accounts payable	688	114	5,809
Rent received in advance	519	216	4,382
Accrued expenses and other liabilities	115	71	971
Total current liabilities	13,822	3,401	116,700
Long-term loans (Note 4)	30,000	18,000	253,293
Tenant security deposit	1,267	626	10,697
Other liabilities	—	1	—
Total Liabilities	45,090	22,028	380,699
Net Assets			
Unitholders' capital (Note 5)	60,979	21,240	514,851
Retained earnings	2,028	377	17,123
Total Net Assets	63,007	21,617	531,974
Total Liabilities and Net Assets	¥108,097	¥43,644	\$912,673

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

Statements of Income

Nippon Accommodations Fund Inc.

October 12, 2005 to March 31, 2006 and April 1, 2006 to February 28, 2007

	Yen in millions		U.S. dollars in thousands (Note 1)
	2nd Period April 1, 2006 to February 28, 2007	1st Period (Unaudited) October 12, 2005 to March 31, 2006	2nd Period April 1, 2006 to February 28, 2007
Revenue (Notes 6 and 7):			
Rental	¥4,830	¥849	\$40,780
Other revenue related to property leasing	238	75	2,009
Gain on sale of investment properties	5	—	42
Total Revenue	5,072	924	42,823
Operating Expenses (Note 6):			
Property management fees	534	114	4,509
Real estate taxes and insurance	140	3	1,182
Repairs and maintenance	104	32	878
Other rental expenses	158	42	1,334
Depreciation and amortization	850	130	7,177
Asset management fees	377	69	3,183
Other expenses	203	69	1,714
Total Operating Expenses	2,366	458	19,976
Operating Income	2,706	466	22,847
Interest and other income	2	4	17
Interest expense	(493)	(76)	(4,162)
Founding costs	—	(9)	—
New investment unit issue costs	(119)	(7)	(1,005)
New investment unit publication costs	(65)	—	(549)
Other expenses	(1)	(2)	(8)
Income Before Income Taxes	2,030	378	17,139
Current and deferred income taxes (Note 8)	2	1	17
Net Income	¥2,028	¥377	\$17,123

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

Statements of Changes in Unitholders' Equity

Nippon Accommodations Fund Inc.

For the period from April 1, 2006 to February 28, 2007

	Number of Units	Yen in millions		
		Unitholders' Capital	Retained Earnings	Total
Balance as of March 31, 2006	42,480	¥21,240	¥ 377	¥21,617
Cash distribution declared	—	—	(377)	(377)
Issuance of new units through public offering as of August 3, 2006	67,200	37,612	—	37,612
Issuance of new units through allocation to a third party as of September 4, 2006	3,800	2,127	—	2,127
Net income	—	—	2,028	2,028
Balance as of February 28, 2007	113,480	¥60,979	¥ 2,028	¥63,007

	Number of Units	U.S. dollars in thousands (Note 1)		
		Unitholders' Capital	Retained Earnings	Total
Balance as of March 31, 2006	42,480	\$179,331	\$ 3,183	\$182,514
Cash distribution declared	—	—	(3,183)	(3,183)
Issuance of new units through public offering as of August 3, 2006	67,200	317,562	—	317,562
Issuance of new units through allocation to a third party as of September 4, 2006	3,800	17,958	—	17,958
Net income	—	—	17,123	17,123
Balance as of February 28, 2007	113,480	\$514,851	\$17,123	\$531,974

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

Statements of Cash Flows

Nippon Accommodations Fund Inc.

October 12, 2005 to March 31, 2006 and April 1, 2006 to February 28, 2007

	Yen in millions		U.S. dollars in thousands (Note 1)
	2nd Period April 1, 2006 to February 28, 2007	1st Period (Unaudited) October 12, 2005 to March 31, 2006	2nd Period April 1, 2006 to February 28, 2007
Cash Flows from Operating Activities:			
Income before income taxes	¥ 2,030	¥ 378	\$ 17,139
Depreciation and amortization	850	130	7,177
New investment unit issue costs	119	7	1,005
Interest expense	493	76	4,162
(Increase) Decrease in rent receivables	(269)	(191)	(2,271)
Increase (Decrease) in accounts payable	585	114	4,939
Increase (Decrease) in rents received in advance	303	216	2,558
Decrease in investment properties due to sale	667	—	5,632
Cash payments of interest expense	(458)	(6)	(3,867)
(Increase) Decrease in consumption tax refund receivable	(51)	(13)	(431)
Other, net	(8)	(27)	(68)
Net Cash Provided by Operating Activities	4,260	683	35,968
Cash Flows from Investing Activities:			
Payments for purchases of investment properties	(63,196)	(42,056)	(533,570)
Proceeds from tenant security deposits	853	692	7,202
Payments for tenant security deposits	(212)	(65)	(1,790)
Other, net	(5)	(11)	(42)
Net Cash Used in Investing Activities	(62,560)	(41,441)	(528,200)
Cash Flows from Financing Activities:			
Proceeds from short-term loans	52,000	9,000	439,041
Repayment of short-term loans	(42,500)	(6,000)	(358,831)
Proceeds from long-term loans	12,000	18,000	101,317
Proceeds from issuance of investment units	39,619	21,233	334,507
Payment of distribution	(377)	—	(3,183)
Net Cash Provided by Financing Activities	60,743	42,233	512,859
Net Change in Cash and Cash Equivalents	2,442	1,475	20,618
Cash and Cash Equivalents at the Beginning of the Period	1,475	—	12,454
Cash and Cash Equivalents at the End of the Period	¥ 3,917	¥ 1,475	\$ 33,072

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

Notes to Financial Statements

Nippon Accommodations Fund Inc.

October 12, 2005 to March 31, 2006 and April 1, 2006 to February 28, 2007

Note 1 — Organization and Basis of Presentation

Organization

Nippon Accommodations Fund Inc. (hereinafter “NAF”) was formed on October 12, 2005 as an investment corporation under the Investment Trust and Investment Corporation Act of Japan with Mitsui Fudosan Accommodations Fund Management Co., Ltd. (hereinafter “MFAFM”) acting as sponsors. 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 acquiring, managing, leasing, and renovating office properties. 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, 2007, NAF had ownership or beneficiary interests in 27 properties containing approximately 135,744 square meters of rentable space. As of February 28, 2007, NAF had leased approximately 132,007 square meters to tenants. The occupancy rate for the properties was approximately 97.2%.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust and Investment Corporation Act of Japan and the Japanese Securities and Exchange Law 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 Securities and Exchange Law. 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.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at February 28, 2007, which was ¥118.44 to U.S.\$1. The convenience translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the 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 allocated 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	2-47 years
Structures	3-60 years
Machinery and equipment	12-45 years
Tools, furniture and fixtures	2-13 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

Costs for the initial public offering of units and start-up expenses were charged to income when incurred. New unit issue costs are charged to income when incurred.

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.

Real Estate Taxes

NAF-owned 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.

When the property is purchased before January 1 of any given calendar year, these taxes for the previous year are imposed on the seller. The Company pays the seller the corresponding tax amounts for the period from the property's transfer date to December 31 of the previous 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 February 28, 2007 amounted to ¥36 million.

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.

Accounting Standards for Presentation of Net Assets in the Balance Sheet

Effective for the year ended February 28, 2007, NAF adopted accounting standards "Accounting Standard for Presentation of Net Assets in the Balance Sheet (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005).

Unitholders' equity calculated using the former standard would have been ¥63,007 million for the period ended February 28, 2007.

Note 3 — Schedule of Investment Properties

Investment properties as of February 28, 2007 and March 31, 2006 consisted of the following:

	Yen in millions					
	As of February 28, 2007			As of March 31, 2006		
	Acquisition Costs	Accumulated Depreciation	Book Value	Acquisition Costs	Accumulated Depreciation	Book Value
Land	¥ 28,451	¥ —	¥ 28,451	¥ 6,584	¥ —	¥ 6,584
Land in trust	43,421	—	43,421	24,079	—	24,079
Land including trust total	71,872	—	71,872	30,663	—	30,663
Buildings and improvements	14,342	(349)	13,993	3,092	(25)	3,067
Buildings and improvements in trust	16,463	(513)	15,951	7,344	(93)	7,251
Building and improvements including those in trust	30,806	(862)	29,944	10,436	(118)	10,318
Structures	306	(16)	289	89	(2)	88
Machinery and equipment	71	(3)	68	14	(0)	14
Tools, furniture and fixtures	250	(28)	222	37	(1)	36
Structures in trust	873	(32)	841	770	(8)	762
Machinery and equipment in trust	120	(5)	115	13	(0)	13
Tools, furniture and fixtures in trust	264	(29)	235	18	(1)	16
Construction in process in trust	20	—	20	16	—	16
Other investment properties total	1,904	(114)	1,790	957	(12)	945
Total	¥104,581	¥(976)	¥103,605	¥42,056	¥(130)	¥41,926

Note 4 — Short-Term Loans and Long-Term Loans

Short-term loans consist of short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are floating rates and on February 28, 2007 and March 31, 2006 ranged from 0.72% to 0.86% and from 0.31% to 0.39%, respectively. Long-term loans are at fixed rates and consist of the following:

	Yen in millions	
	As of February 28, 2007	As of March 31, 2006
Unsecured loans due 2009 to 2018 principally from banks and insurance companies with interest rates mainly ranging from 1.6% to 2.2%	¥30,000	¥18,000

The annual maturities of long-term loans as of February 28, 2007 were as follows:

	Yen in millions
2009	¥ 2,000
2010	11,000
2011	3,000
2012	6,000
Thereafter	8,000

Note 5 — Unitholders' Equity

	As of February 28, 2007	As of March 31, 2006
Total number of units authorized	2,000,000	2,000,000
Total number of units issued and outstanding	113,480	42,480

NAF shall maintain minimum net assets of at least ¥50 million as required by the Investment Trust and Investment Corporation Act of Japan.

Note 6 — Rental Revenues and Expenses

Rental revenues and expenses for the periods ended February 28, 2007 and March 31, 2006 were as follows:

	Yen in millions	
	2nd Period April 1, 2006 to February 28, 2007	1st Period October 12, 2005 to March 31, 2006
Revenue from Property Leasing:		
Rental:		
Rental revenues	¥4,720	¥834
Facility charge	110	14
Subtotal	4,830	849
Other revenues related to property leasing:		
Income from leasing rights, etc.	200	46
Miscellaneous income	37	29
Subtotal	238	75
Total revenues from property leasing	5,068	924
Rental Expenses:		
Property management fees	534	114
Repairs and maintenance	104	32
Real estate taxes	131	0
Trust fee	12	2
Utilities	50	10
Insurance	10	3
Depreciation and amortization	850	130
Leasing-related service fees, etc.	68	18
Other rental expenses	28	12
Total rental expenses	1,787	320
Operating Income from Property Leasing Activities	¥3,281	¥603

Note 7 — Breakdown of Gain on Sale of Investment Properties

On June 12, 2006 NAF sold the property set forth below:

Yen in millions	
Park Axis Monzen Nakacho Frame	
Revenue from sale of investment properties	¥672
Cost of investment properties	667
Other sales expenses	0
Gain on sale of investment properties	¥ 5

Note 8 — Income Taxes

NAF is subject to income taxes in Japan. The statutory tax rate on NAF's income based on applicable Japanese tax law was 39.39% for the periods ended February 28, 2007 and March 31, 2006. The following table summarizes the significant differences between the statutory tax rates and NAF's effective tax rates for financial statement purposes.

	2nd Period April 1, 2006 to February 28, 2007	1st Period October 12, 2005 to March 31, 2006
Statutory tax rate	39.39%	39.39%
Deductible dividends paid	(39.35)	(39.30)
Others	0.05	0.13
Effective tax rate	0.09%	0.22%

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

Note 9 — Per Unit Information

Information about earnings per unit for the periods ended February 28, 2007 and March 31, 2006 and net assets per unit as of February 28, 2007 and March 31, 2006 was 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 investment units outstanding at each period end.

Diluted net income per unit has not been presented since no warrants or convertible bonds were outstanding during the period.

	Yen	
	2nd Period April 1, 2006 to February 28, 2007	1st Period October 12, 2005 to March 31, 2006
Earnings per Unit of Common Stock:		
Net income	¥ 23,375	¥ 12,310
Weighted average number of units outstanding	86,757	30,612
	February 28, 2007	March 31, 2006
Net Assets per Unit	¥555,223	¥508,871

Note 10 — Transactions with Related Parties

(April 1, 2006 – February 28, 2007)

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

(2) Directors and Major Individual Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction (Yen in millions)	Account	Balance at end of period (Yen in millions)
Director and/or close relative	Nobuyuki Nakai	Executive Director of NAF and President & CEO of MFAFM	Payment of asset management fees to MFAFM (Note 1)	¥820 (Notes 2 and 4)	Accounts payable	¥392 (Note 4)
			Payment for the provision of general administration services relating to organizational management to MFAFM (Note 3)	¥1 (Note 4)	Accounts payable	¥0 (Note 4)

Notes: 1. Nobuyuki Nakai 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 ¥443 million for management related to acquisition of properties included in the book value of each investment property, etc.

3. Nobuyuki Nakai 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. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

(3) Subsidiaries: None applicable, because NAF has no subsidiaries in which it has invested.

(4) Sister Companies: None applicable

(October 12, 2005 – March 31, 2006)

(1) Parent Company and Major Corporate Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction (Yen in millions)	Account	Balance at end of period (Yen in millions)
Major corporate unitholders, etc.	Mitsui Fudosan Co., Ltd.	Buying and selling, and lease of real estate	Acquisition of real estate and real estate held in trust	¥11,340	—	—
	Mitsui Fudosan Accommodations Fund Management Co., Ltd.	Asset management of investment corporation	Payment of asset management fees	¥422	Accounts payable	¥72
	Mitsui Fudosan Investment Advisors, Inc.	Investment advisory	Payment of brokerage fees	¥119	—	—
	Mitsui Fudosan Housing Lease Co., Ltd.	Lease of real estate	Payment of property management fees and building management fees	¥108	—	—

(2) Directors and Major Individual Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction (Yen in millions)	Account	Balance at end of period (Yen in millions)
Director and/or close relative	Nobuyuki Nakai	Executive Director of NAF and President & CEO of MFAFM	Payment of asset management fees to MFAFM (Note 1)	¥422 (Note 2)	Accounts payable	¥72 (Note 2)

Notes: 1. Nobuyuki Nakai 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. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

(3) Subsidiaries: None applicable, because NAF has no subsidiaries in which it has invested.

(4) Sister Companies: None applicable

Note 11 — Significant Subsequent Events**1. Acquisition of Assets**

Based on the provisions for investments and policies on asset management set forth in the contract, NAF has completed the acquisition of the following assets.

Park Cube Ikebukuro Kanamecho

Date of Acquisition		March 23, 2007
Acquisition Price (Note)		¥1,608,000,000
Location (Residence Indication)		27-9, Nishii Ikebukuro 5-chome, Toshima-ku, Tokyo
Building	Completion Date	March 23, 2007
	Structure/Number of Floors	RC 14F
	Rentable Area	1,886.82m ²

Park Axis Meguro Honcho

Date of Acquisition		April 19, 2007
Acquisition Price (Note)		¥1,810,000,000
Location (Residence Indication)		14-21, Meguro Honcho 2-chome, Meguro-ku, Tokyo
Building	Completion Date	July 14, 2006
	Structure/Number of Floors	RC 5F
	Rentable Area	1,884.77m ²

Park Axis Shin Itabashi

Date of Acquisition		April 19, 2007
Acquisition Price (Note)		¥3,430,000,000
Location (Residence Indication)		East: 1-1, Itabashi 4-chome, Itabashi-ku, Tokyo West: 1-2, Itabashi 4-chome, Itabashi-ku, Tokyo
Building	Completion Date	February 20, 2007
	Structure/Number of Floors	RC B1F/14F
	Rentable Area	East: 2,145.66m ² West: 2,250.33m ²

Note: Acquisition Price excludes miscellaneous expenses for acquisition, fixed property taxes, urban planning taxes, consumption taxes and local consumption taxes.

2. Borrowing Funds

To repay existing debt, along with part of funds to purchase the assets mentioned above and related incidental expenses, NAF has borrowed funds as shown below.

Lender	Balance (Yen in millions)	Interest rate (Note1)	Date of loan	Date of maturity	Repayment method	Notes
Mitsubishi UFJ Trust and Banking Corporation	1,000	0.9%	March 23, 2007	September 25, 2007	Bullet repayment	Unsecured/ unguaranteed,/ pari passu (Note 2)
	1,000	0.8%	April 19, 2007	July 19, 2007		
The Chugoku Bank, Ltd.	2,000	1.6%	April 19, 2007	April 19, 2011		
Mizuho Corporate Bank, Ltd.	1,000	1.6%	April 19, 2007	April 19, 2011		
The Sumitomo Trust & Banking, Co., Ltd.	1,000	0.9%	April 19, 2007	July 19, 2007		
Shinsei Bank, Limited	1,000	0.9%	April 19, 2007	July 19, 2007		
	1,000	1.6%	April 19, 2007	April 19, 2011		

Notes: 1. The interest rate is presented by reference to each of the loans and is rounded to the nearest tenth.

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

Independent Auditors' Report

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

We have audited the accompanying balance sheets of Nippon Accommodations Fund Inc. (a Japanese Real Estate Investment Trust) as of February 28, 2007 and the related statements of income, changes in unitholders' equity and cash flows for the period from April 1, 2006 to February 28, 2007, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nippon Accommodations Fund Inc. as of February 28, 2007 and the results of its operations and its cash flows for the period from April 1, 2006 to February 28, 2007, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 11 to the financial statement, which states that Nippon Accommodations Fund Inc. has completed the acquisition of assets and has borrowed funds.

The U.S. dollar amounts in the accompanying financial statements with respect to the period ended February 28, 2007 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.

KPMG AZSA & Co.

Tokyo, Japan
May 28, 2007

Major Interested Parties

Mitsui Fudosan Accommodations Fund Management Co., Ltd. (Asset Management Company and Administrative Agent regarding the Management of Institutions, herein "MFAFM")

MFAFM, as Asset Management Company provided for in the Investment Trust and Investment Corporation Act of Japan, performs management of NAF's assets and undertakes management of the institutions of NAF. As of February 28, 2007, MFAFM has been entrusted as an asset management company only by NAF.

As of the same date, MFAFM has paid-in capital of ¥300 million. There is no capital relationship with NAF. Nobuyuki Nakai, President & CEO of MFAFM, is concurrently an executive director of NAF.

■ Operation

- Undertakes asset management of NAF pursuant to an Asset Management Entrustment Agreement based on an entrustment from NAF in accordance with the Articles of Incorporation of NAF and the Investment Objects and Policies set forth therein.
- Undertakes management of the general affairs of the general meeting of unitholders and the Board of Directors as Administrative Agent regarding the Management of Institutions based on an entrustment from NAF and pursuant to an Agreement for General Administration Regarding the Management of Institutions.

■ Fees for the Asset Management Operation

NAF pays asset management fees to MFAFM, in accordance with the REIT management agreement concluded with MFAFM. These fees are comprised of items 1 to 4 below, with the method of calculation and payment dates as follows.

Management Fees 1

The amount equivalent to 5% of the amount of the revenue arising from Real Estate, etc. as calculated on each closing date (provided, however, that revenues from the sale of Real Estate, etc. and other Managed Assets will be excluded) will be payable. Management Fees 1 are paid without delay after definite settlement of accounts.

Management Fees 2

The amount equivalent to 5% of income before income tax prior to deduction of Management Fees 1 and 2 as calculated on each closing date will be payable. Management Fees 2 are paid without delay after definite settlement of accounts.

Management Fees 3

In the event that Real Estate, etc. is newly acquired, compensation equivalent to 1% (0.5% if it is acquired from Related-parties) of the total amount of the acquisition price of said Real Estate, etc. (however, excluding consumption tax, local consumption tax, and acquisition costs) will be payable. Management Fees 3 are paid at or before the end of the next month after the month of the acquisition date.

Management Fees 4

In the event that Real Estate, etc. is sold, compensation equivalent to 1% (0.5% if it is sold to Related-parties) of the total amount of the sales price of said Real Estate, etc. (however, excluding consumption tax, local consumption tax) will be payable. Management Fees 4 are paid at or before the end of the next month after the month of the sales date.

■ History of MFAFM

MFAFM is an Asset Management Company which is a limited liability company duly established under the laws of Japan. Major events in the history of MFAFM are as follows.

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 an Asset Management Company under the Investment Trust and Investment Corporation Act of Japan
December 15, 2005	Changed name (from "Mitsui Fudosan Residential Fund Management Co., Ltd." to "Mitsui Fudosan Accommodations Fund Management Co., Ltd.")
February 8, 2006	Obtained approval to undertake management of the institutions

■ Directors and Staff

As of February 28, 2007, the directors and corporate auditors of MFAFM are as follows.

Name of Directors and Auditors	Title
Nobuyuki Nakai	President & CEO (standing)
Yoshihisa Otake	Director & CIO (standing)
Morio Shibata	Director & CFO (standing)
Takeshi Kariya	Director
Michio Yamada	Corporate Auditor

In addition, one important executive other than directors and auditors is as follows.

Name	Title
Tetsuya Kanazawa	Chief Compliance Officer

The staff other than those mentioned above is comprised of 12 persons.

■ Outline of Financial Condition

An outline of the financial condition of MFAFM is as follows.

Outline of principal assets and liabilities for the most recent fiscal year:

Current as of March 31, 2006	(Yen in thousands)
Total Assets	¥611,213
Total Liabilities	164,569
Unitholders' Equity	446,644

Profit and loss for the most recent fiscal year:

First Fiscal Year (October 12, 2005 – March 31, 2006)	(Yen in thousands)
Operating Income	¥421,104
Ordinary Profit	261,984
Net Income	147,826

Portfolio Structure Policies

The portfolio structure policies and investment standards for individual properties for the REIT Management Company and its internal regulations that serve as asset management guidelines are presented below.

1. Investment Areas

NAF emphasizes Greater Tokyo and other major cities in investing in accommodation assets. By region, approximately 80 percent of NAF's assets are in the 23 wards of Tokyo.

When considering individual investments, NAF studies regional characteristics and tenant needs. NAF then deploys this information to invest in properties with suitable residential plans and characteristics.

2. Investment Standards

The REIT Management Company identifies potential investments and decides whether or not to invest in assets on the basis of the asset management guidelines summarized in the table below.

Item	Standard
Investment amount	In principle, the value of each property must exceed ¥1 billion. However, NAF may invest in properties that do not meet this criterion upon consideration of relevant matters including property characteristics and earning potential.
Ownership rights	In principle, NAF shall hold ownership rights of a whole property. However, NAF may invest in comparted ownership upon consideration of the specific property. NAF may also invest in leaseholds, including fixed-term leaseholds, on the basis of consideration of earning potential, the stability of the leasehold rights and other relevant matters.
Structure	Structures shall be reinforced concrete (RC) or steel reinforced concrete (SRC). Earthquake resistance shall conform to or substantially satisfy the New Earthquake Resistance Standards (in compliance with the 1981 revision of the Building Standards Law (Law No. 201 of 1950), including subsequent revisions; hereafter, the "Building Standards Law").
Properties for development	In principle, NAF shall acquire properties that are already producing stable rental income at the time of acquisition, and shall not invest in property development that entails NAF acquiring sites and constructing buildings on them. However, NAF may consider contracts to acquire uncompleted buildings that, although incomplete, are expected to carry minimum risk in respect to completion, delivery and subsequent leasing.

3. Due Diligence Standards

NAF selects assets to invest in only after due diligence covering economic feasibility, physical condition and legal status in accordance with the asset management guidelines. Due diligence includes real estate appraisals and building inspection

reports from third-party specialists. Based on the results of such due diligence, the REIT Management Company in principle undertakes investigation of the items listed below in order to make investment decisions as a result of comprehensive review.

Item	Issues Investigated	
Economic feasibility studies	Market survey	<ol style="list-style-type: none"> 1. Current residential environment in the relevant region and its mid-to-long-term forecast 2. Demand and supply for rental housing and housing sales in the relevant region 3. Rental housing competition trends in the relevant region 4. Markets rents in the relevant region, including current rents and its mid-to-long-term forecast 5. Discount rate and rate of return
	Tenant survey	<ol style="list-style-type: none"> 1. Tenant creditworthiness and rent income amount 2. Tenant information including tenant household status or industry, number or purpose of use

	Survey of earnings and related issues	<ol style="list-style-type: none"> 1. Current property management costs and potential for cost reductions 2. Development of proposals for increasing value through change in management manner or renovation 3. Development of mid-to-long-term plan for repair and renovation expenses 4. Development of property cash flow projections 5. Verification that property is consistent with portfolio strategy
Physical condition studies	Location	<ol style="list-style-type: none"> 1. Street conditions, access to major transportation 2. Convenience and access to public facilities 3. Status of borders between adjacent tracts and cross-border issues 4. Living conditions including view, light, ambient noise and airflow 5. Presence of unpleasant facilities 6. Future development plans in the surrounding area
	Construction, equipment and specifications	<ol style="list-style-type: none"> 1. Building structure, age and construction company of property and other related matters 2. Layout, ceiling height, interior specifications (including ceiling, walls and floors), materials used for the interior and exterior, status of maintenance (or deterioration) of facilities including sanitary facilities, ventilation facilities, electrical facilities, elevators and parking 3. Need for immediate repairs
	Building management	<ol style="list-style-type: none"> 1. Status of compliance with related regulations including the Building Standards Law, the City Planning Law and the National Land Use Planning Law 2. Actual management status 3. Quality of the property management company and contract terms
	Antiseismic resistance and probable maximum loss (PML)	<ol style="list-style-type: none"> 1. Antiseismic resistance that meets the New Earthquake Resistance Standards or equivalent resistance 2. Checks of the construction company, architectural firm, construction engineering company, and institution that inspected construction. Confirmation of authenticity of the structural fabrication calculation sheets. 3. In principle, earthquake PML shall not exceed 15 percent. For buildings for which PML exceeds 20 percent, consideration of additional antiseismic reinforcing work, additional earthquake insurance and other relevant matters must be considered.
	Environmental, soil and other issues	<ol style="list-style-type: none"> 1. Investigation of whether the building contains harmful materials 2. Investigation of land use records and soil contamination
Legal investigation	Rights and related issues	<ol style="list-style-type: none"> 1. Issues regarding ownership rights and mortgage 2. Lease contract terms 3. Any documentation related to confirmation of border or agreement regarding cross-border issues 4. Permission for occupancy of roads under the Traffic Law 5. Compliance with laws and regulations related to environmental preservation, including the Nature Conservation Law and the Urban Green Space Conservation Law <p>Investigation shall be conducted as to whether the previous owner had obtained the enforceable real right. In case of complicated relation of rights, the following matters, among others, shall be investigated; (the complicated relation of rights include relationship between NAF and others if NAF does not hold the title to property or jointly holds the title.)</p> <ol style="list-style-type: none"> 1. (If the concerned right is leasehold) the perfection of such leasehold and the absence of any right which supersedes such leasehold. 2. The registration status of the relevant right of site; the limitation on separate transfer of such right of site from the building thereon and the registration status of such limitation; share of such right 3. Measures to be taken to ensure the right of site; reserve rules or measures based on long-term renovation plan 4. Existence of agreement on prohibition from division of co-ownership property and registration status of such agreement; appropriate treatments in case of request for division of co-ownership property or sales of co-ownership share; (possible) claims against or from other co-owners.

		<p>5. Status of compartment of comparted-ownership.</p> <p>6. Security arrangements established prior to involvement of NAF and succession of any rights or obligations in connection thereto.</p> <p>7. Terms of special agreement with the owner of site (or leasehold originator), other comparted-ownership holders, other co-owners and any other relevant parties, including agreement regarding first refusal.</p> <p>8. Characteristics of owners of site (or leasehold originator), comparted-ownership holders, co-owners or other relevant parties (for example, corporations or individuals).</p> <p>9. Terms of trust agreement in case the relevant rights are beneficial interests in real estate trust.</p>
	Survey of property boundaries	Documents regarding border confirmation or border certificates

Policies for Portfolio Management and Operation

1. Basic Management Policies

The REIT Management Company prepares a yearly management plan for NAF's assets under its management for each fiscal period. This management plan covers issues such as handling of the assets and projected capital expenditures for properties, including plans for large-scale renovation, and is subject to Investment Committee resolution.

The REIT Management Company acts in accordance with this yearly management plan in undertaking management and operation of the assets in cooperation with the property management company. The REIT Management Company is also responsible for implementing appropriate changes and revisions to the yearly management plan if necessitated by significant changes in the operating environment.

2. Selection and Monitoring of the Property Management Company

The property management company is responsible for proposal and implementation of various measures for day-to-day, on-site management of tenants and properties. Such functions of the property management company are particularly important to the management of accommodation assets in general and rental housing in particular. Naturally, the property management company should have specialized expertise in the business of property management, and its operations must be organized and efficient so that it can provide consistent, high-quality services across a widely dispersed array of properties and tenants.

NAF has selected Mitsui Fudosan Housing Lease Co., Ltd. to provide these services as its master property management company. In principle, NAF intends to entrust property management for assets to be owned by NAF in the future to Mitsui Fudosan Housing Lease, on the condition that it meets the following requirements:

1. An organizational structure that can execute property management operations according to the management and operation specifications of the REIT Management Company.
2. The capability to accomplish smooth new tenant recruitment.
3. A reasonable compensation level for property management operations compared to others in the region in which properties are located.

In addition, the REIT Management Company will periodically monitor whether the selected property management company is maintaining its capabilities at the level dictated by the standards for selection. As a result of monitoring, the REIT Management Company may require improvements or may change the property management company.

3. Policies for Property and Casualty Insurance Coverage

NAF maintains property and casualty insurance coverage, to the extent that is deemed appropriate, to address damage to property or claims for compensatory damages from third parties due to disasters such as fires and accidents. Asset characteristics determine such coverage.

NAF comprehensively determines earthquake insurance coverage according to the effectiveness of insurance and the projected impact of an earthquake on each building and on the portfolio as a whole. When earthquake PML for specific buildings is projected at over 20 percent or when the acquisition of such property causes portfolio PML to rise above 15 percent, NAF comprehensively considers the impact from an earthquake, insurance premiums and any other relevant issues to determine whether or not to purchase earthquake insurance.

4. Basic Policies for Renovation Plans and Capital Expenditures

The renovation plans are strategic and require renovation and capital expenditures in addition to routine expenses incurred by small repairs in order to maintain and improve the market competitiveness of properties and tenant satisfaction over the medium-to-long term.

NAF determines and revises, for each property, an annual renovation plan in yearly management plans that are based on the established 12-year medium-term renovation plans.

NAF funds a reserve for renovation according to considerations of depreciation expenses and renovation plans based on mid-to-long-term portfolio management. In principle, NAF keeps capital expenditures within the scope of the overall portfolio renovation plan.

Divestiture Policy

In principle, NAF aims to secure stable operating revenue from assets under management through ownership over the mid-to-long term, and does not engage in short-term divestiture.

However, NAF decides to sell specific assets after consideration of the overall portfolio impact based on evaluation

of trends affecting the future rental market in a given area, actual or projected increases or decreases in asset values, risk of asset impairment, obsolescence and associated costs, and other relevant factors.

Financial Policies

1. Issue of New Units

NAF may flexibly issue additional units with the objective of financing acquisition of assets, renovation and other capital requirements for operation, or to repay debt, including lease deposits, security deposits, loans and bonds that NAF may have issued.

2. Debt Financing

NAF may issue bonds or take on loans, including call market funding, with the objective of financing acquisition of assets; renovation expenses; dividend payments; working capital; or debt repayment, including lease deposits, security deposits, loans and bonds that NAF may have issued. NAF only borrows capital from qualified institutional investors as defined by Article 2-3-1 of the Securities and Exchange Law of Japan. In addition, NAF may not take on loans or issue bonds that exceed ¥1 trillion, respectively, nor may the total of loans and bonds exceed ¥1 trillion. According to NAF's current Articles of

Incorporation, NAF may use its assets under management as collateral for loans and bonds.

3. Loan-to-Value Ratio

The ratio of total loans and bonds outstanding to NAF's total assets is known as the loan-to-value (LTV) ratio. The REIT Management Company determines the upper limit of its LTV ratio as part of its mid-to-long-term asset management plans and its yearly management plans. The upper limit for NAF's LTV ratio is currently set at 60 percent, although issues including the acquisition of assets may cause the LTV ratio to temporarily exceed 60 percent.

4. Derivatives

According to NAF's current Articles of Incorporation, NAF limits transactions involving financial derivatives to those with the objective of hedging risks including the risk of change in the interest rates associated with debts.

Information Disclosure Policy

NAF defines itself as an open, transparent investment trust, and has a disclosure policy for public awareness. Moreover, NAF works to maintain an environment that encourages timely and accurate disclosure of unbiased information to all investors. In keeping with its name, NAF's fundamental policy is to accommodate investors in disclosing information.

NAF discloses information in accordance with the Investment Trust and Investment Corporation Act of Japan, the Securities and Exchange Law of Japan, and the rules of the Tokyo Stock Exchange and the Investment Trusts Association, Japan. Moreover, NAF energetically discloses of its own accord information that it believes is relevant to investment decisions.

Corporate Data and Investor Information

(As of February 28, 2007)

■ Corporate Data

Corporate office	1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-0022, Japan +81-3-3246-3677 http://www.naf-r.jp/english/index.html
Date of incorporation	October 12, 2005
Capital	¥60,979 million (as of February 28, 2007)
Unitholders	4,009
Transfer agent	The Chuo Mitsui Trust and Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan
Business office of the transfer agent	Stock Transfer Agency Department of The Chuo Mitsui Trust and Banking Co., Ltd. 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, Japan
Accounting auditor	KPMG AZSA & Co. AZSA Center Building 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo 162-8551, Japan
Investor relations	For further information, please contact the REIT Management Company: Mitsui Fudosan Accommodations Fund Management Co., Ltd. 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-0022, Japan +81-3-3246-3677

Disclaimer

This document was prepared solely for the convenience of and reference by overseas investors and does not correspond to the original Japanese documents.

This English document contains selected information including a partial translation of the Securities Report (*Yuka shoken hokokusho*) filed on June 29, 2007 pursuant to the Securities Exchange Law of Japan, and the financial statements and the Performance Information Report for the period from April 1, 2006 to February 28, 2007, of Nippon Accommodations Fund Inc. prepared pursuant to the Investment Trust and Investment Corporation Act of Japan. This document should not be deemed a summary of the above mentioned Securities Report and the Financial Statements and the Performance Information Report.

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The financial statements of Nippon Accommodations Fund Inc. have been prepared in accordance with generally accepted accounting principles in Japan (Japanese GAAP) which may materially differ in certain respects from generally accepted accounting principles in other jurisdictions.

This document contains forward-looking statements and information. We base these statements on our beliefs as well as our assumptions based solely on certain limited information currently available to us. Because these statements reflect our current views concerning future events, these statements involve known and unknown risks, uncertainties and assumptions. Our future performance could materially differ from those set out in these forward-looking statements. We do not undertake and will not undertake to release revisions of forward-looking statements to reflect future events or circumstances or of any other statements or information contained herein.

Investor Information

Fiscal period*	Six months ending February 28 (February 29 in leap years) and August 31
Total number of units issued	113,480 (As of February 28, 2007)
Distribution per unit	¥17,871 (As of February 28, 2007)
Unit listing	Tokyo Stock Exchange (Securities Code: 3226)

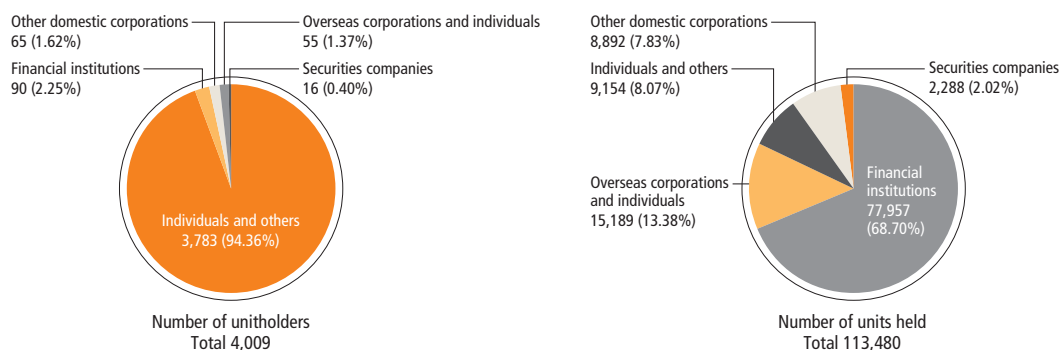
* The first fiscal period was from the date of incorporation on October 12, 2005 to March 31, 2006.
The second fiscal period was from April 1, 2006 to February 28, 2007.

Major Unitholders

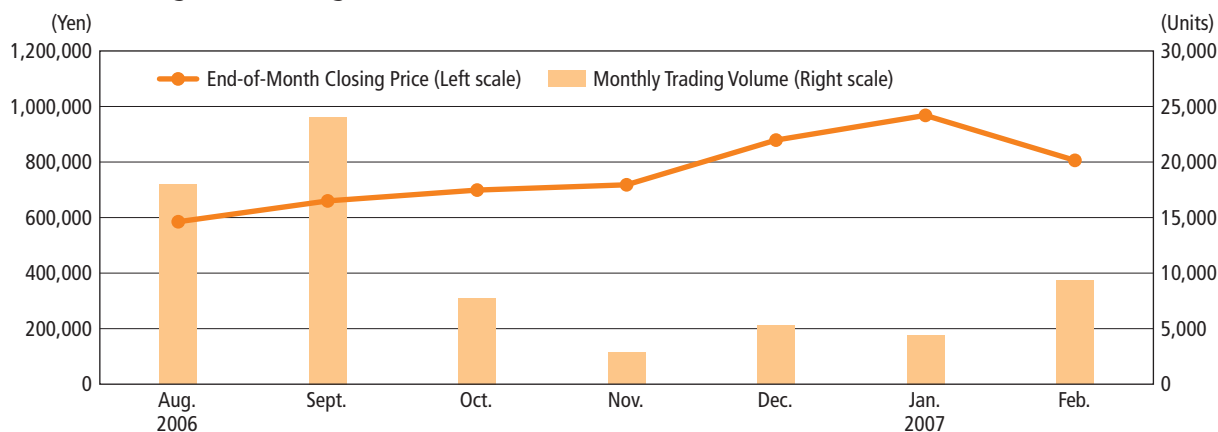
(As of February 28, 2007)

Name	Number of Units Held	Percentage of Total
Japan Trustee Services Bank, Ltd. (Trust Account)	12,383	10.91%
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,626	8.48%
Nikko Cititrust and Banking Co., Ltd. (Investment Account)	7,558	6.66%
Mitsui Fudosan Co., Ltd.	6,600	5.81%
Nomura Securities Co., Ltd. (Investment Account)	5,240	4.61%
Morgan Stanley & Co. International Limited	4,572	4.02%
The Norinchukin Bank	4,000	3.52%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,963	3.49%
The Chuo Mitsui Trust and Banking Company, Limited	3,600	3.17%
The Hiroshima Bank, Ltd.	3,126	2.75%

Unitholders



Unit Price Range and Trading Volume





Nippon Accommodations Fund Inc.

1-1, Nihonbashi-Muromachi 2-chome,
Chuo-ku, Tokyo 103-0022, Japan

<http://www.naf-r.jp/english/index.html>

