



NAF Report 25th Period

March 2018 – August 2018





Contents

Strategies and Features of NAF	2
To Our Stakeholders	4
Financial Highlights	5
Status of Portfolio	6
Portfolio Map.....	7
Sustainability Initiatives	8
Portfolio Summary.....	10
Management’s Discussion and Analysis.....	13
Financial Statements.....	22
Notes to Financial Statements.....	26
Independent Auditor’s Report.....	37
Summary of REIT	38
Summary of Asset Management Company	39
Status of Unitholders	40
Disclaimer	41

Distribution

Confirmed distribution

25th Period (Aug.18)
Per unit

¥9,161

Expected distribution

26th Period (Feb.19)
Per unit

¥9,350

* The forecasted figures are calculated based on certain assumptions as of October 18, 2018. The actual figures may change due to various factors including fluctuations in rent revenues owing to changes in tenants and other factors, changes in properties, fluctuation in interest, and additional issuance of investment units. Accordingly, the forecasts are not a guarantee of any cash distribution amount, etc. The forecasted figures are stated based on the details announced in the Financial Results for the Fiscal Period from March 1, 2018 to August 31, 2018 released on October 18, 2018.

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

Strategies and Features of NAF

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

1. Investment in Accommodation Assets

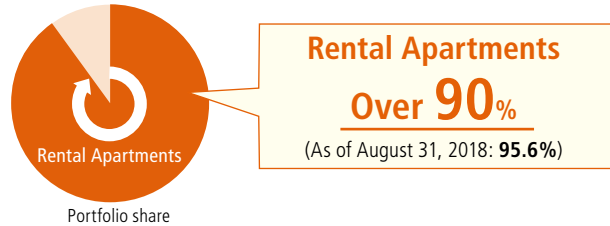
NAF defines real estate that is mainly used/may be used for residence or hotels as "Accommodation Assets" and invests in two areas of "Rental Apartments" and "Hospitality Facilities."

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

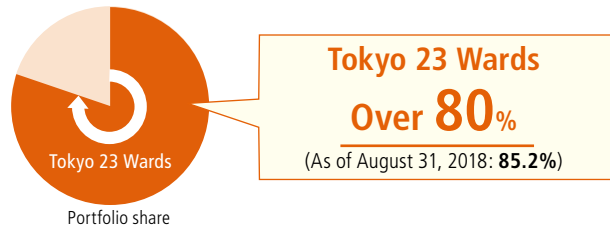
Investment in Accommodation Assets



Proportion of Investment in Assets



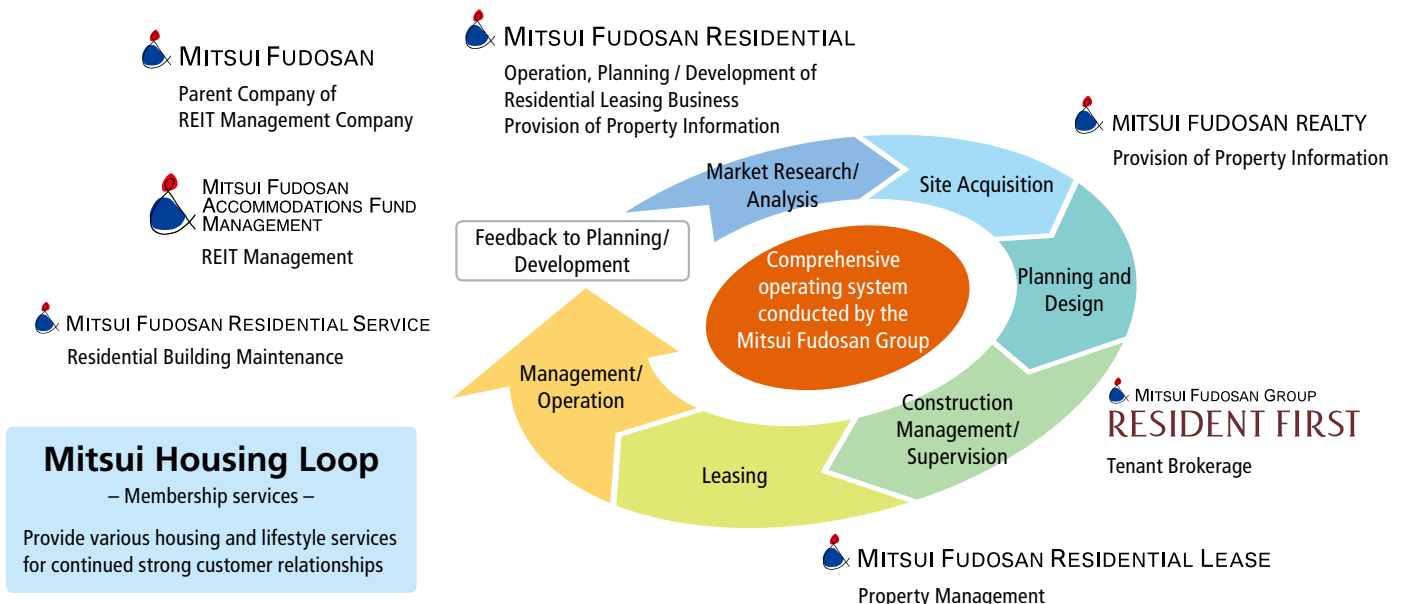
Investment Areas



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

2. Leveraging the Mitsui Fudosan Group

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



Intensive investment in Tokyo 23 Wards

87.8%

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

Focus on single and compact type apartments

83.0%

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

High quality Rental Apartments



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

Portfolio scale (total acquisition value)

¥303.2 billion

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

Maintain a high occupancy rate

97.3%

(25th period: average month-end occupancy rate)

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

Earning of high credit ratings

R&I.....AA-

S&P.....A+

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

* Unless stated otherwise, information stated above is current as of the end of the 25th period (August 31, 2018).
The ratio of properties in Tokyo 23 wards is based on acquisition price of Rental Apartments only.
The ratio of properties that consist of single and compact units is based on units of Rental Apartments only (excluding retail units).

To Our Stakeholders



Nippon Accommodations Fund Inc. Management Team



From left: Hiroaki Saito, Takashi Ikeda,
Tateyuki Ikura, Tsunehisa Ota,
Mitsutoshi Masuda

Takashi Ikeda	Executive Director
Tateyuki Ikura	Executive Director
Tsunehisa Ota (Attorney at Law)	Supervisory Director
Hiroaki Saito (Real Estate Appraiser)	Supervisory Director
Mitsutoshi Masuda (Certified Public Accountant)	Supervisory Director

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

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

NAF was listed on the Real Estate Investment Trust Securities Market (J-REIT Market) of the Tokyo Stock Exchange in August 4, 2006. Ever since, we have continued to achieve a steady track record, and as of August 31, 2018, we have completed our 25th fiscal period (fiscal period ended August 31, 2018). This is entirely due to the support of our unitholders, and for this I would like to express my gratitude.

At its Board of Directors' meeting held on October 18, 2018, NAF approved the financial statements, etc. prescribed by Article 131, paragraph 2 of the Act on Investment Trusts and Investment Corporations. Accordingly, I am pleased to report here an overview of our asset management and operating results for the 25th period (ended August 31, 2018).

As of August 31, 2018, NAF's portfolio consisted of 122 properties and a total of 12,052 units with a total acquisition value of ¥303.2 billion. As a result of above operations during the period, NAF recorded total revenues of ¥11,047 million, operating income of ¥4,935 million and net income of ¥4,438 million. The distribution per unit was ¥9,161.

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

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

Tateyuki Ikura

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

Financial Highlights

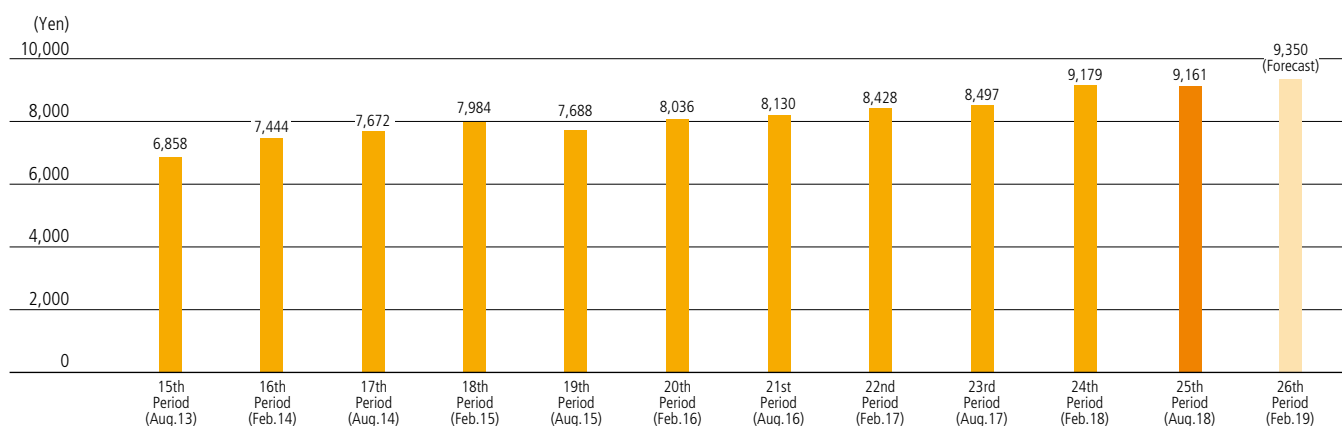
- Due to high occupancy rates, distribution per unit exceeded the forecast and came to **¥9,161**.
- Total assets at the end of the period were **¥294,692 million**, interest-bearing debt was **¥147,500 million**, and LTV (Loan-to-Value) ratio was **50.1%**.
- Net assets were **¥140,167 million** (down ¥8 million from the end of the previous fiscal period).

	24th Period (Actual) (Ended February 28, 2018)	25th Period (Actual) (Ended August 31, 2018)	26th Period (Forecast) (Ending February 28, 2019)
Total revenues	¥10,870 million	¥11,047 million	¥11,058 million
Operating income	¥4,955 million	¥4,935 million	¥5,031 million
Net income	¥4,447 million	¥4,438 million	¥4,555 million
Total assets	¥293,998 million	¥294,692 million	—
LTV (Loan-to-Value) ratio* ¹	50.0%	50.1%	—
Distribution per unit	¥9,179	¥9,161	¥9,350
Assets under management			
Acquisition price basis	¥301,559 million	¥303,259 million	¥305,821 million
Number of properties	121	122	123

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

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

Track record of Distribution per Unit



Notes: 1. NAF implemented a two-for-one split of investment units with an effective date of March 1, 2014. Distribution per unit for the 16th period and earlier is adjusted for this split (actual distribution divided in half, rounded down to the nearest yen).

2. The forecasted figures are calculated based on certain assumptions as of October 18, 2018. The actual figures may change due to various factors including fluctuations in rent revenues owing to changes in tenants and other factors, changes in properties, fluctuation in interest, and additional issuance of investment units. Accordingly, the forecasts are not a guarantee of any cash distribution amount, etc. The forecasted figures are stated based on the details announced in the Financial Results for the Fiscal Period from March 1, 2018 to August 31, 2018 released on October 18, 2018.

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

Status of Portfolio

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

New Acquisitions and Sale in the 25th and 26th Period

NAF acquired or sold the following properties in March and September 2018.

■ New Acquisition in the 25th Period

Property name	Location	Acquisition date	Acquisition price (Yen in millions)	Rentable units (Units)
Rental Apartments Park Cube Shin Itabashi	Itabashi-ku, Tokyo	March 29, 2018	1,700	70 residential, 1 retail, etc.

■ New Acquisitions in the 26th Period

Property name	Location	Acquisition date	Acquisition price (Yen in millions)	Rentable units (Units)
Rental Apartments Park Cube Nishi Shinjuku	Shinjuku-ku, Tokyo	September 3, 2018	2,400	57 residential, 1 retail, etc.
Rental Apartments Park Axis Kanayama WEST	Nagoya-shi, Aichi	September 27, 2018	1,770	63

■ New Sale in the 26th Period

Property name	Location	Handover date	Sales price (Yen in millions)	Rentable units (Units)
Rental Apartments Park Cube Ikebukuro Kanamecho	Toshima-ku, Tokyo	September 27, 2018	1,620	65



Park Cube Shin Itabashi



Park Cube Nishi Shinjuku



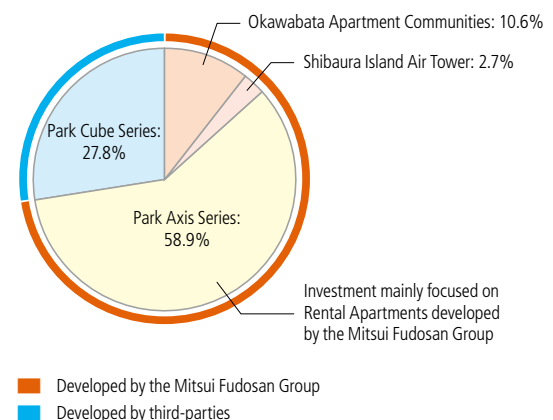
Park Axis Kanayama WEST


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

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


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

Asset Classification of Rental Apartments





Stable acquisitions of Park Axis Series developed by the Mitsui Fudosan Group

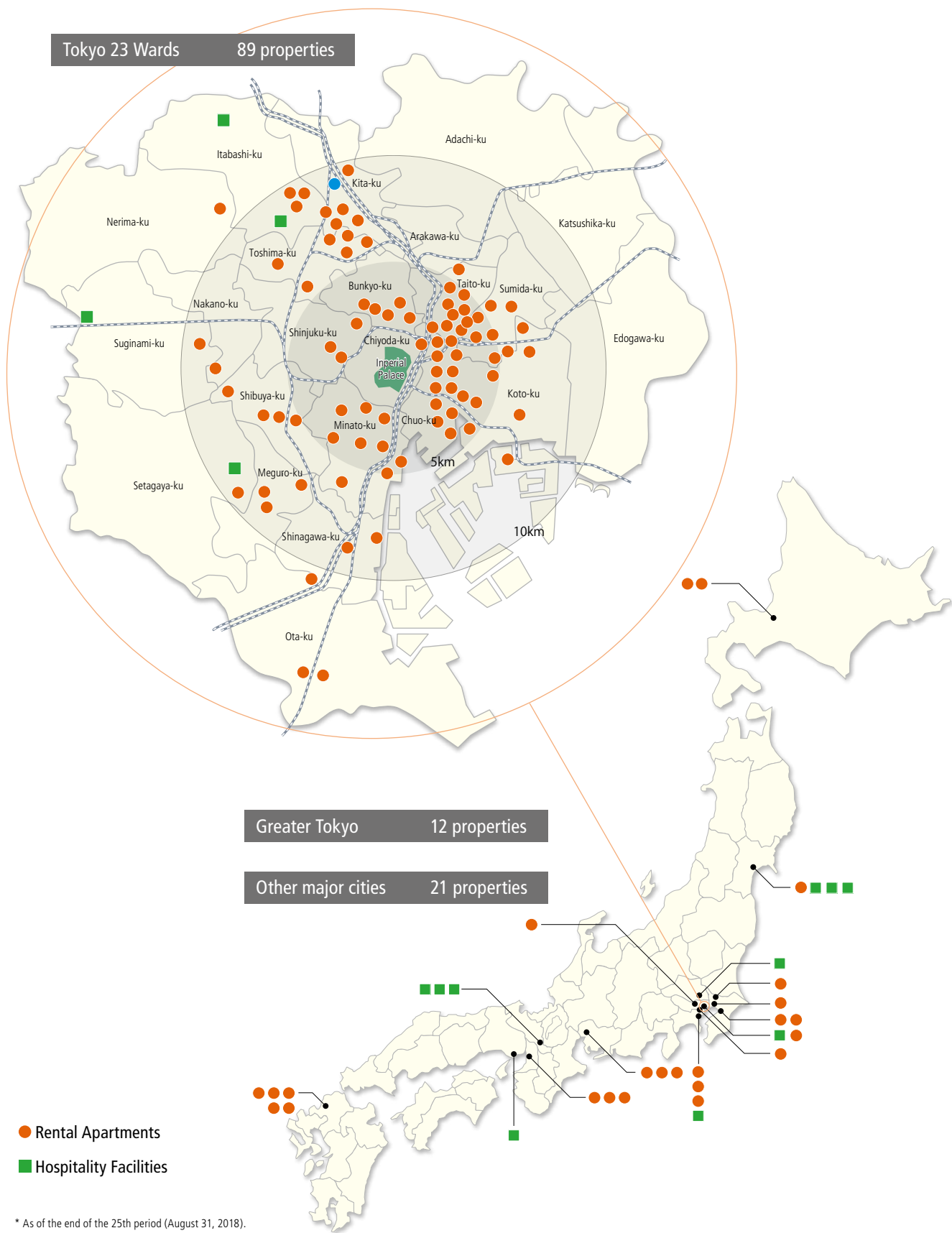


Continual acquisitions of Park Cube Series developed by third-parties

* As a general rule, when NAF acquires Rental Apartments planned and developed by third-parties, NAF attaches the Park Cube name to the properties.

* As of the end of the 25th period (August 31, 2018).
* The calculation is based on an acquisition price.

Portfolio Map



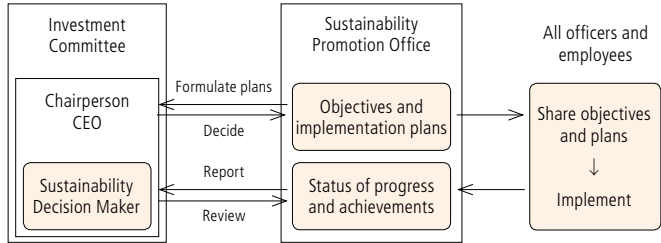
Sustainability Initiatives

1 Structure for Promotion and External Assessment



In-House Structure for Promotion of Sustainability

Sustainability Promotion Office established to ensure effective sustainability policies



Mitsui Fudosan Group's ESG Guidelines

Mitsui Fudosan Co., Ltd., the parent company of Mitsui Fudosan Accommodations Fund Management Co., Ltd., the Asset Management Company, considers ESG a management priority and sets key goals for relevant initiatives to consistently create value and under the Group statement of "Bring affluence and comfort to urban living."



<https://www.mitsuifudosan.co.jp/english/corporate/csr/2017/index.html>

Consistently Acquire External Certification of Sustainability

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

- GRESB Real Estate Assessment
- SMBC Environmental Assessment



2 Environment

Installation of LED lighting in common areas

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

Installation completed
53 properties
In the 25th Period
2 properties

(As of August 31, 2018)



Okawabata Apartment Communities (Parking)

External Certification of Investment Properties

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

Property Name	Certification rank	Certification Details	
Okawabata Apartment Communities	2016	No. of properties	3
Park Axis Toyosu	2018	Total floor space	161,871m²
Park Cube Nishigahara Stage	2017	Percentage of floor space certified	22.9 %

(As of August 31, 2018)

Environmental Performance

Targets

Energy consumption, CO₂ emissions from energy use

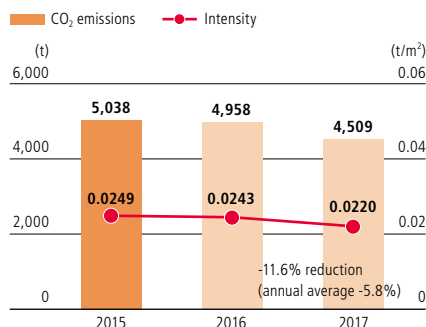
Average annual reduction of 1% over five years using 2015 as the baseline (based on intensity)

Water consumption

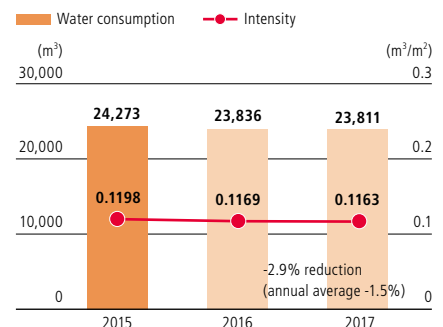
No increase in amount used over five years using 2015 as the baseline (based on intensity)

Results

CO₂ emissions from energy use



Water consumption



3 Social

■ Employees of the Asset Management Company

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

Human Resource Development

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

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

Health and Safety, Respect for Human Rights

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

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

■ Supply Chains

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

■ Tenants

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

Greater Satisfaction

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

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

■ Local Communities

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

Cooperation in Local Events

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



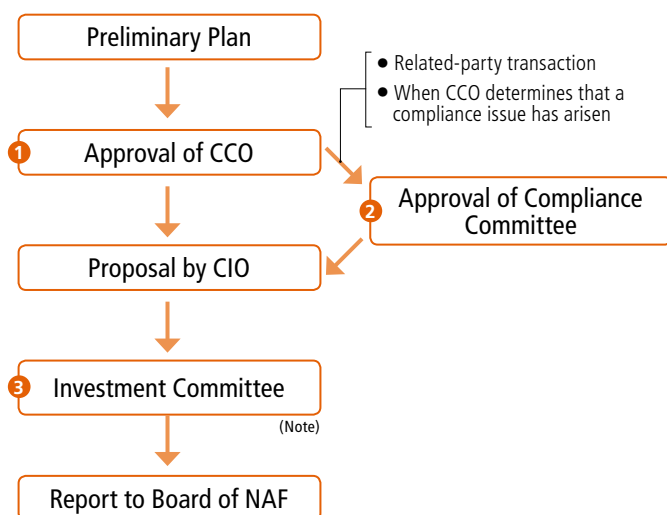
Disaster prevention event (Demonstration of Water discharge by fire department members)



Disaster prevention event (Disaster prevention drills for local residents)

4 Governance

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



Compliance Checking System

1 Confirmation by Chief Compliance Officer (CCO)

The following require approval of the Compliance Committee

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

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

2 The Compliance Committee

Requires approval by independent external professionals

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

External professionals: Appoint professionals independent from sponsor-related parties

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

3 Functions as a Check on the Investment Committee

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

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

Portfolio Summary (As of August 31, 2018)

No.	Name	Location	Acquisition Price (Note 1) (Yen in millions)	Portfolio Share (%)	Rentable Area (m ²)	Rentable Units Number of Rooms (Units/rooms)	PML (Note2) (%)
1	Okawabata Apartment Communities	Chuo-ku, Tokyo	30,816	10.2	43,812.41	544	
	River Point Tower						1.8
	Park Side Wings						2.7
	Pier West House						2.7
	Okawabata Parking						1.7
2	Park Axis Gakugei Daigaku	Setagaya-ku, Tokyo	1,760	0.6	2,437.66	64	5.0
4	Park Axis Shibuya Jinnan	Shibuya-ku, Tokyo	3,230	1.1	2,766.62	75	4.1
5	Park Axis Aoyama Kotto Dori	Minato-ku, Tokyo	1,730	0.6	1,537.24	40	4.5
6	Park Axis Kagurazaka Stage	Shinjuku-ku, Tokyo	1,400	0.5	1,891.05	59	3.0
7	Park Axis Shirokanedai	Minato-ku, Tokyo	5,140	1.7	4,704.44	99	4.2
8	Park Axis Bunkyo Stage	Bunkyo-ku, Tokyo	4,440	1.5	6,078.93	154	3.6
9	Park Axis Tsukishima	Chuo-ku, Tokyo	930	0.3	1,383.99	30	3.2
10	Park Axis Otsuka	Toshima-ku, Tokyo	1,655	0.5	2,606.37	52	2.4
11	Park Axis Minami Azabu	Minato-ku, Tokyo	3,939	1.3	3,938.14	64	3.0
13	Park Axis Nihonbashi Stage	Chuo-ku, Tokyo	7,557	2.5	10,025.40	184 residential, 1 retail, etc.	4.5
14	Park Axis Hamamatsucho	Minato-ku, Tokyo	2,025	0.7	2,426.45	80	3.3
15	Park Axis Hongo no Mori	Bunkyo-ku, Tokyo	2,910	1.0	3,317.94	86 residential, 1 retail, etc.	4.0
16	Park Axis Tameike Sanno	Minato-ku, Tokyo	2,860	0.9	2,710.69	70	3.5
17	Park Axis Roppongi Hinokicho Koen	Minato-ku, Tokyo	2,170	0.7	2,054.46	46	5.8
18	Park Axis Ochanomizu Stage	Bunkyo-ku, Tokyo	9,710	3.2	12,025.25	324	3.9
19	Park Axis Okachimachi	Taito-ku, Tokyo	1,070	0.4	1,621.73	42	4.0
20	Park Cube Hongo	Bunkyo-ku, Tokyo	1,760	0.6	2,160.12	60	3.9
21	Park Cube Kanda	Chiyoda-ku, Tokyo	2,454	0.8	3,194.59	95	2.4
22	Park Cube Ichigaya	Shinjuku-ku, Tokyo	1,949	0.6	2,288.46	53	2.9
23	Park Cube Asakusa Tawaramachi	Taito-ku, Tokyo	2,508	0.8	4,012.68	76	2.8
24	Park Cube Ueno	Taito-ku, Tokyo	2,233	0.7	3,041.61	91	2.8
28	Park Cube Ikebukuro Kanamecho	Toshima-ku, Tokyo	1,608	0.5	1,886.82	65	3.8
29	Park Axis Meguro Honcho	Meguro-ku, Tokyo	1,810	0.6	1,884.77	60	5.8
30	Park Axis Shin Itabashi	Itabashi-ku, Tokyo	3,430	1.1	4,395.99	152	
	East						3.4
	West						3.3
31	Park Axis Akihabara	Chiyoda-ku, Tokyo	1,200	0.4	1,346.07	41	3.3
32	Park Axis Toyochō	Koto-ku, Tokyo	3,950	1.3	5,412.40	140	5.8
33	Park Axis Takinogawa	Kita-ku, Tokyo	1,820	0.6	2,924.75	48 residential, 1 retail, etc.	4.0
34	Park Axis Asakusabashi	Taito-ku, Tokyo	2,717	0.9	3,400.78	78 residential, 1 retail, etc.	3.2
38	Park Axis Nihonbashi Hamacho	Chuo-ku, Tokyo	5,540	1.8	6,999.83	118	4.2
39	Park Cube Yoyogi Tomigaya	Shibuya-ku, Tokyo	1,975	0.7	1,929.10	38	5.8
41	Park Axis Monzen Nakacho	Koto-ku, Tokyo	1,700	0.6	1,886.39	55	5.1
42	Park Cube Itabashi Honcho	Itabashi-ku, Tokyo	4,170	1.4	5,317.07	165 residential, 1 retail, etc.	2.9
43	Park Cube Gakugei Daigaku	Meguro-ku, Tokyo	910	0.3	957.88	24	6.8
44	Park Cube Oimachi	Shinagawa-ku, Tokyo	1,440	0.5	1,511.12	65	3.2
46	Park Axis Nishigahara	Kita-ku, Tokyo	840	0.3	1,435.83	46	2.4
47	Park Axis Kinshicho	Sumida-ku, Tokyo	1,448	0.5	2,288.13	65	4.2
48	Park Axis Tatsumi Stage	Koto-ku, Tokyo	7,464	2.5	16,474.06	299 residential, 1 retail, etc.	5.1
51	Park Axis Kameido	Koto-ku, Tokyo	2,359	0.8	3,986.78	118	5.6
52	Park Axis Honancho	Nakano-ku, Tokyo	745	0.2	1,231.08	31	3.0
53	Park Axis Itabashi	Kita-ku, Tokyo	1,448	0.5	2,567.96	64	5.3

No.	Name	Location	Acquisition Price (Note 1) (Yen in millions)	Portfolio Share (%)	Rentable Area (m ²)	Rentable Units Number of Rooms (Units/rooms)	PML (Note 2) (%)
54	Park Axis Oshiage	Sumida-ku, Tokyo	1,193	0.4	2,121.29	57 residential, 1 retail, etc.	4.9
55	Park Axis Takadanobaba	Toshima-ku, Tokyo	1,222	0.4	1,463.25	36 residential, 1 retail, etc.	2.7
59	Park Axis Toyosu	Koto-ku, Tokyo	14,300	4.7	25,537.94	401 residential, 2 retail, etc.	3.9
60	Park Axis Hatchobori	Chuo-ku, Tokyo	1,760	0.6	2,416.29	63 residential, 1 retail, etc.	3.2
61	Park Axis Itabashi Honcho	Itabashi-ku, Tokyo	987	0.3	2,048.31	66	4.0
62	Park Axis Sumiyoshi	Sumida-ku, Tokyo	1,006	0.3	1,785.72	60	7.4
63	Park Cube Yotsuya Sanchome	Shinjuku-ku, Tokyo	2,749	0.9	3,599.82	130	5.1
64	Park Cube Hatchobori	Chuo-ku, Tokyo	4,200	1.4	5,191.86	118 residential, 2 retail, etc.	2.4
68	Park Axis Kamata Ichibankan	Ota-ku, Tokyo	1,069	0.4	1,721.28	63	6.7
70	Park Axis Taito Negishi	Taito-ku, Tokyo	672	0.2	1,283.13	40	4.2
72	Park Axis Komagome	Toshima-ku, Tokyo	1,389	0.5	1,979.51	39 residential, 1 retail, etc.	2.5
74	Park Axis Itabashi Honcho Nibankan	Itabashi-ku, Tokyo	1,859	0.6	3,661.58	99	3.1
75	Shibaura Island Air Tower (Note 3)	Minato-ku, Tokyo	7,905	2.6	17,646.33	270 residential, 2 retail, etc.	
	Air Tower						1.9
	Air Terrace						7.5
84	Park Cube Higashi Shinagawa	Shinagawa-ku, Tokyo	6,060	2.0	10,636.67	201	3.5
86	Park Cube Sasazuka	Shibuya-ku, Tokyo	2,200	0.7	2,416.00	92 residential, 1 retail, etc.	3.4
88	Park Axis Higashi Jujo	Kita-ku, Tokyo	1,700	0.6	2,893.54	70 residential, 1 retail, etc.	3.1
91	Park Cube Heiwadai	Nerima-ku, Tokyo	1,204	0.4	2,656.00	34	2.8
92	Park Cube Meguro Tower	Meguro-ku, Tokyo	9,000	3.0	12,367.62	193 residential, 1 retail, etc.	2.2
93	Park Cube Nihonbashi Suitengu	Chuo-ku, Tokyo	2,711	0.9	4,235.33	77	4.4
94	Park Cube Ginza East	Chuo-ku, Tokyo	2,269	0.7	3,358.63	77	3.0
95	Park Cube Kayabacho	Chuo-ku, Tokyo	1,105	0.4	1,695.06	27 residential, 1 retail, etc.	3.2
96	Park Cube Honjo Azumabashi	Sumida-ku, Tokyo	1,252	0.4	2,241.63	45	4.6
97	Park Axis Kiyosumi Shirakawa	Koto-ku, Tokyo	696	0.2	1,159.84	36	3.7
98	Park Axis Asakusabashi Nichome	Taito-ku, Tokyo	1,079	0.4	1,569.00	48	3.4
99	Park Axis Nishi Sugamo	Kita-ku, Tokyo	1,439	0.5	2,326.32	56	3.9
100	Park Axis Ueno	Taito-ku, Tokyo	1,389	0.5	1,992.29	59	3.3
101	Park Axis Akihabara East	Taito-ku, Tokyo	1,369	0.5	1,890.20	58	3.8
103	Park Axis Kayabacho	Chuo-ku, Tokyo	1,809	0.6	2,355.07	72	3.0
104	Park Axis Kinshicho Shinsui Koen	Sumida-ku, Tokyo	1,369	0.5	2,085.62	60	7.5
105	Park Cube Kasuga Andozaka	Bunkyo-ku, Tokyo	2,670	0.9	3,581.09	68	2.7
106	Park Cube Kameido	Koto-ku, Tokyo	3,020	1.0	4,442.09	121 residential, 1 retail, etc.	5.5
108	Park Axis Shin Okachimachi East	Taito-ku, Tokyo	1,299	0.4	1,847.01	49	3.0
110	Park Axis Nihonbashi Honcho	Chuo-ku, Tokyo	1,469	0.5	1,808.12	49	2.5
111	Park Cube Nishigahara Stage	Kita-ku, Tokyo	4,110	1.4	19,693.35	357 residential, 1 retail, etc.	2.5
112	Park Cube Atagoyama Tower	Minato-ku, Tokyo	8,650	2.9	8,389.91	165	2.4
113	Park Axis Shibaura	Minato-ku, Tokyo	1,045	0.3	1,273.60	42	5.2
114	Park Axis Asakusa Kuramae	Taito-ku, Tokyo	1,095	0.4	1,456.35	45	3.0
115	Park Axis Kamata Station Gate	Ota-ku, Tokyo	4,144	1.4	4,582.72	157 residential, 1 retail, etc.	3.2
116	Park Axis Kinshicho Residence	Sumida-ku, Tokyo	1,251	0.4	1,793.33	56	4.0
117	Park Axis Oshiage Sumida Koen	Sumida-ku, Tokyo	1,055	0.3	1,610.49	49	5.2
120	Park Axis Magome Residence	Ota-ku, Tokyo	1,450	0.5	1,621.94	55	9.6
121	Park Axis Higashi Ueno	Taito-ku, Tokyo	1,250	0.4	1,460.10	45	4.0
122	Park Axis Higashi Koenji	Suginami-ku, Tokyo	2,300	0.8	2,679.96	85	5.1
125	Park Cube Shin Itabashi	Itabashi-ku, Tokyo	1,700	0.6	1,930.12	70 residential, 1 retail, etc.	2.9
Tokyo 23 Wards Total			254,291	83.9	372,378.35	8,120 residential, 24 retail, etc.	

No.	Name	Location	Acquisition Price (Note 1) (Yen in millions)	Portfolio Share (%)	Rentable Area (m ²)	Rentable Units Number of Rooms (Units/rooms)	PML (Note2) (%)
26	Park Cube Keio Hachioji II	Hachioji-shi, Tokyo	1,130	0.4	3,082.32	47 residential, 1 retail, etc.	4.0
40	Park Axis Nishi Funabashi	Funabashi-shi, Chiba	1,020	0.3	2,074.35	55	3.2
66	Park Axis Yokohama Idogaya	Yokohama-shi, Kanagawa	1,419	0.5	2,706.59	99 residential, 1 retail, etc.	6.3
67	Park Axis Chiba Shinmachi	Chiba-shi, Chiba	1,679	0.6	3,318.15	77 residential, 7 retail, etc.	1.9
69	Park Axis Chiba	Chiba-shi, Chiba	970	0.3	2,270.32	91	2.3
85	Park Cube Kita Matsudo	Matsudo-shi, Chiba	1,200	0.4	2,358.66	108 residential, 1 retail, etc.	1.6
87	Park Cube Musashi Kosugi	Kawasaki-shi, Kanagawa	2,250	0.7	3,057.36	136	3.3
102	Park Axis Yokohama Tanmachi Koen	Yokohama-shi, Kanagawa	1,119	0.4	1,682.46	63	4.1
109	Park Axis Yokohama Yamashitacho	Yokohama-shi, Kanagawa	1,539	0.5	2,325.92	70 residential, 1 retail, etc.	8.2
Greater Tokyo Total			12,326	4.1	22,876.13	746 residential, 11 retail, etc.	
27	Park Axis Meieki Minami	Nagoya-shi, Aichi	2,440	0.8	5,565.13	169	3.7
35	Park Axis Marunouchi	Nagoya-shi, Aichi	1,920	0.6	3,821.75	98 residential, 1 retail, etc.	2.9
36	Park Axis Ropponmatsu	Fukuoka-shi, Fukuoka	1,515	0.5	3,473.67	111 residential, 1 retail, etc.	2.5
37	Park Axis Hakataeki Minami	Fukuoka-shi, Fukuoka	1,890	0.6	4,668.29	176 residential, 1 retail, etc.	3.0
45	Park Axis Naka Gofukumachi	Fukuoka-shi, Fukuoka	742	0.2	2,707.88	112	2.9
49	Park Axis Shirakabe	Nagoya-shi, Aichi	1,547	0.5	4,735.89	86	3.0
50	Park Axis Sendai	Sendai-shi, Miyagi	2,320	0.8	8,843.17	204	2.8
56	Park Axis Hakata Minoshima	Fukuoka-shi, Fukuoka	960	0.3	3,461.85	112	2.7
57	Park Axis Takamiya Higashi	Fukuoka-shi, Fukuoka	605	0.2	2,289.21	70	5.1
58	Park Axis Sapporo Shokubutsuen Mae	Sapporo-shi, Hokkaido	1,650	0.5	7,845.01	146	1.1
65	Park Axis Shin Sapporo	Sapporo-shi, Hokkaido	827	0.3	3,729.05	84 residential, 1 retail, etc.	2.4
71	Park Axis Esaka Hiroshibacho	Suita-shi, Osaka	2,369	0.8	4,309.24	130	4.9
73	Park Axis Utsubo Koen	Osaka-shi, Osaka	2,399	0.8	4,952.45	133	8.6
107	Park Cube Kitahama	Osaka-shi, Osaka	1,970	0.6	4,683.33	138	5.7
Other Major Cities Total			23,154	7.6	65,085.92	1,769 residential, 4 retail, etc.	
Rental Apartments Total			289,771	95.6	460,340.40	10,635 residential, 39 retail, etc.	
76	Dormy Ashiya	Ashiya-shi, Hyogo	928	0.3	3,729.45	140	6.6
77	Kawaijuku Kyoto Gakushin Ryo	Kyoto-shi, Kyoto	991	0.3	3,492.88	134	12.9
78	Sundai Horikawa Ryo	Kyoto-shi, Kyoto	916	0.3	2,793.71	113	8.8
79	Dormy Rakuoku	Kyoto-shi, Kyoto	374	0.1	1,489.86	70	8.8
80	Rikkyo University International Dormitory (RUID) Shiki	Shiki-shi, Saitama	1,478	0.5	3,061.89	127	3.0
81	Dormy Naka Itabashi	Itabashi-ku, Tokyo	1,041	0.3	2,439.17	106	5.5
82	Philosophia Nishidai	Itabashi-ku, Tokyo	1,249	0.4	2,969.25	121	5.3
83	Dormy Musashi Kosugi	Kawasaki-shi, Kanagawa	1,152	0.4	3,017.34	112	7.3
89	Artis Sendai Kakyoin	Sendai-shi, Miyagi	540	0.2	2,234.24	60	3.0
90	Artis Sendai Kimachi Dori	Sendai-shi, Miyagi	1,160	0.4	4,864.04	142	2.7
118	Medical Home Granda Sangen Jaya (Land with leasehold interest)	Setagaya-ku, Tokyo	735	0.2	—	—	—
119	Dormy Nishi Ogikubo	Suginami-ku, Tokyo	1,100	0.4	1,616.52	71	8.8
123	Granda Kanazawa Hakkei	Yokohama-shi, Kanagawa	774	0.3	1,826.29	58	9.6
124	Dormy Kamisugi	Sendai-shi, Miyagi	1,050	0.3	3,151.56	124	4.6
Hospitality Facilities Total			13,488	4.4	36,686.20	1,378	
Grand Total			303,259	100.0	497,026.60	12,052	2.4 (Portfolio PML)

Notes: 1. Acquisition Price does not include acquisition-related expenses, property tax or consumption tax.

2. PML = Probable maximum loss

Portfolio PML is the PML for all NAF's portfolio, 121 properties excluding Medical Home Granda Sangen Jaya (Land with leasehold interest).

3. Rentable units and rentable area for Shibaura Island Air Tower are calculated by multiplying NAF's equity share (31%) by the property's total rentable units and total rentable area and rounded to the nearest unit and one-hundredth of a square meter, respectively.

4. Numbers in light orange indicate properties acquired during the 25th Period.

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)
	25th Period March 1, 2018 to August 31, 2018	24th Period September 1, 2017 to February 28, 2018	23rd Period March 1, 2017 to August 31, 2017	25th Period March 1, 2018 to August 31, 2018
Total revenues (Note 2)	¥ 11,047	¥ 10,870	¥ 10,775	\$ 99,468
Rental revenues	10,519	10,460	10,286	94,714
Other revenues related to property leasing	527	410	488	4,745
Operating expenses	6,112	5,914	6,099	55,033
Income before income taxes	4,439	4,448	4,118	39,969
Net income (a)	4,438	4,447	4,117	39,960
Funds from operations (Note 3)	6,456	6,489	6,177	58,130
Net operating income from property leasing activities (Note 3)	8,120	8,150	7,878	73,113
Total amount of cash distribution (b)	4,438	4,447	4,116	39,960
Depreciation and amortization	2,018	2,042	2,060	18,170
Capital expenditures	245	269	215	2,206
Total assets (c)	294,692	293,998	294,828	2,653,448
Interest-bearing debt	147,500	147,000	148,000	1,328,110
Total net assets (d)	140,167	140,176	139,845	1,262,083
Total number of common units issued (Units) (e)	484,522	484,522	484,522	
Net assets per unit (Yen/\$) (d) / (e)	289,290	289,308	288,626	2,604.80
Distribution per unit (Yen/\$) (b) / (e)	9,161	9,179	8,497	82.48
Funds from operations per unit (Yen/\$) (Note 3)	13,326	13,393	12,749	119.98
ROA (Note 4)	1.5%	1.5%	1.4%	
(Annual rate)	(3.0%)	(3.0%)	(2.8%)	
ROE (Note 4)	3.2%	3.2%	2.9%	
(Annual rate)	(6.3%)	(6.4%)	(5.8%)	
LTV (Loan-to-value) ratio (Note 3)	50.1%	50.0%	50.2%	
Capital ratio (d) / (c)	47.6%	47.7%	47.4%	
Payout ratio (b) / (a) (Note 5)	100.0%	100.0%	100.0%	
Number of days in the period	184	181	184	
Number of investment properties (Note 6)	122	121	121	
Total rentable area (m ²)	497,026	486,483	486,483	
The occupancy rate at the end of the period (Note 6)	97.1%	98.0%	96.8%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥111.06 = U.S.\$1.00, the approximate exchange rate as of August 31, 2018.

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

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

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

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

LTV ratio: Interest-bearing debt ÷ Total assets

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

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

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

Annual equivalent amounts for the period ended August 31, 2018: Amount for the period ÷ Actual days in the period (184) x 365 days

Annual equivalent amounts for the period ended February 28, 2018: Amount for the period ÷ Actual days in the period (181) x 365 days

Annual equivalent amounts for the period ended August 31, 2017: Amount for the period ÷ Actual days in the period (184) x 365 days

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

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

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

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

Overview

Investment Environment and Operating Performance

During the six months ended August 31, 2018 (the “25th Period”), the Japanese economy is on a moderate recovery due to factors such as a moderate increase in business investment and improvement in the employment situation. Looking ahead, the economy is expected to continue its recovery, supported by effects of the policies, while employment and income situation is improving. At the same time, attention should be given to the effects of situations over trade issues on the world economy, the uncertainty in overseas economies, the effects of fluctuations in the financial and capital markets, and other factors.

In NAF’s main investment area, the residential rental market, occupancy rates remained high at rental apartments in central areas, with an ongoing trend of increases in rents. Stable demand for rental apartments is expected in the 23 wards of Tokyo, where nearly 90 percent of NAF’s rental apartments portfolio is located, and in the urban areas of other major cities ^(Note 1). Contributing factors include the continuing influx of people into these areas from other regions. At the same time, the balance of supply and demand is expected to remain favorable for the time being due to the limited supply of the quality rental apartments in which NAF typically invests.

Concerning the real estate trading market, the acquisition environment remains challenging due to factors such as acquisition and disposition prices for quality rental real estate remaining high.

During the period under review, NAF acquired one new property with an acquisition price of ¥1,700 million in March 2018.

As a result, NAF’s portfolio as of August 31, 2018 consisted of 122 properties valued at ¥303,259 million on an acquisition price basis.

NAF has chosen Mitsui Fudosan Residential Lease Co., Ltd. as property management company on management of NAF’s rental apartments portfolio. The company and Mitsui Fudosan Accommodations Fund Management Co., Ltd., the asset management company of NAF, collaborate in the management of properties NAF owns with the aim of implementing effective management and operational activities based on regional characteristics and the individual features of each property. Specifically, NAF maintains and improves its rent levels and occupancy rate through the implementation of a leasing strategy that has been formulated for each individual property. In addition, NAF aims to reduce costs by utilizing the merits of outsourcing all property management tasks to the property management company while examining, whenever necessary, the adequacy of the grade of property management, cost of management and operation.

Meanwhile in the management of “Hospitality Facilities” ^(Note 2), NAF contracts out the management and operational activities to a professional operator or business corporation. The asset management company regularly monitors the management and operational activities, and makes adjustments through professional dialog with the operator or business corporation as necessary.

In order to maintain and improve the competitiveness of NAF’s portfolio, operations are adequately planned and carried out at the asset management company. These include appropriate renewal work according to the property age, and work to enhance the property value. In addition, NAF is not only making continuous efforts to reduce costs, but also introducing such features as environmentally friendly, energy-saving facilities in a timely manner.

In the period under review, NAF carried out renovations in common and private areas at Okawabata Apartment Communities. At other properties, NAF planned and implemented such works as changing the lighting in common areas to LED lighting.

As a result of these activities, the occupancy rate for NAF’s overall portfolio as of August 31, 2018 remained at a high level of 97.1%.

Consequently, for the 25th Period, total revenues were ¥11,047 million, operating income was ¥4,935 million, income before income taxes was ¥4,439 million and net income was ¥4,438 million.

Notes: 1. “Other major cities” refers to each of the urban areas of Sapporo, Sendai, Nagoya, Osaka, Kyoto, Kobe, Hiroshima and Fukuoka.

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

Changes in Assets, Liabilities and Net Assets

Total assets as of August 31, 2018 were essentially unchanged, an increase of ¥694 million from February 28, 2018 to ¥294,692 million. Total current assets increased by ¥679 million to ¥9,857 million and total investment properties net of accumulated depreciation compared with February 28, 2018 increased by ¥15 million to ¥283,020 million as a result of normal depreciation.

NAF's basic policy is to carry out operations in a conservative manner that gives consideration to such matters as maintaining stable distributions in the medium and long term. During the period under review, while taking into account market trends and interest rate levels, NAF pursued financing from various sources with diversified repayment dates and an emphasis on long-term, fixed-rate loans in its procurement of funds.

As a result, at the end of the period, total interest-bearing debt amounted to ¥147,500 million (¥500 million increase from previous period), the long-term debt ratio was 95.3%, the long-term, fixed-rate debt ratio was 92.5%, and the loan-to-value (LTV) ratio was 50.1%. The average annual current maturity of long-term interest-bearing debt was 4.2 years and the number of financial institutions was 23. Furthermore, the weighted average interest rate at the end of the period was 0.63%.

NAF has also established a commitment line with a total maximum borrowing amount of ¥10,000 million, for the purpose of securing flexible and stable fund procurement methods.

Net assets totaled ¥140,167 million as of August 31, 2018. Unitholders' capital was unchanged at ¥135,603 million, and retained earnings decreased to ¥4,563 million from ¥4,572 million as of February 28, 2018.

Distributions to Unitholders

NAF determines the amount of cash distributions such that they exceed 90 percent of NAF's retained earnings available for dividends as set forth in Article 67-15 of the Act on Special Measures Concerning Taxation. For the 25th Period, cash distributions totaled ¥4,438,706,042 or ¥9,161 per unit.

	Yen in thousands, except per unit amounts		
	25th Period March 1, 2018 to August 31, 2018	24th Period September 1, 2017 to February 28, 2018	23rd Period March 1, 2017 to August 31, 2017
Retained earnings	¥4,438,848	¥4,447,488	¥4,117,240
Undistributed earnings	142	61	256
Total cash distribution	4,438,706	4,447,427	4,116,983
(Per unit)	9,161	9,179	8,497
Distribution of retained earnings	4,438,706	4,447,427	4,116,983
(Per unit)	9,161	9,179	8,497
Cash distribution in excess of retained earnings	—	—	—
(Per unit)	—	—	—

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

Funding

Balance of Paid-in Capital

NAF was established on October 12, 2005 with initial paid-in capital of ¥100 million. NAF began investing activities on November 29, 2005 after ¥21,140 million was raised through private placement. As of August 31, 2018, NAF had issued 484,522 investment units out of 4,000,000 total authorized units. NAF's investment units were listed on the J-REIT section of the Tokyo Stock Exchange in August 2006 upon the completion of a public offering. As the Act on Investment Trusts and Investment Corporations does not contain any provision for the issuance of more than one class of units, NAF's investment units comprise the sole class of units authorized and issued by NAF.

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

Issue date	Remarks	Units outstanding		Paid-in capital		Notes
		Increase	Balance	Increase	Balance	
		(Units)		(Yen in millions)		
March 1, 2014	Split of investment units	230,711	461,422	—	125,686	Note 1
March 2, 2015	Public offering	22,000	483,422	9,444	135,131	Note 2
March 24, 2015	Third-party allocation	1,100	484,522	472	135,603	Note 3

Notes: 1. NAF implemented a two-for-one split of investment units with the effective date of March 1, 2014.

2. Public offering of new units for ¥443,868 per unit (excluding underwriting fee: ¥429,300) to fund property acquisition.

3. Additional issue of new units (third-party allocation) for ¥429,300 per unit undertaken pursuant to the public offering in Note 2.

Market Price of Units

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

	25th Period March 1, 2018 to August 31, 2018	24th Period September 1, 2017 to February 28, 2018	23rd Period March 1, 2017 to August 31, 2017	22nd Period September 1, 2016 to February 28, 2017	21st Period March 1, 2016 to August 31, 2016
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
High	¥532,000	¥499,000	¥500,000	¥511,000	¥488,000
Low	455,500	426,000	419,500	439,000	408,000

Borrowings

Borrowings from financial institution as of August 31, 2018 are shown below.

Short-term loans

Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of maturity (Note 2)	Repayment method	Use of funds	Notes
Mizuho Bank, Ltd.	¥4,000	0.1%	September 28, 2018	Bullet payment	(Note 3)	Unsecured/ unguaranteed/ pari passu (Note 4)
The 77 Bank, Ltd.	1,000	0.1%	September 28, 2018			
Shinkin Central Bank	1,000	0.1%	September 28, 2018			
Sumitomo Mitsui Trust Bank, Limited	1,000	0.1%	September 28, 2018			
Total short-term loans	¥7,000					

Long-term loans (Note 6)

Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of maturity	Repayment method	Use of funds	Notes
Sumitomo Mitsui Banking Corporation	¥ 5,500	0.9%	February 28, 2020	Bullet payment	(Note 3)	Unsecured/ unguaranteed/ pari passu (Note 4)
	3,000	0.7%	May 28, 2021			
	2,000	0.5%	May 31, 2019			
	4,000	0.3%	September 28, 2018			
	2,000	0.5%	November 30, 2021			
	1,500	0.2% (Note 5)	July 31, 2029			
	2,000	0.2%	August 15, 2022			
Sumitomo Mitsui Trust Bank, Limited	2,000	0.4%	September 30, 2020			
	1,500	0.1% (Note 5)	August 31, 2023			
	1,000	0.2% (Note 5)	August 31, 2027			
NIPPON LIFE INSURANCE COMPANY	2,000	0.9%	November 30, 2022			
	3,000	1.0%	May 31, 2024			
	1,000	0.5%	November 30, 2021			
Development Bank of Japan Inc.	2,000	1.0%	December 21, 2018			
	3,000	1.0%	April 11, 2019			
	3,000	1.1%	April 11, 2023			
	2,500	1.3%	February 6, 2024			
	2,500	1.4%	August 6, 2024			
	2,500	1.2%	April 1, 2025			
	2,000	0.2%	December 30, 2027			
	4,000	0.5%	April 18, 2029			
The Hachijuni Bank, Ltd.	1,500	0.8%	May 31, 2019			
	1,000	0.6%	April 9, 2021			
	1,000	0.2%	September 17, 2024			
Mizuho Bank, Ltd.	2,000	0.7%	June 15, 2020			
	2,000	0.8%	November 30, 2021			
	1,000	0.1%	August 31, 2020			
	1,000	0.1%	February 26, 2021			
	1,000	0.2%	May 31, 2022			
	1,000	0.2%	May 31, 2023			
The Chugoku Bank, Limited	2,000	0.6%	July 31, 2023			
	2,000	0.2%	May 29, 2026			
Shinsei Bank, Limited	1,000	1.2%	January 19, 2023			
	1,000	0.7%	May 28, 2021			
	1,000	1.0%	May 28, 2024			
Shinkin Central Bank	3,000	0.6%	October 12, 2018			
	2,000	0.4%	January 29, 2027			
	3,000	0.3%	July 31, 2025			
The Bank of Fukuoka, Ltd.	1,000	0.8%	January 8, 2020			
	2,500	0.6%	April 28, 2020			
	2,000	0.4%	February 26, 2027			
	2,000	0.3%	April 30, 2026			

Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of maturity	Repayment method	Use of funds	Notes
MUFG Bank, Ltd.	¥ 2,000	0.7%	March 16, 2020	Bullet payment	(Note 3)	Unsecured/ unguaranteed/ pari passu (Note 4)
	4,000	0.7%	September 15, 2020			
	1,000	1.0%	August 23, 2021			
	3,000	0.8%	March 7, 2022			
	3,000	0.9%	September 7, 2022			
	3,000	0.8%	May 31, 2022			
	2,000	0.5%	October 1, 2021			
	3,000	0.6%	October 3, 2022			
	3,000	0.5%	April 27, 2029			
The Norinchukin Bank	3,000	0.7%	November 30, 2020			
	2,000	0.4%	December 30, 2021			
Resona Bank, Limited	3,000	0.6%	December 16, 2019			
Mizuho Trust & Banking Co., Ltd.	1,000	1.0%	June 14, 2021			
	1,000	1.2%	June 14, 2022			
	1,000	1.0%	February 23, 2022			
	1,000	1.1%	August 23, 2022			
	1,500	0.4%	March 29, 2028			
The Yamaguchi Bank, Ltd.	1,000	1.3%	June 14, 2023			
	1,000	1.3%	July 19, 2023			
	1,000	1.0%	May 31, 2024			
	1,000	0.6%	April 27, 2029			
The Daishi Bank, Ltd.	2,000	0.6%	April 28, 2020			
	1,000	0.4%	June 30, 2021			
	1,000	0.1%	July 30, 2021			
MITSUI LIFE INSURANCE COMPANY LIMITED	1,000	1.0%	March 28, 2024			
The Ashikaga Bank, Ltd.	2,000	0.3%	June 30, 2019			
DAIDO LIFE INSURANCE COMPANY	1,000	0.6%	June 30, 2021			
TAIYO LIFE INSURANCE COMPANY	2,000	0.6%	December 30, 2024			
The Iyo Bank, Ltd.	1,000	0.1%	March 31, 2022			
The Yamanashi Chuo Bank, Ltd.	1,000	0.3%	June 30, 2026			
The 77 Bank, Ltd.	1,000	0.4%	June 30, 2028			
Total long-term loans	¥140,500					
Total loans	¥147,500					

Notes: 1. "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 loans if the institution has provided more than one short-term loan.

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

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

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

5. The interest rate is applied from August 31, 2018 to September 27, 2018.

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

(Yen in millions)

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount	¥19,000	¥20,000	¥22,000	¥18,500

Bonds

None applicable

Capital Expenditures

1. Planned

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

Name of property	Objective	Estimated duration	Estimated amounts		
			Total amounts	Payment for the current period (March 1, 2018 to August 31, 2018)	Cumulative amount paid
			(Yen in millions)		
Okawabata Apartment Communities, Riverpoint Tower	Renewal of elevator equipment	From October 2018 to January 2020	¥417	¥—	¥—
Okawabata Apartment Communities, Okawabata Parking Lot	Renewal of car compartments for mechanical parking system	From November 2018 to February 2019	88	—	—
Okawabata Apartment Communities, Riverpoint Tower	Expansion of bicycle parking area and Repair common use area	From May 2018 to September 2018	88	—	—
Okawabata Apartment Communities, Riverpoint Tower and Other	Renovation of rentable areas	From September 2018 to February 2019	50	—	—
Park Cube Hongo	Repair of outside walls	From November 2018 to January 2019	30	—	—
Okawabata Apartment Communities, Okawabata Parking Lot	Replacement of parts for mechanical parking system	From October 2018 to March 2019	28	—	—

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NAF posted ¥245 million in capital expenditures together with ¥509 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
Okawabata Apartment Communities, Riverpoint Tower and Other	Renovation of 14 rentable areas	From March 2018 to August 2018	¥ 76
Park Cube Keio Hachioji II	Repair of outside walls	From March 2018 to August 2018	41
Okawabata Apartment Communities, Okawabata Parking Lot	Planarization of mechanical parking	From March 2018 to August 2018	21
Park Axis Shibuya Jinnan	Repair of outside walls	From March 2018 to August 2018	17
Other capital expenditures			86
Total			¥245

3. Cash Reserve for Capital Improvements

NAF accumulates a cash reserve from cash flows to prepare for large-scale mid-term to long-term capital improvements and repairs and maintenance that will be conducted based on NAF's business plan for each property.

	Yen in millions		
	As of August 31, 2018	As of February 28, 2018	As of August 31, 2017
Reserve balance at the beginning of the period	¥3,018	¥2,697	¥2,567
Amount accumulated in the current period	370	584	343
Withdrawal from reserves in the current period	239	263	213
Amount carried forward	¥3,148	¥3,018	¥2,697

Expenses regarding Entrustment, etc.

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

	Yen in millions		
	25th Period March 1, 2018 to August 31, 2018	24th Period September 1, 2017 to February 28, 2018	23rd Period March 1, 2017 to August 31, 2017
Asset management fees	¥ 815	¥ 806	¥ 783
Asset custody fees	14	14	14
Agent fees (stock transfer, accounting and administrative)	29	30	35
Directors' remuneration	7	7	7
Auditor's fees	12	12	12
Other expenses	288	282	288
Total	¥1,167	¥1,152	¥1,142

Related Party Transactions

1. Transactions

None applicable

2. Fees Paid for the Period from March 1, 2018 to August 31, 2018

Category	Total fees paid (A) (Yen in millions)	Description of transactions with related parties (Note 1)		B/A (Note 2)
		Paid to	Amount of payment (B) (Yen in millions)	
Property management fees	¥735	Mitsui Fudosan Residential Lease Co., Ltd.	¥735	100.0%
Building management fees	381	Mitsui Fudosan Residential Lease Co., Ltd.	376	98.7%
		Mitsui Fudosan Realty Co., Ltd.	4	1.3%
Operation management fees	4	Mitsui Fudosan Investment Advisors, Inc.	4	100.0%
Leasing-related service fees, etc.	170	RESIDENT FIRST CO., LTD.	14	8.5%
		Mitsui Home Estate Co., Ltd.	2	1.5%
		Mitsui Fudosan Realty Co., Ltd.	0	0.5%
		Mitsui Fudosan Realty Tohoku Co., Ltd.	0	0.4%
		Mitsui Fudosan Realty Sapporo Co., Ltd.	0	0.1%

3. Other Payments to Related Parties (Note 1)

Paid to	Amount of payment (Yen in millions)	Item
Mitsui Fudosan Reform Co., Ltd.	¥11	Repair and maintenance costs
Accommodation First Co., Ltd.	7	Repair and maintenance costs
Mitsui Fudosan Facilities Co., Ltd.	4	Repair and maintenance costs
MITSUMI Designtec Co., Ltd.	2	Repair and maintenance costs
Mitsui Fudosan Building Management Co., Ltd.	1	Repair and maintenance costs

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

2. Figures indicate percentages of total price.

Financial Statements

Balance Sheets

Nippon Accommodations Fund Inc.

As of August 31, 2018 and February 28, 2018

	Yen in millions		U.S. dollars in thousands (Note 1)
	25th Period As of August 31, 2018	24th Period As of February 28, 2018	25th Period As of August 31, 2018
Assets			
Current assets:			
Cash and cash equivalents (Note 2, 11)	¥ 8,380	¥ 7,666	\$ 75,454
Rent receivables	1,385	1,430	12,470
Other current assets	91	81	819
Total current assets	9,857	9,177	88,753
Investment properties (Note 2, 3):			
Land including trust accounts	183,811	182,617	1,655,060
Depreciable property and improvements including trust accounts	136,471	135,635	1,228,804
Accumulated depreciation	(37,262)	(35,248)	(335,512)
Total investment properties	283,020	283,004	2,548,352
Other assets	1,815	1,815	16,342
Total Assets	¥ 294,692	¥ 293,998	\$2,653,448
Liabilities and Net Assets			
Liabilities			
Current liabilities:			
Short-term loans (Note 4, 11)	¥ 7,000	¥ 6,000	\$ 63,028
Long-term loans due within one year (Note 4, 11)	17,500	17,000	157,572
Accounts payable	1,331	1,052	11,984
Rent received in advance	1,779	1,780	16,018
Accrued expenses and other liabilities	251	258	2,260
Total current liabilities	27,862	26,090	250,873
Long-term liabilities:			
Long-term loans (Note 4, 11)	123,000	124,000	1,107,509
Tenant security deposits (Note 11)	3,663	3,731	32,982
Total long-term liabilities	126,663	127,731	1,140,491
Total Liabilities	¥ 154,525	¥ 153,821	\$1,391,365
Net Assets			
Unitholders' capital (Note 5)	¥ 135,603	¥ 135,603	\$1,220,988
Retained earnings	4,563	4,572	41,085
Total Net Assets	¥ 140,167	¥ 140,176	\$1,262,083
Total Liabilities and Net Assets	¥ 294,692	¥ 293,998	\$2,653,448

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

Statements of Income

Nippon Accommodations Fund Inc.

March 1, 2018 to August 31, 2018, September 1, 2017 to February 28, 2018 and March 1, 2017 to August 31, 2017

	Yen in millions			U.S. dollars in thousands (Note 1)
	25th Period March 1, 2018 to August 31, 2018	24th Period September 1, 2017 to February 28, 2018	23rd Period March 1, 2017 to August 31, 2017	25th Period March 1, 2018 to August 31, 2018
Revenues (Note 6):				
Rental	¥ 10,519	¥ 10,460	¥ 10,286	\$ 94,714
Other revenues related to property leasing	527	410	488	4,745
Total revenues	11,047	10,870	10,775	99,468
Operating Expenses (Note 6):				
Property management fees	1,162	1,149	1,131	10,462
Real estate taxes and insurance	616	603	603	5,546
Repairs and maintenance	509	392	523	4,583
Other rental expenses	638	574	638	5,744
Depreciation and amortization	2,018	2,042	2,060	18,170
Asset management fees	815	806	783	7,338
Other expenses	352	346	358	3,169
Total operating expenses	6,112	5,914	6,099	55,033
Operating Income	4,935	4,955	4,675	44,435
Interest and other income	4	7	3	36
Interest expense	(493)	(505)	(551)	(4,439)
Other expenses	(6)	(9)	(10)	(54)
Income before Income Taxes	4,439	4,448	4,118	39,969
Current and deferred income taxes (Note 8)	0	0	0	0
Net Income	¥ 4,438	¥ 4,447	¥ 4,117	\$ 39,960

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

Statements of Changes in Net Assets

Nippon Accommodations Fund Inc.

For the period from March 1, 2017 to August 31, 2018

	Number of Units (Note 5)	Yen in millions		
		Unitholders' Capital	Retained Earnings	Total
Balance as of March 1, 2017	484,522	¥ 135,603	¥ 4,208	¥ 139,812
Cash distribution	—	—	(4,083)	(4,083)
Net income	—	—	4,117	4,117
Balance as of August 31, 2017	484,522	135,603	4,242	139,845
Cash distribution	—	—	(4,116)	(4,116)
Net income	—	—	4,447	4,447
Balance as of February 28, 2018	484,522	135,603	4,572	140,176
Cash distribution	—	—	(4,447)	(4,447)
Net income	—	—	4,438	4,438
Balance as of August 31, 2018	484,522	¥ 135,603	¥ 4,563	¥ 140,167

	Number of Units (Note 5)	U.S. dollars in thousands (Note 1)		
		Unitholders' Capital	Retained Earnings	Total
Balance as of February 28, 2018	484,522	\$1,220,988	\$ 41,166	\$1,262,164
Cash distribution	—	—	(40,041)	(40,041)
Net income	—	—	39,960	39,960
Balance as of August 31, 2018	484,522	\$1,220,988	\$ 41,085	\$1,262,083

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

Statements of Cash Flows

Nippon Accommodations Fund Inc.

March 1, 2018 to August 31, 2018, September 1, 2017 to February 28, 2018 and March 1, 2017 to August 31, 2017

	Yen in millions			U.S. dollars in thousands (Note 1)
	25th Period March 1, 2018 to August 31, 2018	24th Period September 1, 2017 to February 28, 2018	23rd Period March 1, 2017 to August 31, 2017	25th Period March 1, 2018 to August 31, 2018
Cash Flows from Operating Activities:				
Income before income taxes	¥ 4,439	¥ 4,448	¥ 4,118	\$ 39,969
Depreciation and amortization	2,018	2,042	2,060	18,170
Amortization of investment unit issuance expenses	—	4	4	—
Interest expense	493	505	551	4,439
(Increase) Decrease in rent receivables	45	(95)	70	405
Increase (Decrease) in accounts payable	279	(210)	255	2,512
Increase (Decrease) in rents received in advance	(1)	39	17	(9)
Cash payments of interest expense	(492)	(533)	(559)	(4,430)
Other, net	(6)	35	(186)	(54)
Net Cash Provided by Operating Activities	6,775	6,235	6,330	61,003
Cash Flows from Investing Activities:				
Payments for purchases of investment properties	(2,034)	(316)	(4,555)	(18,314)
Purchase of intangible assets	—	—	(0)	—
Payments for security deposits paid to lessors	(6)	—	—	(54)
Proceeds from tenant security deposits	298	299	526	2,683
Payments for tenant security deposits	(366)	(281)	(414)	(3,295)
Other, net	(5)	(3)	(6)	(45)
Net Cash Used in Investing Activities	(2,114)	(301)	(4,450)	(19,034)
Cash Flows from Financing Activities:				
Proceeds from short-term loans	37,000	37,000	46,000	333,153
Repayment of short-term loans	(36,000)	(35,000)	(48,000)	(324,149)
Proceeds from long-term loans	7,500	7,000	11,500	67,531
Repayment of long-term loans	(8,000)	(10,000)	(8,500)	(72,033)
Payment of distribution	(4,447)	(4,116)	(4,081)	(40,041)
Net Cash Used in Financing Activities	(3,947)	(5,116)	(3,081)	(35,539)
Net Change in Cash and Cash Equivalents	714	817	(1,201)	6,428
Cash and Cash Equivalents at the Beginning of the Period	7,666	6,849	8,050	69,025
Cash and Cash Equivalents at the End of the Period (Note 2)	¥ 8,380	¥ 7,666	¥ 6,849	\$ 75,454

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

Notes to Financial Statements

Nippon Accommodations Fund Inc.

March 1, 2018 to August 31, 2018, September 1, 2017 to February 28, 2018 and March 1, 2017 to August 31, 2017

Note 1 Organization and Basis of Presentation

Organization

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

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

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

As of August 31, 2018, NAF had ownership and/or beneficiary interests in 122 properties containing approximately 497,026 square meters of rentable space. As of August 31, 2018, NAF had leased approximately 482,470 square meters to tenants. The occupancy rate for the properties was approximately 97.1%.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Act on Investment Trusts and Investment Corporations and the Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (hereinafter "Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements have been restructured and translated into English from the financial statements of NAF prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language financial statements, but not required for fair presentation, is not presented in the accompanying financial statements. NAF does not prepare consolidated financial statements, as NAF has no subsidiaries.

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the approximate exchange rate on August 31, 2018, which was ¥111.06 to U.S.\$1.00. The convenience translation should not be construed as representation that the Japanese yen amounts have been, or could in future be, converted into U.S. dollars at this or any other rate of exchange.

Note 2 Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Investment Properties

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

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

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

Deferred Assets

Deferred assets are included in other assets.

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

Income Taxes

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

Real Estate Taxes

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

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

Even when a property is purchased on a date other than January 1 of any given calendar year, these taxes for that year are imposed on the seller. The buyer pays the seller the corresponding tax amounts for the period from the property's transfer date to December 31 of that year as part of the purchase prices of each property, and capitalizes these amounts as the cost of the property. Capitalized property tax for the period ended August 31, 2018 amounted to ¥4 million. No property tax was capitalized for the period ended February 28, 2018.

Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate

For trust beneficiary interests in real estate, all assets and liabilities associated with assets in trust as well as all income generated and expenses incurred from assets in trust are recorded in the relevant balance sheet and income statement accounts.

Note 3 Schedule of Investment Properties

Investment properties as of August 31, 2018 and February 28, 2018 consisted of the following:

	Yen in millions					
	As of August 31, 2018			As of February 28, 2018		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥ 127,027	¥ —	¥ 127,027	¥ 125,832	¥ —	¥ 125,832
Land in trust	56,784	—	56,784	56,784	—	56,784
Land including trust total	183,811	—	183,811	182,617	—	182,617
Buildings and improvements	93,255	(22,682)	70,572	92,633	(21,344)	71,288
Buildings and improvements in trust	36,232	(10,048)	26,184	36,080	(9,545)	26,535
Buildings and improvements including those in trust total	129,488	(32,731)	96,756	128,714	(30,890)	97,823
Structures	1,676	(871)	805	1,646	(832)	813
Machinery and equipment	2,049	(1,446)	603	2,045	(1,360)	684
Tools, furniture and fixtures	1,137	(985)	151	1,121	(973)	148
Construction in process	0	—	0	—	—	—
Structures in trust	1,121	(410)	711	1,121	(391)	730
Machinery and equipment in trust	566	(474)	91	562	(465)	97
Tools, furniture and fixtures in trust	424	(342)	81	415	(334)	81
Construction in process in trust	7	—	7	7	—	7
Other investment properties total	6,983	(4,531)	2,452	6,921	(4,357)	2,563
Total	¥ 320,282	¥ (37,262)	¥ 283,020	¥ 318,253	¥ (35,248)	¥ 283,004

Note 4 Short-Term Loans and Long-Term Debt

The annual interest rate on short-term loans as of August 31, 2018 was 0.1% and the rate as of February 28, 2018 was 0.1%. Long-term debt consists of the following:

	Yen in millions	
	As of August 31, 2018	As of February 28, 2018
Unsecured loans due 2018 to 2029 principally from banks and insurance companies with interest rates mainly ranging from 0.1% to 1.5%	¥140,500	¥141,000
	¥140,500	¥141,000

The annual maturities of long-term debt as of August 31, 2018 were as follows:

	Yen in millions
Due after one to two years	¥19,000
Due after two to three years	20,000
Due after three to four years	22,000
Due after four to five years	18,500
Due after five years	43,500

NAF currently has commitment line contracts of ¥10,000 million with two financial institutions. The unused amount of such commitment line was ¥10,000 million as of August 31, 2018.

Note 5 Unitholders' Capital

	As of August 31, 2018	As of February 28, 2018	As of August 31, 2017
Total number of common units authorized	4,000,000	4,000,000	4,000,000
Total number of common units issued and outstanding	484,522	484,522	484,522

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

Note 6 Rental Revenues and Expenses

Rental revenues and expenses for the periods ended August 31, 2018, February 28, 2018 and August 31, 2017 were as follows:

	Yen in millions		
	25th Period March 1, 2018 to August 31, 2018	24th Period September 1, 2017 to February 28, 2018	23rd Period March 1, 2017 to August 31, 2017
Revenues from Property Leasing:			
Rental:			
Rental revenues	¥ 10,044	¥ 9,985	¥ 9,812
Facility charge	475	474	473
Subtotal	10,519	10,460	10,286
Other revenues related to property leasing:			
Income from leasing rights, etc.	403	306	361
Miscellaneous income	124	103	127
Subtotal	527	410	488
Total revenues from property leasing	11,047	10,870	10,775
Rental Expenses:			
Property management fees	1,162	1,149	1,131
Repairs and maintenance	509	392	523
Real estate taxes	598	585	586
Trust fees	10	10	10
Utilities	120	117	115
Insurance	17	17	17
Depreciation and amortization	2,018	2,042	2,060
Leasing-related service fees, etc.	170	150	184
Other rental expenses	337	296	327
Total rental expenses	4,944	4,761	4,957
Operating income from property leasing activities	¥ 6,102	¥ 6,108	¥ 5,817

Note 7 Leases

NAF leases some of its investment properties to outside parties under non-cancelable operating leases. As of August 31, 2018 and February 28, 2018, future minimum rental revenues under the non-cancelable operating leases were as follows:

	Yen in millions	
	As of August 31, 2018	As of February 28, 2018
Due within one year	¥ 937	¥ 955
Due after one year	1,134	1,472
Total	¥2,071	¥2,427

Note 8 Income Taxes

NAF is subject to income taxes in Japan. The effective tax rates on NAF's income based on applicable Japanese tax law were 0.02%, 0.02% and 0.02% for the periods ended August 31, 2018, February 28, 2018 and August 31, 2017, respectively. The following table summarizes the significant differences between the statutory tax rates and NAF's effective tax rates for financial statement purposes.

	25th Period March 1, 2018 to August 31, 2018	24th Period September 1, 2017 to February 28, 2018	23rd Period March 1, 2017 to August 31, 2017
Statutory effective tax rate	31.74%	31.74%	31.74%
Deductible distributions paid	(31.73)	(31.73)	(31.73)
Others	0.01	0.01	0.01
Effective tax rate	0.02%	0.02%	0.02%

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of August 31, 2018, February 28, 2018 and August 31, 2017 were as follows:

	Yen in thousands		
	As of August 31, 2018	As of February 28, 2018	As of August 31, 2017
Deferred tax assets:			
Enterprise taxes	¥15	¥8	¥15
Total deferred tax assets	15	8	15
Net deferred tax assets	¥15	¥8	¥15

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

Note 9 Per Unit Information

Information about earnings per unit for the periods ended August 31, 2018, February 28, 2018 and August 31, 2017 and net assets per unit as of August 31, 2018, February 28, 2018 and August 31, 2017 were as follows.

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

	Yen		
	25th Period March 1, 2018 to August 31, 2018	24th Period September 1, 2017 to February 28, 2018	23rd Period March 1, 2017 to August 31, 2017
Earnings per Unit:			
Net income	¥9,161	¥9,178	¥8,497
Weighted average number of common units outstanding	484,522	484,522	484,522
	As of August 31, 2018	As of February 28, 2018	As of August 31, 2017
Net Assets per Unit	¥289,290	¥289,308	¥288,626

Note 10 Transactions with Related Parties

(March 1, 2018 - August 31, 2018)

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

(2)Affiliates: None applicable

(3)Sister Companies: None applicable

(4)Directors and Major Individual Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction (Yen in millions)	Account	Balance at the end of the period (Yen in millions)
Director and/or close relative	Tateyuki Ikura	Executive Director of NAF and President & CEO of MFAFM	Payment of asset management fee to MFAFM (Note 1)	¥832 (Note 2)	Accounts payable	¥880
			Payment for the provision of general administration relating to organizational management to MFAFM (Note 3)	¥0	—	—

- Notes: 1. Tateyuki Ikura entered into this transaction as a representative of MFAFM, and this amount is subject to the conditions set forth in the by-laws of NAF.
2. The amount of asset management fees includes ¥17 million of management fees related to acquisition of properties included in the book value of each investment property, etc.
3. Tateyuki Ikura entered into this transaction as a representative of MFAFM, and this amount is set forth in the "General Administration Agreement relating to Organizational Management" concluded between NAF and MFAFM.
4. "Amount of transaction" does not include consumption taxes.
"Balance at the end of the period" includes consumption taxes.

(September 1, 2017 - February 28, 2018)

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

(2)Affiliates: None applicable

(3)Sister Companies: None applicable

(4)Directors and Major Individual Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction (Yen in millions)	Account	Balance at the end of the period (Yen in millions)
Director and/or close relative	Tateyuki Ikura	Executive Director of NAF and President & CEO of MFAFM	Payment of asset management fee to MFAFM (Note 1)	¥806 (Note 2)	Accounts payable	¥870
			Payment for the provision of general administration relating to organizational management to MFAFM (Note 3)	¥0	—	—

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

(March 1, 2017 - August 31, 2017)

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

(2) Affiliates: None applicable

(3) Sister Companies: None applicable

(4) Directors and Major Individual Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction (Yen in millions)	Account	Balance at the end of the period (Yen in millions)
Director and/or close relative	Tateyuki Ikura	Executive Director of NAF and President & CEO of MFAFM	Payment of asset management fee to MFAFM (Note 1)	¥813 (Note 2)	Accounts payable	¥846
			Payment for the provision of general administration relating to organizational management to MFAFM (Note 3)	¥6	—	—

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

2. The amount of asset management fees includes ¥29 million of management fees related to acquisition of properties included in the book value of each investment property, etc.

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

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

Note 11 Financial Instruments

(March 1, 2018 – August 31, 2018)

1. Status of Financial Instruments

(1) Policy for Financial Instruments

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

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

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

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

(3) Supplemental Explanation regarding Fair Values of Financial Instruments

The fair value of financial instruments is based on their observable market value, if available. When there is no observable market value available, fair value is based on a price that is reasonably estimated. Since various factors are reflected in estimating the fair value, different assumptions and factors could result in a different value.

2. Estimated Fair Value of Financial Instruments

Book value, fair value and the difference between the two as of August 31, 2018 were as follows. The financial instruments for which it is very difficult to estimate the fair value are excluded from the following table (See Note 2, below).

	Yen in millions		
	Book value	Fair value	Difference
Assets			
(1) Cash and cash equivalents	¥ 8,380	¥ 8,380	¥ —
Total	¥ 8,380	¥ 8,380	¥ —
Liabilities			
(1) Short-term loans	¥ 7,000	¥ 7,000	¥ —
(2) Long-term loans due within one year	17,500	17,572	72
(3) Long-term loans	123,000	125,003	2,003
Total	¥ 147,500	¥ 149,575	¥ 2,075

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

Assets:

(1) Cash and cash equivalents

Book values of these instruments are used to determine their fair values, as the book values are considered to approximate fair values because these instruments are settled within a short-term period.

Liabilities:

(1) Short-term loans

Book values of these instruments are used to determine their fair values, as the book values are considered to approximate fair values because these instruments are settled within a short-term period.

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

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

2. Financial instruments for which it is very difficult to estimate the fair value

Yen in millions	
	Book value
Tenant security deposits	¥3,663

Security deposits from tenants are not subject to fair value disclosure because they are not marketable, and the actual deposit period is not estimable as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease contract, making a reasonable estimate of future cash flows difficult.

3. Redemption schedule for monetary claims with maturity dates after August 31, 2018

Yen in millions	
	Due within one year
Cash and cash equivalents	¥8,380

4. Repayment schedule for loans after August 31, 2018

	Yen in millions					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Short-term loans	¥ 7,000	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans	17,500	19,000	20,000	22,000	18,500	43,500
Total	¥ 24,500	¥ 19,000	¥ 20,000	¥ 22,000	¥ 18,500	¥ 43,500

(September 1, 2017 – February 28, 2018)

1. Status of Financial Instruments

Same as above.

2. Estimated Fair Value of Financial Instruments

Book value, fair value and the difference between the two as of February 28, 2018 were as follows. The financial instruments for which it is very difficult to estimate the fair value are excluded from the following table (See Note 2, below).

	Yen in millions		
	Book value	Fair value	Difference
Assets			
(1) Cash and cash equivalents	¥ 7,666	¥ 7,666	¥ —
Total	¥ 7,666	¥ 7,666	¥ —
Liabilities			
(1) Short-term loans	¥ 6,000	¥ 6,000	¥ —
(2) Long-term loans due within one year	17,000	17,079	79
(3) Long-term loans	124,000	126,361	2,361
Total	¥ 147,000	¥ 149,441	¥ 2,441

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

Assets:

(1) Cash and cash equivalents

Book values of these instruments are used to determine their fair values, as the book values are considered to approximate fair values because these instruments are settled within a short-term period.

Liabilities:

(1) Short-term loans

Book values of these instruments are used to determine their fair values, as the book values are considered to approximate fair values because these instruments are settled within a short-term period.

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

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

2. Financial instruments for which it is very difficult to estimate the fair value

Yen in millions	
	Book value
Tenant security deposits	¥3,731

Security deposits from tenants are not subject to fair value disclosure because they are not marketable, and the actual deposit period is not estimable as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease contract, making a reasonable estimate of future cash flows difficult.

3. Redemption schedule for monetary claims with maturity dates after February 28, 2018

Yen in millions	
	Due within one year
Cash and cash equivalents	¥7,666

4. Repayment schedule for loans after February 28, 2018

	Yen in millions					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Short-term loans	¥ 6,000	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans	17,000	18,000	19,500	20,000	19,000	47,500
Total	¥ 23,000	¥ 18,000	¥ 19,500	¥ 20,000	¥ 19,000	¥ 47,500

Note 12 Investment and Rental Properties

(March 1, 2018 – August 31, 2018)

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

Yen in millions			
Book value			Fair value
As of March 1, 2018	Change during the 25th Period	As of August 31, 2018	As of August 31, 2018
¥283,613	¥15	¥283,628	¥349,181

- Notes: 1. "Book value" is the acquisition cost inclusive of acquisition expenses less accumulated depreciation and excluding expenses for construction in process.
 2. In "Change during the 25th Period," the main factor for the increase in book value was the acquisition of properties for ¥1,770 million. The main factor for the decrease in book value was depreciation.
 3. "Fair value as of August 31, 2018" is based on appraisals provided by independent real estate appraisers.

Information about profit and loss from investment and rental properties for the period ended August 31, 2018 is disclosed in Note 6, Rental Revenues and Expenses.

(September 1, 2017 – February 28, 2018)

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

Yen in millions			
Book value			Fair value
As of September 1, 2017	Change during the 24th Period	As of February 28, 2018	As of February 28, 2018
¥285,338	¥(1,725)	¥283,613	¥343,922

- Notes: 1. "Book value" is the acquisition cost inclusive of acquisition expenses less accumulated depreciation and excluding expenses for construction in process.
 2. In "Change during the 24th Period," the main factor for the decrease in book value was depreciation.
 3. "Fair value as of February 28, 2018" is based on appraisals provided by independent real estate appraisers.

Information about profit and loss from investment and rental properties for the period ended February 28, 2018 is disclosed in Note 6, Rental Revenues and Expenses.

Note 13 Segment Information

(March 1, 2018 – August 31, 2018)

1. Segment Information

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

2. Related Information

(1) Information by Products and Services

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

(2) Information by Geographic Areas

1) Operating revenues

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

2) Investment properties

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

(3) Information on Major Tenants

Tenant	Operating revenues (Yen in millions)	Related segment
Mitsui Fudosan Residential Lease Co., Ltd.	¥10,514	Real estate leasing business

(September 1, 2017 – February 28, 2018)

1. Segment Information

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

2. Related Information

(1) Information by Products and Services

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

(2) Information by Geographic Areas

1) Operating revenues

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

2) Investment properties

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

(3) Information on Major Tenants

Tenant	Operating revenues (Yen in millions)	Related segment
Mitsui Fudosan Residential Lease Co., Ltd.	¥10,337	Real estate leasing business

(March 1, 2017 – August 31, 2017)

1. Segment Information

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

2. Related Information

(1) Information by Products and Services

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

(2) Information by Geographic Areas

1) Operating revenues

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

2) Investment properties

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

(3) Information on Major Tenants

Tenant	Operating revenues (Yen in millions)	Related segment
Mitsui Fudosan Residential Lease Co., Ltd.	¥10,279	Real estate leasing business

Note 14 Significant Subsequent Events

None applicable

Independent Auditor's Report



Independent Auditor's Report

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

We have audited the accompanying financial statements of Nippon Accommodations Fund Inc. (a Japanese Real Estate Investment Trust), which comprise the balance sheets as at August 31, 2018 and February 28, 2018 and the statements of income, statements of changes in net assets and statements of cash flows for each of the six months ended August 31, 2018, February 28, 2018 and August 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nippon Accommodations Fund Inc. as at August 31, 2018 and February 28, 2018, and its financial performance and cash flows for each of the six months ended August 31, 2018, February 28, 2018 and August 31, 2017 in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying financial statements with respect to the period ended August 31, 2018 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.

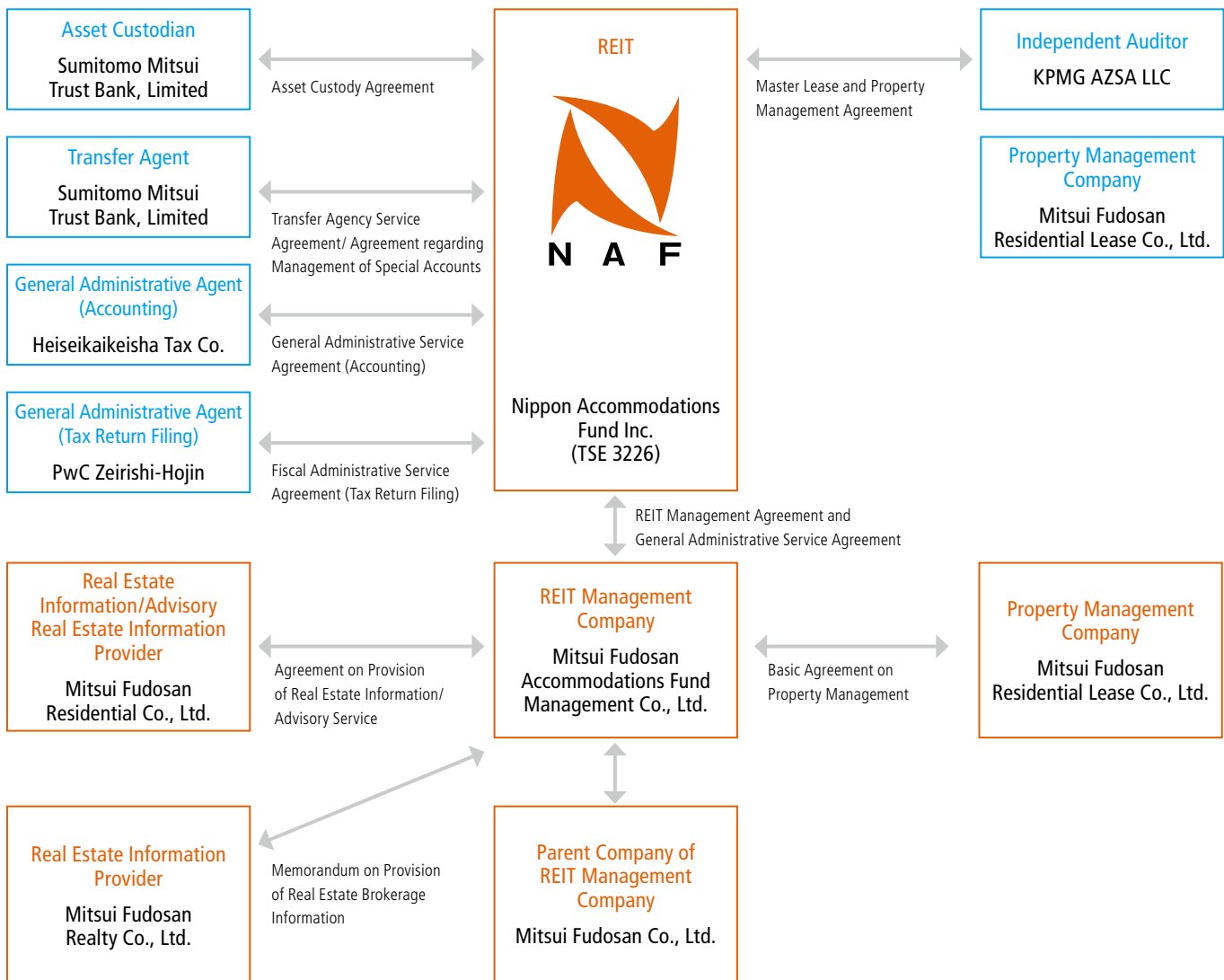
KPMG AZSA LLC

November 28, 2018
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Summary of REIT

Structure of REIT (as of August 31, 2018)



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

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

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

Summary of Asset Management Company

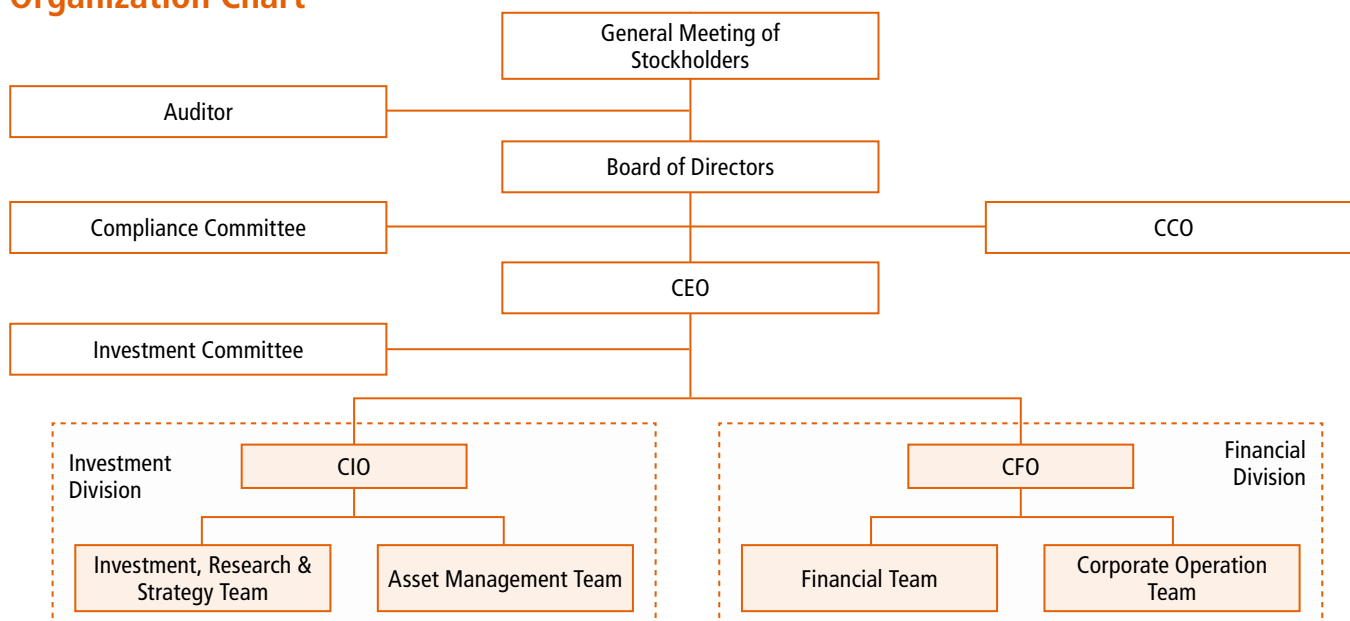
Summary of Asset Management Company (as of August 31, 2018)

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

History

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

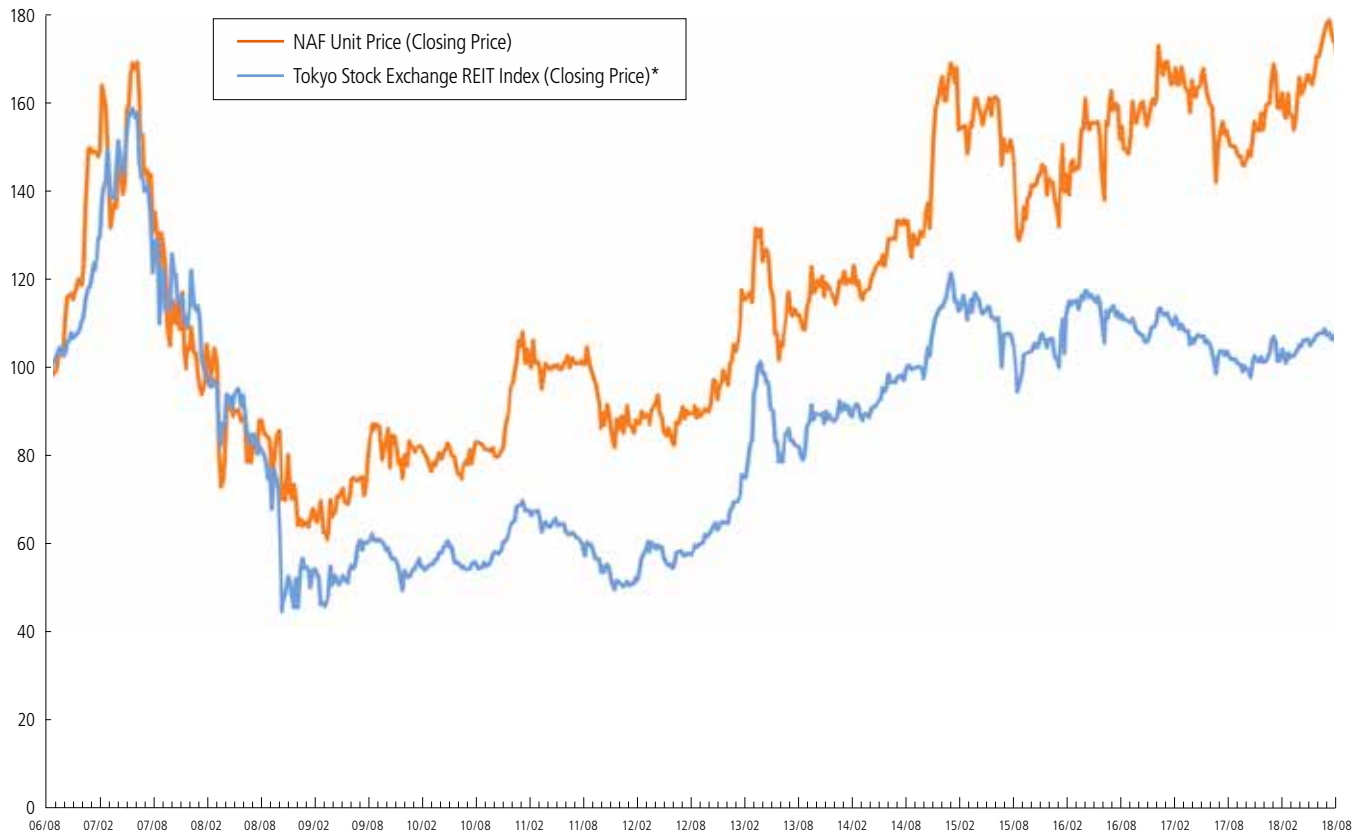
Organization Chart



Status of Unitholders

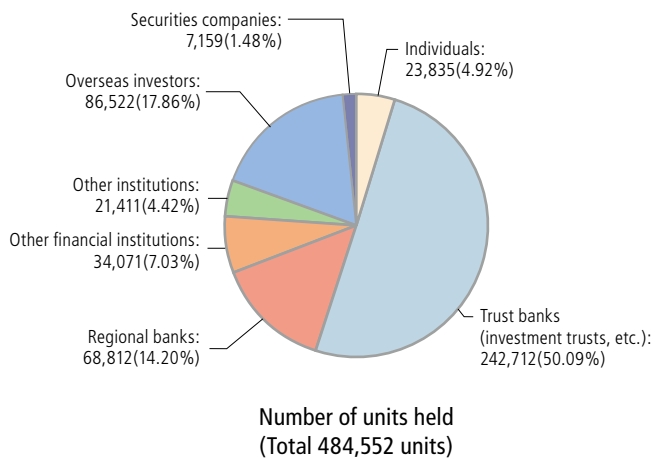
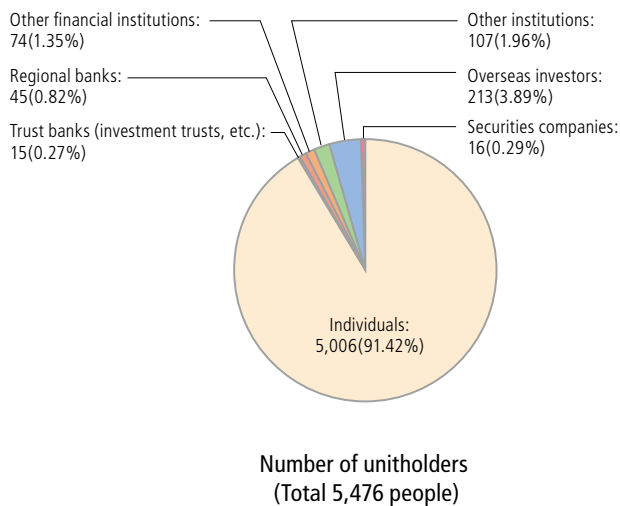
Historical Unit Price since IPO

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



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

Composition and Distribution of Unitholders (as of August 31, 2018)



Disclaimer

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

This English document contains selected information including a partial translation of the Securities Report (Yuka shoken hokokusho) filed on November 30, 2018 pursuant to the Financial Instruments and Exchange Law of Japan, and the Financial Statements and Performance Information Report for the period from March 1, 2018 to August 31, 2018 of Nippon Accommodations Fund Inc. prepared pursuant to the Act on Investment Trusts and Investment Corporations. This document should not be deemed a summary of the above mentioned Securities Report and the Financial Statements and Performance Information Report. Nippon Accommodations Fund Inc. has exercised due care in providing the information in this document, but does not guarantee its accuracy or completeness.

The contents of this document do not constitute an offer to sell or solicitation of an offer to buy or sell any securities of Nippon Accommodations Fund Inc. or otherwise, nor is it advice or the recommendation of Nippon Accommodations Fund Inc. to enter into any transaction. Factors including changes in the price or earning capacity of real estate under management, or worsening of the financial condition of the issuing entity, may cause the trading price of real estate investment securities to drop, resulting in a loss for the investor. Investment decisions should be based on your own judgment and responsibility. Please consult with a securities company regarding the purchase of units or investment corporation bonds of Nippon Accommodations Fund Inc.

English terms for Japanese legal, accounting, tax and business concepts used herein may not be precisely identical to the concept of the equivalent Japanese terms. If there exist any discrepancies in the meaning or interpretation with respect to any and all terms herein including, without limitation, financial statements, between the original Japanese

documents and English statements contained herein, the original Japanese documents will always govern the meaning and interpretation. None of Nippon Accommodations Fund Inc., Mitsui Fudosan Accommodations Fund Management Co., Ltd. or any of their respective directors, officers, employees, partners, unitholders, agents, parent company or affiliates will be responsible or liable for the completeness, appropriateness or accuracy of English translations contained in this document. No person has been authorized to give any information or make any representations other than as contained in this document in relation to the matters set out in this document, and if given or made, such information or representation must not be relied upon as having been authorized by Nippon Accommodations Fund Inc., Mitsui Fudosan Accommodations Fund Management Co., Ltd. or any of their respective directors, officers, employees, partners, unitholders, agents, parent company or affiliates.

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.

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