



Our Accommodations Consistently Create Value

4th Period

NAF Report | September 2007 – February 2008

Profile

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

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

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Financial Highlights

| | Yen in millions (Except per unit data or where otherwise indicated) | | | U.S. dollars in thousands (Note 1) (Except per unit data) |
|---|---|---|---|---|
| | 4th Period September 1, 2007 to February 29, 2008 | 3rd Period March 1, 2007 to August 31, 2007 | 2nd Period April 1, 2006 to February 28, 2007 | 4th Period September 1, 2007 to February 29, 2008 |
| Total revenues (Note 2) | ¥ 4,092 | ¥ 3,524 | ¥ 5,072 | \$ 39,053 |
| Income before income taxes | 1,631 | 1,448 | 2,030 | 15,566 |
| Net income | 1,630 | 1,447 | 2,028 | 15,556 |
| Funds from operations (Note 3) | 2,361 | 2,055 | 2,873 | 22,533 |
| Net operating income from property leasing activities (Note 3) | 3,317 | 2,806 | 4,131 | 31,657 |
| Total amount of cash distribution (a) | 1,630 | 1,447 | 2,028 | 15,556 |
| Total assets | 129,969 | 114,366 | 108,097 | 1,240,399 |
| Total liabilities | 67,360 | 51,940 | 45,090 | 642,871 |
| Total net assets (b) | 62,609 | 62,426 | 63,007 | 597,528 |
| LTV (Loan-to-value) ratio (Note 3) | 49.6% | 43.3% | 39.3% | |
| Total number of common units issued (units) (c) | 113,480 | 113,480 | 113,480 | |
| Net assets per unit (Yen/\$) (b) / (c) | 551,717 | 550,102 | 555,223 | 5,265.48 |
| Distribution per unit (Yen/\$) (a) / (c) | 14,366 | 12,750 | 17,871 | 137.11 |
| Funds from operations per unit (Yen/\$) (Note 3) | 20,809 | 18,106 | 25,359 | 198.60 |

Notes 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥104.78 = U.S.\$1.00 in effect on February 29, 2008.

2. Total revenues do not include consumption taxes.

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

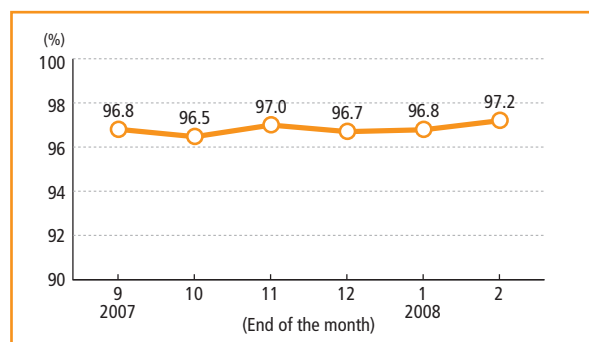
Net operating income from property leasing activities: (Revenue from property leasing – Rental expenses) + Depreciation and amortization

LTV ratio: Interest-bearing debt ÷ Total assets

Funds from operations per unit:

(Net income + Depreciation and amortization – Gain on sale of investment properties) ÷ Total number of units issued and outstanding at end of period

Occupancy Rate (Portfolio average)



NAF's properties have maintained a stable high occupancy rate since its listing on the Tokyo Stock Exchange.

Ratings (As of February 29, 2008)

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

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

NAF Snapshot

(As of February 29, 2008)

Profitability

| | |
|---------|---|
| 97.2% | An occupancy rate of 97.2 percent |
| 5.4% | Net operating income (NOI) yield* of 5.4 percent |
| ¥14,366 | Distribution per unit of ¥14,366 for the 4th Period |

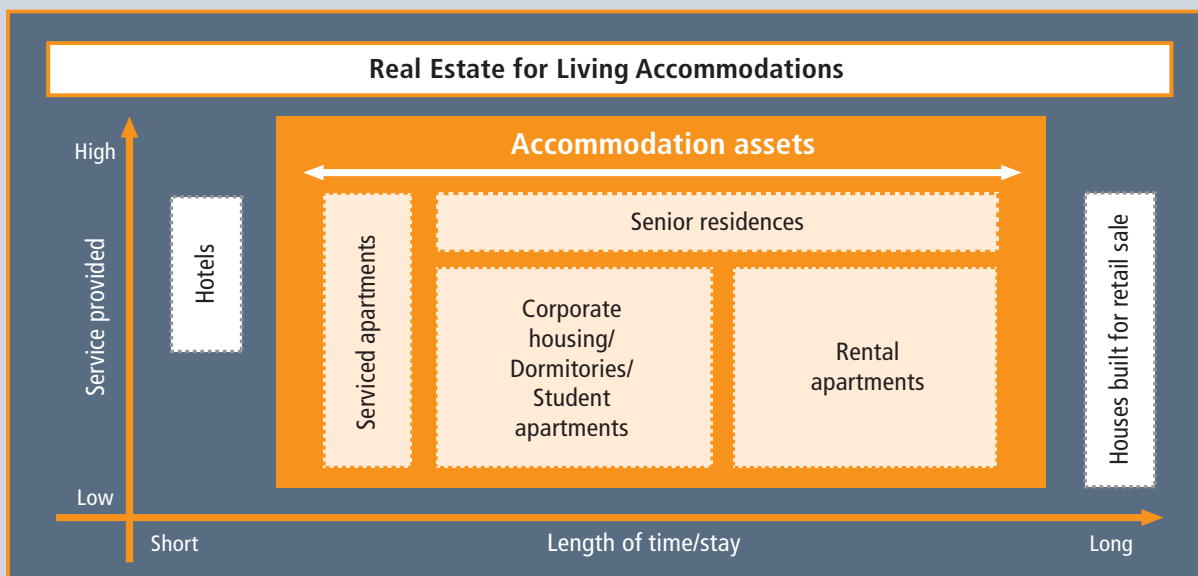
Outstanding Portfolio

| | |
|---|--|
| ¥123,246 million | Steady portfolio expansion to 37 properties with a total acquisition value of ¥123,246 million |
| 168,959.94m ² / 3,735 units | 3,735 units with a total rentable area of 168,959.94m ² |
| 92.0% | 92.0 percent of portfolio located in the 23 wards of Tokyo |

Stability

| | |
|------------|--|
| A1, AA, A+ | Rated A1 by Moody's; AA by Rating and Investment Information; and A+ (Long-term) and A-1 (Short-term) by Standard and Poor's |
| 49.6% | LTV (Loan-to-Value) ratio of 49.6 percent, long-term fixed ratio of 80.6 percent |

* Weighted average of annual NOI yield on the acquisition value of each property.



Real estate for living accommodations is classified in relation to two axes, "length of time/stay" and "service provided." Accommodation assets are defined as rental apartments, corporate housing, dormitories/student apartments, serviced apartments and senior residences.

NAF's Two Core Strategies

1. Investment in Accommodation Assets

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

Objective: to maximize the value of accommodation assets by providing accommodations that satisfy diverse tenant needs

2. Utilization of the Mitsui Fudosan Group

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

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

To Our Stakeholders

The six months ended February 29, 2008 (the “4th Period”) was the third period since Nippon Accommodations Fund Inc. (“NAF”) listed its investment units on the Tokyo Stock Exchange. NAF performed well during the 4th Period, acquiring seven properties and achieving an occupancy rate of 97.2 percent as of the end of the period. Looking forward, NAF will use the Mitsui Fudosan Group’s pipeline to steadily expand its portfolio by acquiring highly strategic properties.

Market Environment and 4th Period Performance

Since last year, the Japanese real estate investment trust (J-REIT) market has remained weak, impacted by declines in stock markets worldwide stemming from the subprime mortgage crisis in the United States. However, in the residential rental market in the 23 wards of Tokyo, demand remained stable during the six months ended February 29, 2008 due to factors including the ongoing population influx from other areas and the increasing number of single and two-person households. The same factors are projected to drive the development of the residential rental markets in Japan’s major regional cities. New development has been increasing the supply of rental housing in recent years, despite residential building statistics from the Ministry of Land, Infrastructure, Transport and Tourism suggesting a temporary drop in the total number of construction starts for rental apartments in 2007. However, the overall balance of supply and demand remains stable, due to the demolition of existing stock including aging properties such as company housing and dormitories. The supply of rental housing featuring outstanding location, management and facilities is still limited in number, and occupancy rates and rents have been rising moderately at such highly competitive properties. Land prices have been increasing, particularly in central Tokyo, amid intensifying competition to acquire properties. However, there are signs of a drop in demand to acquire properties, reflecting the changing conditions in the real estate market.



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

In this environment, NAF acquired seven properties valued at ¥15,012 million during the 4th Period, and as of February 29, 2008 its portfolio consisted of 37 properties valued at ¥123,246 million on an acquisition price basis, compared with ¥108,234 million as of the end of the previous period. The overall occupancy rate was 97.2 percent as of February 29, 2008, compared with 96.9 percent at the end of the previous period.

As a result, total revenues were ¥4,092 million (compared with ¥3,524 million for the previous period), operating income was ¥2,103 million (compared with ¥1,795 million for the previous period) and net income was ¥1,630 million (compared with ¥1,447 million for the previous period). Distribution per unit totaled ¥14,366 (compared with ¥12,750 for the previous period) and exceeded projections announced along with results for the 3rd Period.

4th Period Initiatives

During the 4th Period, NAF made use of its pipeline of properties from its sponsor Mitsui Fudosan Co., Ltd. and others to acquire seven properties in the Park Axis series.

In addition, cooperation between NAF's REIT management company, Mitsui Fudosan Accommodations Fund Management Co., Ltd., and its master property management company, Mitsui Fudosan Housing Lease Co., Ltd., supported leasing tailored to the unique features of each property and each location. At the Okawabata Apartment Communities, we worked to raise both the level of service that staff can provide to residents and the property's market competitiveness. Our efforts included completion of a large-scale exterior renovation program at the River Point Tower and the start of similar construction work on Park Side Wings. Moreover, we completed interior renovation work on the Pier West House community and leasing office. Flexible use of our new portfolio management system that began full-scale operation in the

previous period supported greater speed for tenant solicitation activities geared to each individual property.

4th Period Highlights

- Seven properties acquired
- Occupancy rate remains high at 97.2%
- Issued corporate bonds in November 2007

NAF procured a total of ¥15,000 million from several financial institutions to fund the acquisition of properties during the 4th Period. Subsequently, we issued our first series of unsecured bonds (total ¥10,000 million, 7-year term) with the objectives of repaying existing borrowings and increasing the ratio of fixed-rate, long-term debt to total interest-bearing debt. As a result, interest-bearing debt as of February 29, 2008 totaled ¥64,500 million, and NAF's loan-to-value (LTV) ratio stood at 49.6 percent, compared with 43.3 percent at the end of the previous period. NAF secured long-term, fixed-rate loans, which accounted for 80.6 percent of NAF's interest-bearing debt as of February 29, 2008, compared with 68.7 percent at the end of the previous period.

Future Initiatives

NAF manages its high-quality portfolio with an emphasis on stability, and works to achieve steady external and internal growth.

Our strategy for external growth entails steady expansion of our portfolio through the acquisition of properties in the Park Axis and the Park Cube series. We are currently structuring our portfolio with a greater weighting of single and compact apartments, from which we can expect a high occupancy rate. In addition, we are selectively investing in areas adjacent to central Tokyo as well as in regional cities, aiming to steadily acquire properties while

| | 4th Period (Actual) (Ended February 29, 2008) | 5th Period (Forecast) (Ending August 31, 2008) |
|-----------------------------|--|---|
| Total revenues | ¥4,092 million | ¥4,507 million |
| Operating income | ¥2,103 million | ¥2,225 million |
| Net income | ¥1,630 million | ¥1,631 million |
| Distribution per unit (Yen) | ¥14,366 | ¥14,370 |
| Assets under management | | |
| Acquisition price basis | ¥123,246 million | ¥140,001 million |
| Number of properties | 37 | 44 |

avoiding excessive price competition. Under this policy, NAF has already acquired seven properties in the 5th Period (March 1, 2008 to August 31, 2008).

During the 4th Period, our strategy for internal growth included strengthening the brand penetration of both the Park Axis and Park Cube series to heighten their recognition in the real estate rental market. Moreover, with an optimized operational and management structure that makes use of the expertise of each company in the Mitsui Fudosan Group, NAF uses additional strategic investment to maintain asset value over the long term in order to maintain or raise its rents and occupancy rate.

Regarding financial strategy, while our upper limit for the LTV ratio is 60 percent, we expect to operate with an LTV ratio in the 40 to 50 percent range. We will continue to implement a strategy that emphasizes long-term, fixed-rate funding in response to the risk of rising interest rates and refinancing risk. We will give due consideration to the most appropriate issue of bonds within this limit in order to increase the diversity and flexibility of our funding.

NAF is committed to earning the trust of unitholders and all stakeholders, and is therefore strengthening corporate governance while working toward achieving a more thoroughgoing stance of legal compliance.

Outlook

During the 5th Period, we expect the initiatives discussed above to result in total revenues of ¥4,507 million, operating income of ¥2,225 million, net income of ¥1,631 million, and distribution per unit of ¥14,370. This forecast is valid as of April 2008 and assumes that NAF will not acquire or exchange any additional properties and will not issue new units during the 5th Period.

NAF will continue to invest in accommodation assets and will make use of the Mitsui Fudosan Group's pipeline to expand its portfolio by acquiring high-quality properties. We also aim to maximize unitholder value through effective management and brand strategies that enhance competitiveness.

June 2008



Nobuyuki Nakai

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



Our Accommodations Consistently Create Value

Through selective investment and advanced operating expertise, NAF has maintained high revenues and income and aims to continue making steady progress.

External Growth

NAF will steadily expand its portfolio centered on the acquisition of properties in the Park Axis series. Implementation of NAF's strategy is aimed at raising the value of its properties.

→ page 8

Internal Growth

NAF's REIT management company, Mitsui Fudosan Accommodations Fund Management Co., Ltd., and its master property management company, Mitsui Fudosan Housing Lease Co., Ltd., work together to conduct quick and efficient leasing activities. The construction of a highly profitable portfolio forms the basis for increasing rents and occupancy rates.

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Value Chain

NAF believes it can secure stable profits by fully and actively deploying the single organic value chain of the Mitsui Fudosan Group.

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External Growth

NAF selectively invests in assets with the location, scale and facilities that will maintain NAF's position of strength and competitiveness in the real estate leasing market over the medium-to-long term. Based on its powerful pipeline, NAF aims for steady growth in the future through stable acquisitions of properties.

NAF was established with assets under management valued at approximately ¥38,989 million. NAF's portfolio had increased to ¥101,385 million when NAF listed its units, and at the end of the 4th Period, assets under management had expanded to ¥123,246 million. During the 5th Period, NAF has completed the acquisition of properties valued at approximately ¥15.0 billion. The value of assets under management at the end of the 5th Period, including properties under contract scheduled for acquisition by the end of the period, is projected to total approximately ¥140 billion.

Looking forward, NAF aims to consistently expand its portfolio by steadily acquiring properties.

Acquiring Highly Strategic Properties

➤ Increasing the Proportion of Single and Compact Units to Total Units

The need for single and compact rental housing in major urban centers among single adults and couples is expanding steadily. NAF has therefore aimed to stably increase profits by raising the proportion of single and compact apartments in its portfolio.

➤ Acquisitions in Areas Adjacent to Central Tokyo

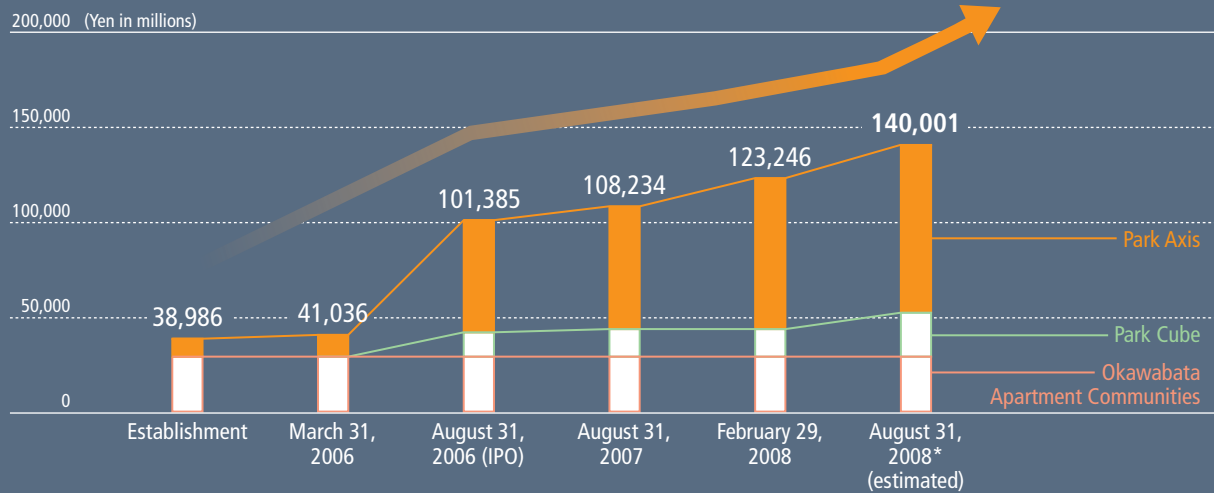
Competition to acquire investment properties has become increasingly intense in central Tokyo, which has caused returns from property management to decrease. NAF is therefore increasing investments in sub-central Tokyo* with the objective of expanding opportunities to acquire highly profitable properties.

➤ Selective Investment in Major Regional Cities

With needs similar to the 23 wards of Tokyo, there is steady demand for rental housing in the central areas of major regional cities including Fukuoka and Nagoya. NAF is expanding investment in these areas, limited to properties it judges to be highly competitive in terms of location and quality.

* Sub-central Tokyo: Refers to the areas outside central Tokyo (which consists of the five central wards of Tokyo – Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, and Shibuya-ku – plus Bunkyo-ku) that have convenient access to transportation, mainly in the northern and eastern parts of the city (Taito-ku, Kita-ku, Itabashi-ku and others).

Asset Growth (Acquisition Price Basis)



* Assets acquired and assets scheduled for acquisition (contracts concluded) as of April 14, 2008 have been added to total assets as of August 31, 2008 (acquisition price basis).

Progress in Brand Strategy



► Park Axis: Steady Growth through Ongoing Acquisitions from Mitsui Fudosan

The Park Axis series is the core of NAF's external growth strategy. Taking advantage of Mitsui Fudosan's many years of expertise, the numerous properties in the series are both competitive and attractive to customers. The Park Axis series is also distinguished by its quality, based on exacting quality control and management from the construction stage. NAF aims to continue its steady acquisition of properties in the series.



► Park Cube: Selective Acquisitions Based on Extensive Property Information

Properties in the Park Cube series are carefully selected according to NAF's specific acquisition criteria based on extensive information from the Mitsui Fudosan Group's extensive real estate information network and NAF's own information channels. NAF will continue to follow a policy of selectively investing in properties that will retain sufficient quality, making use of the technical support of Mitsui Fudosan.

Internal Growth

NAF manages its leasing business to maintain a high occupancy rate and will work to increase profitability in ways such as raising rents on new contracts. Based on an optimized management and operating structure that makes use of the expertise of each company in the Mitsui Fudosan Group, NAF will work to maintain and improve asset value over the long term.

The occupancy rate of properties in NAF's portfolio at the end of the 4th Period (February 29, 2008) remained at the high level of 97.2 percent. NAF has maintained a high occupancy rate since its Tokyo Stock Exchange listing in August 2006, reaching 97.2 percent at the end of the 2nd Period and 96.9 percent at the end of the 3rd Period. This is the result of the highly competitive power of our assets, represented by the Park Axis series developed by Mitsui Fudosan, together with the quick and efficient leasing activities conducted by NAF's REIT management company, Mitsui Fudosan Accommodations Fund Management Co., Ltd. and its master property management company, Mitsui Fudosan Housing Lease Co., Ltd.

Dynamic Earnings Capability

Changes in Rents for 4th Period Contracts

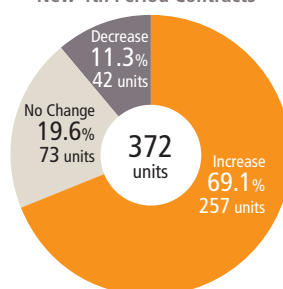
New Contracts (372 Units)

| Increase | No Change | Decrease |
|-----------------------|---|----------|
| 257 units | 73 units | 42 units |
| Total change in rents | Total tenant rents before new contracts | Change |
| ¥1,516,000 | ¥66,545,000 | 2.3% |

Total (856 units) including renewals (484 units)

| Total change in rents | Total tenant rents before new contracts | Change |
|-----------------------|---|--------|
| ¥1,501,000 | ¥166,136,000 | 0.9% |

Changes in Rents for New 4th Period Contracts



NAF increases rents for its new tenants, within a reasonable framework in line with market conditions. During the 4th Period, NAF increased rents for 69 percent of 372 units that changed tenants. This trend of raising rent at the turnover of a unit has continued since the 2nd Period.

Rent trends

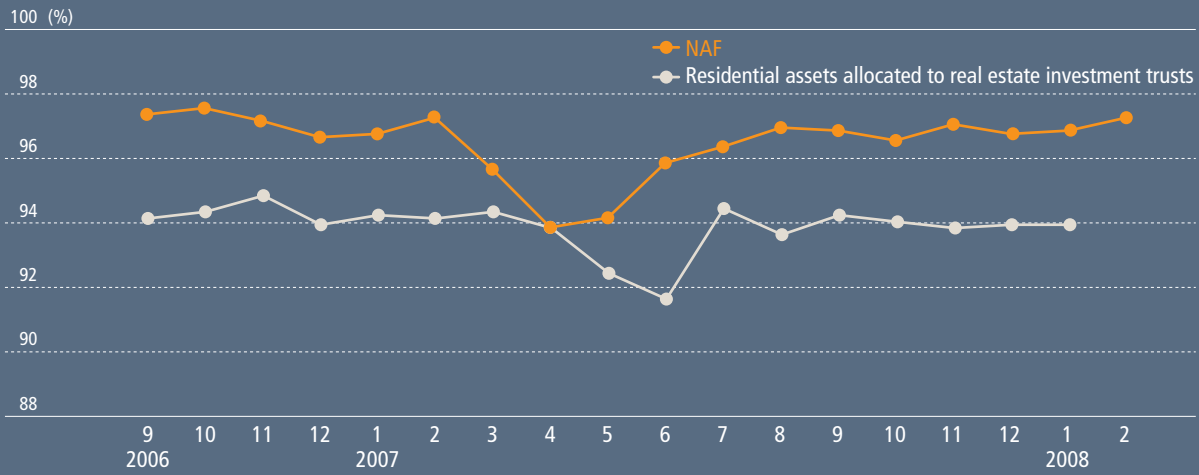
New Contracts (372 Units)

| | 2nd Period | 3rd Period | 4th Period |
|---|-------------|-------------|-------------|
| Number of units | 339 units | 354 units | 372 units |
| (Percentage of units with increased rent) | 67.2% | 73.4% | 69.1% |
| Total change in rents | ¥634,000 | ¥829,000 | ¥1,516,000 |
| Total tenant rents before new contracts | ¥69,865,000 | ¥69,102,000 | ¥66,545,000 |
| Change | 0.9% | 1.2% | 2.3% |

Total Including Renewals

| | 2nd Period | 3rd Period | 4th Period |
|---|--------------|--------------|--------------|
| Number of units | 660 units | 654 units | 856 units |
| Total change in rents | ¥745,000 | ¥876,000 | ¥1,501,000 |
| Total tenant rents before new contracts | ¥145,266,000 | ¥140,254,000 | ¥166,136,000 |
| Change | 0.5% | 0.6% | 0.9% |

Occupancy Rates of NAF-Managed Assets and Total J-REIT-Managed Residential Assets

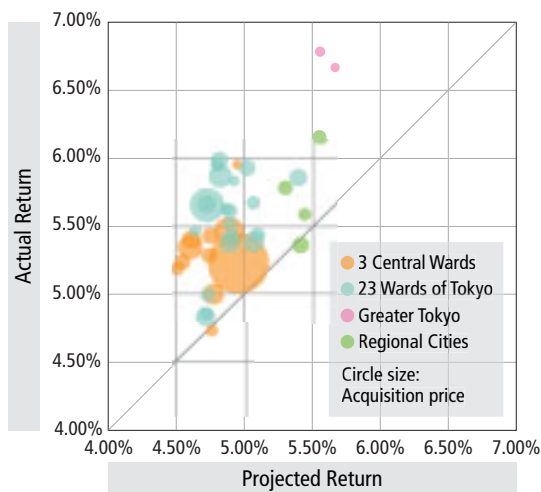


*The Investment Trusts Association, Japan, "Property Data of Real Estate Investment Trusts"

Structuring a Highly Profitable Portfolio

As of the end of the 4th Period, overall net operating income (NOI) yield on NAF's portfolio, calculated as annualized leasing income before depreciation and amortization divided by the acquisition value of the portfolio, was approximately 5.4 percent. Return on appraised value, calculated as the ratio of NOI to the appraised value derived using the capitalization rate, was approximately 4.9 percent. Moreover, all NAF properties have solid baseline returns, with NOI yield for individual buildings ranging from 4.7 percent to 6.8 percent. These results demonstrate that NAF has structured a highly profitable portfolio.

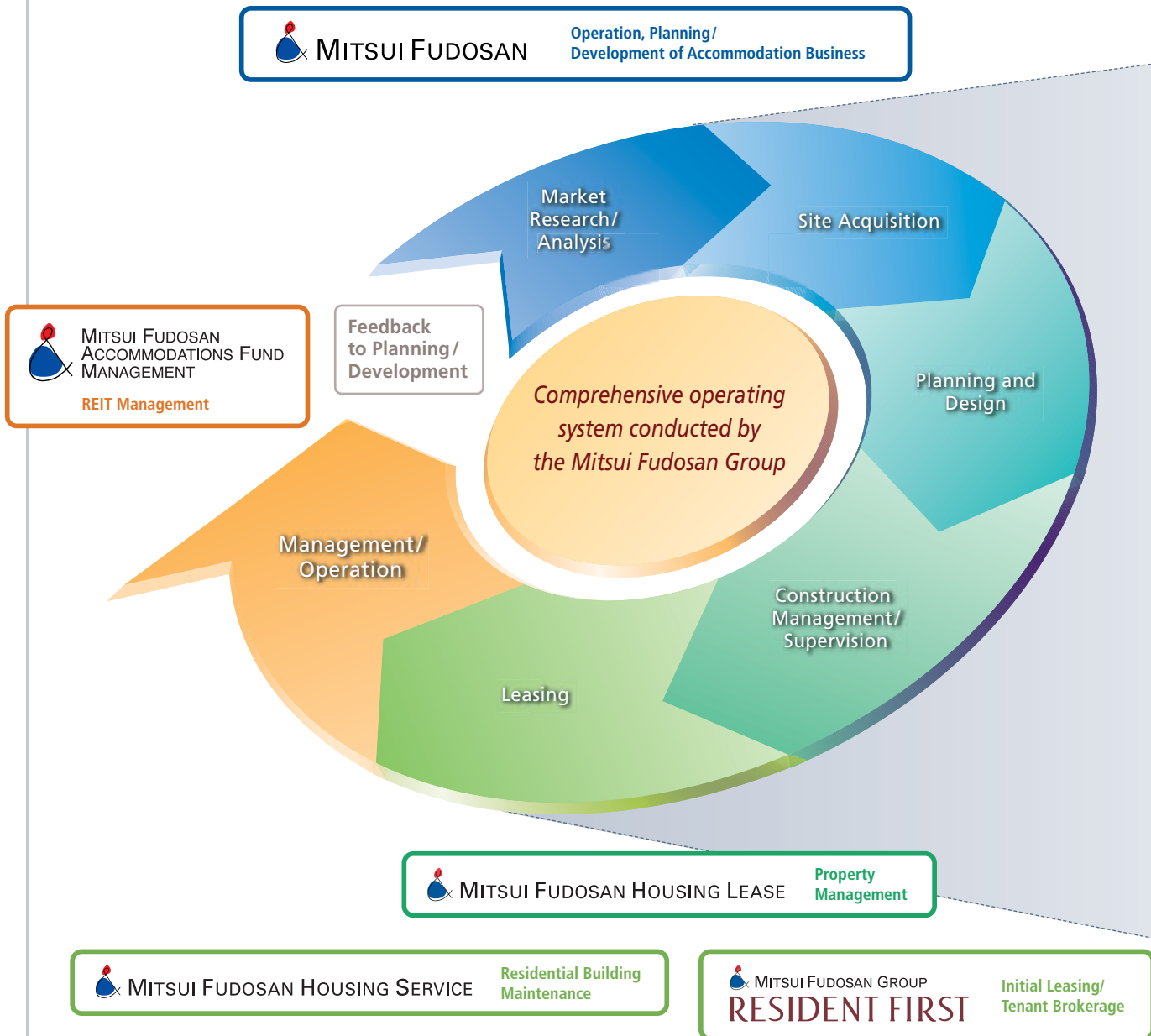
Distribution of Projected and Actual Return

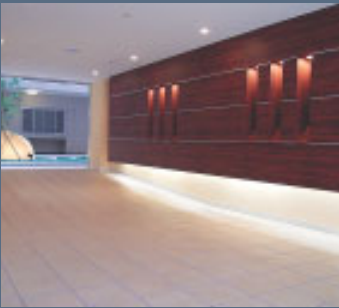


As of the end of the 4th Period, overall net operating income (NOI) yield on NAF's portfolio, calculated as annualized leasing income before depreciation and amortization divided by the acquisition value of the portfolio, was approximately 5.4 percent. Return on appraised value, calculated as the ratio of NOI to the appraised value derived using the capitalization rate, was approximately 4.9 percent. Moreover, all NAF properties have solid baseline returns, with NOI yield for individual buildings ranging from 4.7 percent to 6.8 percent. These results demonstrate that NAF has structured a highly profitable portfolio.

Value Chain

NAF is securing steady profits through the full and active use of the Mitsui Fudosan Group's value chain from planning and development to management and operation of accommodation assets.





Market Research / Analysis

Analysis of supply and demand trends using statistical data, occupancy surveys of new properties and fixed property observation. Examination of micro market characteristics and needs based on representative data, real estate brokers' opinions, and historical occupancy and rental data.

Site Acquisition

Development of site acquisition strategy based on macro market and potential demand trends. An extensive site information database supports property development capabilities of all types from small buildings to complexes and large development projects.

Planning and Design

Targeting of customers and development of property concepts according to purpose, number of residents, family structure and lifestyle. Strategic planning covers specifications, grades and tastes suitable for target demographics and concepts, as well as design, safety, function, operation and maintenance.

Construction Management / Supervision

Management of the design and construction process using real estate development expertise gained from tenant feedback. Quality control includes a rental apartment construction and design checklist, and frequent on-site meetings and checks by professionals in construction, structures and facilities.

Leasing

The leasing process includes individual plan evaluation; discussions on living environment, competitive landscape and other conditions; and setting rents. Other activities include creating a framework for conveying product appeal, using leasing specialists, and managing a leasing agency network.

Management / Operation

Working to understand tenant needs, and using the feedback obtained in reinvestment and development. The decision to reinvest in renewal and renovation is based on appropriate investment return analysis. Value-added services take advantage of economies of scale.

Attractive Properties for Lease Support a High Occupancy Rate

The leasing process involves finding tenants by introducing and explaining rental apartments and handling the signing of contracts. In Japan, these duties are carried out by an independent leasing agent who shows customers actual available apartments rather than setting up a model apartment. In order to do this properly, leasing agents need to be very knowledgeable about every property they handle.

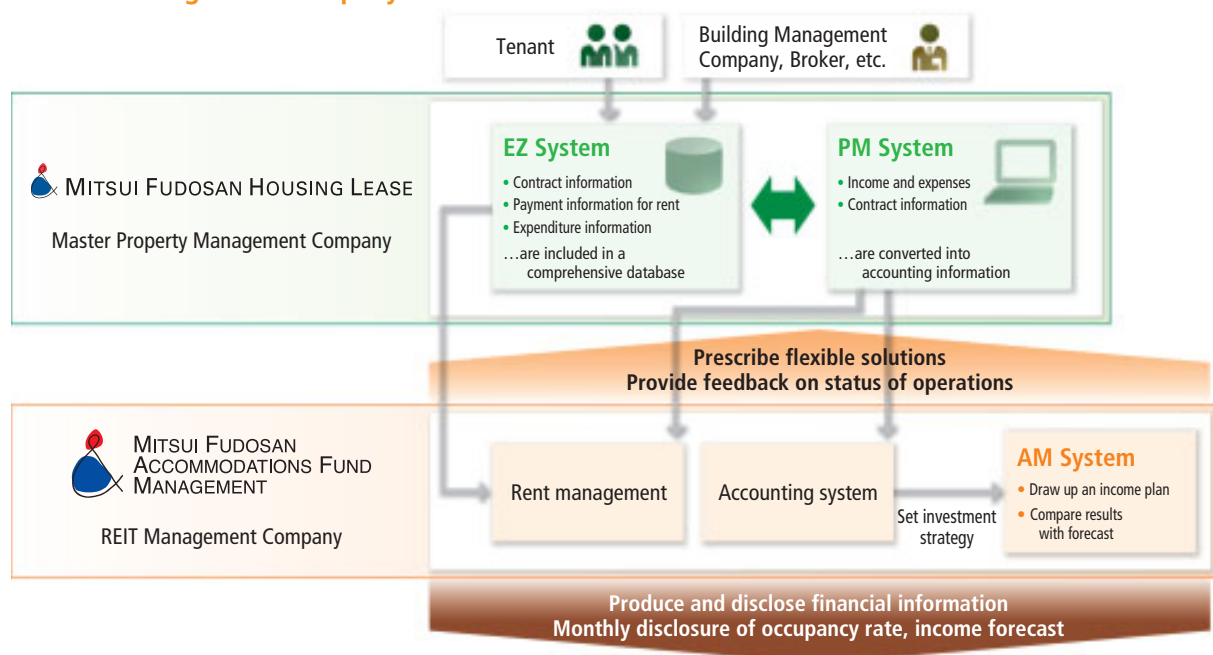
NAF is able to maintain a portfolio with a high occupancy rate through effective leasing activities that use the value chain of the Mitsui Fudosan Group, the expertise of Resident First Co., Ltd. in handling the Park Axis series and other properties, and the wide-ranging network of real estate brokers developed over many years by Mitsui Fudosan Housing Lease Co., Ltd.

Quick and Efficient Leasing Management

Leasing management includes the administration of all tenant brokerage activities and the creation of rental apartment marketing tools, based on leasing plans drawn up by the master property management company in conjunction with the asset management company.

For the Park Axis series, Resident First Co., Ltd. carries out the initial leasing management activities and deals directly with the tenant. This speeds up decision-making from creating a leasing plan to carrying out sales activities for a quicker process to reach the signing of a lease. To market vacant units, Mitsui Fudosan Accommodations Fund Management (the REIT Management Company) and Mitsui Fudosan Housing Lease (the Master Property Management Company) work together to monitor trends in the apartment leasing market, and actively make use of the networks of Resident First and other real estate brokers to minimize the period of vacancy.

■ Data Transfer Process between Master Property Management Company and REIT Management Company





Leasing

The Park Axis series is very well known and highly regarded by real-estate brokers, who often give it high priority when showing properties to customers. Expectations are high for rental apartments from the Mitsui Fudosan Group, and we intend to live up to those expectations.

Kyosuke Tashiro — Resident First Co., Ltd.



Leasing

Our mission is to support customers in their search for the apartment that suits them, by letting them know the appeal of each apartment, and it is something I do with pleasure. The Park Axis series is made up of appealing properties that cater to various tenant needs.

Hitomi Sugiura — Resident First Co., Ltd.

Asset Management

The strength of NAF lies in its ability to conduct leasing through the Mitsui Fudosan Group as a collective entity. This integrated leasing system provides a high occupancy rate. We aim to leverage this synergy effect to increase investment value for all unitholders.

Yoshihisa Otake — Director, Chief Investment Officer, Mitsui Fudosan Accommodations Fund Management Co., Ltd.



Leasing Management

We set leasing guidelines with Mitsui Fudosan Accommodations Fund Management, clarifying roles and authority. We are able to make decisions faster, conclude lease contracts sooner and maintain a higher occupancy rate than other companies, because we work in close day-to-day cooperation.

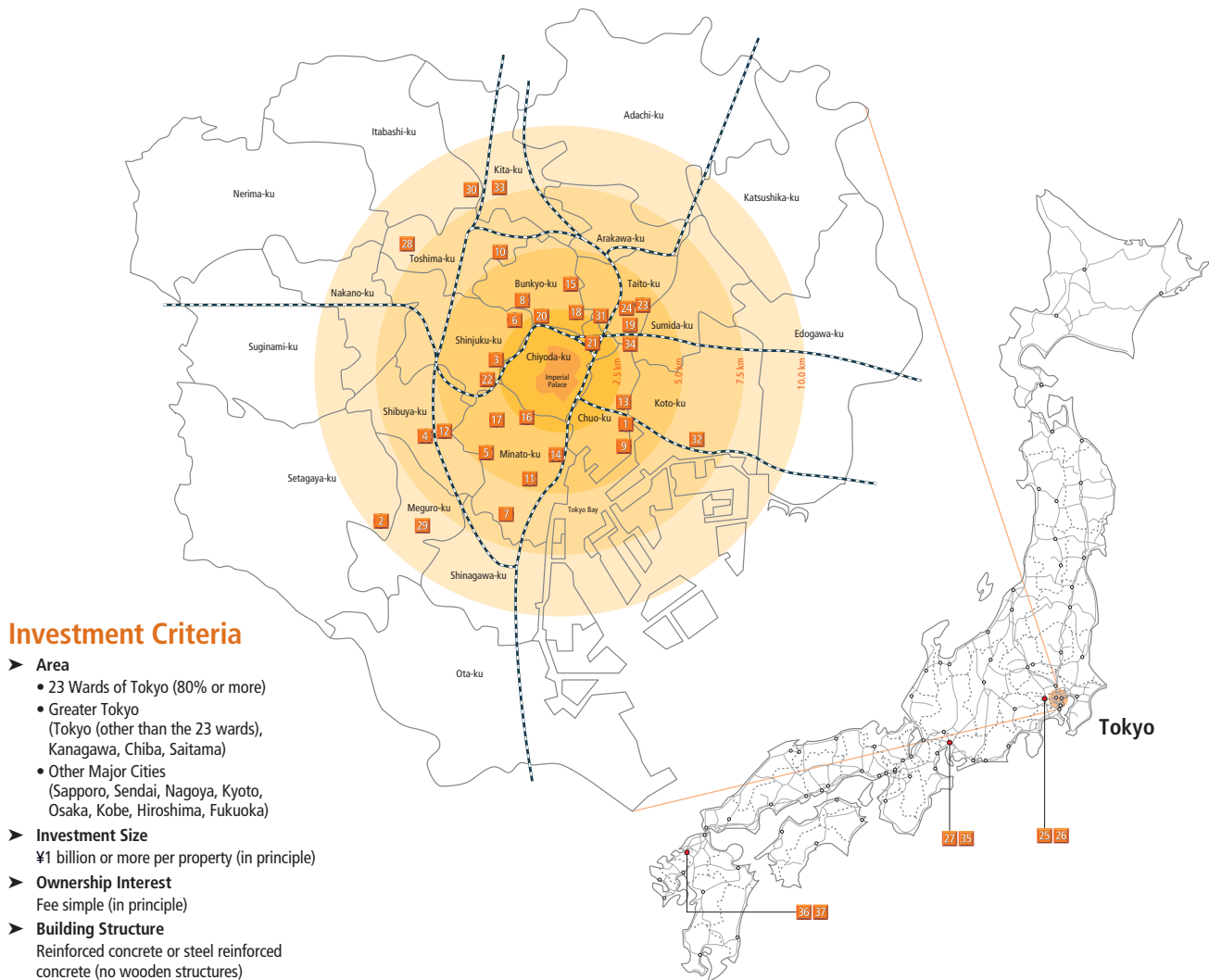
Tomoko Shintomi — Customer Coordinator, Mitsui Fudosan Housing Lease Co., Ltd.

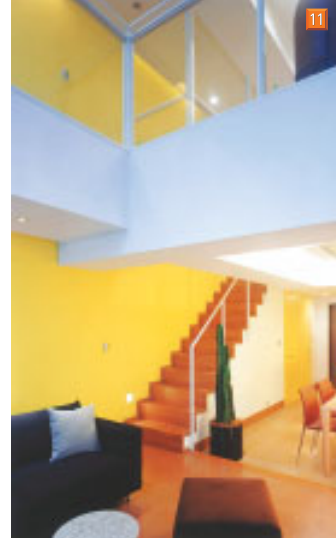
NAF Portfolio

(As of February 29, 2008. Numbers in red for each property refer to the Portfolio Summary on pages 22-23.)



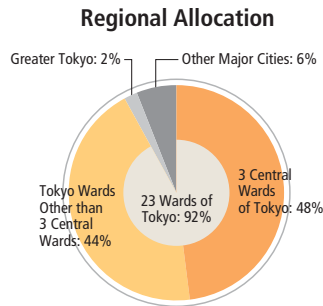
Portfolio Map





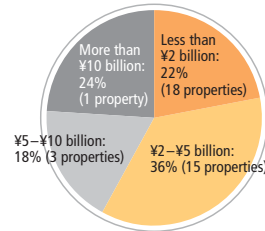
- 1 Okawabata (River Point Tower)
Okawabata (Park Side Wings)
Okawabata (Pier West House)
- 2 Park Axis Gakugei Daigaku
- 3 Park Axis Ichigaya
- 4 Park Axis Shibuya Jinnan
- 5 Park Axis Aoyama Kotto Dori
- 6 Park Axis Kagurazaka Stage
- 7 Park Axis Shirokanedai
- 8 Park Axis Bunkyo Stage
- 9 Park Axis Tsukishima
- 10 Park Axis Otsuka
- 11 Park Axis Minami Azabu
- 12 Park Axis Shibuya
- 13 Park Axis Nihonbashi Stage
- 14 Park Axis Hamamatsucho
- 15 Park Axis Hongo no Mori
- 16 Park Axis Tameike Sanno
- 17 Park Axis Roppongi Hinokicho Koen
- 18 Park Axis Ochanomizu Stage
- 19 Park Axis Okachimachi
- 20 Park Cube Hongo
- 21 Park Cube Kanda
- 22 Park Cube Ichigaya
- 23 Park Cube Asakusa Tawaramachi
- 24 Park Cube Ueno
- 25 Park Cube Keio Hachioji
- 26 Park Cube Keio Hachioji II
- 27 Park Axis Meieki Minami
- 28 Park Cube Ikebukuro Kanamecho
- 29 Park Axis Meguro Honcho
- 30 Park Axis Shin Itabashi
- 31 Park Axis Akihabara
- 32 Park Axis Toyocho
- 33 Park Axis Takinogawa
- 34 Park Axis Asakusabashi
- 35 Park Axis Marunouchi
- 36 Park Axis Ropponmatsu
- 37 Park Axis Hakataeki Minami

A Portfolio Mainly Composed of Large-Scale Properties in the 23 Wards of Tokyo



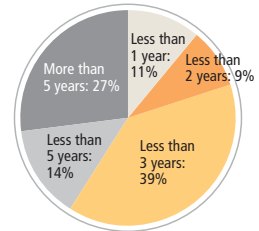
92% of portfolio is located in the 23 wards of Tokyo

Portfolio by Acquisition Price



Average ¥3.3 billion per property

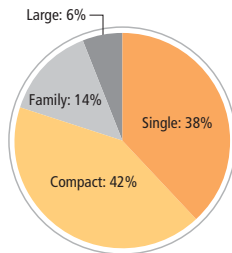
Portfolio by Property Age



Average 6.6 years

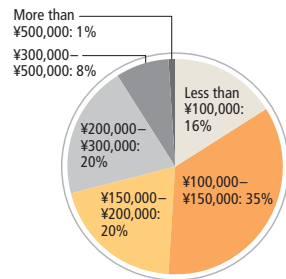
A Balanced Mix of Properties Centered on Single and Compact Units

Portfolio by Category



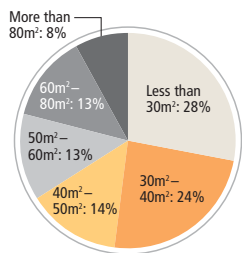
Percentage of Single and Compact Units: 80%

Portfolio by Monthly Rent



Average ¥174,000 per unit

Portfolio by Unit Area



Average 45.0m² per unit

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

(Numbers in red for each property refer to the Portfolio Summary on pages 22-23 excluding properties acquired during the 5th Period.)

New Acquisitions

4th Period

Park Axis Toyocho

32



| | |
|--------------------|------------------------|
| Acquisition date: | September 14, 2007 |
| Acquisition price: | ¥3,950 million |
| Rentable area: | 5,412.40m ² |
| Location: | Koto-ku, Tokyo |
| Units: | 140 |
| Completed: | March 2007 |

Park Axis Asakusabashi

34



| | |
|--------------------|--------------------------|
| Acquisition date: | September 14, 2007 |
| Acquisition price: | ¥2,717 million |
| Rentable area: | 3,400.78m ² |
| Location: | Taito-ku, Tokyo |
| Units: | 78 Residential, 1 Retail |
| Completed: | July 2007 |

Park Axis Marunouchi

35



| | |
|--------------------|--------------------------|
| Acquisition date: | September 14, 2007 |
| Acquisition price: | ¥1,920 million |
| Rentable area: | 3,821.75m ² |
| Location: | Nagoya-shi, Aichi |
| Units: | 98 Residential, 1 Retail |
| Completed: | November 2006 |

Park Axis Hakataeki Minami

37

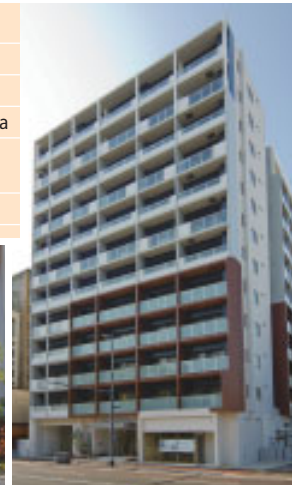


| | |
|--------------------|---------------------------|
| Acquisition date: | September 14, 2007 |
| Acquisition price: | ¥1,890 million |
| Rentable area: | 4,668.29m ² |
| Location: | Fukuoka-shi, Fukuoka |
| Units: | 176 Residential, 1 Retail |
| Completed: | March 2007 |

Park Axis Ropponmatsu

36

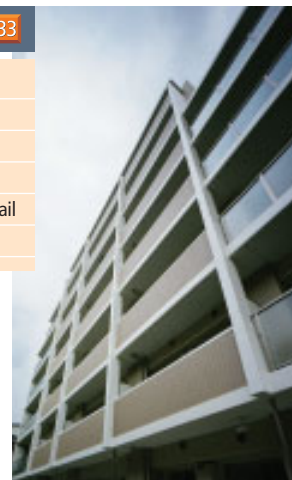
| | |
|--------------------|---------------------------|
| Acquisition date: | September 14, 2007 |
| Acquisition price: | ¥1,515 million |
| Rentable area: | 3,473.67m ² |
| Location: | Fukuoka-shi, Fukuoka |
| Units: | 111 Residential, 1 Retail |
| Completed: | March 2007 |



Park Axis Takinogawa

33

| | |
|--------------------|--------------------------|
| Acquisition date: | September 14, 2007 |
| Acquisition price: | ¥1,820 million |
| Rentable area: | 2,924.75m ² |
| Location: | Kita-ku, Tokyo |
| Units: | 48 Residential, 1 Retail |
| Completed: | March 2007 |



Park Axis Akihabara

31



| | |
|--------------------|------------------------|
| Acquisition date: | September 14, 2007 |
| Acquisition price: | ¥1,200 million |
| Rentable area: | 1,346.07m ² |
| Location: | Chiyoda-ku, Tokyo |
| Units: | 41 |
| Completed: | September 2006 |



5th Period

Park Axis Nihonbashi Hamacho 38



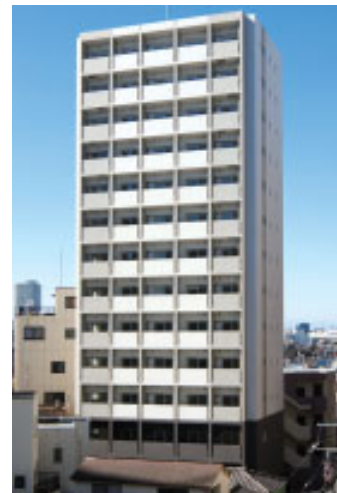
| | |
|--------------------|------------------------|
| Acquisition date: | March 11, 2008 |
| Acquisition price: | ¥5,540 million |
| Rentable area: | 6,999.83m ² |
| Location: | Chuo-ku, Tokyo |
| Units: | 118 |
| Completed: | July 2006 |

Park Axis Nishi Funabashi 40



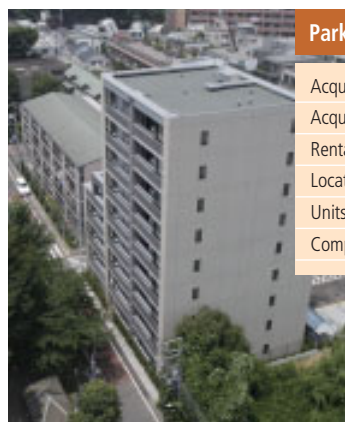
| | |
|--------------------|------------------------|
| Acquisition date: | March 11, 2008 |
| Acquisition price: | ¥1,020 million |
| Rentable area: | 2,074.35m ² |
| Location: | Funabashi-shi, Chiba |
| Units: | 55 |
| Completed: | September 2007 |

Park Cube Oimachi 44



| | |
|--------------------|------------------------|
| Acquisition date: | May 21, 2008 |
| Acquisition price: | ¥1,440 million |
| Rentable area: | 1,511.12m ² |
| Location: | Shinagawa-ku, Tokyo |
| Units: | 65 |
| Completed: | March 2008 |

Park Cube Yoyogi Tomigaya 39



| | |
|--------------------|------------------------|
| Acquisition date: | March 11, 2008 |
| Acquisition price: | ¥1,975 million |
| Rentable area: | 1,929.10m ² |
| Location: | Shibuya-ku, Tokyo |
| Units: | 38 |
| Completed: | July 2007 |

Park Axis Monzen Nakacho 41



| | |
|--------------------|------------------------|
| Acquisition date: | March 27, 2008 |
| Acquisition price: | ¥1,700 million |
| Rentable area: | 1,886.39m ² |
| Location: | Koto-ku, Tokyo |
| Units: | 55 |
| Completed: | February 2007 |

Park Cube Gakugei Daigaku 43



| | |
|--------------------|----------------------|
| Acquisition date: | March 27, 2008 |
| Acquisition price: | ¥910 million |
| Rentable area: | 957.88m ² |
| Location: | Meguro-ku, Tokyo |
| Units: | 24 |
| Completed: | March 2008 |

Park Cube Itabashi Honcho 42



| | |
|--------------------|---------------------------|
| Acquisition date: | March 27, 2008 |
| Acquisition price: | ¥4,170 million |
| Rentable area: | 5,317.07m ² |
| Location: | Itabashi-ku, Tokyo |
| Units: | 165 Residential, 1 Retail |
| Completed: | March 2008 |

(Numbers in red for each property refer to the Portfolio Summary on pages 22-23.)

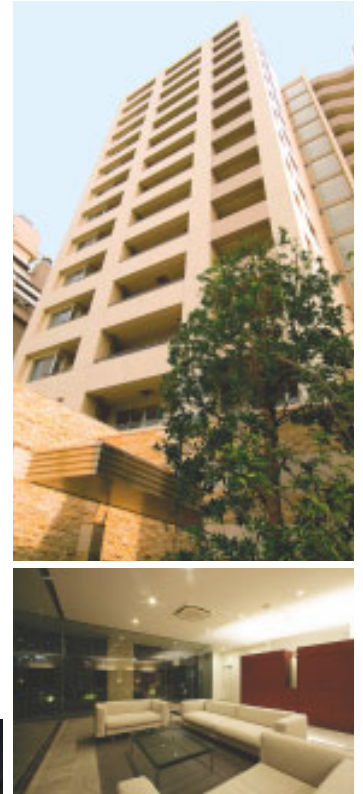
Representative Accommodation Assets

1 Okawabata Apartment Communities



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

7 Park Axis Shirokanedai



5 Park Axis Aoyama Kotto Dori



4 Park Axis Shibuya Jinnan



28 Park Cube Ikebukuro Kanamecho



9 Park Axis Tsukishima

11 Park Axis Minami Azabu



20 Park Cube Hongo

13 Park Axis Nihonbashi Stage



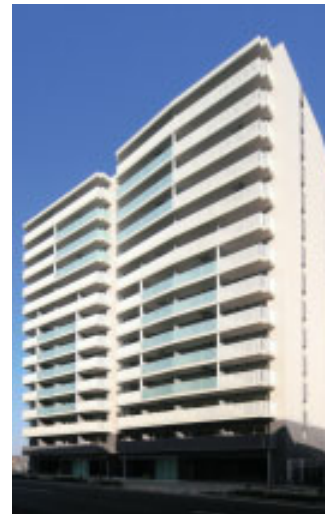
21 Park Cube Kanda

18 Park Axis Ochanomizu Stage



27 Park Axis Meieki Minami

29 Park Axis Meguro Honcho



30 Park Axis Shin Itabashi



Portfolio Summary

| No. Name | Location |
|--|----------------------|
| 1 Okawabata Apartment Communities River Point Tower Park Side Wings Pier West House | Chuo-ku, Tokyo |
| 2 Park Axis Gakugei Daigaku | Setagaya-ku, Tokyo |
| 3 Park Axis Ichigaya | Shinjuku-ku, Tokyo |
| 4 Park Axis Shibuya Jinnan | Shibuya-ku, Tokyo |
| 5 Park Axis Aoyama Kotto Dori | Minato-ku, Tokyo |
| 6 Park Axis Kagurazaka Stage | Shinjuku-ku, Tokyo |
| 7 Park Axis Shirokanedai | Minato-ku, Tokyo |
| 8 Park Axis Bunkyo Stage | Bunkyo-ku, Tokyo |
| 9 Park Axis Tsukishima | Chuo-ku, Tokyo |
| 10 Park Axis Otsuka | Toshima-ku, Tokyo |
| 11 Park Axis Minami Azabu | Minato-ku, Tokyo |
| 12 Park Axis Shibuya | Shibuya-ku, Tokyo |
| 13 Park Axis Nihonbashi Stage | Chuo-ku, Tokyo |
| 14 Park Axis Hamamatsucho | Minato-ku, Tokyo |
| 15 Park Axis Hongo no Mori | Bunkyo-ku, Tokyo |
| 16 Park Axis Tameike Sanno | Minato-ku, Tokyo |
| 17 Park Axis Roppongi Hinokicho Koen | Minato-ku, Tokyo |
| 18 Park Axis Ochanomizu Stage | Bunkyo-ku, Tokyo |
| 19 Park Axis Okachimachi | Taito-ku, Tokyo |
| 20 Park Cube Hongo | Bunkyo-ku, Tokyo |
| 21 Park Cube Kanda | Chiyoda-ku, Tokyo |
| 22 Park Cube Ichigaya | Shinjuku-ku, Tokyo |
| 23 Park Cube Asakusa Tawaramachi | Taito-ku, Tokyo |
| 24 Park Cube Ueno | Taito-ku, Tokyo |
| 28 Park Cube Ikebukuro Kanamecho | Toshima-ku, Tokyo |
| 29 Park Axis Meguro Honcho | Meguro-ku, Tokyo |
| 30 Park Axis Shin Itabashi | Itabashi-ku, Tokyo |
| 31 Park Axis Akihabara | Chiyoda-ku, Tokyo |
| 32 Park Axis Toyoko | Koto-ku, Tokyo |
| 33 Park Axis Takinogawa | Kita-ku, Tokyo |
| 34 Park Axis Asakusabashi | Taito-ku, Tokyo |
| Tokyo 23 Wards Total | |
| 25 Park Cube Keio Hachioji | Hachioji-shi, Tokyo |
| 26 Park Cube Keio Hachioji II | Hachioji-shi, Tokyo |
| Greater Tokyo Total (Note 3) | |
| 27 Park Axis Meieki Minami | Nagoya-shi, Aichi |
| 35 Park Axis Marunouchi | Nagoya-shi, Aichi |
| 36 Park Axis Ropponmatsu | Fukuoka-shi, Fukuoka |
| 37 Park Axis Hakataeki Minami | Fukuoka-shi, Fukuoka |
| Other Major Cities Total | |
| Grand Total | |

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

(As of February 29, 2008)

| Acquisition Price (Note 1) (Yen in millions) | Portfolio Share (%) | Rentable Area (sq. m.) | Rentable Units | PML (Note 2) (%) |
|---|------------------------|---------------------------|-----------------------------|---------------------|
| 29,696 | 24.1 | 43,812.41 | 544 | 4.5 |
| | | | | 7.9 |
| | | | | 7.0 |
| 1,760 | 1.4 | 2,437.66 | 64 | 7.6 |
| 2,570 | 2.1 | 3,313.33 | 84 | 7.3 |
| 3,230 | 2.6 | 2,766.62 | 75 | 6.8 |
| 1,730 | 1.4 | 1,537.24 | 40 | 7.0 |
| 1,400 | 1.1 | 1,891.05 | 59 | 7.5 |
| 5,140 | 4.2 | 4,704.44 | 99 | 8.7 |
| 4,440 | 3.6 | 6,078.93 | 154 | 6.5 |
| 930 | 0.8 | 1,383.99 | 30 | 6.8 |
| 1,655 | 1.3 | 2,606.37 | 52 | 6.4 |
| 3,939 | 3.2 | 3,938.14 | 64 | 7.4 |
| 1,283 | 1.0 | 1,094.28 | 20 | 7.9 |
| 7,558 | 6.1 | 10,025.40 | 184 Residential, 1 Retail | 7.5 |
| 2,025 | 1.6 | 2,426.45 | 80 | 7.1 |
| 2,910 | 2.4 | 3,317.94 | 86 Residential, 1 Retail | 8.8 |
| 2,860 | 2.3 | 2,710.69 | 70 | 8.2 |
| 2,170 | 1.8 | 2,054.46 | 46 | 9.2 |
| 9,710 | 7.9 | 12,025.25 | 324 | 7.2 |
| 1,070 | 0.9 | 1,621.73 | 42 | 6.8 |
| 1,760 | 1.4 | 2,160.12 | 60 | 8.2 |
| 2,454 | 2.0 | 3,194.59 | 95 | 8.9 |
| 1,794 | 1.5 | 2,127.50 | 51 | 6.8 |
| 2,508 | 2.0 | 4,012.68 | 76 | 8.8 |
| 2,233 | 1.8 | 3,041.61 | 91 | 7.5 |
| 1,609 | 1.3 | 1,886.82 | 65 | 8.1 |
| 1,810 | 1.5 | 1,884.77 | 60 | 8.5 |
| 3,430 | 2.8 | 4,395.99 | 152 | 7.3 East, 7.5 West |
| 1,200 | 1.0 | 1,346.07 | 41 | 7.4 |
| 3,950 | 3.2 | 5,412.40 | 140 | 10.8 |
| 1,820 | 1.5 | 2,924.75 | 48 Residential, 1 Retail | 5.8 |
| 2,717 | 2.2 | 3,400.78 | 78 Residential, 1 Retail | 8.9 |
| 113,360 | 92.0 | 145,534.46 | 3,074 Residential, 4 Retail | |
| 991 | 0.8 | 2,814.32 | 52 | 7.1 |
| 1,130 | 0.9 | 3,082.32 | 47 Residential, 1 Retail | 7.6 |
| 2,121 | 1.7 | 5,896.64 | 99 Residential, 1 Retail | |
| 2,440 | 2.0 | 5,565.13 | 169 | 4.1 |
| 1,920 | 1.6 | 3,821.75 | 98 Residential, 1 Retail | 6.1 |
| 1,515 | 1.2 | 3,473.67 | 111 Residential, 1 Retail | 2.2 |
| 1,890 | 1.5 | 4,668.29 | 176 Residential, 1 Retail | 3.1 |
| 7,765 | 6.3 | 17,528.84 | 554 Residential, 3 Retail | |
| 123,246 | 100.0 | 168,959.94 | 3,727 Residential, 8 Retail | 3.8 (Portfolio PML) |

2. PML = Probable maximum loss

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

Corporate Structure and Governance

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

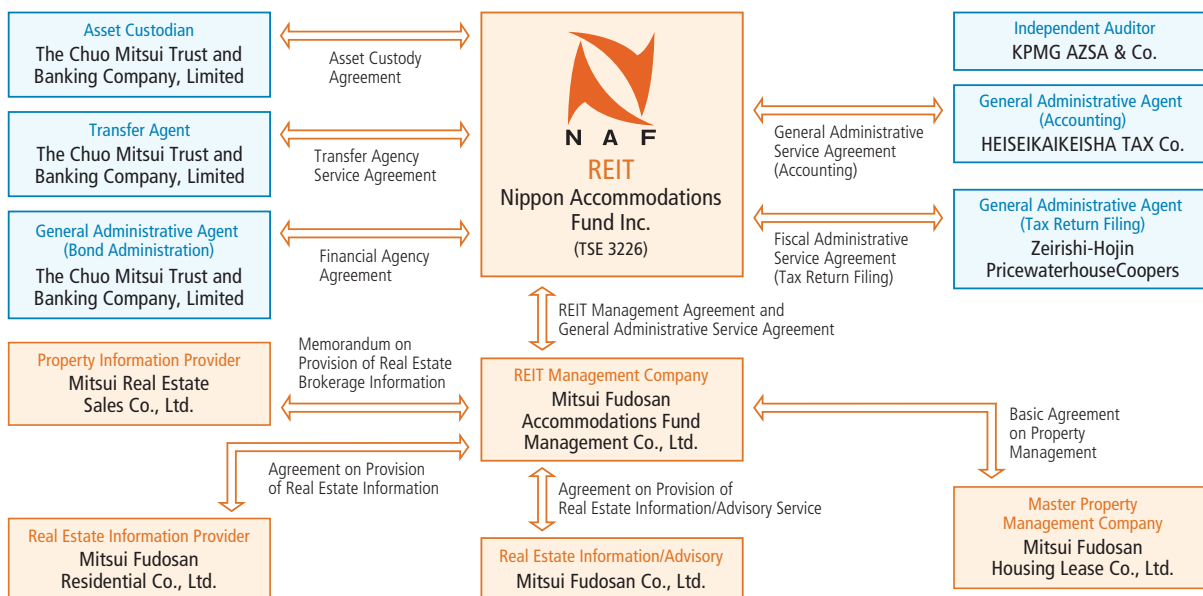
Real Estate Investment Trust (REIT) Structure

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

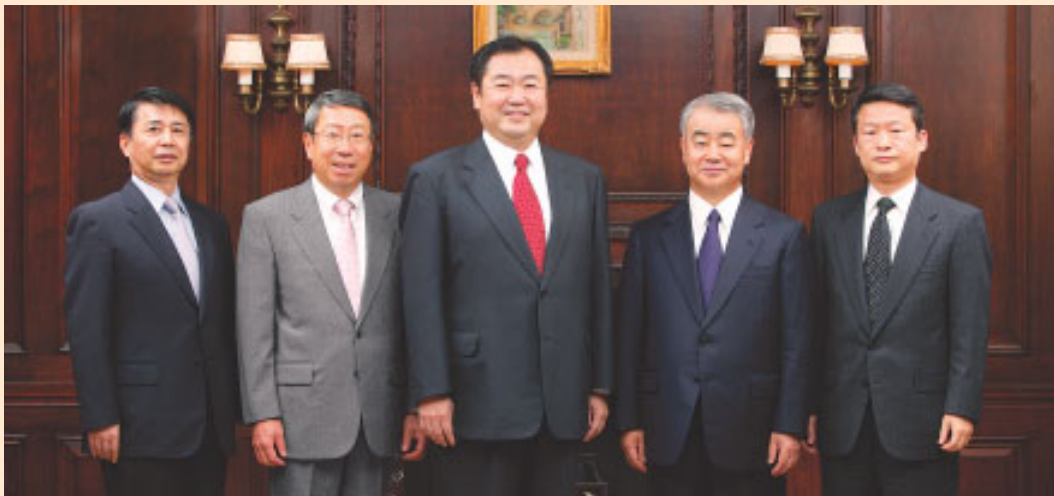
NAF has entrusted management of all of its assets to the REIT Management Company, which is the asset management company required under the Investment Trust and Investment Corporation Act of Japan. Operating in accordance with the REIT Management Agreement concluded on October 13, 2005, the REIT Management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

change in the future in response to changes in the external investment environment and the status of NAF's assets under management.

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



Management Team



Michihiko Takabe
(Attorney at Law)
Supervisory Director

Yuji Yokoyama
Executive Director

Nobuyuki Nakai
Executive Director

Takeo Tomita
(Attorney at Law)
Supervisory Director

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

Corporate Structure

General Meeting of Unitholders

In accordance with the current Articles of Incorporation, the General Meeting of Unitholders is held within the 23 wards of Tokyo. In accordance with the Investment Trust and Investment Corporation Act of Japan and NAF's Articles of Incorporation, NAF convenes a General Meeting of Unitholders. The third General Meeting of Unitholders convened on October 12, 2007. The General Meeting of Unitholders adopts or vetoes ordinary resolutions on the basis of a simple majority of the voting rights of unitholders in attendance. Decisions on substantive resolutions such as changes in the Articles of Incorporation require the attendance of unitholders holding at least a simple majority of total units issued and outstanding, and a vote of two-thirds majority of the voting rights of such unitholders. The asset management policies and standards are stipulated by NAF's Articles of Incorporation.

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

NAF's Articles of Incorporation stipulate that NAF must have one or more executive directors, and two or more

supervisory directors (but always equal to the number of executive directors plus at least one additional supervisory director). As of February 29, 2008, NAF had two executive directors and three supervisory directors. NAF's independent auditor is KPMG AZSA & Co.

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

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

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

The independent auditor is elected at the General Meeting of Unitholders. It audits financial and accounting documents including NAF's financial statements. In addition, it is charged with reporting to supervisory directors any unlawful acts or material violations of laws,

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

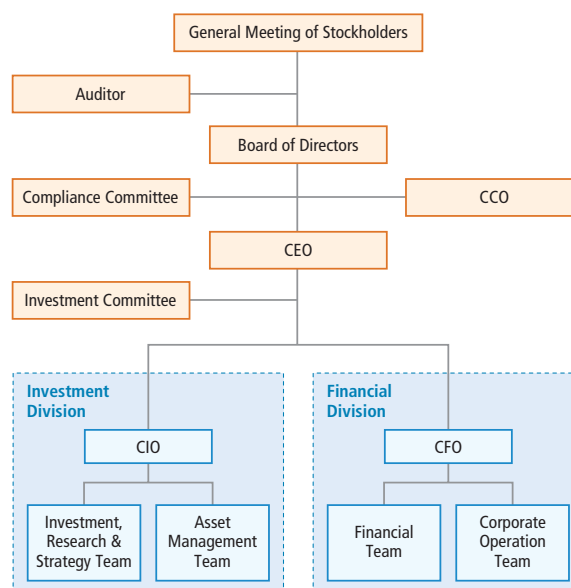
Compliance Initiatives

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

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

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

Corporate Governance Structure of MFAFM



Investment Strategy and the Process for Acquiring and Selling Properties

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

management in accordance with the asset management guidelines.

A diagram of the investment policy of the asset management guidelines and the process for acquiring and selling specific assets under management follows on page 27.

Investment Risk Management System

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

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

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

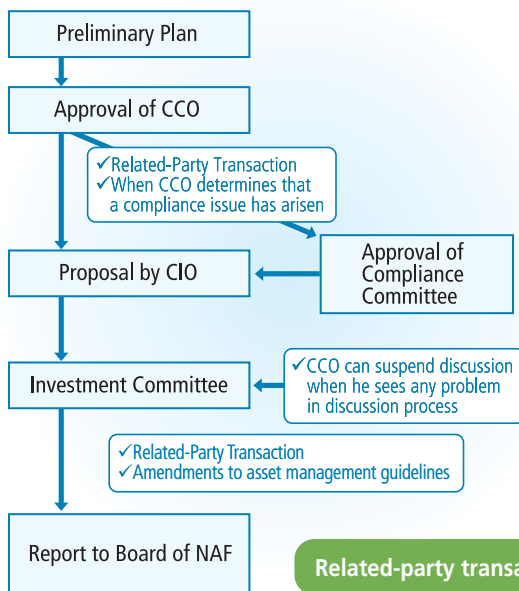
such Board of Directors. Independent supervisory directors supervise business execution. Moreover, supervisory directors can obtain as needed reports on operations and financial condition from the REIT Management Company and from NAF’s asset custodian, The Chuo Mitsui Trust and Banking Company, Limited. Independent supervisory directors can also conduct required investigations.

One of NAF’s executive directors has obtained approval from the regulator in accordance with the Investment Trust and Investment Corporation Act of Japan to serve concurrently as the president and chief executive officer of

the REIT Management Company, or MFAFM.

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

Investment Policy & Acquisition/Sale Decision Process



Compliance Checking System



Related-party transactions require approval by independent external professional

Restrictions on Related-Party Transactions

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

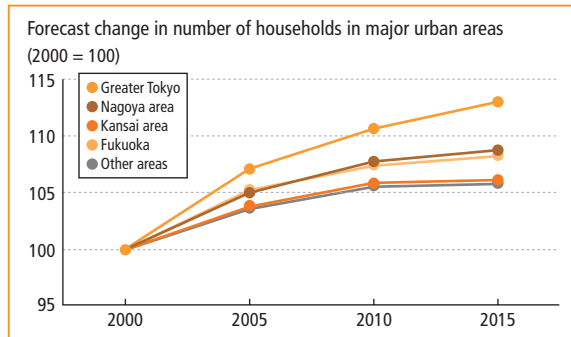
Investment Corporation Act of Japan and its ordinances.

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

Rental Apartment Investment Characteristics

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

Demand: Steady Growth of Households



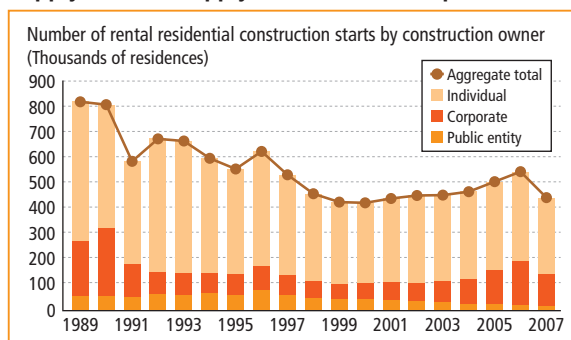
Source: National Institute of Population and Social Security Research
 Note: Other areas excludes Hokkaido, Miyagi, Greater Tokyo, Nagoya area, Kansai area, Hiroshima and Fukuoka.

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

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

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

Supply: Limited Supply from Private Companies



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

Growing Rental Needs and Demand

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

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

A Tight Supply of High-Quality Rental Apartments

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

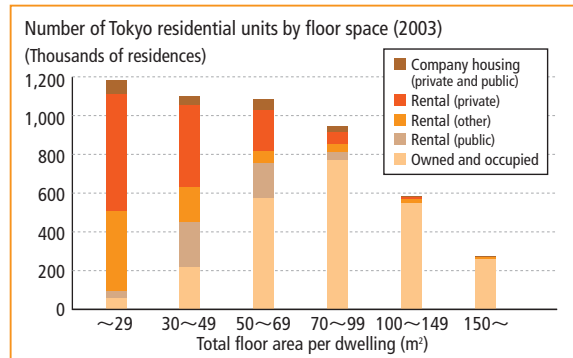
In addition, the available rental apartments generally do not compare favorably to owned houses in terms of floor space or building and construction quality. Looking

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

High-Quality Rental Apartments Generate Highly Stable Earnings

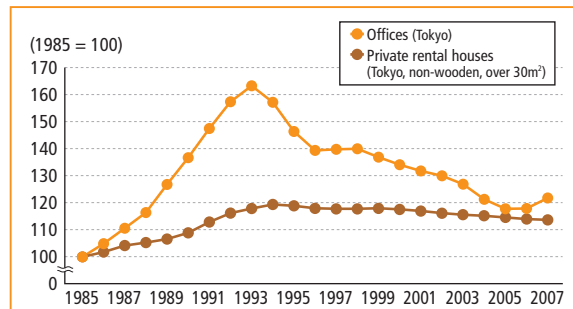
In general, apartment rents are not greatly affected by changes in economic conditions or asset values. Moreover, the risk of sudden shifts in vacancy and lease rates is lower for rental apartments than for office buildings because apartment lease contracts are subdivided and diversified in terms of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

Supply: Relative Scarcity of Quality Apartments



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

Stability: Relatively Stable Rents



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

Common Practices in Japan's Rental Apartment Market

Contract Validity Period

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

Security Deposit

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

Key Money

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

Commission Fee

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

Guarantor/Joint Surety

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

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) |
|--|---|---|---|---|
| | 4th Period September 1, 2007 to February 29, 2008 | 3rd Period March 1, 2007 to August 31, 2007 | 2nd Period April 1, 2006 to February 28, 2007 | 4th Period September 1, 2007 to February 29, 2008 |
| Total revenues (Note 2) | ¥ 4,092 | ¥ 3,524 | ¥ 5,072 | \$ 39,053 |
| Rental revenue | 3,869 | 3,323 | 4,830 | 36,925 |
| Other revenue | 223 | 201 | 242 | 2,128 |
| Operating expenses | 1,989 | 1,729 | 2,366 | 18,983 |
| Income before income taxes | 1,631 | 1,448 | 2,030 | 15,566 |
| Net income (a) | 1,630 | 1,447 | 2,028 | 15,556 |
| Funds from operations (Note 3) | 2,361 | 2,055 | 2,873 | 22,533 |
| Net operating income from property leasing activities (Note 3) | 3,317 | 2,806 | 4,131 | 31,657 |
| Total amount of cash distribution (b) | 1,630 | 1,447 | 2,028 | 15,556 |
| Depreciation and amortization | 731 | 608 | 850 | 6,977 |
| Capital expenditures | 538 | 159 | 301 | 5,135 |
| Total assets (c) | 129,969 | 114,366 | 108,097 | 1,240,399 |
| Interest-bearing debt | 64,500 | 49,500 | 42,500 | 615,575 |
| Total net assets (d) | 62,609 | 62,426 | 63,007 | 597,528 |
| Total number of common units issued (units) (e) | 113,480 | 113,480 | 113,480 | |
| Net assets per unit (Yen/\$) (d) / (e) | 551,717 | 550,102 | 555,223 | 5,265.48 |
| Distribution per unit (Yen/\$) (b) / (e) | 14,366 | 12,750 | 17,871 | 137.11 |
| Funds from operations per unit (Yen/\$) (Note 3) | 20,809 | 18,106 | 25,359 | 198.60 |
| Return on total assets (Note 4) | 1.3% | 1.3% | 2.7% | |
| (Annual rate) | (2.7%) | (2.6%) | (2.9%) | |
| ROE (Note 4) | 2.6% | 2.3% | 4.8% | |
| (Annual rate) | (5.2%) | (4.6%) | (5.2%) | |
| LTV (Loan-to-value) ratio (Note 3) | 49.6% | 43.3% | 39.3% | |
| Capital ratio (d) / (c) | 48.2% | 54.6% | 58.3% | |
| Payout ratio (b) / (a) (Note 5) | 100.0% | 100.0% | 100.0% | |
| Number of days in period | 182 | 184 | 334 | |
| Number of investment properties (Note 6) | 37 | 30 | 27 | |
| Total rentable area (m ²) | 168,960 | 143,912 | 135,744 | |
| Average occupancy rate at end of period (Note 6) | 97.2% | 96.9% | 97.2% | |

Notes 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥104.78=U.S. \$1.00, the approximate exchange rate on February 29, 2008.

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: (Revenue 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 end of period

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

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

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

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

Annual equivalent amounts for the period ended February 29, 2008: Amount for the period ÷ Actual days in the period (182) x 365 days

Annual equivalent amounts for the period ended August 31, 2007: Amount for the period ÷ Actual days in the period (184) x 365 days

Annual equivalent amounts for the period ended February 28, 2007: Amount for the period ÷ Actual days in the period (334) x 365 days

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

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

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

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

Investment Environment and Operating Performance

In the residential rental market, people continued to move from other regions into the 23 wards of Tokyo, where NAF has concentrated over 90 percent of its portfolio investment. The number of households also expanded because of an increase in the number of single and two-person households. As a result of these and other factors, demand for rental housing remained steady. The same factors are projected to drive the development of the residential rental markets in Japan's major regional cities, such as Nagoya and Fukuoka, where NAF has assets.

New development has been increasing the supply of rental housing, despite residential buildings statistics from the Ministry of Land, Infrastructure, Transport and Tourism suggesting a temporary drop in the total number of construction starts for rental condominiums in 2007. However, the overall balance of supply and demand remains stable, due to the demolition of existing stock including aging properties such as company housing and dormitories. In addition, rental housing such as that provided by NAF that features outstanding location, management, facilities and specifications is still limited in number in the overall market, and occupancy rates and rents have been rising moderately at such highly competitive properties.

Land prices have been increasing, particularly in central Tokyo, amid intensifying competition to acquire properties. However, there are signs of a drop in demand to acquire properties, reflecting the changing conditions in the real estate market.

Under such circumstances, NAF made use of its direct pipeline of properties from its sponsor Mitsui Fudosan Co., Ltd. during the 4th Period to acquire seven properties valued at a total of ¥15,012 million on an acquisition price basis in September 2007. As a result, NAF's portfolio as of February 29, 2008 consisted of 37 properties valued at ¥123,246 million, on an acquisition price basis.

NAF's assets under management are concentrated in the 23 wards of Tokyo, where demand for rental housing is solid. In addition, cooperation between NAF's REIT management company, Mitsui Fudosan Accommodations Fund Management Co., Ltd., and its master property management company, Mitsui Fudosan Housing Lease Co., Ltd., supported leasing tailored to the unique features of each property and each location.

At the Okawabata Apartment Communities, NAF worked to raise both the level of service that staff can provide to residents and the property's market competitiveness. Efforts included completion of a large-scale exterior renovation program at the River Point Tower, and the start of similar construction work on Park Side Wings. Moreover, NAF completed interior renovation work on the Pier West House community and leasing office.

NAF's master property management company began full-scale use of a portfolio management system in the previous period. This accelerated management and administration, and supported efforts to acquire tenants according to conditions at specific properties.

As a result of the leasing activities discussed above, the occupancy rate for NAF's overall portfolio as of February 29, 2008 remained at a high level of 97.2 percent.

Overview of Results

NAF listed its units on the Tokyo Stock Exchange during the 2nd Period. The 2nd fiscal period varied compared to the normal six-month fiscal periods for an investment trust. The 2nd Period began on April 1, 2006 and ended on February 28, 2007, a total of 334 days. Beginning with the 3rd Period, NAF's fiscal periods will consistently be six months long.

For the 4th Period, total revenues were ¥4,092 million and operating income totaled ¥2,103 million.

Distributions to Unitholders

NAF determines the amount of cash distributions such that they exceed 90 percent of NAF's taxable income available for dividends as set forth in Article 67-15 of the Special Taxation Measures Law of Japan. For the 4th Period, cash distributions totaled ¥1,630,253,680, or ¥14,366 per unit.

| | Yen in thousands, except per unit amounts | | |
|---|--|--|--|
| | 4th Period September 1, 2007 to February 29, 2008 | 3rd Period March 1, 2007 to August 31, 2007 | 2nd Period April 1, 2006 to February 28, 2007 |
| Net income available for distribution | ¥1,630,255 | ¥1,446,885 | ¥2,028,037 |
| Undistributed net income | 1 | 15 | 36 |
| Total cash distribution | 1,630,254 | 1,446,870 | 2,028,001 |
| (Per unit) | 14,366 | 12,750 | 17,871 |
| Distribution from net income | 1,630,254 | 1,446,870 | 2,028,001 |
| (Per unit) | 14,366 | 12,750 | 17,871 |
| Cash distribution in excess of net income | — | — | — |
| (Per unit) | — | — | — |

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

Changes in Assets, Liabilities and Net Assets

Assets

Total assets as of February 29, 2008 increased ¥15,603 million from August 31, 2007 to ¥129,969 million.

Total current assets increased ¥140 million from August 31, 2007 to ¥4,120 million.

Total investment properties increased ¥15,413 million from August 31, 2007 to ¥125,769 million as a result of the acquisition of new properties and other factors. Compared to August 31, 2007, land including land held in trust increased ¥8,827 million and buildings including buildings held in trust increased ¥6,586 million.

Liabilities

Current liabilities decreased ¥2,764 million from August 31, 2007 to ¥13,861 million. Short-term loans decreased ¥3,000 million from August 31, 2007 to ¥12,500 million because NAF used capital procured through the issue of investment corporation bonds to repay short-term debt.

Long-term debt increased ¥18,000 million from August 31, 2007 to ¥52,000 million because NAF increased long-term debt to acquire properties and repay short-term debt.

Consequently, interest-bearing debt as of February 29, 2008 increased ¥15,000 million from August 31, 2007 to ¥64,500 million. The ratio of long-term, fixed-rate debt to total interest-bearing debt was 80.6 percent, compared to 68.7 percent as of August 31, 2007. The loan-to-value ratio, calculated as interest-bearing debt divided by total assets at the end of the period, increased to 49.6 percent from 43.3 percent as of August 31, 2007.

Net Assets

Net assets totaled ¥62,609 million as of February 29, 2008. Unitholders' capital was unchanged at ¥60,979 million, although retained earnings increased to ¥1,630 million from ¥1,447 million as of August 31, 2007.

Funding

Balance of Paid-in Capital

NAF was established on October 12, 2005 with initial paid-in capital of ¥100 million. NAF began investing activities on November 29, 2005 after ¥21,140 million was raised through private placements. As of February 29, 2008, NAF had issued 113,480 investment units out of 2,000,000 total authorized units. NAF's investment units were listed on the J-REIT section of the Tokyo Stock Exchange in August 2006 upon the completion of a public offering. As the Investment Trust and Investment Corporation Act of Japan does not contain any provision for the issue of more than one class of units, NAF's investment units comprise the sole class of units authorized and issued by NAF.

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

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

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

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

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

Market Price of Units

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

| | 4th Period September 1, 2007 to February 29, 2008 (Yen) | 3rd Period March 1, 2007 to August 31, 2007 (Yen) | 2nd Period April 1, 2006 to February 28, 2007 (Yen) |
|------|--|--|--|
| High | ¥762,000 | ¥1,030,000 | ¥1,000,000 |
| Low | 528,000 | 685,000 | 583,000 |

Borrowings

Borrowings by financial institution as of February 29, 2008 are shown below.

Short-term debt

| Lender | Balance (Yen in millions) | Interest rate (Note 1) | Date of maturity (Note 2) | Repayment method | Use of funds | Notes |
|---|------------------------------|---------------------------|------------------------------|---------------------|-----------------|---|
| Sumitomo Mitsui Banking Corporation | ¥ 5,500 | 0.9% | March 27, 2008 | Bullet payment | (Note 3) | Unsecured /unguaranteed /pari passu (Note 4) Fixed rate |
| The Hachijuni Bank, Ltd. | 1,000 | 0.9% | March 11, 2008 | | | |
| Mitsubishi UFJ Trust and Banking Corporation | 5,000 | 1.0% | March 11, 2008 | | | |
| The 77 Bank, Ltd. | 1,000 | 1.1% | July 31, 2008 | | | |
| Total short-term debt | ¥12,500 | | | | | |

Long-term debt

| Lender | Balance (Yen in millions) | Interest rate | Date of maturity | Repayment method | Use of funds | Notes |
|--|------------------------------|---------------|---------------------|---------------------|-----------------|---|
| Sumitomo Mitsui Banking Corporation | ¥ 2,000 | 1.2% | November 30, 2009 | Bullet payment | (Note 3) | Unsecured /unguaranteed /pari passu (Note 4) Fixed rate |
| | 5,000 | 1.4% | November 30, 2010 | | | |
| The Chuo Mitsui Trust and Banking Co., Ltd. | 3,000 | 1.4% | November 30, 2010 | | | |
| The Sumitomo Trust & Banking, Co., Ltd. | 3,000 | 1.8% | November 30, 2012 | | | |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 2,000 | 1.5% | February 26, 2010 | | | |
| Nippon Life Insurance Company | 3,000 | 1.6% | February 28, 2011 | | | |
| The Development Bank of Japan | 3,000 | 2.1% | April 11, 2012 | | | |
| | 3,000 | 2.2% | April 11, 2013 | | | |
| | 5,000 | 2.1% | August 6, 2013 | | | |
| The Hachijuni Bank, Ltd. | 1,000 | 1.8% | April 12, 2010 | | | |
| | 1,000 | 1.5% | September 14, 2012 | | | |
| Mizuho Corporate Bank, Ltd. | 1,000 | 1.6% | April 19, 2011 | | | |
| | 2,000 | 1.6% | October 12, 2011 | | | |
| The Chugoku Bank, Ltd. | 2,000 | 1.6% | April 19, 2011 | | | |
| Shinsei Bank, Ltd. | 1,000 | 1.6% | April 19, 2011 | | | |
| Shinkin Central Bank | 3,000 | 1.7% | October 12, 2012 | | | |
| The Bank of Fukuoka, Ltd. | 2,000 | 1.6% | October 31, 2012 | | | |
| Total long-term debt | ¥42,000 | | | | | |
| Total borrowings | ¥54,500 | | | | | |

- Notes 1. The interest rate is presented by loan from each lending institution and is rounded to the nearest tenth. The weighted average interest rate is presented for the outstanding balance of short-term borrowings if the institution has provided more than one short-term loan.
2. The earliest maturity of short-term borrowings is presented if the institution has provided more than one short-term loan.
3. Use of the proceeds of debt financing included purchase of property or real estate trust beneficiary interests, refinancing of other borrowings, and operating expenses.
4. The loan agreements between NAF and each financial institution stipulate that the above borrowings from all financial institutions rank pari passu to each other.
5. The expected annual maturities of long-term borrowings within five years of the balance sheet date are as follows.

| (Yen in millions) | | | | |
|-------------------|---------------|----------------|---------------|----------------|
| | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years |
| Amount | ¥4,000 | ¥12,000 | ¥6,000 | ¥12,000 |

Bonds

| Issue | Issue date | Balance as of February 29, 2008 (Yen in millions) | Coupon | Maturity date | Redemption | Use of proceeds | Notes |
|--------------------------|----------------------|---|--------|----------------------|-------------------|--------------------|--------|
| No. 1 unsecured bonds | November 15, 2007 | ¥10,000 | 1.7% | November 14, 2014 | Bullet Payment | Note 1 | Note 2 |
| Total | | ¥10,000 | | | | | |

- Notes 1. Use of funds includes repayment of borrowings.
2. This bond is only issued to rank pari passu with other bonds issued.

Capital Expenditures

1. Planned

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

| Name of property | Objective | Estimated duration | Estimated amounts | | |
|---------------------------------|---|--------------------------------|-------------------|---|------------------------|
| | | | Total amounts | Payment for the current period (September 1, 2007 to February 29, 2008) | Cumulative amount paid |
| | | | | | |
| Okawabata Apartment Communities | Repairs and renovation of outer walls, etc. (Construction area 3) | From October 2007 to June 2008 | ¥310 | ¥53 | ¥55 |
| | Renovation of emergency lighting equipment, water pump, etc. | From March 2008 to July 2008 | 46 | — | — |

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NAF posted ¥538 million in capital expenditures together with ¥90 million for repairs and maintenance expenses.

| Name of property | Objective | Period | Expenditure (Yen in millions) |
|---------------------------------|---|--------------------------------------|-------------------------------|
| Okawabata Apartment Communities | Repairs and renovation of outer walls, etc. (Construction area 2) | From March 2007 to December 2007 | ¥260 |
| | Renovation of administrative buildings and other renewal of communal areas. Renewal construction of air conditioning equipment, water pipes, etc. | From September 2007 to February 2008 | 154 |
| | Renewal construction in rentable areas, etc. | From September 2007 to February 2008 | 113 |
| Other Properties | Security improvements, brand recognition, etc. | From September 2007 to February 2008 | 11 |
| Total | | | ¥538 |

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 in accordance with NAF's business plan for each property.

| | Yen in millions | | |
|--|-------------------------|-----------------------|-------------------------|
| | As of February 29, 2008 | As of August 31, 2007 | As of February 28, 2007 |
| Reserve balance at the beginning of the period | ¥696 | ¥413 | ¥523 |
| Amount accumulated in the current period | 651 | 438 | 191 |
| Withdrawal from reserves in the current period | 607 | 156 | 300 |
| Amount carried forward | ¥740 | ¥696 | ¥413 |

Expenses regarding Entrustment, etc.

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

| Item | Yen in millions | | |
|--|---|---|---|
| | 4th Period September 1, 2007 to February 29, 2008 | 3rd Period March 1, 2007 to August 31, 2007 | 2nd Period April 1, 2006 to February 28, 2007 |
| Asset management fees | ¥301 | ¥262 | ¥377 |
| Asset custody fees | 6 | 5 | 6 |
| Agent fees (stock transfer, accounting and administrative) | 27 | 22 | 26 |
| Directors' remuneration | 10 | 10 | 18 |
| Auditor's fees | 13 | 14 | 12 |
| Other expenses | 125 | 89 | 141 |
| Total | ¥482 | ¥402 | ¥580 |

Related Party Transactions

(1) Transactions

| Category | Total 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) | |
| Acquisition price of real estate and real estate held in trust | ¥15,012 | Mitsui Fudosan Co., Ltd. | ¥10,037 | 66.9% |
| | | Mitsui Fudosan Residential Co., Ltd. | 1,608 | 10.7% |
| Total | | | ¥11,645 | 77.6% |

(2) Fees Paid for the Period from September 1, 2007 to February 29, 2008

| 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 | ¥277 | Mitsui Fudosan Housing Lease Co., Ltd. | ¥277 | 100.0% |
| Building management fees | 131 | Mitsui Fudosan Housing Lease Co., Ltd. | 131 | 100.0% |
| Leasing related service fees | 67 | Resident First Co., Ltd. | 15 | 21.8% |
| | | Mitsui Rehouse Tokyo Co., Ltd. | 1 | 1.4% |
| | | Mitsui Home Estate Co., Ltd. | 1 | 0.9% |

(3) Other Payments to Related Parties

| Paid to | Amount of payment (Yen in millions) | Item |
|--|--|------------------------------|
| Mitsui Designtec Co., Ltd. | ¥78 | Repair and maintenance costs |
| Mitsui Home Remodeling Co., Ltd. | 75 | Repair and maintenance costs |
| Mitsui Fudosan Housing Service Co., Ltd. | 8 | Repair and maintenance costs |

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

2. Figures indicate percentages of total price.

Financial Statements

Balance Sheets

Nippon Accommodations Fund Inc.

As of February 29, 2008 and August 31, 2007

| | Yen in millions | | U.S. dollars in thousands (Note 1) |
|---|---------------------------------------|-------------------------------------|---------------------------------------|
| | 4th Period As of February 29, 2008 | 3rd Period As of August 31, 2007 | 4th Period As of February 29, 2008 |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | ¥ 3,486 | ¥ 3,437 | \$ 33,270 |
| Rent receivables | 583 | 511 | 5,564 |
| Consumption tax receivables and other current assets | 51 | 32 | 487 |
| Total current assets | 4,120 | 3,980 | 39,320 |
| Investment properties (Note 3): | | | |
| Land including trust accounts | 85,218 | 76,391 | 813,304 |
| Depreciable property and improvements including trust accounts | 42,866 | 35,549 | 409,105 |
| Accumulated depreciation | (2,315) | (1,584) | (22,094) |
| Total investment properties | 125,769 | 110,356 | 1,200,315 |
| Other assets | 80 | 30 | 764 |
| Total Assets | ¥129,969 | ¥114,366 | \$1,240,399 |
| Liabilities and Net Assets | | | |
| Liabilities | | | |
| Current liabilities: | | | |
| Short-term loans (Note 4) | ¥ 12,500 | ¥ 15,500 | \$ 119,298 |
| Accounts payable | 480 | 421 | 4,581 |
| Rent received in advance | 648 | 560 | 6,184 |
| Accrued expenses and other liabilities | 233 | 144 | 2,224 |
| Total current liabilities | 13,861 | 16,625 | 132,287 |
| Long-term liabilities: | | | |
| Long-term loans (Note 4) | 42,000 | 34,000 | 400,840 |
| Bonds | 10,000 | — | 95,438 |
| Tenant security deposits | 1,499 | 1,315 | 14,306 |
| Total long-term liabilities | 53,499 | 35,315 | 510,584 |
| Total Liabilities | 67,360 | 51,940 | 642,871 |
| Net Assets | | | |
| Unitholders' capital (Note 5) | 60,979 | 60,979 | 581,972 |
| Retained earnings | 1,630 | 1,447 | 15,556 |
| Total Net Assets | 62,609 | 62,426 | 597,528 |
| Total Liabilities and Net Assets | ¥129,969 | ¥114,366 | \$1,240,399 |

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

Statements of Income

Nippon Accommodations Fund Inc.

September 1, 2007 to February 29, 2008, March 1, 2007 to August 31, 2007 and April 1, 2006 to February 28, 2007

| | Yen in millions | | | U.S. dollars in thousands (Note 1) |
|--|--|--|--|--|
| | 4th Period September 1, 2007 to February 29, 2008 | 3rd Period March 1, 2007 to August 31, 2007 | 2nd Period April 1, 2006 to February 28, 2007 | 4th Period September 1, 2007 to February 29, 2008 |
| Revenues (Note 6): | | | | |
| Rental | ¥3,869 | ¥3,323 | ¥4,830 | \$36,925 |
| Other revenue related to property leasing | 223 | 201 | 238 | 2,128 |
| Gain on sale of investment properties | — | — | 5 | — |
| Total Revenues | 4,092 | 3,524 | 5,072 | 39,053 |
| Operating Expenses (Note 6): | | | | |
| Property management fees | 425 | 375 | 534 | 4,056 |
| Real estate taxes and insurance | 115 | 117 | 140 | 1,098 |
| Repairs and maintenance | 91 | 87 | 104 | 868 |
| Other rental expenses | 145 | 140 | 158 | 1,384 |
| Depreciation and amortization | 731 | 608 | 850 | 6,977 |
| Asset management fees | 301 | 261 | 377 | 2,873 |
| Other expenses | 181 | 141 | 203 | 1,727 |
| Total Operating Expenses | 1,989 | 1,729 | 2,366 | 18,983 |
| Operating Income | 2,103 | 1,795 | 2,706 | 20,071 |
| Interest and other income | 6 | 4 | 2 | 57 |
| Interest expense | (474) | (349) | (493) | (4,524) |
| New investment unit issue costs | — | — | (119) | — |
| New investment unit publication costs | — | — | (65) | — |
| Other expenses | (4) | (2) | (1) | (38) |
| Income before Income Taxes | 1,631 | 1,448 | 2,030 | 15,566 |
| Current and deferred income taxes (Note 7) | 1 | 1 | 2 | 10 |
| Net Income | ¥1,630 | ¥1,447 | ¥2,028 | \$15,556 |

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 April 1, 2006 to February 29, 2008

| | Number of Units | Yen in millions | | |
|--|--------------------|-------------------------|----------------------|----------------|
| | | Unitholders' Capital | Retained Earnings | Total |
| Balance as of March 31, 2006 | 42,480 | ¥ 21,240 | ¥ 377 | ¥ 21,617 |
| Cash distribution declared | — | — | (377) | (377) |
| Issuance of new units through public offering as of August 3, 2006 | 67,200 | 37,612 | — | 37,612 |
| Issuance of new units through allocation to a third party as of September 4, 2006 | 3,800 | 2,127 | — | 2,127 |
| Net income | — | — | 2,028 | 2,028 |
| Balance as of February 28, 2007 | 113,480 | 60,979 | 2,028 | 63,007 |
| Cash distribution declared | — | — | (2,028) | (2,028) |
| Net income | — | — | 1,447 | 1,447 |
| Balance as of August 31, 2007 | 113,480 | 60,979 | 1,447 | 62,426 |
| Cash distribution declared | — | — | (1,447) | (1,447) |
| Net income | — | — | 1,630 | 1,630 |
| Balance as of February 29, 2008 | 113,480 | ¥60,979 | ¥ 1,630 | ¥62,609 |

| | Number of Units | U.S. dollars in thousands (Note 1) | | |
|--|--------------------|------------------------------------|----------------------|------------------|
| | | Unitholders' Capital | Retained Earnings | Total |
| Balance as of March 31, 2006 | 42,480 | \$ 202,710 | \$ 3,598 | \$ 206,308 |
| Cash distribution declared | — | — | (3,598) | (3,598) |
| Issuance of new units through public offering as of August 3, 2006 | 67,200 | 358,962 | — | 358,962 |
| Issuance of new units through allocation to a third party as of September 4, 2006 | 3,800 | 20,300 | — | 20,300 |
| Net income | — | — | 19,355 | 19,355 |
| Balance as of February 28, 2007 | 113,480 | 581,972 | 19,355 | 601,327 |
| Cash distribution declared | — | — | (19,355) | (19,355) |
| Net income | — | — | 13,810 | 13,810 |
| Balance as of August 31, 2007 | 113,480 | 581,972 | 13,810 | 595,782 |
| Cash distribution declared | — | — | (13,810) | (13,810) |
| Net income | — | — | 15,556 | 15,556 |
| Balance as of February 29, 2008 | 113,480 | \$581,972 | \$ 15,556 | \$597,528 |

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

Statements of Cash Flows

Nippon Accommodations Fund Inc.

September 1, 2007 to February 29, 2008, March 1, 2007 to August 31, 2007 and April 1, 2006 to February 28, 2007

| | Yen in millions | | | U.S. dollars in thousands (Note 1) |
|---|---|---|---|---|
| | 4th Period September 1, 2007 to February 29, 2008 | 3rd Period March 1, 2007 to August 31, 2007 | 2nd Period April 1, 2006 to February 28, 2007 | 4th Period September 1, 2007 to February 29, 2008 |
| Cash Flows from Operating Activities: | | | | |
| Income before income taxes | ¥ 1,631 | ¥ 1,448 | ¥ 2,030 | \$ 15,566 |
| Depreciation and amortization | 731 | 608 | 850 | 6,977 |
| New investment unit issue costs | — | — | 119 | — |
| Amortization of bond issue costs | 3 | — | — | 29 |
| Interest expense | 474 | 349 | 493 | 4,524 |
| (Increase) Decrease in rent receivables | (72) | (52) | (269) | (687) |
| Increase (Decrease) in accounts payable | 59 | (277) | 585 | 563 |
| Increase (Decrease) in rents received in advance | 88 | 40 | 303 | 840 |
| Decrease in investment properties due to sale | — | — | 667 | — |
| Cash payments of interest expense | (387) | (313) | (458) | (3,693) |
| (Increase) Decrease in consumption tax refund receivable | (9) | 65 | (51) | (86) |
| Other, net | (4) | (6) | (8) | (38) |
| Net Cash Provided by Operating Activities | 2,514 | 1,862 | 4,260 | 23,993 |
| Cash Flows from Investing Activities: | | | | |
| Payments for purchases of investment properties | (16,144) | (7,359) | (63,196) | (154,075) |
| Proceeds from tenant security deposits | 351 | 221 | 853 | 3,350 |
| Payments for tenant security deposits | (168) | (173) | (212) | (1,603) |
| Other, net | (2) | (5) | (5) | (19) |
| Net Cash Used in Investing Activities | (15,963) | (7,316) | (62,560) | (152,348) |
| Cash Flows from Financing Activities: | | | | |
| Proceeds from short-term loans | 53,000 | 32,000 | 52,000 | 505,822 |
| Repayment of short-term loans | (56,000) | (29,000) | (42,500) | (534,453) |
| Proceeds from long-term loans | 8,000 | 4,000 | 12,000 | 76,350 |
| Proceeds from issuance of investment units | — | — | 39,619 | — |
| Proceeds from bonds | 10,000 | — | — | 95,438 |
| Payments for bond issue costs | (58) | — | — | (554) |
| Payment of distribution | (1,444) | (2,026) | (377) | (13,781) |
| Net Cash Provided by Financing Activities | 13,498 | 4,974 | 60,743 | 128,822 |
| Net Change in Cash and Cash Equivalents | 49 | (480) | 2,442 | 468 |
| Cash and Cash Equivalents at the Beginning of the Period | 3,437 | 3,917 | 1,475 | 32,802 |
| Cash and Cash Equivalents at the End of the Period | ¥ 3,486 | ¥ 3,437 | ¥ 3,917 | \$ 33,270 |

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

Notes to Financial Statements

Nippon Accommodations Fund Inc.

September 1, 2007 to February 29, 2008, March 1, 2007 to August 31, 2007, April 1, 2006 to February 28, 2007 and October 12, 2005 to March 31, 2006

Note 1 Organization and Basis of Presentation

Organization

Nippon Accommodations Fund Inc. (hereinafter "NAF") was formed on October 12, 2005 as an investment corporation under the Investment Trust Law of Japan 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 acquiring, managing, leasing, and renovating office properties. MFAFM is a 100% subsidiary of Mitsui Fudosan Co., Ltd.

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

As of February 29, 2008, NAF had ownership or beneficiary interests in 37 properties containing approximately 168,960 square meters of rentable space. As of February 29, 2008, NAF had leased approximately 164,158 square meters to tenants. The occupancy rate for the properties was approximately 97.2%.

Basis of Presentation

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at February 29, 2008, which was ¥104.78 to U.S. \$1. 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 allocated purchase price and related costs and expenses for acquisition of the properties and the beneficiary interests of properties in trust. Property and equipment balances are depreciated using the straight-line method over the estimated useful lives. The estimated useful lives of the principal investment properties (including assets held in trust) are as follows:

| | |
|-------------------------------|-------------|
| Buildings and improvements | 2-47 years |
| Structures | 3-60 years |
| Machinery and equipment | 12-45 years |
| Tools, furniture and fixtures | 2-15 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

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

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

Income Taxes

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

Real Estate Taxes

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

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

When the property is purchased before January 1 of any given calendar year, these taxes for the previous year are imposed on the seller. The Company pays the seller the corresponding tax amounts for the period from the property's transfer date to December 31 of the previous year as part of the purchase prices of each property, and capitalizes these amounts as the cost of the property. Capitalized property tax for the period ended February 29, 2008 amounted to ¥7 million.

Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate

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

Note 3 Schedule of Investment Properties

Investment properties as of February 29, 2008 and August 31, 2007 consisted of the following:

| | Yen in millions | | | | | |
|--|-------------------------|--------------------------|------------|-----------------------|--------------------------|------------|
| | As of February 29, 2008 | | | As of August 31, 2007 | | |
| | Acquisition Costs | Accumulated Depreciation | Book Value | Acquisition Costs | Accumulated Depreciation | Book Value |
| Land | ¥ 41,797 | ¥ — | ¥ 41,797 | ¥ 32,969 | ¥ — | ¥ 32,969 |
| Land in trust | 43,421 | — | 43,421 | 43,421 | — | 43,421 |
| Land including trust total | 85,218 | — | 85,218 | 76,390 | — | 76,390 |
| Buildings and improvements | 23,129 | (947) | 22,182 | 16,896 | (598) | 16,298 |
| Buildings and improvements in trust | 17,167 | (1,082) | 16,084 | 16,622 | (795) | 15,827 |
| Building and improvements including those in trust | 40,296 | (2,029) | 38,267 | 33,518 | (1,393) | 32,125 |
| Structures | 511 | (44) | 468 | 364 | (27) | 336 |
| Machinery and equipment | 345 | (16) | 328 | 99 | (6) | 93 |
| Tools, furniture and fixtures | 366 | (76) | 289 | 285 | (49) | 236 |
| Structures in trust | 874 | (61) | 813 | 874 | (47) | 828 |
| Machinery and equipment in trust | 120 | (13) | 107 | 120 | (9) | 111 |
| Tools, furniture and fixtures in trust | 284 | (76) | 208 | 267 | (52) | 215 |
| Construction in process | — | — | — | 0 | — | 0 |
| Construction in process in trust | 71 | — | 71 | 21 | — | 21 |
| Other investment properties total | 2,570 | (286) | 2,284 | 2,031 | (191) | 1,841 |
| Total | ¥128,084 | ¥(2,315) | ¥125,769 | ¥111,940 | ¥(1,584) | ¥110,356 |

Note 4 Short-Term and Long-Term Loans

Short-term loans consist of short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are fixed rates and as of February 29, 2008 and August 31, 2007 ranged from 0.88% to 1.07% and from 0.89% to 1.02%, respectively. Long-term loans are at fixed rates and consist of the following:

| | Yen in millions | |
|--|-------------------------|-----------------------|
| | As of February 29, 2008 | As of August 31, 2007 |
| Unsecured loans due 2009 to 2013 principally from banks and insurance companies with interest rates mainly ranging from 1.2% to 2.2% | ¥42,000 | ¥34,000 |

The annual maturities of long-term loans as of February 29, 2008 were as follows:

| | Yen in millions |
|------------|-----------------|
| 2009 | ¥ 2,000 |
| 2010 | 11,000 |
| 2011 | 9,000 |
| 2012 | 12,000 |
| Thereafter | 8,000 |

Note 5 Unitholders' Capital

| | As of February 29, 2008 | As of August 31, 2007 | As of February 28, 2007 |
|--|-------------------------|-----------------------|-------------------------|
| Total number of units authorized | 2,000,000 | 2,000,000 | 2,000,000 |
| Total number of units issued and outstanding | 113,480 | 113,480 | 113,480 |

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

Note 6 Rental Revenues and Expenses

Rental revenues and expenses for the periods ended February 29, 2008, August 31, 2007 and February 28, 2007 were as follows:

| | Yen in millions | | |
|---|--|--|--|
| | 4th Period September 1, 2007 to February 29, 2008 | 3rd Period March 1, 2007 to August 31, 2007 | 2nd Period April 1, 2006 to February 28, 2007 |
| Revenue from Property Leasing: | | | |
| Rental: | | | |
| Rental revenues | ¥3,766 | ¥3,243 | ¥4,720 |
| Facility charge | 103 | 80 | 110 |
| Subtotal | 3,869 | 3,323 | 4,830 |
| Other revenues related to property leasing: | | | |
| Income from leasing rights, etc. | 186 | 159 | 200 |
| Miscellaneous income | 37 | 42 | 37 |
| Subtotal | 223 | 201 | 238 |
| Total revenues from property leasing | 4,092 | 3,524 | 5,068 |
| Rental Expenses: | | | |
| Property management fees | 425 | 375 | 534 |
| Repairs and maintenance | 90 | 87 | 104 |
| Real estate taxes | 107 | 110 | 131 |
| Trust fee | 9 | 9 | 12 |
| Utilities | 41 | 33 | 50 |
| Insurance | 8 | 7 | 10 |
| Depreciation and amortization | 731 | 608 | 850 |
| Leasing-related service fees, etc. | 67 | 78 | 68 |
| Other rental expenses | 28 | 19 | 28 |
| Total rental expenses | 1,506 | 1,326 | 1,787 |
| Operating Income from Property Leasing Activities | ¥2,586 | ¥2,198 | ¥3,281 |

Note 7 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 0.06%, 0.07% and 0.09% for the periods ended February 29, 2008, August 31, 2007 and February 28, 2007, respectively. The following table summarizes the significant differences between the statutory tax rates and NAF's effective tax rates for financial statement purposes.

| | 4th Period September 1, 2007 to February 29, 2008 | 3rd Period March 1, 2007 to August 31, 2007 | 2nd Period April 1, 2006 to February 28, 2007 |
|-------------------------------|--|--|--|
| Statutory effective tax rate | 39.39% | 39.39% | 39.39% |
| Deductible distributions paid | (39.37) | (39.36) | (39.35) |
| Others | 0.04 | 0.04 | 0.05 |
| Effective tax rate | 0.06% | 0.07% | 0.09% |

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of February 29, 2008, August 31, 2007 and February 28, 2007 were as follows:

| | Yen in thousands | | |
|---------------------------|-------------------------|-----------------------|-------------------------|
| | As of February 29, 2008 | As of August 31, 2007 | As of February 28, 2007 |
| Deferred tax assets: | | | |
| Enterprise taxes | ¥ 19 | ¥ 19 | ¥ 19 |
| Total deferred tax assets | 19 | 19 | 19 |
| Deferred tax liabilities | — | — | — |
| Net Deferred Tax Assets | ¥ 19 | ¥ 19 | ¥ 19 |

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

Note 8 Per Unit Information

Information about earnings per unit for the periods ended February 29, 2008, August 31, 2007 and February 28, 2007 and net assets per unit as of February 29, 2008, August 31, 2007 and February 28, 2007 was as follows.

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

| | Yen | | |
|---|--|--|--|
| | 4th Period September 1, 2007 to February 29, 2008 | 3rd Period March 1, 2007 to August 31, 2007 | 2nd Period April 1, 2006 to February 28, 2007 |
| Earnings per Unit: | | | |
| Net income | ¥14,365 | ¥12,749 | ¥23,375 |
| Weighted average number of investment units outstanding | 113,480 | 113,480 | 86,757 |
| | As of February 29, 2008 | As of August 31, 2007 | As of February 28, 2007 |
| Net Assets per Unit | ¥551,717 | ¥550,102 | ¥555,223 |

Note 9 Transactions with Related Parties

(September 1, 2007 – February 29, 2008)

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

(2) Directors and Major Individual Unitholders

| Classification | Name | Principal business or occupation | Nature of transaction | Amount of transaction (Yen in millions) | Account | Balance at end of period (Yen in millions) |
|--------------------------------|----------------|--|--|--|------------------|---|
| Director and/or close relative | Nobuyuki Nakai | Executive Director of NAF and President & CEO of MFAFM | Payment of asset management fees to MFAFM (Note 1) | ¥393 (Notes 2 and 4) | Accounts payable | ¥316 (Note 4) |
| | | | Payment for the provision of general administration services relating to organizational management to MFAFM (Note 3) | ¥6 (Note 4) | Accounts payable | ¥0 (Note 4) |

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

2. The amount of asset management fees includes ¥92 million for management related to acquisition of properties included in the book value of each investment property, etc.

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

4. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

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

(4) Sister Companies: None applicable

(March 1, 2007 – August 31, 2007)

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

(2) Directors and Major Individual Unitholders

| Classification | Name | Principal business or occupation | Nature of transaction | Amount of transaction (Yen in millions) | Account | Balance at end of period (Yen in millions) |
|--------------------------------|----------------|--|--|--|------------------|---|
| Director and/or close relative | Nobuyuki Nakai | Executive Director of NAF and President & CEO of MFAFM | Payment of asset management fees to MFAFM (Note 1) | ¥304 (Notes 2 and 4) | Accounts payable | ¥275 (Note 4) |
| | | | Payment for the provision of general administration services relating to organizational management to MFAFM (Note 3) | ¥1 (Note 4) | Accounts payable | ¥0 (Note 4) |

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

2. The amount of asset management fees includes ¥42 million for management related to acquisition of properties included in the book value of each investment property, etc.

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

4. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

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

(4) Sister Companies: None applicable

Note 10 Significant Subsequent Events**1. Acquisition of Assets**

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

Park Axis Nihonbashi Hamacho

| | | |
|---------------------------------|-----------------------------|---|
| Date of Acquisition | | March 11, 2008 |
| Acquisition Price (Note) | | ¥5,540 million |
| Location (Residence Indication) | | 9-4, Nihonbashi Hamacho 1-chome, Chuo-ku, Tokyo |
| Building | Completed | July 2006 |
| | Structure /Number of Floors | RC 12F |
| | Rentable Area | 6,999.83m ² |

Park Cube Yoyogi Tomigaya

| | | |
|---------------------------------|-----------------------------|--|
| Date of Acquisition | | March 11, 2008 |
| Acquisition Price (Note) | | ¥1,975 million |
| Location (Residence Indication) | | 14-13, Tomigaya 2-chome, Shibuya-ku, Tokyo |
| Building | Completed | July 2007 |
| | Structure /Number of Floors | RC 9F |
| | Rentable Area | 1,929.10m ² |

Park Axis Nishi Funabashi

| | | |
|---------------------------------|-----------------------------|--|
| Date of Acquisition | | March 11, 2008 |
| Acquisition Price (Note) | | ¥1,020 million |
| Location (Residence Indication) | | 4-6, Nishi Funabashi 3-chome, Funabashi-shi, Chiba |
| Building | Completed | September 2007 |
| | Structure /Number of Floors | RC 5F |
| | Rentable Area | 2,074.35m ² |

Park Axis Monzen Nakacho

| | | |
|---------------------------------|-----------------------------|--|
| Date of Acquisition | | March 27, 2008 |
| Acquisition Price (Note) | | ¥1,700 million |
| Location (Residence Indication) | | 7-10, Monzen Nakacho 2-chome, Koto-ku, Tokyo |
| Building | Completed | February 2007 |
| | Structure /Number of Floors | RC 12F |
| | Rentable Area | 1,886.39m ² |

Park Cube Itabashi Honcho

| | | |
|---------------------------------|-----------------------------|--------------------------------------|
| Date of Acquisition | | March 27, 2008 |
| Acquisition Price (Note) | | ¥4,170 million |
| Location (Residence Indication) | | 18-6, Yamato-cho, Itabashi-ku, Tokyo |
| Building | Completed | March 2008 |
| | Structure /Number of Floors | RC 14F |
| | Rentable Area | 5,317.07m ² |

Park Cube Gakugei Daigaku

| | | |
|---------------------------------|-----------------------------|--|
| Date of Acquisition | | March 27, 2008 |
| Acquisition Price (Note) | | ¥910 million |
| Location (Residence Indication) | | 13-23, Gohongi 3-chome, Meguro-ku, Tokyo |
| Building | Completed | March 2008 |
| | Structure /Number of Floors | RC 3F |
| | Rentable Area | 957.88m ² |

Park Cube Oimachi

| | | |
|---------------------------------|-----------------------------|---------------------------------------|
| Date of Acquisition | | May 21, 2008 |
| Acquisition Price (Note) | | ¥1,440 million |
| Location (Residence Indication) | | 26-2, Oi 1-chome, Shinagawa-ku, Tokyo |
| Building | Completed | March 2008 |
| | Structure /Number of Floors | RC 14F |
| | Rentable Area | 1,511.12m ² |

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

2. Borrowing Funds

To purchase the assets mentioned above and related incidental expenses, NAF has borrowed funds as shown below.

| Lender | Balance (Yen in millions) | Interest rate (Note 1) | Date of loan | Date of maturity | Repayment method | Notes |
|--|------------------------------|---------------------------|----------------|------------------|---------------------|---|
| Sumitomo Mitsui Banking Corporation | ¥6,500 | 1.0% | March 11, 2008 | June 11, 2008 | Bullet repayment | Unsecured/ unguaranteed/ pari passu (Note 2) |
| The Chuo Mitsui Trust and Banking Co., Ltd. | 2,000 | 1.0% | March 11, 2008 | April 30, 2008 | | |
| The Sumitomo Trust & Banking, Co., Ltd. | 4,800 | 1.0% | March 27, 2008 | May 12, 2008 | | |
| The Bank of Fukuoka, Ltd. | 2,000 | 1.0% | March 27, 2008 | May 12, 2008 | | |
| The Chuo Mitsui Trust and Banking Co., Ltd. | 1,500 | 1.0% | May 21, 2008 | August 15, 2008 | | |

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

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

Independent Auditors' Report



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

We have audited the accompanying balance sheets of Nippon Accommodations Fund Inc. (a Japanese Real Estate Investment Trust) as of February 29, 2008 and August 31, 2007, and the related statements of income, changes in net assets and cash flows for each of the periods from September 1, 2007 to February 29, 2008, from March 1, 2007 to August 31, 2007 and from April 1, 2006 to February 28, 2007, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nippon Accommodations Fund Inc. as of February 29, 2008 and August 31, 2007, the results of its operations and its cash flows for each of the periods from September 1, 2007 to February 29, 2008, from March 1, 2007 to August 31, 2007 and from April 1, 2006 to February 28, 2007, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 10 to the financial statements, which states that Nippon Accommodations Fund Inc. has completed the acquisition of assets and has borrowed funds.

The U.S. dollar amounts in the accompanying financial statements with respect to the period ended February 29, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the financial statements.

KPMG AZSA & Co.

Tokyo, Japan
May 27, 2008

KPMG AZSA & Co., an audit corporation incorporated under the Japanese Certified Public Accountants Law, is the Japan member firm of KPMG International, a Swiss cooperative.

Primary Related Corporations

Overview of the Roles of Primary Related Corporations

The following outlines the contractual relationship between NAF and its REIT management company, and the contractual rela-

tionship between NAF's REIT management company and primary related corporations.

| Role | Name | Overview of Relevant Operations |
|--|---|---|
| REIT management company and general administrative agent | Mitsui Fudosan Accommodations Fund Management Co., Ltd. (MFAFM) | MFAFM serves as the company entrusted with asset management as required under the Investment Trust and Investment Corporation Act of Japan (Article 198, Paragraph 1) and under a REIT Management Agreement entered into between MFAFM and NAF on October 13, 2005 (as amended). Under this agreement, MFAFM undertakes asset management of NAF in accordance with the asset management guidelines of MFAFM and the Articles of Incorporation of NAF. Under the above agreement, MFAFM is entrusted with (1) management of assets owned by NAF; (2) fund procurement to be conducted by NAF; (3) reporting on the condition of assets owned by NAF; (4) formulating management plans for assets of NAF; and (5) any other matters related to the above items listed in (1) through (4) that NAF may require. In addition, pursuant to Article 117 of the Investment Trust and Investment Corporation Act of Japan, MFAFM undertakes management of (1) the Board of Directors; (2) the general meeting of unitholders; and (3) any other matters related to the above items listed in (1) and (2) that NAF may require, as General Administrative Agent based on a General Administrative Service Agreement dated March 1, 2006. The matters entrusted to the Transfer Agent pursuant to the Agreement between NAF and the Transfer Agent are not included in the above matters set forth in (1) and (2). |
| Real estate information/ advisory service provider | Mitsui Fudosan Co., Ltd. | Mitsui Fudosan provides real estate sales information, real estate management information, and other services to MFAFM under an Agreement on Provision of Real Estate Information/Advisory Service that MFAFM entered into with Mitsui Fudosan on February 23, 2006. |
| Real estate information provider | Mitsui Fudosan Residential Co., Ltd.* | Mitsui Fudosan Residential provides real estate sales information to MFAFM under an Agreement on Provision of Real Estate Information that MFAFM entered into with Mitsui Fudosan Residential on September 26, 2007. |
| Property information provider | Mitsui Real Estate Sales Co., Ltd. | Mitsui Real Estate Sales provides real estate brokerage information and other services to MFAFM under a Memorandum on Provision of Real Estate Brokerage Information that MFAFM entered into with Mitsui Real Estate Sales on March 31, 2006. |
| Master property management company | Mitsui Fudosan Housing Lease Co., Ltd. | In principle, MFAFM will entrust to Mitsui Fudosan Housing Lease as master property management company, all property management services required for real estate of NAF, under a Basic Agreement on Property Management between MFAFM and Mitsui Fudosan Housing Lease dated March 31, 2006. |

* Incorporated as a wholly owned residential sales subsidiary through a corporate split from Mitsui Fudosan Co., Ltd. in October 2006.

Mitsui Fudosan Accommodations Fund Management Co., Ltd. REIT Management Company and General Administrative Agent

MFAFM, as a REIT management company provided for in the Investment Trust and Investment Corporation Act of Japan, performs management of NAF's assets and undertakes management of the institutions of NAF. As of February 29, 2008, MFAFM has been entrusted as a REIT management company only by NAF.

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

■ Operation

- Undertakes asset management of NAF pursuant to a REIT Management Agreement based on an entrustment from NAF in accordance with the Articles of Incorporation of NAF and the Investment Objects and Policies set forth therein.
- Undertakes management of the general affairs of the general meeting of unitholders and the Board of Directors of NAF as General Administrative Agent based on an entrustment from NAF and pursuant to a General Administrative Service Agreement.

■ Fees for the Asset Management Operation

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

Management Fees 1

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

Management Fees 2

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

Management Fees 3

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

Management Fees 4

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

■ History of MFAFM

MFAFM is a REIT management company that is a limited liability company duly established under the laws of Japan. Major events in the history of MFAFM are as follows.

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

■ Directors and Staff

As of February 29, 2008, the directors and corporate auditors of MFAFM are as follows.

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

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

| Name | Title |
|------------------|--------------------------|
| Tetsuya Kanazawa | Chief Compliance Officer |

The staff other than those mentioned above comprises 13 persons.

■ Outline of Financial Condition

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

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

| Current as of March 31, 2008 | (Yen in millions) |
|------------------------------|-------------------|
| Total Assets | ¥855 |
| Total Liabilities | 78 |
| Unitholders' Equity | 777 |

Profit and loss for the most recent fiscal year:

| Fourth Fiscal Year (April 1, 2007 – March 31, 2008) | (Yen in millions) |
|--|-------------------|
| Operating Income | ¥817 |
| Ordinary Profit | 399 |
| Net Income | 230 |

Mitsui Fudosan Co., Ltd. ("Mitsui Fudosan")

Real Estate Information and Advisory Service Provider

Pursuant to an Agreement on Provision of Real Estate Information/Advisory Service, Mitsui Fudosan provides to MFAFM a diverse array of support services that employ the information and expertise of Mitsui Fudosan in the area of real estate management and administration.

In order to receive such services, MFAFM provides Mitsui Fudosan with acquisition guidelines included in asset management guidelines.

■ Provision of Information on Real Estate and Other Assets Owned or Developed by Mitsui Fudosan

In case Mitsui Fudosan initiates selling activities of real estate or real estate-related assets which it owns or is developing under its Accommodation Division, and is consistent with MFAFM's asset management guidelines, Mitsui Fudosan notifies MFAFM, in principle, before or at the same time as it notifies any third party of such sales, unless such notification cannot be made due to lack of consent of third parties or for any other unavoidable reasons.

When MFAFM receives such notification and provides written notification that it will consider the purchase of such real estate or assets, Mitsui Fudosan deals with NAF as a prospective purchaser on a pari passu basis with regard to any third party interested in purchasing such estate or other assets.

■ Provision of Third-Party Real Estate Sales Information

Regardless of whether Mitsui Fudosan has originated or is brokering the sale, Mitsui Fudosan's Accommodation Division in principle notifies MFAFM of information concerning available real estate or real estate-related assets owned by third parties, when such real estate or assets are consistent with MFAFM's asset management guidelines, unless such notification cannot be made due to lack of consent of third parties or for any other unavoidable reasons, or Mitsui Fudosan itself intends to acquire such real estate or assets with the objective of development or ownership.

■ Provision of Real Estate Management Information

Mitsui Fudosan will provide in writing upon request by MFAFM and at least once per calendar year real estate management information (see note below) drawn from information that its Accommodation Division supervises if MFAFM deems such information necessary for its business and Mitsui Fudosan agrees to such provision.

Note: "Real estate management information" means the following information:

- (a) Information regarding medium-to-long-term trends relevant to the operating environment of the real estate leasing market in Japan including economic trends, population dynamics, and trends in housing stock.
- (b) Trends in new supply of residential properties for lease (including property summaries, level of rent and initial leasing conditions), recent lease contracts entered for specific residential properties, area marketing surveys, financial data for other real estate investment corporations, income and expense data for specific properties, and real estate leasing market trends including vacancy rate and rent trends.
- (c) Other information related to items (a) or (b) above that MFAFM requests, as needed.

■ Provision of Advisory Services

MFAFM has entrusted the following activities to Mitsui Fudosan.

- (a) Support services for the acquisition of real estate or real estate-related assets (including due diligence prior to such acquisition, review of relevant building plans and conditions of construction).
- (b) Advice regarding the management and administration of real estate or real estate-related assets which NAF owns or is considering acquiring.

Such advice includes, but is not limited to (i) advice and support in connection with the management and administration of the long-term maintenance plan for buildings and facilities and deliberations on and preparation of related budgets and plans; (ii) advice and support in connection with the investigation or review of the plan and estimated costs for maintenance and renovation to be conducted in connection with real estate or real estate-related assets; and (iii) advice and support in connection with large-scale repair projects to be executed in respect of real estate or real estate-related assets.

■ Operation Fees

MFAFM will provide the compensation as separately discussed and agreed with Mitsui Fudosan under this agreement.

Portfolio Structure Policies

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

1. Investment Areas

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

When considering individual investments, NAF studies

regional characteristics and tenant needs. NAF then deploys this information to invest in properties with suitable residential plans and characteristics.

2. Investment Standards

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

| Item | Standard |
|------------------------------|--|
| Investment amount | In principle, the value of each property must exceed ¥1 billion. However, NAF may invest in properties at or below ¥1 billion after taking into account property characteristics and earning potential and certain relevant matters. |
| Ownership interests | In principle, NAF shall hold ownership interests of a whole property. However, NAF may invest in compartmentalized ownership upon consideration of the specific property. NAF may also invest in leaseholds, including fixed-term leaseholds, on the basis of consideration of earning potential, the stability of the leasehold rights and other relevant matters. |
| Building structure | Building structures shall be reinforced concrete (RC) or steel reinforced concrete (SRC). Earthquake resistance shall conform to or substantially satisfy the New Earthquake Resistance Standards (in compliance with the 1981 revision to the Building Standards Law (Law No. 201 of 1950), as amended, the "Building Standards Law"). |
| Properties under development | In principle, NAF shall acquire properties that are already producing stable rental income at the time of acquisition, and shall not invest in land with a view to NAF's own construction of the building thereon. However, NAF may consider contracts to acquire uncompleted buildings that, although incomplete, are expected to carry minimum risk in respect to completion, delivery and subsequent leasing. |

3. Due Diligence Standards

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

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

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

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

| | | |
|--|--|--|
| | | <ol style="list-style-type: none"> 5. Status of compartment of compartmentalized ownership. 6. Security arrangements established prior to involvement of NAF and assumption of any encumbrances or obligations in connection thereto. 7. Terms of special agreement with the owner of site (or leasehold originator), other compartmentalized ownership holders, other co-owners and any other relevant parties, including agreement regarding first refusal. 8. Characteristics of owners of site (or leasehold originator), compartmentalized ownership holders, co-owners or other relevant parties (for example, corporations or individuals). 9. Terms of trust agreement in case the relevant rights are beneficial interests in real estate trust. |
|--|--|--|

Policies for Portfolio Management and Operation

1. Basic Management Policies

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

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

2. Selection and Monitoring of the Property Management Company

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

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

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

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

3. Policies for Property and Casualty Insurance Coverage

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

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

4. Basic Policies for Renovation Plans and Capital Expenditures

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

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

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

Divestiture Policy

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

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

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

Financial Policies

1. Issue of New Units

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

2. Debt Financing

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

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

3. Loan-to-Value Ratio

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

4. Derivatives

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

Information Disclosure Policy

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

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

Corporate Data and Investor Information

(As of February 29, 2008)

■ Corporate Data

| | |
|---------------------------------------|---|
| Corporate office | 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-0022, Japan +81-3-3246-3677 http://www.naf-r.jp/english/index.html |
| Date of incorporation | October 12, 2005 |
| Capital | ¥60,979 million (as of February 29, 2008) |
| Unitholders | 3,523 |
| Transfer agent | The Chuo Mitsui Trust and Banking Company, Limited 33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan |
| Business office of the transfer agent | Stock Transfer Agency Department of The Chuo Mitsui Trust and Banking Company, Limited 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, Japan |
| Independent auditor | KPMG AZSA & Co. AZSA Center Building 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo 162-8551, Japan |
| Investor relations | For further information, please contact the REIT Management Company: Mitsui Fudosan Accommodations Fund Management Co., Ltd. 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-0022, Japan +81-3-3246-3677 |

Disclaimer

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

This English document contains selected information including a partial translation of the Securities Report (*Yuka shoken hokokusho*) filed on May 28, 2008 pursuant to the Financial Instruments and Exchange Law of Japan, and the Financial Statements and Performance Information Report for the period from September 1, 2007 to February 29, 2008, of Nippon Accommodations Fund Inc. prepared pursuant to the Investment Trust and Investment Corporation Act of Japan. This document should not be deemed a summary of the above mentioned Securities Report and the Financial Statements and Performance Information Report.

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.

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

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

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

Investor Information

| | |
|------------------------------|---|
| Fiscal period* | Six months ending February 28 (February 29 in leap years) and August 31 |
| Total number of units issued | 113,480 (As of February 29, 2008) |
| Distribution per unit | ¥14,366 (As of February 29, 2008) |
| Unit listing | Tokyo Stock Exchange (Securities Code: 3226) |

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

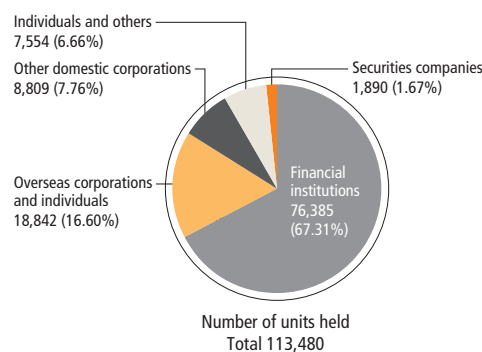
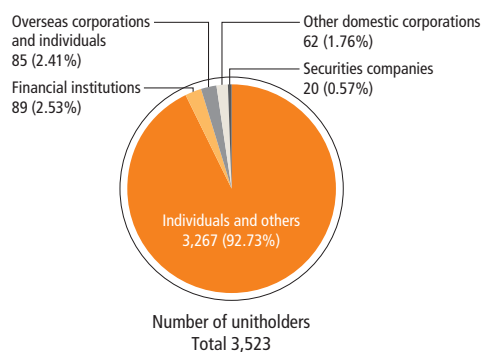
Major Unitholders

(As of February 29, 2008)

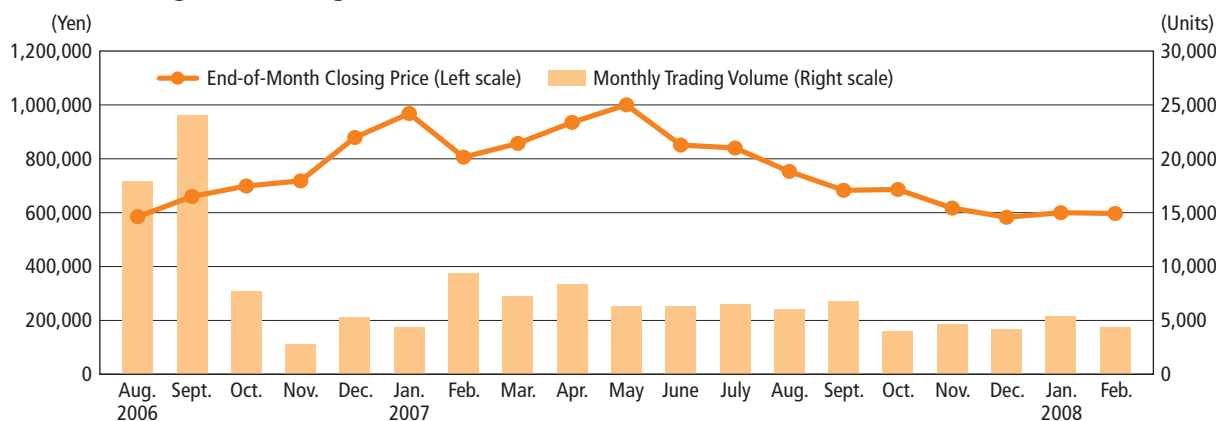
| Name | Number of Units Held | Percentage of Total |
|---|----------------------|---------------------|
| Japan Trustee Services Bank, Ltd. (Trust Account) | 11,119 | 9.79% |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 9,547 | 8.41% |
| NikkoCiti trust and Banking Corporation (Investment Account) | 8,504 | 7.49% |
| Mitsui Fudosan Co., Ltd. | 6,600 | 5.81% |
| The Nomura Trust and Banking Co., Ltd. (Investment Account) | 6,054 | 5.33% |
| Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account) | 5,217 | 4.59% |
| CGML-IPB Customer Collateral Account | 4,255 | 3.74% |
| The Chuo Mitsui Trust and Banking Company, Limited | 3,600 | 3.17% |
| Sumitomo Mitsui Banking Corporation | 3,390 | 2.98% |
| American Life Insurance Company GA-L | 2,728 | 2.40% |

* Number of units held as a percentage of total units issued and outstanding, rounded down to the nearest hundredth.

Composition and Distribution of Unitholders



Unit Price Range and Trading Volume



Nippon Accommodations Fund Inc.

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

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