

# NAF Report

March 2021 – August 2021

31<sup>st</sup> Period









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## Distribution

### Confirmed distribution

**31st** Period (Aug.21)  
Per unit **¥10,035**

### Expected distribution

**32nd** Period (Feb.22)  
Per unit **¥10,350**

### Expected distribution

**33rd** Period (Aug.22)  
Per unit **¥10,060**

\* The forecasted figures are calculated based on certain assumptions as of October 19, 2021. The actual figures may change due to various factors including fluctuations in rent revenues owing to changes in tenants and other factors, changes in properties, fluctuation in interest, and additional issuance of investment units. Accordingly, the forecasts are not a guarantee of any cash distribution amount, etc. The forecasted figures are stated based on the details announced in the Financial Results for the Fiscal Period from March 1, 2021 to August 31, 2021 released on October 19, 2021.

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



# Strategies and Features

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

## 1. Investment in Accommodation Assets

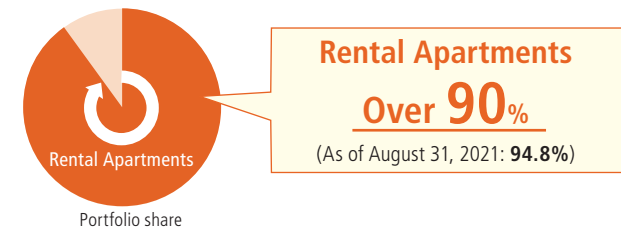
NAF defines real estate that is mainly used/may be used for residence or hotels as "Accommodation Assets" and invests in two areas of "Rental Apartments" and "Hospitality Facilities."

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

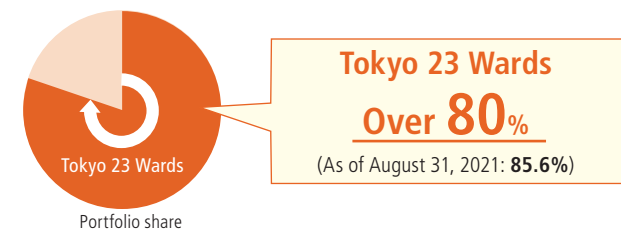
### ■ Investment in Accommodation Assets



### ■ Proportion of Investment in Assets



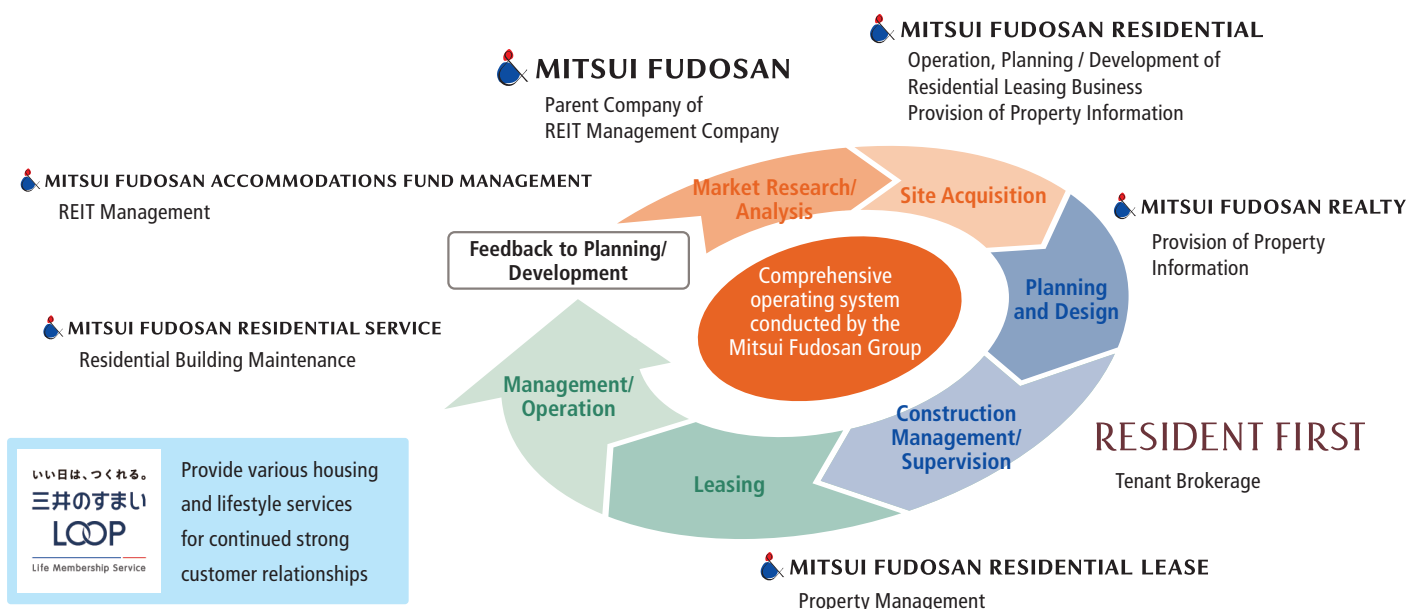
### ■ Investment Areas



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

## 2. Leveraging the Mitsui Fudosan Group

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





### Intensive investment in Tokyo 23 Wards

88.5%

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

### Focus on single and compact type apartments

83.3%

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

### High quality Rental Apartments



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

### Portfolio scale (total acquisition value)

¥337.9 billion

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

### Maintain a high occupancy rate

96.2%

(31st period: average month-end occupancy rate)

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

### Earning of high credit ratings

R&I.....AA-

S&P.....A+

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

\* Unless stated otherwise, information stated above is current as of the end of the 31st period (August 31, 2021).  
The ratio of properties in Tokyo 23 wards is based on acquisition price of Rental Apartments only.  
The ratio of properties that consist of single and compact units is based on units of Rental Apartments only (excluding retail units).

## To Our Stakeholders



### Nippon Accommodations Fund Inc. Management Team



From left: Mitsutoshi Masuda, Takashi Ikeda,  
Tateyuki Ikura, Mika Eto,  
Eiki Enomoto

<b>Takashi Ikeda</b>	Executive Director
<b>Tateyuki Ikura</b>	Executive Director
<b>Mitsutoshi Masuda</b> (Certified Public Accountant)	Supervisory Director
<b>Mika Eto</b> (Real Estate Appraiser)	Supervisory Director
<b>Eiki Enomoto</b> (Attorney at Law)	Supervisory Director

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

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

NAF was listed on the Real Estate Investment Trust Securities Market (J-REIT Market) of the Tokyo Stock Exchange in August 4, 2006. Ever since, we have continued to achieve a steady track record, and as of August 31, 2021, we have completed our 31st fiscal period (fiscal period ended August 31, 2021). This is entirely due to the support of our unitholders, and for this I would like to express my gratitude.

At its Board of Directors' meeting held on October 19, 2021, NAF approved the financial statements, etc. prescribed by Article 131, paragraph 2 of the Act on Investment Trusts and Investment Corporations. Accordingly, I am pleased to report here an overview of our asset management and operating results for the 31st period (ended August 31, 2021).

As of August 31, 2021, NAF's portfolio consisted of 134 properties and a total acquisition value of ¥337.9 billion. As a result of above operations during the period, NAF recorded total revenues of ¥11,986 million, operating income of ¥5,428 million and net income of ¥4,978 million. The distribution per unit was ¥10,035.

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

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

**Tateyuki Ikura**

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



# Financial Highlights

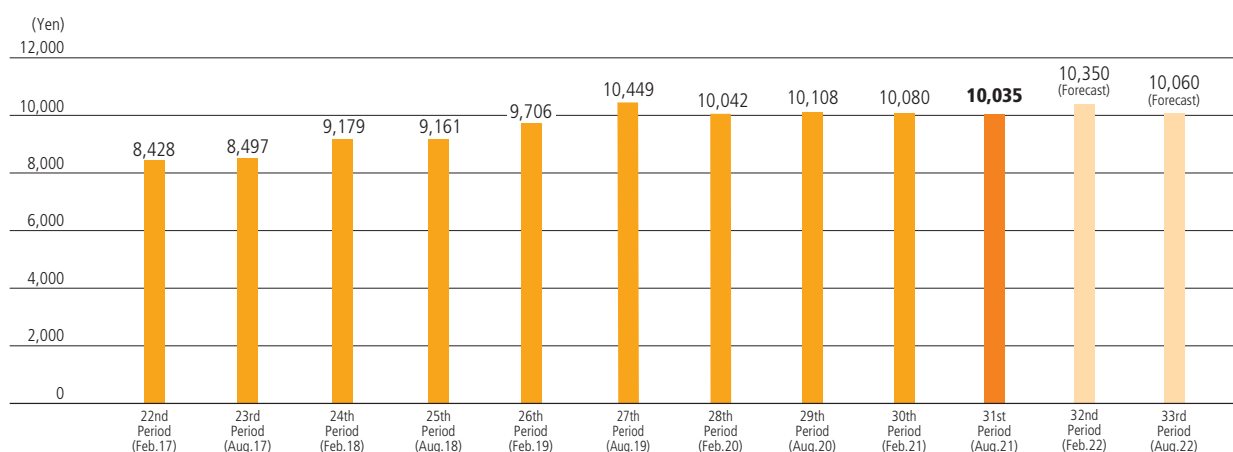
- Distribution per unit for the 31st period came to **¥10,035**.
- Total assets at the end of the period were **¥327,824 million**, interest-bearing debt was **¥169,500 million**, and LTV (Loan-to-Value) ratio was **51.7%**.
- Net assets were **¥150,926 million** (down ¥97 million from the end of the previous fiscal period).

	30th Period (Actual) (Ended February 28, 2021)	31st Period (Actual) (Ended August 31, 2021)	32nd Period (Forecast) (Ending February 28, 2022)	33rd Period (Forecast) (Ending August 31, 2022)
Total revenues	¥11,560 million	¥11,986 million	¥12,132 million	¥12,187 million
Operating income	¥5,266 million	¥5,428 million	¥5,671 million	¥5,529 million
Net income	¥4,861 million	¥4,978 million	¥5,211 million	¥5,065 million
LTV (Loan-to-Value) ratio* <sup>1</sup>	50.2%	51.7%	51.5%	51.6%
Distribution per unit	¥10,080	¥10,035	¥10,350	¥10,060
Assets under management				
Acquisition price basis	¥318,441 million	¥337,930 million	¥337,930 million	¥337,930 million
Number of properties	129	134	134	134

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

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

## Track record of Distribution per Unit



Note: The forecasted figures are calculated based on certain assumptions as of October 19, 2021. The actual figures may change due to various factors including fluctuations in rent revenues owing to changes in tenants and other factors, changes in properties, fluctuation in interest, and additional issuance of investment units. Accordingly, the forecasts are not a guarantee of any cash distribution amount, etc. The forecasted figures are stated based on the details announced in the Financial Results for the Fiscal Period from March 1, 2021 to August 31, 2021 released on October 19, 2021.

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

## Status of Portfolio

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

### New Acquisitions in the 31st Period

	Property name	Location	Acquisition date	Acquisition price (Yen in millions)	Rentable units (Units)
Rental Apartments	Park Cube Oimachi Residence	Shinagawa-ku, Tokyo	April, 5 2021	1,742	51
Rental Apartments	Park Axis Toyochi Shinsui Koen	Koto-ku, Tokyo	April, 5 2021	4,147	123 residential, 1 retail, etc.
Rental Apartments	Park Axis Ofuna	Yokohama-shi, Kanagawa	April, 5 2021	2,100	73
Hospitality Facilities	Campus terrace Waseda	Bunkyo-ku, Tokyo	April, 5 2021	1,810	82
Rental Apartments	Park Axis Kikukawa Station Gate	Sumida-ku, Tokyo	June, 29 2021	3,200	107
Rental Apartments	Park Axis Kiba Canal West	Koto-ku, Tokyo	June, 29 2021	4,660	146 residential, 1 retail, etc.
Rental Apartments	Park Axis Kiba Canal East	Koto-ku, Tokyo	June, 29 2021	1,830	63 residential, 1 retail, etc.

\* NAF acquired 65% co-ownership of Park Axis Toyochi Shinsui Koen, and "rentable units" are calculated by multiplying co-ownership by the total number of rooms and rounding to the nearest whole number.

\* NAF acquired 30% co-ownership of Park Cube Oimachi Residence, and "rentable units" are calculated by multiplying co-ownership by the total number of rooms and rounding to the nearest whole number.



Park Cube Oimachi Residence



Park Axis Kikukawa Station Gate



Park Axis Kiba Canal West



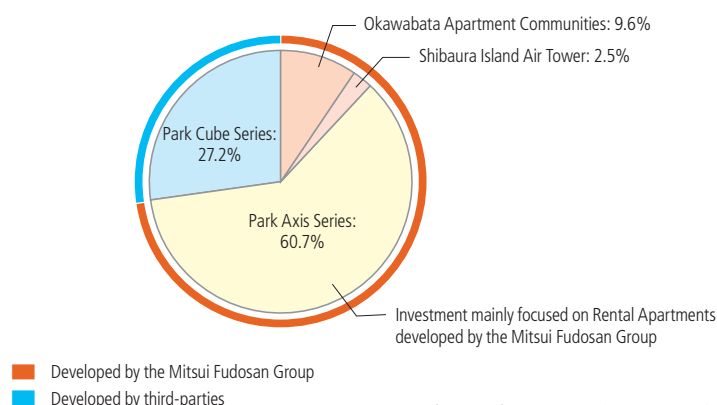
Park Axis Kiba Canal East

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

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

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

#### Asset Classification of Rental Apartments

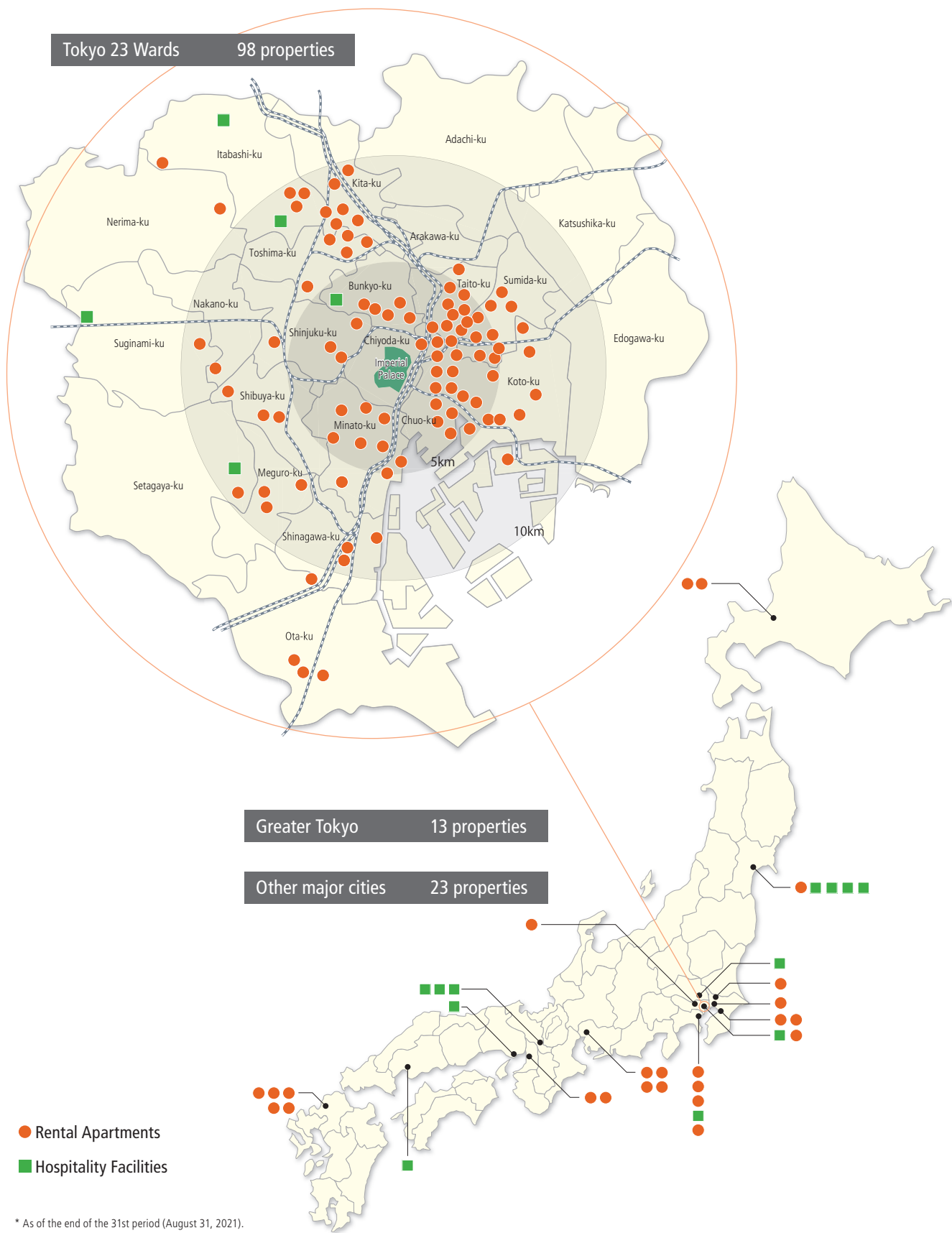


\* As of the end of the 31st period (August 31, 2021).

\* The calculation is based on an acquisition price.



# Portfolio Map



# Sustainability Initiatives

## 1 Structure for Promotion and External Assessment

### Sustainability Policy

Reduction of Environmental Load

Collaborations with Various Internal and External Stakeholders

Initiatives for Governance

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

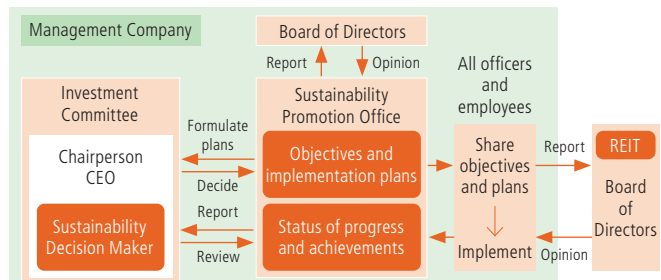
### Identification of materiality

NAF identifies materiality for relevant initiatives when promoting sustainability.

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

### In-House Structure for Promotion of Sustainability

Sustainability Promotion Office established to ensure effective sustainability policies



### Consistently Acquire External Certification of Sustainability

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

#### GRESB Real Estate Assessment



#### SMBC Environmental Assessment



## 2 Environment

### Installation of LED lighting in common areas

Systematically installing LED lighting promotes energy saving and reduction of CO<sub>2</sub> emissions throughout our portfolio.

Installation completed
<b>100</b> properties
In the 31st Period
<b>9</b> properties

(As of August 31, 2021)



### External Certification of Investment Properties

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



Certification Details	
No. of properties	<b>5</b>
Total floor space	<b>208,087m<sup>2</sup></b>
Percentage of floor space certified	<b>27.5 %</b>

(As of August 31, 2021)

### Initiatives on Climate Change - Endorsement of the TCFD



In September 2021, the Asset Management Company endorsed the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

\* The Asset Management Company has begun to address the information disclosure items recommended by the TCFD recommendations, and plans to reflect them in its disclosures from the next fiscal period onward.

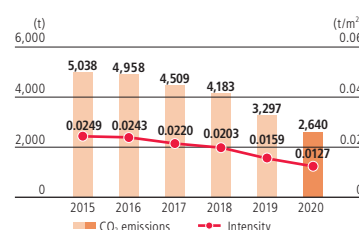
### Environmental Performance

#### Targets

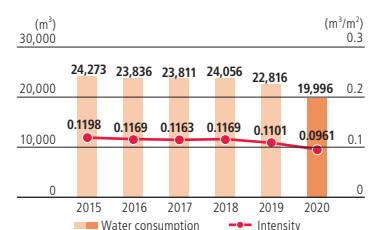
Energy consumption, CO <sub>2</sub> emissions from energy use
Average annual reduction of 1%
Water consumption
No increase compared to 2015

#### Results

##### CO<sub>2</sub> emissions from energy use



##### Water consumption





## 3 Social

### ■ Employees of the Asset Management Company

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

#### Human Resource Development

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

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

#### Health and Safety, Respect for Human Rights

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

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

### ■ Supply Chains

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

### ■ Tenants

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

#### Greater Satisfaction

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

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

### ■ Local Communities

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

#### Cooperation in Local Events

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



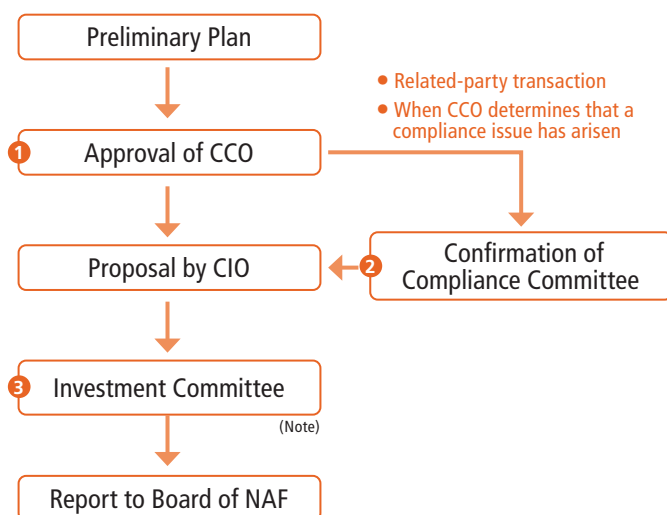
Beetle petting event



Evening of firefly viewing

## 4 Governance

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



#### Compliance Checking System

##### ① Approval by Chief Compliance Officer (CCO)

The following require approval of the Compliance Committee

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

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

##### ② The Compliance Committee

Requires approval by independent external professionals

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

External professionals: Appoint professionals independent from sponsor-related parties

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

##### ③ Functions as a Check on the Investment Committee

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

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

# Portfolio Summary (As of August 31, 2021)

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



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

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

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



# Management's Discussion and Analysis

## Summary of Selected Financial Data

	Yen in millions (Except per unit data or where otherwise indicated)			U.S. dollars in thousands (Note 1) (Except per unit data)
	31st Period March 1, 2021 to August 31, 2021	30th Period September 1, 2020 to February 28, 2021	29th Period March 1, 2020 to August 31, 2020	31st Period March 1, 2021 to August 31, 2021
Total revenues (Note 2)	¥ 11,986	¥ 11,560	¥ 11,520	\$ 109,062
Rental revenues	11,437	11,088	10,999	104,067
Other revenues related to property leasing	548	471	521	4,986
Operating expenses	6,557	6,294	6,188	59,663
Income before income taxes	4,978	4,862	4,898	45,295
Net income (a)	4,978	4,861	4,897	45,295
Funds from operations (Note 3)	7,028	6,844	6,897	63,949
Net operating income from property leasing activities (Note 3)	8,820	8,550	8,606	80,254
Total amount of cash distribution (b)	5,052	5,074	4,897	45,969
Depreciation and amortization	2,050	1,982	1,999	18,653
Capital expenditures	256	337	296	2,329
Total assets (c)	327,824	317,740	305,840	2,982,929
Interest-bearing debt	169,500	159,500	157,500	1,542,311
Total net assets (d)	150,926	151,023	141,213	1,373,303
Total number of common units issued (Units) (e)	503,472	503,472	484,522	
Net assets per unit (Yen/\$) (d) / (e)	299,772	299,964	291,448	2,727.67
Distribution per unit (Yen/\$) (b) / (e)	10,035	10,080	10,108	91.31
Funds from operations per unit (Yen/\$) (Note 3)	13,960	13,594	14,234	127.02
ROA (Note 4)	1.5%	1.6%	1.6%	
(Annual rate)	(3.1%)	(3.1%)	(3.2%)	
ROE (Note 4)	3.3%	3.3%	3.5%	
(Annual rate)	(6.5%)	(6.7%)	(6.9%)	
LTV (Loan-to-value) ratio (Note 3)	51.7%	50.2%	51.5%	
Capital ratio (d) / (c)	46.0%	47.5%	46.2%	
Payout ratio (b) / (a) (Note 5)	101.5%	104.4%	100.0%	
Number of days in the period	184	181	184	
Number of investment properties (Note 6)	134	129	128	
Total rentable area (m <sup>2</sup> )	538,154	515,984	513,445	
The occupancy rate at the end of the period (Note 6)	96.1%	97.1%	96.3%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥109.90 = U.S.\$1.00, the approximate exchange rate as of August 31, 2021.

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

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

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

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

LTV ratio: Interest-bearing debt ÷ Total assets

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

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

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

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

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

Annual equivalent amounts for the period ended August 31, 2020: Amount for the period ÷ Actual days in the period (184) × 365 days

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

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

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

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

## Overview

### Investment Environment and Operating Performance

During the six months ended August 31, 2021 (the “31st Period”), the Japanese economy showed signs of recovery, despite the continuing severe situation due to the impact of the novel coronavirus disease (COVID-19). Exports increased moderately due to the recovery of overseas economies, and corporate performance and capital investment, especially in the manufacturing industry, also recovered. However, personal consumption continued to be weak, primarily in the consumption of services, as the number of people infected with COVID-19 continued to increase.

In NAF’s main investment area, the residential rental market, the number of tenant signing contracts and contract cancellations decreased significantly compared to previous years due to the thorough refrain from going out in the same period of the previous year, but in the period under review, tenant recruitment activities were generally conducted as usual even though the spread of the infections continued.

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

During the period under review, NAF acquired seven properties in total (acquisition price of ¥19,489 million) including four properties (of which, two were additional acquisition of co-ownership) in April 2021 and three properties in June 2021.

As a result, NAF’s portfolio as of August 31, 2021 consisted of 134 properties valued at ¥337,930 million on an acquisition price basis.

In this environment, as a result of Mitsui Fudosan Residential Lease Co., Ltd., the property management company of NAF, and Mitsui Fudosan Accommodations Fund Management Co., Ltd., the asset management company of NAF, properly collaborating and working on management and operation of NAF’s rental apartments portfolio, occupancy rates for rental apartments were 95.7% at the end of the period under review, and rent change before and after turnover maintained an upward trend at 2.0% at the time of tenant turnover. In addition, NAF aims to reduce costs by utilizing the merits of outsourcing all property management tasks to the property management company while examining, whenever necessary, the adequacy of the grade of property management, cost of management and operation.

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

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

As a result of these activities, the occupancy rate for NAF’s overall portfolio as of August 31, 2021 remained at a high level of 96.1%.

Consequently, for the 31st Period, NAF recorded total revenues of ¥11,986 million, operating income of ¥5,428 million, income before income taxes of ¥4,978 million and net income of ¥4,978 million.

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

## Changes in Assets, Liabilities and Net Assets

Total assets as of August 31, 2021 increased from February 28, 2021 by ¥10,083 million to ¥327,824 million. Total current assets decreased by ¥8,449 million to ¥15,860 million and total investment properties net of accumulated depreciation compared with February 28, 2021 increased by ¥18,484 million to ¥310,110 million as a result of NAF's acquisition of seven properties (acquisition price ¥19,489 million) during the 31st Period, in addition to normal depreciation.

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

As a result, at the end of the period, total interest-bearing debt amounted to ¥169,500 million (¥10,000 million increase from previous period), the long-term debt ratio was 97.6%, the long-term, fixed-rate debt ratio was 95.3%, and the loan-to-value (LTV) ratio was 51.7%. The average remaining maturity of long-term interest-bearing debt was 4.8 years and the number of financial institutions was 26. Furthermore, the weighted average interest rate at the end of the period was 0.52%.

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

Net assets totaled ¥150,926 million as of August 31, 2021. Unitholders' capital was unchanged at ¥145,449 million, and retained earnings decreased to ¥5,476 million from ¥5,573 million as of February 28, 2021.

## Distributions to Unitholders

NAF determines the amount of cash distributions such that they exceed 90 percent of NAF's retained earnings available for dividends as set forth in Article 67-15 of the Act on Special Measures Concerning Taxation. For the 31st Period, cash distributions totaled ¥5,052,341,520 (retained earnings plus reversal of reserves for reduction entry of ¥74 million), or ¥10,035 per unit.

Yen in thousands, except per unit amounts			
	31st Period March 1, 2021 to August 31, 2021	30th Period September 1, 2020 to February 28, 2021	29th Period March 1, 2020 to August 31, 2020
Retained earnings	¥4,978,117	¥4,861,818	¥4,897,760
Reversal of reserves for reduction entry	74,224	213,179	—
Undistributed earnings	—	—	212
Total cash distribution	5,052,341	5,074,997	4,897,548
(Per unit)	10,035	10,080	10,108
Distribution of retained earnings	5,052,341	5,074,997	4,897,548
(Per unit)	10,035	10,080	10,108
Cash distribution in excess of retained earnings	—	—	—
(Per unit)	—	—	—

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

## Funding

### Balance of Paid-in Capital

NAF was established on October 12, 2005 with initial paid-in capital of ¥100 million. NAF began investing activities on November 29, 2005 after ¥21,140 million was raised through private placement. As of August 31, 2021, NAF had issued 503,472 investment units out of 4,000,000 total authorized units. NAF's investment units were listed on the J-REIT section of the Tokyo Stock Exchange in August 2006 upon the completion of a public offering. As the Act on Investment Trusts and Investment Corporations does not contain any provision for the issuance of more than one class of units, NAF's investment units comprise the sole class of units authorized and issued by NAF.



## Changes in Total Number of Investment Units Issued and Outstanding

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

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

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

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

## Market Price of Units

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

	31st Period March 1, 2021 to August 31, 2021	30th Period September 1, 2020 to February 28, 2021	29th Period March 1, 2020 to August 31, 2020	28th Period September 1, 2019 to February 29, 2020	27th Period March 1, 2019 to August 31, 2019
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
High	¥697,000	¥663,000	¥688,000	¥728,000	¥682,000
Low	571,000	541,000	442,000	652,000	544,000

## Borrowings

Borrowings from financial institution as of August 31, 2021 are shown below.

### Short-term loans

Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of maturity (Note 2)	Repayment method	Use of funds	Notes
Sumitomo Mitsui Trust Bank, Limited	¥2,000	0.10227%	November 30, 2021	Bullet payment	(Note 3)	Unsecured/ unguaranteed/ pari passu (Note 4)
The 77 Bank, Ltd.	1,000	0.10409% (Note 6)	November 30, 2021			
The Bank of Fukuoka, Ltd.	1,000	0.15545%	September 30, 2021			
Total short-term loans	¥4,000					

**Long-term loans (Note 7)**

Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of maturity	Repayment method	Use of funds	Notes
Sumitomo Mitsui Banking Corporation	¥ 2,000	0.51375%	November 30, 2021	Bullet payment	(Note 3)	Unsecured/ unguaranteed/ pari passu (Note 4)
	1,500	0.22045% (Note 5)	July 31, 2029			
	2,000	0.19950%	August 15, 2022			
	2,000	0.20700%	September 30, 2022			
	2,000	0.16000%	May 31, 2023			
	4,500	0.18000%	February 29, 2024			
	1,000	0.26000%	February 27, 2026			
	3,000	0.21000%	May 28, 2025			
Sumitomo Mitsui Trust Bank, Limited	1,500	0.13545% (Note 5)	August 31, 2023			
	1,000	0.17545% (Note 5)	August 31, 2027			
	2,000	0.22000%	September 30, 2025			
NIPPON LIFE INSURANCE COMPANY	2,000	0.93375%	November 30, 2022			
	3,000	0.98750%	May 31, 2024			
	1,000	0.51375%	November 30, 2021			
	2,000	0.25000%	June 30, 2026			
Development Bank of Japan Inc.	3,000	1.05400%	April 11, 2023			
	2,500	1.32900%	February 6, 2024			
	2,500	1.39800%	August 6, 2024			
	2,500	1.17750%	April 1, 2025			
	2,000	0.18248%	December 30, 2027			
	4,000	0.54779%	April 18, 2029			
The Hachijuni Bank, Ltd.	3,000	0.64293%	October 21, 2030			
	1,000	0.23550%	September 17, 2024			
	1,500	0.29000%	May 29, 2026			
	1,000	0.48000%	March 31, 2031			
	1,000	0.53000%	June 30, 2031			
Mizuho Bank, Ltd.	2,000	0.82500%	November 30, 2021			
	1,000	0.18561%	May 31, 2022			
	1,000	0.21561%	May 31, 2023			
	2,000	0.42456%	March 31, 2027			
	1,000	0.48000%	August 30, 2030			
	1,000	0.48000%	February 28, 2031			
The Chugoku Bank, Limited	2,000	0.55000%	July 31, 2023			
	2,000	0.21880%	May 29, 2026			
	1,000	0.22000%	November 29, 2024			
	1,000	0.24000%	January 5, 2026			
	1,000	0.36000%	June 28, 2028			
Shinsei Bank, Limited	1,000	1.22500%	January 19, 2023			
	1,000	0.99250%	May 28, 2024			
	1,000	0.53000%	May 30, 2031			
	1,000	0.53000%	June 30, 2031			

Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of maturity	Repayment method	Use of funds	Notes
Shinkin Central Bank	¥ 2,000	0.38880%	January 29, 2027	Bullet payment	(Note 3)	Unsecured/ unguaranteed/ pari passu (Note 4)
	3,000	0.30950%	July 31, 2025			
	2,000	0.12930%	January 31, 2025			
	2,000	0.26930%	January 31, 2028			
	3,000	0.38178%	December 29, 2028			
The Bank of Fukuoka, Ltd.	2,000	0.43500%	February 26, 2027			
	2,000	0.33500%	April 30, 2026			
	1,000	0.65000%	January 8, 2032			
	1,000	0.45000%	October 31, 2029			
	1,500	0.68000%	April 30, 2032			
MUFG Bank, Ltd.	3,000	0.79375%	March 7, 2022			
	3,000	0.85500%	September 7, 2022			
	3,000	0.76500%	May 31, 2022			
	2,000	0.53250%	October 1, 2021			
	3,000	0.62125%	October 3, 2022			
	3,000	0.54500%	April 27, 2029			
	2,000	0.48000%	March 15, 2030			
	1,000	0.32000%	September 30, 2027			
	1,000	0.48000%	September 13, 2030			
	1,000	0.47000%	August 30, 2030			
The Norinchukin Bank	2,000	0.43250%	December 30, 2021			
	1,000	0.27000%	December 30, 2025			
	2,000	0.37000%	April 28, 2028			
	2,000	0.32000%	July 1, 2027			
	3,000	0.36000%	November 30, 2028			
Mizuho Trust & Banking Co., Ltd.	1,000	1.15750%	June 14, 2022			
	1,000	1.02438%	February 23, 2022			
	1,000	1.08625%	August 23, 2022			
	1,500	0.38380%	March 29, 2028			
	1,000	0.42000%	February 28, 2029			
	1,000	0.38000%	November 30, 2028			
The Yamaguchi Bank, Ltd.	1,000	1.26000%	June 14, 2023			
	1,000	1.28125%	July 19, 2023			
	1,000	0.98750%	May 31, 2024			
	1,000	0.55500%	April 27, 2029			
	1,000	0.71000%	June 28, 2033			
Daishi Hokuetsu Bank, Ltd.	1,000	0.36000%	June 30, 2028			
	1,000	0.30000%	June 30, 2027			
TAIJU LIFE INSURANCE COMPANY LIMITED	1,000	1.04375%	March 28, 2024			
	1,000	0.53000%	June 27, 2031			
The Ashikaga Bank, Ltd.	2,000	0.27000%	December 30, 2025			
	1,000	0.36000%	June 28, 2028			
DAIDO LIFE INSURANCE COMPANY	1,000	0.53000%	June 30, 2031			
TAIYO LIFE INSURANCE COMPANY	2,000	0.64750%	December 30, 2024			
The Iyo Bank, Ltd.	1,000	0.09000%	March 31, 2022			



Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of maturity	Repayment method	Use of funds	Notes		
The Yamanashi Chuo Bank, Ltd.	¥ 1,000	0.31630%	June 30, 2026	Bullet payment	(Note 3)	Unsecured/ unguaranteed/ pari passu (Note 4)		
	1,000	0.45000%	December 17, 2029					
	1,000	0.65000%	December 16, 2031					
The 77 Bank, Ltd.	1,000	0.40500%	June 30, 2028					
	1,000	0.48000%	March 29, 2030					
	1,000	0.48000%	February 28, 2031					
The Chiba Bank, Ltd.	1,000	0.32250%	September 3, 2025					
SUMITOMO LIFE INSURANCE COMPANY	1,000	0.66000%	September 3, 2030					
	1,000	0.68000%	April 30, 2032					
	1,000	0.48000%	July 1, 2030					
	1,000	0.71000%	June 30, 2033					
Mitsui Sumitomo Insurance Company, Limited	1,000	0.29000%	October 30, 2026					
	1,000	0.32000%	August 31, 2027					
The Hyakugo Bank, Ltd.	1,000	0.48000%	February 28, 2031					
Total long-term loans	¥161,500							
Total loans	¥165,500							

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

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

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

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

5. The interest rate is applied from August 31, 2021 to September 29, 2021.

6. The interest rate is applied from July 30, 2021 to October 28, 2021.

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

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount	¥22,500	¥15,500	¥14,500	¥16,500

## Bonds

Issue	Issue date	Balance as of August 31, 2021 (Yen in millions)	Coupon	Maturity date	Redemption	Use of proceeds	Notes
No.3 Unsecured Bonds (green bonds)	July 16, 2020	¥2,000	0.260%	July 16, 2025	Bullet payment	(Note 1)	(Note 2)
No.4 Unsecured Bonds (green bonds)	July 16, 2020	2,000	0.520%	July 16, 2030			
Total		¥4,000					

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

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

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

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Unsecured Bonds	—	—	¥2,000	—

## Capital Expenditures

### 1. Planned

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

Name of property	Objective	Estimated duration	Estimated amounts		
			Total amounts	Payment for the current period (March 1, 2021 to August 31, 2021)	Cumulative amount paid
Okawabata Apartment Communities, Riverpoint Tower	Renewal of air conditioners in rentable areas (Phase I)	From September 2021 to February 2022	¥181	¥—	¥—
Okawabata Apartment Communities, Riverpoint Tower	Renewal of air conditioners in rentable areas (Phase II)	From March 2022 to June 2022	181	—	—
Okawabata Apartment Communities, Riverpoint Tower and Other	Renovation of rentable areas	From September 2021 to February 2022	80	—	—
Dormy Kamisugi	Repair works in common use area	From January 2022 to April 2022	72	—	—
Park Axis Higashi Jujo	Repair of outside walls	From December 2021 to February 2022	42	—	—
Park Axis Takadanobaba	Repair of outside walls	From December 2021 to February 2022	35	—	—

### 2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NAF posted ¥256 million in capital expenditures together with ¥644 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
Okawabata Apartment Communities, Riverpoint Tower and Other	Renovation of 7 rentable areas	From March 2021 to August 2021	¥ 31
Other capital expenditures		From March 2021 to August 2021	224
Total			¥256

## Expenses regarding Entrustment, etc.

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

	Yen in millions		
	31st Period March 1, 2021 to August 31, 2021	30th Period September 1, 2020 to February 28, 2021	29th Period March 1, 2020 to August 31, 2020
Asset management fees	¥ 892	¥ 864	¥ 864
Asset custody fees	14	14	14
Agent fees (stock transfer, accounting and administrative)	35	29	28
Directors' remuneration	7	7	7
Auditor's fees	12	12	12
Other expenses	377	373	347
Total	¥1,341	¥1,301	¥1,274

## Related Party Transactions

### 1. Transactions

Category	Total amount 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 of real estate and real estate held in trust	¥19,489	Mitsui Fudosan Residential Co., Ltd.	¥19,489	100.0%

### 2. Fees Paid for the Period from March 1, 2021 to August 31, 2021

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	¥784	Mitsui Fudosan Residential Lease Co., Ltd.	¥784	100.0%
Building management fees	407	Mitsui Fudosan Residential Lease Co., Ltd.	402	98.8%
		Mitsui Fudosan Realty Co., Ltd.	5	1.2%
Operation management fees	4	Mitsui Fudosan Investment Advisors, Inc.	4	100.0%
Leasing-related service fees, etc.	188	RESIDENT FIRST CO., LTD.	12	6.8%
		Mitsui Fudosan Realty Tohoku Co., Ltd.	1	1.1%
		Mitsui Fudosan Realty Co., Ltd.	0	0.3%
		Mitsui Fudosan Realty Sapporo Co., Ltd.	0	0.1%
		Mitsui Fudosan Realty Kyushu Co., Ltd.	0	0.1%

### 3. Other Payments to Related Parties (Note 1)

Paid to	Amount of payment (Yen in millions)	Item
Accommodation First Co., Ltd.	¥16	Repair and maintenance costs
Mitsui Fudosan Facilities Co., Ltd.	5	Repair and maintenance costs

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

2. Figures indicate percentages of total price.

# Financial Statements

## Balance Sheets

### Nippon Accommodations Fund Inc.

As of August 31, 2021 and February 28, 2021

	Yen in millions		U.S. dollars in thousands (Note 1)
	31st Period As of August 31, 2021	30th Period As of February 28, 2021	31st Period As of August 31, 2021
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (Note 2, 13)	¥ 14,297	¥ 22,682	\$ 130,090
Rent receivables	1,487	1,540	13,530
Other current assets	75	86	682
Total current assets	15,860	24,309	144,313
Investment properties (Note 2, 3, 5):			
Land including trust accounts	211,048	196,385	1,920,363
Depreciable property and improvements including trust accounts	147,814	141,944	1,344,986
Accumulated depreciation	(48,752)	(46,704)	(443,603)
Total investment properties	310,110	291,625	2,821,747
Other assets (Note 3)	1,853	1,805	16,860
<b>Total Assets</b>	<b>¥ 327,824</b>	<b>¥ 317,740</b>	<b>\$2,982,929</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Current liabilities:			
Short-term loans (Note 6, 13)	¥ 4,000	¥ 3,000	\$ 36,396
Long-term loans due within one year (Note 6, 13)	22,000	20,000	200,181
Accounts payable	1,440	1,430	13,102
Rent received in advance	1,949	1,882	17,734
Accrued expenses and other liabilities	242	242	2,202
Total current liabilities	29,631	26,555	269,617
Long-term liabilities:			
Long-term loans (Note 6, 13)	139,500	132,500	1,269,335
Bonds (Note 6, 13)	4,000	4,000	36,396
Tenant security deposits (Note 13)	3,765	3,661	34,258
Total long-term liabilities	147,265	140,161	1,339,990
<b>Total Liabilities</b>	<b>¥ 176,897</b>	<b>¥ 166,717</b>	<b>\$1,609,617</b>
<b>Net Assets</b>			
Unitholders' capital (Note 7)	¥ 145,449	¥ 145,449	\$1,323,466
Retained earnings	5,476	5,573	49,827
<b>Total Net Assets</b>	<b>¥ 150,926</b>	<b>¥ 151,023</b>	<b>\$1,373,303</b>
<b>Total Liabilities and Net Assets</b>	<b>¥ 327,824</b>	<b>¥ 317,740</b>	<b>\$2,982,929</b>

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



## Statements of Income

### Nippon Accommodations Fund Inc.

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

	Yen in millions			U.S. dollars in thousands (Note 1)
	31st Period March 1, 2021 to August 31, 2021	30th Period September 1, 2020 to February 28, 2021	29th Period March 1, 2020 to August 31, 2020	31st Period March 1, 2021 to August 31, 2021
<b>Revenues</b>				
Rental (Note 8)	¥ 11,437	¥ 11,088	¥ 10,999	\$ 104,067
Other revenues related to property leasing (Note 8)	548	471	521	4,986
Total revenues	11,986	11,560	11,520	109,062
<b>Operating Expenses</b>				
Property management fees (Note 8)	1,235	1,187	1,169	11,237
Real estate taxes and insurance (Note 8)	648	636	636	5,896
Repairs and maintenance (Note 8)	644	591	519	5,859
Other rental expenses (Note 8)	637	593	588	5,796
Depreciation and amortization (Note 8)	2,050	1,982	1,999	18,653
Asset management fees	892	864	864	8,116
Other expenses	448	437	410	4,076
Total operating expenses	6,557	6,294	6,188	59,663
<b>Operating Income</b>	5,428	5,266	5,332	49,390
Interest and other income	3	32	12	27
Interest expense	(435)	(423)	(434)	(3,958)
Other expenses	(17)	(13)	(11)	(154)
<b>Income before Income Taxes</b>	4,978	4,862	4,898	45,295
Current and deferred income taxes (Note 10)	0	0	0	0
<b>Net Income</b>	¥ 4,978	¥ 4,861	¥ 4,897	\$ 45,295

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

## Statements of Changes in Net Assets

### Nippon Accommodations Fund Inc.

For the period from March 1, 2020 to August 31, 2021

	Number of Units (Note 7)	Yen in millions		
		Unitholders' Capital	Retained Earnings	Total
Balance as of March 1, 2020	484,522	¥ 135,603	¥ 5,577	¥ 141,181
Cash distribution	—	—	(4,865)	(4,865)
Net income	—	—	4,897	4,897
Balance as of August 31, 2020	484,522	135,603	5,609	141,213
Cash distribution	—	—	(4,897)	(4,897)
Issuance of new units through public offering as of December 15, 2020	18,000	9,352	—	9,352
Issuance of new units through allocation to a third party as of January 13, 2021	950	493	—	493
Net income	—	—	4,861	4,861
Balance as of February 28, 2021	503,472	145,449	5,573	151,023
Cash distribution	—	—	(5,074)	(5,074)
Net income	—	—	4,978	4,978
Balance as of August 31, 2021	503,472	¥ 145,449	¥ 5,476	¥ 150,926

	Number of Units (Note 7)	U.S. dollars in thousands (Note 1)		
		Unitholders' Capital	Retained Earnings	Total
Balance as of February 28, 2021	503,472	\$1,368,931	\$ 52,451	\$1,421,392
Cash distribution	—	—	(46,169)	(46,169)
Net income	—	—	45,295	45,295
Balance as of August 31, 2021	503,472	\$1,323,466	\$ 49,827	\$1,373,303

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

## Statements of Cash Flows

### Nippon Accommodations Fund Inc.

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

	Yen in millions			U.S. dollars in thousands (Note 1)
	31st Period March 1, 2021 to August 31, 2021	30th Period September 1, 2020 to February 28, 2021	29th Period March 1, 2020 to August 31, 2020	31st Period March 1, 2021 to August 31, 2021
<b>Cash Flows from Operating Activities:</b>				
Income before income taxes	¥ 4,978	¥ 4,862	¥ 4,898	\$ 45,295
Depreciation and amortization	2,050	1,982	1,999	18,653
Amortization of investment unit issuance expenses	5	2	—	45
Amortization of bond issue costs	2	2	0	18
Interest expense	435	423	434	3,958
(Increase) Decrease in rent receivables	52	(41)	(16)	473
Increase (Decrease) in accounts payable	9	75	(136)	81
Increase (Decrease) in rents received in advance	67	27	8	609
(Increase) Decrease in consumption tax refund receivable	—	—	12	—
Cash payments of interest expense	(429)	(435)	(441)	(3,903)
Other, net	(0)	32	29	(0)
<b>Net Cash Provided by Operating Activities</b>	<b>7,171</b>	<b>6,931</b>	<b>6,790</b>	<b>65,250</b>
<b>Cash Flows from Investing Activities:</b>				
Payments for purchases of investment properties	(20,535)	(2,716)	(7,037)	(186,851)
Payments for security deposits paid to lessors	(14)	—	—	(127)
Proceeds from tenant security deposits	477	301	303	4,340
Payments for tenant security deposits	(401)	(321)	(320)	(3,648)
Other, net	(8)	(3)	(7)	(72)
<b>Net Cash Used in Investing Activities</b>	<b>(20,482)</b>	<b>(2,739)</b>	<b>(7,062)</b>	<b>(186,369)</b>
<b>Cash Flows from Financing Activities:</b>				
Proceeds from short-term loans	10,000	7,000	4,000	90,991
Repayment of short-term loans	(9,000)	(7,000)	(4,000)	(81,892)
Proceeds from long-term loans	19,000	10,000	11,500	172,884
Repayment of long-term loans	(10,000)	(8,000)	(11,500)	(90,991)
Proceeds from bonds	—	—	4,000	—
Payments for bond issue costs	—	—	(30)	—
Proceeds from issuance of investment units	—	9,814	—	—
Payment of distribution	(5,074)	(4,898)	(4,865)	(46,169)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>4,925</b>	<b>6,916</b>	<b>(895)</b>	<b>44,813</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(8,385)</b>	<b>11,108</b>	<b>(1,167)</b>	<b>(76,296)</b>
Cash and Cash Equivalents at the Beginning of the Period	22,682	11,574	12,741	206,387
<b>Cash and Cash Equivalents at the End of the Period (Note 2)</b>	<b>¥ 14,297</b>	<b>¥ 22,682</b>	<b>¥ 11,574</b>	<b>\$ 130,090</b>

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

# Notes to Financial Statements

Nippon Accommodations Fund Inc.

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

## Note 1 Organization and Basis of Presentation

### Organization

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

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

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

As of August 31, 2021, NAF had ownership and/or beneficiary interests in 134 properties containing approximately 538,154 square meters of rentable space. As of August 31, 2021, NAF had leased approximately 516,928 square meters to tenants. The occupancy rate for the properties was approximately 96.1%.

### Basis of Presentation

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

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the approximate exchange rate on August 31, 2021, which was ¥109.90 to U.S.\$1.00. The convenience translation should not be construed as representation that the Japanese yen amounts have been, or could in future be, converted into U.S. dollars at this or any other rate of exchange.

## Note 2 Summary of Significant Accounting Policies

### Cash and Cash Equivalents

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

### Investment Properties

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

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

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

### Deferred Assets

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

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



## Income Taxes

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

## Real Estate Taxes

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

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

Even when a property is purchased on a date other than January 1 of any given calendar year, these taxes for that year are imposed on the seller. The buyer pays the seller the corresponding tax amounts for the period from the property's transfer date to December 31 of that year as part of the purchase prices of each property, and capitalizes these amounts as the cost of the property. Capitalized property tax for the periods ended August 31, 2021 and February 28, 2021 amounted to ¥35 million and ¥1 million, respectively.

## 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 Significant Accounting Estimates

#### Impairment of Investment Properties and Other Assets

(1) Amount in the financial statements for the six months ended August 31, 2021

Investment properties:	¥310,110 million
Other assets:	¥616 million

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

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

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

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

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

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

### Note 4 Changes in Method of Presentation

NAF adopted "Accounting Standard for Disclosure of Accounting Estimates" (Accounting Standards Board of Japan ("ASBJ") Statement No. 31, March 31, 2020) from the six months ended August 31, 2021 and disclosed a note on Significant Accounting Estimates. However, in accordance with the transitional treatment as stipulated in the proviso to paragraph 11 of the Accounting Standard, there is no information to be disclosed for the six months ended February 28, 2021.

**Note 5 Schedule of Investment Properties**

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

	Yen in millions					
	As of August 31, 2021			As of February 28, 2021		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥ 154,263	¥ —	¥ 154,263	¥ 139,601	¥ —	¥ 139,601
Land in trust	56,784	—	56,784	56,784	—	56,784
Land including trust total	211,048	—	211,048	196,385	—	196,385
Buildings and improvements	102,649	(30,408)	72,241	97,116	(28,985)	68,131
Buildings and improvements in trust	37,430	(13,023)	24,406	37,335	(12,538)	24,796
Buildings and improvements including those in trust total	140,079	(43,431)	96,648	134,452	(41,523)	92,928
Structures	1,764	(1,069)	694	1,700	(1,036)	663
Machinery and equipment	2,351	(1,747)	603	2,288	(1,700)	588
Tools, furniture and fixtures	1,347	(1,051)	296	1,269	(1,028)	241
Construction in process	0	—	0	0	—	0
Structures in trust	1,134	(522)	612	1,133	(503)	629
Machinery and equipment in trust	613	(525)	88	602	(517)	84
Tools, furniture and fixtures in trust	510	(403)	106	486	(393)	93
Construction in process in trust	11	—	11	11	—	11
Other investment properties total	7,734	(5,320)	2,414	7,492	(5,180)	2,311
Total	¥ 358,862	¥ (48,752)	¥ 310,110	¥ 338,329	¥ (46,704)	¥ 291,625

**Note 6 Short-Term Loans and Long-Term Debt**

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

	Yen in millions	
	As of August 31, 2021	As of February 28, 2021
Unsecured loans due 2021 to 2033 principally from banks and insurance companies with interest rates mainly ranging from 0.1% to 1.4%	¥161,500	¥152,500
0.260% unsecured bonds due 2025	2,000	2,000
0.520% unsecured bonds due 2030	2,000	2,000
	¥165,500	¥156,500

The annual maturities of long-term debt as of August 31, 2021 were as follows:

	Yen in millions
Due after one to two years	¥22,500
Due after two to three years	15,500
Due after three to four years	16,500
Due after four to five years	16,500
Due after five years	72,500

NAF currently has commitment line contracts of ¥15,000 million with three financial institutions. The unused amount of such commitment line was ¥15,000 million as of August 31, 2021.

**Note 7 Unitholders' Capital**

	As of August 31, 2021	As of February 28, 2021	As of August 31, 2020
Total number of common units authorized	4,000,000	4,000,000	4,000,000
Total number of common units issued and outstanding	503,472	503,472	484,522

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

**Note 8 Rental Revenues and Expenses**

Rental revenues and expenses for the periods ended August 31, 2021, February 28, 2021 and August 31, 2020 were as follows:

	Yen in millions		
	31st Period March 1, 2021 to August 31, 2021	30th Period September 1, 2020 to February 28, 2021	29th Period March 1, 2020 to August 31, 2020
Revenues from Property Leasing:			
Rental:			
Rental revenues	¥ 10,941	¥ 10,607	¥ 10,523
Facility charge	495	481	476
Subtotal	11,437	11,088	10,999
Other revenues related to property leasing:			
Income from leasing rights, etc.	398	346	401
Miscellaneous income	149	125	119
Subtotal	548	471	521
Total revenues from property leasing	11,986	11,560	11,520
Rental Expenses:			
Property management fees	1,235	1,187	1,169
Repairs and maintenance	644	591	519
Real estate taxes	629	618	618
Trust fees	9	10	10
Utilities	103	107	105
Insurance	19	18	18
Depreciation and amortization	2,050	1,982	1,999
Leasing-related service fees, etc.	188	178	143
Other rental expenses	334	298	329
Total rental expenses	5,216	4,992	4,913
Operating income from property leasing activities	¥ 6,769	¥ 6,567	¥ 6,606

**Note 9 Leases**

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

	Yen in millions	
	As of August 31, 2021	As of February 28, 2021
Due within one year	¥ 478	¥ 509
Due after one year	759	849
Total	¥1,238	¥1,359

**Note 10 Income Taxes**

NAF is subject to income taxes in Japan. The effective tax rates on NAF's income based on applicable Japanese tax law were 0.02%, 0.02% and 0.02% for the periods ended August 31, 2021, February 28, 2021 and August 31, 2020, respectively. The following table summarizes the significant differences between the statutory tax rates and NAF's effective tax rates for financial statement purposes.

	<b>31st Period</b> March 1, 2021 to August 31, 2021	<b>30th Period</b> September 1, 2020 to February 28, 2021	<b>29th Period</b> March 1, 2020 to August 31, 2020
Statutory effective tax rate	31.46%	31.46%	31.46%
Deductible distributions paid	(31.92)	(32.84)	(31.45)
Reversal of reserves for reduction entry	0.47	1.38	—
Others	0.01	0.02	0.01
Effective tax rate	0.02%	0.02%	0.02%

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of August 31, 2021, February 28, 2021 and August 31, 2020 were as follows:

	Yen in thousands		
	As of August 31, 2021	As of February 28, 2021	As of August 31, 2020
Deferred tax assets:			
Enterprise taxes	¥13	¥8	¥14
Total deferred tax assets	13	8	14
Net deferred tax assets	¥13	¥8	¥14

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

**Note 11 Per Unit Information**

Information about earnings per unit for the periods ended August 31, 2021, February 28, 2021 and August 31, 2020 and net assets per unit as of August 31, 2021, February 28, 2021 and August 31, 2020 were as follows.

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

	Yen		
	<b>31st Period</b> March 1, 2021 to August 31, 2021	<b>30th Period</b> September 1, 2020 to February 28, 2021	<b>29th Period</b> March 1, 2020 to August 31, 2020
Earnings per Unit:			
Net income	¥ 9,887	¥ 9,874	¥ 10,108
Weighted average number of common units outstanding	503,472	492,326	484,522
	As of August 31, 2021	As of February 28, 2021	As of August 31, 2020
Net Assets per Unit	¥ 299,772	¥ 299,964	¥ 291,448



**Note 12 Transactions with Related Parties**

(March 1, 2021 - August 31, 2021)

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

(2) Affiliates: None applicable

(3) Sister Companies: None applicable

(4) Directors and Major Individual Unitholders

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

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

(September 1, 2020 - February 28, 2021)

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

(2) Affiliates: None applicable

(3) Sister Companies: None applicable

(4) Directors and Major Individual Unitholders

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

Notes: 1. Tateyuki Ikura entered into this transaction as a representative of MFAFM, and this amount is subject to the conditions set forth in the by-laws of NAF.  
2. The amount of asset management fees includes ¥11 million of management fees related to acquisition of properties included in the book value of each investment property, etc.  
3. Tateyuki Ikura entered into this transaction as a representative of MFAFM, and this amount is set forth in the "General Administration Agreement relating to Organizational Management" concluded between NAF and MFAFM.  
4. "Amount of transaction" does not include consumption taxes.  
"Balance at the end of the period" includes consumption taxes.

(March 1, 2020 - August 31, 2020)

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

(2) Affiliates: None applicable

(3) Sister Companies: None applicable

(4) Directors and Major Individual Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction (Yen in millions)	Account	Balance at the end of the period (Yen in millions)
Director and/or close relative	Tateyuki Ikura	Executive Director of NAF and President & CEO of MFAFM	Payment of asset management fee to MFAFM (Note 1)	¥916 (Note 2)	Accounts payable	¥950
			Payment for the provision of general administration relating to organizational management to MFAFM (Note 3)	¥0	—	—

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

2. The amount of asset management fees includes ¥52 million of management fees related to acquisition of properties included in the book value of each investment property, etc.

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

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

## Note 13 Financial Instruments

(March 1, 2021 - August 31, 2021)

### 1. Status of Financial Instruments

#### (1) Policy for Financial Instruments

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

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

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

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

#### (3) Supplemental Explanation regarding Fair Values of Financial Instruments

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

## 2. Estimated Fair Value of Financial Instruments

Book value, fair value and the difference between the two as of August 31, 2021 were as follows. The financial instruments for which it is very difficult to estimate the fair value are excluded from the following table (See Note 2, below).

	Yen in millions		
	Book value	Fair value	Difference
<b>Assets</b>			
(1) Cash and cash equivalents	¥ 14,297	¥ 14,297	¥ —
<b>Total</b>	¥ 14,297	¥ 14,297	¥ —
<b>Liabilities</b>			
(1) Short-term loans	¥ 4,000	¥ 4,000	¥ —
(2) Long-term loans due within one year	22,000	22,087	87
(3) Bonds	4,000	4,050	50
(4) Long-term loans	139,500	141,464	1,964
<b>Total</b>	¥ 169,500	¥ 171,602	¥ 2,102

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

Assets:

(1) Cash and cash equivalents

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

Liabilities:

(1) Short-term loans

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

(2) Long-term loans due within one year, (3) Bonds and (4) Long-term loans

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

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

Yen in millions	
	Book value
Tenant security deposits	¥3,765

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

### 3. Redemption schedule for monetary claims with maturity dates after August 31, 2021

Yen in millions	
	Due within one year
Cash and cash equivalents	¥14,297

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

	Yen in millions					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Short-term loans	¥ 4,000	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	—	2,000	—	2,000
Long-term loans	22,000	22,500	15,500	14,500	16,500	70,500
<b>Total</b>	¥ 26,000	¥ 22,500	¥ 15,500	¥ 16,500	¥ 16,500	¥ 72,500

(September 1, 2020 - February 28, 2021)

## 1. Status of Financial Instruments

Same as above.

## 2. Estimated Fair Value of Financial Instruments

Book value, fair value and the difference between the two as of February 28, 2021 were as follows. The financial instruments for which it is very difficult to estimate the fair value are excluded from the following table (See Note 2, below).

	Yen in millions		
	Book value	Fair value	Difference
<b>Assets</b>			
(1) Cash and cash equivalents	¥ 22,682	¥ 22,682	¥ —
<b>Total</b>	¥ 22,682	¥ 22,682	¥ —
<b>Liabilities</b>			
(1) Short-term loans	¥ 3,000	¥ 3,000	¥ —
(2) Long-term loans due within one year	20,000	20,073	73
(3) Bonds	4,000	4,023	23
(4) Long-term loans	132,500	133,794	1,294
<b>Total</b>	¥ 159,500	¥ 160,890	¥ 1,390

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

Assets:

(1) Cash and cash equivalents

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

Liabilities:

(1) Short-term loans

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

(2) Long-term loans due within one year, (3) Bonds and (4) Long-term loans

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

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

Yen in millions	
	Book value
Tenant security deposits	¥3,661

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

### 3. Redemption schedule for monetary claims with maturity dates after February 28, 2021

Yen in millions	
	Due within one year
Cash and cash equivalents	¥22,682

### 4. Repayment schedule for loans and bonds after February 28, 2021

	Yen in millions					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Short-term loans	¥ 3,000	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	—	—	2,000	2,000
Long-term loans	20,000	23,000	18,500	14,500	13,500	63,000
<b>Total</b>	¥ 23,000	¥ 23,000	¥ 18,500	¥ 14,500	¥ 15,500	¥ 65,000

## Note 14 Investment and Rental Properties

(March 1, 2021 - August 31, 2021)

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

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

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

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

(September 1, 2020 - February 28, 2021)

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

Yen in millions			
Book value			Fair value
As of September 1, 2020	Change during the 30th Period	As of February 28, 2021	As of February 28, 2021
¥291,495	¥734	¥292,229	¥400,682

Notes: 1. "Book value" is the acquisition cost inclusive of acquisition expenses less accumulated depreciation and excluding expenses for construction in process.  
 2. In "Change during the 30th Period," the main factor for the increase in book value was the acquisition of properties for ¥2,319 million. The main factor for the decrease in book value was depreciation.  
 3. "Fair value as of February 28, 2021" is based on appraisals provided by independent real estate appraisers.

Information about profit and loss from investment and rental properties for the period ended February 28, 2021 is disclosed in Note 8, Rental Revenues and Expenses.

## Note 15 Segment Information

(March 1, 2021 - August 31, 2021)

### 1. Segment Information

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

### 2. Related Information

#### (1) Information by Products and Services

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

#### (2) Information by Geographic Areas

##### 1) Operating revenues

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

##### 2) Investment properties

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

#### (3) Information on Major Tenants

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



(September 1, 2020 - February 28, 2021)

### 1. Segment Information

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

### 2. Related Information

#### (1) Information by Products and Services

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

#### (2) Information by Geographic Areas

##### 1) Operating revenues

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

##### 2) Investment properties

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

#### (3) Information on Major Tenants

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

(March 1, 2020 - August 31, 2020)

### 1. Segment Information

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

### 2. Related Information

#### (1) Information by Products and Services

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

#### (2) Information by Geographic Areas

##### 1) Operating revenues

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

##### 2) Investment properties

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

#### (3) Information on Major Tenants

Tenant	Operating revenues (Yen in millions)	Related segment
Mitsui Fudosan Residential Lease Co., Ltd.	¥10,900	Real estate leasing business

### Note 16 Significant Subsequent Events

None applicable

# Independent Auditor's Report



## Independent auditor's report

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

### Opinion

We have audited the accompanying financial statements of Nippon Accommodations Fund Inc. ("the Company"), which comprise the balance sheets as at August 31, 2021 and February 28, 2021, the statements of income, statements of changes in net assets and statements of cash flows for each of the six months ended August 31, 2021, February 28, 2021 and August 31, 2020, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2021 and February 28, 2021, and its financial performance and its cash flows for each of the six months ended August 31, 2021 and February 28, 2021 and August 31, 2020 in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

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

### Responsibilities of Management and Supervisory Directors for the Financial Statements

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

#### Convenience Translation

The U.S. dollar amounts in the accompanying financial statements with respect to the period ended August 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the financial statements.

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

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

松本大明 

Hiroaki Matsumoto

Designated Engagement Partner

Certified Public Accountant

松井 貴志 

Takashi Matsui

Designated Engagement Partner

Certified Public Accountant

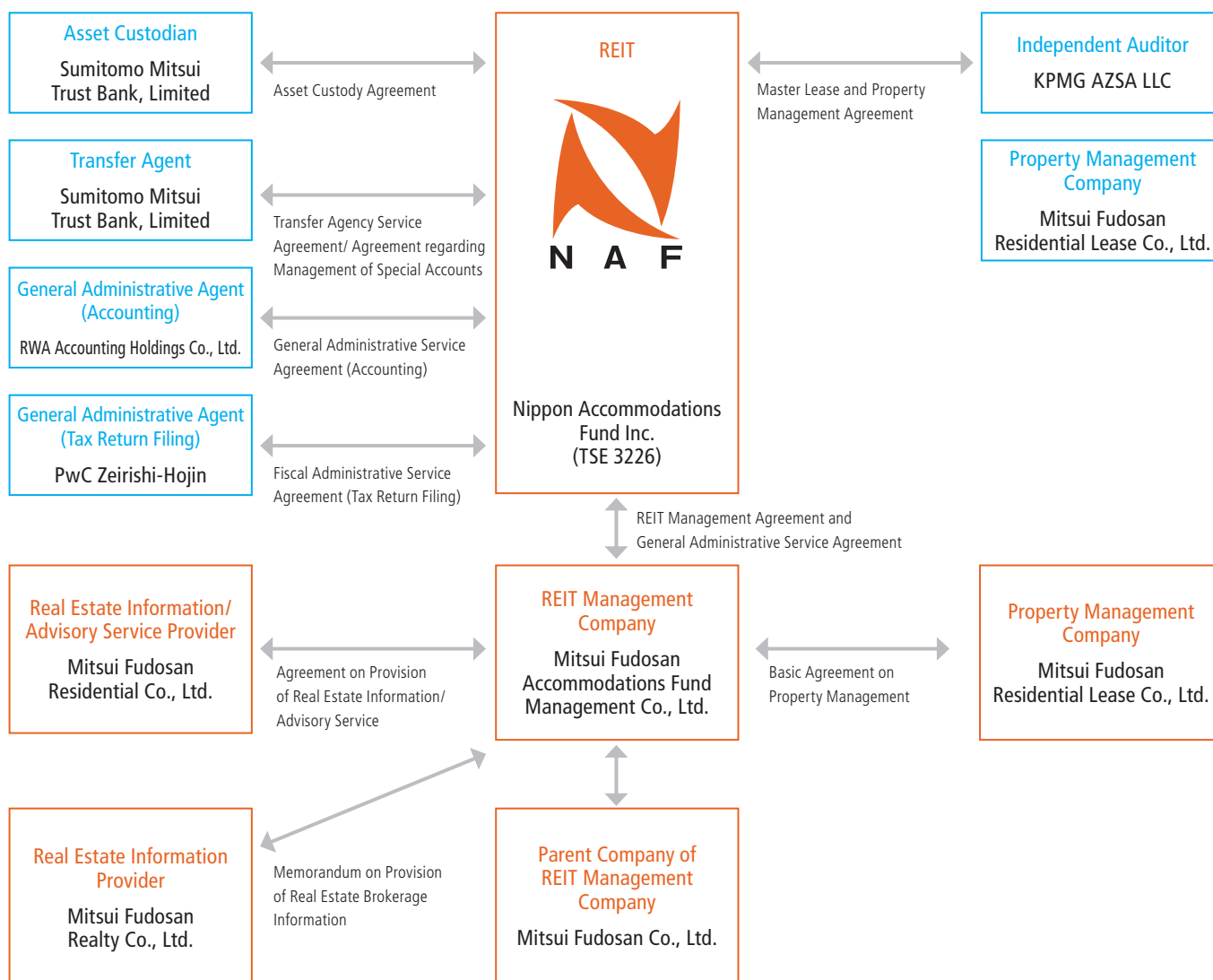
KPMG AZSA LLC

Tokyo Office, Japan

November 29, 2021

# Summary of REIT

## Structure of REIT (as of August 31, 2021)



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

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

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



# Summary of Asset Management Company

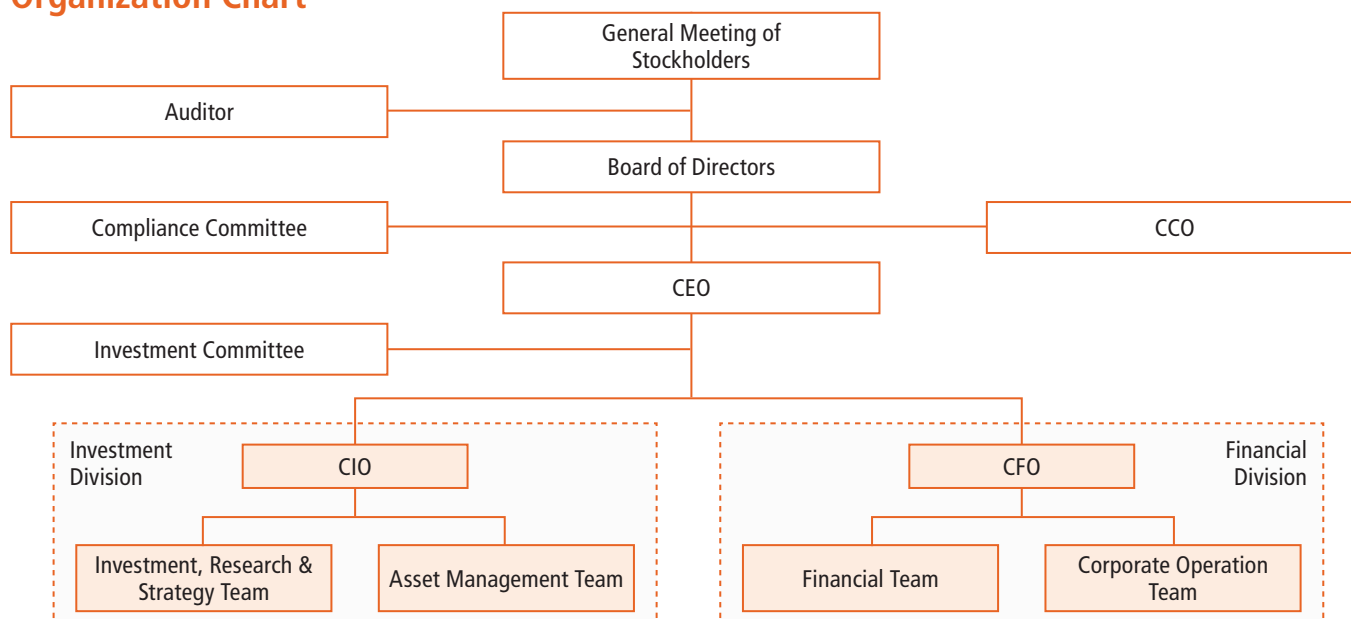
## Summary of Asset Management Company (as of August 31, 2021)

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

## History

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

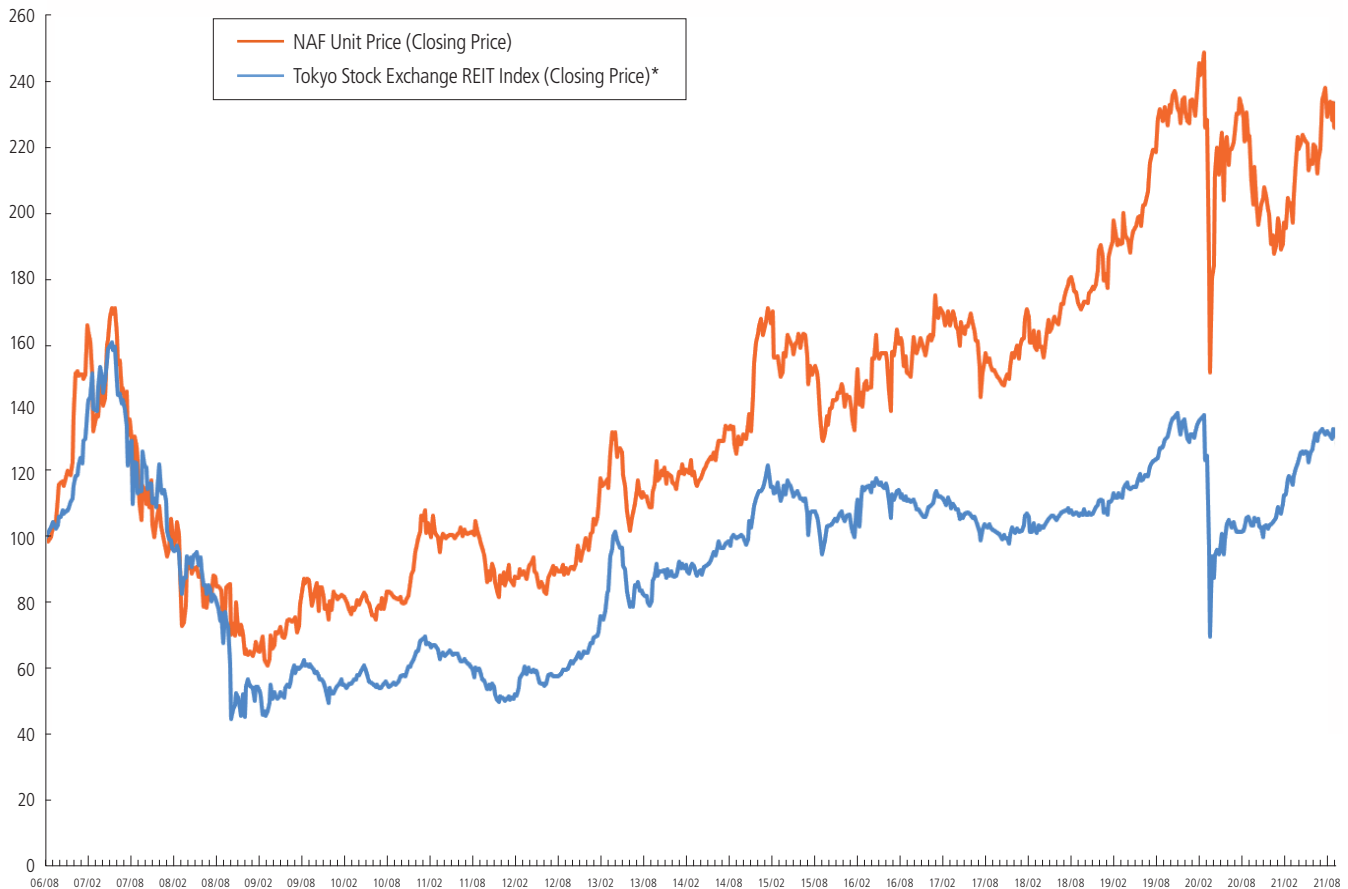
## Organization Chart



# Status of Unitholders

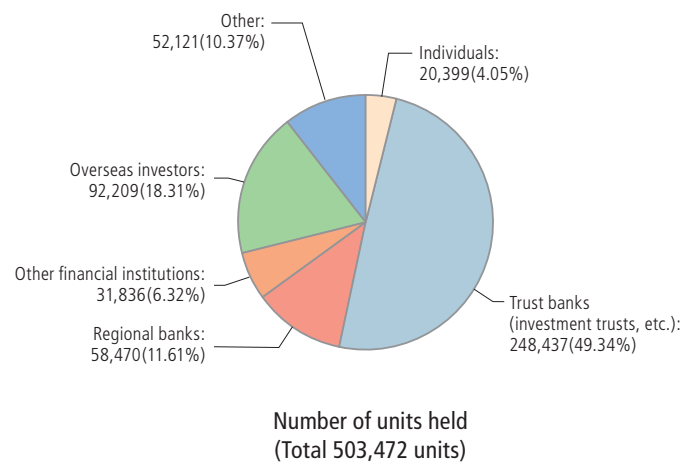
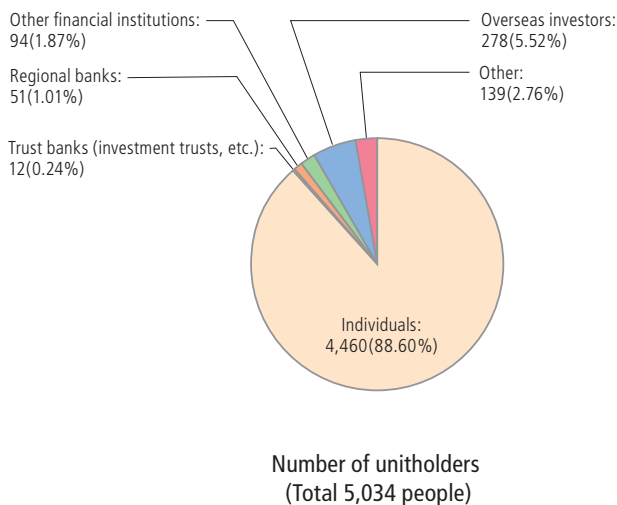
## Historical Unit Price since IPO

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



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

## Composition and Distribution of Unitholders (as of August 31, 2021)



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