



NAF Report 28th Period

September 2019 – February 2020

Nippon Accommodations Fund Inc.
4-1, Nihonbashi 1-chome, Chuo-ku, Tokyo
<https://www.naf-r.jp/english/>





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Distribution

Confirmed distribution

28th Period (Feb.20)
Per unit **¥10,042**

Expected distribution

29th Period (Aug.20)
Per unit **¥9,780**

Expected distribution

30th Period (Feb.21)
Per unit **¥10,150**

* The forecasted figures are calculated based on certain assumptions as of April 16, 2020. The actual figures may change due to various factors including fluctuations in rent revenues owing to changes in tenants and other factors, changes in properties, fluctuation in interest, and additional issuance of investment units. Accordingly, the forecasts are not a guarantee of any cash distribution amount, etc. The forecasted figures are stated based on the details announced in the Financial Results for the Fiscal Period from September 1, 2019 to February 29, 2020 released on April 16, 2020.

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

Strategies and Features of NAF

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

1. Investment in Accommodation Assets

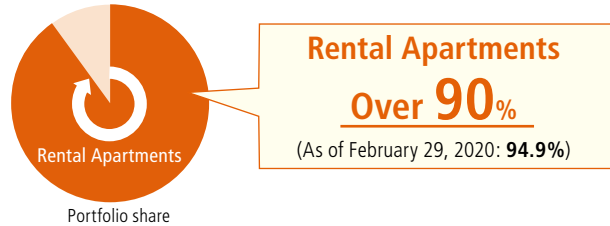
NAF defines real estate that is mainly used/may be used for residence or hotels as "Accommodation Assets" and invests in two areas of "Rental Apartments" and "Hospitality Facilities."

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

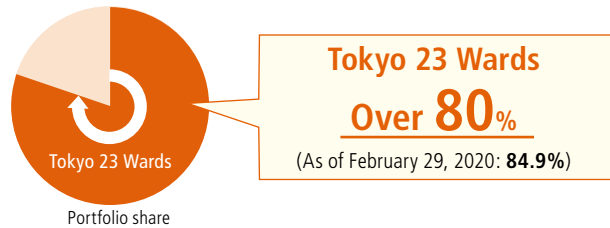
Investment in Accommodation Assets



Proportion of Investment in Assets



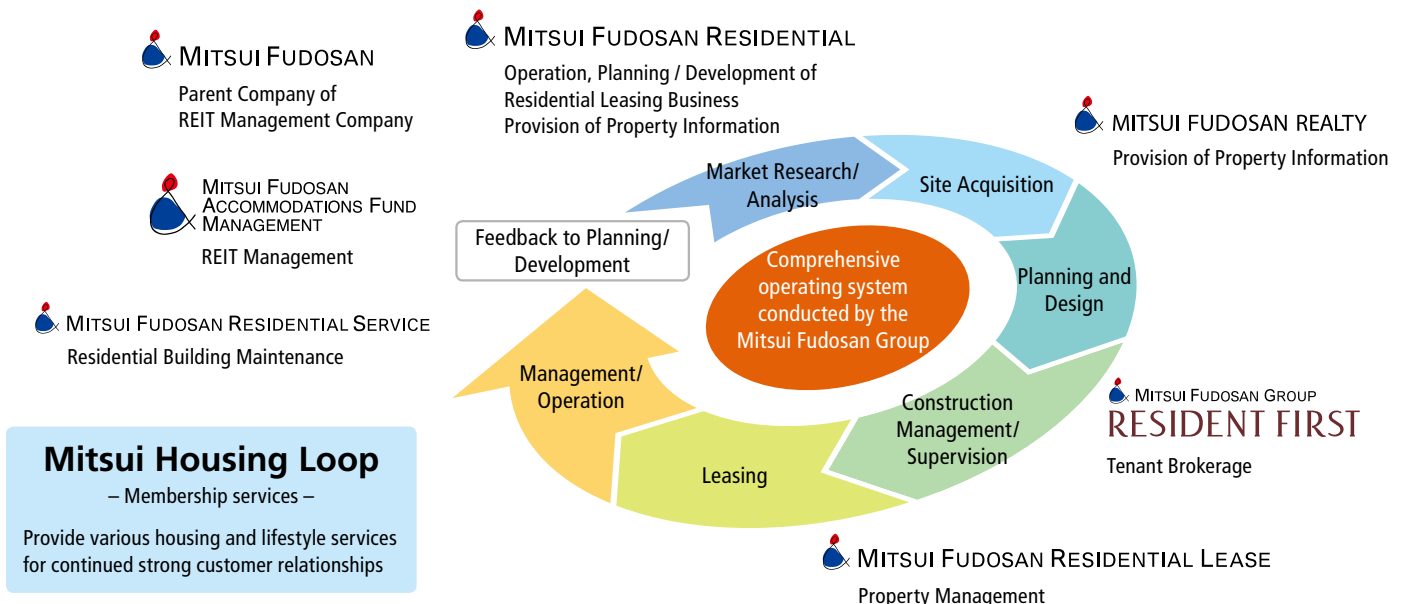
Investment Areas



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

2. Leveraging the Mitsui Fudosan Group

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



Intensive investment in Tokyo 23 Wards

88.1%

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

82.5%

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)

¥309.7 billion

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

Maintain a high occupancy rate

97.7%

(28th 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 28th period (February 29, 2020).
The ratio of properties in Tokyo 23 wards is based on acquisition price of Rental Apartments only.
The ratio of properties that consist of single and compact units is based on units of Rental Apartments only (excluding retail units).

To Our Stakeholders



Nippon Accommodations Fund Inc. Management Team



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

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

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

NAF was listed on the Real Estate Investment Trust Securities Market (J-REIT Market) of the Tokyo Stock Exchange in August 4, 2006. Ever since, we have continued to achieve a steady track record, and as of February 29, 2020, we have completed our 28th fiscal period (fiscal period ended February 29, 2020). 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 April 16, 2020, 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 28th period (ended February 29, 2020).

As of February 29, 2020, NAF's portfolio consisted of 126 properties and a total acquisition value of ¥309.7 billion. As a result of above operations during the period, NAF recorded total revenues of ¥11,401 million, operating income of ¥5,307 million and net income of ¥4,865 million. The distribution per unit was ¥10,042.

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.

Tatemichi Ikura

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

Financial Highlights

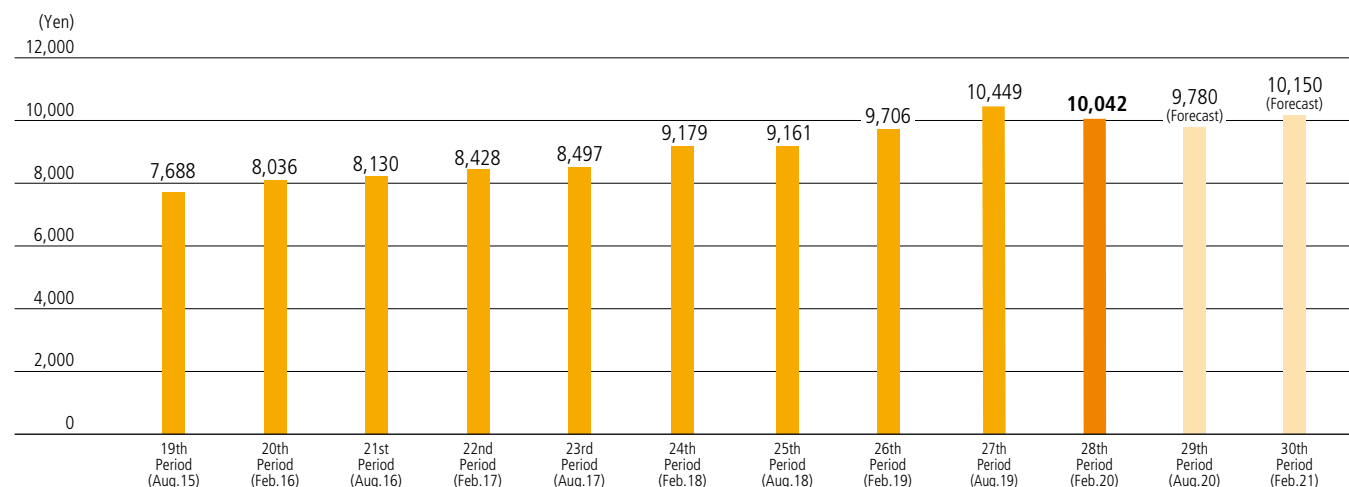
- Due to high occupancy rates, distribution per unit exceeded the forecast and came to **¥10,042**.
- Total assets at the end of the period were **¥301,946 million**, interest-bearing debt was **¥153,500 million**, and LTV (Loan-to-Value) ratio was **50.8%**.
- Net assets were **¥141,181 million** (down ¥197 million from the end of the previous fiscal period).

	27th Period (Actual) (Ended August 31, 2019)	28th Period (Actual) (Ended February 29, 2020)	29th Period (Forecast) (Ending August 31, 2020)	30th Period (Forecast) (Ending February 28, 2021)
Total revenues	¥12,361 million	¥11,401 million	¥11,567 million	¥11,552 million
Operating income	¥6,084 million	¥5,307 million	¥5,201 million	¥5,382 million
Net income	¥5,623 million	¥4,865 million	¥4,739 million	¥4,918 million
LTV (Loan-to-Value) ratio* ¹	51.0%	50.8%	51.1%	51.1%
Distribution per unit	¥10,449	¥10,042	¥9,780	¥10,150
Assets under management				
Acquisition price basis	¥309,723 million	¥309,723 million	¥312,143 million	¥312,143 million
Number of properties	126	126	127	127

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

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

Track record of Distribution per Unit



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

2. The forecasted figures are calculated based on certain assumptions as of April 16, 2020. The actual figures may change due to various factors including fluctuations in rent revenues owing to changes in tenants and other factors, changes in properties, fluctuation in interest, and additional issuance of investment units. Accordingly, the forecasts are not a guarantee of any cash distribution amount, etc. The forecasted figures are stated based on the details announced in the Financial Results for the Fiscal Period from September 1, 2019 to February 29, 2020 released on April 16, 2020.

(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 29th Period

■ New Acquisitions in the 29th Period

	Property name	Location	Acquisition date	Acquisition price (Yen in millions)	Rentable units Number of rooms (Units/rooms)
Rental Apartments	Park Axis Akatsuka	Itabashi-ku, Tokyo	March 30, 2020	2,420	86 residential, 2 retail, etc.

* NAF acquired 55% co-ownership of Park Axis Akatsuka, and "rentable units" are calculated by multiplying co-ownership by the total number of rooms and rounding to the nearest whole number.



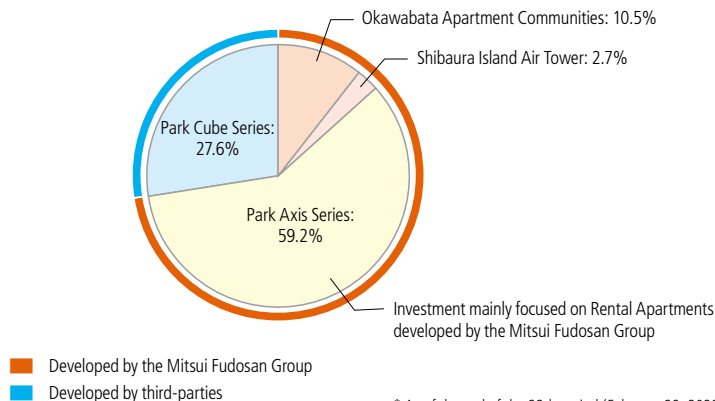
Park Axis Akatsuka

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.

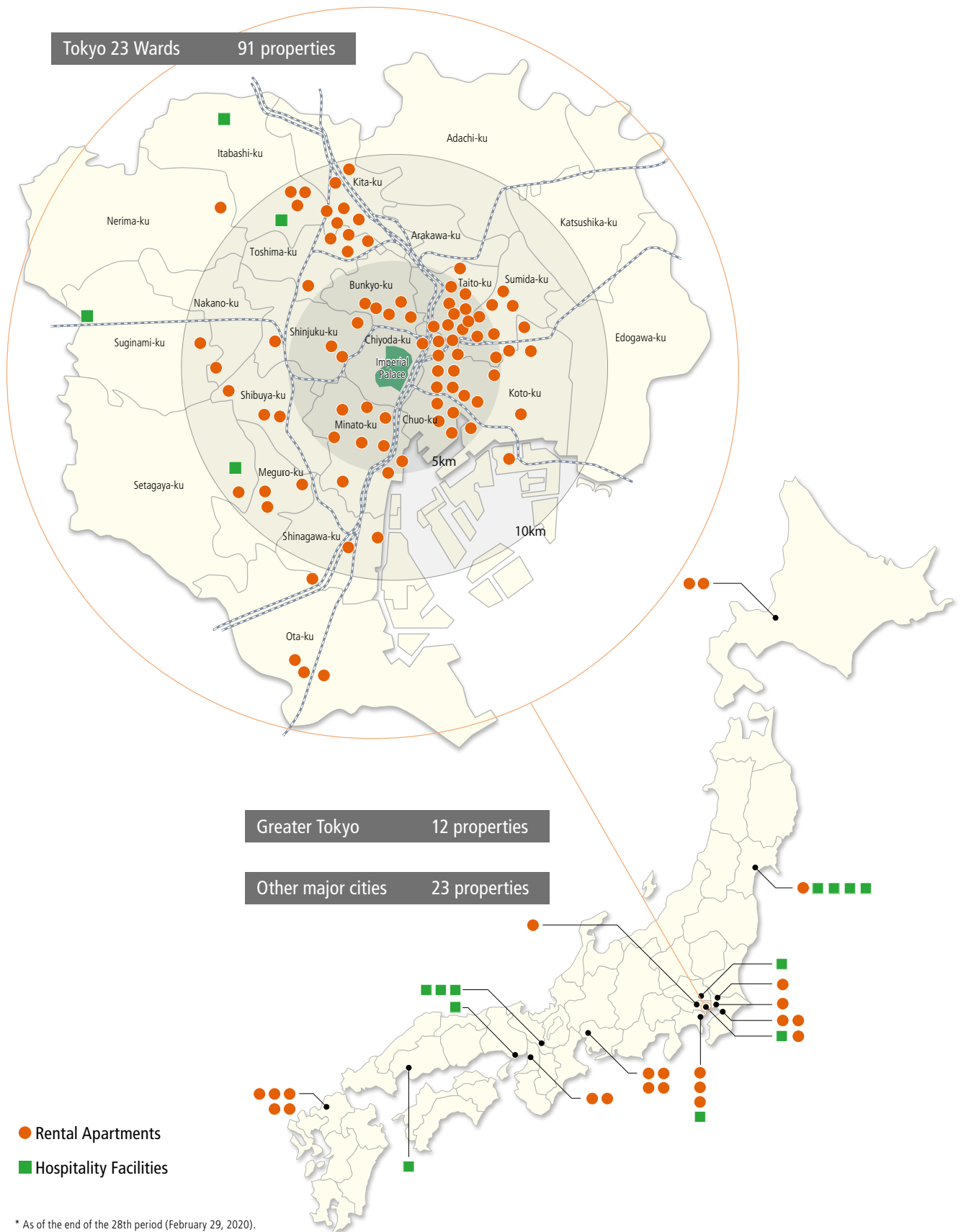
Park Axis Series have many merits. By utilizing the Mitsui Fudosan Group's long-standing knowhow of the housing business, their location is chosen for its suitability for Rental Apartment development and the properties are planned and designed flexibly to fit with their surroundings. In addition, the 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 28th period (February 29, 2020).
* The calculation is based on an acquisition price.

Portfolio Map



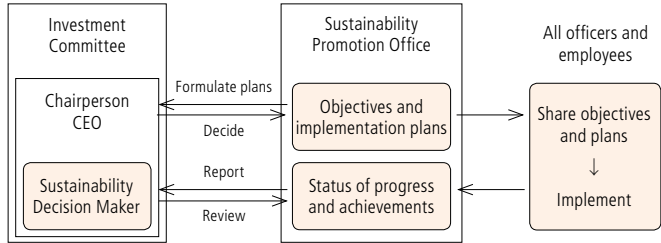
Sustainability Initiatives

1 Structure for Promotion and External Assessment



In-House Structure for Promotion of Sustainability

Sustainability Promotion Office established to ensure effective sustainability policies



Identification of materiality

NAF identifies materiality for relevant initiatives when promoting sustainability.

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

Consistently Acquire External Certification of Sustainability

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

- GRESB Real Estate Assessment
- SMBC Environmental Assessment



2 Environment

Installation of LED lighting in common areas

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

Installation completed
82 properties
In the 28th Period
10 properties

(As of February 29, 2020)



Okawabata Apartment Communities (Parking)

External Certification of Investment Properties

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

Property Name	Certification rank	Certification Details	
Okawabata Apartment Communities	2018	No. of properties	4
Park Axis Toyosu	2018	Total floor space	181,579m²
Park Cube Nishigahara Stage	2017	Percentage of floor space certified	25.3 %
Park Cube Meguro Tower	2019		

(As of February 29, 2020)

Environmental Performance

Targets

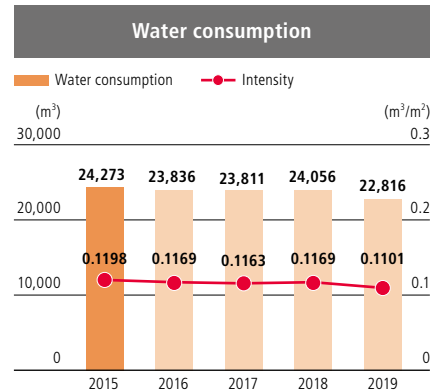
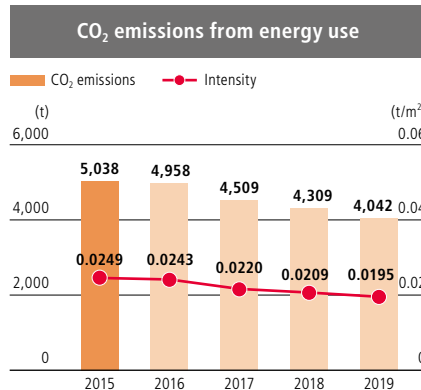
Energy consumption, CO₂ emissions from energy use

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

Water consumption

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

Results



3 Social

■ Employees of the Asset Management Company

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

Human Resource Development

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

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

Health and Safety, Respect for Human Rights

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

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

■ Supply Chains

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

■ Tenants

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

Greater Satisfaction

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

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

■ Local Communities

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

Cooperation in Local Events

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



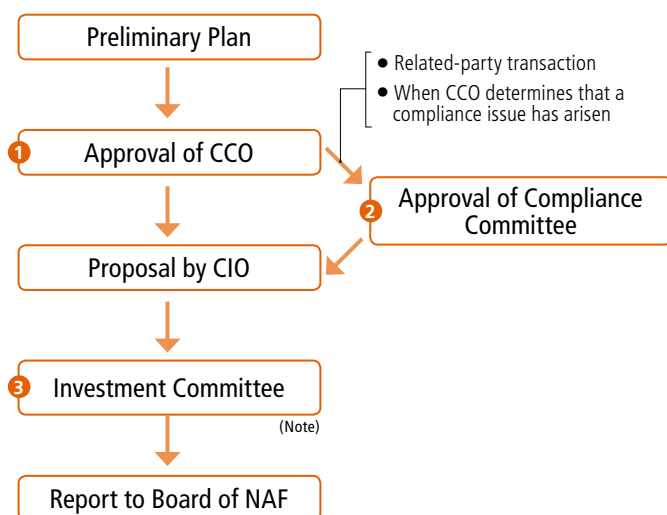
Disaster prevention event (Demonstration of Water discharge by fire department members)



Disaster prevention event (Disaster prevention drills for local residents)

4 Governance

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



Compliance Checking System

1 Confirmation by Chief Compliance Officer (CCO)

The following require approval of the Compliance Committee

- Related-party transactions*
 - When CCO determines that a compliance issue has arisen
- *Property acquisition price from sponsor-related parties is below appraisal value

2 The Compliance Committee

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

External professionals: Appoint professionals independent from sponsor-related parties

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

3 Functions as a Check on the Investment Committee

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

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

Portfolio Summary (As of February 29, 2020)

No.	Name	Location	Acquisition Price (Note 1) (Yen in millions)	Portfolio Share (%)	Rentable Area (m ²)	Rentable Units Number of Rooms (Units/rooms)	PML (Note2) (%)
1	Okawabata Apartment Communities	Chuo-ku, Tokyo	30,816	9.9	43,812.41	544	
	River Point Tower						1.8
	Park Side Wings						2.7
	Pier West House						2.7
	Okawabata Parking						1.7
2	Park Axis Gakugei Daigaku	Setagaya-ku, Tokyo	1,760	0.6	2,437.66	64	5.0
4	Park Axis Shibuya Jinnan	Shibuya-ku, Tokyo	3,230	1.0	2,766.62	75	4.1
5	Park Axis Aoyama Kotto Dori	Minato-ku, Tokyo	1,730	0.6	1,537.24	40	4.5
6	Park Axis Kagurazaka Stage	Shinjuku-ku, Tokyo	1,400	0.5	1,891.05	59	3.0
7	Park Axis Shirokanedai	Minato-ku, Tokyo	5,140	1.7	4,704.44	99	4.2
8	Park Axis Bunkyo Stage	Bunkyo-ku, Tokyo	4,440	1.4	6,078.93	154	3.6
9	Park Axis Tsukishima	Chuo-ku, Tokyo	930	0.3	1,383.99	30	3.2
10	Park Axis Otsuka	Toshima-ku, Tokyo	1,655	0.5	2,606.37	52	2.4
11	Park Axis Minami Azabu	Minato-ku, Tokyo	3,939	1.3	3,938.14	64	3.0
13	Park Axis Nihonbashi Stage	Chuo-ku, Tokyo	7,557	2.4	10,025.40	184 residential, 1 retail, etc.	4.5
14	Park Axis Hamamatsucho	Minato-ku, Tokyo	2,025	0.7	2,426.45	80	3.3
15	Park Axis Hongo no Mori	Bunkyo-ku, Tokyo	2,910	0.9	3,317.94	86 residential, 1 retail, etc.	4.0
16	Park Axis Tameike Sanno	Minato-ku, Tokyo	2,860	0.9	2,710.69	70	3.5
17	Park Axis Roppongi Hinokicho Koen	Minato-ku, Tokyo	2,170	0.7	2,054.46	46	5.8
18	Park Axis Ochanomizu Stage	Bunkyo-ku, Tokyo	9,710	3.1	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	0.6	2,160.12	60	3.9
21	Park Cube Kanda	Chiyoda-ku, Tokyo	2,454	0.8	3,194.59	95	2.4
22	Park Cube Ichigaya	Shinjuku-ku, Tokyo	1,949	0.6	2,288.46	53	2.9
23	Park Cube Asakusa Tawaramachi	Taito-ku, Tokyo	2,508	0.8	4,012.68	76	2.8
24	Park Cube Ueno	Taito-ku, Tokyo	2,233	0.7	3,041.61	91	2.8
29	Park Axis Meguro Honcho	Meguro-ku, Tokyo	1,810	0.6	1,884.77	60	5.8
30	Park Axis Shin Itabashi	Itabashi-ku, Tokyo	3,430	1.1	4,395.99	152	
	East						3.4
	West						3.3
31	Park Axis Akihabara	Chiyoda-ku, Tokyo	1,200	0.4	1,346.07	41	3.3
32	Park Axis Toyochō	Koto-ku, Tokyo	3,950	1.3	5,412.40	140	5.8
33	Park Axis Takinogawa	Kita-ku, Tokyo	1,820	0.6	2,924.75	48 residential, 1 retail, etc.	4.0
34	Park Axis Asakusabashi	Taito-ku, Tokyo	2,717	0.9	3,400.78	78 residential, 1 retail, etc.	3.2
38	Park Axis Nihonbashi Hamacho	Chuo-ku, Tokyo	5,540	1.8	6,999.83	118	4.2
39	Park Cube Yoyogi Tomigaya	Shibuya-ku, Tokyo	1,975	0.6	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	1.3	5,317.07	165 residential, 1 retail, etc.	2.9
43	Park Cube Gakugei Daigaku	Meguro-ku, Tokyo	910	0.3	957.88	24	6.8
44	Park Cube Oimachi	Shinagawa-ku, Tokyo	1,440	0.5	1,511.12	65	3.2
46	Park Axis Nishigahara	Kita-ku, Tokyo	840	0.3	1,435.83	46	2.4
47	Park Axis Kinshicho	Sumida-ku, Tokyo	1,448	0.5	2,288.13	65	4.2
48	Park Axis Tatsumi Stage	Koto-ku, Tokyo	7,464	2.4	16,474.06	299 residential, 1 retail, etc.	5.1
51	Park Axis Kameido	Koto-ku, Tokyo	2,359	0.8	3,986.78	118	5.6
52	Park Axis Honancho	Nakano-ku, Tokyo	745	0.2	1,231.08	31	3.0
53	Park Axis Itabashi	Kita-ku, Tokyo	1,448	0.5	2,567.96	64	5.3
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

No.	Name	Location	Acquisition Price (Note 1) (Yen in millions)	Portfolio Share (%)	Rentable Area (m ²)	Rentable Units Number of Rooms (Units/rooms)	PML (Note 2) (%)
59	Park Axis Toyosu	Koto-ku, Tokyo	14,300	4.6	25,537.94	401 residential, 2 retail, etc.	3.9
60	Park Axis Hatchobori	Chuo-ku, Tokyo	1,760	0.6	2,416.29	63 residential, 1 retail, etc.	3.2
61	Park Axis Itabashi Honcho	Itabashi-ku, Tokyo	987	0.3	2,048.31	66	4.0
62	Park Axis Sumiyoshi	Sumida-ku, Tokyo	1,006	0.3	1,785.72	60	7.4
63	Park Cube Yotsuya Sanhome	Shinjuku-ku, Tokyo	2,749	0.9	3,599.82	130	5.1
64	Park Cube Hatchobori	Chuo-ku, Tokyo	4,200	1.4	5,191.86	118 residential, 2 retail, etc.	2.4
68	Park Axis Kamata Ichibankan	Ota-ku, Tokyo	1,069	0.3	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	2.6	17,646.33	270 residential, 2 retail, etc.	
	Air Tower						1.9
	Air Terrace						7.5
84	Park Cube Higashi Shinagawa	Shinagawa-ku, Tokyo	6,060	2.0	10,636.67	201	3.5
86	Park Cube Sasazuka	Shibuya-ku, Tokyo	2,200	0.7	2,416.00	92 residential, 1 retail, etc.	3.4
88	Park Axis Higashi Jujo	Kita-ku, Tokyo	1,700	0.5	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	2.9	12,367.62	193 residential, 1 retail, etc.	2.2
93	Park Cube Nihonbashi Suitengu	Chuo-ku, Tokyo	2,711	0.9	4,235.33	77	4.4
94	Park Cube Ginza East	Chuo-ku, Tokyo	2,269	0.7	3,358.63	77	3.0
95	Park Cube Kayabacho	Chuo-ku, Tokyo	1,105	0.4	1,695.06	27 residential, 1 retail, etc.	3.2
96	Park Cube Honjo Azumabashi	Sumida-ku, Tokyo	1,252	0.4	2,241.63	45	4.6
97	Park Axis Kiyosumi Shirakawa	Koto-ku, Tokyo	696	0.2	1,159.84	36	3.7
98	Park Axis Asakusabashi Nichome	Taito-ku, Tokyo	1,079	0.3	1,569.00	48	3.4
99	Park Axis Nishi Sugamo	Kita-ku, Tokyo	1,439	0.5	2,326.32	56	3.9
100	Park Axis Ueno	Taito-ku, Tokyo	1,389	0.4	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	0.6	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	0.9	3,581.09	68	2.7
106	Park Cube Kameido	Koto-ku, Tokyo	3,020	1.0	4,442.09	121 residential, 1 retail, etc.	5.5
108	Park Axis Shin Okachimachi East	Taito-ku, Tokyo	1,299	0.4	1,847.01	49	3.0
110	Park Axis Nihonbashi Honcho	Chuo-ku, Tokyo	1,469	0.5	1,808.12	49	2.5
111	Park Cube Nishigahara Stage	Kita-ku, Tokyo	4,110	1.3	19,693.35	357 residential, 1 retail, etc.	2.5
112	Park Cube Atagoyama Tower	Minato-ku, Tokyo	8,650	2.8	8,389.91	165	2.4
113	Park Axis Shibaura	Minato-ku, Tokyo	1,045	0.3	1,273.60	42	5.2
114	Park Axis Asakusa Kuramae	Taito-ku, Tokyo	1,095	0.4	1,456.35	45	3.0
115	Park Axis Kamata Station Gate	Ota-ku, Tokyo	4,144	1.3	4,582.72	157 residential, 1 retail, etc.	3.2
116	Park Axis Kinshicho Residence	Sumida-ku, Tokyo	1,251	0.4	1,793.33	56	4.0
117	Park Axis Oshiage Sumida Koen	Sumida-ku, Tokyo	1,055	0.3	1,610.49	49	5.2
120	Park Axis Magome Residence	Ota-ku, Tokyo	1,450	0.5	1,621.94	55	9.6
121	Park Axis Higashi Ueno	Taito-ku, Tokyo	1,250	0.4	1,460.10	45	4.0
122	Park Axis Higashi Koenji	Suginami-ku, Tokyo	2,300	0.7	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	0.8	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
Tokyo 23 Wards Total			258,953	83.6	376,190.51	8,237 residential, 25 retail, etc.	

No.	Name	Location	Acquisition Price (Note 1) (Yen in millions)	Portfolio Share (%)	Rentable Area (m ²)	Rentable Units Number of Rooms (Units/rooms)	PML (Note2) (%)
26	Park Cube Keio Hachioji II	Hachioji-shi, Tokyo	1,130	0.4	3,082.32	47 residential, 1 retail, etc.	4.0
40	Park Axis Nishi Funabashi	Funabashi-shi, Chiba	1,020	0.3	2,074.35	55	3.2
66	Park Axis Yokohama Idogaya	Yokohama-shi, Kanagawa	1,419	0.5	2,706.59	99 residential, 1 retail, etc.	6.3
67	Park Axis Chiba Shinmachi	Chiba-shi, Chiba	1,679	0.5	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	0.4	1,682.46	63	4.1
109	Park Axis Yokohama Yamashitacho	Yokohama-shi, Kanagawa	1,539	0.5	2,325.92	70 residential, 1 retail, etc.	8.2
Greater Tokyo Total			12,326	4.0	22,876.13	746 residential, 11 retail, etc.	
27	Park Axis Meieki Minami	Nagoya-shi, Aichi	2,440	0.8	5,565.13	169	3.7
35	Park Axis Marunouchi	Nagoya-shi, Aichi	1,920	0.6	3,821.75	98 residential, 1 retail, etc.	2.9
36	Park Axis Ropponmatsu	Fukuoka-shi, Fukuoka	1,515	0.5	3,473.67	111 residential, 1 retail, etc.	2.5
37	Park Axis Hakataeki Minami	Fukuoka-shi, Fukuoka	1,890	0.6	4,668.29	176 residential, 1 retail, etc.	3.0
45	Park Axis Naka Gofukumachi	Fukuoka-shi, Fukuoka	742	0.2	2,707.88	112	2.9
49	Park Axis Shirakabe	Nagoya-shi, Aichi	1,547	0.5	4,735.89	86	3.0
50	Park Axis Sendai	Sendai-shi, Miyagi	2,320	0.7	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	0.3	3,729.05	84 residential, 1 retail, etc.	2.4
73	Park Axis Utsubo Koen	Osaka-shi, Osaka	2,399	0.8	4,952.45	133	8.6
107	Park Cube Kitahama	Osaka-shi, Osaka	1,970	0.6	4,683.33	138	5.7
127	Park Axis Kanayama WEST	Nagoya-shi, Aichi	1,770	0.6	4,795.13	63	4.4
Other Major Cities Total			22,555	7.3	65,571.81	1,702 residential, 4 retail, etc.	
Rental Apartments Total			293,834	94.9	464,638.45	10,685 residential, 40 retail, etc.	
76	Dormy Ashiya	Ashiya-shi, Hyogo	928	0.3	3,729.45	140	6.6
77	Kawaijuku Kyoto Gakushin Ryo	Kyoto-shi, Kyoto	991	0.3	3,492.88	134	12.9
78	Sundai Horikawa Ryo	Kyoto-shi, Kyoto	916	0.3	2,793.71	113	8.8
79	Dormy Rakuoku	Kyoto-shi, Kyoto	374	0.1	1,489.86	70	8.8
80	Rikkyo University International Dormitory (RUID) Shiki	Shiki-shi, Saitama	1,478	0.5	3,061.89	127	3.0
81	Dormy Naka Itabashi	Itabashi-ku, Tokyo	1,041	0.3	2,439.17	106	5.5
82	Philosophia Nishidai	Itabashi-ku, Tokyo	1,249	0.4	2,969.25	121	5.3
83	Dormy Musashi Kosugi	Kawasaki-shi, Kanagawa	1,152	0.4	3,017.34	112	7.3
89	Artis Sendai Kakyoin	Sendai-shi, Miyagi	540	0.2	2,234.24	60	3.0
90	Artis Sendai Kimachi Dori	Sendai-shi, Miyagi	1,160	0.4	4,864.04	142	2.7
118	Medical Home Granda Sangen Jaya (Land with leasehold interest)	Setagaya-ku, Tokyo	735	0.2	—	—	—
119	Dormy Nishi Ogikubo	Suginami-ku, Tokyo	1,100	0.4	1,616.52	71	8.8
123	Granda Kanazawa Hakkei	Yokohama-shi, Kanagawa	774	0.2	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
Hospitality Facilities Total			15,889	5.1	43,413.93	1,626	
Grand Total			309,723	100.0	508,052.38	12,351	2.4 (Portfolio PML)

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

2. PML = Probable maximum loss

Portfolio PML is the PML for all NAF's portfolio, 125 properties excluding Medical Home Granda Sangen Jaya (Land with leasehold interest).

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

4. The name of the property has changed to "Dormy Kyoto Nijo" from "Kawaijuku Kyoto Gakushin Ryo" as of the date of April 1, 2020.

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)
	28th Period September 1, 2019 to February 29, 2020	27th Period March 1, 2019 to August 31, 2019	26th Period September 1, 2018 to February 28, 2019	28th Period September 1, 2019 to February 29, 2020
Total revenues (Note 2)	¥ 11,401	¥ 12,361	¥ 11,186	\$ 104,185
Rental revenues	10,934	10,877	10,695	99,917
Other revenues related to property leasing	467	544	441	4,267
Gain on sale of investment properties	—	939	48	—
Operating expenses	6,094	6,277	6,001	55,688
Income before income taxes	4,866	5,624	4,729	44,466
Net income (a)	4,865	5,623	4,728	44,457
Funds from operations (Note 3)	6,863	6,704	6,687	62,715
Net operating income from property leasing activities (Note 3)	8,564	8,454	8,348	78,260
Total amount of cash distribution (b)	4,865	5,062	4,702	44,457
Depreciation and amortization	1,998	2,020	2,007	18,258
Capital expenditures	600	346	465	5,482
Total assets (c)	301,946	303,133	296,877	2,759,261
Interest-bearing debt	153,500	154,500	149,500	1,402,723
Total net assets (d)	141,181	141,378	140,457	1,290,148
Total number of common units issued (Units) (e)	484,522	484,522	484,522	
Net assets per unit (Yen/\$) (d) / (e)	291,382	291,790	289,889	2,662.72
Distribution per unit (Yen/\$) (b) / (e)	10,042	10,449	9,706	91.76
Funds from operations per unit (Yen/\$) (Note 3)	14,165	13,838	13,802	129.44
ROA (Note 4)	1.6%	1.9%	1.6%	
(Annual rate)	(3.2%)	(3.7%)	(3.2%)	
ROE (Note 4)	3.4%	4.0%	3.4%	
(Annual rate)	(6.9%)	(7.9%)	(6.8%)	
LTV (Loan-to-value) ratio (Note 3)	50.8%	51.0%	50.4%	
Capital ratio (d) / (c)	46.8%	46.6%	47.3%	
Payout ratio (b) / (a) (Note 5)	100.0%	90.0%	99.5%	
Number of days in the period	182	184	181	
Number of investment properties (Note 6)	126	126	124	
Total rentable area (m ²)	508,052	508,052	504,196	
The occupancy rate at the end of the period (Note 6)	98.3%	97.7%	98.1%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥109.43 = U.S.\$1.00, the approximate exchange rate as of February 29, 2020.

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

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

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

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

LTV ratio: Interest-bearing debt ÷ Total assets

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

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

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

Annual equivalent amounts for the period ended February 29, 2020: Amount for the period ÷ Actual days in the period (182) × 366 days

Annual equivalent amounts for the period ended August 31, 2019: Amount for the period ÷ Actual days in the period (184) × 365 days

Annual equivalent amounts for the period ended February 28, 2019: Amount for the period ÷ Actual days in the period (181) × 365 days

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

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

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

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

Overview

Investment Environment and Operating Performance

During the six months ended February 29, 2020 (the “28th Period”), despite signs of weakness primarily in exports and production due to a slowdown in overseas economies and the impact of natural disasters, etc., the Japanese economy stayed on a moderate recovery trend, including moderate increases in capital investment, against a backdrop of improvements in corporate earnings and the employment and income situation. However, a novel coronavirus (COVID-19) has been spreading since January, and it has begun to have a major impact on the economy and society.

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

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

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

As a result, NAF’s portfolio as of February 29, 2020 consisted of 126 properties valued at ¥309,723 million on an acquisition price basis.

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

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

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

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

As a result of these activities, the occupancy rate for NAF’s overall portfolio as of February 29, 2020 remained at a high level of 98.3%.

Consequently, for the 28th Period, NAF recorded total revenues of ¥11,401 million, operating income of ¥5,307 million, income before income taxes of ¥4,866 million and net income of ¥4,865 million.

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

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

Changes in Assets, Liabilities and Net Assets

Total assets as of February 29, 2020 were essentially unchanged, a decrease of ¥1,186 million from August 31, 2019 to ¥301,946 million. Total current assets increased by ¥128 million to ¥14,319 million and total investment properties net of accumulated depreciation compared with August 31, 2019 decreased by ¥1,299 million to ¥285,853 million as a result of normal depreciation.

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

As a result, at the end of the period, total interest-bearing debt amounted to ¥153,500 million (¥1,000 million decrease from previous period), the long-term debt ratio was 98.0%, the long-term, fixed-rate debt ratio was 95.4%, and the loan-to-value (LTV) ratio was 50.8%. The average annual current maturity of long-term interest-bearing debt was 4.4 years and the number of financial institutions was 25. Furthermore, the weighted average interest rate at the end of the period was 0.57%.

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 borrowable amount was ¥15,000 million.

Net assets totaled ¥141,181 million as of February 29, 2020. Unitholders' capital was unchanged at ¥135,603 million, and retained earnings decreased to ¥5,577 million from ¥5,775 million as of August 31, 2019.

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 28th Period, cash distributions totaled ¥4,865,569,924 or ¥10,042 per unit.

	Yen in thousands, except per unit amounts		
	28th Period September 1, 2019 to February 29, 2020	27th Period March 1, 2019 to August 31, 2019	26th Period September 1, 2018 to February 28, 2019
Retained earnings	¥4,865,756	¥5,624,099	¥4,729,071
Reserve for reduction entry	—	561,000	26,000
Undistributed earnings	187	328	301
Total cash distribution	4,865,569	5,062,770	4,702,770
(Per unit)	10,042	10,449	9,706
Distribution of retained earnings	4,865,569	5,062,770	4,702,770
(Per unit)	10,042	10,449	9,706
Cash distribution in excess of retained earnings	—	—	—
(Per unit)	—	—	—

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

Funding

Balance of Paid-in Capital

NAF was established on October 12, 2005 with initial paid-in capital of ¥100 million. NAF began investing activities on November 29, 2005 after ¥21,140 million was raised through private placement. As of February 29, 2020, NAF had issued 484,522 investment units out of 4,000,000 total authorized units. NAF's investment units were listed on the J-REIT section of the Tokyo Stock Exchange in August 2006 upon the completion of a public offering. As the Act on Investment Trusts and Investment Corporations does not contain any provision for the issuance of more than one class of units, NAF's investment units comprise the sole class of units authorized and issued by NAF.

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

Issue date	Remarks	Units outstanding		Paid-in capital		Notes
		Increase	Balance	Increase	Balance	
		(Units)		(Yen in millions)		
March 2, 2015	Public offering	22,000	483,422	9,444	135,131	Note 1
March 24, 2015	Third-party allocation	1,100	484,522	472	135,603	Note 2

Notes: 1. Public offering of new units for ¥443,868 per unit (excluding underwriting fee: ¥429,300) to fund property acquisition.
2. Additional issue of new units (third-party allocation) for ¥429,300 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:

	28th Period September 1, 2019 to February 29, 2020	27th Period March 1, 2019 to August 31, 2019	26th Period September 1, 2018 to February 28, 2019	25th Period March 1, 2018 to August 31, 2018	24th Period September 1, 2017 to February 28, 2018
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
High	¥728,000	¥682,000	¥582,000	¥532,000	¥499,000
Low	652,000	544,000	499,000	455,500	426,000

Borrowings

Borrowings from financial institution as of February 29, 2020 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	¥1,000	0.09409%	May 29, 2020	Bullet payment	(Note 3)	Unsecured/ unguaranteed/ pari passu (Note 4)
The 77 Bank, Ltd.	1,000	0.09909% (Note 5)	November 30, 2020			
Mizuho Bank, Ltd.	1,000	0.09409% (Note 6)	November 30, 2020			
Total short-term loans	¥3,000					

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	¥ 3,000	0.65750%	May 28, 2021	Bullet payment	(Note 3)	Unsecured/ unguaranteed/ pari passu (Note 4)
	2,000	0.51375%	November 30, 2021			
	1,500	0.20409% (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			
Sumitomo Mitsui Trust Bank, Limited	2,000	0.44625%	September 30, 2020			
	1,500	0.11909% (Note 5)	August 31, 2023			
	1,000	0.15909% (Note 5)	August 31, 2027			
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			
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			
	3,000	0.64293%	October 21, 2030			
The Hachijuni Bank, Ltd.	1,000	0.63900%	April 9, 2021			
	1,000	0.23550%	September 17, 2024			
	1,500	0.29000%	May 29, 2026			
Mizuho Bank, Ltd.	2,000	0.72250%	June 15, 2020			
	2,000	0.82500%	November 30, 2021			
	1,000	0.10630%	August 31, 2020			
	1,000	0.11988%	February 26, 2021			
	1,000	0.18561%	May 31, 2022			
	1,000	0.21561%	May 31, 2023			
	2,000	0.42456%	March 31, 2027			
	2,000	0.55000%	July 31, 2023			
The Chugoku Bank, Limited	2,000	0.21880%	May 29, 2026			
	1,000	0.22000%	November 29, 2024			
	1,000	1.22500%	January 19, 2023			
Shinsei Bank, Limited	1,000	0.65750%	May 28, 2021			
	1,000	0.99250%	May 28, 2024			
	2,000	0.38880%	January 29, 2027			
Shinkin Central Bank	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			

Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of maturity	Repayment method	Use of funds	Notes
The Bank of Fukuoka, Ltd.	¥ 2,500	0.59437%	April 28, 2020	Bullet payment	(Note 3)	Unsecured/ unguaranteed/ pari passu (Note 4)
	2,000	0.43500%	February 26, 2027			
	2,000	0.33500%	April 30, 2026			
	1,000	0.65000%	January 8, 2032			
MUFG Bank, Ltd.	2,000	0.67000%	March 16, 2020			
	4,000	0.72750%	September 15, 2020			
	1,000	0.96250%	August 23, 2021			
	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			
	3,000	0.69500%	November 30, 2020			
The Norinchukin Bank	2,000	0.43250%	December 30, 2021			
	1,000	0.27000%	December 30, 2025			
	2,000	0.37000%	April 28, 2028			
	1,000	1.04000%	June 14, 2021			
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	1.26000%	June 14, 2023			
The Yamaguchi Bank, Ltd.	1,000	1.28125%	July 19, 2023			
	1,000	0.98750%	May 31, 2024			
	1,000	0.55500%	April 27, 2029			
	2,000	0.59437%	April 28, 2020			
The Daishi Bank, Ltd.	1,000	0.40062%	June 30, 2021			
	1,000	0.09000%	July 30, 2021			
	1,000	1.04375%	March 28, 2024			
TAIJU LIFE INSURANCE COMPANY LIMITED	1,000	1.04375%	March 28, 2024			
The Ashikaga Bank, Ltd.	2,000	0.27000%	December 30, 2025			
DAIDO LIFE INSURANCE COMPANY	1,000	0.57875%	June 30, 2021			
TAIYO LIFE INSURANCE COMPANY	2,000	0.64750%	December 30, 2024			
The Iyo Bank, Ltd.	1,000	0.09000%	March 31, 2022			
The Yamanashi Chuo Bank, Ltd.	1,000	0.31630%	June 30, 2026			
	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			
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			
Mitsui Sumitomo Insurance Company, Limited	1,000	0.29000%	October 30, 2026			
Total long-term loans	¥150,500					
Total loans	¥153,500					

- Notes: 1. "Interest rate" is rounded to the nearest hundred-thousandth. The weighted average interest rate is presented for the outstanding balance of short-term loans if the institution has provided more than one short-term loan.
2. The earliest maturity of short-term loans is presented if the institution has provided more than one short-term loan.
3. Use of the proceeds of debt financing included purchase of property or real estate trust beneficiary interests, refinancing of other loans, and operating expenses.
4. The loan agreements between NAF and each financial institution stipulate that the above loans from all financial institutions rank pari passu to each other.
5. The interest rate is applied from February 28, 2020 to March 30, 2020.
6. The interest rate is applied from February 28, 2020 to May 28, 2020.
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.

(Yen in millions)

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount	¥20,000	¥23,000	¥18,500	¥14,500

Bonds

None applicable

Capital Expenditures

1. Planned

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

Name of property	Objective	Estimated duration	Estimated amounts		
			Total amounts	Payment for the current period (September 1, 2019 to February 29, 2020)	Cumulative amount paid
(Yen in millions)					
Okawabata Apartment Communities, Riverpoint Tower and Other	Renewal of water heating system	From May 2020 to February 2021	¥100	¥—	¥—
Okawabata Apartment Communities, Okawabata Parking Lot	Renewal of car compartments for mechanical parking system	From November 2020 to December 2020	100	—	—
Okawabata Apartment Communities, Park Side Wings	Renewal of air conditioners in rentable areas	From September 2019 to March 2020	89	17	—
Okawabata Apartment Communities, Riverpoint Tower and Other	Renovation of rentable areas	From March 2020 to August 2020	80	—	—
Park Axis Naka Gofukumachi	Repair of outside walls	From May 2020 to July 2020	40	—	—
Okawabata Apartment Communities, Okawabata Parking Lot	Replacement of parts for mechanical parking system	From July 2020 to February 2021	36	—	—

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NAF posted ¥600 million in capital expenditures together with ¥465 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
Okawabata Apartment Communities, Riverpoint Tower	Renewal of elevator equipment	From September 2019 to February 2020	¥215
Okawabata Apartment Communities, Okawabata Parking Lot	Renewal of car compartments for mechanical parking system	From September 2019 to February 2020	72
Okawabata Apartment Communities, Okawabata Parking Lot	Replacement of parts for mechanical parking system	From September 2019 to February 2020	33
Okawabata Apartment Communities, Riverpoint Tower and Other	Renovation of 5 rentable areas	From September 2019 to February 2020	33
Dormy Ashiya	Repair of outside walls	From September 2019 to February 2020	30
Dormy Odawara	Renewal of air conditioners in rentable areas	From September 2019 to February 2020	22
Park Axis Okachimachi	Repair of outside walls	From September 2019 to February 2020	20
Other capital expenditures		From September 2019 to February 2020	171
Total			¥600

3. Cash Reserve for Capital Improvements

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

	Yen in millions		
	As of February 29, 2020	As of August 31, 2019	As of February 28, 2019
Reserve balance at the beginning of the period	¥ —	¥ —	¥3,148
Amount accumulated in the current period	—	—	—
Withdrawal from reserves in the current period	—	—	3,148
Amount carried forward	—	—	—

NAF has decided not to accumulate money for long-term capital improvements from the 26th Period onward.

Expenses regarding Entrustment, etc.

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

	Yen in millions		
	28th Period September 1, 2019 to February 29, 2020	27th Period March 1, 2019 to August 31, 2019	26th Period September 1, 2018 to February 28, 2019
Asset management fees	¥ 856	¥ 928	¥ 851
Asset custody fees	14	14	14
Agent fees (stock transfer, accounting and administrative)	28	35	29
Directors' remuneration	7	7	7
Auditor's fees	12	12	12
Other expenses	339	291	288
Total	¥1,259	¥1,289	¥1,204

Related Party Transactions

1. Transactions

None applicable

2. Fees Paid for the Period from September 1, 2019 to February 29, 2020

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	¥750	Mitsui Fudosan Residential Lease Co., Ltd.	¥750	100.0%
Building management fees	384	Mitsui Fudosan Residential Lease Co., Ltd.	379	98.7%
		Mitsui Fudosan Realty Co., Ltd.	4	1.3%
Operation management fees	4	Mitsui Fudosan Investment Advisors, Inc.	4	100.0%
Leasing-related service fees, etc.	149	RESIDENT FIRST CO., LTD.	14	9.4%
		Mitsui Fudosan Realty Tohoku Co., Ltd.	0	0.3%
		Mitsui Fudosan Realty Co., Ltd.	0	0.3%
		Mitsui Fudosan Realty Kyushu Co., Ltd.	0	0.1%
		Mitsui Fudosan Realty Sapporo Co., Ltd.	0	0.0%

3. Other Payments to Related Parties (Note 1)

Paid to	Amount of payment (Yen in millions)	Item
Mitsui Fudosan Facilities Co., Ltd.	¥11	Repair and maintenance costs
Accommodation First Co., Ltd.	5	Repair and maintenance costs
MITSUI Designtec Co., Ltd.	1	Repair and maintenance costs

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

2. Figures indicate percentages of total price.

Financial Statements

Balance Sheets

Nippon Accommodations Fund Inc.

As of February 29, 2020 and August 31, 2019

	Yen in millions		U.S. dollars in thousands (Note 1)
	28th Period As of February 29, 2020	27th Period As of August 31, 2019	28th Period As of February 29, 2020
Assets			
Current assets:			
Cash and cash equivalents (Note 2, 12)	¥ 12,741	¥ 12,702	\$ 116,430
Rent receivables	1,482	1,406	13,542
Other current assets	94	82	858
Total current assets	14,319	14,190	130,850
Investment properties (Note 2, 3):			
Land including trust accounts	189,792	189,782	1,734,369
Depreciable property and improvements including trust accounts	138,785	138,097	1,268,253
Accumulated depreciation	(42,723)	(40,726)	(390,413)
Total investment properties	285,853	287,153	2,612,199
Other assets	1,773	1,788	16,202
Total Assets	¥ 301,946	¥ 303,133	\$2,759,261
Liabilities and Net Assets			
Liabilities			
Current liabilities:			
Short-term loans (Note 4, 12)	¥ 3,000	¥ 6,000	\$ 27,414
Long-term loans due within one year (Note 4, 12)	19,500	19,000	178,196
Accounts payable	1,490	1,413	13,616
Rent received in advance	1,846	1,811	16,869
Accrued expenses and other liabilities	228	301	2,083
Total current liabilities	26,066	28,526	238,197
Long-term liabilities:			
Long-term loans (Note 4, 12)	131,000	129,500	1,197,112
Tenant security deposits (Note 12)	3,699	3,727	33,802
Total long-term liabilities	134,699	133,227	1,230,914
Total Liabilities	¥ 160,765	¥ 161,754	\$ 1,469,112
Net Assets			
Unitholders' capital (Note 5)	¥ 135,603	¥ 135,603	\$ 1,239,175
Retained earnings	5,577	5,775	50,964
Total Net Assets	¥ 141,181	¥ 141,378	\$ 1,290,148
Total Liabilities and Net Assets	¥ 301,946	¥ 303,133	\$2,759,261

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

Statements of Income

Nippon Accommodations Fund Inc.

September 1, 2019 to February 29, 2020, March 1, 2019 to August 31, 2019 and September 1, 2018 to February 28, 2019

	Yen in millions			U.S. dollars in thousands (Note 1)
	28th Period September 1, 2019 to February 29, 2020	27th Period March 1, 2019 to August 31, 2019	26th Period September 1, 2018 to February 28, 2019	28th Period September 1, 2019 to February 29, 2020
Revenues				
Rental (Note 6)	¥ 10,934	¥ 10,877	¥ 10,695	\$ 99,917
Other revenues related to property leasing (Note 6)	467	544	441	4,267
Gain on sale of investment properties (Note 7)	—	939	48	—
Total revenues	11,401	12,361	11,186	104,185
Operating Expenses				
Property management fees (Note 6)	1,174	1,187	1,171	10,728
Real estate taxes and insurance (Note 6)	621	627	615	5,674
Repairs and maintenance (Note 6)	465	513	426	4,249
Other rental expenses (Note 6)	575	638	575	5,254
Depreciation and amortization (Note 6)	1,998	2,020	2,007	18,258
Asset management fees	856	928	851	7,822
Other expenses	402	361	353	3,673
Total operating expenses	6,094	6,277	6,001	55,688
Operating Income	5,307	6,084	5,185	48,496
Interest and other income	21	6	10	191
Interest expense	(454)	(456)	(457)	(4,148)
Other expenses	(8)	(9)	(7)	(73)
Income before Income Taxes	4,866	5,624	4,729	44,466
Current and deferred income taxes (Note 9)	0	0	0	0
Net Income	¥ 4,865	¥ 5,623	¥ 4,728	\$ 44,457

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

Statements of Changes in Net Assets

Nippon Accommodations Fund Inc.

For the period from September 1, 2018 to February 29, 2020

	Number of Units (Note 5)	Yen in millions		
		Unitholders' Capital	Retained Earnings	Total
Balance as of September 1, 2018	484,522	¥ 135,603	¥ 4,563	¥ 140,167
Cash distribution	—	—	(4,438)	(4,438)
Net income	—	—	4,728	4,728
Balance as of February 28, 2019	484,522	135,603	4,854	140,457
Cash distribution	—	—	(4,702)	(4,702)
Net income	—	—	5,623	5,623
Balance as of August 31, 2019	484,522	135,603	5,775	141,378
Cash distribution	—	—	(5,062)	(5,062)
Net income	—	—	4,865	4,865
Balance as of February 29, 2020	484,522	¥ 135,603	¥ 5,577	¥ 141,181

	Number of Units (Note 5)	U.S. dollars in thousands (Note 1)		
		Unitholders' Capital	Retained Earnings	Total
Balance as of August 31, 2019	484,522	\$1,239,175	\$ 52,773	\$1,291,949
Cash distribution	—	—	(46,257)	(46,257)
Net income	—	—	44,457	44,457
Balance as of February 29, 2020	484,522	\$1,239,175	\$ 50,964	\$1,290,148

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

Statements of Cash Flows

Nippon Accommodations Fund Inc.

September 1, 2019 to February 29, 2020, March 1, 2019 to August 31, 2019 and September 1, 2018 to February 28, 2019

	Yen in millions			U.S. dollars in thousands (Note 1)
	28th Period September 1, 2019 to February 29, 2020	27th Period March 1, 2019 to August 31, 2019	26th Period September 1, 2018 to February 28, 2019	28th Period September 1, 2019 to February 29, 2020
Cash Flows from Operating Activities:				
Income before income taxes	¥ 4,866	¥ 5,624	¥ 4,729	\$ 44,466
Depreciation and amortization	1,998	2,021	2,007	18,258
Interest expense	454	456	457	4,148
(Increase) Decrease in rent receivables	(76)	41	(62)	(694)
Increase (Decrease) in accounts payable	77	259	(177)	703
Increase (Decrease) in rents received in advance	35	4	27	319
Decrease in investment properties due to sales	—	2,086	1,544	—
Cash payments of interest expense	(460)	(450)	(470)	(4,203)
(Increase) Decrease in consumption tax refund receivable	(12)	—	—	(109)
Other, net	(50)	59	37	(456)
Net Cash Provided by Operating Activities	6,832	10,103	8,093	62,432
Cash Flows from Investing Activities:				
Payments for purchases of investment properties	(698)	(6,193)	(5,599)	(6,378)
Proceeds from tenant security deposits	243	406	318	2,220
Payments for tenant security deposits	(272)	(379)	(280)	(2,485)
Other, net	(3)	(3)	(3)	(27)
Net Cash Used in Investing Activities	(730)	(6,170)	(5,564)	(6,670)
Cash Flows from Financing Activities:				
Proceeds from short-term loans	13,000	50,000	58,000	118,797
Repayment of short-term loans	(16,000)	(52,000)	(57,000)	(146,212)
Proceeds from long-term loans	11,500	15,500	10,000	105,090
Repayment of long-term loans	(9,500)	(8,500)	(9,000)	(86,813)
Payment of distribution	(5,063)	(4,702)	(4,438)	(46,267)
Net Cash Provided by (Used in) Financing Activities	(6,063)	297	(2,438)	(55,405)
Net Change in Cash and Cash Equivalents	38	4,231	90	347
Cash and Cash Equivalents at the Beginning of the Period	12,702	8,471	8,380	116,074
Cash and Cash Equivalents at the End of the Period (Note 2)	¥ 12,741	¥ 12,702	¥ 8,471	\$ 116,430

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

Notes to Financial Statements

Nippon Accommodations Fund Inc.

September 1, 2019 to February 29, 2020, March 1, 2019 to August 31, 2019 and September 1, 2018 to February 28, 2019

Note 1 Organization and Basis of Presentation

Organization

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

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

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

As of February 29, 2020, NAF had ownership and/or beneficiary interests in 126 properties containing approximately 508,052 square meters of rentable space. As of February 29, 2020, NAF had leased approximately 499,235 square meters to tenants. The occupancy rate for the properties was approximately 98.3%.

Basis of Presentation

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

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the approximate exchange rate on February 29, 2020, which was ¥109.43 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.

Income Taxes

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

Real Estate Taxes

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

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

Even when a property is purchased on a date other than January 1 of any given calendar year, these taxes for that year are imposed on the seller. The buyer pays the seller the corresponding tax amounts for the period from the property's transfer date to December 31 of that year as part of the purchase prices of each property, and capitalizes these amounts as the cost of the property. Capitalized property tax for the period ended August 31, 2019 amounted to ¥12 million. No property tax was capitalized for the period ended February 29, 2020.

Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate

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

Note 3 Schedule of Investment Properties

Investment properties as of February 29, 2020 and August 31, 2019 consisted of the following:

	Yen in millions					
	As of February 29, 2020			As of August 31, 2019		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥ 133,007	¥ —	¥ 133,007	¥ 132,998	¥ —	¥ 132,998
Land in trust	56,784	—	56,784	56,784	—	56,784
Land including trust total	189,792	—	189,792	189,782	—	189,782
Buildings and improvements	94,487	(26,273)	68,214	94,287	(24,938)	69,348
Buildings and improvements in trust	37,058	(11,552)	25,506	36,742	(11,048)	25,693
Buildings and improvements including those in trust total	131,546	(37,825)	93,720	131,029	(35,987)	95,041
Structures	1,676	(970)	705	1,675	(933)	741
Machinery and equipment	2,175	(1,597)	577	2,082	(1,531)	551
Tools, furniture and fixtures	1,187	(988)	198	1,149	(971)	177
Construction in process	1	—	1	2	—	2
Structures in trust	1,127	(466)	661	1,125	(447)	677
Machinery and equipment in trust	584	(501)	83	578	(492)	86
Tools, furniture and fixtures in trust	461	(373)	88	448	(362)	86
Construction in process in trust	25	—	25	6	—	6
Other investment properties total	7,239	(4,898)	2,341	7,068	(4,738)	2,329
Total	¥ 328,577	¥ (42,723)	¥ 285,853	¥ 327,880	¥ (40,726)	¥ 287,153

Note 4 Short-Term Loans and Long-Term Debt

The annual interest rate on short-term loans as of February 29, 2020 was 0.1% and the rate as of August 31, 2019 was 0.1%. Long-term debt consists of the following:

	Yen in millions	
	As of February 29, 2020	As of August 31, 2019
Unsecured loans due 2020 to 2032 principally from banks and insurance companies with interest rates mainly ranging from 0.1% to 1.4%	¥150,500	¥148,500
	¥150,500	¥148,500

The annual maturities of long-term debt as of February 29, 2020 were as follows:

	Yen in millions
Due after one to two years	¥20,000
Due after two to three years	23,000
Due after three to four years	18,500
Due after four to five years	14,500
Due after five years	55,000

NAF currently has commitment line contracts of ¥15,000 million with three financial institutions. The unused amount of such commitment line was ¥15,000 million as of February 29, 2020.

Note 5 Unitholders' Capital

	As of February 29, 2020	As of August 31, 2019	As of February 28, 2019
Total number of common units authorized	4,000,000	4,000,000	4,000,000
Total number of common units issued and outstanding	484,522	484,522	484,522

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

Note 6 Rental Revenues and Expenses

Rental revenues and expenses for the periods ended February 29, 2020, August 31, 2019 and February 28, 2019 were as follows:

	Yen in millions		
	28th Period September 1, 2019 to February 29, 2020	27th Period March 1, 2019 to August 31, 2019	26th Period September 1, 2018 to February 28, 2019
Revenues from Property Leasing:			
Rental:			
Rental revenues	¥ 10,462	¥ 10,397	¥ 10,217
Facility charge	472	479	478
Subtotal	10,934	10,877	10,695
Other revenues related to property leasing:			
Income from leasing rights, etc.	359	423	334
Miscellaneous income	107	120	107
Subtotal	467	544	441
Total revenues from property leasing	11,401	11,421	11,137
Rental Expenses:			
Property management fees	1,174	1,187	1,171
Repairs and maintenance	465	513	426
Real estate taxes	603	608	597
Trust fees	10	10	10
Utilities	115	117	109
Insurance	17	18	17
Depreciation and amortization	1,998	2,020	2,007
Leasing-related service fees, etc.	149	179	156
Other rental expenses	299	331	300
Total rental expenses	4,835	4,988	4,796
Operating income from property leasing activities	¥ 6,566	¥ 6,433	¥ 6,340

Note 7 Breakdown of Gain on Sale of Investment Properties

Gain on sale of investment properties for the periods ended February 29, 2020, August 31, 2019 and February 28, 2019 were as follows:

28th Period (September 1, 2019 to February 29, 2020)

None applicable

27th Period (March 1, 2019 to August 31, 2019)

Park Axis Esaka Hiroshibacho	Yen in millions
Revenues from sale of investment properties	¥3,089
Cost of investment properties sold	2,086
Other sales expenses	62
Gain on sale of investment properties	¥ 939

26th Period (September 1, 2018 to February 28, 2019)

Park Cube Ikebukuro Kanamecho	Yen in millions
Revenues from sale of investment properties	¥1,620
Cost of investment properties sold	1,544
Other sales expenses	26
Gain on sale of investment properties	¥ 48

Note 8 Leases

NAF leases some of its investment properties to outside parties under non-cancelable operating leases. As of February 29, 2020 and August 31, 2019, future minimum rental revenues under the non-cancelable operating leases were as follows:

	Yen in millions	
	As of February 29, 2020	As of August 31, 2019
Due within one year	¥1,141	¥1,099
Due after one year	1,029	1,434
Total	¥2,170	¥2,533

Note 9 Income Taxes

NAF is subject to income taxes in Japan. The effective tax rates on NAF's income based on applicable Japanese tax law were 0.02%, 0.02% and 0.02% for the periods ended February 29, 2020, August 31, 2019 and February 28, 2019, respectively. The following table summarizes the significant differences between the statutory tax rates and NAF's effective tax rates for financial statement purposes.

	28th Period September 1, 2019 to February 29, 2020	27th Period March 1, 2019 to August 31, 2019	26th Period September 1, 2018 to February 28, 2019
Statutory effective tax rate	31.51%	31.51%	31.51%
Deductible distributions paid	(31.50)	(28.36)	(31.33)
Others	0.01	(3.13)	(0.16)
Effective tax rate	0.02%	0.02%	0.02%

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of February 29, 2020, August 31, 2019 and February 28, 2019 were as follows:

	Yen in thousands		
	As of February 29, 2020	As of August 31, 2019	As of February 28, 2019
Deferred tax assets:			
Enterprise taxes	¥10	¥13	¥17
Total deferred tax assets	10	13	17
Net deferred tax assets	¥10	¥13	¥17

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 10 Per Unit Information

Information about earnings per unit for the periods ended February 29, 2020, August 31, 2019 and February 28, 2019 and net assets per unit as of February 29, 2020, August 31, 2019 and February 28, 2019 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		
	28th Period September 1, 2019 to February 29, 2020	27th Period March 1, 2019 to August 31, 2019	26th Period September 1, 2018 to February 28, 2019
Earnings per Unit:			
Net income	¥10,041	¥11,606	¥9,759
Weighted average number of common units outstanding	484,522	484,522	484,522
	As of February 29, 2020	As of August 31, 2019	As of February 28, 2019
Net Assets per Unit	¥291,382	¥291,790	¥289,889

Note 11 Transactions with Related Parties

(September 1, 2019 - February 29, 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)	¥856 (Note 2)	Accounts payable	¥941
			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. No fees for management related to acquisition of properties included in the book value of each investment property, etc. were required to be disclosed as asset management fees.
3. Tateyuki Ikura entered into this transaction as a representative of MFAFM, and this amount is set forth in the "General Administration Agreement relating to Organizational Management" concluded between NAF and MFAFM.
4. "Amount of transaction" does not include consumption taxes.
"Balance at the end of the period" includes consumption taxes.

(March 1, 2019 - August 31, 2019)

(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)	¥972 (Note 2)	Accounts payable	¥1,002
			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 ¥44 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, 2018 - February 28, 2019)

(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)	¥898 (Note 2)	Accounts payable	¥901
			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 ¥46 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, 2019 – February 29, 2020)

1. Status of Financial Instruments

(1) Policy for Financial Instruments

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

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

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

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

(3) Supplemental Explanation regarding Fair Values of Financial Instruments

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

2. Estimated Fair Value of Financial Instruments

Book value, fair value and the difference between the two as of February 29, 2020 were as follows. The financial instruments for which it is very difficult to estimate the fair value are excluded from the following table (See Note 2, below).

	Yen in millions		
	Book value	Fair value	Difference
Assets			
(1) Cash and cash equivalents	¥ 12,741	¥ 12,741	¥ —
Total	¥ 12,741	¥ 12,741	¥ —
Liabilities			
(1) Short-term loans	¥ 3,000	¥ 3,000	¥ —
(2) Long-term loans due within one year	19,500	19,575	75
(3) Long-term loans	131,000	133,772	2,772
Total	¥ 153,500	¥ 156,347	¥ 2,847

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

Assets:

(1) Cash and cash equivalents

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

Liabilities:

(1) Short-term loans

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

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

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

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

Yen in millions	
	Book value
Tenant security deposits	¥3,699

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 29, 2020

Yen in millions	
	Due within one year
Cash and cash equivalents	¥12,741

4. Repayment schedule for loans after February 29, 2020

	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	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans	19,500	20,000	23,000	18,500	14,500	55,000
Total	¥ 22,500	¥ 20,000	¥ 23,000	¥ 18,500	¥ 14,500	¥ 55,000

(March 1, 2019 – August 31, 2019)

1. Status of Financial Instruments

Same as above.

2. Estimated Fair Value of Financial Instruments

Book value, fair value and the difference between the two as of August 31, 2019 were as follows. The financial instruments for which it is very difficult to estimate the fair value are excluded from the following table (See Note 2, below).

	Yen in millions		
	Book value	Fair value	Difference
Assets			
(1) Cash and cash equivalents	¥ 12,702	¥ 12,702	¥ —
Total	¥ 12,702	¥ 12,702	¥ —
Liabilities			
(1) Short-term loans	¥ 6,000	¥ 6,000	¥ —
(2) Long-term loans due within one year	19,000	19,078	78
(3) Long-term loans	129,500	132,433	2,933
Total	¥ 154,500	¥ 157,511	¥ 3,011

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

Assets:

(1) Cash and cash equivalents

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

Liabilities:

(1) Short-term loans

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

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

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

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

Yen in millions	
	Book value
Tenant security deposits	¥3,727

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, 2019

Yen in millions	
	Due within one year
Cash and cash equivalents	¥12,702

4. Repayment schedule for loans after August 31, 2019

	Yen in millions					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Short-term loans	¥ 6,000	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans	19,000	20,000	22,000	22,500	11,000	54,000
Total	¥ 25,000	¥ 20,000	¥ 22,000	¥ 22,500	¥ 11,000	¥ 54,000

Note 13 Investment and Rental Properties

(September 1, 2019 - February 29, 2020)

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, 2019	Change during the 28th Period	As of February 29, 2020	As of February 29, 2020
¥287,761	(¥1,317)	¥286,443	¥384,280

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 28th Period," the main factor for the decrease in book value was depreciation.

3. "Fair value as of February 29, 2020" 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 29, 2020 is disclosed in Note 6, Rental Revenues and Expenses.

(March 1, 2019 - August 31, 2019)

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, 2019	Change during the 27th Period	As of August 31, 2019	As of August 31, 2019
¥285,482	¥2,279	¥287,761	¥372,352

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 27th Period," the main factor for the increase in book value was the acquisition of properties for ¥5,997 million. The main factors for the decrease in book value were ¥2,086 million for the sale of Park Axis Esaka Hiroshibacho and depreciation.

3. "Fair value as of August 31, 2019" 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, 2019 is disclosed in Note 6, Rental Revenues and Expenses and Note 7, Breakdown of Gain on Sale of Investment Properties.

Note 14 Segment Information

(September 1, 2019 - February 29, 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.	¥10,781	Real estate leasing business

(March 1, 2019 - August 31, 2019)

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.	¥10,831	Real estate leasing business

(September 1, 2018 - February 28, 2019)

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.	¥10,599	Real estate leasing business

Note 15 Significant Subsequent Events

None applicable

Independent Auditor's Report



Independent Auditor's Report

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

We have audited the accompanying financial statements of Nippon Accommodations Fund Inc. (a Japanese Real Estate Investment Trust), which comprise the balance sheets as at February 29, 2020 and August 31, 2019 and the statements of income, statements of changes in net assets and statements of cash flows for each of the six months ended February 29, 2020, August 31, 2019 and February 28, 2019, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nippon Accommodations Fund Inc. as at February 29, 2020 and August 31, 2019, and its financial performance and cash flows for each of the six months ended February 29, 2020, August 31, 2019 and February 28, 2019 in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying financial statements with respect to the period ended February 29, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the financial statements.

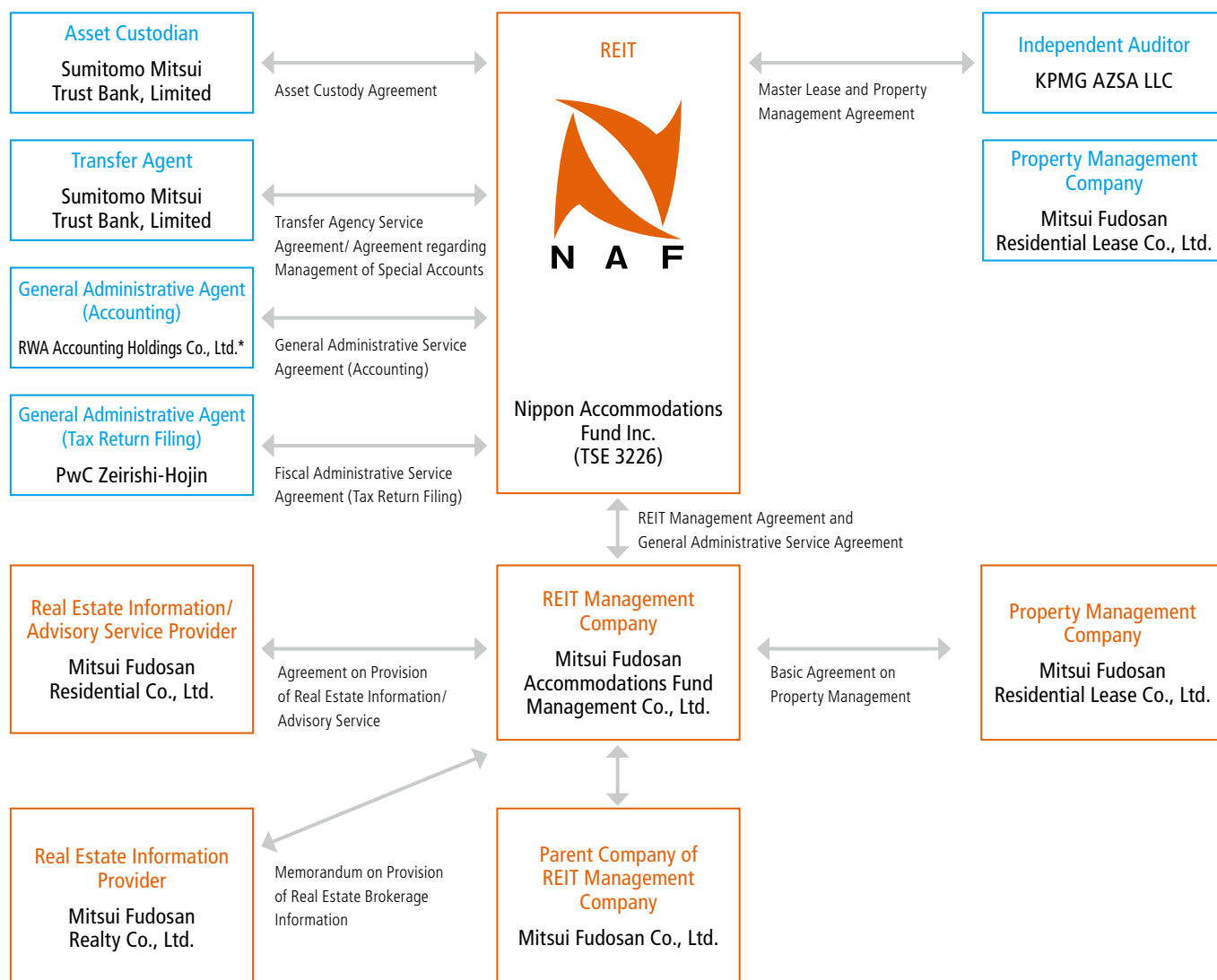
KPMG AZSA LLC

May 28, 2020
Tokyo, Japan

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

Summary of REIT

Structure of REIT (as of February 29, 2020)



* On October 1, 2019, NAF terminated its contract for accounting services with Heisei Kaikeisha Tax Corporation due to restructuring at Heisei Kaikeisha Tax Corporation and signed a contract for accounting services with RWA Accounting Holdings Co., Ltd.

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

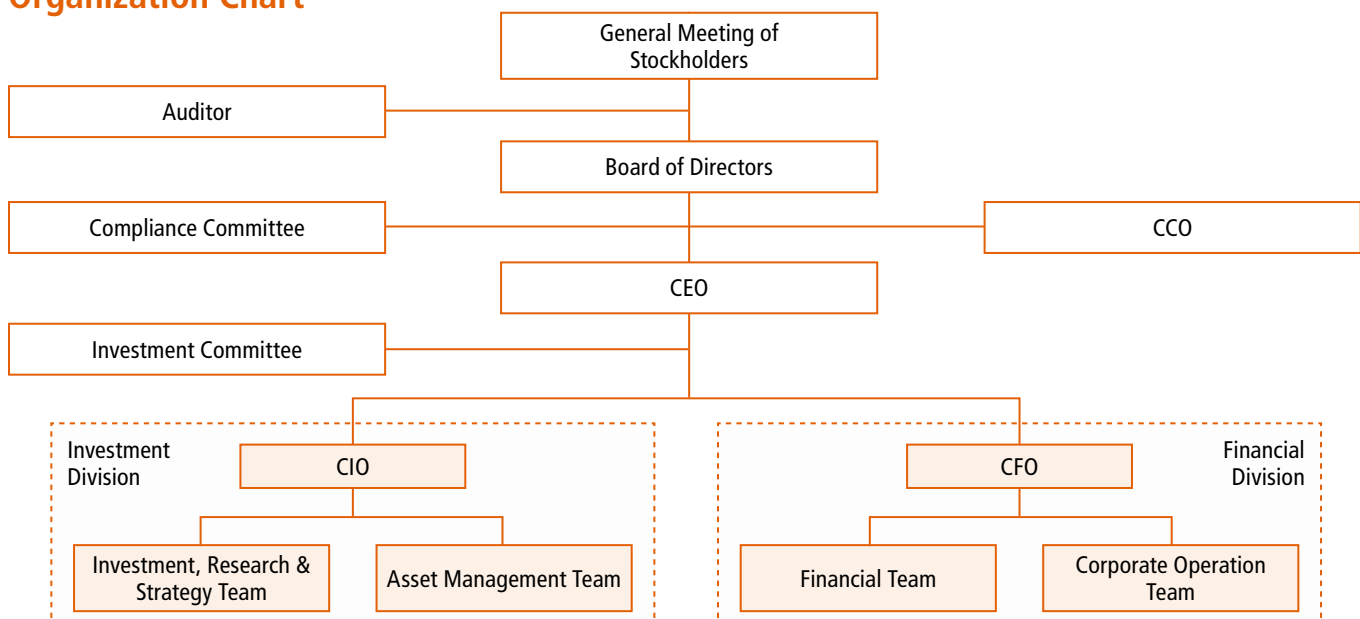
Summary of Asset Management Company (as of February 29, 2020)

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

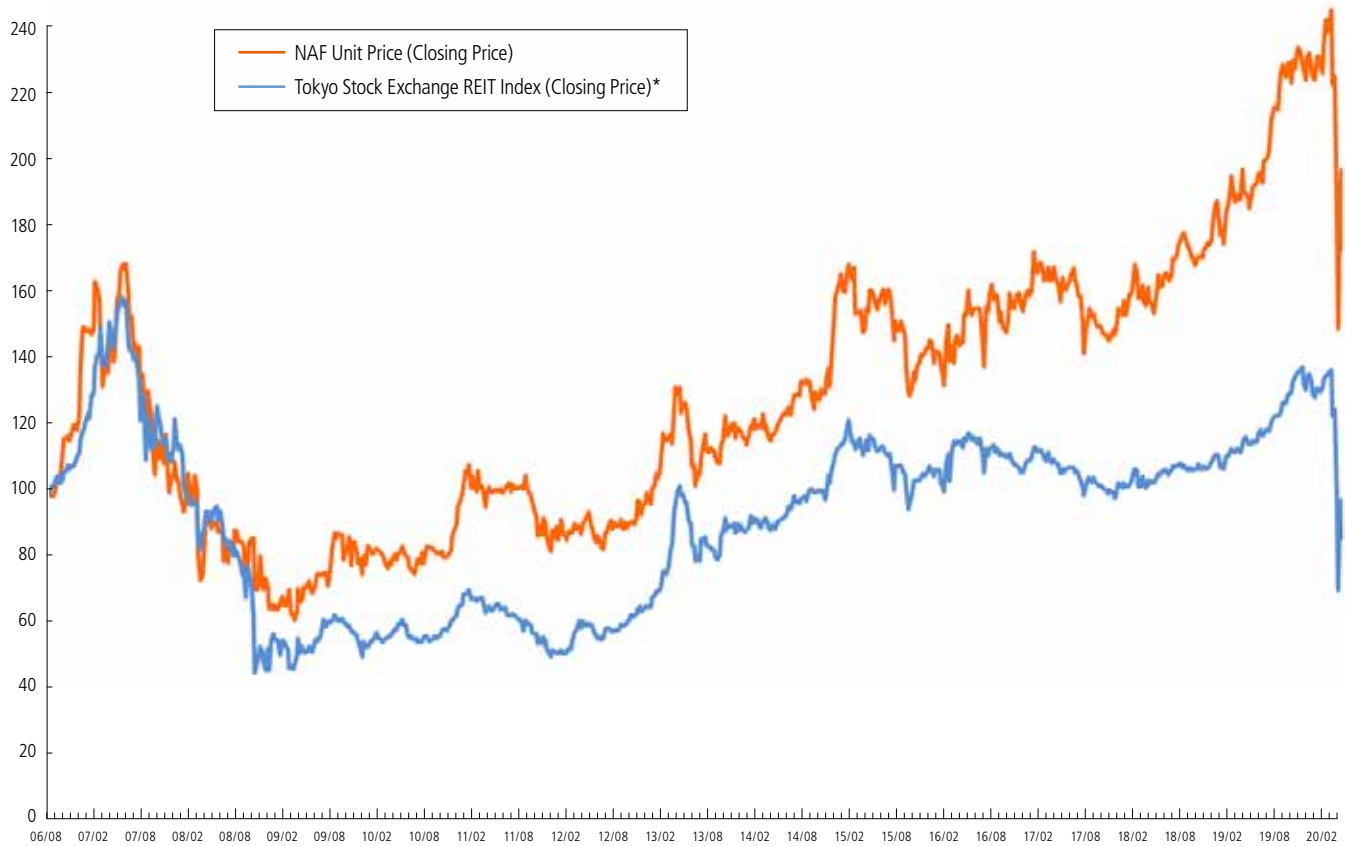
Organization Chart



Status of Unitholders

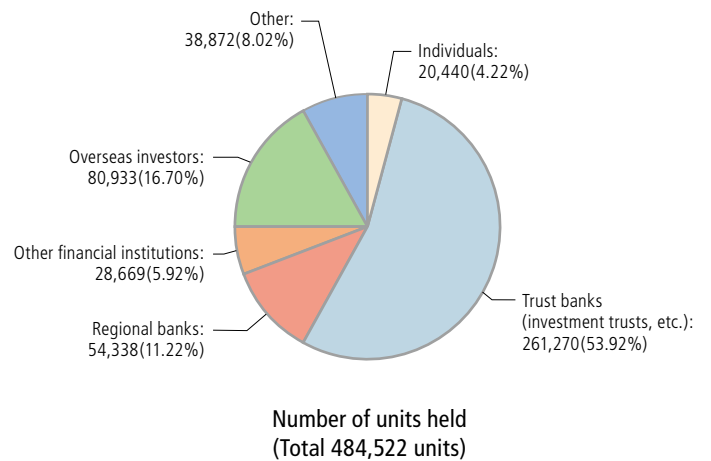
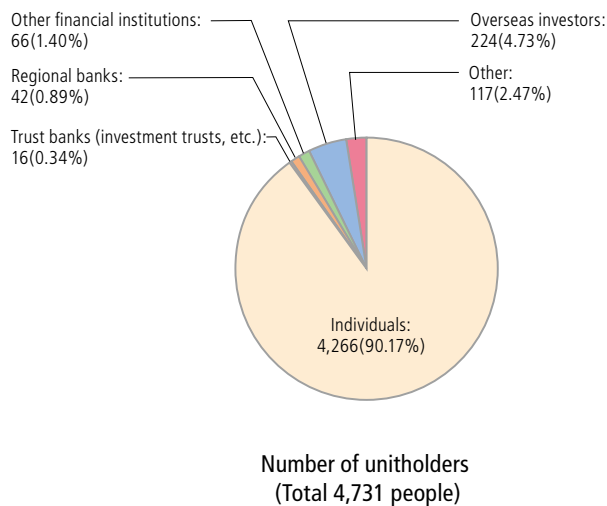
Historical Unit Price since IPO

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 February 29, 2020)



Disclaimer

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

This English document contains selected information including a partial translation of the Securities Report (Yuka shoken hokokusho) filed on May 29, 2020 pursuant to the Financial Instruments and Exchange Law of Japan, and the Financial Statements and Performance Information Report for the period from September 1, 2019 to February 29, 2020 of Nippon Accommodations Fund Inc. prepared pursuant to the Act on Investment Trusts and Investment Corporations. This document should not be deemed a summary of the above mentioned Securities Report and the Financial Statements and Performance Information Report. Nippon Accommodations Fund Inc. has exercised due care in providing the information in this document, but does not guarantee its accuracy or completeness.

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

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

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

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

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