



Gearing up for New Growth

10th Period

NAF Report | September 2010 – February 2011

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

Profile

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

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

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NAF Snapshot (As of February 28, 2011)

Profitability

96.5%

An occupancy rate of 96.5 percent

5.2%

Net operating income (NOI) yield* of 5.2 percent

¥14,086

Distribution per unit of ¥14,086 for the 10th Period

Outstanding Portfolio

¥186,976 million

Portfolio of 63 superior properties with a total acquisition price of ¥186,976 million

288,353.68m² / 6,464 units

6,464 units with a total rentable area of 288,353.68m²

90.0%

90.0 percent of portfolio located in the 23 wards of Tokyo

Financial Stability

A2, AA-, A+

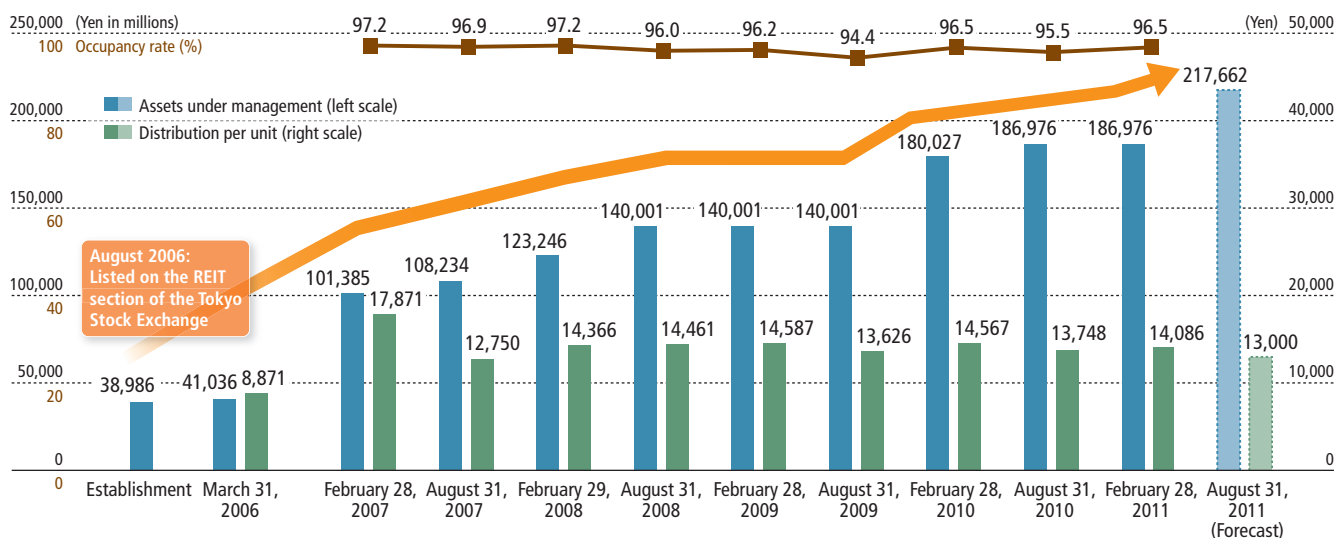
Rated A2 by Moody's; AA- by Rating and Investment Information; and A+ (Long-term) and A-1 (Short-term) by Standard & Poor's

54.6%

LTV (Loan-to-Value) ratio of 54.6 percent, ratio of long-term debt of 83.3 percent

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

Asset Growth (Acquisition Price Basis) / Occupancy Rate / Distribution per Unit

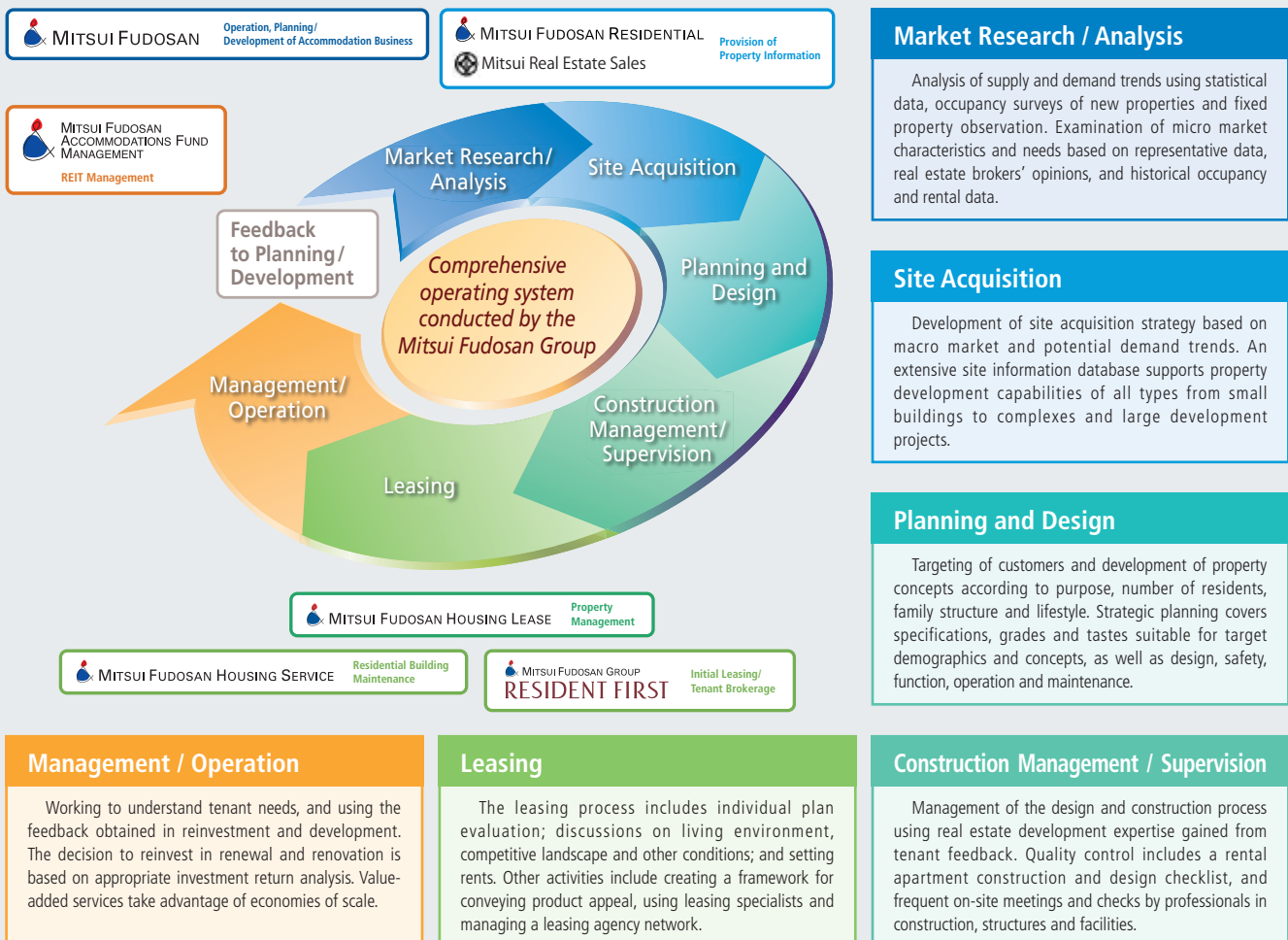


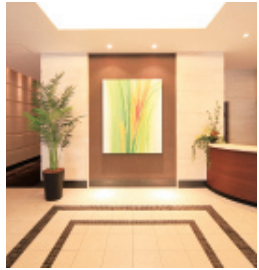
NAF's Two Core Strategies



1. Utilization of the Mitsui Fudosan Group

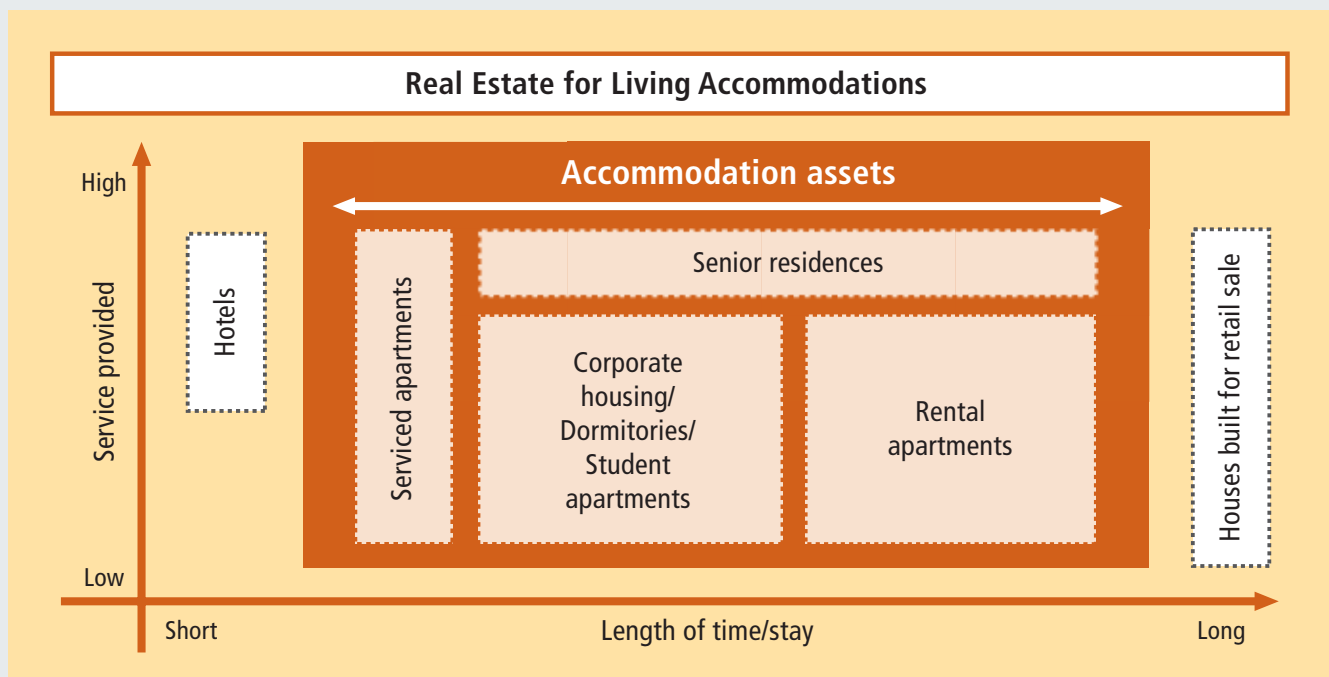
- Full and active use of the Mitsui Fudosan Group's value chain from planning and development to management and operation
- Access to investment opportunities through Mitsui Fudosan's properties and its Group's extensive real estate information network





2. Investment in Accommodation Assets

- Accommodation assets: newly developed residential properties created in response to ongoing social and lifestyle changes
- Objective: to maximize the value of accommodation assets by providing accommodations that satisfy diverse tenant needs



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



Aiming to increase unitholder value, we are gearing up our growth strategy and working to make new progress.

During the six months ended February 28, 2011 (the “10th Period”), Japan’s economy shifted from recession to recovery due to factors including improved corporate earnings and an upturn in capital investment. However, various factors, including a high unemployment rate, continued to pose challenges. In the residential rental market, near-term demand for rental housing is expected to remain steady in the 23 wards of Tokyo, where NAF has concentrated approximately 90 percent of its portfolio investment, as well as in the centers of other major cities. Factors behind this include the continuing influx of people from other regions and growth in the number of households because of an increase in the number of single- and two-person households. Demand is expected to exceed supply as rental apartment construction starts remain at a low level.

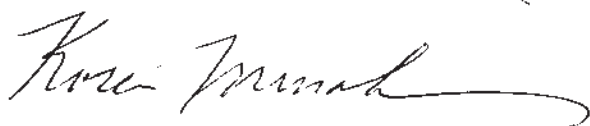
In this environment, Mitsui Fudosan Housing Lease Co., Ltd., the master property management company, and Mitsui Fudosan Accommodations Fund Management Co., Ltd., NAF’s asset management company, conducted collaborative management and other activities. As a result, the occupancy rate for NAF’s overall portfolio as of February 28, 2011 remained at a high level of 96.5 percent. Distribution per unit was ¥14,086. This report presents the results and operational status of NAF for the 10th Period.

| | 10th Period (Actual) (Ended February 28, 2011) | 11th Period (Forecast) (Ending August 31, 2011) | 12th Period (Forecast) (Ending February 29, 2012) |
|-----------------------------|--|---|---|
| Total revenues | ¥6,180 million | ¥7,461 million | ¥7,456 million |
| Operating income | ¥2,944 million | ¥3,332 million | ¥3,402 million |
| Net income | ¥2,200 million | ¥2,531 million | ¥2,648 million |
| Total assets | 192,360 million | — | — |
| LTV (Loan-to-value) ratio | 54.6% | — | — |
| Distribution per unit (Yen) | ¥14,086 | ¥13,000 | ¥13,600 |
| Assets under management | | | |
| Acquisition price basis | ¥186,976 million | ¥217,662 million | ¥217,662 million |
| Number of properties | 63 | 82 | 82 |

Note: The above forecasts were announced on April 18, 2011.

After the close of the 10th Period, NAF issued new investment units through a public offering and a third-party allocation in March 2011, and used the capital procured to help finance the acquisition of 19 properties. NAF will continue working to earn the trust of stakeholders, and requests their continued support and cooperation.

May 2011



Kosei Murakami

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

**Nippon Accommodations Fund Inc.
Management Team**



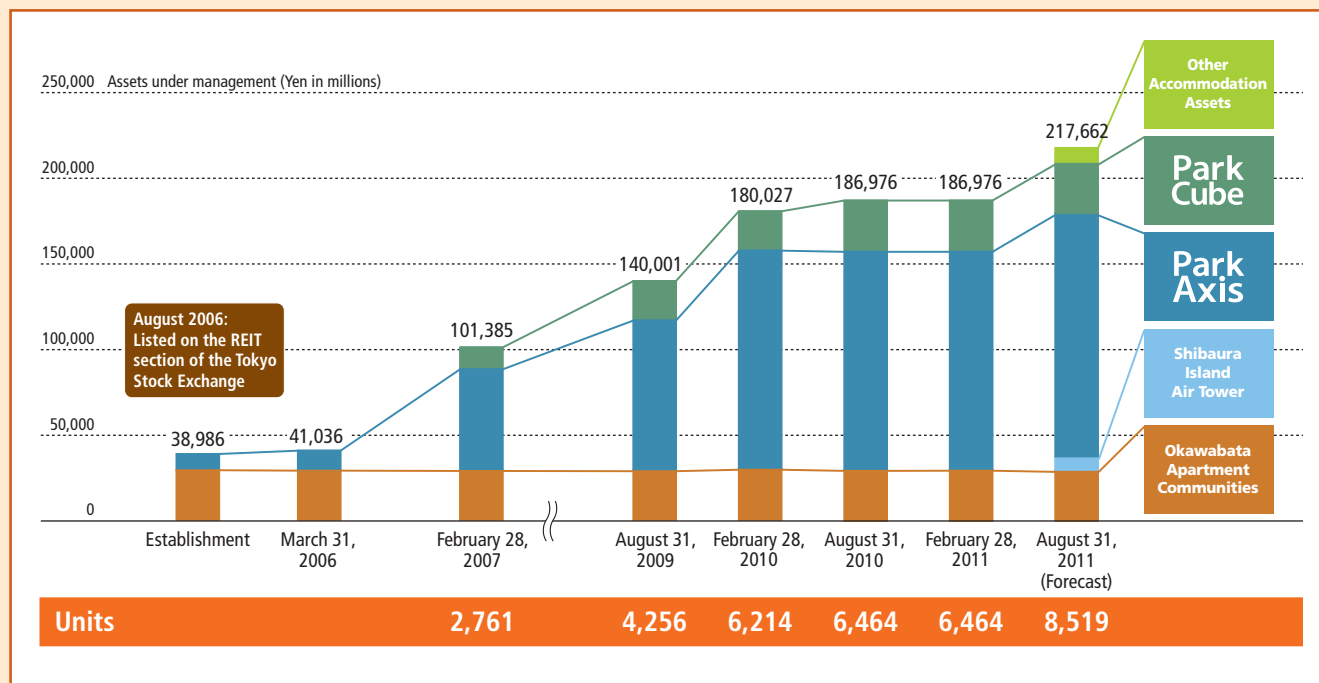
From left: Michihiko Takabe, Yuji Yokoyama, Kosei Murakami,
Takeo Tomita, Hiroyuki Sodeyama

| | |
|--|----------------------|
| Yuji Yokoyama | Executive Director |
| Kosei Murakami | Executive Director |
| Takeo Tomita (Attorney at Law) | Supervisory Director |
| Michihiko Takabe (Attorney at Law) | Supervisory Director |
| Hiroyuki Sodeyama (Certified Public Accountant, Certified Public Tax Accountant) | Supervisory Director |

Portfolio Strategy

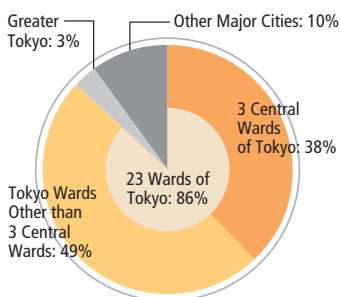
Steady Portfolio Expansion

NAF has steadily expanded its portfolio, primarily by acquiring properties in the Park Axis series. NAF's portfolio as of August 31, 2011, the end of the 11th Period, is forecast to consist of 82 properties valued at ¥217,662 million on an acquisition price basis.



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

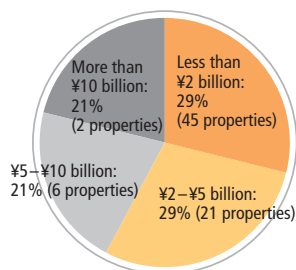
Portfolio by Location



86% in the 23 wards of Tokyo

Amount excluding the Okawabata Apartment Communities

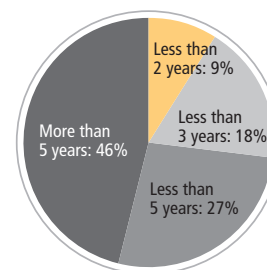
Portfolio by Acquisition Price



Average ¥2.8 billion per property

[Average ¥2.4 billion per property]

Portfolio by Property Age



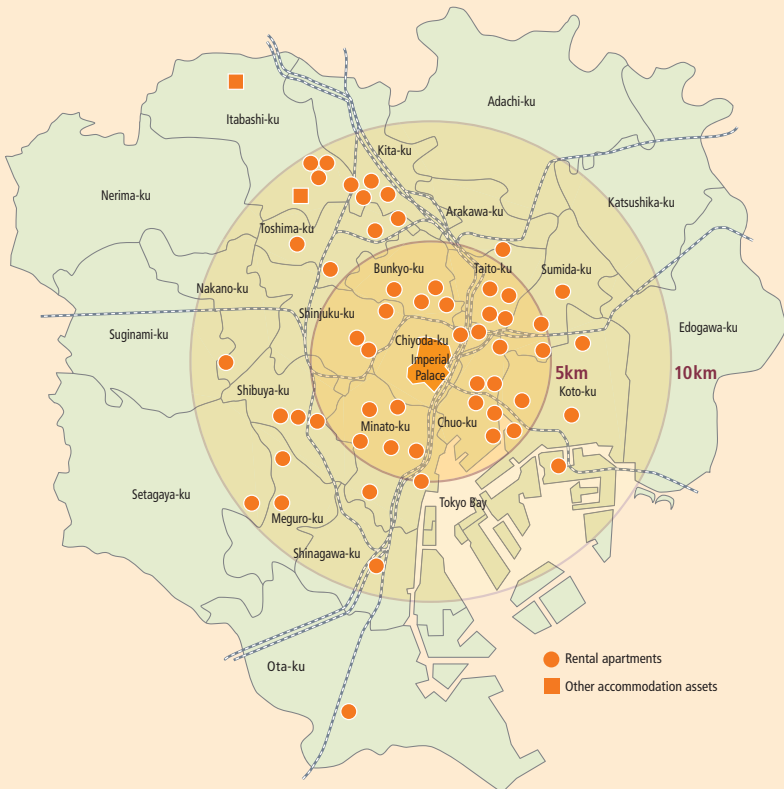
Average 6.6 years

[Average 4.1 years]

Notes: 1. 3 Central Wards of Tokyo includes Chiyoda, Chuo and Minato wards; Greater Tokyo includes Tokyo (other than the 23 wards), Kanagawa, Chiba and Saitama; Other Major Cities includes Sapporo, Sendai, Nagoya, Kyoto, Osaka, Kobe, Hiroshima and Fukuoka.
2. Percentages for Portfolio by Location, Portfolio by Acquisition Price and Portfolio by Property Age are based on acquisition price. Average property age has been calculated using a weighted average based on acquisition price. Figures are based on the portfolio as of February 28, 2011, including properties scheduled for acquisition during the 11th Period.

Portfolio Composition

Rental apartments have a lower earnings fluctuation risk than real estate leased for other uses. By concentrating the majority of its portfolio in the 23 wards of Tokyo where demand for rental apartments is strong, NAF achieves even greater earnings stability.



Note: Portfolio as of February 28, 2011, including properties scheduled for acquisition during the 11th Period.

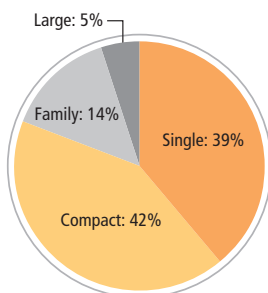
NAF aims for steady portfolio expansion centered on properties in the high-quality Park Axis series planned and developed by Mitsui Fudosan, complemented with acquisitions of properties that meet NAF's proprietary standards in the Park Cube series constructed by other developers. In addition, NAF focuses investment on single and compact apartments for which it expects high occupancy rates, as well as on large-scale and relatively new properties. Geographically, NAF invests mainly within the 23 wards of Tokyo while also acquiring carefully selected properties in major regional cities.

NAF has also begun investing in accommodation assets* other than rental apartments.

*NAF defines accommodation assets as rental apartments, dormitories/student apartments, serviced apartments, senior residences and corporate housing.

A Balanced Mix of Properties Centered on Single and Compact Units

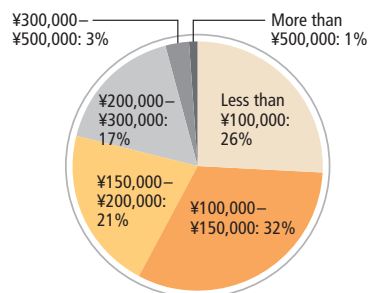
Portfolio by Category



Percentage of single and compact units: 82%

[87%]

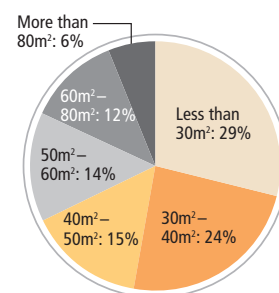
Portfolio by Monthly Rent



Average ¥151 thousand per unit

[Average ¥140 thousand per unit]

Portfolio by Unit Area



Average 43.7m² per unit

[Average 40.9m² per unit]

3. Percentages for Portfolio by Category, Portfolio by Monthly Rent and Portfolio by Unit Area are unit-based, excluding retail units. Figures are based on the portfolio as of February 28, 2011, including properties scheduled for acquisition during the 11th Period.

4. Totals may exceed 100 percent due to rounding.

19 Newly Acquired Properties

Rental Apartments

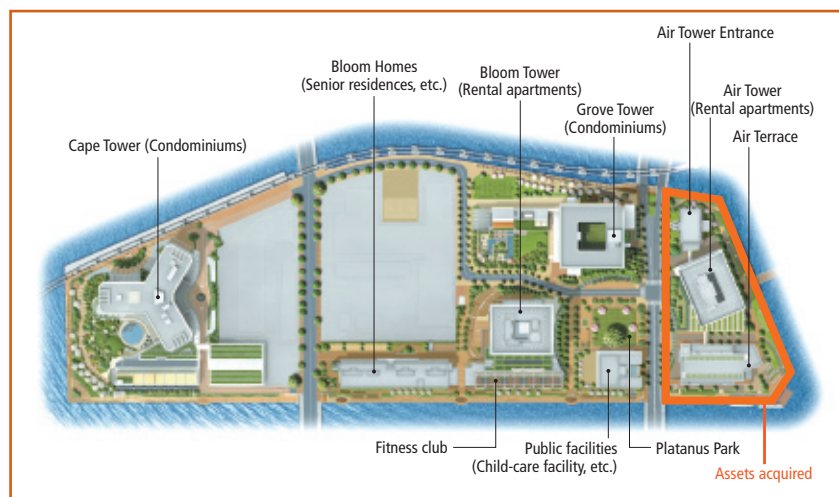
| Name of property | Acquisition price | Acquisition date |
|------------------------------------|-------------------|------------------|
| Park Axis Kamata Ichibankan | 1,069 | March 1, 2011 |
| Park Axis Taito Negishi | 672 | |
| Park Axis Komagome | 1,389 | |
| Park Axis Itabashi Honcho Nibankan | 1,859 | |
| Shibaura Island Air Tower | 7,905 | April 1, 2011 |
| Park Axis Yokohama Idogaya | 1,419 | March 1, 2011 |
| Park Axis Chiba Shinmachi | 1,679 | |
| Park Axis Chiba | 970 | |
| Park Axis Shin Sapporo | 827 | |
| Park Axis Esaka Hiroshibacho | 2,369 | |
| Park Axis Utsubo Koen | 2,399 | |
| Total | 22,557 | |

Other Accommodation Assets

| Name of property | Acquisition price | Acquisition date |
|--|-------------------|------------------|
| Dormy Ashiya | 928 | March 1, 2011 |
| Kawaijuku Kyoto Gakushin Ryo | 991 | |
| Sundai Horikawa Ryo | 916 | |
| Dormitory Rakuho | 374 | |
| Rikkyo University International Dormitory (RUID) Shiki | 1,478 | |
| Dormy Naka Itabashi | 1,041 | |
| Philosophia Nishidai | 1,249 | |
| Dormy Musashi Kosugi | 1,152 | |
| Total | 8,129 | |
| Grand Total | 30,686 | |

Shibaura Island Air Tower

NAF invests in large-scale properties with the conviction that ample shared facilities that fully satisfy tenant needs and the visibility of these properties maintain stable operating performance and asset value. Exemplifying Mitsui Fudosan's strength in developing large-scale properties, Shibaura Island Air Tower consists of rental apartments (Air Tower) and retail stores (Air Terrace).



■ Park Axis Series

NAF has steadily increased assets under management as a source of stable earnings, primarily by acquiring properties in the Park Axis series of rental apartments developed by Mitsui Fudosan. In the 11th Period, NAF newly acquired 10 Park Axis properties comprising 865 units. Including these 11th Period acquisitions, the Park Axis series accounts for 65 percent of NAF's 82-property portfolio.



Park Axis Komagome



Park Axis Esaka Hiroshibacho

■ Other Accommodation Assets

Having stabilized its earnings base by expanding the scale of assets under management, and recognizing that certain categories of the market for investment in other accommodation assets have matured, NAF acquired eight dormitory and corporate housing properties in the 11th Period. NAF has set a near-term limit of 10 percent (acquisition price basis) for the ratio of other accommodation assets to its overall portfolio.



Rikkyo University International Dormitory (RUID) Shiki



Philosophia Nishidai

Issuance of New Investment Units

Moving to generate external growth through the acquisition of new properties, NAF issued new investment units through a public offering and a third-party allocation in March 2011 after carefully considering issues including the current loan-to-value (LTV) ratio, market trends and distribution levels following the issuance of new investment units. As a result, capital increased to ¥103,235 million and the total number of units issued and outstanding increased to 194,711. NAF used the capital procured to help finance the acquisition of 19 properties in the 11th Period.

(1) Issuance of new investment units by public offering

| | |
|------------------------------------|-------------------|
| Number of units issued | 37,500 units |
| Issue price | ¥593,872 per unit |
| Total issue price | ¥22,270 million |
| Amount paid in (issue value) | ¥574,380 per unit |
| Total amount paid in (issue value) | ¥21,539 million |
| Payment date | March 1, 2011 |

(2) Issuance of new investment units by third-party allocation

| | |
|------------------------------------|-----------------------------|
| Number of units issued | 1,033 units |
| Amount paid in (issue value) | ¥574,380 per unit |
| Total amount paid in (issue value) | ¥593 million |
| Payment date | March 28, 2011 |
| Allottee | Nomura Securities Co., Ltd. |

Portfolio Summary

(As of February 28, 2011, including properties scheduled for acquisition during the 11th Period (numbers in red and green).)

| No. | Name | Location | Acquisition Price (Note 1) (Yen in millions) | Portfolio Share (%) | Rentable Area (sq. m.) | Rentable Units | PML (Note 2) (%) |
|-----|-----------------------------------|---------------------|---|------------------------|---------------------------|---------------------------------|---------------------|
| 1 | Okawabata Apartment Communities | Chuo-ku, Tokyo | 29,696 | 13.6 | 43,812.41 | 544 | |
| | River Point Tower | | | | | | 4.5 |
| | Park Side Wings | | | | | | 7.9 |
| | Pier West House | | | | | | 7.0 |
| 2 | Park Axis Gakugei Daigaku | Setagaya-ku, Tokyo | 1,760 | 0.8 | 2,437.66 | 64 | 7.6 |
| 4 | Park Axis Shibuya Jinnan | Shibuya-ku, Tokyo | 3,230 | 1.5 | 2,766.62 | 75 | 6.8 |
| 5 | Park Axis Aoyama Kotto Dori | Minato-ku, Tokyo | 1,730 | 0.8 | 1,537.24 | 40 | 7.0 |
| 6 | Park Axis Kagurazaka Stage | Shinjuku-ku, Tokyo | 1,400 | 0.6 | 1,891.05 | 59 | 7.5 |
| 7 | Park Axis Shirokanedai | Minato-ku, Tokyo | 5,140 | 2.4 | 4,704.44 | 99 | 8.7 |
| 8 | Park Axis Bunkyo Stage | Bunkyo-ku, Tokyo | 4,440 | 2.0 | 6,078.93 | 154 | 6.5 |
| 9 | Park Axis Tsukishima | Chuo-ku, Tokyo | 930 | 0.4 | 1,383.99 | 30 | 6.8 |
| 10 | Park Axis Otsuka | Toshima-ku, Tokyo | 1,655 | 0.8 | 2,606.37 | 52 | 6.4 |
| 11 | Park Axis Minami Azabu | Minato-ku, Tokyo | 3,939 | 1.8 | 3,938.14 | 64 | 7.4 |
| 12 | Park Axis Shibuya | Shibuya-ku, Tokyo | 1,283 | 0.6 | 1,094.28 | 20 | 7.9 |
| 13 | Park Axis Nihonbashi Stage | Chuo-ku, Tokyo | 7,558 | 3.5 | 10,025.40 | 184 Residential, 1 Retail, etc. | 7.5 |
| 14 | Park Axis Hamamatsucho | Minato-ku, Tokyo | 2,025 | 0.9 | 2,426.45 | 80 | 7.1 |
| 15 | Park Axis Hongo no Mori | Bunkyo-ku, Tokyo | 2,910 | 1.3 | 3,317.94 | 86 Residential, 1 Retail, etc. | 8.8 |
| 16 | Park Axis Tameike Sanno | Minato-ku, Tokyo | 2,860 | 1.3 | 2,710.69 | 70 | 8.2 |
| 17 | Park Axis Roppongi Hinokicho Koen | Minato-ku, Tokyo | 2,170 | 1.0 | 2,054.46 | 46 | 9.2 |
| 18 | Park Axis Ochanomizu Stage | Bunkyo-ku, Tokyo | 9,710 | 4.5 | 12,025.25 | 324 | 7.2 |
| 19 | Park Axis Okachimachi | Taito-ku, Tokyo | 1,070 | 0.5 | 1,621.73 | 42 | 6.8 |
| 20 | Park Cube Hongo | Bunkyo-ku, Tokyo | 1,760 | 0.8 | 2,160.12 | 60 | 8.2 |
| 21 | Park Cube Kanda | Chiyoda-ku, Tokyo | 2,454 | 1.1 | 3,194.59 | 95 | 8.9 |
| 22 | Park Cube Ichigaya | Shinjuku-ku, Tokyo | 1,794 | 0.8 | 2,127.50 | 51 | 6.8 |
| 23 | Park Cube Asakusa Tawaramachi | Taito-ku, Tokyo | 2,508 | 1.2 | 4,012.68 | 76 | 8.8 |
| 24 | Park Cube Ueno | Taito-ku, Tokyo | 2,233 | 1.0 | 3,041.61 | 91 | 7.5 |
| 28 | Park Cube Ikebukuro Kanamecho | Toshima-ku, Tokyo | 1,609 | 0.7 | 1,886.82 | 65 | 8.1 |
| 29 | Park Axis Meguro Honcho | Meguro-ku, Tokyo | 1,810 | 0.8 | 1,884.77 | 60 | 8.5 |
| 30 | Park Axis Shin Itabashi | Itabashi-ku, Tokyo | 3,430 | 1.6 | 4,395.99 | 152 | 7.3 East, 7.5 West |
| 31 | Park Axis Akihabara | Chiyoda-ku, Tokyo | 1,200 | 0.6 | 1,346.07 | 41 | 7.4 |
| 32 | Park Axis Toyoko | Koto-ku, Tokyo | 3,950 | 1.8 | 5,412.40 | 140 | 10.8 |
| 33 | Park Axis Takinogawa | Kita-ku, Tokyo | 1,820 | 0.8 | 2,924.75 | 48 Residential, 1 Retail, etc. | 5.8 |
| 34 | Park Axis Asakusabashi | Taito-ku, Tokyo | 2,717 | 1.2 | 3,400.78 | 78 Residential, 1 Retail, etc. | 8.9 |
| 38 | Park Axis Nihonbashi Hamacho | Chuo-ku, Tokyo | 5,540 | 2.5 | 6,999.83 | 118 | 8.1 |
| 39 | Park Cube Yoyogi Tomigaya | Shibuya-ku, Tokyo | 1,975 | 0.9 | 1,929.10 | 38 | 7.4 |
| 41 | Park Axis Monzen Nakacho | Koto-ku, Tokyo | 1,700 | 0.8 | 1,886.39 | 55 | 10.1 |
| 42 | Park Cube Itabashi Honcho | Itabashi-ku, Tokyo | 4,170 | 1.9 | 5,317.07 | 165 Residential, 1 Retail, etc. | 8.1 |
| 43 | Park Cube Gakugei Daigaku | Meguro-ku, Tokyo | 910 | 0.4 | 957.88 | 24 | 6.8 |
| 44 | Park Cube Oimachi | Shinagawa-ku, Tokyo | 1,440 | 0.7 | 1,511.12 | 65 | 10.0 |
| 46 | Park Axis Nishigahara | Kita-ku, Tokyo | 840 | 0.4 | 1,435.83 | 46 | 7.7 |
| 47 | Park Axis Kinshicho | Sumida-ku, Tokyo | 1,448 | 0.7 | 2,288.13 | 65 | 10.7 |
| 48 | Park Axis Tatsumi Stage | Koto-ku, Tokyo | 7,464 | 3.4 | 16,474.06 | 299 Residential, 1 Retail, etc. | 10.0 |
| 51 | Park Axis Kameido | Koto-ku, Tokyo | 2,359 | 1.1 | 3,986.78 | 118 | 11.0 |
| 52 | Park Axis Honancho | Nakano-ku, Tokyo | 745 | 0.3 | 1,231.08 | 31 | 8.0 |
| 53 | Park Axis Itabashi | Kita-ku, Tokyo | 1,448 | 0.7 | 2,567.96 | 64 | 9.1 |
| 54 | Park Axis Oshiage | Sumida-ku, Tokyo | 1,193 | 0.5 | 2,121.29 | 57 Residential, 1 Retail, etc. | 10.5 |
| 55 | Park Axis Takadanobaba | Toshima-ku, Tokyo | 1,222 | 0.6 | 1,463.25 | 36 Residential, 1 Retail, etc. | 7.9 |

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

2. PML = Probable maximum loss

| No. | Name | Location | Acquisition Price (Note 1) (Yen in millions) | Portfolio Share (%) | Rentable Area (sq. m.) | Rentable Units | PML (Note 2) (%) |
|----------------------------------|---|------------------------|---|------------------------|---------------------------|------------------------------------|---------------------|
| 59 | Park Axis Toyosu | Koto-ku, Tokyo | 14,300 | 6.6 | 25,537.94 | 401 Residential, 2 Retail, etc. | 7.8 |
| 60 | Park Axis Hatchobori | Chuo-ku, Tokyo | 1,760 | 0.8 | 2,416.29 | 63 Residential, 1 Retail, etc. | 9.1 |
| 61 | Park Axis Itabashi Honcho | Itabashi-ku, Tokyo | 987 | 0.5 | 2,048.31 | 66 | 9.2 |
| 62 | Park Axis Sumiyoshi | Sumida-ku, Tokyo | 1,006 | 0.5 | 1,785.72 | 60 | 11.4 |
| 63 | Park Cube Yotsuya Sancho | Shinjuku-ku, Tokyo | 2,749 | 1.3 | 3,599.82 | 130 | 8.7 |
| 64 | Park Cube Hatchobori | Chuo-ku, Tokyo | 4,200 | 1.9 | 5,191.86 | 118 Residential, 2 Retail, etc. | 8.2 |
| 68 | Park Axis Kamata Ichibankan | Ota-ku, Tokyo | 1,069 | 0.5 | 1,721.28 | 63 | 9.5 |
| 70 | Park Axis Taito Negishi | Taito-ku, Tokyo | 672 | 0.3 | 1,283.13 | 40 | 10.5 |
| 72 | Park Axis Komagome | Toshima-ku, Tokyo | 1,389 | 0.6 | 1,979.51 | 39 Residential, 1 Retail, etc. | 8.5 |
| 74 | Park Axis Itabashi Honcho Nibankan | Itabashi-ku, Tokyo | 1,859 | 0.9 | 3,661.58 | 99 | 7.7 |
| 75 | Shibaura Island Air Tower (Note 4) | Minato-ku, Tokyo | 7,905 | 3.6 | 17,646.33 | 270 Residential, 2 Retail, etc. | |
| | Air Tower | | | | | | 2.3 |
| | Air Terrace | | | | | | 8.7 |
| Tokyo 23 Wards Total | | | 181,140 | 83.2 | 259,262.67 | 5,520 Residential, 16 Retail, etc. | |
| 25 | Park Cube Keio Hachioji | Hachioji-shi, Tokyo | 991 | 0.5 | 2,814.32 | 52 | 7.1 |
| 26 | Park Cube Keio Hachioji II | Hachioji-shi, Tokyo | 1,130 | 0.5 | 3,082.32 | 47 Residential, 1 Retail, etc. | 7.6 |
| 40 | Park Axis Nishi Funabashi | Funabashi-shi, Chiba | 1,020 | 0.5 | 2,074.35 | 55 | 7.9 |
| 66 | Park Axis Yokohama Idogaya | Yokohama-shi, Kanagawa | 1,419 | 0.7 | 2,706.59 | 99 Residential, 1 Retail, etc. | 11.4 |
| 67 | Park Axis Chiba Shinmachi | Chiba-shi, Chiba | 1,679 | 0.8 | 3,318.15 | 77 Residential, 7 Retail, etc. | 11.1 |
| 69 | Park Axis Chiba | Chiba-shi, Chiba | 970 | 0.4 | 2,270.32 | 91 | 7.8 |
| Greater Tokyo Total (Note 3) | | | 7,209 | 3.3 | 16,266.05 | 421 Residential, 9 Retail, etc. | |
| 27 | Park Axis Meieki Minami | Nagoya-shi, Aichi | 2,440 | 1.1 | 5,565.13 | 169 | 4.1 |
| 35 | Park Axis Marunouchi | Nagoya-shi, Aichi | 1,920 | 0.9 | 3,821.75 | 98 Residential, 1 Retail, etc. | 6.1 |
| 36 | Park Axis Ropponmatsu | Fukuoka-shi, Fukuoka | 1,515 | 0.7 | 3,473.67 | 111 Residential, 1 Retail, etc. | 2.2 |
| 37 | Park Axis Hakataeki Minami | Fukuoka-shi, Fukuoka | 1,890 | 0.9 | 4,668.29 | 176 Residential, 1 Retail, etc. | 3.1 |
| 45 | Park Axis Naka Gofukumachi | Fukuoka-shi, Fukuoka | 742 | 0.3 | 2,707.88 | 112 | 2.8 |
| 49 | Park Axis Shirakabe | Nagoya-shi, Aichi | 1,547 | 0.7 | 4,735.89 | 86 | 6.1 |
| 50 | Park Axis Sendai | Sendai-shi, Miyagi | 2,320 | 1.1 | 8,843.17 | 204 | 5.7 |
| 56 | Park Axis Hakata Minoshima | Fukuoka-shi, Fukuoka | 960 | 0.4 | 3,461.85 | 112 | 2.9 |
| 57 | Park Axis Takamiya Higashi | Fukuoka-shi, Fukuoka | 605 | 0.3 | 2,289.21 | 70 | 2.3 |
| 58 | Park Axis Sapporo Shokubutsuen Mae | Sapporo-shi, Hokkaido | 1,650 | 0.8 | 7,845.01 | 146 | 2.4 |
| 65 | Park Axis Shin Sapporo | Sapporo-shi, Hokkaido | 827 | 0.4 | 3,729.05 | 84 Residential, 1 Retail, etc. | 2.5 |
| 71 | Park Axis Esaka Hiroshibacho | Suita-shi, Osaka | 2,369 | 1.1 | 4,309.24 | 130 | 11.2 |
| 73 | Park Axis Utsubo Koen | Osaka-shi, Osaka | 2,399 | 1.1 | 4,952.45 | 133 | 13.1 |
| Other Major Cities Total | | | 21,184 | 9.7 | 60,402.59 | 1,631 Residential, 4 Retail, etc. | |
| Rental Apartments Total | | | 209,533 | 96.3 | 335,931.31 | 7,572 Residential, 29 Retail, etc. | |
| 76 | Dormy Ashiya | Ashiya-shi, Hyogo | 928 | 0.4 | 2,826.00 | 140 | 10.0 |
| 77 | Kawaijuku Kyoto Gakushin Ryo | Kyoto-shi, Kyoto | 991 | 0.5 | 2,785.40 | 134 | 5.5 |
| 78 | Sundai Horikawa Ryo | Kyoto-shi, Kyoto | 916 | 0.4 | 2,043.32 | 113 | 6.9 |
| 79 | Dormitory Rakuoku | Kyoto-shi, Kyoto | 374 | 0.2 | 1,035.00 | 69 | 6.5 |
| 80 | Rikkyo University International Dormitory (RUID) Shiki | Shiki-shi, Saitama | 1,478 | 0.7 | 2,293.20 | 126 | 5.4 |
| 81 | Dormy Naka Itabashi | Itabashi-ku, Tokyo | 1,041 | 0.5 | 1,911.00 | 105 | 7.1 |
| 82 | Philosophia Nishidai | Itabashi-ku, Tokyo | 1,249 | 0.6 | 2,184.00 | 120 | 8.3 |
| 83 | Dormy Musashi Kosugi | Kawasaki-shi, Kanagawa | 1,152 | 0.5 | 1,996.47 | 111 | 8.3 |
| Other Accommodation Assets Total | | | 8,129 | 3.7 | 17,074.39 | 918 | |
| Grand Total | | | 217,662 | 100.0 | 353,005.70 | 8,519 | |

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

4. Rentable units and rentable area for Shibaura Island Tower are calculated by multiplying NAF's equity share (31%) by the property's total rentable units (871 residential, 7 retail, etc.) and total rentable area (56,923.63m²) and rounding to the nearest unit and one-hundredth of a square meter, respectively.

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) |
|--|---|---|---|---|
| | 10th Period September 1, 2010 to February 28, 2011 | 9th Period March 1, 2010 to August 31, 2010 | 8th Period September 1, 2009 to February 28, 2010 | 10th Period September 1, 2010 to February 28, 2011 |
| Total revenues (Note 2) | ¥ 6,180 | ¥ 6,218 | ¥ 5,919 | \$ 75,633 |
| Rental revenues | 5,948 | 5,907 | 5,133 | 72,794 |
| Other revenues related to property leasing | 232 | 311 | 230 | 2,839 |
| Gain on sale of investment properties | — | — | 556 | — |
| Operating expenses | 3,236 | 3,322 | 2,909 | 39,603 |
| Income before income taxes | 2,201 | 2,148 | 2,276 | 26,937 |
| Net income (a) | 2,200 | 2,147 | 2,275 | 26,924 |
| Funds from operations (Note 3) | 3,451 | 3,388 | 2,780 | 42,235 |
| Net operating income from property leasing activities (Note 3) | 4,839 | 4,770 | 4,179 | 59,222 |
| Total amount of cash distribution (b) | 2,200 | 2,147 | 2,275 | 26,924 |
| Depreciation and amortization | 1,252 | 1,241 | 1,061 | 15,322 |
| Capital expenditures | 76 | 145 | 94 | 930 |
| Total assets (c) | 192,360 | 192,479 | 186,429 | 2,354,179 |
| Interest-bearing debt | 105,000 | 105,000 | 99,000 | 1,285,032 |
| Total net assets (d) | 83,303 | 83,250 | 83,378 | 1,019,496 |
| Total number of common units issued (units) (e) | 156,178 | 156,178 | 156,178 | |
| Net assets per unit (Yen/\$) (d) / (e) | 533,383 | 533,045 | 533,863 | 6,527.76 |
| Distribution per unit (Yen/\$) (b) / (e) | 14,086 | 13,748 | 14,567 | 172.39 |
| Funds from operations per unit (Yen/\$) (Note 3) | 22,099 | 21,692 | 17,799 | 270.46 |
| ROA (Note 4) | 1.1% | 1.1% | 1.4% | |
| (Annual rate) | (2.3%) | (2.2%) | (2.8%) | |
| ROE (Note 4) | 2.6% | 2.6% | 3.1% | |
| (Annual rate) | (5.3%) | (5.1%) | (6.3%) | |
| LTV (Loan-to-value) ratio (Note 3) | 54.6% | 54.6% | 53.1% | |
| Capital ratio (d) / (c) | 43.3% | 43.3% | 44.7% | |
| Payout ratio (b) / (a) (Note 5) | 100.0% | 100.0% | 100.0% | |
| Number of days in period | 181 | 184 | 181 | |
| Number of investment properties (Note 6) | 63 | 63 | 61 | |
| Total rentable area (m ²) | 288,354 | 288,354 | 279,562 | |
| Average occupancy rate at end of period (Note 6) | 96.5% | 95.5% | 96.5% | |

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥81.71 = U.S.\$1.00, the approximate exchange rate on February 28, 2011.

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 end of period

LTV ratio: Interest-bearing debt ÷ Total assets

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

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

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

Annual equivalent amounts for the period ended February 28, 2011: Amount for the period ÷ Actual days in the period (181) x 365 days

Annual equivalent amounts for the period ended August 31, 2010: Amount for the period ÷ Actual days in the period (184) x 365 days

Annual equivalent amounts for the period ended February 28, 2010: Amount for the period ÷ Actual days in the period (181) x 365 days

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

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

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

Overview

Investment Environment and Operating Performance

During the 10th Period, the six months ended February 28, 2011, Japan's economy shifted from recession to recovery due to factors including improved corporate earnings and an upturn in capital investment. However, various factors, including a high unemployment rate, continued to pose challenges. Looking forward, the economic recovery is expected to continue as overseas economies improve and various government policies take effect, although the impact of the Great East Japan Earthquake is a concern.

In the residential rental market, although rents have continued to fall since the financial crisis, particularly at high-priced properties, decreases have become incrementally smaller. In addition, near-term demand for rental housing is expected to remain steady in the 23 wards of Tokyo, where NAF has concentrated approximately 90 percent of its portfolio investment, as well as in the centers of other major cities. Factors behind this include the continuing influx of people from other regions and growth in the number of households because of an increase in the number of single- and two-person households. Demand is expected to exceed supply as rental apartment construction starts remain at a low level.

In the real estate investment and trading market, individuals and some businesses actively acquired properties, and private funds appeared to be acquiring properties as well. In the J-REIT market, several investment corporations resumed property acquisitions. In addition, asset replacement was conducted through mergers. As a result of these and other factors, the real estate investment and trading market trended toward recovery, while signs of decreasing capitalization rates became apparent.

No new properties were acquired during the 10th period. NAF's asset portfolio as of February 28, 2011 consisted of 63 properties valued at ¥186,976 million on an acquisition price basis, unchanged from the end of the previous period.

Mitsui Fudosan Housing Lease Co., Ltd., the master property management company (hereinafter "Master PM"), and Mitsui Fudosan Accommodations Fund Management Co., Ltd. (hereinafter "MFAFM"), NAF's asset management company, collaborate with the aim of implementing effective management and operations at properties held by NAF in accordance with regional characteristics and the individual features of each property. Activities include rapid management and operations by the Master PM applying the portfolio management system, tenant recruiting suited to the circumstances of individual properties, streamlining of management cost reduction efforts, interior renovations at Okawabata Apartment Communities, one of NAF's principal properties, and provision of tenant services that meet various needs in accordance with the results of resident questionnaires. As a result of these activities, the occupancy rate for NAF's overall portfolio as of February 28, 2011 remained at a high level of 96.5 percent.

As a result of the above, for the 10th Period, NAF recorded total revenues of ¥6,180 million, operating income of ¥2,944 million, income before income taxes of ¥2,201 million and net income of ¥2,200 million.

Changes in Assets, Liabilities and Net Assets

Total assets as of February 28, 2011 were essentially unchanged, decreasing ¥119 million from August 31, 2010 to ¥192,360 million. Total current assets increased ¥968 million to ¥5,181 million and total investment properties decreased ¥1,073 million to ¥187,056 million compared with August 31, 2010 as a result of normal depreciation.

During the 10th Period, while taking into account market trends and interest rate levels, NAF raised the ratio of long-term loans to total interest-bearing debt and refinanced existing loans. As a result, interest-bearing debt as of February 28, 2011 was ¥105,000 million, unchanged from August 31, 2010. The ratio of long-term debt to total interest-bearing debt was 83.3 percent, compared with 78.6 percent as of August 31, 2010. Excluding long-term loans due within one year, the ratio was 72.4 percent. The loan-to-value ratio, calculated as interest-bearing debt divided by total assets at the end of the period, was 54.6 percent, unchanged from August 31, 2010.

Net assets totaled ¥83,303 million as of February 28, 2011. Unitholders' capital was unchanged at ¥81,103 million, and retained earnings increased to ¥2,200 million from ¥2,147 million as of August 31, 2010.

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 Special Taxation Measures Law of Japan. For the 10th Period, cash distributions totaled ¥2,199,923,308, or ¥14,086 per unit.

| | Yen in thousands, except per unit amounts | | |
|--|--|---|---|
| | 10th Period September 1, 2010 to February 28, 2011 | 9th Period March 1, 2010 to August 31, 2010 | 8th Period September 1, 2009 to February 28, 2010 |
| Retained earnings | ¥2,199,961 | ¥2,147,193 | ¥2,275,058 |
| Undistributed earnings | 38 | 58 | 13 |
| Total cash distribution | 2,199,923 | 2,147,135 | 2,275,045 |
| (Per unit) | 14,086 | 13,748 | 14,567 |
| Distribution of retained earnings | 2,199,923 | 2,147,135 | 2,275,045 |
| (Per unit) | 14,086 | 13,748 | 14,567 |
| 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 28, 2011, NAF had issued 156,178 investment units out of 2,000,000 total authorized units. NAF's investment units were listed on the J-REIT section of the Tokyo Stock Exchange in August 2006 upon the completion of a public offering. As the Investment Trust and Investment Corporation Act of Japan does not contain any provision for the issue of more than one class of units, NAF's investment units comprise the sole class of units authorized and issued by NAF.

| Issue date | Remarks | Units outstanding | | Paid-in capital | | Notes |
|-------------------|---------------------------|-------------------|---------|-------------------|---------|--------|
| | | Increase | Balance | Increase | Balance | |
| | | (Units) | | (Yen in millions) | | |
| October 12, 2005 | Initial capital (private) | 200 | 200 | ¥ 100 | ¥ 100 | Note 1 |
| November 29, 2005 | Private placement | 42,280 | 42,480 | 21,140 | 21,240 | Note 2 |
| August 3, 2006 | Public offering | 67,200 | 109,680 | 37,612 | 58,852 | Note 3 |
| September 4, 2006 | Third party allocation | 3,800 | 113,480 | 2,127 | 60,979 | Note 4 |
| November 4, 2009 | Public offering | 42,000 | 155,480 | 19,795 | 80,774 | Note 5 |
| December 1, 2009 | Third party allocation | 698 | 156,178 | 329 | 81,103 | Note 6 |

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

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

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

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

5. Public offering of new units for ¥487,910 per unit (excluding underwriting fee: ¥471,311) to fund property acquisition.

6. Additional issue of new units (third party allocation) for ¥471,311 per unit undertaken pursuant to the public offering in Note 5.

Market Price of Units

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

| | 10th Period September 1, 2010 to February 28, 2011 (Yen) | 9th Period March 1, 2010 to August 31, 2010 (Yen) | 8th Period September 1, 2009 to February 28, 2010 (Yen) | 7th Period March 1, 2009 to August 31, 2009 (Yen) | 6th Period September 1, 2008 to February 28, 2009 (Yen) |
|------|---|--|--|--|--|
| High | ¥639,000 | ¥492,500 | ¥526,000 | ¥515,000 | ¥538,000 |
| Low | 464,500 | 438,000 | 443,000 | 361,000 | 371,000 |

Borrowings

Borrowings by financial institution as of February 28, 2011 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 Banking Corporation | ¥ 5,000 | 0.6% | March 14, 2011 | Bullet payment | (Note 3) | Unsecured /unguaranteed /pari passu (Note 4) Fixed rate |
| The Hachijuni Bank, Ltd. | 1,000 | 0.6% | April 25, 2011 | | | |
| Mitsubishi UFJ Trust and Banking Corporation | 5,000 | 0.6% | March 10, 2011 | | | |
| The 77 Bank, Ltd. | 1,000 | 0.6% | April 28, 2011 | | | |
| The Chuo Mitsui Trust and Banking Company, Limited | 3,500 | 0.6% | March 14, 2011 | | | |
| The Bank of Fukuoka, Ltd. | 2,000 | 0.6% | March 15, 2011 | | | |
| Total short-term loans | ¥17,500 | | | | | |

Long-term loans

| Lender | Balance (Yen in millions) | Interest rate (Note 1) | Date of maturity (Note 2) | Repayment method | Use of funds | Notes |
|---|------------------------------|---------------------------|------------------------------|---------------------|-----------------|---|
| Sumitomo Mitsui Banking Corporation | ¥ 5,500 | 1.6% | March 22, 2011 | Bullet payment | (Note 3) | Unsecured /unguaranteed /pari passu (Note 4) |
| | 2,000 | 1.6% | November 29, 2013 | | | |
| | 4,000 | 1.7% | May 30, 2014 | | | |
| | 5,000 | 0.7% (Note 5) | November 30, 2015 | | | |
| The Chuo Mitsui Trust and Banking Company, Limited | 2,000 | 1.6% | November 29, 2013 | | | |
| | 2,000 | 1.7% | May 30, 2014 | | | |
| | 3,000 | 0.7% (Note 5) | November 30, 2015 | | | |
| The Sumitomo Trust and Banking Co., Ltd. | 3,000 | 1.8% | November 30, 2012 | | | |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 2,000 | 1.6% | March 5, 2015 | | | |
| Nippon Life Insurance Company | 2,000 | 1.3% | February 28, 2017 | | | |
| | 1,000 | 1.5% | February 28, 2018 | | | |
| Development Bank of Japan Inc. | 3,000 | 2.1% | April 11, 2012 | | | |
| | 3,000 | 2.2% | April 11, 2013 | | | |
| | 5,000 | 2.1% | August 6, 2013 | | | |
| | 5,000 | 1.2% | October 18, 2017 | | | |
| The Hachijuni Bank, Ltd. | 1,000 | 1.5% | September 14, 2012 | | | |
| | 1,000 | 1.5% | May 31, 2013 | | | |
| | 1,000 | 1.2% | April 11, 2014 | | | |
| Mizuho Corporate Bank, Ltd. | 1,000 | 1.6% | April 19, 2011 | | | |
| | 2,000 | 1.6% | October 12, 2011 | | | |
| | 2,000 | 1.6% | November 29, 2013 | | | |
| The Chugoku Bank, Limited | 2,000 | 1.6% | April 19, 2011 | | | |
| Shinsei Bank, Limited | 1,000 | 1.6% | April 19, 2011 | | | |
| Shinkin Central Bank | 3,000 | 1.7% | October 12, 2012 | | | |
| | 3,000 | 1.6% | November 29, 2013 | | | |
| The Bank of Fukuoka, Ltd. | 2,000 | 1.6% | October 31, 2012 | | | |
| | 1,000 | 1.4% | July 8, 2013 | | | |
| Mitsubishi UFJ Trust and Banking Corporation | 3,000 | 1.7% | May 30, 2014 | | | |
| Total long-term loans | ¥70,500 | | | | | |
| Total borrowings | ¥88,000 | | | | | |

- Notes: 1. The interest rate is presented by loan from each lending institution and is rounded to the nearest tenth. The weighted average interest rate is presented for the outstanding balance of short-term borrowings if the institution has provided more than one short-term loan.
2. The earliest maturity of short-term borrowings is presented if the institution has provided more than one short-term loan.
3. Use of the proceeds of debt financing included purchase of property or real estate trust beneficiary interests, refinancing of other borrowings, and operating expenses.
4. The loan agreements between NAF and each financial institution stipulate that the above borrowings from all financial institutions rank pari passu to each other.
5. From February 28, 2011 to March 30, 2011.
6. The expected annual maturities of long-term borrowings 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 | ¥12,000 | ¥19,000 | ¥10,000 | ¥10,000 |

Bonds

| Issue | Issue date | Balance as of February 28, 2011 (Yen in millions) | Coupon | Maturity date | Redemption | Use of proceeds | Notes |
|-----------------------|-------------------|---|--------|-------------------|----------------|-----------------|--------|
| No. 1 unsecured bonds | November 15, 2007 | ¥10,000 | 1.7% | November 14, 2014 | Bullet payment | Note 1 | Note 2 |
| No. 2 unsecured bonds | July 30, 2010 | 7,000 | 1.2% | July 29, 2016 | | | |
| Total | | ¥17,000 | | | | | |

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

2. This bond is only issued to rank pari passu with other bonds issued.

Capital Expenditures

1. Planned

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

| Name of property | Objective | Estimated duration | Estimated amounts | | |
|---|--|--------------------------------|-------------------|---|------------------------|
| | | | Total amounts | Payment for the current period (September 1, 2010 to February 28, 2011) | Cumulative amount paid |
| | | | (Yen in millions) | | |
| Okawabata Apartment Communities, Other Properties | Renovation of common use areas, etc. | From March 2011 to August 2011 | ¥45 | ¥— | ¥— |
| | Renewal of common use area equipment, etc. | From March 2011 to August 2011 | 17 | — | — |

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NAF posted ¥76 million in capital expenditures together with ¥189 million for repairs and maintenance expenses.

| Name of property | Objective | Period | Expenditure (Yen in millions) |
|---|--|--------------------------------------|-------------------------------|
| Okawabata Apartment Communities | Expansion of bicycle parking lot, replacement of bicycle rack | From July 2010 to November 2010 | ¥11 |
| Okawabata Apartment Communities, Other Properties | Renovation of rentable areas, etc. | From September 2010 to February 2011 | 35 |
| Other Properties | Renewal of common use area equipment, etc., other construction | From September 2010 to February 2011 | 30 |
| Total | | | ¥76 |

3. Cash Reserve for Capital Improvements

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

| | Yen in millions | | |
|--|-------------------------|-----------------------|-------------------------|
| | As of February 28, 2011 | As of August 31, 2010 | As of February 28, 2010 |
| Reserve balance at the beginning of the period | ¥704 | ¥590 | ¥529 |
| Amount accumulated in the current period | 23 | 250 | 165 |
| Withdrawal from reserves in the current period | 77 | 136 | 104 |
| Amount carried forward | ¥650 | ¥704 | ¥590 |

Expenses regarding Entrustment, etc.

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

| Item | Yen in millions | | |
|--|--|---|---|
| | 10th Period September 1, 2010 to February 28, 2011 | 9th Period March 1, 2010 to August 31, 2010 | 8th Period September 1, 2009 to February 28, 2010 |
| Asset management fees | ¥441 | ¥440 | ¥433 |
| Asset custody fees | 9 | 9 | 7 |
| Agent fees (stock transfer, accounting and administrative) | 26 | 28 | 22 |
| Directors' remuneration | 8 | 8 | 10 |
| Auditor's fees | 13 | 14 | 14 |
| Other expenses | 146 | 136 | 177 |
| Total | ¥644 | ¥634 | ¥664 |

Related Party Transactions

(1) Transactions

None applicable

(2) Fees Paid for the Period from September 1, 2010 to February 28, 2011

| 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 | ¥426 | Mitsui Fudosan Housing Lease Co., Ltd. | ¥426 | 100.0% |
| Building management fees | 227 | Mitsui Fudosan Housing Lease Co., Ltd. | 227 | 100.0% |
| Leasing related service fees | 128 | RESIDENT FIRST CO., LTD. | 23 | 17.8% |
| | | Mitsui Rehouse Tokyo Co., Ltd. | 2 | 1.2% |
| | | MITSUI HOME ESTATE CO., LTD. | 1 | 0.5% |
| | | Mitsui Real Estate Sales Kyusyu Co., Ltd. | 1 | 0.4% |
| | | Mitsui Real Estate Sales Sapporo Co., Ltd. | 0 | 0.4% |
| | | Mitsui Real Estate Sales Tohoku Co., Ltd. | 0 | 0.3% |
| | | Mitsui Rehouse Nagoya Co., Ltd. | 0 | 0.0% |

(3) Other Payments to Related Parties

None applicable

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

2. Figures indicate percentages of total price.

Financial Statements

Balance Sheets

Nippon Accommodations Fund Inc.
As of February 28, 2011 and August 31, 2010

| | Yen in millions | | U.S. dollars in thousands (Note 1) |
|--|--|-------------------------------------|--|
| | 10th Period As of February 28, 2011 | 9th Period As of August 31, 2010 | 10th Period As of February 28, 2011 |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | ¥ 4,178 | ¥ 3,339 | \$ 51,132 |
| Rent receivables | 874 | 847 | 10,696 |
| Consumption tax receivables and other current assets | 129 | 27 | 1,579 |
| Total current assets | 5,181 | 4,213 | 63,407 |
| Investment properties (Note 4): | | | |
| Land including trust accounts | 119,580 | 119,559 | 1,463,468 |
| Depreciable property and improvements including trust accounts | 75,787 | 75,629 | 927,512 |
| Accumulated depreciation | (8,311) | (7,060) | (101,713) |
| Total investment properties | 187,056 | 188,128 | 2,289,267 |
| Other assets | 123 | 138 | 1,505 |
| Total Assets | ¥192,360 | ¥192,479 | \$2,354,179 |
| Liabilities and Net Assets | | | |
| Liabilities | | | |
| Current liabilities: | | | |
| Short-term loans (Note 5) | ¥ 17,500 | ¥ 22,500 | \$ 214,172 |
| Long-term loans due within one year (Note 5) | 11,500 | 20,500 | 140,742 |
| Accounts payable | 521 | 703 | 6,376 |
| Rent received in advance | 1,008 | 983 | 12,336 |
| Accrued expenses and other liabilities | 369 | 380 | 4,516 |
| Total current liabilities | 30,898 | 45,066 | 378,142 |
| Long-term liabilities: | | | |
| Long-term loans (Note 5) | 59,000 | 45,000 | 722,066 |
| Bonds (Note 5) | 17,000 | 17,000 | 208,053 |
| Tenant security deposits | 2,159 | 2,163 | 26,423 |
| Total long-term liabilities | 78,159 | 64,163 | 956,541 |
| Total Liabilities | ¥109,057 | ¥109,229 | \$1,334,684 |
| Net Assets | | | |
| Unitholders' capital (Note 6) | 81,103 | 81,103 | 992,571 |
| Retained earnings | 2,200 | 2,147 | 26,924 |
| Total Net Assets | ¥ 83,303 | ¥ 83,250 | \$1,019,496 |
| Total Liabilities and Net Assets | ¥192,360 | ¥192,479 | \$2,354,179 |

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

Statements of Income

Nippon Accommodations Fund Inc.

September 1, 2010 to February 28, 2011, March 1, 2010 to August 31, 2010 and September 1, 2009 to February 28, 2010

| | Yen in millions | | | U.S. dollars in thousands (Note 1) |
|--|--|---|---|--|
| | 10th Period September 1, 2010 to February 28, 2011 | 9th Period March 1, 2010 to August 31, 2010 | 8th Period September 1, 2009 to February 28, 2010 | 10th Period September 1, 2010 to February 28, 2011 |
| Revenues (Notes 7 and 8): | | | | |
| Rental | ¥5,948 | ¥5,907 | ¥5,133 | \$72,794 |
| Other revenues related to property leasing | 232 | 311 | 230 | 2,839 |
| Gain on sale of investment properties | — | — | 556 | — |
| Total Revenues | 6,180 | 6,218 | 5,919 | 75,633 |
| Operating Expenses (Note 7): | | | | |
| Property management fees | 674 | 707 | 590 | 8,249 |
| Real estate taxes and insurance | 245 | 246 | 176 | 2,998 |
| Repairs and maintenance | 189 | 255 | 207 | 2,313 |
| Other rental expenses | 233 | 239 | 211 | 2,852 |
| Depreciation and amortization | 1,252 | 1,241 | 1,061 | 15,322 |
| Asset management fees | 441 | 440 | 433 | 5,397 |
| Other expenses | 202 | 194 | 231 | 2,472 |
| Total Operating Expenses | 3,236 | 3,322 | 2,909 | 39,603 |
| Operating Income | 2,944 | 2,896 | 3,010 | 36,030 |
| Interest and other income | 4 | 6 | 3 | 49 |
| Interest expense | (738) | (748) | (666) | (9,032) |
| New investment unit issue costs | — | — | (64) | — |
| Other expenses | (9) | (6) | (7) | (110) |
| Income before Income Taxes | 2,201 | 2,148 | 2,276 | 26,937 |
| Current and deferred income taxes (Note 9) | 1 | 1 | 1 | 12 |
| Net Income | ¥2,200 | ¥2,147 | ¥2,275 | \$26,924 |

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, 2009 to February 28, 2011

| | Number of Units | Yen in millions | | |
|---|--------------------|-------------------------|----------------------|---------|
| | | Unitholders' Capital | Retained Earnings | Total |
| Balance as of August 31, 2009 | 113,480 | ¥60,979 | ¥ 1,546 | ¥62,525 |
| Cash distribution declared | — | — | (1,546) | (1,546) |
| Issuance of new units through public offering as of November 4, 2009 | 42,000 | 19,795 | — | 19,795 |
| Issuance of new units through allocation to a third party as of December 1, 2009 | 698 | 329 | — | 329 |
| Net income | — | — | 2,275 | 2,275 |
| Balance as of February 28, 2010 | 156,178 | 81,103 | 2,275 | 83,378 |
| Cash distribution declared | — | — | (2,275) | (2,275) |
| Net income | — | — | 2,147 | 2,147 |
| Balance as of August 31, 2010 | 156,178 | 81,103 | 2,147 | 83,250 |
| Cash distribution declared | — | — | (2,147) | (2,147) |
| Net income | — | — | 2,200 | 2,200 |
| Balance as of February 28, 2011 | 156,178 | ¥81,103 | ¥ 2,200 | ¥83,303 |

| | Number of Units | U.S. dollars in thousands (Note 1) | | |
|---|--------------------|------------------------------------|----------------------|-------------|
| | | Unitholders' Capital | Retained Earnings | Total |
| Balance as of August 31, 2009 | 113,480 | \$746,286 | \$ 18,921 | \$ 765,206 |
| Cash distribution declared | — | — | (18,921) | (18,921) |
| Issuance of new units through public offering as of November 4, 2009 | 42,000 | 242,259 | — | 242,259 |
| Issuance of new units through allocation to a third party as of December 1, 2009 | 698 | 4,026 | — | 4,026 |
| Net income | — | — | 27,842 | 27,842 |
| Balance as of February 28, 2010 | 156,178 | 992,571 | 27,842 | 1,020,414 |
| Cash distribution declared | — | — | (27,842) | (27,842) |
| Net income | — | — | 26,276 | 26,276 |
| Balance as of August 31, 2010 | 156,178 | 992,571 | 26,276 | 1,018,847 |
| Cash distribution declared | — | — | (26,276) | (26,276) |
| Net income | — | — | 26,924 | 26,924 |
| Balance as of February 28, 2011 | 156,178 | \$992,571 | \$ 26,924 | \$1,019,496 |

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

Statements of Cash Flows

Nippon Accommodations Fund Inc.

September 1, 2010 to February 28, 2011, March 1, 2010 to August 31, 2010 and September 1, 2009 to February 28, 2010

| | Yen in millions | | | U.S. dollars in thousands (Note 1) |
|---|--|---|---|--|
| | 10th Period September 1, 2010 to February 28, 2011 | 9th Period March 1, 2010 to August 31, 2010 | 8th Period September 1, 2009 to February 28, 2010 | 10th Period September 1, 2010 to February 28, 2011 |
| Cash Flows from Operating Activities: | | | | |
| Income before income taxes | ¥ 2,201 | ¥ 2,148 | ¥ 2,276 | \$ 26,937 |
| Depreciation and amortization | 1,252 | 1,241 | 1,061 | 15,322 |
| New investment unit issue costs | — | — | 64 | — |
| Amortization of bond issue costs | 7 | 5 | 4 | 86 |
| Interest expense | 738 | 748 | 666 | 9,032 |
| (Increase) Decrease in rent receivables | (27) | (8) | (240) | (330) |
| Increase (Decrease) in accounts payable | (182) | 75 | 195 | (2,227) |
| Increase (Decrease) in rents received in advance | 25 | 19 | 266 | 306 |
| Decrease in investment properties due to sale | — | — | 2,543 | — |
| Cash payments of interest expense | (757) | (718) | (655) | (9,264) |
| (Increase) Decrease in consumption tax refund receivable | — | 142 | (142) | — |
| Other, net | (86) | 11 | 11 | (1,053) |
| Net Cash Provided by Operating Activities | 3,171 | 3,663 | 6,049 | 38,808 |
| Cash Flows from Investing Activities: | | | | |
| Payments for purchases of investment properties | (179) | (7,689) | (44,022) | (2,191) |
| Proceeds from tenant security deposits | 247 | 336 | 822 | 3,023 |
| Payments for tenant security deposits | (251) | (291) | (257) | (3,072) |
| Other, net | (2) | (8) | (3) | (24) |
| Net Cash Used in Investing Activities | (185) | (7,652) | (43,460) | (2,264) |
| Cash Flows from Financing Activities: | | | | |
| Proceeds from short-term loans | 99,000 | 124,500 | 94,000 | 1,211,602 |
| Repayment of short-term loans | (104,000) | (127,500) | (92,000) | (1,272,794) |
| Proceeds from long-term loans | 16,000 | 3,000 | 20,000 | 195,814 |
| Repayment of long-term loans | (11,000) | (1,000) | (4,000) | (134,622) |
| Proceeds from bonds | — | 7,000 | — | — |
| Payments for bond issue costs | — | (40) | — | — |
| Proceeds from issuance of investment units | — | — | 20,060 | — |
| Payment of distribution | (2,147) | (2,269) | (1,546) | (26,276) |
| Net Cash Provided by (Used in) Financing Activities | (2,147) | 3,691 | 36,514 | (26,276) |
| Net Change in Cash and Cash Equivalents | 839 | (298) | (897) | 10,268 |
| Cash and Cash Equivalents at the Beginning of the Period | 3,339 | 3,637 | 4,534 | 40,864 |
| Cash and Cash Equivalents at the End of the Period | ¥ 4,178 | ¥ 3,339 | ¥ 3,637 | \$ 51,132 |

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

Notes to Financial Statements

Nippon Accommodations Fund Inc.

September 1, 2010 to February 28, 2011, March 1, 2010 to August 31, 2010 and September 1, 2009 to February 28, 2010

Note 1 Organization and Basis of Presentation

Organization

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

NAF is an externally managed real estate fund, formed as an investment corporation. MFAFM, as NAF's asset management company, is engaged in acquiring, managing, leasing, and renovating 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 28, 2011, NAF had ownership or beneficiary interests in 63 properties containing approximately 288,354 square meters of rentable space. As of February 28, 2011, NAF had leased approximately 278,233 square meters to tenants. The occupancy rate for the properties was approximately 96.5%.

Basis of Presentation

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the approximate exchange rate on February 28, 2011, which was ¥81.71 to U.S. \$1. The convenience translation should not be construed as representation that the Japanese yen amounts have been, or could in future be, converted into U.S. dollars at this or any other rate of exchange.

Note 2 Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Investment Properties

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

| | |
|-------------------------------|------------|
| Buildings and improvements | 2-47 years |
| Structures | 3-60 years |
| Machinery and equipment | 7-45 years |
| Tools, furniture and fixtures | 2-15 years |

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

Deferred Assets

New unit issue costs are charged to income when incurred.

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

Income Taxes

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

Real Estate Taxes

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

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

When the property is purchased before January 1 of any given calendar year, these taxes for the previous year are imposed on the seller. The Company pays the seller the corresponding tax amounts for the period from the property's transfer date to December 31 of the previous year as part of the purchase prices of each property, and capitalizes these amounts as the cost of the property. There was no capitalized property tax for the period ended February 28, 2011.

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 Change in Accounting Policy

Adoption of Accounting Standard for Asset Retirement Obligations

Effective from the period ended February 28, 2011, NAF adopted the "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 18 issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). This did not affect earnings as NAF had no applicable asset retirement obligations.

Note 4 Schedule of Investment Properties

Investment properties as of February 28, 2011 and August 31, 2010 consisted of the following:

| | Yen in millions | | | | | |
|--|-------------------------|--------------------------|------------|-----------------------|--------------------------|------------|
| | As of February 28, 2011 | | | As of August 31, 2010 | | |
| | Acquisition costs | Accumulated depreciation | Book value | Acquisition costs | Accumulated depreciation | Book value |
| Land | ¥ 74,445 | ¥ — | ¥ 74,445 | ¥ 74,425 | ¥ — | ¥ 74,425 |
| Land in trust | 45,134 | — | 45,134 | 45,134 | — | 45,134 |
| Land including trust total | 119,580 | — | 119,580 | 119,559 | — | 119,559 |
| Buildings and improvements | 52,134 | (4,315) | 47,819 | 52,040 | (3,545) | 48,495 |
| Buildings and improvements in trust | 19,248 | (2,844) | 16,404 | 19,187 | (2,538) | 16,648 |
| Building and improvements including those in trust total | 71,382 | (7,159) | 64,223 | 71,226 | (6,083) | 65,143 |
| Structures | 1,131 | (199) | 932 | 1,131 | (164) | 966 |
| Machinery and equipment | 1,186 | (223) | 963 | 1,186 | (169) | 1,017 |
| Tools, furniture and fixtures | 689 | (324) | 365 | 689 | (274) | 415 |
| Construction in process | — | — | — | — | — | — |
| Structures in trust | 896 | (150) | 746 | 896 | (135) | 761 |
| Machinery and equipment in trust | 178 | (53) | 125 | 178 | (44) | 134 |
| Tools, furniture and fixtures in trust | 317 | (204) | 113 | 314 | (190) | 124 |
| Construction in process in trust | 9 | — | 9 | 10 | — | 10 |
| Other investment properties total | 4,406 | (1,152) | 3,253 | 4,403 | (976) | 3,426 |
| Total | ¥195,367 | ¥(8,311) | ¥187,056 | ¥195,188 | ¥(7,060) | ¥188,128 |

Note 5 Short-Term Loans and Long-Term Debt

Short-term loans consist of short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are fixed rates and as of February 28, 2011 and August 31, 2010 ranged from 0.58% to 0.62% and from 0.66% to 0.77%, respectively. Long-term debt consists of the following:

| | Yen in millions | |
|--|-------------------------|-----------------------|
| | As of February 28, 2011 | As of August 31, 2010 |
| Unsecured loans due 2011 to 2018 principally from banks and insurance companies with interest rates mainly ranging from 0.7% to 2.2% | ¥70,500 | ¥65,500 |
| 1.7% unsecured bonds due 2014 | 10,000 | 10,000 |
| 1.2% unsecured bonds due 2016 | 7,000 | 7,000 |
| | ¥87,500 | ¥82,500 |

The annual maturities of long-term loans as of February 28, 2011 were as follows:

| | Yen in millions |
|------------|-----------------|
| 2011 | ¥11,500 |
| 2012 | 12,000 |
| 2013 | 19,000 |
| 2014 | 10,000 |
| Thereafter | 18,000 |

Note 6 Unitholders' Capital

| | As of February 28, 2011 | As of August 31, 2010 | As of February 28, 2010 |
|---|-------------------------|-----------------------|-------------------------|
| Total number of common units authorized | 2,000,000 | 2,000,000 | 2,000,000 |
| Total number of common units issued and outstanding | 156,178 | 156,178 | 156,178 |

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

Note 7 Rental Revenues and Expenses

Rental revenues and expenses for the periods ended February 28, 2011, August 31, 2010 and February 28, 2010 were as follows:

| | Yen in millions | | |
|---|--|---|---|
| | 10th Period September 1, 2010 to February 28, 2011 | 9th Period March 1, 2010 to August 31, 2010 | 8th Period September 1, 2009 to February 28, 2010 |
| Revenues from Property Leasing: | | | |
| Rental: | | | |
| Rental revenues | ¥5,752 | ¥5,713 | ¥4,977 |
| Facility charge | 196 | 194 | 156 |
| Subtotal | 5,948 | 5,907 | 5,133 |
| Other revenues related to property leasing: | | | |
| Income from leasing rights, etc. | 163 | 234 | 179 |
| Miscellaneous income | 69 | 77 | 51 |
| Subtotal | 232 | 311 | 230 |
| Total revenues from property leasing | 6,180 | 6,218 | 5,363 |
| Rental Expenses: | | | |
| Property management fees | 674 | 707 | 590 |
| Repairs and maintenance | 189 | 255 | 207 |
| Real estate taxes | 233 | 233 | 166 |
| Trust fees | 9 | 9 | 9 |
| Utilities | 68 | 66 | 50 |
| Insurance | 12 | 13 | 10 |
| Depreciation and amortization | 1,252 | 1,241 | 1,061 |
| Leasing-related service fees, etc. | 127 | 129 | 122 |
| Other rental expenses | 28 | 35 | 30 |
| Total rental expenses | 2,592 | 2,688 | 2,245 |
| Operating Income from Property Leasing Activities | ¥3,588 | ¥3,530 | ¥3,118 |

Note 8 Breakdown of Gain on Sale of Investment Properties

Gain on sale of investment properties for the period ended February 28, 2010 was as follows:

| | Yen in millions |
|---|-----------------|
| Park Axis Ichigaya | |
| Revenues from sale of investment properties | ¥3,100 |
| Cost of investment properties | 2,543 |
| Other sales expenses | 1 |
| Gain on sale of investment properties | ¥ 556 |

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 0.04%, 0.05% and 0.04% for the periods ended February 28, 2011, August 31, 2010 and February 28, 2010, respectively. The following table summarizes the significant differences between the statutory tax rates and NAF's effective tax rates for financial statement purposes.

| | 10th Period September 1, 2010 to February 28, 2011 | 9th Period March 1, 2010 to August 31, 2010 | 8th Period September 1, 2009 to February 28, 2010 |
|-------------------------------|--|---|---|
| Statutory effective tax rate | 39.33% | 39.33% | 39.33% |
| Deductible distributions paid | (39.31) | (39.31) | (39.31) |
| Others | 0.03 | 0.03 | 0.03 |
| Effective tax rate | 0.04% | 0.05% | 0.04% |

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of February 28, 2011, August 31, 2010 and February 28, 2010 were as follows:

| | Yen in thousands | | |
|---------------------------|-------------------------|-----------------------|-------------------------|
| | As of February 28, 2011 | As of August 31, 2010 | As of February 28, 2010 |
| Deferred tax assets: | | | |
| Enterprise taxes | ¥ 18 | ¥ 21 | ¥ 19 |
| Total deferred tax assets | 18 | 21 | 19 |
| Deferred tax liabilities | — | — | — |
| Net Deferred Tax Assets | ¥ 18 | ¥ 21 | ¥ 19 |

NAF was established as an investment corporation under the Investment Trust and Investment Corporation Act of Japan, and as long as an investment corporation distributes to its unitholders at least 90% of 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 28, 2011, August 31, 2010 and February 28, 2010 and net assets per unit as of February 28, 2011, August 31, 2010 and February 28, 2010 was as follows.

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

| | Yen | | |
|--|--|---|---|
| | 10th Period September 1, 2010 to February 28, 2011 | 9th Period March 1, 2010 to August 31, 2010 | 8th Period September 1, 2009 to February 28, 2010 |
| Earnings per Unit: | | | |
| Net income | ¥14,085 | ¥13,748 | ¥16,137 |
| Weighted average number of common units outstanding | 156,178 | 156,178 | 140,976 |
| | As of February 28, 2011 | As of August 31, 2010 | As of February 28, 2010 |
| Net Assets per Unit | ¥533,383 | ¥533,045 | ¥533,863 |

Note 11 Transactions with Related Parties

(September 1, 2010 – February 28, 2011)

- (1) Parent Company and Major Corporate Unitholders: None applicable
- (2) Affiliates: None applicable
- (3) Sister Companies: None applicable
- (4) Directors and Major Individual Unitholders: None applicable

(March 1, 2010 – August 31, 2010)

- (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 end of period (Yen in millions) |
|--------------------------------|----------------------------|--|---|--|---------|---|
| Director and/or close relative | Nobuyuki Nakai (Note 1) | Executive Director of NAF and President & CEO of MFAFM (Note 1) | Payment of asset management fee to MFAFM (Note 2) | ¥27 (Notes 3 and 5) | — | — |
| | | | Payment for the provision of general administration relating to organizational management to MFAFM (Note 4) | ¥0 (Note 5) | — | — |

Notes: 1. Nobuyuki Nakai resigned from his position as Executive Director of NAF and President & CEO of MFAFM effective March 31, 2010.

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

3. The asset management fee is the management fee related to the March 30, 2010 acquisition of Park Cube Yotsuya Sanhome included in its book value.

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

5. Consumption taxes are not included in transaction amounts.

Note 12 Financial Instruments

Effective from the period ended August 31, 2010, NAF adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 10, 2008). This standard and guidance require companies to disclose fair value and certain other information of financial instruments as follows.

(September 1, 2010 – February 28, 2011)

1. Status of Financial Instruments**(1) Policy for Financial Instruments**

NAF raises funds for acquisition of assets and other uses through bank loans, issuance of bonds and new unit issues.

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

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

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

(3) Supplemental Explanation regarding Fair Values of Financial Instruments

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

2. Estimated Fair Value of Financial Instruments

Book value, fair value and the difference between the two as of February 28, 2011 are 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 | ¥ 4,178 | ¥ 4,178 | ¥ — |
| Total | ¥ 4,178 | ¥ 4,178 | ¥ — |
| Liabilities | | | |
| (1) Short-term loans | ¥ 17,500 | ¥ 17,500 | ¥ — |
| (2) Long-term loans due within one year | 11,500 | 11,589 | 89 |
| (3) Bonds | 17,000 | 17,211 | 211 |
| (4) Long-term loans | 59,000 | 59,848 | 848 |
| Total | ¥105,000 | ¥106,148 | ¥1,148 |

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 (4) Long-term loans

Fair values of fixed-rate instruments are based on the present value of principal and interest cash flows discounted at the current interest rate estimated to be applied if similar new 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.

(3) Bonds

Fair values of bonds are based on observable market value.

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

| | Yen in millions |
|--------------------------|-----------------|
| | Book value |
| Tenant security deposits | ¥2,159 |

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

3. Redemption schedule for monetary claims with maturity dates after February 28, 2011

| | Yen in millions |
|---------------------------|---------------------|
| | Due within one year |
| Cash and cash equivalents | ¥4,178 |

4. Repayment schedule for loans and bonds due after February 28, 2011

| | 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 | ¥17,500 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Bonds | — | — | — | 10,000 | — | 7,000 |
| Long-term loans | 11,500 | 12,000 | 19,000 | 10,000 | 10,000 | 8,000 |
| Total | ¥29,000 | ¥12,000 | ¥19,000 | ¥20,000 | ¥10,000 | ¥15,000 |

(March 1, 2010 – August 31, 2010)

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, 2010 are 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 | ¥ 3,339 | ¥ 3,339 | ¥ — |
| Total | ¥ 3,339 | ¥ 3,339 | ¥ — |
| Liabilities | | | |
| (1) Short-term loans | ¥ 22,500 | ¥ 22,500 | ¥ — |
| (2) Long-term loans due within one year | 20,500 | 20,646 | 146 |
| (3) Bonds | 17,000 | 17,322 | 322 |
| (4) Long-term loans | 45,000 | 46,065 | 1,065 |
| Total | ¥105,000 | ¥106,533 | ¥1,533 |

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 (4) Long-term loans

Fair values of these 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.

(3) Bonds

Fair values of bonds are based on observable market value.

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

| Yen in millions | |
|--------------------------|------------|
| | Book value |
| Tenant security deposits | ¥2,163 |

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, 2010

| Yen in millions | |
|---------------------------|---------------------|
| | Due within one year |
| Cash and cash equivalents | ¥3,339 |

4. Repayment schedule for loans and bonds due after August 31, 2010

| | 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 | ¥22,500 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Bonds | — | — | — | — | 10,000 | 7,000 |
| Long-term loans | 20,500 | 5,000 | 19,000 | 19,000 | 2,000 | — |
| Total | ¥43,000 | ¥5,000 | ¥19,000 | ¥19,000 | ¥12,000 | ¥7,000 |

Note 13 Investment and Rental Properties

Effective from the period ended August 31, 2010, NAF adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20 issued on November 28, 2008) and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23 issued on November 28, 2008). This standard and guidance require companies to disclose fair value and certain other information of investment and rental property as follows.

(September 1, 2010 – February 28, 2011)

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 are as follows.

| Yen in millions | | | |
|-----------------------|-------------------------------|-------------------------|-------------------------|
| Book value | | | Fair value |
| As of August 31, 2010 | Change during the 10th Period | As of February 28, 2011 | As of February 28, 2011 |
| ¥188,119 | ¥(1,072) | ¥187,047 | ¥176,068 |

Notes: 1. "Book value" shown here is the acquisition cost inclusive of acquisition expenses less accumulated depreciation and excluding construction in process.

2. In "Change during the 10th Period," the main factor decreasing book value was depreciation.

3. "Fair value as of February 28, 2011" is based on appraisals provided by independent real estate appraisers.

Information about profit and loss from investment and rental properties for the period ended February 28, 2011 is disclosed in Note 7 (Rental Revenues and Expenses).

(March 1, 2010 – August 31, 2010)

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 are as follows.

| Yen in millions | | | |
|-------------------------|------------------------------|-----------------------|-----------------------|
| Book value | | | Fair value |
| As of February 28, 2010 | Change during the 9th Period | As of August 31, 2010 | As of August 31, 2010 |
| ¥181,656 | ¥6,463 | ¥188,119 | ¥177,572 |

Notes: 1. "Book value" shown here is the acquisition cost inclusive of acquisition expenses less accumulated depreciation and excluding construction in process.

2. In "Change during the 9th Period," the main factor increasing book value was the acquisition of Park Cube Yotsuya Sanhome and Park Cube Hatchobori for ¥7,372 million. The main factor decreasing book value was depreciation.

3. "Fair value as of August 31, 2010" 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, 2010 is disclosed in Note 7 (Rental Revenues and Expenses).

Note 14 Segment Information

Effective from the period ended February 28, 2011, NAF adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, revised on March 27, 2009) and the "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

(September 1, 2010 – February 28, 2011)

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 Housing Lease Co., Ltd. | ¥5,265 | Real estate leasing business |
| Mitsui Fudosan Co., Ltd. | 916 | Real estate leasing business |

Disclosure of the segment information for previous periods has been omitted as NAF has only one segment of the real estate leasing business.

Note 15 Significant Subsequent Events

Issuance of New Investment Units

Concerning the issuances of new investment units that were resolved at the Board of Directors' Meetings held on February 10, 2011 and February 22, 2011, payment relating to the issuance of new investment units by public offering was completed on March 1, 2011, and payment relating to the issuance of new investment units by third-party allocation was completed on March 28, 2011. The details are provided below.

As a result, total unitholders' capital was ¥103,235,321,618 and the total number of investment units issued was 194,711 units.

A. Issuance of new investment units by public offering

| | |
|---|-------------------|
| (1) Method of offering | Public offering |
| (2) Number of new investment units issued | 37,500 units |
| (3) Issue price | ¥593,872 per unit |
| (4) Total amount of issue price | ¥22,270,200,000 |
| (5) Amount paid in (issue value) | ¥574,380 per unit |
| (6) Total amount paid in (issue value) | ¥21,539,250,000 |
| (7) Payment date | March 1, 2011 |

B. Issuance of new investment units by third-party allocation

| | |
|---|-----------------------------|
| (1) Method of offering | Third-party allocation |
| (2) Number of new investment units issued | 1,033 units |
| (3) Amount paid in (issue value) | ¥574,380 per unit |
| (4) Total amount paid in (issue value) | ¥593,334,540 |
| (5) Payment date | March 28, 2011 |
| (6) Allottee | Nomura Securities Co., Ltd. |

C. Use of the procured funds

The funds procured through this public offering and third-party allocation shall be allocated for part of the acquisition of new specified properties to be purchased by NAF.

Independent Auditors' Report



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

We have audited the accompanying balance sheets of Nippon Accommodations Fund Inc. (a Japanese Real Estate Investment Trust) as of February 28, 2011, and August 31, 2010, and the related statements of income, changes in net assets and cash flows for each of the periods from September 1, 2010 to February 28, 2011, from March 1, 2010 to August 31, 2010, and from September 1, 2009 to February 28, 2010, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nippon Accommodations Fund Inc. as of February 28, 2011, and August 31, 2010, and the results of their operations and their cash flows for each of the periods from September 1, 2010 to February 28, 2011, from March 1, 2010 to August 31, 2010, and from September 1, 2009 to February 28, 2010, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 15 to the financial statements, which states that Nippon Accommodations Fund Inc. has issued new investment units.

The U.S. dollar amounts in the accompanying financial statements with respect to the period ended February 28, 2011 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

Tokyo, Japan
May 20, 2011

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.

Facts and Figures

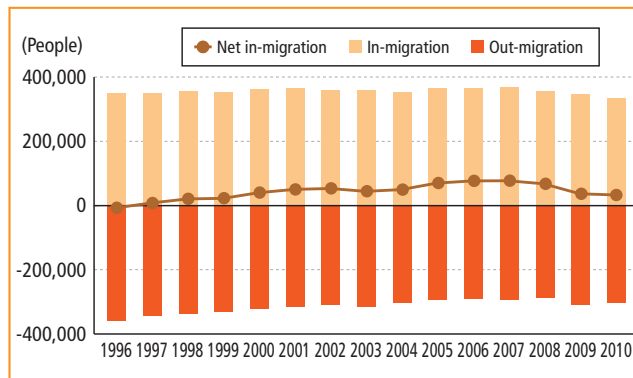
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Rental Apartment Investment Characteristics

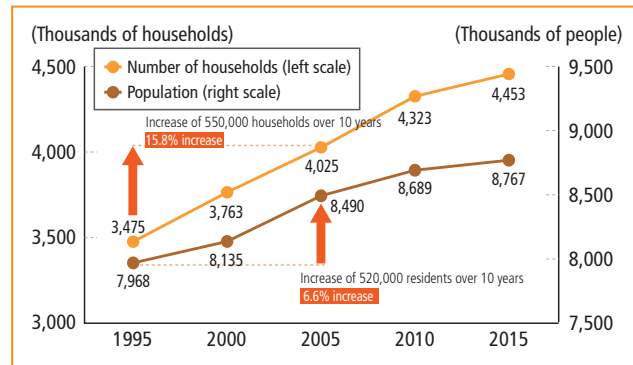
Rental apartments have a lower earnings fluctuation risk than real estate leased for other uses. By concentrating investment in the 23 wards of Tokyo where demand for rental housing is high and developing a portfolio with high market competitiveness and asset value, NAF will stably increase earnings.

1. Net Migration into Tokyo (23 Wards)



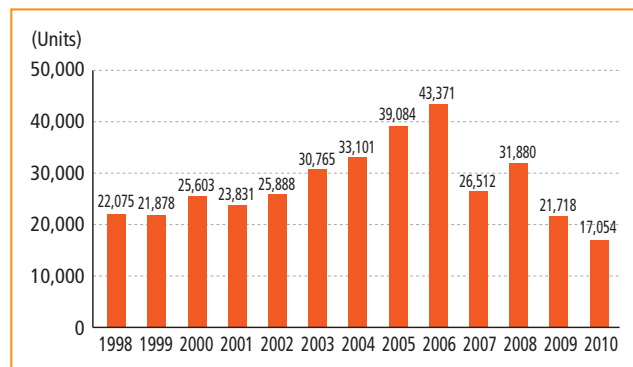
Source: "Report on Internal Migration in Japan," Statistics Bureau, Ministry of Internal Affairs and Communications

2. Projected Number of Households and Population (Tokyo 23 Wards)



Sources: Population censuses conducted in 1995, 2000 and 2005 by the Statistics Bureau, Ministry of Internal Affairs and Communications
 For number of households from 2006, "Household Projections for Tokyo," March 2009, Tokyo Metropolitan Government, Statistics Division Bureau of General Affairs
 For population from 2006, "Population Projections by Municipality" (as of December 2008), National Institute of Population and Social Security Research

3. Rental Apartment Construction Starts (Tokyo 23 Wards)



Source: "Housing Construction Statistics," Information Security, Research and Statistics Division, Policy Bureau, Ministry of Land, Infrastructure, Transport and Tourism

Residential Rental Market Trends in the 23 Wards of Tokyo

Population and Number of Households

In the 23 wards of Tokyo, where most of NAF's assets under management are located, the population influx is continuing, reflecting an increasing desire in recent years to live closer to work and the progressive concentration of economic activities in Tokyo. Graph 1 shows migration trends in the 23 wards of Tokyo as well as net in-migration. In-migration has continued to exceed out-migration since 1996, indicating stable demand for residential rental housing in highly convenient areas.

Moreover, the number of households is increasing at a greater rate than the population as households divide into smaller units, among other factors. Graph 2 shows the projected number of households and population for the 23 wards of Tokyo. The number of households increased by 550 thousand over the decade from 1995 to 2005. This 15.8 percent increase was more than double the 6.6 percent increase in population during the same period. This difference implies growth in the number of single and two-person households, a trend that is projected to continue through 2015.

Due to the above factors, MFAFM projects solid demand from the growing number of single and two-person households for single and compact (rentable area under 60m² with two or fewer bedrooms) apartments, which comprise the majority of NAF's portfolio.

Rental Housing Stock

Graph 3 shows the number of rental apartment construction starts in the 23 wards of Tokyo. Construction starts increased more or less steadily until 2006, but decreased significantly following changes in the building authorization procedure resulting from revisions in 2007 to the Building Standards Law (Law No. 201 of 1950 as amended). The number of construction starts in 2009 stalled at about the same level as 1999.

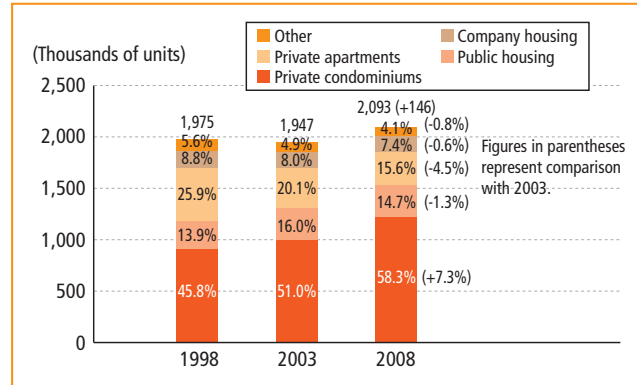
Rental housing stock volume for the 23 wards of Tokyo is shown in Graph 4. Stock increased by 146 thousand units to 2,093 thousand in 2008 from 1,947 thousand in 2003 with the increase in demand due to the population influx into Tokyo. However, the overall increase was moderate compared with the concurrent increases in population and number of households. On closer analysis, the ratio of company housing, private apartments and public housing decreased, whereas the ratio of private condominiums increased in response to the needs of potential occupants.

Stability of Residential Rent

Graph 5 shows relative rents for non-wooden residential units over 30m² in the 23 wards of Tokyo and offices in Greater Tokyo, with 1989 levels set as 100. Residential rent has remained relatively stable in comparison to office rent. Rental housing is a necessary expense in the same way as clothing and food. Therefore, residential rent is considered stable because it is generally unaffected by fluctuations in economic conditions and asset value, with relatively low risk of change.

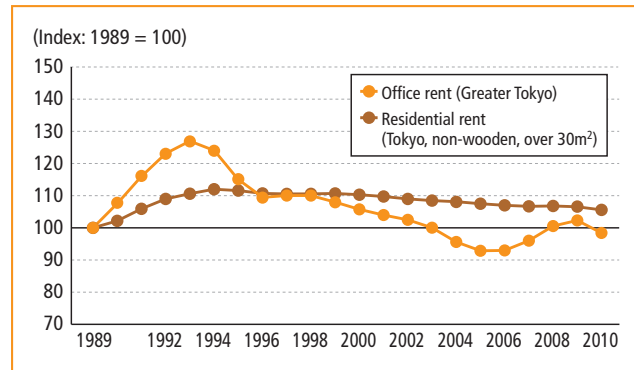
In addition, rental housing enables a more diversified portfolio in terms of number of properties and tenants due to its relatively small scale in comparison to office buildings and other properties. Investment in rental housing of this nature is perfectly matched with NAF's core strategy of securing stable revenues. Furthermore, new properties are scarce, comprising a limited share of rental housing stock. Such properties, which make up the majority of NAF's investment portfolio, ensure market competitiveness and asset value.

4. Rental Housing Stock Volume and Composition (Tokyo 23 Wards)



Source: "Housing and Land Survey," Statistics Bureau, Ministry of Internal Affairs and Communications

5. Residential and Office Rents



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

Common Practices in Japan's Rental Apartment Market

Contract Validity Period

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

Security Deposit

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

Key Money

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

Commission Fee

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

Guarantor/Joint Surety

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

Corporate Structure and Governance

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

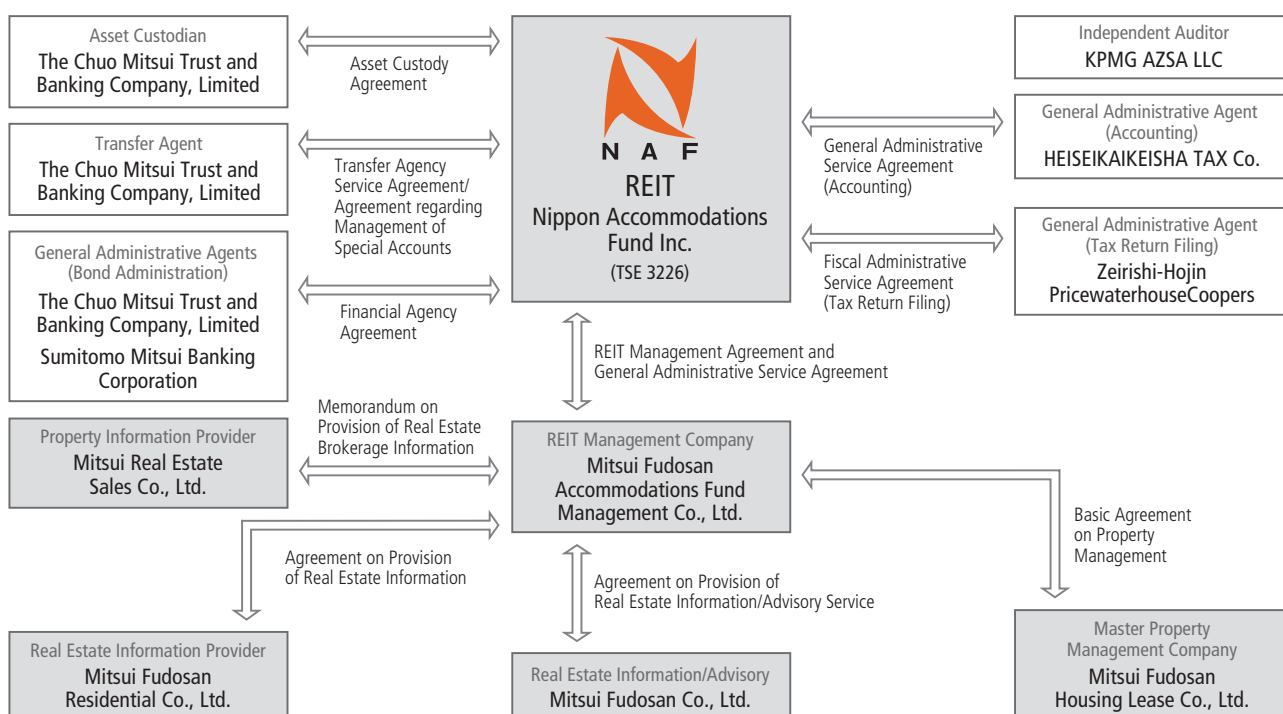
Real Estate Investment Trust (“REIT”) Structure

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

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

in the external investment environment and the status of NAF’s assets under management.

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



Corporate Structure

General Meeting of Unitholders

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

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

NAF's Articles of Incorporation stipulate that NAF must have one or more executive directors, and two or more supervisory directors (but always equal to the number of executive directors plus at least one additional supervisory director). NAF's independent auditor is KPMG AZSA LLC.

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

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

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

The independent auditors are elected at the General Meeting of Unitholders. They audit financial and accounting documents including NAF's financial statements. In addition, they are charged with reporting to supervisory directors any unlawful acts or material violations of laws, regulations or NAF's Articles of Incorporation that executive directors may commit in the course of their duties. The independent auditors also perform other duties as required by laws and regulations.

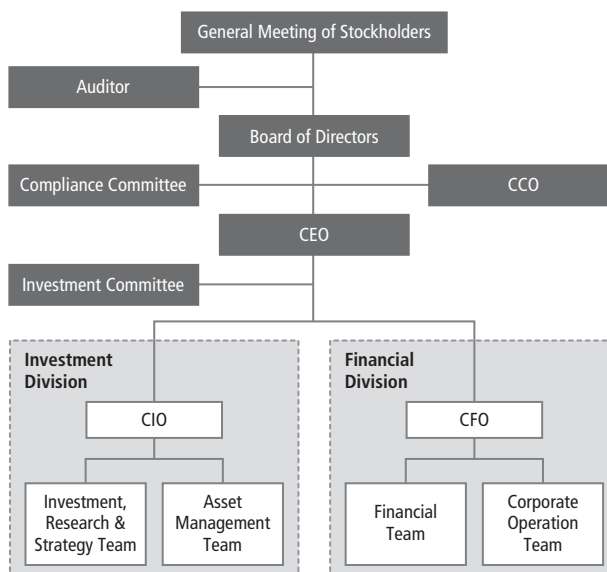
Compliance Initiatives

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

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

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

Corporate Governance Structure of MFAFM



Investment Risk Management System

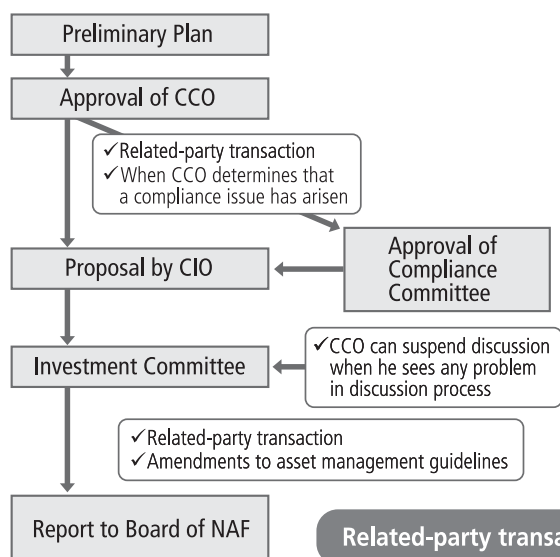
NAF itself is responsible for complying with the Investment Trust and Investment Corporation Act of Japan and related laws and regulations in managing risks. In addition, the REIT Management Company has established appropriate internal rules. In conjunction with appropriate organizational systems, NAF is providing education and implementing other measures to enhance the culture of compliance among officers and employees of MFAFM.

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

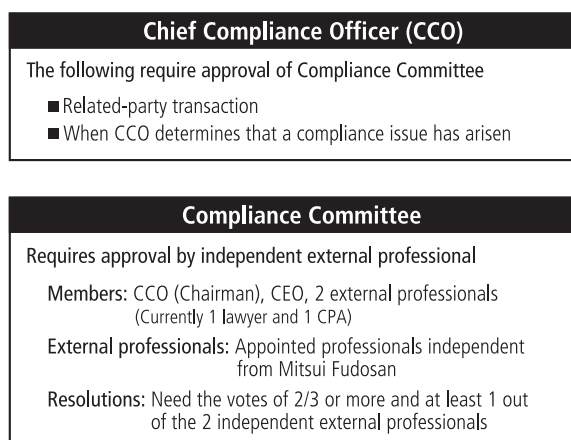
Moreover, supervisory directors can obtain as needed reports on operations and financial condition from the REIT Management Company and from NAF's asset custodian, The Chuo Mitsui Trust and Banking Company, Limited. Independent supervisory directors can also conduct required investigations.

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

Investment Policy & Acquisition/Sale Decision Process



Compliance Checking System



Related-party transactions require approval by independent external professional

Restrictions on Related-Party Transactions

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

the Investment Trust and Investment Corporation Act of Japan and its ordinances.

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

Primary Related Corporations

Overview of the Roles of Primary Related Corporations

The following outlines the contractual relationship between NAF and its REIT management company, and the contractual relationship between NAF's REIT management company and primary related corporations.

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

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

MFAFM, as a REIT management company provided for in the Investment Trust and Investment Corporation Act of Japan, performs management of NAF's assets and undertakes management of the institutions of NAF.

MFAFM has no capital relationship with NAF.

Operation

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

Fees for the Asset Management Operation

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

Management Fees 1

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

Management Fees 2

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

Management Fees 3

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

Management Fees 4

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

Mitsui Fudosan Co., Ltd. Real Estate Information and Advisory Service Provider

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

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

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

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

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

Provision of Third-Party Real Estate Sales Information

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

Provision of Real Estate Management Information

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

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

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

Provision of Advisory Services

MFAFM has entrusted the following activities to Mitsui Fudosan.

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

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

Operation Fees

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

Portfolio Policy

Portfolio Structure Policies

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

1. Investment Areas

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

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

2. Investment Standards

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

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

3. Due Diligence Standards

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

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

| Item | Issues Investigated | |
|------------------------------|--|---|
| Economic feasibility studies | Market survey | <ol style="list-style-type: none"> 1. Current residential environment in the relevant region 2. Demand and supply for rental housing in the relevant region 3. Rental housing competition trends in the relevant region 4. Markets rents in the relevant region 5. Discount rate and rate of return |
| | Tenant survey | <ol style="list-style-type: none"> 1. Tenant creditworthiness and rent income amount 2. Purpose of use and confirmation that tenants are not members of anti-social forces |
| | Survey of earnings and related issues | <ol style="list-style-type: none"> 1. Current property management costs 2. Development of mid-to-long-term plan for repair and renovation expenses 3. Development of cash flow projections 4. Verification that property is consistent with portfolio strategy |
| Physical condition studies | Location | <ol style="list-style-type: none"> 1. Street conditions, access to major transportation 2. Convenience and access to public facilities 3. Primarily visual confirmation of status of borders between adjacent tracts and cross-border issues 4. Living conditions including view, light, ambient noise and airflow 5. Presence of unpleasant facilities 6. Future development plans in the surrounding area |
| | Construction, equipment and specifications | <ol style="list-style-type: none"> 1. Building structure, age and construction company of property and other related matters 2. Layout, ceiling height, interior specifications (including ceiling, walls and floors), materials used for the interior and exterior, maintenance of facilities including sanitary facilities, ventilation facilities, electrical facilities, elevators and parking 3. Need for immediate repairs |
| | Building management | <ol style="list-style-type: none"> 1. Status of compliance with related regulations such as the Building Standards Law, the City Planning Law, asbestos-related laws and regulations, the Law concerning the Promotion of Expansion of Public Lands and the National Land Use Planning Law 2. Actual management status 3. Quality of the property management company and contract terms |

| | | |
|---------------------|--|--|
| | Antiseismic resistance and probable maximum loss (PML) | <ol style="list-style-type: none"> 1. Antiseismic resistance that meets the New Earthquake Resistance Standards (the new earthquake resistance standards for buildings, etc., based on the 1981 revision to the Building Standards Law) or equivalent resistance 2. Checks of the construction company, architectural firm, construction engineering company, and institution that inspected construction; confirmation of authenticity of the structural fabrication calculation sheets 3. In principle, earthquake PML shall be below 15 percent. In deciding whether or not to purchase a building for which PML is at or above 20 percent, consideration of additional antiseismic reinforcing work, additional earthquake insurance and other relevant matters must be considered. |
| | Environmental, soil and other issues | <ol style="list-style-type: none"> 1. Investigation of whether the building contains hazardous materials 2. Investigation of land use records and soil contamination |
| Legal investigation | Rights and related issues | <p>Investigation shall be conducted as to whether the previous owner had obtained the enforceable real right.</p> <ol style="list-style-type: none"> 1. Issues regarding ownership interests and mortgage 2. Lease contract terms (including confirmation of area of rental units) 3. Any documentation related to confirmation of border or agreement regarding cross-border issues 4. Permission for occupancy of roads under the Traffic Law 5. Compliance with laws and regulations related to environmental preservation, such as the Nature Conservation Law and the Urban Green Space Conservation Law <p>In case of complicated relation of rights, the following matters, among others, shall be investigated (the complicated relation of rights include relationship between NAF and others if NAF does not hold the title to property or jointly holds the title).</p> <ol style="list-style-type: none"> 1. (If the concerned right is leasehold) the perfection of such leasehold and the absence of any right which supersedes such leasehold 2. The registration status of the relevant right of site; the limitation on separate transfer of such right of site from the building thereon and the registration status of such limitation; share of such right 3. Measures to be taken to ensure the maintenance of deposits; reserve rules or measures based on long-term renovation plan 4. Existence of agreement on prohibition from division of co-ownership property and registration status of such agreement; appropriate treatments in case of request for division of co-ownership property or sales of co-ownership share; (possible) claims against or from other co-owners 5. Status of compartment of compartmentalized ownership 6. Security arrangements established prior to involvement of NAF and assumption of any encumbrances or obligations in connection thereto 7. Terms of special agreement with the owner of site (or leasehold originator), other compartmentalized ownership holders, other co-owners and any other relevant parties 8. Characteristics of owners of site (or leasehold originator), compartmentalized ownership holders, co-owners or other relevant parties (for example, corporations or individuals) 9. Terms of trust agreement in case the relevant rights are beneficial interests in real estate trust |

Policies for Portfolio Management and Operation

1. Basic Management Policies

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

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

2. Selection and Monitoring of the Property Management Company

The property management company is responsible for proposal and implementation of various measures for day-to-day, on-site management of tenants and properties. Such functions of the property management company are particularly important to the management of accommodation assets in general and rental housing in particular. Naturally, the property management company should have specialized expertise in the business of

property management, and its operations must be organized and efficient so that it can provide consistent, high-quality services across a widely dispersed array of properties and tenants.

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

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

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

3. Policies for Property and Casualty Insurance Coverage

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

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

4. Basic Policies for Renovation Plans and Capital Expenditures

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

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

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

Divestiture Policy

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

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

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

Financial Policies

1. Issue of New Units

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

2. Debt Financing

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

3. Loan-to-Value Ratio

The ratio of interest-bearing debt to NAF's total assets is known as the loan-to-value (LTV) ratio. The REIT Management Company determines the upper limit of NAF's LTV ratio as part of its mid-to-long-term asset management plans and its yearly management plans. NAF's policy is to keep the LTV ratio below 60 percent, although issues including the acquisition of assets may cause the LTV ratio to temporarily exceed 60 percent.

4. Derivatives

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

Information Disclosure Policy

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

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

Corporate Data

| | |
|---------------------------------------|---|
| Corporate office | 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-0022, Japan +81-3-3246-3677 http://www.naf-r.jp/english/index.html |
| Date of incorporation | October 12, 2005 |
| Fiscal period | Six months ending February 28 (February 29 in leap years) and August 31 |
| Unit listing | Tokyo Stock Exchange (Securities Code: 3226) |
| Transfer agent | The Chuo Mitsui Trust and Banking Company, Limited 33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan |
| Business office of the transfer agent | Stock Transfer Agency Department of The Chuo Mitsui Trust and Banking Company, Limited 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, Japan |
| Independent auditor | KPMG AZSA LLC AZSA Center Building 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo 162-8551, Japan |
| Investor relations | For further information, please contact the REIT Management Company: Mitsui Fudosan Accommodations Fund Management Co., Ltd. 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-0022, Japan +81-3-3246-3677 |

Status of Unitholders

Major Unitholders

(As of February 28, 2011)

| Name | Number of Units Held | Percentage of Total* |
|---|----------------------|----------------------|
| Japan Trustee Services Bank, Ltd. (Trust Account) | 28,689 | 18.36% |
| The Nomura Trust and Banking Co., Ltd. (Investment Account) | 17,480 | 11.19% |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 10,262 | 6.57% |
| Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account) | 9,574 | 6.13% |
| Mitsui Fudosan Co., Ltd. | 6,600 | 4.22% |
| EDISON GA EQUITY PIMJ | 3,805 | 2.43% |
| The Chuo Mitsui Trust and Banking Company, Limited | 3,600 | 2.30% |
| Sumitomo Mitsui Banking Corporation | 3,590 | 2.29% |
| American Life Insurance Company GA-L | 3,147 | 2.01% |
| NOMURA BANK (Luxembourg) S.A. | 2,767 | 1.77% |

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

Composition and Distribution of Unitholders

(As of February 28, 2011)

| | Individuals and others | Financial institutions | Other domestic corporations | Overseas corporations and individuals | Securities companies | Total |
|-----------------------|------------------------|------------------------|-----------------------------|---------------------------------------|----------------------|-------------------|
| Number of unitholders | 5,687 (94.26%) | 91 (1.51%) | 97 (1.61%) | 134 (2.22%) | 24 (0.40%) | 6,033 (100%) |
| Number of units held | 14,291 (9.15%) | 108,405 (69.41%) | 10,002 (6.40%) | 22,033 (14.11%) | 1,447 (0.93%) | 156,178 (100%) |

Disclaimer

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

This English document contains selected information including a partial translation of the Securities Report (*Yuka shoken hokokusho*) filed on May 27, 2011 pursuant to the Financial Instruments and Exchange Law of Japan, and the Financial Statements and Performance Information Report for the period from September 1, 2010, to February 28, 2011, of Nippon Accommodations Fund Inc. prepared pursuant to the Investment Trust and Investment Corporation Act of Japan. This document should not be deemed a summary of the above mentioned Securities Report and the Financial Statements and Performance Information Report.

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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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