



7th Period

NAF Report | March 2009 – August 2009

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



**Bold Moves Today
for Growth Tomorrow**

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 August 31, 2009)

Profitability

94.4%	An occupancy rate of 94.4 percent
5.0%	Net operating income (NOI) yield* of 5.0 percent
¥13,626	Distribution per unit of ¥13,626 for the 7th Period

Outstanding Portfolio

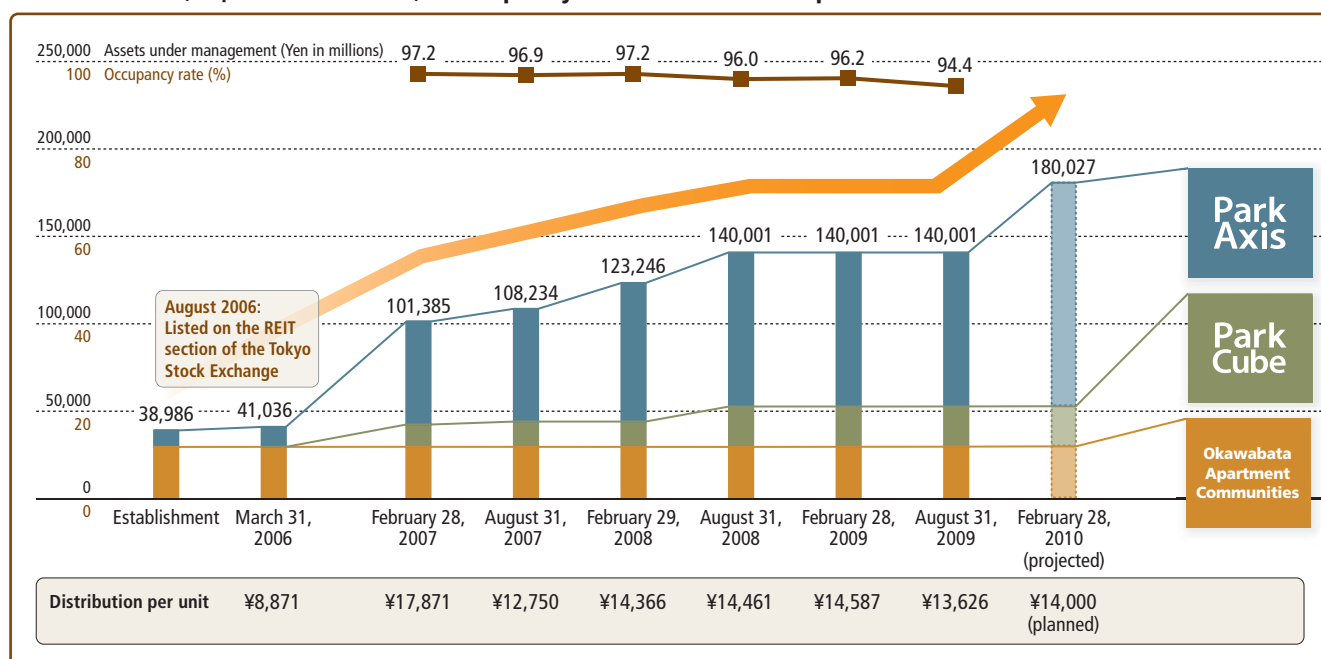
¥140,001 million	Portfolio of 44 superior properties with a total acquisition price of ¥140,001 million
189,635.68m ² / 4,256 units	4,256 units with a total rentable area of 189,635.68m ²
92.2%	92.2 percent of portfolio located in the 23 wards of Tokyo

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
55.3%	LTV (Loan-to-Value) ratio of 55.3 percent, long-term fixed-rate debt ratio of 71.0 percent

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

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

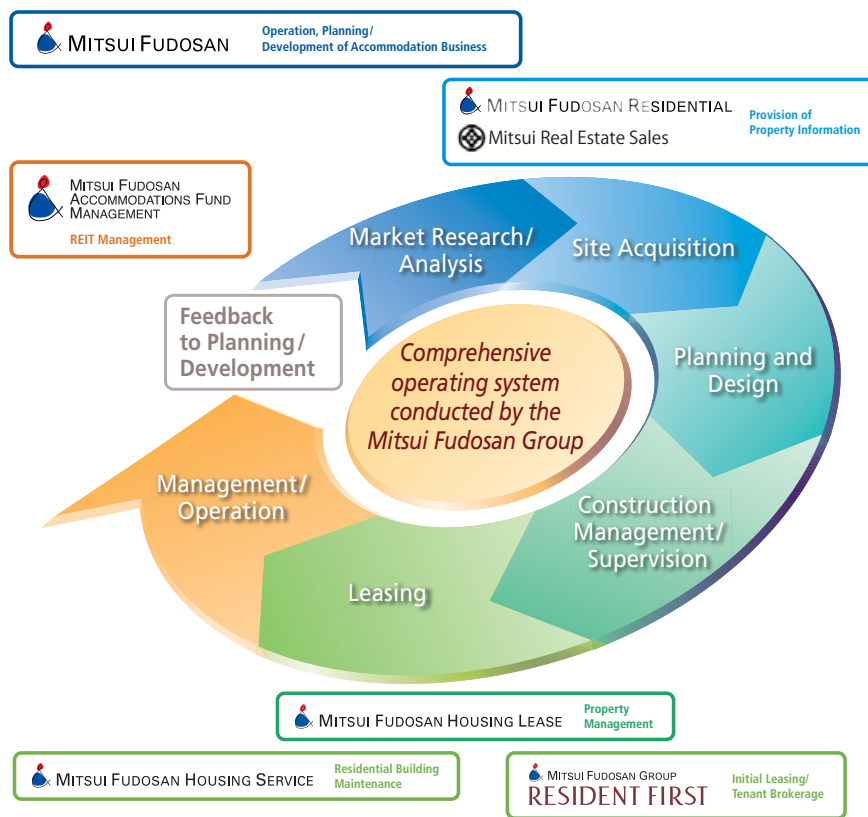


NAF's Two Core Strategies

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



Market Research / Analysis

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

Site Acquisition

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

Planning and Design

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

Construction Management / Supervision

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

Management / Operation

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

Leasing

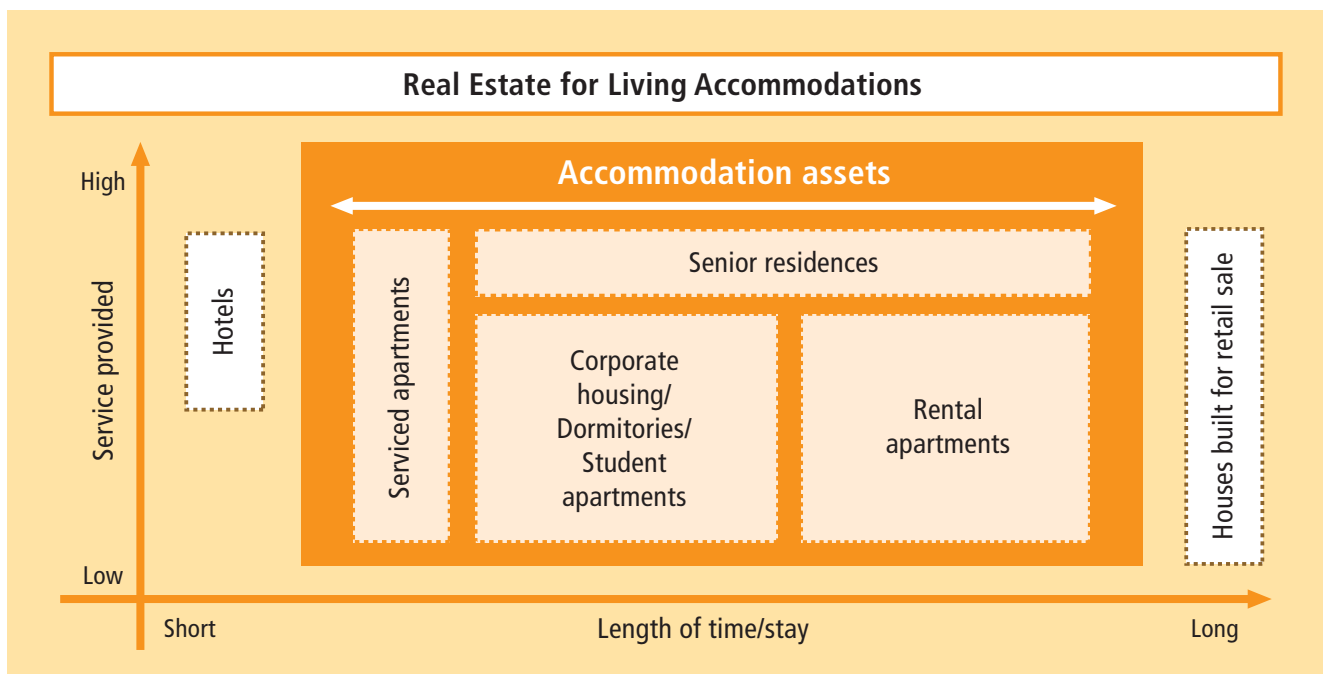
The leasing process includes individual plan evaluation; discussions on living environment, competitive landscape and other conditions; and setting rents. Other activities include creating a framework for conveying product appeal, using leasing specialists and managing a leasing agency network.



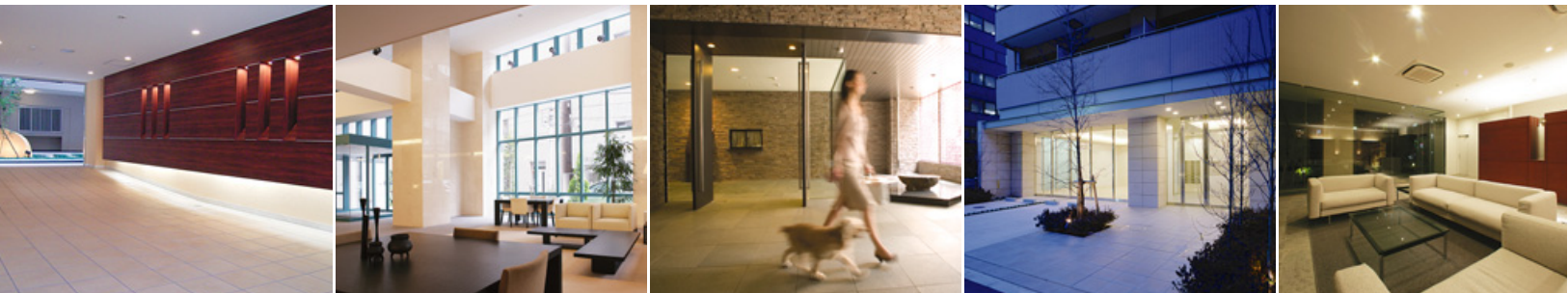
2. Investment in Accommodation Assets

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.



To Our Stakeholders



During the six months ended August 31, 2009 (the “7th Period”), Nippon Accommodations Fund Inc. (“NAF”) made maximum use of the integrated value chain of Mitsui Fudosan Group companies to manage its portfolio with an emphasis on stability. As a result, NAF generated stable revenues. In the six months ending February 28, 2010 (the “8th Period”), NAF will respond flexibly to changing market conditions by conducting a capital increase and property acquisitions, which are already under way, with the aim of maximizing unitholder value by steadily implementing its growth strategy. We believe that carrying out these bold moves today will ensure our growth tomorrow.

Nobuyuki Nakai

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

Market Environment and 7th Period Performance

During the 7th Period, the operating environment remained challenging in the J-REIT market due to turmoil in global financial markets, declining corporate profits and worsening employment conditions.

However, demand remained stable in the residential rental markets in the 23 wards of Tokyo and the centers of Japan’s major regional cities. The economic slowdown had limited impact on rents for single and compact units and highly competitive properties, which remained relatively firm.

In this environment, NAF acquired no new properties during the 7th Period, and as of August 31, 2009 its portfolio consisted of 44 properties valued at ¥140,001 million on an acquisition price basis. We utilized the value chain of Mitsui Fudosan Group companies as we conducted flexible leasing activities to maintain a high occupancy rate and leveraged the scale of our assets to steadily reduce

operating expenses. At the Okawabata Apartment Communities in particular, we lowered management costs and cut operating expenses in addition to carrying out further interior renovations. As a result of the leasing activities discussed above, the occupancy rate for NAF’s overall portfolio as of August 31, 2009 remained at a high level of 94.4 percent.

During the 7th Period, NAF refinanced while monitoring market trends and interest rates. As a result, interest-bearing debt as of August 31, 2009 was unchanged from February 28, 2009 at ¥81,000 million, and NAF’s loan-to-value (LTV) ratio stood at 55.3 percent. NAF secured long-term, fixed-rate loans, which accounted for 71.0 percent of NAF’s interest-bearing debt as of August 31, 2009.

As a result, total revenues were ¥4,475 million, compared with ¥4,508 million for the previous period. Operating income was ¥2,169 million, compared with ¥2,248 million for the previous period. Net income was

	7th Period (Actual) (Ended August 31, 2009)	8th Period (Forecast) (Ending February 28, 2010)	9th Period (Forecast) (Ending August 31, 2010)
Total revenues	¥4,475 million	¥5,891 million	¥6,087 million
Operating income	¥2,169 million	¥2,974 million	¥2,816 million
Net income	¥1,546 million	¥2,219 million	¥2,060 million
Total assets	¥146,542 million	—	—
LTV (Loan-to-value) ratio	55.3%	—	—
Distribution per unit (Yen)	¥13,626	¥14,000	¥13,000
Assets under management			
Acquisition price basis	¥140,001 million	¥180,027 million	¥180,027 million
Number of properties	44	61	61

Note: The above forecasts were announced on October 16, 2009.

¥1,546 million, compared with ¥1,655 million for the previous period. Distribution per unit totaled ¥13,626, compared with ¥14,587 for the previous period.

Significant Subsequent Events (Issuance of New Investment Units and Property Acquisitions)

After considering factors including the current LTV ratio, market trends and distribution levels, the Board of Directors of NAF resolved at meetings held on October 16, 2009 and October 27, 2009 to issue new investment units in order to achieve external growth through property acquisitions. Payments for issuance of the new investment units were completed by December 1, 2009. As a result, total paid-in capital increased to ¥81,103 million and the total number of investment units issued rose to 156,178.

Using the proceeds of loans in addition to the funds procured through the above issuance of new investment

units, NAF completed contracts to purchase the 18 properties listed on page 7 on October 16, 2009. These purchases are aimed at the steady growth of our portfolio as a whole and the diversification and enhancement of properties in the 23 wards of Tokyo and major regional cities. Acquisition prices and scheduled dates of acquisition for the 18 properties are also listed on page 7.

In addition, NAF received an offer to purchase Park Axis Ichigaya and, after examining market trends and contract conditions, resolved to sell the property in February 2010.

After the completion of the above transactions, NAF's portfolio is scheduled to consist of 61 properties valued at ¥180,027 million on an acquisition price basis, encompassing 6,214 units. We have built a more stable and profitable portfolio, with a projected 90 percent located in the 23 wards of Tokyo on an area basis, 80 percent consisting of single and compact units on a category basis, and an average property age of 5.8 years. NAF aims to build

a stronger earnings structure over the long term by further enhancing profitability and closely examining its earnings structure and business opportunities toward a medium-term target of 10,000 units.

Future Initiatives

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

Our strategy for external growth entails steady expansion of our portfolio through the acquisition of properties in the Park Axis and the Park Cube series. We are currently structuring our portfolio with a greater weighting of single and compact apartments, from which we can expect a high occupancy rate.

Regarding financial strategy, our upper limit for the LTV ratio is 60 percent. We will continue to emphasize long-term, fixed-rate funding in response to the risk of rising interest rates and refinancing risk. We will give due

consideration to the issuance of new units after examining market trends and distribution levels and taking into consideration the demand for funds for the purpose of property acquisition as well as our financial position.

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

Outlook

During the 8th Period, we expect the initiatives discussed above to result in total revenues of ¥5,891 million, operating income of ¥2,974 million, net income of ¥2,219 million, and distribution per unit of ¥14,000. During the 6 months ending August 31, 2010 (the "9th Period"), we forecast total revenues of ¥6,087 million, operating income of ¥2,816 million, net income of ¥2,060 million, and distribution per unit of ¥13,000. These forecasts are valid as of October 2009 and assume that NAF will not acquire or

Issuance of New Investment Units

(1) Issuance of new investment units by public offering

Number of units issued	42,000 units
Issue price	¥487,910 per unit
Total issue price	¥20,492 million
Amount paid in (issue value)	¥471,311 per unit
Total amount paid in (issue value)	¥19,795 million
Payment date	November 4, 2009

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

Number of units issued	698 units
Amount paid in (issue value)	¥471,311 per unit
Total amount paid in (issue value)	¥329 million
Payment date	December 1, 2009
Allottee	Nomura Securities Co., Ltd.

exchange any additional properties and will not issue new units in the 8th Period or 9th Period other than those currently announced.

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

December 2009



Nobuyuki Nakai

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

Management Team



From left, Michihiko Takabe, Yuji Yokoyama, Nobuyuki Nakai, Takeo Tomita, Hiroyuki Sodeyama

Yuji Yokoyama	Executive Director
Nobuyuki Nakai	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

Acquisition and Sale of Assets

(1) Acquisition of assets (Yen in millions)

Name of property	Acquisition price	Acquisition date
Park Axis Nishigahara	840	November 5, 2009
Park Axis Kinshicho	1,448	
Park Axis Tatsumi Stage	7,464	
Park Axis Kameido	2,359	
Park Axis Honancho	745	
Park Axis Itabashi	1,448	
Park Axis Oshiage	1,193	
Park Axis Takadanobaba	1,222	
Park Axis Naka Gofukumachi	742	
Park Axis Shirakabe	1,547	
Park Axis Sendai	2,320	
Park Axis Hakata Minoshima	960	
Park Axis Takamiya Higashi	605	

Name of property	Acquisition price	Acquisition date
Park Axis Toyosu	14,300	December 1, 2009
Park Axis Sapporo Shokubutsuen Mae	1,650	
Park Axis Hatchobori	1,760	January 8, 2010 (scheduled)
Park Axis Itabashi Honcho	987	
Park Axis Sumiyoshi	1,006	
Total	42,596	

(2) Sale of asset (Yen in millions)

Name of property	Transfer price	Scheduled handover date
Park Axis Ichigaya	3,100	February 24, 2010

Portfolio Summary

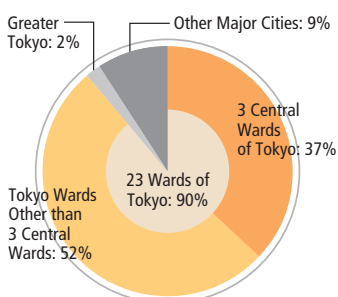
(As of August 31, 2009. After completion of scheduled acquisitions (numbers in red) during the 8th Period and sale of Park Axis Ichigaya, properties will total 61.)

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	16.5	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	1.0	2,437.66	64	7.6
4	Park Axis Shibuya Jinnan	Shibuya-ku, Tokyo	3,230	1.8	2,766.62	75	6.8
5	Park Axis Aoyama Kotto Dori	Minato-ku, Tokyo	1,730	1.0	1,537.24	40	7.0
6	Park Axis Kagurazaka Stage	Shinjuku-ku, Tokyo	1,400	0.8	1,891.05	59	7.5
7	Park Axis Shirokanedai	Minato-ku, Tokyo	5,140	2.9	4,704.44	99	8.7
8	Park Axis Bunkyo Stage	Bunkyo-ku, Tokyo	4,440	2.5	6,078.93	154	6.5
9	Park Axis Tsukishima	Chuo-ku, Tokyo	930	0.5	1,383.99	30	6.8
10	Park Axis Otsuka	Toshima-ku, Tokyo	1,655	0.9	2,606.37	52	6.4
11	Park Axis Minami Azabu	Minato-ku, Tokyo	3,939	2.2	3,938.14	64	7.4
12	Park Axis Shibuya	Shibuya-ku, Tokyo	1,283	0.7	1,094.28	20	7.9
13	Park Axis Nihonbashi Stage	Chuo-ku, Tokyo	7,558	4.2	10,025.40	184 Residential, 1 Retail	7.5
14	Park Axis Hamamatsucho	Minato-ku, Tokyo	2,025	1.1	2,426.45	80	7.1
15	Park Axis Hongo no Mori	Bunkyo-ku, Tokyo	2,910	1.6	3,317.94	86 Residential, 1 Retail	8.8
16	Park Axis Tameike Sanno	Minato-ku, Tokyo	2,860	1.6	2,710.69	70	8.2
17	Park Axis Roppongi Hinokicho Koen	Minato-ku, Tokyo	2,170	1.2	2,054.46	46	9.2
18	Park Axis Ochanomizu Stage	Bunkyo-ku, Tokyo	9,710	5.4	12,025.25	324	7.2
19	Park Axis Okachimachi	Taito-ku, Tokyo	1,070	0.6	1,621.73	42	6.8
20	Park Cube Hongo	Bunkyo-ku, Tokyo	1,760	1.0	2,160.12	60	8.2
21	Park Cube Kanda	Chiyoda-ku, Tokyo	2,454	1.4	3,194.59	95	8.9
22	Park Cube Ichigaya	Shinjuku-ku, Tokyo	1,794	1.0	2,127.50	51	6.8
23	Park Cube Asakusa Tawaramachi	Taito-ku, Tokyo	2,508	1.4	4,012.68	76	8.8
24	Park Cube Ueno	Taito-ku, Tokyo	2,233	1.2	3,041.61	91	7.5
28	Park Cube Ikebukuro Kanamecho	Toshima-ku, Tokyo	1,609	0.9	1,886.82	65	8.1
29	Park Axis Meguro Honcho	Meguro-ku, Tokyo	1,810	1.0	1,884.77	60	8.5
30	Park Axis Shin Itabashi	Itabashi-ku, Tokyo	3,430	1.9	4,395.99	152	7.3 East, 7.5 West
31	Park Axis Akihabara	Chiyoda-ku, Tokyo	1,200	0.7	1,346.07	41	7.4
32	Park Axis Toyoko	Koto-ku, Tokyo	3,950	2.2	5,412.40	140	10.8
33	Park Axis Takinogawa	Kita-ku, Tokyo	1,820	1.0	2,924.75	48 Residential, 1 Retail	5.8
34	Park Axis Asakusabashi	Taito-ku, Tokyo	2,717	1.5	3,400.78	78 Residential, 1 Retail	8.9
38	Park Axis Nihonbashi Hamacho	Chuo-ku, Tokyo	5,540	3.1	6,999.83	118	8.1

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.

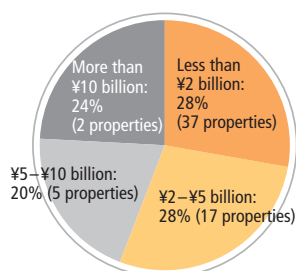
A Portfolio Mainly Composed of Large-Scale Properties in the 23 Wards of Tokyo

Portfolio by Location



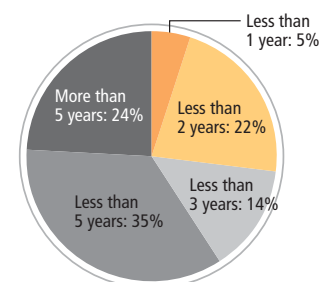
90% in the 23 wards of Tokyo

Portfolio by Acquisition Price



Average ¥2.9 billion per property

Portfolio by Property Age



Average 5.8 years

Amount excluding the Okawabata Apartment Communities >>>

[Average ¥2.5 billion per property]

[Average 2.9 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.

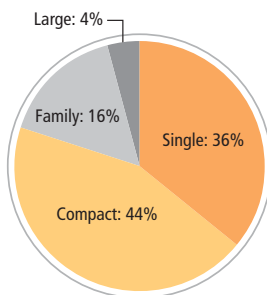
No.	Name	Location	Acquisition Price (Note 1) (Yen in millions)	Portfolio Share (%)	Rentable Area (sq. m.)	Rentable Units	PML (Note 2) (%)
39	Park Cube Yoyogi Tomigaya	Shibuya-ku, Tokyo	1,975	1.1	1,929.10	38	7.4
41	Park Axis Monzen Nakacho	Koto-ku, Tokyo	1,700	0.9	1,886.39	55	10.1
42	Park Cube Itabashi Honcho	Itabashi-ku, Tokyo	4,170	2.3	5,317.07	165 Residential, 1 Retail	8.1
43	Park Cube Gakugei Daigaku	Meguro-ku, Tokyo	910	0.5	957.88	24	6.8
44	Park Cube Oimachi	Shinagawa-ku, Tokyo	1,440	0.8	1,511.12	65	10.0
46	Park Axis Nishigahara	Kita-ku, Tokyo	840	0.5	1,435.83	46	7.7
47	Park Axis Kinshicho	Sumida-ku, Tokyo	1,448	0.8	2,288.13	65	10.7
48	Park Axis Tatsumi Stage	Koto-ku, Tokyo	7,464	4.1	16,474.06	299 Residential, 1 Retail	10.0
51	Park Axis Kameido	Koto-ku, Tokyo	2,359	1.3	3,986.78	118	11.0
52	Park Axis Honancho	Nakano-ku, Tokyo	745	0.4	1,231.08	31	8.0
53	Park Axis Itabashi	Kita-ku, Tokyo	1,448	0.8	2,567.96	64	9.1
54	Park Axis Oshiage	Sumida-ku, Tokyo	1,193	0.7	2,121.29	57 Residential, 1 Retail	10.5
55	Park Axis Takadanobaba	Toshima-ku, Tokyo	1,222	0.7	1,463.25	36 Residential, 1 Retail	7.9
59	Park Axis Toyosu	Koto-ku, Tokyo	14,300	7.9	25,537.94	401 Residential, 2 Retail	7.8
60	Park Axis Hatchobori	Chuo-ku, Tokyo	1,760	1.0	2,416.29	63 Residential, 1 Retail	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	0.6	1,785.72	60	11.4
Tokyo 23 Wards Total			161,297	89.6	224,179.16	4,761 Residential, 11 Retail	
25	Park Cube Keio Hachioji	Hachioji-shi, Tokyo	991	0.6	2,814.32	52	7.1
26	Park Cube Keio Hachioji II	Hachioji-shi, Tokyo	1,130	0.6	3,082.32	47 Residential, 1 Retail	7.6
40	Park Axis Nishi Funabashi	Funabashi-shi, Chiba	1,020	0.6	2,074.35	55	7.9
Greater Tokyo Total (Note 3)			3,141	1.7	7,970.99	154 Residential, 1 Retail	
27	Park Axis Meieki Minami	Nagoya-shi, Aichi	2,440	1.4	5,565.13	169	4.1
35	Park Axis Marunouchi	Nagoya-shi, Aichi	1,920	1.1	3,821.75	98 Residential, 1 Retail	6.1
36	Park Axis Ropponmatsu	Fukuoka-shi, Fukuoka	1,515	0.8	3,473.67	111 Residential, 1 Retail	2.2
37	Park Axis Hakataeki Minami	Fukuoka-shi, Fukuoka	1,890	1.0	4,668.29	176 Residential, 1 Retail	3.1
45	Park Axis Naka Gofukumachi	Fukuoka-shi, Fukuoka	742	0.4	2,707.88	112	2.8
49	Park Axis Shirakabe	Nagoya-shi, Aichi	1,547	0.9	4,735.89	86	6.1
50	Park Axis Sendai	Sendai-shi, Miyagi	2,320	1.3	8,843.17	204	5.7
56	Park Axis Hakata Minoshima	Fukuoka-shi, Fukuoka	960	0.5	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	0.9	7,845.01	146	2.4
Other Major Cities Total			15,589	8.7	47,411.85	1,284 Residential, 3 Retail	
Grand Total			180,027	100.0	279,562.00	6,199 Residential, 15 Retail	

2. PML = Probable maximum loss

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

A Balanced Mix of Properties Centered on Single and Compact Units

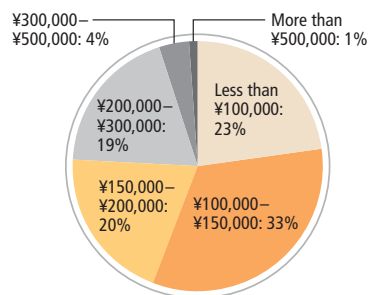
Portfolio by Category



Percentage of single and compact units: 80%

[87%]

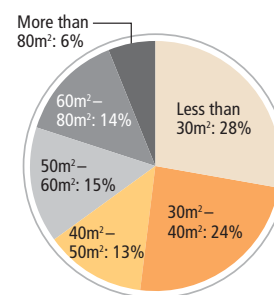
Portfolio by Monthly Rent



Average ¥157 thousand per unit

[Average ¥142 thousand per unit]

Portfolio by Unit Area



Average 44.7m² per unit

[Average 41.2m² per unit]

3. Percentages for Portfolio by Category, Portfolio by Monthly Rent and Portfolio by Unit Area are unit-based, excluding retail units.

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)
	7th Period March 1, 2009 to August 31, 2009	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008	7th Period March 1, 2009 to August 31, 2009
Total revenues (Note 2)	¥ 4,475	¥ 4,508	¥ 4,498	\$ 48,253
Rental revenues	4,211	4,296	4,208	45,407
Other revenues	264	212	290	2,847
Operating expenses	2,306	2,260	2,286	24,865
Income before income taxes	1,547	1,656	1,642	16,681
Net income (a)	1,546	1,655	1,641	16,670
Funds from operations (Note 3)	2,397	2,518	2,489	25,846
Net operating income from property leasing activities (Note 3)	3,508	3,614	3,541	37,826
Total amount of cash distribution (b)	1,546	1,655	1,641	16,670
Depreciation and amortization	851	862	848	9,176
Capital expenditures	138	72	442	1,488
Total assets (c)	146,542	146,666	146,666	1,580,138
Interest-bearing debt	81,000	81,000	81,000	873,410
Total net assets (d)	62,525	62,634	62,620	674,197
Total number of common units issued (units) (e)	113,480	113,480	113,480	
Net assets per unit (Yen/\$) (d) / (e)	550,978	551,939	551,813	5,941.10
Distribution per unit (Yen/\$) (b) / (e)	13,626	14,587	14,461	146.93
Funds from operations per unit (Yen/\$) (Note 3)	21,123	22,184	21,929	227.77
Return on total assets (Note 4)	1.1%	1.1%	1.2%	
(Annual rate)	(2.1%)	(2.3%)	(2.4%)	
ROE (Note 4)	2.5%	2.6%	2.6%	
(Annual rate)	(4.9%)	(5.3%)	(5.2%)	
LTV (Loan-to-value) ratio (Note 3)	55.3%	55.2%	55.2%	
Capital ratio (d) / (c)	42.7%	42.7%	42.7%	
Payout ratio (b) / (a) (Note 5)	99.9%	99.9%	99.9%	
Number of days in period	184	181	184	
Number of investment properties (Note 6)	44	44	44	
Total rentable area (m ²)	189,636	189,636	189,636	
Average occupancy rate at end of period (Note 6)	94.4%	96.2%	96.0%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥92.74 = U.S.\$1.00, the approximate exchange rate on August 31, 2009.

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

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

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

Annual equivalent amounts for the period ended August 31, 2009: Amount for the period ÷ Actual days in the period (184) x 365 days

Annual equivalent amounts for the period ended February 28, 2009: Amount for the period ÷ Actual days in the period (181) x 365 days

Annual equivalent amounts for the period ended August 31, 2008: Amount for the period ÷ Actual days in the period (184) x 365 days

Net assets and total assets used in calculating ROE and ROA 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

Conditions remained severe for Japan's economy, with rapidly worsening employment conditions following significant decreases in corporate earnings and capital investment stemming from the global financial crisis. However, recovery is expected, including a turn-around in exports and personal consumption with the progress of inventory adjustments and the effects of economic stimulus packages around the world. On the other hand, factors inhibiting economic growth include concerns about further worsening of employment conditions and a global economic slowdown as production remains low.

In the residential rental market, a decrease in occupancy rates and other weaknesses arising from the economic downturn were visible at certain high-priced properties. Nevertheless, people continued to move from other regions into the 23 wards of Tokyo, where NAF has concentrated over 90 percent of its portfolio investment, as well as into the centers of other major cities. The number of households also expanded because of an increase in the number of single and two-person households. As a result of these and other factors, demand for rental housing remained steady. In the real estate investment and trading market, the economic recession had a chilling effect on competition for acquisitions by real estate funds and other parties, keeping transaction volume low.

No new properties were acquired during the 7th Period. NAF's portfolio as of August 31, 2009 consisted of 44 properties valued at ¥140,001 million on an acquisition price basis.

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 covering all properties. As a result of these activities, the occupancy rate for NAF's overall portfolio as of August 31, 2009 remained at a high level of 94.4 percent.

As a result of the above, for the 7th Period, NAF recorded total revenues of ¥4,475 million, operating income of ¥2,169 million, income before income taxes of ¥1,547 million and net income of ¥1,546 million.

Changes in Assets, Liabilities and Net Assets

Total assets as of August 31, 2009 decreased ¥124 million from February 28, 2009 to ¥146,542 million. Total current assets increased ¥517 million from February 28, 2009 to ¥5,172 million due to an increase in cash and cash equivalents resulting from depreciation. Total investment properties decreased ¥668 million from February 28, 2009 to ¥141,263 million as a result of normal depreciation, as NAF acquired no new properties during the period and the only increase in assets was from capital expenditures of ¥138 million.

During the 7th Period, NAF refinanced while monitoring market trends and interest rates. As a result, interest-bearing debt as of August 31, 2009 was unchanged from February 28, 2009 at ¥81,000 million. Short-term loans of ¥5,500 million were converted to long-term loans, and ¥1,000 million of long-term loans due within one year were transferred from long-term liabilities to current liabilities during the period. As a result, long-term loans increased ¥4,500 million to ¥42,500 million while short-term loans decreased ¥5,500 million from February 28, 2009 to ¥23,500 million.

The ratio of long-term, fixed-rate debt to total interest-bearing debt was 71.0 percent, compared to 64.2 percent as of February 28, 2009. Excluding long-term loans due within one year, the ratio was 64.8 percent. The loan-to-value ratio, calculated as interest-bearing debt divided by total assets at the end of the period, was 55.3 percent, compared to 55.2 percent as of February 28, 2009.

Net assets totaled ¥62,525 million as of August 31, 2009. Unitholders' capital was unchanged at ¥60,979 million, and retained earnings decreased to ¥1,546 million from ¥1,655 million as of February 28, 2009.

Distributions to Unitholders

NAF determines the amount of cash distributions such that they exceed 90 percent of NAF's taxable income available for dividends as set forth in Article 67-15 of the Special Taxation Measures Law of Japan. For the 7th Period, cash distributions totaled ¥1,546,278,480, or ¥13,626 per unit.

	Yen in thousands, except per unit amounts		
	7th Period March 1, 2009 to August 31, 2009	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008
Retained earnings	¥1,546,304	¥1,655,345	¥1,641,044
Undistributed earnings	26	12	10
Total cash distribution	1,546,278	1,655,333	1,641,034
(Per unit)	13,626	14,587	14,461
Distribution of retained earnings	1,546,278	1,655,333	1,641,034
(Per unit)	13,626	14,587	14,461
Cash distribution in excess of retained earnings	—	—	—
(Per unit)	—	—	—

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

Funding

Balance of Paid-in Capital

NAF was established on October 12, 2005 with initial paid-in capital of ¥100 million. NAF began investing activities on November 29, 2005 after ¥21,140 million was raised through private placement. As of August 31, 2009, NAF had issued 113,480 investment units out of 2,000,000 total authorized units. NAF's investment units were listed on the J-REIT section of the Tokyo Stock Exchange in August 2006 upon the completion of a public offering. As the Investment Trust and Investment Corporation Act of Japan does not contain any provision for the issue of more than one class of units, NAF's investment units comprise the sole class of units authorized and issued by NAF.

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

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

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

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

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

Market Price of Units

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

	7th Period March 1, 2009 to August 31, 2009 (Yen)	6th Period September 1, 2008 to February 28, 2009 (Yen)	5th Period March 1, 2008 to August 31, 2008 (Yen)	4th Period September 1, 2007 to February 29, 2008 (Yen)	3rd Period March 1, 2007 to August 31, 2007 (Yen)
High	¥515,000	¥538,000	¥565,000	¥762,000	¥1,030,000
Low	361,000	371,000	396,000	528,000	685,000

Borrowings

Borrowings by financial institution as of August 31, 2009 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	¥ 6,500	1.2%	October 13, 2009	Bullet payment	(Note 3)	Unsecured /unguaranteed /pari passu (Note 4) Fixed rate
The Hachijuni Bank, Ltd.	1,000	1.2%	October 13, 2009			
Mitsubishi UFJ Trust and Banking Corporation	5,000	1.1%	September 24, 2009			
The 77 Bank, Ltd.	1,000	1.2%	October 30, 2009			
The Chuo Mitsui Trust and Banking Company, Limited	3,500	0.8%	September 30, 2009			
The Sumitomo Trust and Banking Co., Ltd.	4,500	0.8%	September 4, 2009			
The Bank of Fukuoka, Ltd.	2,000	1.2%	November 16, 2009			
Total short-term loans	¥23,500					

Long-term loans

Lender	Balance (Yen in millions)	Interest rate	Date of maturity	Repayment method	Use of funds	Notes
Sumitomo Mitsui Banking Corporation	¥ 2,000	1.2%	November 30, 2009	Bullet payment	(Note 3)	Unsecured /unguaranteed /pari passu (Note 4) Fixed rate
	5,000	1.4%	November 30, 2010			
	5,500	1.6%	March 22, 2011			
The Chuo Mitsui Trust and Banking Company, Limited	3,000	1.4%	November 30, 2010			
The Sumitomo Trust and Banking Co., Ltd.	3,000	1.8%	November 30, 2012			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000	1.5%	February 26, 2010			
Nippon Life Insurance Company	3,000	1.6%	February 28, 2011			
Development Bank of Japan Inc.	3,000	2.1%	April 11, 2012			
	5,000	2.1%	August 6, 2013			
The Hachijuni Bank, Ltd.	1,000	1.8%	April 12, 2010			
	1,000	1.5%	September 14, 2012			
Mizuho Corporate Bank, Ltd.	1,000	1.6%	April 19, 2011			
	2,000	1.6%	October 12, 2011			
The Chugoku Bank, 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			
The Bank of Fukuoka, Ltd.	2,000	1.6%	October 31, 2012			
Total long-term loans	¥47,500					
Total borrowings	¥71,000					

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. 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)

Amount	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
	¥20,500	¥5,000	¥17,000	—

Bonds

Issue	Issue date	Balance as of August 31, 2009 (Yen in millions)	Coupon	Maturity date	Redemption	Use of proceeds	Notes
No. 1 unsecured bonds	November 15, 2007	¥10,000	1.7%	November 14, 2014	Bullet payment	Note 1	Note 2
Total		¥10,000					

Notes: 1. Use of 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 (March 1, 2009 to August 31, 2009)	Cumulative amount paid
			(Yen in millions)		
Okawabata Apartment Communities	Renovation of common use areas (emergency lighting, etc.)	From September 2009 to February 2010	¥46	—	—
	Expansion of bicycle parking lot, replacement of bicycle rack	From September 2009 to February 2010	24	—	—
	Renovation of disaster-prevention equipment	From August 2009 to June 2010	67	—	—

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NAF posted ¥138 million in capital expenditures together with ¥153 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
Okawabata Apartment Communities	Renewal construction in rentable areas, etc.	From March 2009 to July 2009	¥112
Other Properties	Renovation of water pump and other construction	From March 2009 to August 2009	27
Total			¥138

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 August 31, 2009	As of February 28, 2009	As of August 31, 2008
Reserve balance at the beginning of the period	¥501	¥556	¥740
Amount accumulated in the current period	173	12	222
Withdrawal from reserves in the current period	145	67	406
Amount carried forward	¥529	¥501	¥556

Expenses regarding Entrustment, etc.

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

Item	Yen in millions		
	7th Period March 1, 2009 to August 31, 2009	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008
Asset management fees	¥317	¥324	¥323
Asset custody fees	7	7	6
Agent fees (stock transfer, accounting and administrative)	25	22	21
Directors' remuneration	10	10	10
Auditor's fees	13	12	13
Other expenses	116	128	108
Total	¥488	¥504	¥481

Related Party Transactions

(1) Transactions

None applicable

(2) Fees Paid for the Period from March 1, 2009 to August 31, 2009

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	¥318	Mitsui Fudosan Housing Lease Co., Ltd.	¥318	100.0%
Building management fees	142	Mitsui Fudosan Housing Lease Co., Ltd.	142	100.0%
Leasing related service fees	94	RESIDENT FIRST CO., LTD.	20	21.5%
		Mitsui Home Estate Co., Ltd.	1	0.9%
		Kyushu Mitsui Real Estate Sales Co., Ltd.	0	0.2%
		Mitsui Rehouse Tokyo Co., Ltd.	0	0.2%

(3) Other Payments to Related Parties

Paid to	Amount of payment (Yen in millions)	Item
Mitsui Home Remodeling Co., Ltd.	¥72	Repair and maintenance costs
Mitsui Fudosan Housing Service Co., Ltd.	8	Repair and maintenance costs
Mitsui Designtec Co., Ltd.	5	Repair and maintenance costs

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

2. Figures indicate percentages of total price.

Financial Statements

Balance Sheets

Nippon Accommodations Fund Inc.
As of August 31, 2009 and February 28, 2009

	Yen in millions		U.S. dollars in thousands (Note 1)
	7th Period As of August 31, 2009	6th Period As of February 28, 2009	7th Period As of August 31, 2009
Assets			
Current assets:			
Cash and cash equivalents	¥ 4,534	¥ 4,000	\$ 48,889
Rent receivables	598	628	6,448
Consumption tax receivables and other current assets	40	27	431
Total current assets	5,172	4,655	55,769
Investment properties (Note 3):			
Land including trust accounts	96,020	96,015	1,035,368
Depreciable property and improvements including trust accounts	50,118	49,941	540,414
Accumulated depreciation	(4,875)	(4,025)	(52,566)
Total investment properties	141,263	141,931	1,523,215
Other assets	107	80	1,154
Total Assets	¥146,542	¥146,666	\$1,580,138
Liabilities and Net Assets			
Liabilities			
Current liabilities:			
Short-term loans (Note 4)	¥ 23,500	¥ 29,000	\$ 253,397
Long-term loans due within one year (Note 4)	5,000	4,000	53,914
Accounts payable	433	432	4,669
Rent received in advance	698	708	7,526
Accrued expenses and other liabilities	333	282	3,591
Total current liabilities	29,964	34,422	323,097
Long-term liabilities:			
Long-term loans (Note 4)	42,500	38,000	458,270
Bonds (Note 4)	10,000	10,000	107,828
Tenant security deposits	1,553	1,610	16,746
Total long-term liabilities	54,053	49,610	582,845
Total Liabilities	¥ 84,017	¥ 84,032	\$ 905,941
Net Assets			
Unitholders' capital (Note 5)	60,979	60,979	657,526
Retained earnings	1,546	1,655	16,670
Total Net Assets	¥ 62,525	¥ 62,634	\$ 674,197
Total Liabilities and Net Assets	¥146,542	¥146,666	\$1,580,138

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

Statements of Income

Nippon Accommodations Fund Inc.

March 1, 2009 to August 31, 2009, September 1, 2008 to February 28, 2009 and March 1, 2008 to August 31, 2008

	Yen in millions			U.S. dollars in thousands (Note 1)
	7th Period March 1, 2009 to August 31, 2009	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008	7th Period March 1, 2009 to August 31, 2009
Revenues (Note 6):				
Rental	¥4,211	¥4,296	¥4,208	\$45,407
Other revenues related to property leasing	264	212	290	2,847
Total Revenues	4,475	4,508	4,498	48,253
Operating Expenses (Note 6):				
Property management fees	473	458	499	5,100
Real estate taxes and insurance	175	148	148	1,887
Repairs and maintenance	153	127	133	1,650
Other rental expenses	166	162	177	1,790
Depreciation and amortization	851	862	848	9,176
Asset management fees	317	324	323	3,418
Other expenses	171	179	158	1,844
Total Operating Expenses	2,306	2,260	2,286	24,865
Operating Income	2,169	2,248	2,212	23,388
Interest and other income	2	4	19	22
Interest expense	(619)	(592)	(583)	(6,675)
Other expenses	(5)	(4)	(6)	54
Income before Income Taxes	1,547	1,656	1,642	16,681
Current and deferred income taxes (Note 7)	1	1	1	11
Net Income	¥1,546	¥1,655	¥1,641	\$16,670

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

Statements of Changes in Net Assets

Nippon Accommodations Fund Inc.

For the period from March 1, 2008 to August 31, 2009

	Number of Units	Yen in millions		
		Unitholders' Capital	Retained Earnings	Total
Balance as of February 29, 2008	113,480	¥60,979	¥ 1,630	¥62,609
Cash distribution declared	—	—	(1,630)	(1,630)
Net income	—	—	1,641	1,641
Balance as of August 31, 2008	113,480	60,979	1,641	62,620
Cash distribution declared	—	—	(1,641)	(1,641)
Net income	—	—	1,655	1,655
Balance as of February 28, 2009	113,480	60,979	1,655	62,634
Cash distribution declared	—	—	(1,655)	(1,655)
Net income	—	—	1,546	1,546
Balance as of August 31, 2009	113,480	¥60,979	¥ 1,546	¥62,525

	Number of Units	U.S. dollars in thousands (Note 1)		
		Unitholders' Capital	Retained Earnings	Total
Balance as of February 29, 2008	113,480	\$657,526	\$ 17,576	\$675,102
Cash distribution declared	—	—	(17,576)	(17,576)
Net income	—	—	17,695	17,695
Balance as of August 31, 2008	113,480	657,526	17,695	675,221
Cash distribution declared	—	—	(17,695)	(17,695)
Net income	—	—	17,846	17,846
Balance as of February 28, 2009	113,480	657,526	17,846	675,372
Cash distribution declared	—	—	(17,846)	(17,846)
Net income	—	—	16,670	16,670
Balance as of August 31, 2009	113,480	\$657,526	\$ 16,670	\$674,197

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

Statements of Cash Flows

Nippon Accommodations Fund Inc.

March 1, 2009 to August 31, 2009, September 1, 2008 to February 28, 2009 and March 1, 2008 to August 31, 2008

	Yen in millions			U.S. dollars in thousands (Note 1)
	7th Period March 1, 2009 to August 31, 2009	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008	7th Period March 1, 2009 to August 31, 2009
Cash Flows from Operating Activities:				
Income before income taxes	¥ 1,547	¥ 1,656	¥ 1,642	\$ 16,681
Depreciation and amortization	851	862	848	9,176
Amortization of bond issue costs	4	4	4	43
Interest expense	619	592	583	6,675
(Increase) Decrease in rent receivables	30	30	(75)	323
Increase (Decrease) in accounts payable	1	(2)	(46)	11
Increase (Decrease) in rents received in advance	(10)	(3)	63	(108)
Cash payments of interest expense	(565)	(578)	(556)	(6,092)
(Increase) Decrease in consumption tax refund receivable	—	9	1	—
Other, net	(42)	6	15	(453)
Net Cash Provided by Operating Activities	2,435	2,576	2,479	26,256
Cash Flows from Investing Activities:				
Payments for purchases of investment properties	(183)	(90)	(17,782)	(1,973)
Proceeds from tenant security deposits	197	163	341	2,124
Payments for tenant security deposits	(255)	(196)	(197)	(2,750)
Other, net	(6)	(2)	(6)	(65)
Net Cash Used in Investing Activities	(247)	(125)	(17,644)	(2,663)
Cash Flows from Financing Activities:				
Proceeds from short-term loans	43,500	55,000	77,100	469,053
Repayment of short-term loans	(49,000)	(55,000)	(60,600)	(528,359)
Proceeds from long-term loans	5,500	—	—	59,306
Payment of distribution	(1,654)	(1,640)	(1,632)	(17,835)
Net Cash Provided by (Used in) Financing Activities	(1,654)	(1,640)	14,868	(17,835)
Net Change in Cash and Cash Equivalents	534	811	(297)	5,758
Cash and Cash Equivalents at the Beginning of the Period	4,000	3,189	3,486	43,131
Cash and Cash Equivalents at the End of the Period	¥ 4,534	¥ 4,000	¥ 3,189	\$ 48,889

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

Notes to Financial Statements

Nippon Accommodations Fund Inc.

March 1, 2009 to August 31, 2009, September 1, 2008 to February 28, 2009 and March 1, 2008 to August 31, 2008

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 August 31, 2009, NAF had ownership or beneficiary interests in 44 properties containing approximately 189,636 square meters of rentable space. As of August 31, 2009, NAF had leased approximately 179,077 square meters to tenants. The occupancy rate for the properties was approximately 94.4%.

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 August 31, 2009, which was ¥92.74 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

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

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

Income Taxes

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

Real Estate Taxes

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

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

When the property is purchased before January 1 of any given calendar year, these taxes for the previous year are imposed on the seller. The Company pays the seller the corresponding tax amounts for the period from the property's transfer date to December 31 of the previous year as part of the purchase prices of each property, and capitalizes these amounts as the cost of the property. There was no capitalized property tax for the period ended August 31, 2009.

Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate

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

Note 3 Schedule of Investment Properties

Investment properties as of August 31, 2009 and February 28, 2009 consisted of the following:

	Yen in millions					
	As of August 31, 2009			As of February 28, 2009		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥ 52,599	¥ —	¥ 52,599	¥ 52,594	¥ —	¥ 52,594
Land in trust	43,421	—	43,421	43,421	—	43,421
Land including trust total	96,020	—	96,020	96,015	—	96,015
Buildings and improvements	29,366	(2,275)	27,092	29,330	(1,831)	27,500
Buildings and improvements in trust	17,811	(1,953)	15,858	17,674	(1,671)	16,003
Building and improvements including those in trust total	47,178	(4,228)	42,949	47,004	(3,501)	43,503
Structures	661	(106)	555	661	(85)	576
Machinery and equipment	513	(78)	434	513	(55)	458
Tools, furniture and fixtures	453	(181)	272	453	(146)	307
Structures in trust	886	(105)	781	883	(90)	793
Machinery and equipment in trust	120	(29)	91	120	(23)	97
Tools, furniture and fixtures in trust	296	(148)	147	294	(125)	170
Construction in process in trust	12	—	12	13	—	13
Other investment properties total	2,940	(647)	2,293	2,937	(524)	2,414
Total	¥146,138	¥(4,875)	¥141,263	¥145,956	¥(4,025)	¥141,931

Note 4 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 August 31, 2009 and February 28, 2009 ranged from 0.82% to 1.23% and from 0.65% to 1.37%, respectively. Long-term debt is at fixed rates and consists of the following:

	Yen in millions	
	As of August 31, 2009	As of February 28, 2009
Unsecured loans due 2009 to 2013 principally from banks and insurance companies with interest rates mainly ranging from 1.2% to 2.2%	¥47,500	¥42,000
1.7% unsecured bonds due 2014	10,000	10,000
	¥57,500	¥52,000

The annual maturities of long-term loans as of August 31, 2009 were as follows:

	Yen in millions
2009	¥ 2,000
2010	11,000
2011	14,500
2012	12,000
Thereafter	8,000

Note 5 Unitholders' Capital

	As of August 31, 2009	As of February 28, 2009	As of August 31, 2008
Total number of common units authorized	2,000,000	2,000,000	2,000,000
Total number of common units issued and outstanding	113,480	113,480	113,480

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

Note 6 Rental Revenues and Expenses

Rental revenues and expenses for the periods ended August 31, 2009, February 28, 2009 and August 31, 2008 were as follows:

	Yen in millions		
	7th Period March 1, 2009 to August 31, 2009	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008
Revenues from Property Leasing:			
Rental:			
Rental revenues	¥4,099	¥4,179	¥4,091
Facility charge	112	117	117
Subtotal	4,211	4,296	4,208
Other revenues related to property leasing:			
Income from leasing rights, etc.	203	164	241
Miscellaneous income	61	48	49
Subtotal	264	212	290
Total revenues from property leasing	4,475	4,508	4,498
Rental Expenses:			
Property management fees	473	458	499
Repairs and maintenance	153	127	133
Real estate taxes	166	138	138
Trust fee	9	9	9
Utilities	42	47	46
Insurance	9	9	9
Depreciation and amortization	851	862	848
Leasing-related service fees, etc.	94	84	98
Other rental expenses	21	22	24
Total rental expenses	1,818	1,756	1,804
Operating Income from Property Leasing Activities	¥2,657	¥2,752	¥2,694

Note 7 Income Taxes

NAF is subject to income taxes in Japan. The effective tax rates on NAF's income based on applicable Japanese tax law were 0.06%, 0.06% and 0.06% for the periods ended August 31, 2009, February 28, 2009 and August 31, 2008, respectively. The following table summarizes the significant differences between the statutory tax rates and NAF's effective tax rates for financial statement purposes.

	7th Period March 1, 2009 to August 31, 2009	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008
Statutory effective tax rate	39.33%	39.39%	39.39%
Deductible distributions paid	(39.30)	(39.37)	(39.37)
Others	0.04	0.04	0.04
Effective tax rate	0.06%	0.06%	0.06%

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of August 31, 2009, February 28, 2009 and August 31, 2008 were as follows:

	Yen in thousands		
	As of August 31, 2009	As of February 28, 2009	As of August 31, 2008
Deferred tax assets:			
Enterprise taxes	¥ 20	¥ 20	¥ 21
Total deferred tax assets	20	20	21
Deferred tax liabilities	—	—	—
Net Deferred Tax Assets	¥ 20	¥ 20	¥ 21

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 8 Per Unit Information

Information about earnings per unit for the periods ended August 31, 2009, February 28, 2009 and August 31, 2008 and net assets per unit as of August 31, 2009, February 28, 2009 and August 31, 2008 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		
	7th Period March 1, 2009 to August 31, 2009	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008
Earnings per Unit:			
Net income	¥13,626	¥14,587	¥14,461
Weighted average number of common units outstanding	113,480	113,480	113,480
	As of August 31, 2009	As of February 28, 2009	As of August 31, 2008
Net Assets per Unit	¥550,978	¥551,939	¥551,813

Note 9 Transactions with Related Parties

(March 1, 2009 – August 31, 2009)

- (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	Executive Director of NAF and President & CEO of MFAFM	Payment of asset management fees to MFAFM (Note 1)	¥317 (Notes 2 and 4)	Accounts payable	¥333 (Note 4)
			Payment for the provision of general administration services relating to organizational management to MFAFM (Note 3)	¥6 (Note 4)	Accounts payable	¥0 (Note 4)

- Notes: 1. Nobuyuki Nakai entered into this transaction as a representative of MFAFM, and this amount is subject to the conditions set forth in the by-laws of NAF.
 2. The amount of asset management fees does not include fees for management related to acquisition of properties included in the book value of each investment property, etc.
 3. Nobuyuki Nakai entered into this transaction as a representative of MFAFM, and this amount is set forth in the "General Administration Agreement relating to Organizational Management" concluded between NAF and MFAFM.
 4. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

(September 1, 2008 – February 28, 2009)

- (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	Executive Director of NAF and President & CEO of MFAFM	Payment of asset management fees to MFAFM (Note 1)	¥324 (Notes 2 and 4)	Accounts payable	¥341 (Note 4)
			Payment for the provision of general administration services relating to organizational management to MFAFM (Note 3)	¥1 (Note 4)	Accounts payable	¥0 (Note 4)

- Notes: 1. Nobuyuki Nakai entered into this transaction as a representative of MFAFM, and this amount is subject to the conditions set forth in the by-laws of NAF.
 2. The amount of asset management fees does not include fees for management related to acquisition of properties included in the book value of each investment property, etc.
 3. Nobuyuki Nakai entered into this transaction as a representative of MFAFM, and this amount is set forth in the "General Administration Agreement relating to Organizational Management" concluded between NAF and MFAFM.
 4. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

Note 10 Significant Subsequent Events (As of November 25, 2009)**1. Issuance of New Investment Units**

At meetings held on October 16, 2009 and October 27, 2009, the Board of Directors of NAF resolved to issue new investment units, as detailed below, and payment for issuance of new investment units by public offering was completed on November 4, 2009.

As a result, total investment is ¥80,773,762,000 and the total number of common units issued and outstanding is 155,480.

A. Issuance of new investment units by public offering

(1) Method of offering	Public offering
(2) Number of units issued	42,000 units
(3) Issue price	¥487,910 per unit
(4) Total issue price	¥20,492,220,000
(5) Amount paid in (issue value)	¥471,311 per unit
(6) Total amount paid in (issue value)	¥19,795,062,000
(7) Payment date	November 4, 2009

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

(1) Method of offering	Third-party allocation
(2) Number of units to be offered	3,000 units
(3) Amount to be paid in (issue value)	¥471,311 per unit
(4) Total amount to be paid in (issue value)	¥1,413,933,000
(5) Payment date	December 1, 2009
(6) Allottee	Nomura Securities Co., Ltd.

Note: It is possible that no applications will be made for a third-party allocation for all or part of the issued units, resulting in the reduction of the final number of units issued by such third-party allocation to the minimum amount due to the forfeiture of rights, or in no issuance whatsoever.

C. Use of the procured funds

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

2. Acquisition of Assets

Based on the provisions for investments and policies on asset management set forth in its Articles of Incorporation, NAF acquired the following assets on November 5, 2009. "Acquisition Price" as used below excludes miscellaneous expenses for acquisition, fixed property taxes, urban planning taxes, consumption taxes and local consumption taxes.

Park Axis Nishigahara

Acquisition Price	¥840 million	
Location (Residence Indication)	2-45-10, Nishigahara, Kita-ku, Tokyo	
Building	Completion Date	October 19, 2007
	Structure /Number of Floors	Reinforced concrete 10F
	Rentable Area	1,435.83m ²

Park Axis Kinshicho

Acquisition Price		¥1,448 million
Location (Residence Indication)		1-6-9, Taihei, Sumida-ku, Tokyo
Building	Completion Date	December 14, 2007
	Structure /Number of Floors	Reinforced concrete 14F
	Rentable Area	2,288.13m ²

Park Axis Tatsumi Stage

Acquisition Price		¥7,464 million
Location (Residence Indication)		2-1-56, Tatsumi, Koto-ku, Tokyo
Building	Completion Date	January 31, 2008
	Structure /Number of Floors	Reinforced concrete 13F
	Rentable Area	16,474.06m ²

Park Axis Kameido

Acquisition Price		¥2,359 million
Location (Residence Indication)		1-8-6, Kameido, Koto-ku, Tokyo
Building	Completion Date	March 28, 2008
	Structure /Number of Floors	Reinforced concrete 14F
	Rentable Area	3,986.78m ²

Park Axis Honancho

Acquisition Price		¥745 million
Location (Residence Indication)		5-25-6, Minamidai, Nakano-ku, Tokyo
Building	Completion Date	July 31, 2008
	Structure /Number of Floors	Reinforced concrete 10F
	Rentable Area	1,231.08m ²

Park Axis Itabashi

Acquisition Price		¥1,448 million
Location (Residence Indication)		7-24-1, Takinogawa, Kita-ku, Tokyo
Building	Completion Date	October 31, 2008
	Structure /Number of Floors	Reinforced concrete 9F
	Rentable Area	2,567.96m ²

Park Axis Oshiage

Acquisition Price		¥1,193 million
Location (Residence Indication)		1-18-8, Oshiage, Sumida-ku, Tokyo
Building	Completion Date	November 20, 2008
	Structure /Number of Floors	Reinforced concrete B1/14F
	Rentable Area	2,121.29m ²

Park Axis Takadanobaba

Acquisition Price		¥1,222 million
Location (Residence Indication)		3-28-6, Takada, Toshima-ku, Tokyo
Building	Completion Date	November 28, 2008
	Structure /Number of Floors	Reinforced concrete 14F
	Rentable Area	1,463.25m ²

Park Axis Naka Gofukumachi

Acquisition Price		¥742 million
Location (Residence Indication)		2-11, Naka-Gofuku-machi, Hakata-ku, Fukuoka-shi, Fukuoka
Building	Completion Date	August 27, 2007
	Structure /Number of Floors	Reinforced concrete 15F
	Rentable Area	2,707.88m ²

Park Axis Shirakabe

Acquisition Price		¥1,547 million
Location (Residence Indication)		2-14-27, Shirakabe, Higashi-ku, Nagoya-shi, Aichi
Building	Completion Date	February 28, 2008
	Structure /Number of Floors	Steel reinforced concrete/Reinforced concrete 15F
	Rentable Area	4,735.89m ²

Park Axis Sendai

Acquisition Price		¥2,320 million
Location (Residence Indication)		1-8-2, Shintera, Wakabayashi-ku, Sendai-shi, Miyagi
Building	Completion Date	March 6, 2008
	Structure /Number of Floors	Reinforced concrete 13F
	Rentable Area	8,843.17m ²

Park Axis Hakata Minoshima

Acquisition Price		¥960 million
Location (Residence Indication)		2-2-6, Minoshima, Hakata-ku, Fukuoka-shi, Fukuoka
Building	Completion Date	December 25, 2008
	Structure /Number of Floors	Reinforced concrete 14F
	Rentable Area	3,461.85m ²

Park Axis Takamiya Higashi

Acquisition Price		¥605 million
Location (Residence Indication)		1-18-23 Shimizu, Minami-ku, Fukuoka-shi, Fukuoka
Building	Completion Date	March 3, 2009
	Structure /Number of Floors	Reinforced concrete 7F
	Rentable Area	2,289.21m ²

3. Borrowing Funds

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

Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of loan	Date of maturity	Repayment method	Notes
Shinkin Central Bank	¥2,000	0.8%	November 5, 2009	December 1, 2009	Bullet repayment	Unsecured/ unguaranteed/ pari passu (Note 2)

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

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

Independent Auditors' Report



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

We have audited the accompanying balance sheets of Nippon Accomodations Fund Inc. (a Japanese Real Estate Investment Trust) as of August 31, 2009, and February 28, 2009, and the related statements of income, changes in net assets and cash flows for each of the periods from March 1, 2009 to August 31, 2009, from September 1, 2008 to February 28, 2009, and from March 1, 2008 to August 31, 2008, 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 Accomodations Fund Inc. as of August 31, 2009, and February 28, 2009, and the results of their operations and their cash flows for each of the periods from March 1, 2009 to August 31, 2009, from September 1, 2008 to February 28, 2009 and from March 1, 2008 to August 31, 2008, in conformity with accounting principles generally accepted in Japan.

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

The U.S. dollar amounts in the accompanying financial statements with respect to the period ended August 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion; such translation has been made on the basis described in Note 1 to the financial statements.

KPMG AZSA & Co.

Tokyo, Japan
November 25, 2009

KPMG AZSA & Co., an 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, a Swiss cooperative.

Facts and Figures

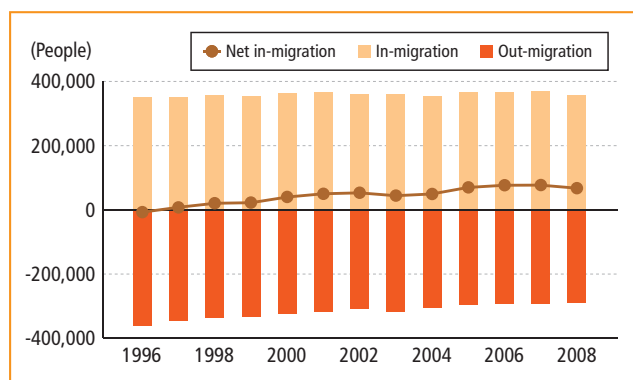
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Rental Apartment Investment Characteristics

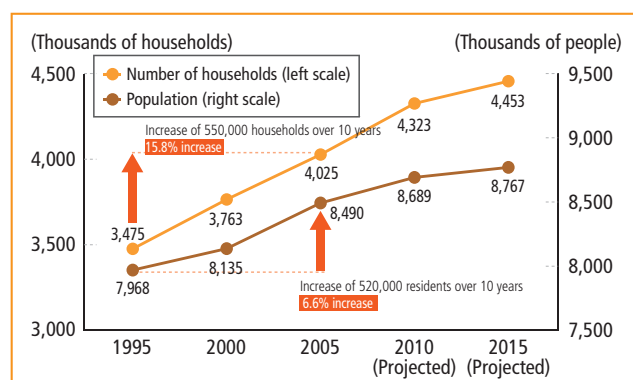
Rental apartments have a lower earnings fluctuation risk than real estate leased for other uses. By concentrating investment in the 23 wards of Tokyo where demand for rental housing is high and developing a portfolio with high market competitiveness and asset value, NAF will stably increase earnings.

1. Net Migration into Tokyo (23 Wards)



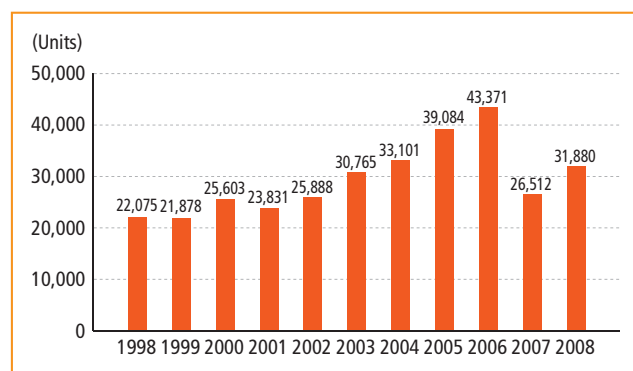
Source: "Households and Population in Tokyo in Accordance with the Basic Register of Residents," Statistics Division, Tokyo Metropolitan Government Bureau of General Affairs

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



Source: 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 2008 stalled at about the same level as 2003.

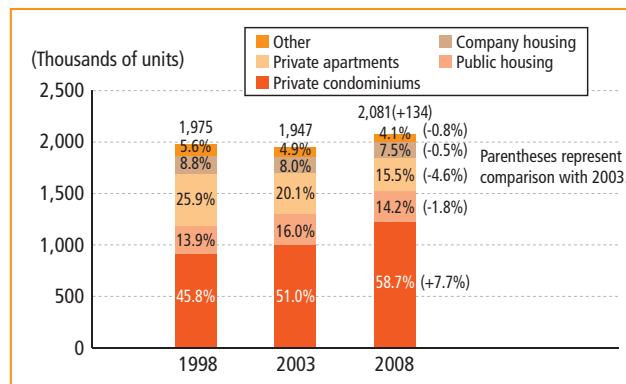
Rental housing stock volume for the 23 wards of Tokyo is shown in Graph 4. Stock increased by 134 thousand units to 2,081 thousand in 2008 from 1,947 thousand in 2003 with the increase in demand due to the population influx into Tokyo. However, the overall increase was moderate compared with the concurrent 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

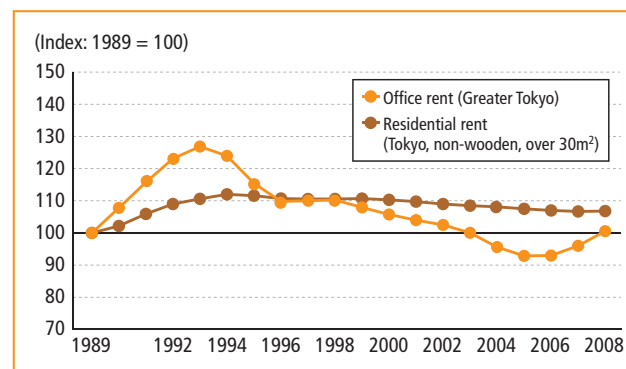
Graph 5 shows relative rents for non-wooden residential units over 30m² in the 23 wards of Tokyo and offices in Greater Tokyo, with 1989 levels set as 100. Residential rent has remained relatively stable in comparison to office rent. Rental housing is a necessary expense in the same way as clothing and 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)



5. Residential and Office Rents



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.

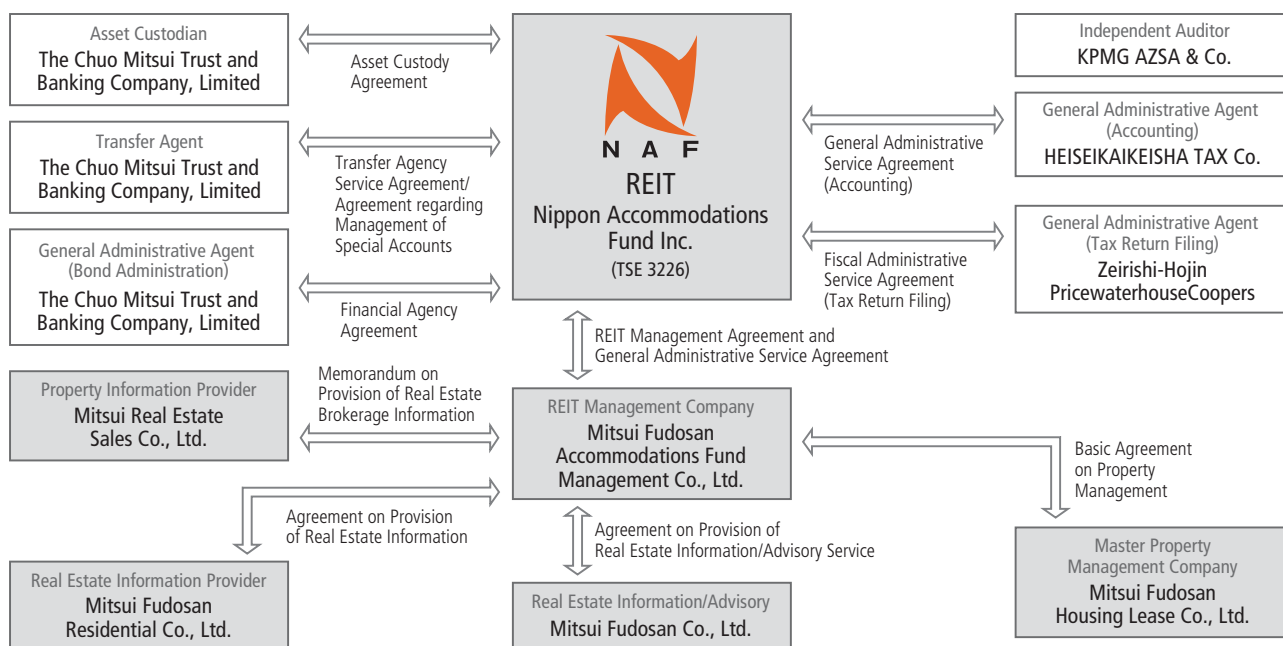
Real Estate Investment Trust (“REIT”) Structure

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 & Co.

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

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

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

The independent 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.

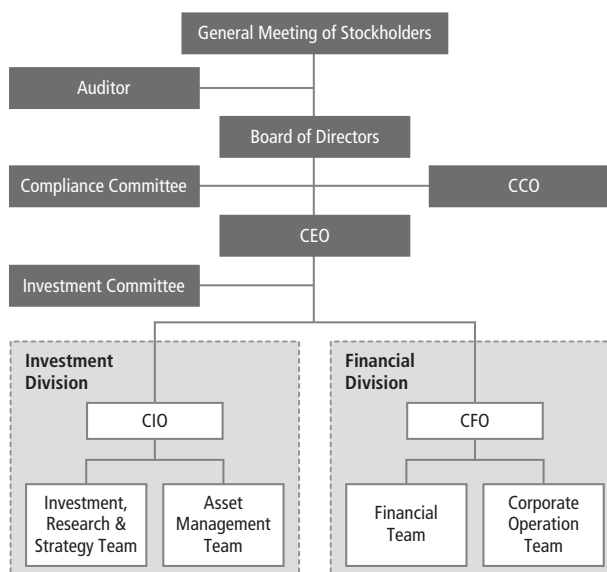
Compliance Initiatives

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.

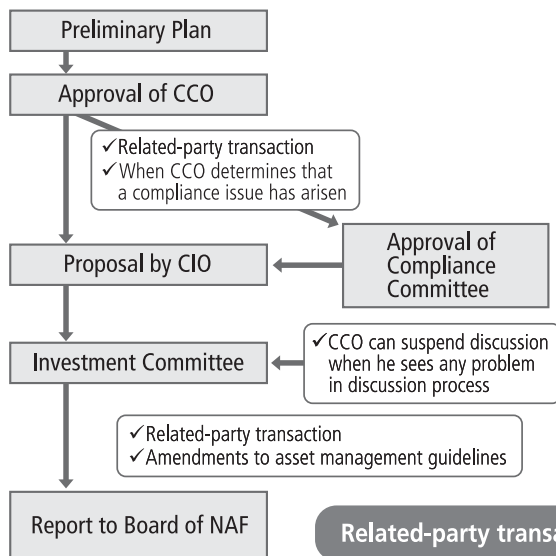
NAF’s Board of Directors convenes as needed at least once every three months, and resolves important matters and reports on the status of business execution in accordance with laws, regulations and internal rules for such Board of Directors. Independent supervisory directors supervise business execution.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

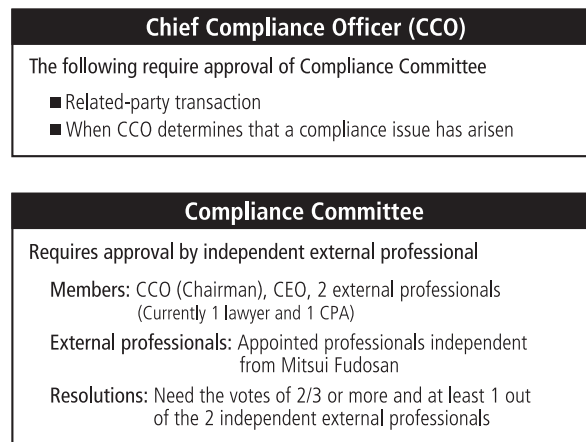
One of NAF’s executive directors has obtained approval from the regulator in accordance with the Investment Trust and Investment Corporation Act of Japan to serve concurrently as the President and CEO of the REIT Management Company, or MFAFM.

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

Investment Policy & Acquisition/Sale Decision Process



Compliance Checking System



Related-party transactions require approval by independent external professional

Restrictions on Related-Party Transactions

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

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

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

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.

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

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

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

MFAFM has no capital relationship with NAF. Nobuyuki Nakai, President & CEO of MFAFM, is concurrently an executive director of NAF.

Operation

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

Fees for the Asset Management Operation

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

Management Fees 1

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

Management Fees 2

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

Management Fees 3

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

Management Fees 4

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

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, approximately 80 percent of NAF's assets are located in the 23 wards of Tokyo.

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

2. Investment Standards

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

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

3. Due Diligence Standards

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

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

Item	Issues Investigated	
Economic feasibility studies	Market survey	<ol style="list-style-type: none"> 1. Current residential environment in the relevant region and its mid-to-long-term forecast 2. Demand and supply for rental housing and housing sales in the relevant region 3. Rental housing competition trends in the relevant region 4. Markets rents in the relevant region, including current rents and their mid-to-long-term forecast 5. Discount rate and rate of return
	Tenant survey	<ol style="list-style-type: none"> 1. Tenant creditworthiness and rent income amount 2. Tenant information including tenant household status or industry, number or purpose of use
	Survey of earnings and related issues	<ol style="list-style-type: none"> 1. Current property management costs and potential for cost reductions 2. Development of proposals for increasing value through change in management manner or renovation 3. Development of mid-to-long-term plan for repair and renovation expenses 4. Development of property cash flow projections 5. Verification that property is consistent with portfolio strategy
Physical condition studies	Location	<ol style="list-style-type: none"> 1. Street conditions, access to major transportation 2. Convenience and access to public facilities 3. Status of borders between adjacent tracts and cross-border issues 4. Living conditions including view, light, ambient noise and airflow 5. Presence of unpleasant facilities 6. Future development plans in the surrounding area
	Construction, equipment and specifications	<ol style="list-style-type: none"> 1. Building structure, age and construction company of property and other related matters 2. Layout, ceiling height, interior specifications (including ceiling, walls and floors), materials used for the interior and exterior, status of maintenance (or deterioration) of facilities including sanitary facilities, ventilation facilities, electrical facilities, elevators and parking 3. Need for immediate repairs
	Building management	<ol style="list-style-type: none"> 1. Status of compliance with related regulations including the Building Standards Law, the City Planning Law and the National Land Use Planning Law 2. Actual management status 3. Quality of the property management company and contract terms

	Antiseismic resistance and probable maximum loss (PML)	<ol style="list-style-type: none"> 1. Antiseismic resistance that meets the New Earthquake Resistance Standards or equivalent resistance 2. Checks of the construction company, architectural firm, construction engineering company, and institution that inspected construction. Confirmation of authenticity of the structural fabrication calculation sheets. 3. In principle, earthquake PML shall be below 15 percent. For buildings for which PML is at or above 20 percent, consideration of additional antiseismic reinforcing work, additional earthquake insurance and other relevant matters must be considered.
	Environmental, soil and other issues	<ol style="list-style-type: none"> 1. Investigation of whether the building contains hazardous materials 2. Investigation of land use records and soil contamination
Legal investigation	Rights and related issues	<ol style="list-style-type: none"> 1. Issues regarding ownership interests and mortgage 2. Lease contract terms 3. Any documentation related to confirmation of border or agreement regarding cross-border issues 4. Permission for occupancy of roads under the Traffic Law 5. Compliance with laws and regulations related to environmental preservation, including the Nature Conservation Law and the Urban Green Space Conservation Law <p>Investigation shall be conducted as to whether the previous owner had obtained the enforceable real right. In case of complicated relation of rights, the following matters, among others, shall be investigated (the complicated relation of rights include relationship between NAF and others if NAF does not hold the title to property or jointly holds the title);</p> <ol style="list-style-type: none"> 1. (If the concerned right is leasehold) the perfection of such leasehold and the absence of any right which supersedes such leasehold. 2. The registration status of the relevant right of site; the limitation on separate transfer of such right of site from the building thereon and the registration status of such limitation; share of such right 3. Measures to be taken to ensure the 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, including agreement regarding first refusal. 8. Characteristics of owners of site (or leasehold originator), compartmentalized ownership holders, co-owners or other relevant parties (for example, corporations or individuals). 9. Terms of trust agreement in case the relevant rights are beneficial interests in real estate trust.

Policies for Portfolio Management and Operation

1. Basic Management Policies

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

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

2. Selection and Monitoring of the Property Management Company

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

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

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

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

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

3. Policies for Property and Casualty Insurance Coverage

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

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

4. Basic Policies for Renovation Plans and Capital Expenditures

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

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

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

Divestiture Policy

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

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

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

Financial Policies

1. Issue of New Units

NAF may flexibly issue additional units 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. The upper limit for NAF's LTV ratio is currently set at 60 percent, although issues including the acquisition of assets may cause the LTV ratio to temporarily exceed 60 percent.

4. Derivatives

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

Information Disclosure Policy

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

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

Corporate Data

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 & Co. AZSA Center Building 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo 162-8551, Japan
Investor relations	For further information, please contact the REIT Management Company: Mitsui Fudosan Accommodations Fund Management Co., Ltd. 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-0022, Japan +81-3-3246-3677

Status of Unitholders

Major Unitholders

(As of August 31, 2009)

Name	Number of Units Held	Percentage of Total*
Japan Trustee Services Bank, Ltd. (Trust Account)	14,627	12.88%
NikkoCiti Trust and Banking Corporation (Investment Account)	9,194	8.10%
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,831	6.90%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	6,816	6.00%
Mitsui Fudosan Co., Ltd.	6,600	5.81%
The Nomura Trust and Banking Co., Ltd. (Investment Account)	6,139	5.40%
State Street Bank and Trust Company	3,939	3.47%
The Chuo Mitsui Trust and Banking Company, Limited	3,600	3.17%
Sumitomo Mitsui Banking Corporation	3,590	3.16%
American Life Insurance Company GA-L	3,000	2.64%

*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 August 31, 2009)

	Individuals and others	Financial institutions	Other domestic corporations	Overseas corporations and individuals	Securities companies	Total
Number of unitholders	3,909 (93.52%)	69 (1.65%)	79 (1.89%)	105 (2.51%)	18 (0.43%)	4,180 (100%)
Number of units held	9,787 (8.63%)	76,429 (67.35%)	9,439 (8.32%)	16,493 (14.53%)	1,332 (1.17%)	113,480 (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 November 26, 2009 pursuant to the Financial Instruments and Exchange Law of Japan, and the Financial Statements and Performance Information Report for the period from March 1, 2009, to August 31, 2009, of Nippon Accommodations Fund Inc. prepared pursuant to the Investment Trust and Investment Corporation Act of Japan. This document should not be deemed a summary of the above mentioned Securities Report and the Financial Statements and Performance Information Report.

The contents of this document do not constitute an offer to sell or solicitation of an offer to buy or sell any securities of Nippon Accommodations Fund Inc. or otherwise, nor is it advice or the recommendation of Nippon Accommodations Fund Inc. to enter into any transaction.

English terms for Japanese legal, accounting, tax and business concepts used herein may not be precisely identical to the concept of the equivalent Japanese terms. If there exist any discrepancies in the meaning or interpretation with respect to any and all terms herein including, without limitation, financial statements, between the original Japanese documents and English statements contained herein, the original Japanese documents will always govern the meaning and interpretation. None of Nippon Accommodations Fund Inc., Mitsui Fudosan Accommodations Fund

Management Co., Ltd. or any of their respective directors, officers, employees, partners, unitholders, agents, parent company or affiliates will be responsible or liable for the completeness, appropriateness or accuracy of English translations contained in this document. No person has been authorized to give any information or make any representations other than as contained in this document in relation to the matters set out in this document, and if given or made, such information or representation must not be relied upon as having been authorized by Nippon Accommodations Fund Inc., Mitsui Fudosan Accommodations Fund Management Co., Ltd. or any of their respective directors, officers, employees, partners, unitholders, agents, parent company or affiliates.

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

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



Nippon Accommodations Fund Inc.

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Chuo-ku, Tokyo 103-0022, Japan

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