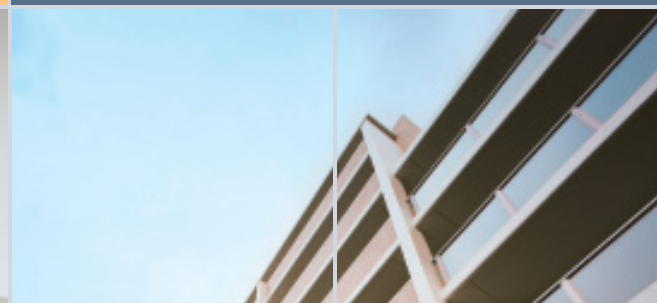




Proactively Managing Accommodation Demand



3rd Period
NAF Report | March 2007 – August 2007



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

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

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Financial Highlights

	Yen in millions (Except per unit data or where otherwise indicated)			U.S. dollars in thousands (Note 1) (Except per unit data)
	3rd Period March 1, 2007 to August 31, 2007	2nd Period April 1, 2006 to February 28, 2007	1st Period October 12, 2005 to March 31, 2006	3rd Period March 1, 2007 to August 31, 2007
Total revenues (Note 2)	¥ 3,524	¥ 5,072	¥ 924	\$ 30,361
Income before income taxes	1,448	2,030	378	12,475
Net income	1,447	2,028	377	12,467
Funds from operations (Note 3)	2,055	2,873	507	17,705
Net operating income from property leasing activities (Note 3)	2,806	4,131	734	24,175
Total amount of cash distribution (a)	1,447	2,028	377	12,467
Total assets	114,366	108,097	43,644	985,319
Total liabilities	51,940	45,090	22,028	447,489
Total net assets (b)	62,426	63,007	21,617	537,831
LTV (Loan-to-value) ratio (Note 3)	43.3%	39.3%	48.1%	
Total number of common units issued (units) (c)	113,480	113,480	42,480	
Net assets per unit (Yen/\$) (b) / (c)	550,102	555,223	508,871	4,739.40
Distribution per unit (Yen/\$) (a) / (c)	12,750	17,871	8,871	109.85
Funds from operations per unit (Yen/\$) (Note 3)	18,106	25,359	11,936	155.99

Notes 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥116.07 = U.S.\$1.00 in effect on August 31, 2007.

2. Total revenues do not include consumption taxes.

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

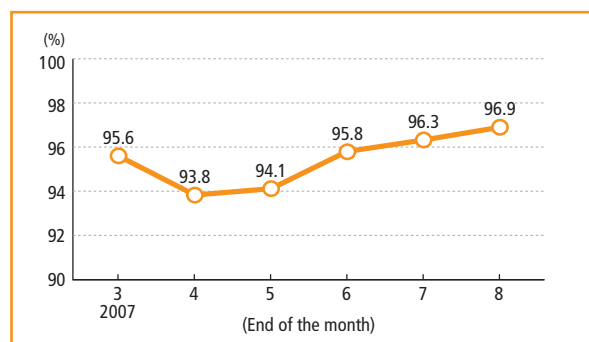
Net operating income from property leasing activities: (Revenue from property leasing – Rental expenses) + Depreciation and amortization

LTV ratio: Interest-bearing debt ÷ Total assets

Funds from operations per unit:

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

Occupancy Rate (Portfolio average)



NAF's properties have maintained a stable high occupancy rate since the listing on the stock exchange.

Ratings (As of August 31, 2007)

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

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

1

NAF is Japan's first...

... listed residential J-REIT, with over ¥100 billion in assets at IPO.

... residential J-REIT sponsored by a leading real estate company.

2

NAF's portfolio is...

... currently made up of 30 acquired properties with a total acquisition value of ¥108,234 million.

... located in popular areas and comprises large-scale properties.
The occupancy rate is 96.9 percent.

3

Total return on NAF properties is...

... ¥12,750 in distribution per unit for the 3rd Period, with a forecast of ¥12,950 per unit for the 4th Period.

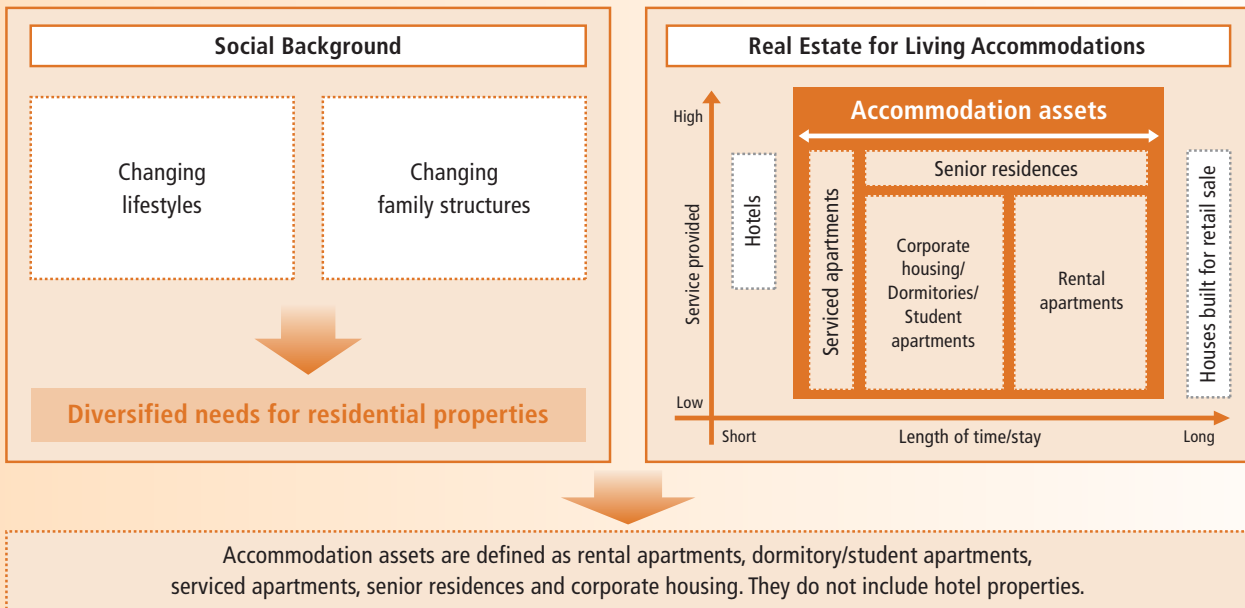
... a 132.4 percent total return since its Tokyo Stock Exchange listing on August 4, 2006.

4

NAF's finances are...

... highly sound: The LTV (Loan-to-Value) ratio is 43.3 percent and the long-term fixed ratio is 68.7 percent.

... rated A1 by Moody's, AA by Rating and Investment Information, A+ (Long-term) and A-1 (Short-term) by Standard and Poor's.



NAF's Two Core Strategies

1. Investment in Accommodation Assets

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

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

2. Utilization of the Mitsui Fudosan Group

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

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

The six months ended August 31, 2007 (the “3rd Period”) was the second period since Nippon Accommodations Fund Inc. (NAF) listed its investment units on the Tokyo Stock Exchange. NAF performed well during the 3rd Period, acquiring three properties and achieving an occupancy rate of 96.9 percent as of the end of the period. Looking forward, NAF will use the Mitsui Fudosan Group’s pipeline to steadily expand its portfolio by acquiring highly strategic properties.

Market Environment and 3rd Period Performance

During the six months ended August 31, 2007, demand remained stable in the market for residential rental properties in the 23 wards of Tokyo due to factors including the ongoing increase in population and the number of households. The same factors are projected to drive the development of the residential rental markets in Japan’s major regional cities. Demand exceeded supply because increased supply of new properties did not fully compensate for demolition of aging properties. The supply of rental housing featuring outstanding location, management and facilities has been limited, and occupancy rates and rents have been rising moderately at such highly competitive properties. The environment surrounding the acquisition of properties became increasingly challenging as land prices increased markedly, primarily in city centers.

In this environment, NAF acquired three properties valued at ¥6,848 million during the 3rd Period, and as of August 31, 2007 its portfolio consisted of 30 properties valued at ¥108,234 million on an acquisition price basis. The overall occupancy rate was 96.9 percent as of August 31, 2007.

As a result, total revenues were ¥3,524 million, operating income was ¥1,795 million and net income was ¥1,447 million. Distributions per unit totaled ¥12,750 and exceeded projections announced along with results for the 2nd Period.

Nobuyuki Nakai

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

3rd Period Initiatives

During the 3rd Period, cooperation between NAF's REIT management company and its master property manager supported leasing tailored to the unique features of each property and each location. NAF also dealt with the new issue of leasing out the newly constructed and vacant properties it acquired. The full-scale start of our new portfolio management system supported precision leasing that resulted in the full lease out of new buildings in about five months. Moreover, NAF renovated some of the residential units it leases in the Okawabata Apartment Communities and continued its large-scale exterior renovation program from the previous period with the objective of maintaining and improving market competitiveness.

NAF procured a total of ¥7,000 million from several financial institutions to fund the acquisition of properties during the period. As a result, interest-bearing debt as of August 31, 2007 totaled ¥49,500 million, and NAF's loan-to-value (LTV) ratio stood at 43.3 percent. NAF emphasized long-term, fixed-rate loans, which accounted for 68.7 percent of NAF's interest-bearing debt as of August 31, 2007. Moreover, NAF moved to diversify funding methods by filing a shelf registration to issue bonds with the Kanto Bureau of the Ministry of Finance.

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 the acquisition of properties centered on the Park Axis series developed by Mitsui Fudosan Co., Ltd. We are currently structuring our portfolio with a greater weighting of single and compact apartments, which are in strong demand. In addition, we are selectively investing in properties that feature outstanding location, scale and facilities in central Tokyo, sub-central Tokyo and major regional cities, where demand for rental housing is solid. Under this policy, NAF acquired seven properties valued at approximately ¥15,000 million in the 4th Period during September 2007.

During the 3rd Period, our strategy for internal growth included renewing the brand logos for both the Park Axis and the Park Cube series. NAF also integrated the brand image of both series to heighten the brand identity of NAF properties in cooperation with Mitsui Fudosan. In the future, we will develop new logos for both new and existing buildings and increase opportunities for brand communication.

Our financial strategy continues to emphasize long-term, fixed-rate funding in response to the risk of rising interest rates and financial risk. We will give due consideration to the issue of bonds in order to increase the diversity and flexibility of our

3rd Period Highlights

- Three properties acquired
- Occupancy rate remains high at 96.9%
- NAF files shelf registration in July 2007 to issue bonds

funding. While our upper limit for the LTV ratio is 60 percent, we expect to operate with an LTV ratio in the 40 to 50 percent range.

NAF is committed to earning the trust of unitholders and all stakeholders, and is therefore strengthening corporate governance while further strengthening its system for managing compliance risk.

	3rd Period (Actual) (Ended August 31, 2007)	4th Period (Forecast) (Ending February 29, 2008)
Total revenues	¥3,524 million	¥4,014 million
Operating income	¥1,795 million	¥1,971 million
Net income	¥1,447 million	¥1,469 million
Distribution per unit (Yen)	¥12,750	¥12,950
Assets under management		
Acquisition price basis	¥108,234 million	¥123,245 million
Number of properties	30	37

Outlook

During the 4th Period, the six months ending February 29, 2008, we expect the initiatives discussed above to result in total revenues of ¥4,014 million, operating income of ¥1,971 million, net income of ¥1,469 million, and distribution per unit of ¥12,950. This forecast is valid as of the date of publication of this report, and assumes that NAF will not acquire or exchange any properties other than the seven acquired in September 2007 and will not issue new units during the 4th Period.

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

December 2007



Nobuyuki Nakai

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

Proactively Managing Accommodation Demand

External
Growth

➔ page 8

Internal
Growth

➔ page 10

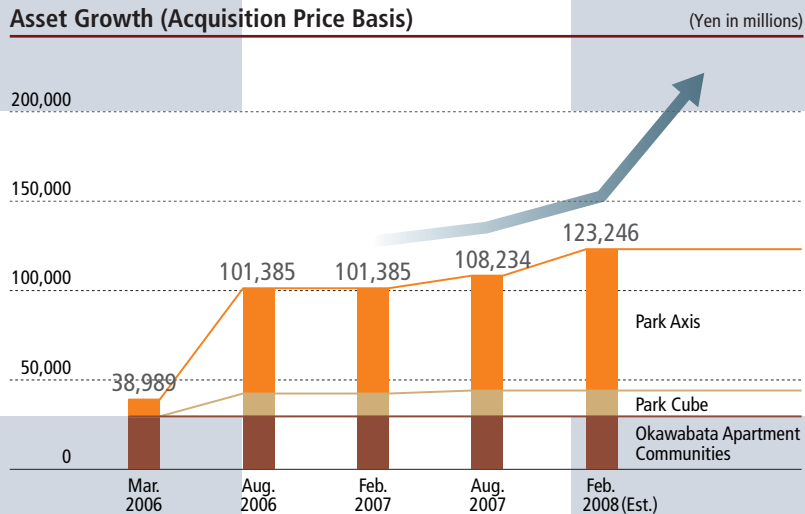
Value
Chain

➔ page 12

External Growth

NAF selectively invests in assets with the location, scale and facilities that will maintain NAF's position of strength and competitiveness in the real estate leasing market over the medium-to-long term.

Portfolio Expansion



Pipeline

Superior Brand Identity

Cooperation with Mitsui Fudosan Group

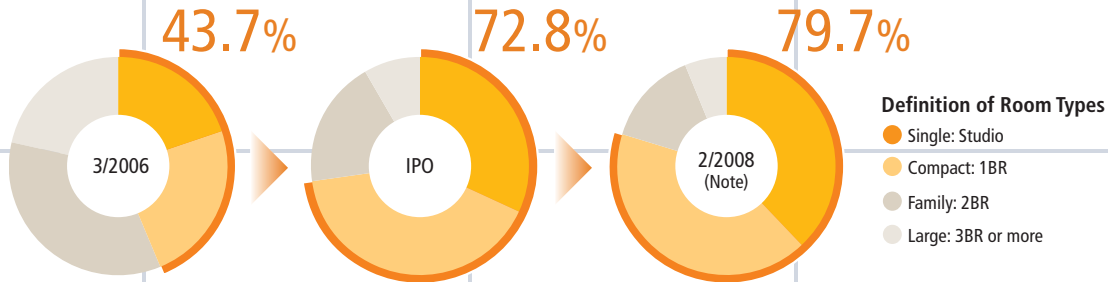
Steady Property Acquisitions Centered on the Park Axis Series

NAF was established with assets under management valued at approximately ¥38,989 million. NAF's portfolio had increased to ¥101,385 million when NAF listed its units, and as of the end of the 3rd Period, assets under management had expanded to ¥108,234 million. During the 4th Period, in

September 2007 NAF completed the acquisition of seven new Park Axis properties valued at approximately ¥15.0 billion. Looking forward, NAF aims to consistently expand its portfolio by steadily acquiring properties, centered on Park Axis properties that Mitsui Fudosan develops.

➤ Increasing the Proportion of Single and Compact Apartments

Proportion of Single and Compact Apartments to Total Units



Note: Estimate as of October 15, 2007. Assumes no additional acquisitions or sales during the 4th Period.

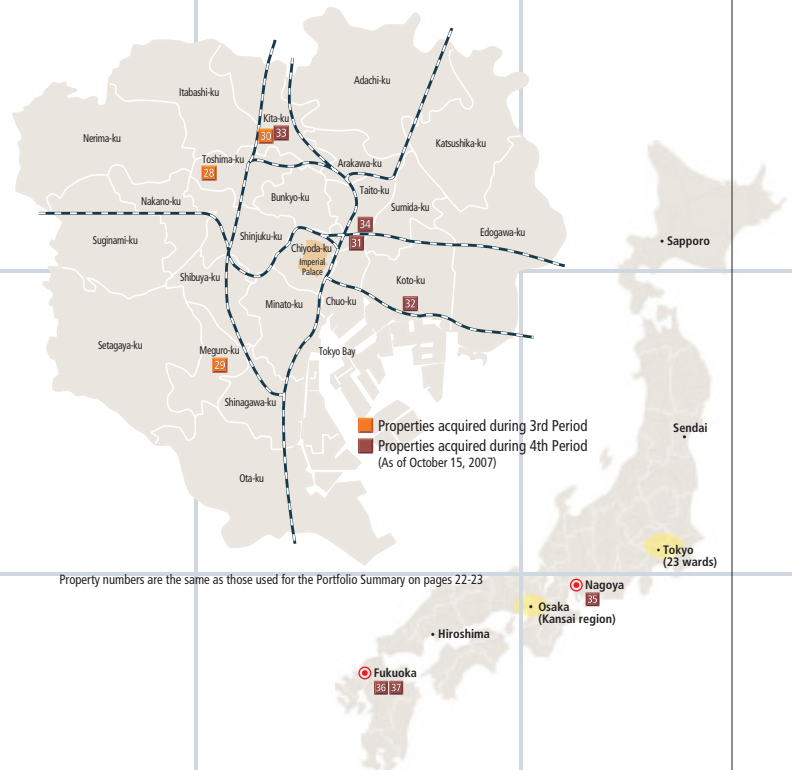
Single adults and couples aged 20 to 49 make up the primary demographic segment for tenants of single and compact apartments. In the 23 wards of Tokyo and the centers of major regional cities, changes in working arrangements in recent years have increased the need to live closer to work. Moreover, changes in corporate benefit systems have in some cases brought an end to company

housing. These and other interrelated factors have caused the need for rental housing among people in the 20-to-49 demographic to expand steadily. The high occupancy rate for single and compact apartments that NAF manages as part of its portfolio further corroborates this trend. NAF has therefore been increasing the proportion of single and compact apartments in its portfolio.

➤ Investment in Sub-Central Tokyo and Major Regional Cities

Competition to acquire investment properties has become increasingly intense in Tokyo, particularly in the three major wards, which has caused returns from property management to decrease. NAF is therefore increasing investment in sub-central areas of Tokyo including Koto-ku, Taito-ku and Itabashi-ku with the objective of expanding opportunities to acquire highly profitable properties. High-quality rental properties are relatively scarce in these areas, and new subway construction and redevelopment projects have made living in these areas more convenient. Areas that are attractive for rental housing have therefore increased.

Moreover, steady demand is projected in major regional cities including Fukuoka and Nagoya. NAF will selectively invest in highly competitive properties in these cities, centered on Park Axis series properties developed by Mitsui Fudosan.



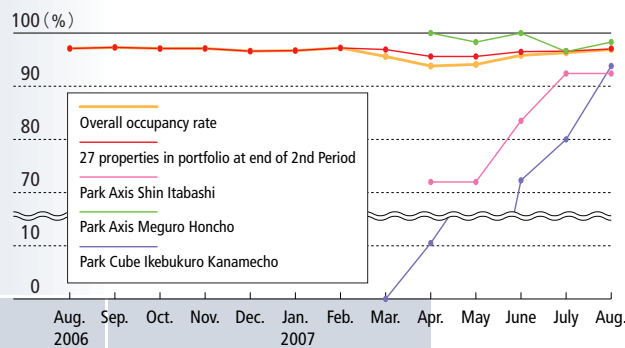
Property numbers are the same as those used for the Portfolio Summary on pages 22-23

Internal Growth

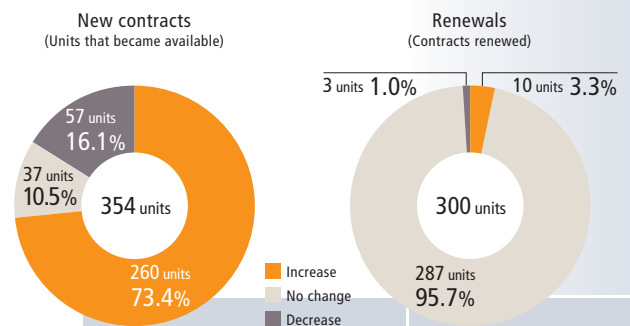
NAF manages its leasing business to maintain a high occupancy rate and will work to increase profitability in ways such as raising rents on new contracts.

Portfolio Expansion

Strong Occupancy



Effective Marketing, Higher Rent



Cooperation with Mitsui Fudosan Group

Attractive Properties for Lease Support a High Occupancy Rate

NAF maintained the same high occupancy rate as in the previous period for 27 existing properties, and steadily leased out newly acquired properties that were not fully occupied at the start of the 3rd Period, including newly constructed Park Cube Ikebukuro Kanamecho. As a result, the occupancy rate at the end of the 3rd Period remained at the high level of 96.9 percent.

Higher Rents through Quick and Accurate Marketing of Available Space

As a result of quick and accurate marketing of available space, NAF successfully increased rent compared to previous levels for approximately three-fourths of new contracts during the 3rd Period.

➤ Progress in Brand Strategy



Brand Manual

We have created our Brand Manual to enhance awareness of our brands more effectively and efficiently.

With the aim of further increasing brand value, the Park Axis series brand logo was renewed for the first time in the eight years since the brand was launched. NAF also moved to enhance the identity of the properties it owns by changing the Park Cube series brand logo and integrating the image for both brands. Moreover, NAF moved to more efficiently increase



Building Signage

NAF has renewed building signage that reflects newly established brand logo guidelines (Park Axis Hamamatsucho).



For Lease Signs

NAF's logo and leasing contact information are displayed at property entrances.

awareness of its brands by working with Mitsui Fudosan to create a Brand Manual that delineates issues such as brand logo usage. These detailed guidelines cover an array of issues from building signage design to room identification inside buildings, tenant notices and leasing tools.

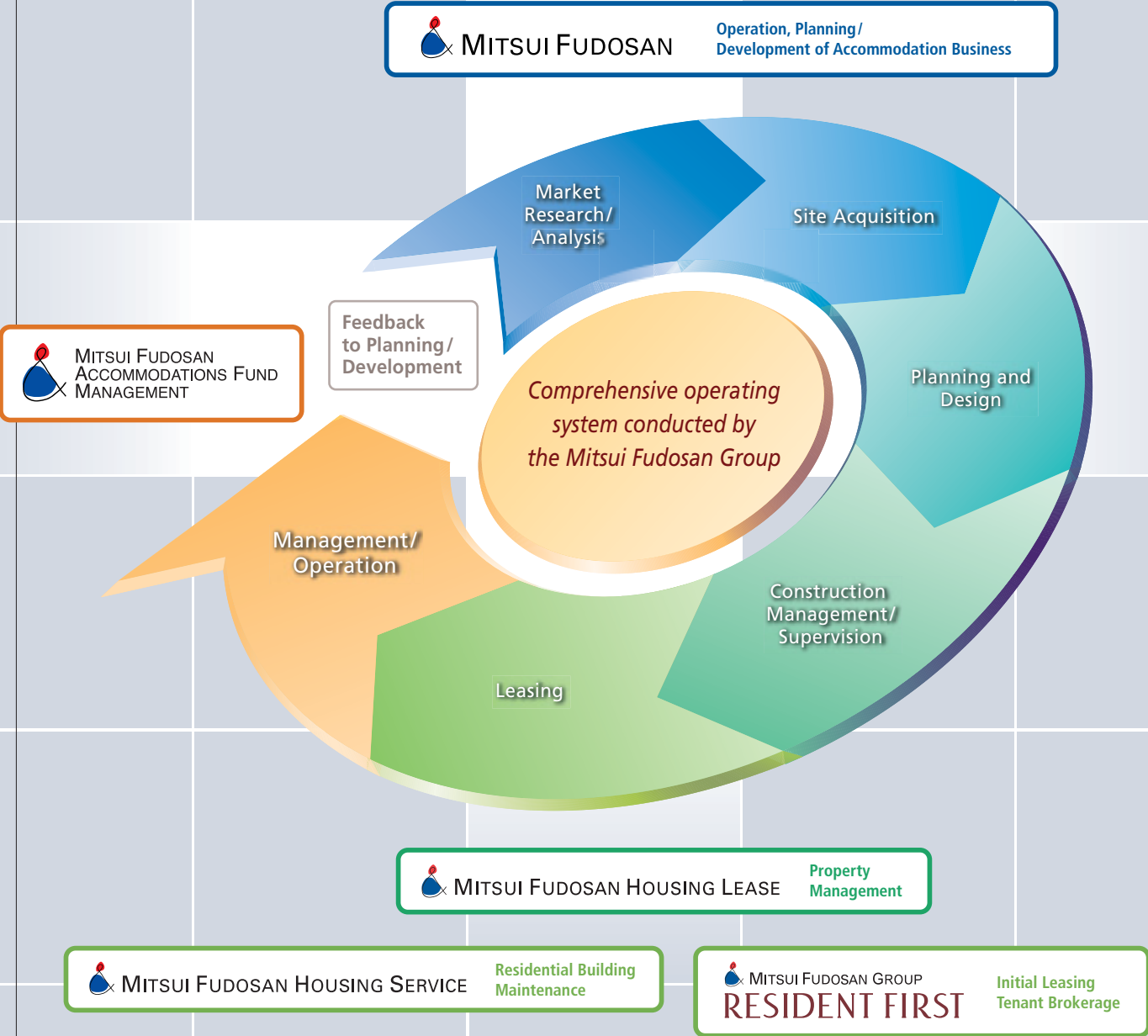
➤ Quick and Efficient Leasing Management through Cooperation with the Master Property Manager

NAF's REIT management company, Mitsui Fudosan Accommodations Fund Management Co., Ltd., and its master property manager, Mitsui Fudosan Housing Lease Co., Ltd., use various systems to manage numerical data from all properties for timely understanding. These systems include a database for comprehensively managing information such as customer contract information and leasing revenues and expenses, a system for converting and managing these data for accounting, and a system for profit planning and performance projections. These data form the basis for maintaining high occupancy and lease rates through swift decisions based on detailed discussion of issues such as occupancy and marketing activities for each building.



Value Chain

The companies of the Mitsui Fudosan Group form a comprehensive operating system for rental properties that spans from market research, site selection and acquisition, planning and development to leasing, management and operation, in which the Group functions as a single organic value chain.



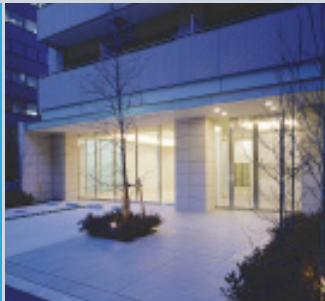
Market Research / Analysis

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 is supported by property development capabilities of all types from small buildings to complexes and large development projects



Planning and Design

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

Construction Management / Supervision

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

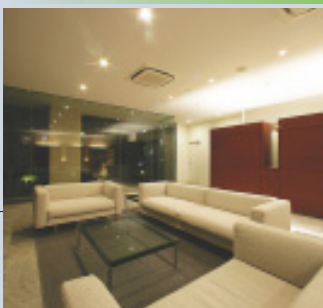


Leasing

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

Management / Operation

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



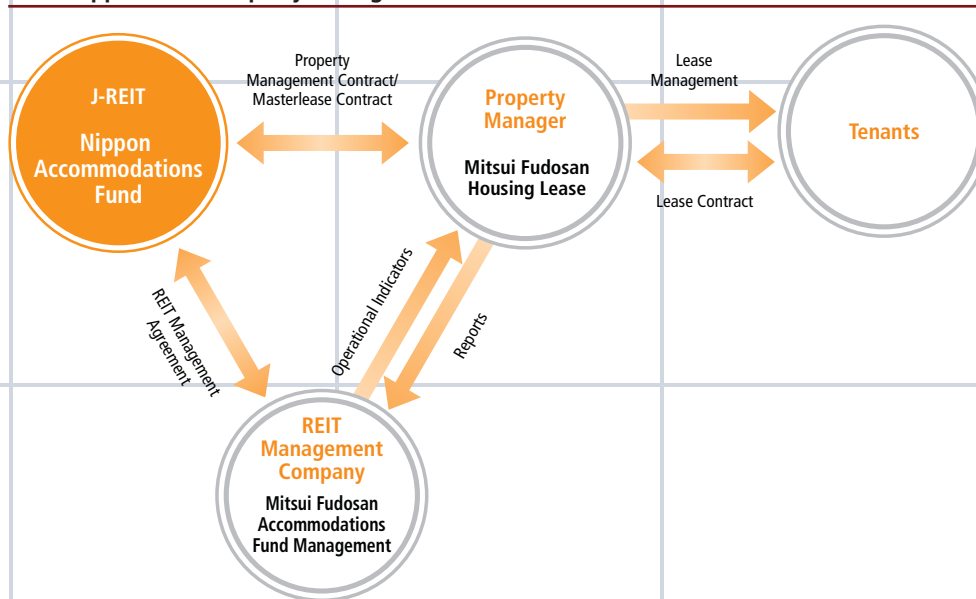
Property Management Capabilities Support Growth

Property management involves three main areas. The first is lease management within a direct tenant relationship. It entails issues that include finding tenants, billing and managing rent, and responding to requests. The second area is building management, which entails cleaning, maintaining and inspecting buildings, providing concierge services, and other issues including supervising repair and renovations. The third is reporting, which entails preparing operational reports that cover

the financial and administrative issues involved in leasing assets.

Mitsui Fudosan Housing Lease Co., Ltd., a 100 percent owned subsidiary of Mitsui Fudosan Co., Ltd., provides comprehensive property management for NAF's properties. NAF uses the Mitsui Fudosan Group's value chain to respond precisely to tenant needs through superior property management that increases the value tenants receive from the property while maintaining and increasing asset value.

NAF's Approach to Property Management



On-Site Management

At large-scale residential housing complexes in the United States, on-site staff handle the three property management operations of lease management, building management and reporting, and provide services tailored to respective operational issues. In Japan, however, almost all properties are much smaller in scale and few have on-site management staff.

NAF maintains a management office and a building safety control center at the properties it leases in the Okawabata Apartment Communities, which are staffed 24 hours a day. The

on-site management staff explains contracts to tenants, provides reception services, resolves problems with the facilities and handles other issues in swiftly responding to the various needs of tenants, thus enhancing tenant feeling of security and trust.

NAF aims to employ at other properties the information concerning tenant needs, administration and operations collected from on-site management at its Okawabata Apartment Communities properties.

Management

Our number-one goal is to increase “use value.” When we make tenants feel that they are getting even greater value than they expected from a property, we raise the level of tenant satisfaction, the occupancy rate and rent levels. That is directly related to maintaining and increasing the value of assets.

Toru Nakamura — Property Manager



On-Site Property Management Staff at Okawabata Apartment Communities

(from Mitsui Fudosan Housing Lease)

Service

Simply put, tenants do not want to be overwhelmed with communication. We keep our services from being intrusive by providing flexible services that are appropriate to tenant sensibilities.

Echiko Furuta — Assistant Manager



Maintenance

We often hear from tenants that they were reassured that we swiftly dispatched technical staff to handle even minor repair problems. Helping tenants feel free to make requests for repairs increases tenant trust.

Takeshi Kobayashi — Maintenance



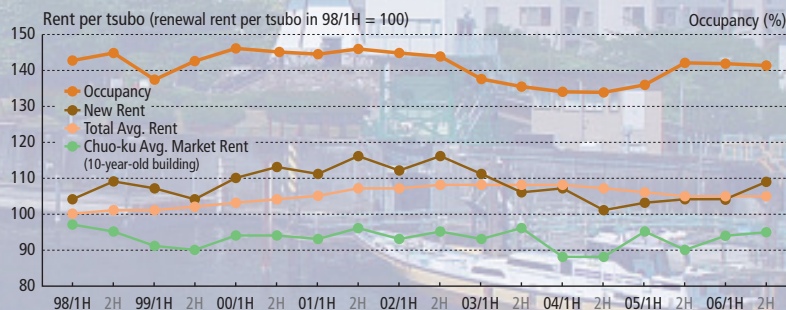
Tenant Relations

Many of our foreign tenants heard about Okawabata by word of mouth, and some plan to stay here again when they return to Japan. We all take pride in helping tenants feel that our properties are their home.

Kumiko Saito — Tenant Relations



Rent and Occupancy of Okawabata Apartment Communities

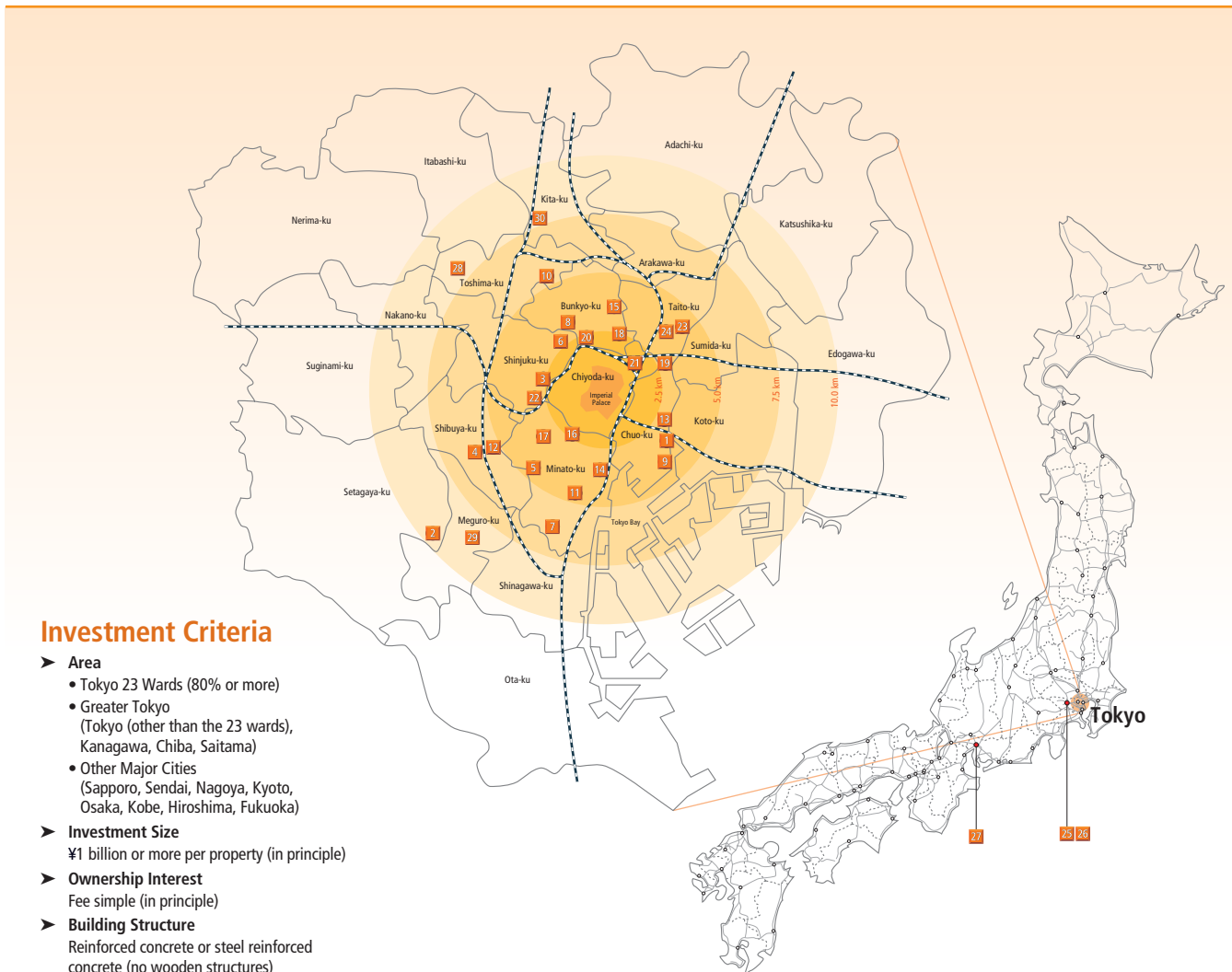


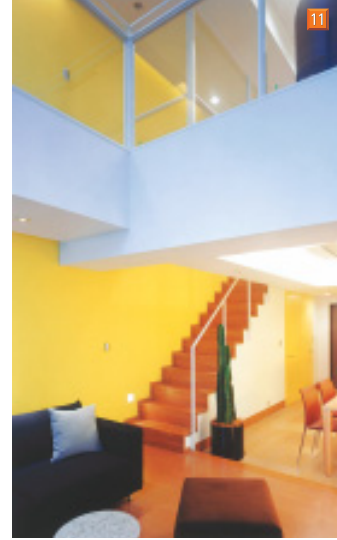
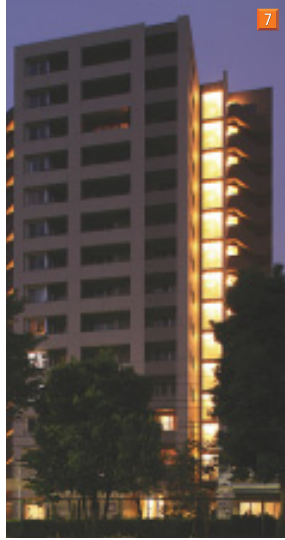
NAF Portfolio

(As of August 31, 2007. Numbers in red for each property refer to the Portfolio Summary on pages 22-23.)



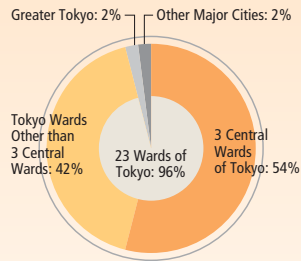
Portfolio Map





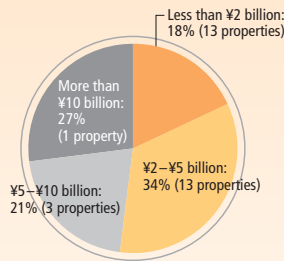
- 1 Okawabata (River Point Tower)
Okawabata (Park Side Wings)
Okawabata (Pier West House)
- 2 Park Axis Gakugei Daigaku
- 3 Park Axis Ichigaya
- 4 Park Axis Shibuya Jinnan
- 5 Park Axis Aoyama Kotto Dori
- 6 Park Axis Kagurazaka Stage
- 7 Park Axis Shirokanedai
- 8 Park Axis Bunkyo Stage
- 9 Park Axis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

Regional Allocation



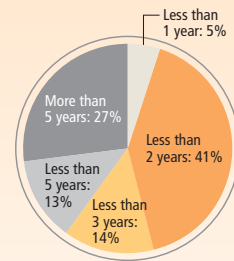
96% of portfolio is located in the 23 wards of Tokyo

Portfolio by Acquisition Price



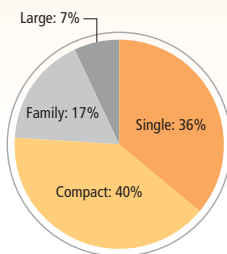
Average ¥3.60 billion per property

Portfolio by Property Age



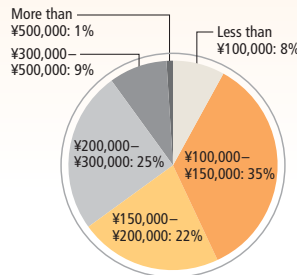
Average 6.8 years

Portfolio by Category



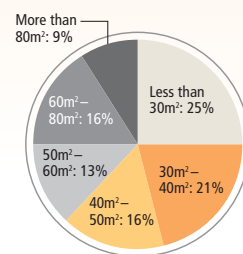
Percentage of single and compact: 76%

Portfolio by Monthly Rent



Average ¥190,000 per unit

Portfolio by Unit Area



Average 47.3m² per unit

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

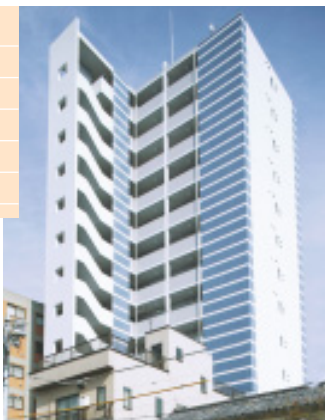
New Acquisitions

3rd Period

Park Cube Ikebukuro Kanamecho

28

Acquisition date:	March 23, 2007
Acquisition price:	¥ 1,608 million
Rentable area:	1,886.82m ²
Address:	Toshima-ku, Tokyo
Units:	65
Completed:	March 2007



Park Axis Meguro Honcho

29

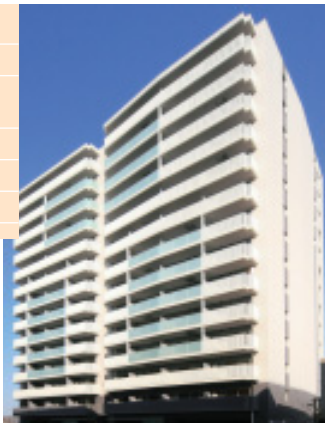
Acquisition date:	April 19, 2007
Acquisition price:	¥ 1,810 million
Rentable area:	1,884.77m ²
Address:	Meguro-ku, Tokyo
Units:	60
Completed:	July 2006



Park Axis Shin Itabashi

30

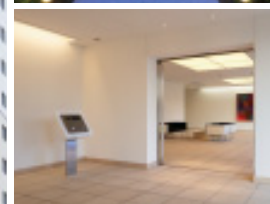
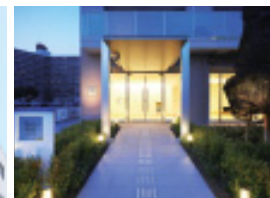
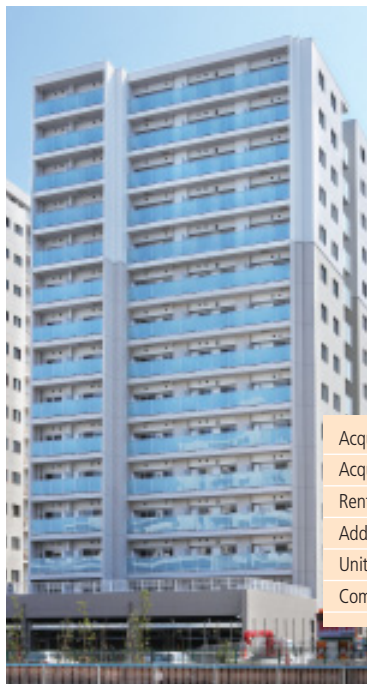
Acquisition date:	April 19, 2007
Acquisition price:	¥ 3,430 million
Rentable area:	2,145.66m ² (East) 2,250.33m ² (West)
Address:	Itabashi-ku, Tokyo
Units:	152
Completed:	February 2007



4th Period

Park Axis Toyoko

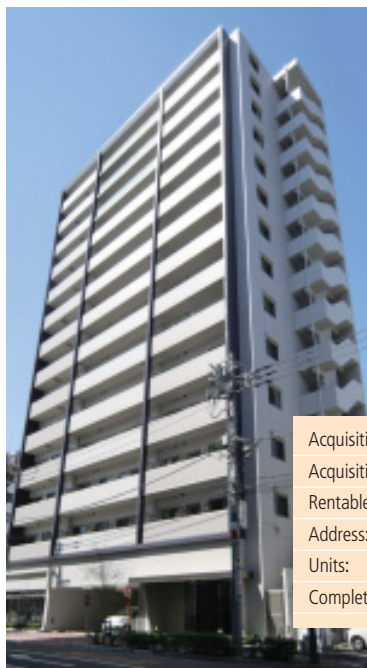
32



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

Park Axis Asakusabashi

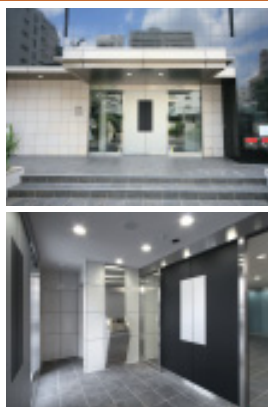
34



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

Park Axis Marunouchi

35



Acquisition date: September 14, 2007
 Acquisition price: ¥ 1,920 million
 Rentable area: 3,821.75m²
 Address: Nagoya-shi, Aichi
 Units: 98 Residential, 1 Retail
 Completed: November 2006

Park Axis Ropponmatsu

36

Acquisition date: September 14, 2007
 Acquisition price: ¥ 1,515 million
 Rentable area: 3,473.67m²
 Address: Fukuoka-shi, Fukuoka
 Units: 111 Residential, 1 Retail
 Completed: March 2007



Park Axis Hakataeki Minami

37

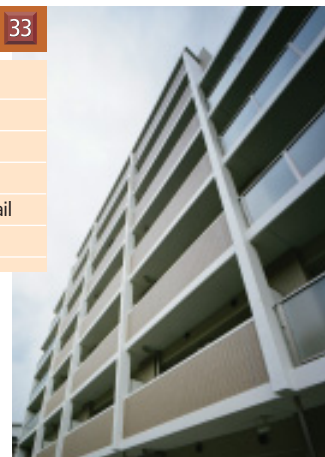


Acquisition date: September 14, 2007
 Acquisition price: ¥ 1,890 million
 Rentable area: 4,668.29m²
 Address: Fukuoka-shi, Fukuoka
 Units: 176 Residential, 1 Retail
 Completed: March 2007

Park Axis Takingawa

33

Acquisition date: September 14, 2007
 Acquisition price: ¥ 1,820 million
 Rentable area: 2,924.75m²
 Address: Kita-ku, Tokyo
 Units: 48 Residential, 1 Retail
 Completed: March 2007

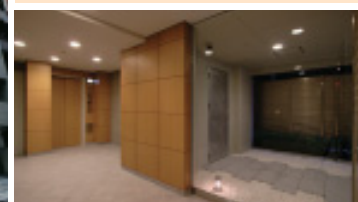


Park Axis Akihabara

31



Acquisition date: September 14, 2007
 Acquisition price: ¥ 1,200 million
 Rentable area: 1,346.07m²
 Address: Chiyoda-ku, Tokyo
 Units: 41
 Completed: September 2007



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

Representative Accommodation Assets

1 Okawabata Apartment Communities



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

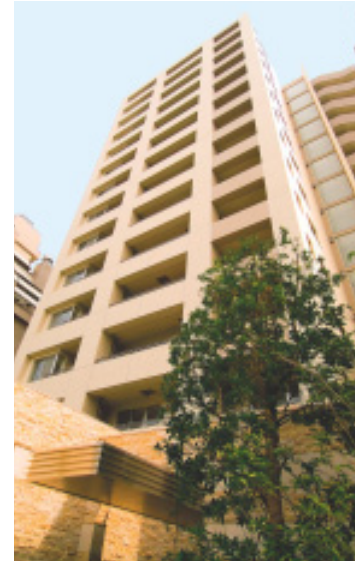


5 Park Axis Aoyama Kotto Dori



4 Park Axis Shibuya Jinnan

7 Park Axis Shirokanedai



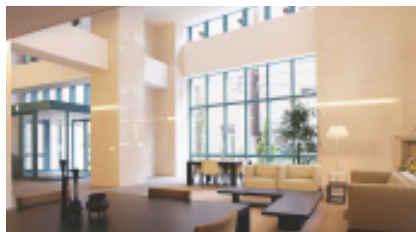
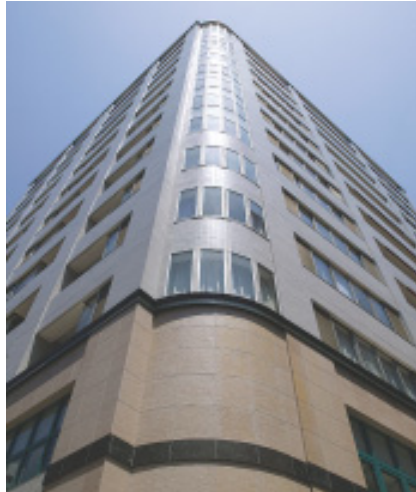
9 Park Axis Tsukishima

11 Park Axis Minami Azabu



20 Park Cube Hongo

13 Park Axis Nihonbashi Stage

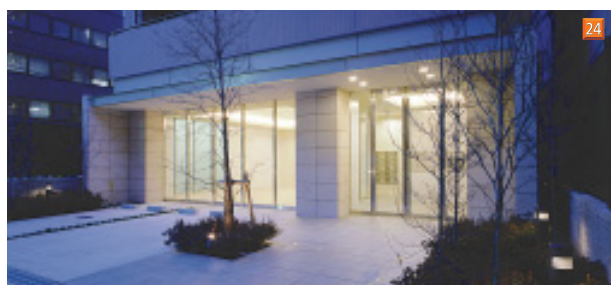
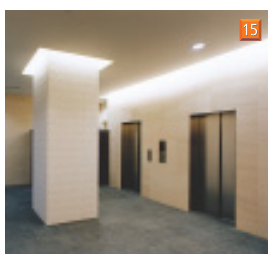
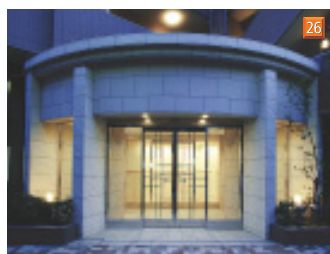
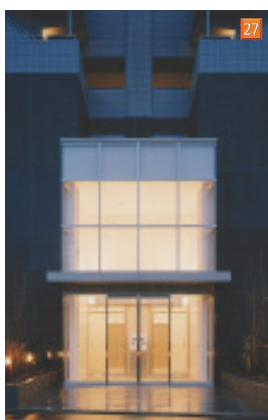
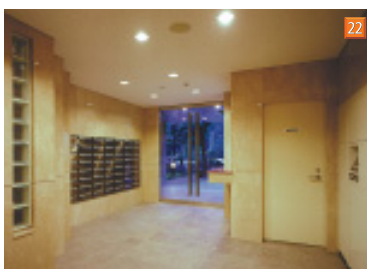
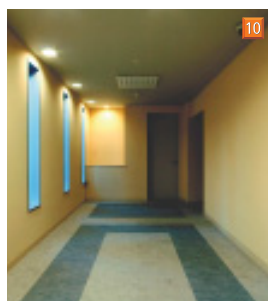


21 Park Cube Kanda

18 Park Axis Ochanomizu Stage



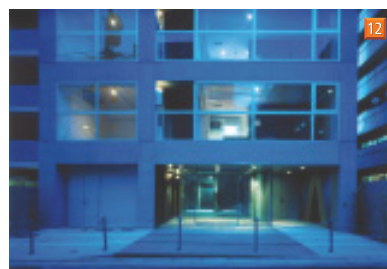
27 Park Axis Meieki Minami



Portfolio Summary

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

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



(As of August 31, 2007)

Acquisition Price (Note 1) (Yen in millions)	Portfolio Share (%)	Rentable Area (sq. m.)	Rentable Units	PML (Note 2) (%)	Developer
29,696	27.4	43,812.41	544	4.5	Mitsui Fudosan
				7.9	
				7.0	
1,760	1.6	2,437.66	64	7.6	Mitsui Fudosan
2,570	2.4	3,313.33	84	7.3	Mitsui Fudosan
3,230	3.0	2,766.62	75	6.8	Mitsui Fudosan
1,730	1.6	1,537.24	40	7.0	Mitsui Fudosan
1,400	1.3	1,891.05	59	7.5	Mitsui Fudosan
5,140	4.7	4,704.44	99	8.7	Mitsui Fudosan
4,440	4.1	6,078.93	154	6.5	Mitsui Fudosan
930	0.9	1,383.99	30	6.8	Mitsui Fudosan
1,655	1.5	2,606.37	52	6.4	Mitsui Fudosan
3,939	3.6	3,938.14	64	7.4	Mitsui Fudosan
1,282	1.2	1,094.28	20	7.9	Mitsui Fudosan
7,557	7.0	10,025.40	184 Residential, 1 Retail	7.5	Mitsui Fudosan
2,025	1.9	2,426.45	80	7.1	Mitsui Fudosan
2,910	2.7	3,317.94	86 Residential, 1 Retail	8.8	Mitsui Fudosan
2,860	2.6	2,710.69	70	8.2	Mitsui Fudosan
2,170	2.0	2,054.46	46	9.2	Mitsui Fudosan
9,710	9.0	12,025.25	324	7.2	Mitsui Fudosan
1,070	1.0	1,621.73	42	6.8	Mitsui Fudosan
1,760	1.6	2,160.12	60	8.2	Other Party
2,454	2.3	3,194.59	95	8.9	Other Party
1,794	1.7	2,127.50	51	6.8	Other Party
2,508	2.3	4,012.68	76	8.8	Other Party
2,233	2.1	3,041.61	91	7.5	Other Party
1,608	1.5	1,886.82	65	8.1	Mitsui Fudosan
1,810	1.7	1,884.77	60	8.5	Other Party
3,430	3.2	4,395.99	152	7.3 East, 7.5 West	Mitsui Fudosan
103,672	95.8	132,450.46	2,767 Residential, 2 Retail		
991	0.9	2,814.32	52	7.1	Other Party
1,130	1.0	3,082.32	47 Residential, 1 Retail	7.6	Other Party
2,121	2.0	5,896.64	99 Residential, 1 Retail		
2,440	2.3	5,565.13	169	4.1	Mitsui Fudosan
2,440	2.3	5,565.13	Residential 169		
108,234	100.0	143,912.23	3,035 Residential, 3 Retail	4.0	

2. PML = Probable maximum loss

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

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

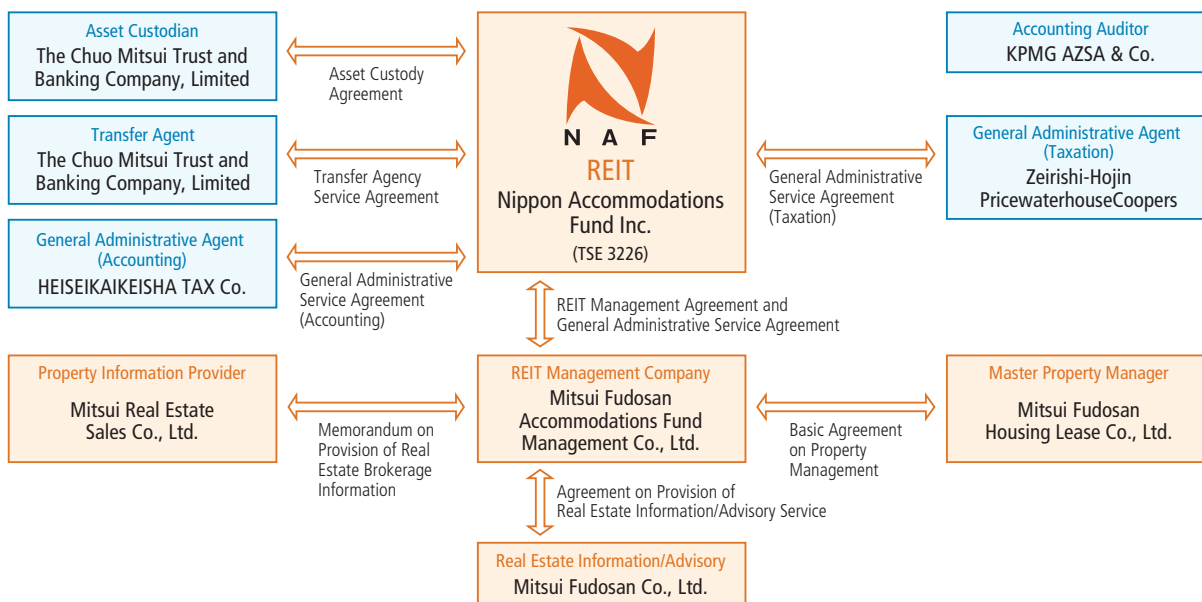
Real Estate Investment Trust (REIT) Structure

Nippon Accommodations Fund Inc. (NAF) is an investment corporation established with the objective of investing in assets, primarily Designated Assets as defined by 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") 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 by the Investment Trust and Investment Corporation Act of Japan. Operating in accordance with the asset management contract concluded on October 13, 2005, the REIT Management Company manages NAF's assets according to NAF's asset management and administration policies and the asset management guidelines embodied in the internal regulations of the REIT Management Company. The asset management guidelines take current investment conditions into account and follow NAF's basic operating principle of taking a medium-to-long-term perspective in managing

assets to secure stable earnings and steadily increase assets under management. These guidelines may change in the future in response to changes in the external investment environment and the status of NAF's assets under management.

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



Management Team



Michihiko Takabe
(Attorney at Law)
Supervisory Director

Yuji Yokoyama
Executive Director

Nobuyuki Nakai
Executive Director

Takeo Tomita
(Attorney at Law)
Supervisory Director

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

Corporate Structure

General Meeting of Unitholders

In accordance with the current Articles of Incorporation, the General Meeting of Unitholders is held within the 23 wards of Tokyo. In accordance with the Investment Trust and Investment Corporation Act of Japan and NAF's Articles of Incorporation, NAF convenes a General Meeting of Unitholders. The third General Meeting of Unitholders convened on October 12, 2007. The General Meeting of Unitholders adopts or vetoes 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 that control a simple majority of total units issued and outstanding, and a two-thirds majority of the voting rights of such unitholders. The asset management policies and standards are stipulated by NAF's Articles of Incorporation.

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

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

supervisory directors (but always equal to the number of executive directors plus at least one additional supervisory director). As of August 31, 2007, NAF had two executive directors and three supervisory directors. NAF's accounting 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 with a vested interest in a resolution are prohibited from participating in related decisions.

The accounting auditor is selected by the General Meeting of Unitholders. It audits documents including NAF's financial statements. In addition, it is charged with reporting to supervisory directors any unlawful acts or

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

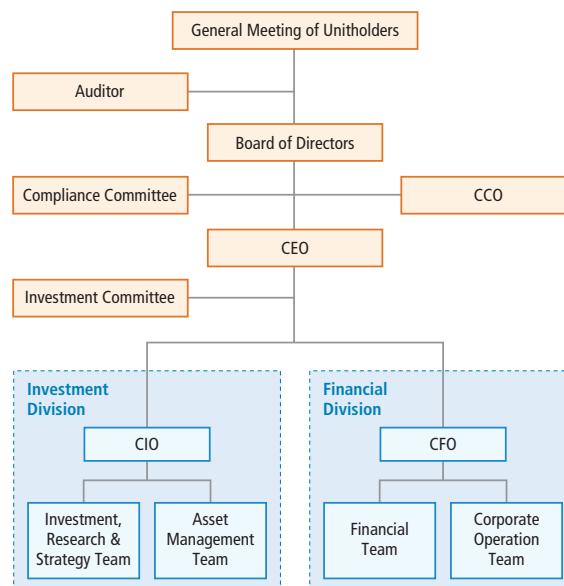
Compliance Initiatives

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

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

NAF'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



Investment Strategy and the Process for Acquiring and Selling Properties

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

with the asset management guidelines.

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

Investment Risk Management System

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

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

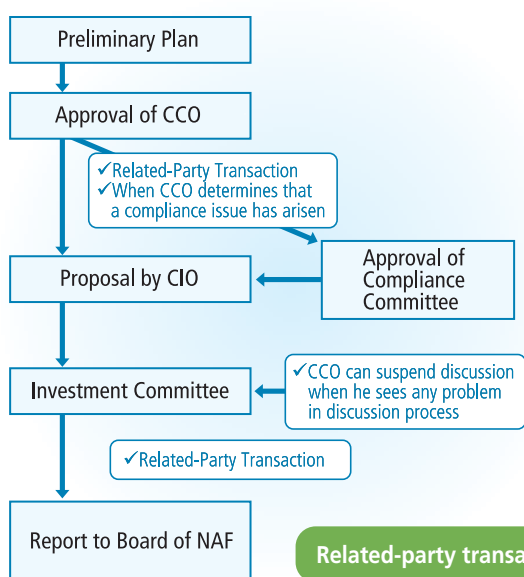
NAF's Board of Directors convenes as needed more than once every three months, and resolves important matters and reports on the status of business execution in accordance with laws, regulations and internal rules for

the 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. They can also conduct required research. Of note, one of NAF's executive directors has obtained approval in accordance with the Investment Trust and Investment Corporation Act of Japan to serve concurrently as the president and chief executive officer of Mitsui Fudosan Accommodations Fund

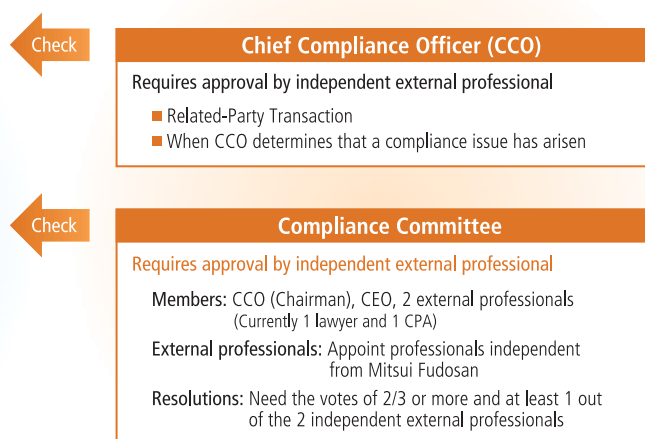
Management Co., Ltd.

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

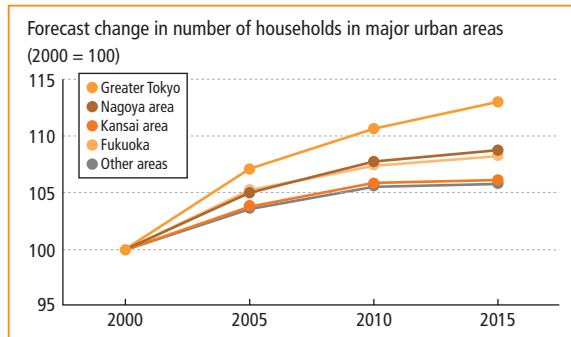
Laws and regulations prohibit the REIT Management Company from conducting specified transactions with related parties. In the case of a transaction with a potential conflict of interest between an entity specified under the Investment Trust and Investment Corporation Act of Japan and its ordinances and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

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

Demand: Steady Growth of Households



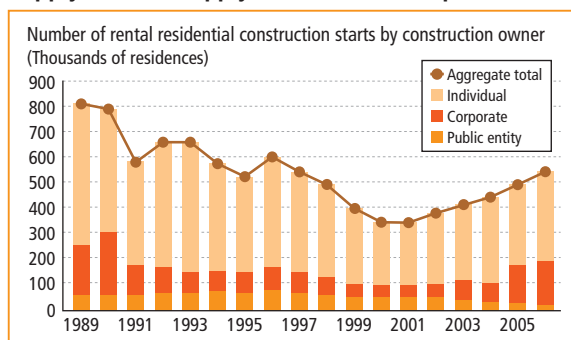
Source: National Institute of Population and Social Security Research
 Note: Other areas excludes Hokkaido, Miyagi, Greater Tokyo, Nagoya area, Kansai area, Hiroshima and Fukuoka.

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

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

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

Supply: Limited Supply from Private Companies



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

Growing Rental Needs and Demand

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

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

A Tight Supply of High-Quality Rental Apartments

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

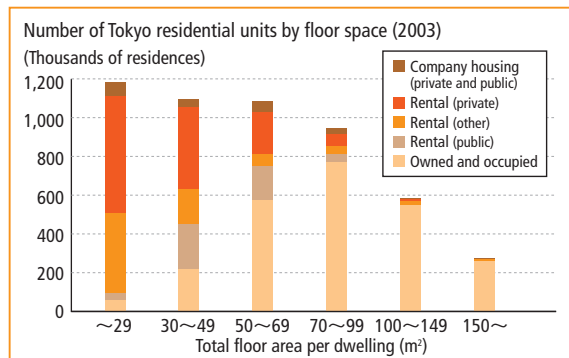
In addition, the available rental apartments generally do not compare favorably to owned houses in terms of floor space or building and construction quality. Looking

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

High-Quality Rental Apartments Generate Highly Stable Earnings

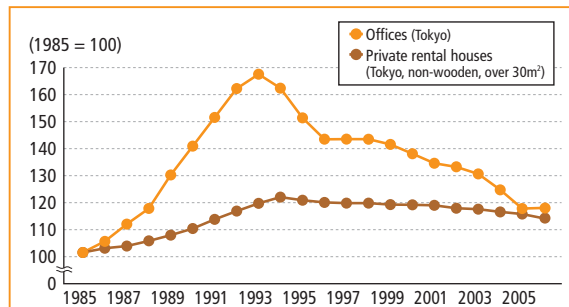
In general, apartment rents are not greatly affected by changes in economic conditions or asset values. Moreover, the risk of sudden shifts in vacancy and lease rates is lower for rental apartments than for office buildings because apartment lease contracts are subdivided and diversified in terms of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

Supply: Relative Scarcity of Quality Apartments



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

Stability: Relatively Stable Rents



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

Common Practices in Japan's Rental Apartment Market

Contract Validity Period

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

Security Deposit

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

Key Money

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

Commission Fee

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

Guarantor/Joint Surety

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

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)
	3rd Period March 1, 2007 to August 31, 2007	2nd Period April 1, 2006 to February 28, 2007	1st Period October 12, 2005 to March 31, 2006	3rd Period March 1, 2007 to August 31, 2007
Total revenues (Note 2)	¥ 3,524	¥ 5,072	¥ 924	\$ 30,361
Rental revenue	3,323	4,830	849	28,629
Other revenue	201	242	75	1,732
Operating expenses	1,729	2,366	458	14,896
Income before income taxes	1,448	2,030	378	12,475
Net income (a)	1,447	2,028	377	12,467
Funds from operations (Note 3)	2,055	2,873	507	17,705
Net operating income from property leasing activities (Note 3)	2,806	4,131	734	24,175
Total amount of cash distribution (b)	1,447	2,028	377	12,467
Depreciation and amortization	608	850	130	5,238
Capital expenditures	159	301	26	1,370
Total assets (c)	114,366	108,097	43,644	985,319
Interest-bearing debt	49,500	42,500	21,000	426,467
Total net assets (d)	62,426	63,007	21,617	537,831
Total number of common units issued (units) (e)	113,480	113,480	42,480	
Net assets per unit (Yen/\$) (d) / (e)	550,102	555,223	508,871	4,739.40
Distribution per unit (Yen/\$) (b) / (e)	12,750	17,871	8,871	109.85
Funds from operations per unit (Yen/\$) (Note 3)	18,106	25,359	11,936	155.99
Return on total assets (Note 4)	1.3%	2.7%	1.7%	
(Annual rate)	(2.6%)	(2.9%)	(3.7%)	
ROE (Note 4)	2.3%	4.8%	3.5%	
(Annual rate)	(4.6%)	(5.2%)	(7.4%)	
LTV (Loan-to-value) ratio (Note 3)	43.3%	39.3%	48.1%	
Capital ratio (d) / (c)	54.6%	58.3%	49.5%	
Payout ratio (b) / (a) (Note 5)	100.0%	100.0%	100.0%	
Number of days in period	184	334	171	
Number of investment properties (Note 6)	30	27	7	
Total rentable area (m ²)	143,912	135,744	56,919	
Average occupancy rate at end of period (Note 6)	96.9%	97.2%	96.1%	

Notes 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥116.07=U.S. \$1.00, the approximate exchange rate on August 31, 2007.

2. Total revenues do not include consumption tax.

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

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

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

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

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

ROE: Net income ÷ [(Initial unitholders' capital + Unitholders' capital 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, 2007: Amount for the period ÷ Actual days in the period (184) x 365 days

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

Annual equivalent amount for the period ended March 31, 2006: Amount for the period ÷ Actual days in the period (171) x 365 days

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

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

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

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

Investment Environment and Operating Performance

During the period from March 1, 2007 to August 31, 2007 (the "3rd Period"), corporate earnings remained at a high level and capital investment continued to increase. Moreover, personal consumption remained firm, and moderate economic expansion is forecast to continue.

In the rental housing market, people continued to move from other regions into the 23 wards of Tokyo, where NAF has concentrated over 90 percent of its portfolio investment. The number of households also expanded because of an increase in the number of single-person and two-person households. As a result of these and other factors, demand for rental housing remained steady. Moreover, similar dynamics are evident in Japan's major regional cities.

New development increased the supply of rental housing, but overall demand continued to exceed supply because of the demolition of aging properties such as company housing. In addition, rental housing such as that provided by NAF that features outstanding location, management, facilities and specifications is still limited in the overall market, and occupancy rates and rents have been rising moderately at such highly competitive properties.

In the real estate market, land prices increased markedly, particularly in central Tokyo, and competition to acquire income-producing properties continued to intensify. However, NAF continued to use Mitsui Fudosan's pipeline, acquiring one property valued at ¥1,609 million on an acquisition price basis in March 2007, and two properties valued at a total of ¥5,240 million on an acquisition price basis in April 2007. As a result, NAF's portfolio as of August 31, 2007 consisted of 30 properties valued at ¥108,234 million on an acquisition price basis with total rentable area of 143,912m².

NAF's assets under management are concentrated in the 23 wards of Tokyo, where demand for rental housing is solid. NAF cooperated with its master property manager, Mitsui Fudosan Housing Lease Co., Ltd., in executing effective leasing activities that accommodated the unique features of each property and each location.

Moreover, at the core Okawabata Apartment Communities, NAF continued its large-scale exterior renovation program from the previous period and renovated some of the rental units. In addition, NAF cooperated with Mitsui Fudosan in a number of initiatives with the objective of increasing awareness of the Park Axis brand, such as the creation of a new brand logo.

NAF's master property manager began full-scale use of a portfolio management system during the 3rd Period. This accelerated management and administration, and supported efforts to acquire tenants according to conditions at specific properties.

As a result of the leasing activities discussed above, NAF was able to completely lease Park Cube Ikebukuro Kanamecho, a new property that was unoccupied when NAF acquired it. As of August 31, 2007, the occupancy rate for NAF's overall portfolio was at a high level of 96.9 percent.

Overview of Results

NAF listed its units on the Tokyo Stock Exchange during the 2nd Period. The 1st and 2nd fiscal periods varied compared to the normal six-month fiscal periods for an investment trust. The 1st Period began on October 12, 2005 and ended on March 31, 2006, a total of 171 days. The 2nd Period began on April 1, 2006 and ended on February 28, 2007, a total of 334 days. Beginning with the 3rd Period, NAF's fiscal periods will consistently be six months long.

For the 3rd Period, total revenues were ¥3,524 million and operating income totaled ¥1,795 million.

Distributions to Unitholders

NAF determines the amount of cash distributions such that they exceed 90 percent of NAF's taxable income available for dividends as set forth in Article 67-15 of the Special Taxation Measures Law of Japan. For the 3rd Period, cash distributions totaled ¥1,446,870,000, or ¥12,750 per unit.

	Yen in thousands, except per unit amounts		
	3rd Period March 1, 2007 to August 31, 2007	2nd Period April 1, 2006 to February 28, 2007	1st Period October 12, 2005 to March 31, 2006
Net income available for distribution	¥1,446,885	¥2,028,037	¥376,848
Undistributed net income	15	36	8
Total cash distribution	1,446,870	2,028,001	376,840
(Per unit)	12,750	17,871	8,871
Distribution from net income	1,446,870	2,028,001	376,840
(Per unit)	12,750	17,871	8,871
Cash distribution in excess of net income	—	—	—
(Per unit)	—	—	—

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

Changes in Assets, Liabilities and Net Assets

Assets

Total assets as of August 31, 2007 increased ¥6,269 million from February 28, 2007 to ¥114,366 million.

Total current assets decreased ¥481 million from February 28, 2007 to ¥3,980 million.

Total investment properties increased ¥6,751 million from February 28, 2007 to ¥110,356 million as a result of the acquisition of new properties and other factors. Compared to February 28, 2007, land including land held in trust increased ¥4,519 million and buildings including buildings held in trust increased ¥2,232 million.

Liabilities

Current liabilities increased ¥2,802 million from February 28, 2007 to ¥16,625 million. Short-term loans increased ¥3,000 million from February 28, 2007 to ¥15,500 million due to the acquisition of properties.

Long-term loans increased ¥4,000 million from February 28, 2007 to ¥34,000 million because NAF increased long-term debt to acquire properties.

Consequently, interest-bearing debt as of August 31, 2007 increased ¥7,000 million from February 28, 2007 to ¥49,500 million. The ratio of long-term, fixed-rate debt to total interest-bearing debt was 68.7 percent, compared to 70.6 percent as of February 28, 2007. The loan-to-value ratio, calculated as interest-bearing debt divided by total assets at the end of the period, increased to 43.3 percent from 39.3 percent as of February 28, 2007.

Net Assets

Net assets totaled ¥62,426 million as of August 31, 2007. Unitholders' capital was unchanged at ¥60,979 million, although retained earnings decreased to ¥1,447 million from ¥2,028 million as of February 28, 2007.

Funding

Balance of Paid-in Capital

NAF was established on October 12, 2005 with initial paid-in capital of ¥100 million. NAF began investing activities on November 29, 2005 after ¥21,140 million was raised through private placements. As of August 31, 2007, NAF had issued 113,480 investment units out of 2,000,000 total authorized units. NAF's investment units were listed on the J-REIT section of the Tokyo Stock Exchange in August 2006 upon the completion of a public offering. As the Investment Trust and Investment Corporation Act of Japan does not contain any provision for the issue of more than one class of units, NAF's investment units comprise the sole class of units authorized and issued by NAF.

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

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

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

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

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

Market Price of Units

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

	3rd Period March 1, 2007 to August 31, 2007 (Yen)	2nd Period April 1, 2006 to February 28, 2007 (Yen)
High	¥1,030,000	¥1,000,000
Low	685,000	583,000

Borrowings

Borrowings by financial institution as of August 31, 2007 are shown below.

Short-term debt

Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of maturity (Note 2)	Repayment method	Use of funds	Notes
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥ 3,000	1.0%	October 31, 2007	Bullet payment	(Note 3)	Unsecured /unguaranteed /pari passu (Note 4) Fixed rate
The Sumitomo Trust & Banking Co., Ltd.	4,000	1.0%	October 12, 2007			
The Hachijuni Bank, Ltd.	1,000	1.0%	October 12, 2007			
Mizuho Corporate Bank, Ltd.	3,500	1.0%	October 31, 2007			
Mitsubishi UFJ Trust and Banking Corporation	4,000	0.9%	September 25, 2007			
Total short-term debt	¥15,500					

Long-term debt

Lender	Balance (Yen in millions)	Interest rate	Date of maturity	Repayment method	Use of funds	Notes
Sumitomo Mitsui Banking Corporation	¥ 2,000	1.2%	November 30, 2009	Bullet payment	(Note 3)	Unsecured /unguaranteed /pari passu (Note 4)
	5,000	1.4%	November 30, 2010			
The Chuo Mitsui Trust and Banking Co., Ltd.	3,000	1.4%	November 30, 2010			
The Sumitomo Trust & Banking, Co., Ltd.	3,000	1.8%	November 30, 2012			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000	1.5%	February 26, 2010			
Nippon Life Insurance Company	3,000	1.6%	February 28, 2011			
	3,000	2.1%	April 11, 2012			
The Development Bank of Japan	3,000	2.2%	April 11, 2013			
	5,000	2.1%	August 6, 2013			
The Hachijuni Bank, Ltd.	1,000	1.8%	April 12, 2010			
Mizuho Corporate Bank, Ltd.	1,000	1.6%	April 19, 2011			
The Chugoku Bank, Ltd.	2,000	1.6%	April 19, 2011			
Shinsei Bank, Ltd.	1,000	1.6%	April 19, 2011			
Total long-term debt	¥34,000					
Total borrowings	¥49,500					

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

Amount	(Yen in millions)			
	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
	¥ —	¥5,000	¥15,000	¥3,000

Capital Expenditures

1. Planning

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, 2007 to August 31, 2007)	Cumulative amount paid
(Yen in millions)					
Okawabata Apartment Communities	Repairs and renovation of outer walls, etc. (Construction area 2)	From March 2007 to September 2007	¥238	¥ —	¥ —
	Renovation of air conditioning equipment, water pipes, etc.	From October 2007 to November 2007	81	—	—
	Repairs and renovation of outer walls, etc. (Construction area 3)	From October 2007 to May 2008	310	2	2
	Renovation of managed building, etc.	From October 2007 to July 2008	144	2	2

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NAF posted ¥159 million in capital expenditures together with ¥87 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
Okawabata Apartment Communities	Renovation of air conditioning equipment, water cisterns for fire-fighting, etc.	From March 2007 to August 2007	¥ 81
	Renewal construction in rentable areas, etc.	From March 2007 to August 2007	53
Other Properties	Security improvements, etc.	From March 2007 to August 2007	24
Total			¥159

3. Cash Reserve for Capital Improvements

NAF accumulates cash reserves 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, 2007	As of February 28, 2007	As of March 31, 2006
Reserve balance at the beginning of the period	¥413	¥523	¥ —
Amount accumulated in the current period	438	191	523
Withdrawal from reserves in the current period	156	300	—
Amount carried forward	¥696	¥413	¥523

Expenses regarding Entrustment, etc.

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

Item	Yen in millions		
	3rd Period March 1, 2007 to August 31, 2007	2nd Period April 1, 2006 to February 28, 2007	1st Period October 12, 2005 to March 31, 2006
Asset management fees	¥262	¥377	¥ 69
Asset custody fees	5	6	1
Agent fees (stock transfer, accounting and administrative)	22	26	6
Directors' remuneration	10	18	10
Auditor's fees	14	12	2
Other expenses	89	141	49
Total	¥402	¥580	¥137

Related Party Transactions

(1) Ongoing Transactions

Category	Total paid (A) (Yen in millions)	Description of transactions with related parties (Note 1)		B/A (Note 2)
		Paid to	Amount of payment (B) (Yen in millions)	
Acquisition price of real estate and real estate held in trust	¥6,849	Mitsui Fudosan Co., Ltd.	¥5,240	76.5%

(2) Fees Paid for the Period from March 1, 2007 to August 31, 2007

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	¥245	Mitsui Fudosan Housing Lease Co., Ltd.	¥245	100.0%
Building management fees	114	Mitsui Fudosan Housing Lease Co., Ltd.	114	100.0%
Leasing related service fees	78	Resident First Co., Ltd.	18	23.1%
		Mitsui Rehouse Tokyo Co., Ltd.	2	3.1%
		Mitsui Home Estate Co., Ltd.	2	2.3%

(3) Other Payments to Related Parties

Paid to	Amount of payment (Yen in millions)	Item
Mitsui Home Remodeling Co., Ltd.	¥37	Repair and maintenance costs
Mitsui Fudosan Housing Service Co., Ltd.	7	Repair and maintenance costs
Mitsui Designtec Co., Ltd.	2	Repair and maintenance costs

Notes 1. "Related parties" means parties defined in Article 20 of 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.

Balance Sheets

Nippon Accommodations Fund Inc.

As of August 31, 2007 and February 28, 2007

	Yen in millions		U.S. dollars in thousands (Note 1)
	3rd Period As of August 31, 2007	2nd Period As of February 28, 2007	3rd Period As of August 31, 2007
Assets			
Current assets:			
Cash and cash equivalents	¥ 3,437	¥ 3,917	\$ 29,611
Rent receivables	511	459	4,403
Consumption tax receivables and other current assets	32	84	276
Total current assets	3,980	4,462	34,290
Investment properties (Note 3):			
Land including trust accounts	76,391	71,872	658,146
Depreciable property and improvements including trust accounts	35,549	32,709	306,272
Accumulated depreciation	(1,584)	(976)	(13,647)
Total investment properties	110,356	103,605	950,771
Other assets	30	30	258
Total Assets	¥114,366	¥108,097	\$985,319
Liabilities and Net Assets			
Liabilities			
Current liabilities:			
Short-term loans (Note 4)	¥ 15,500	¥ 12,500	\$133,540
Accounts payable	421	688	3,627
Rent received in advance	560	519	4,825
Accrued expenses and other liabilities	144	115	1,241
Total current liabilities	16,625	13,822	143,233
Long-term liabilities:			
Long-term loans (Note 4)	34,000	30,000	292,927
Tenant security deposits	1,315	1,267	11,329
Total long-term liabilities	35,315	31,267	304,256
Total Liabilities	51,940	45,090	447,489
Net Assets			
Unitholders' capital (Note 5)	60,979	60,979	525,364
Retained earnings	1,447	2,028	12,467
Total Net Assets	62,426	63,007	537,831
Total Liabilities and Net Assets	¥114,366	¥108,097	\$985,319

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

Statements of Income

Nippon Accommodations Fund Inc.

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

	Yen in millions			U.S. dollars in thousands (Note 1)
	3rd Period March 1, 2007 to August 31, 2007	2nd Period April 1, 2006 to February 28, 2007	1st Period (unaudited) October 12, 2005 to March 31, 2006	3rd Period March 1, 2007 to August 31, 2007
Revenues (Note 6):				
Rental	¥3,323	¥4,830	¥849	\$28,629
Other revenue related to property leasing	201	238	75	1,732
Gain on sale of investment properties	—	5	—	—
Total Revenues	3,524	5,072	924	30,361
Operating Expenses (Note 6):				
Property management fees	375	534	114	3,231
Real estate taxes and insurance	117	140	3	1,008
Repairs and maintenance	87	104	32	750
Other rental expenses	140	158	42	1,206
Depreciation and amortization	608	850	130	5,238
Asset management fees	261	377	69	2,249
Other expenses	141	203	69	1,215
Total Operating Expenses	1,729	2,366	458	14,896
Operating Income	1,795	2,706	466	15,465
Interest and other income	4	2	4	34
Interest expense	(349)	(493)	(76)	(3,007)
Founding costs	—	—	(9)	—
New investment unit issue costs	—	(119)	(7)	—
New investment unit publication costs	—	(65)	—	—
Other expenses	(2)	(1)	(2)	(17)
Income before Income Taxes	1,448	2,030	378	12,475
Current and deferred income taxes (Note 7)	1	2	1	9
Net Income	¥1,447	¥2,028	¥377	\$12,467

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

Statements of Changes in Unitholders' Equity

Nippon Accommodations Fund Inc.

For the period from April 1, 2006 to August 31, 2007

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

	Number of Units	U.S. dollars in thousands (Note 1)		
		Unitholders' Capital	Retained Earnings	Total
Balance as of March 31, 2006	42,480	\$ 182,993	\$ 3,248	\$ 186,241
Cash distribution declared	—	—	(3,248)	(3,248)
Issuance of new units through public offering as of August 3, 2006	67,200	324,046	—	324,046
Issuance of new units through allocation to a third party as of September 4, 2006	3,800	18,325	—	18,325
Net income	—	—	17,472	17,472
Balance as of February 28, 2007	113,480	525,364	17,472	542,836
Cash distribution declared	—	—	(17,472)	(17,472)
Net income	—	—	12,467	12,467
Balance as of August 31, 2007	113,480	\$525,364	\$ 12,467	\$537,831

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

Statements of Cash Flows

Nippon Accommodations Fund Inc.

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

	Yen in millions			U.S. dollars in thousands (Note 1)
	3rd Period March 1, 2007 to August 31, 2007	2nd Period April 1, 2006 to February 28, 2007	1st Period (unaudited) October 12, 2005 to March 31, 2006	3rd Period March 1, 2007 to August 31, 2007
Cash Flows from Operating Activities:				
Income before income taxes	¥ 1,448	¥ 2,030	¥ 378	\$ 12,475
Depreciation and amortization	608	850	130	5,238
New investment unit issue costs	—	119	7	—
Interest expense	349	493	76	3,007
(Increase) Decrease in rent receivables	(52)	(269)	(191)	(448)
Increase (Decrease) in accounts payable	(277)	585	114	(2,386)
Increase (Decrease) in rents received in advance	40	303	216	345
Decrease in investment properties due to sale	—	667	—	—
Cash payments of interest expense	(313)	(458)	(6)	(2,697)
(Increase) Decrease in consumption tax refund receivable	65	(51)	(13)	560
Other, net	(6)	(8)	(27)	(52)
Net Cash Provided by Operating Activities	1,862	4,260	683	16,042
Cash Flows from Investing Activities:				
Payments for purchases of investment properties	(7,359)	(63,196)	(42,056)	(63,401)
Proceeds from tenant security deposits	221	853	692	1,904
Payments for tenant security deposits	(173)	(212)	(65)	(1,490)
Other, net	(5)	(5)	(11)	(43)
Net Cash Used in Investing Activities	(7,316)	(62,560)	(41,441)	(63,031)
Cash Flows from Financing Activities:				
Proceeds from short-term loans	32,000	52,000	9,000	275,696
Repayment of short-term loans	(29,000)	(42,500)	(6,000)	(249,849)
Proceeds from long-term loans	4,000	12,000	18,000	34,462
Proceeds from issuance of investment units	—	39,619	21,233	—
Payment of distribution	(2,026)	(377)	—	(17,455)
Net Cash Provided by Financing Activities	4,974	60,743	42,233	42,853
Net Change in Cash and Cash Equivalents	(480)	2,442	1,475	(4,135)
Cash and Cash Equivalents at the Beginning of the Period	3,917	1,475	—	33,747
Cash and Cash Equivalents at the End of the Period	¥ 3,437	¥ 3,917	¥ 1,475	\$ 29,611

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

Notes to Financial Statements

Nippon Accommodations Fund Inc.

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

Note 1 Organization and Basis of Presentation

Organization

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

NAF is an externally managed real estate fund, formed as an investment corporation. MFAFM, as NAF's asset management company, is engaged in acquiring, managing, leasing, and renovating office properties. MFAFM is a 100% subsidiary of Mitsui Fudosan Co., Ltd.

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

As of August 31, 2007, NAF had ownership or beneficiary interests in 30 properties containing approximately 143,912 square meters of rentable space. As of August 31, 2007, NAF had leased approximately 139,485 square meters to tenants. The occupancy rate for the properties was approximately 96.9%.

Basis of Presentation

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at August 31, 2007, which was ¥116.07 to U.S. \$1. The convenience translation should not be construed as representation that the Japanese yen amounts have been, or could in future be, converted into U.S. dollars at this or any other rate of exchange.

Note 2 Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Investment Properties

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

Buildings and improvements	2-47 years
Structures	3-60 years
Machinery and equipment	12-45 years
Tools, furniture and fixtures	2-13 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.

Income Taxes

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

Real Estate Taxes

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

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

When the property is purchased before January 1 of any given calendar year, these taxes for the previous year are imposed on the seller. The Company pays the seller the corresponding tax amounts for the period from the property's transfer date to December 31 of the previous year as part of the purchase prices of each property, and capitalizes these amounts as the cost of the property. Capitalized property tax for the period ended August 31, 2007 amounted to ¥5 million.

Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate

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

Note 3 Schedule of Investment Properties

Investment properties as of August 31, 2007 and February 28, 2007 consisted of the following:

	Yen in millions					
	As of August 31, 2007			As of February 28, 2007		
	Acquisition Costs	Accumulated Depreciation	Book Value	Acquisition Costs	Accumulated Depreciation	Book Value
Land	¥ 32,969	¥ —	¥ 32,969	¥ 28,451	¥ —	¥ 28,451
Land in trust	43,421	—	43,421	43,421	—	43,421
Land including trust total	76,390	—	76,390	71,872	—	71,872
Buildings and improvements	16,896	(598)	16,298	14,342	(349)	13,993
Buildings and improvements in trust	16,622	(795)	15,827	16,463	(513)	15,951
Building and improvements including those in trust	33,518	(1,393)	32,125	30,806	(862)	29,944
Structures	364	(27)	336	306	(16)	289
Machinery and equipment	99	(6)	93	71	(3)	68
Tools, furniture and fixtures	285	(49)	236	250	(28)	222
Structures in trust	874	(47)	828	873	(32)	841
Machinery and equipment in trust	120	(9)	111	120	(5)	115
Tools, furniture and fixtures in trust	267	(52)	215	264	(29)	235
Construction in process	0	—	0	—	—	—
Construction in process in trust	21	—	21	20	—	20
Other investment properties total	2,031	(191)	1,841	1,904	(114)	1,790
Total	¥111,940	¥(1,584)	¥110,356	¥104,581	¥(976)	¥103,605

Note 4 Short-Term and Long-Term Loans

Short-term loans consist of short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are fixed rates and as of August 31, 2007 and February 28, 2007 ranged from 0.89% to 1.02% and from 0.72% to 0.86%, respectively. Long-term loans are at fixed rates and consist of the following:

	Yen in millions	
	As of August 31, 2007	As of February 28, 2007
Unsecured loans due 2009 to 2013 principally from banks and insurance companies with interest rates mainly ranging from 1.2% to 2.2%	¥34,000	¥30,000

The annual maturities of long-term loans as of August 31, 2007 were as follows:

	Yen in millions
2009	¥ 2,000
2010	11,000
2011	7,000
2012	6,000
Thereafter	8,000

Note 5 Unitholders' Equity

	As of August 31, 2007	As of February 28, 2007	As of March 31, 2006
Total number of units authorized	2,000,000	2,000,000	2,000,000
Total number of units issued and outstanding	113,480	113,480	42,480

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, 2007, February 28, 2007 and March 31, 2006 were as follows:

	Yen in millions		
	3rd Period March 1, 2007 to August 31, 2007	2nd Period April 1, 2006 to February 28, 2007	1st Period October 12, 2005 to March 31, 2006
Revenue from Property Leasing:			
Rental:			
Rental revenues	¥3,243	¥4,720	¥834
Facility charge	80	110	14
Subtotal	3,323	4,830	849
Other revenues related to property leasing:			
Income from leasing rights, etc.	159	200	46
Miscellaneous income	42	37	29
Subtotal	201	238	75
Total revenues from property leasing	3,524	5,068	924
Rental Expenses:			
Property management fees	375	534	114
Repairs and maintenance	87	104	32
Real estate taxes	110	131	0
Trust fee	9	12	2
Utilities	33	50	10
Insurance	7	10	3
Depreciation and amortization	608	850	130
Leasing-related service fees, etc.	78	68	18
Other rental expenses	19	28	12
Total rental expenses	1,326	1,787	320
Operating Income from Property Leasing Activities	¥2,198	¥3,281	¥603

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 0.07%, 0.09% and 0.22% for the periods ended August 31, 2007, February 28, 2007 and March 31, 2006, respectively. The following table summarizes the significant differences between the statutory tax rates and NAF's effective tax rates for financial statement purposes.

	3rd Period March 1, 2007 to August 31, 2007	2nd Period April 1, 2006 to February 28, 2007	1st Period October 12, 2005 to March 31, 2006
Statutory effective tax rate	39.39%	39.39%	39.39%
Deductible distributions paid	(39.36)	(39.35)	(39.30)
Others	0.04	0.05	0.13
Effective tax rate	0.07%	0.09%	0.22%

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of August 31, 2007, February 28, 2007 and March 31, 2006 were as follows:

	Yen in thousands		
	As of August 31, 2007	As of February 28, 2007	As of March 31, 2006
Deferred tax assets:			
Enterprise taxes	¥ 19	¥ 19	¥ 17
Total deferred tax assets	19	19	17
Deferred tax liabilities	—	—	—
Net Deferred Tax Assets	¥ 19	¥ 19	¥ 17

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

Note 8 Per Unit Information

Information about earnings per unit for the periods ended August 31, 2007, February 28, 2007 and March 31, 2006 and net assets per unit as of August 31, 2007, February 28, 2007 and March 31, 2006 was as follows.

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

	Yen		
	3rd Period March 1, 2007 to August 31, 2007	2nd Period April 1, 2006 to February 28, 2007	1st Period October 12, 2005 to March 31, 2006
Earnings per Unit:			
Net income	¥ 12,749	¥ 23,375	¥ 12,310
Weighted average number of investment units outstanding	113,480	86,757	30,612
	As of August 31, 2007	As of February 28, 2007	As of March 31, 2006
Net Assets per Unit	¥550,102	¥555,223	¥508,871

Note 9 Transactions with Related Parties

(March 1, 2007 – August 31, 2007)

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

(2) Directors and Major Individual Unitholders

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

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

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

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

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

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

(4) Sister Companies: None applicable

(April 1, 2006 – February 28, 2007)

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

(2) Directors and Major Individual Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction (Yen in millions)	Account	Balance at end of period (Yen in millions)
Director and/or close relative	Nobuyuki Nakai	Executive Director of NAF and President & CEO of MFAFM	Payment of asset management fees to MFAFM (Note 1)	¥820 (Notes 2 and 4)	Accounts payable	¥392 (Note 4)
			Payment for the provision of general administration services relating to organizational management to MFAFM (Note 3)	¥1 (Note 4)	Accounts payable	¥0 (Note 4)

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

2. The amount of asset management fees includes ¥443 million for management related to acquisition of properties included in the book value of each investment property, etc.

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

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

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

(4) Sister Companies: None applicable

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

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

Park Axis Akihabara

Date of Acquisition		September 14, 2007
Acquisition Price (Note)		¥1,200 million
Location (Residence Indication)		16-1, Kandasakuma-cho 3-chome, Chiyoda-ku, Tokyo
Building	Completion Date	September 27, 2006
	Structure /Number of Floors	RC 9F
	Rentable Area	1,346.07m ²

Park Axis Toyochō

Date of Acquisition		September 14, 2007
Acquisition Price (Note)		¥3,950 million
Location (Residence Indication)		29-10 Shiohama 2-chome, Koto-ku, Tokyo
Building	Completion Date	March 22, 2007
	Structure /Number of Floors	RC 15F
	Rentable Area	5,412.40m ²

Park Axis Takinogawa

Date of Acquisition		September 14, 2007
Acquisition Price (Note)		¥1,820 million
Location (Residence Indication)		48-11 Takinogawa 3-chome, Kita-ku, Tokyo
Building	Completion Date	March 31, 2007
	Structure /Number of Floors	RC 7F
	Rentable Area	2,924.75m ²

Park Axis Asakusabashi

Date of Acquisition		September 14, 2007
Acquisition Price (Note)		¥2,717 million
Location (Residence Indication)		6-2 Yanagibashi 2-chome, Taito-ku, Tokyo
Building	Completion Date	July 10, 2007
	Structure /Number of Floors	RC B1F/14F
	Rentable Area	3,400.78m ²

Park Axis Marunouchi

Date of Acquisition		September 14, 2007
Acquisition Price (Note)		¥1,920 million
Location (Residence Indication)		19-3 Marunouchi 2-chome, Naka-ku, Nagoya City, Aichi Prefecture
Building	Completion Date	November 1, 2006
	Structure /Number of Floors	RC 15F
	Rentable Area	3,821.75m ²

Park Axis Ropponmatsu

Date of Acquisition		September 14, 2007
Acquisition Price (Note)		¥1,515 million
Location (Residence Indication)		13-2 Ropponmatsu 2-chome, Chuo-ku, Fukuoka City, Fukuoka Prefecture
Building	Completion Date	March 22, 2007
	Structure /Number of Floors	RC 12F
	Rentable Area	3,473.67m ²

Park Axis Hakataeki Minami

Date of Acquisition		September 14, 2007
Acquisition Price (Note)		¥1,890 million
Location (Residence Indication)		5-27 Hakataeki Minami 3-chome, Hakata-ku, Fukuoka City, Fukuoka Prefecture
Building	Completion Date	March 23, 2007
	Structure /Number of Floors	RC 12F
	Rentable Area	4,668.29m ²

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

2. Borrowing Funds

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

Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of loan	Date of maturity	Repayment method	Notes
The Chuo Mitsui Trust and Banking Co., Ltd.	3,000	1.0%	September 14, 2007	October 31, 2007	Bullet repayment	Unsecured/ unguaranteed/ pari passu (Note 2)
	2,000	0.9%	September 14, 2007	October 12, 2007		
The Sumitomo Trust & Banking, Co., Ltd.	1,000	1.0%	September 14, 2007	October 31, 2007		
	3,000	0.9%	September 14, 2007	October 12, 2007		
The Hachijuni Bank, Ltd.	1,000	1.5%	September 14, 2007	September 14, 2012		
Mizuho Corporate Bank, Ltd.	2,000	1.0%	September 14, 2007	October 31, 2007		
The Bank of Fukuoka, Ltd.	2,000	1.0%	September 14, 2007	October 31, 2007		
Mitsubishi UFJ Trust and Banking Corporation	1,000	1.0%	September 14, 2007	October 31, 2007		

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

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

3. Issue of Investment Corporation Bonds

NAF issued investment corporation bonds in accordance with its general resolution adopted at the Board of Directors' Meeting held on October 15, 2007 as follows:

- (1) Name of the Investment Corporation Bonds: Nippon Accommodations Fund Inc. 1st Unsecured Investment Corporation Bonds (with special pari passu conditions among specified investment corporation bonds)
- (2) Total Amount of the Investment Corporation Bonds: ¥10,000 million
- (3) Issue Price: ¥100 per par value of ¥100
- (4) Interest Rate: 1.70% per annum
- (5) Payment Date: November 15, 2007
- (6) Security or Guarantee: Unsecured/unguaranteed
- (7) Method and Date of Redemption: The entire amount of the investment corporation bonds shall be redeemed on November 14, 2014.
- (8) Use of Funds: Repayment of loans



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

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

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

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

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

The U.S. dollar amounts in the accompanying financial statements with respect to the period ended August 31, 2007 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 27, 2007

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

Major Interested Parties

Overview of the Roles of Major Interested Parties

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

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

Role	Name	Overview of Relevant Operations
REIT management company and general administrative agent	Mitsui Fudosan Accommodations Fund Management Co., Ltd. (MFAFM)	MFAFM serves as the company entrusted with asset management as required by 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 contract, 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 Administrative Agent based on a General Agent 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 and other services 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 manager	Mitsui Fudosan Housing Lease Co., Ltd.	In principle, MFAFM will entrust to Mitsui Fudosan Housing Lease as master property manager 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.

* Created 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 Administrative Agent Regarding the Management of Institutions, hereafter "MFAFM"

MFAFM, as a REIT management company provided for in the Investment Trust and Investment Corporation Act of Japan, performs management of NAF's assets and undertakes management of the institutions of NAF. As of August 31, 2007, MFAFM has been entrusted as a REIT management company only by NAF.

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

■ Operation

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

■ 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 (provided, however, that revenues from the sale of Real Estate, etc. and other Managed Assets will be excluded) 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. (however, 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. (however, excluding consumption tax, local consumption tax) will be payable. Management Fees 4 are paid at or before the end of the next month after the month of the sales date.

■ History of MFAFM

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

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

■ Directors and Staff

As of August 31, 2007, the directors and corporate auditors of MFAFM are as follows.

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

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

Name	Title
Tetsuya Kanazawa	Chief Compliance Officer

The staff other than those mentioned above comprises 13 persons.

■ Outline of Financial Condition

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

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

Current as of March 31, 2007	(Yen in thousands)
Total Assets	¥939,264
Total Liabilities	216,850
Unitholders' Equity	722,414

Profit and loss for the most recent fiscal year:

Third Fiscal Year (April 1, 2006 – March 31, 2007)	(Yen in thousands)
Operating Income	¥872,957
Ordinary Profit	596,864
Net Income	349,653

Mitsui Fudosan Co., Ltd.

Real Estate Information and Advisory Service Provider, hereafter Mitsui Fudosan

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 rights which it owns or is developing under its Accommodation Division, and is consistent with MFAFM's asset management guidelines, Mitsui Fudosan notifies MFAFM, in principle, before or at the same time as it notifies any third party of such sales, unless such notification can not be made due to lack of consent of third parties or any other unavoidable reason.

When MFAFM receives such notification and provides written notification that it will consider the purchase of such real estate or rights, 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 rights.

■ Provision of Third-Party Real Estate Sales Information

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

■ Provision of Real Estate Management Information

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

Notes: "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, lease rates and initial leasing conditions), recent lease contracts entered for specific residential properties, area marketing surveys, financial data for other real estate investment corporation, 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 rights (including due diligence prior to such acquisition review of relevant building plans and construction).
- (b) Advice regarding the management and administration of real estate or real estate-related rights 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 rights; and (iii) advice and support in connection with large-scale repair projects to be executed in respect of real estate or real estate-related rights

■ Operation Fees

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

Portfolio Structure Policies

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 are presented below.

1. Investment Areas

NAF emphasizes Greater Tokyo and other major cities in investing in accommodation assets. By region, approximately 80 percent of NAF's assets are 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 that do not meet this criterion upon consideration of relevant matters including property characteristics and earning potential.
Ownership rights	In principle, NAF shall hold ownership rights of a whole property. However, NAF may invest in comparted 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.
Structure	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 of the Building Standards Law (Law No. 201 of 1950), including subsequent revisions; hereafter, the "Building Standards Law").
Properties for development	In principle, NAF shall acquire properties that are already producing stable rental income at the time of acquisition, and shall not invest in property development that entails NAF acquiring sites and constructing buildings on them. However, NAF may consider contracts to acquire uncompleted buildings that, although incomplete, are expected to carry minimum risk in respect to completion, delivery and subsequent leasing.

3. Due Diligence Standards

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

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

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

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

		<p>5. Status of compartment of comparted-ownership.</p> <p>6. Security arrangements established prior to involvement of NAF and succession of any rights or obligations in connection thereto.</p> <p>7. Terms of special agreement with the owner of site (or leasehold originator), other comparted-ownership holders, other co-owners and any other relevant parties, including agreement regarding first refusal.</p> <p>8. Characteristics of owners of site (or leasehold originator), comparted-ownership holders, co-owners or other relevant parties (for example, corporations or individuals).</p> <p>9. Terms of trust agreement in case the relevant rights are beneficial interests in real estate trust.</p>
	Survey of property boundaries	Documents regarding border confirmation or border certificates

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 resolution.

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 or claims for compensatory damages from third parties due to disasters such as fires and accidents. Asset characteristics determine such coverage.

NAF comprehensively determines earthquake insurance coverage according to the effectiveness of insurance 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 at over 20 percent or when the acquisition of such property causes portfolio PML to rise above 15 percent, NAF comprehensively considers the impact from an earthquake, insurance premiums and any other relevant issues to determine whether or not to purchase earthquake insurance.

4. Basic Policies for Renovation Plans and Capital Expenditures

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

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

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

Divestiture Policy

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

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

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

Financial Policies

1. Issue of New Units

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

2. Debt Financing

NAF may issue bonds or take on loans, including call market funding, with the objective of financing acquisition of assets; renovation expenses; dividend payments; working capital; or debt repayment, including lease deposits, security deposits, loans and bonds that NAF may have issued. NAF only borrows capital from qualified institutional investors as defined by Article 2-3-1 of the Securities and Exchange Law of Japan. In addition, NAF may not take on loans or issue bonds that exceed ¥1 trillion, respectively, nor may the total of loans and bonds exceed ¥1 trillion. According to NAF's current Articles of

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

3. Loan-to-Value Ratio

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

4. Derivatives

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

Information Disclosure Policy

NAF defines itself as an open, transparent investment trust, 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 Securities 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
Capital	¥60,979 million (as of August 31, 2007)
Unitholders	3,455
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
Accounting auditor	KPMG AZSA & Co. AZSA Center Building 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo 162-8551, Japan
Investor relations	For further information, please contact the REIT Management Company: Mitsui Fudosan Accommodations Fund Management Co., Ltd. 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-0022, Japan +81-3-3246-3677

Disclaimer

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

This English document contains selected information including a partial translation of the Securities Report (*Yuka shoken hokokusho*) filed on November 28, 2007 pursuant to the Securities Exchange Law of Japan, and the financial statements and the Performance Information Report for the period from March 1, 2007 to August 31, 2007, 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 the 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 security of Nippon Accommodations Fund Inc. or otherwise, nor is it advice or the recommendation of Nippon Accommodations Fund Inc. to enter into any transaction.

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

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

Investor Information

Fiscal period*	Six months ending February 28 (February 29 in leap years) and August 31
Total number of units issued	113,480 (As of August 31, 2007)
Distribution per unit	¥12,750 (As of August 31, 2007)
Unit listing	Tokyo Stock Exchange (Securities Code: 3226)

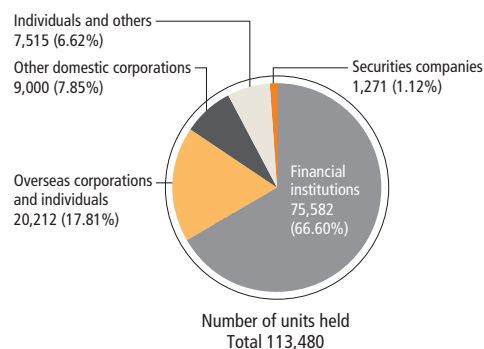
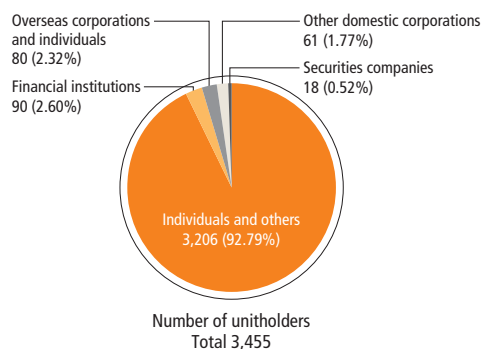
* The first fiscal period was from the date of incorporation on October 12, 2005 to March 31, 2006.
The second fiscal period was from April 1, 2006 to February 28, 2007.

Major Unitholders

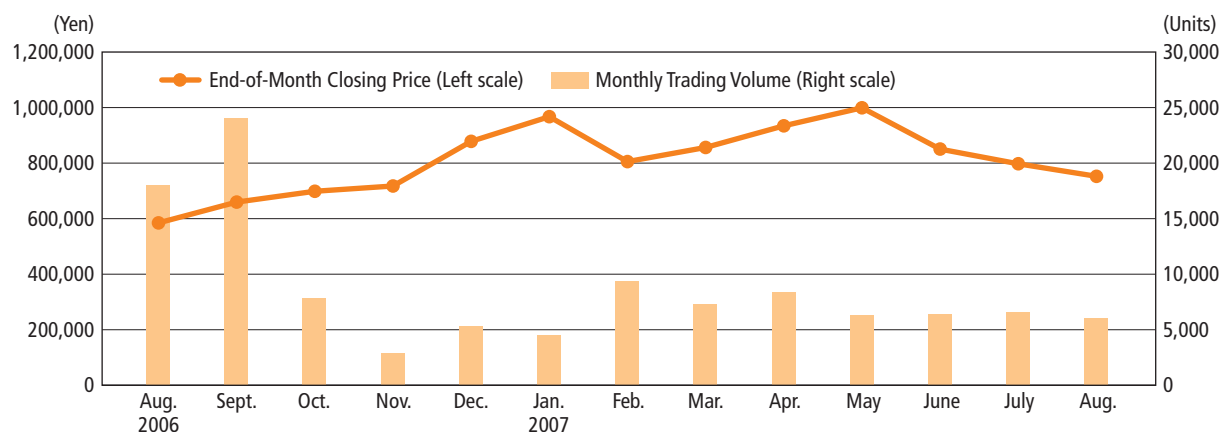
(As of August 31, 2007)

Name	Number of Units Held	Percentage of Total
Japan Trustee Services Bank, Ltd. (Trust Account)	11,466	10.10%
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,453	9.21%
Nikko Cititrust and Banking Co., Ltd. (Investment Account)	7,902	6.96%
Mitsui Fudosan Co., Ltd.	6,600	5.81%
The Nomura Trust and Banking Co., Ltd. (Investment Account)	6,302	5.55%
CGML-IPB Customer Collateral Account	4,255	3.74%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	4,119	3.62%
The Chuo Mitsui Trust and Banking Company, Limited	3,600	3.17%
The Hiroshima Bank, Ltd.	3,126	2.75%
Sumitomo Mitsui Banking Corporation	2,953	2.60%

Unitholders



Unit Price Range and Trading Volume





Nippon Accommodations Fund Inc.

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

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

