



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

6th Period
NAF Report | September 2008 – February 2009

**Clear Management Objectives,
Consistent Returns**

Profile



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

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

Contents

Financial Highlights	1	Corporate Structure and Governance.....	24
NAF Snapshot	2	Rental Apartment Investment Characteristics.....	28
To Our Stakeholders	4	Management's Discussion and Analysis	30
Clear Management Objectives, Consistent Returns	7	Financial Statements.....	37
Solid Demand	8	Notes to Financial Statements	41
Efficient Operations	10	Independent Auditors' Report.....	47
An Effective Value Chain	12	Appendix	48
NAF Portfolio	16	Portfolio Policy.....	52
Portfolio Map.....	16	Corporate Data and Investor Information	56
Property Portfolio	18		
Portfolio Summary	22		

Financial Highlights

	Yen in millions (Except per unit data or where otherwise indicated)			U.S. dollars in thousands (Note 1) (Except per unit data)
	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008	4th Period September 1, 2007 to February 29, 2008	6th Period September 1, 2008 to February 28, 2009
Total revenues (Note 2)	¥ 4,508	¥ 4,498	¥ 4,092	\$ 46,089
Income before income taxes	1,656	1,642	1,631	16,931
Net income	1,655	1,641	1,630	16,921
Funds from operations (Note 3)	2,518	2,489	2,361	25,744
Net operating income from property leasing activities (Note 3)	3,614	3,541	3,317	36,949
Total amount of cash distribution (a)	1,655	1,641	1,630	16,921
Total assets	146,666	146,666	129,969	1,499,499
Total liabilities	84,032	84,046	67,360	859,135
Total net assets (b)	62,634	62,620	62,609	640,364
LTV (Loan-to-value) ratio (Note 3)	55.2%	55.2%	49.6%	
Total number of common units issued (units) (c)	113,480	113,480	113,480	
Net assets per unit (Yen/\$) (b) / (c)	551,939	551,813	551,717	5,642.97
Distribution per unit (Yen/\$) (a) / (c)	14,587	14,461	14,366	149.14
Funds from operations per unit (Yen/\$) (Note 3)	22,184	21,929	20,809	226.81

Notes 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥97.81 = U.S.\$1.00, the approximate exchange rate on February 28, 2009.

2. Total revenues do not include consumption tax.

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

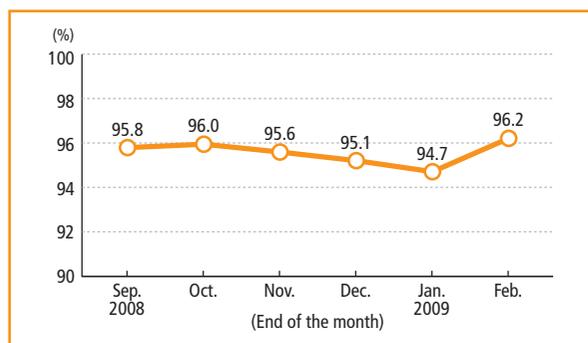
Net operating income from property leasing activities: (Revenues from property leasing – Rental expenses) + Depreciation and amortization

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 its listing on the Tokyo Stock Exchange.

Ratings (As of February 28, 2009)

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

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

* On April 21, 2009, Moody's Investors Service, Inc. announced that it had lowered NAF's rating to A2.

NAF Snapshot

(As of February 28, 2009)

Profitability

96.2%

An occupancy rate of 96.2 percent

5.2%

Net operating income (NOI) yield* of 5.2 percent

¥14,587

Distribution per unit of ¥14,587 for the 6th Period

Outstanding Portfolio

¥140,001 million

Portfolio of 44 superior properties with a total acquisition price of ¥140,001 million

189,635.68m²/
4,256 units

4,256 units with a total rentable area of 189,635.68m²

92.2%

92.2 percent of portfolio located in the 23 wards of Tokyo

Financial Stability

A1**, AA, A+

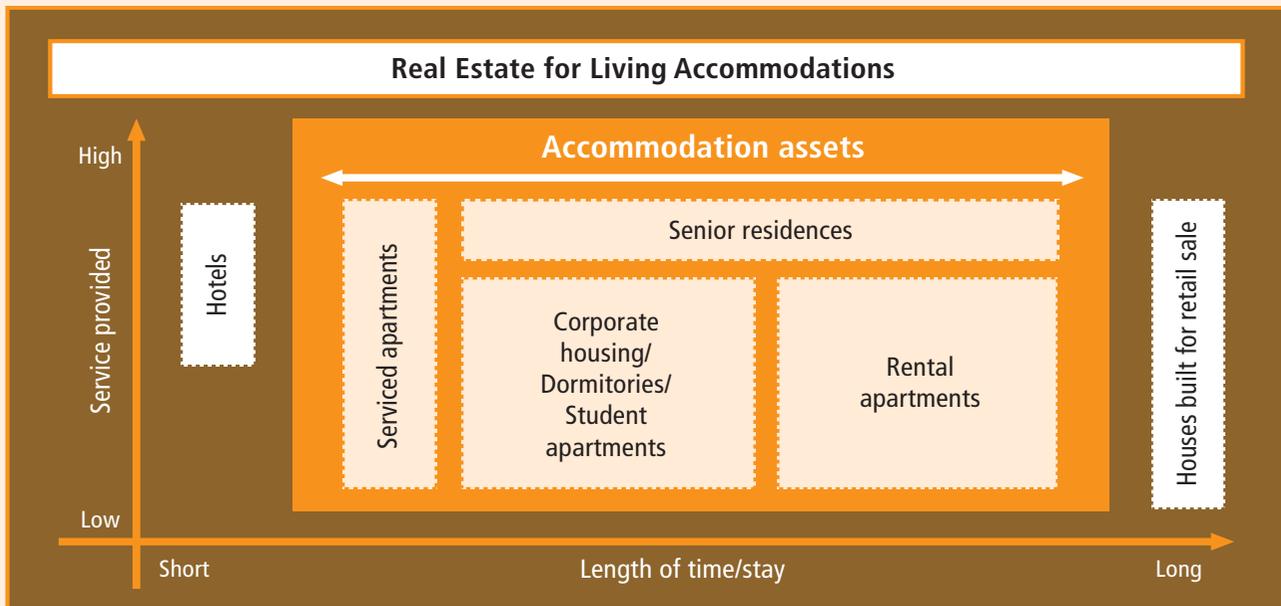
Rated A1** by Moody's; AA by Rating and Investment Information; and A+ (Long-term) and A-1 (Short-term) by Standard & Poor's

55.2%

LTV (Loan-to-Value) ratio of 55.2 percent, long-term fixed ratio of 64.2 percent

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

** On April 21, 2009, Moody's Investors Service, Inc. announced that it had lowered NAF's rating to A2.



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

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

To Our Stakeholders



During the six months ended February 28, 2009 (the “6th Period”), Nippon Accommodations Fund Inc. (“NAF”) made maximum use of the integrated value chain of Mitsui Fudosan Group companies to manage its portfolio with an emphasis on stability. As a result, NAF generated stable revenues.

Nobuyuki Nakai

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

Market Environment and 6th Period Performance

During the 6th Period, the operating environment remained challenging in the J-REIT market due to turmoil in global financial markets caused by the U.S. subprime loan crisis.

However, in the residential rental market, although the impact of the economic downturn was apparent at certain high-rent properties, demand remained stable in the 23 wards of Tokyo due to factors including the ongoing population influx from other areas and the increasing number of single and two-person households. The same factors are projected to drive the development of the residential rental markets in Japan’s major regional cities. Furthermore, the overall stock of rental housing did not increase, due in part to the demolition of aging properties. In addition, the supply of rental housing that features outstanding location, management and facilities is still limited, and as a result, occupancy rates and rents have been rising moderately at such highly competitive properties. In the markets for real estate trading and investment, factors including changes in the fund procurement environment and the economic downturn reduced competition for acquisitions from real estate funds and other institutions, and transaction volume decreased.

In this environment, NAF acquired no new properties during the 6th Period, and as of February 28, 2009 its portfolio consisted of 44 properties valued at ¥140,001 million on an acquisition price basis. The overall occupancy rate was 96.2 percent as of February 28, 2009, compared with 96.0 percent at the end of the previous period.

As a result, total revenues were ¥4,508 million, compared with ¥4,498 million for the previous period. Operating income was ¥2,248 million, compared with ¥2,212 million for the previous period. Net income was ¥1,655 million, compared with ¥1,641 million for the previous period. Distribution per unit totaled ¥14,587, compared with ¥14,461 for the previous period, and exceeded the forecast announced along with results for the 5th Period.

	6th Period (Actual) (Ended February 28, 2009)	7th Period (Forecast) (Ending August 31, 2009)
Total revenues	¥4,508 million	¥4,555 million
Operating income	¥2,248 million	¥2,226 million
Net income	¥1,655 million	¥1,577 million
Distribution per unit (Yen)	¥14,587	¥13,900
Assets under management		
Acquisition price basis	¥140,001 million	¥140,001 million
Number of properties	44	44

6th Period Initiatives

During the 6th Period, Mitsui Fudosan Housing Lease Co., Ltd., the master property management company (the "Master PM"), collaborated with Mitsui Fudosan Accomodations Fund Management Co., Ltd. ("MFAFM"), NAF's asset management company, to effectively manage and operate properties held by NAF in accordance with regional characteristics and the individual features of each property. Initiatives included systematic, responsive portfolio management and operation by the Master PM; tenant recruiting activities suited to the circumstances of individual properties; reduction of management costs; interior renovations at Okawabata Apartment Communities, one of NAF's principle properties; and the provision of tenant services that correspond to the needs expressed in resident surveys at each property. As a result of the leasing activities discussed above, the occupancy rate for NAF's overall portfolio as of February 28, 2009 remained at a high level of 96.2 percent.

During the 6th Period, NAF refinanced while monitoring market trends and interest rates. As a result, interest-bearing debt as of February 28, 2009 was unchanged from August 31, 2008 at ¥81,000 million, and NAF's loan-to-value (LTV) ratio stood at 55.2 percent. NAF secured long-term, fixed-rate loans, which accounted for 64.2 percent of NAF's interest-bearing debt as of February 28, 2009.

Future Initiatives

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

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

During the 6th Period, our strategy for internal growth included strengthening the brand penetration of both the Park Axis and Park Cube series to heighten their recognition in the real estate rental market. Moreover, with an optimized operational and management structure that makes use of the expertise of each company in the Mitsui Fudosan Group, NAF uses additional strategic investment to maintain asset value over the long term in order to maintain or raise its rents and occupancy rate.

Regarding financial strategy, 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. We will continue to implement a strategy that emphasizes long-term, fixed-rate funding in response to the risk of rising interest rates and refinancing risk. We will give due consideration to the issuance of new units after examining market trends and distribution levels and taking into consideration the demand for funds for the purpose of property acquisition as well as our financial position.

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

Outlook

During the 7th Period, we expect the initiatives discussed above to result in total revenues of ¥4,555 million, operating income of ¥2,226 million, net income of ¥1,577 million, and distribution per unit of ¥13,900. This forecast is valid as of April 2009 and assumes that NAF will not acquire or exchange any additional properties and will not issue new units during the 7th 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.

June 2009



Nobuyuki Nakai

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

Clear Management Objectives, Consistent Returns

NAF aims to maximize unitholder value by generating solid returns through steady external and internal growth.



▶ Solid Demand

NAF selectively invests in assets with the location, scale and facilities that will maintain NAF's position of strength and competitive power in the real estate leasing market over the medium-to-long term. NAF aims for stable growth in the future through steady acquisition of properties.

page 8

▶ Efficient Operations

Based on an optimized management and operating structure and measures to maintain or raise asset value, NAF will work toward steady internal growth by increasing rental revenues and reducing operating expenses.

page 10

▶ An Effective Value Chain

NAF will secure solid returns through the full and active use of the Mitsui Fudosan Group's value chain from planning and development to management and operation.

page 12

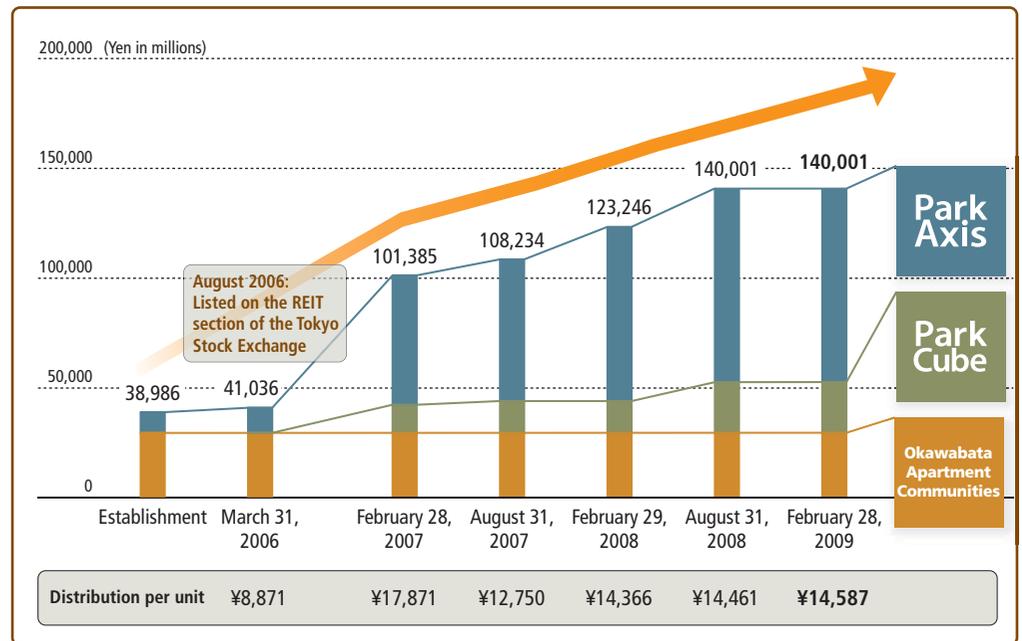
Clear Management Objectives, Consistent Returns

Solid Demand

The Park Axis series, developed by the Mitsui Fudosan Group, is the core of NAF's portfolio. NAF aims to maintain stable portfolio expansion by following a policy of selectively investing in assets that will retain their market superiority and competitiveness over the medium-to-long term.

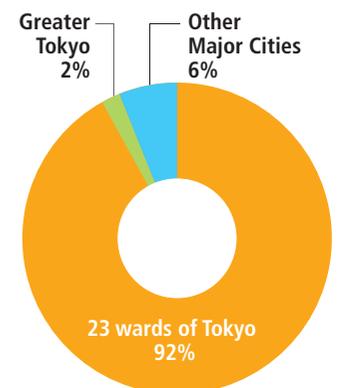
► Acquisitions Generate Growth in Portfolio Value

■ Asset Growth (Acquisition Price Basis)



NAF was established in 2005 with assets under management valued at approximately ¥39 billion. In August 2006, NAF was listed on the Tokyo Stock Exchange as the first J-REIT managing mainly residential assets, with a value of over ¥100 billion at IPO. NAF's external growth strategy is centered on the Park Axis series properties that Mitsui Fudosan develops. NAF also maintains steady external growth by acquiring properties in the Park Cube series based on property information from the information channels MFAFM has established. As of February 28, 2009, NAF's portfolio consisted of 44 properties valued at ¥140,001 million on an acquisition price basis. Approximately 92 percent of NAF's portfolio is located in the 23 wards of Tokyo, where the ongoing population influx from other areas and strong demand for rental housing are expected to continue in the future. NAF aims for stable growth by selectively investing in assets that will retain their market superiority and competitiveness over the medium-to-long term.

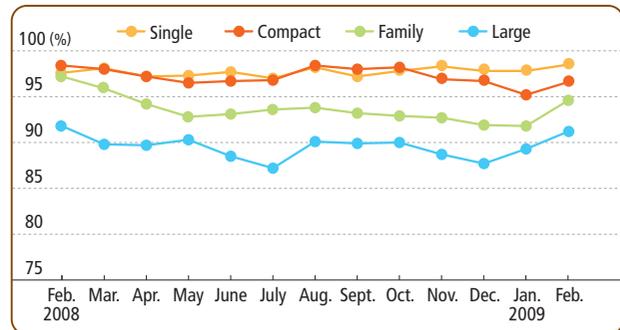
■ Portfolio by Area (Based on acquisition price)



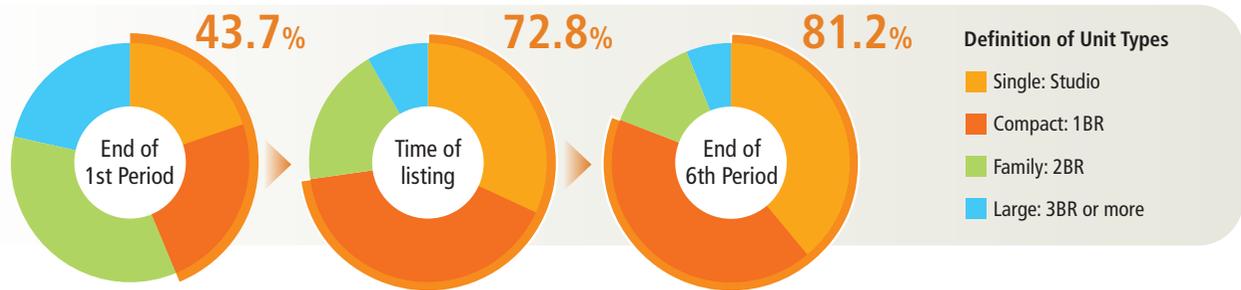
▶ NAF's Outstanding Portfolio Reflects Market Trends

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 regional city centers, factors including an increasing need to live closer to work and the elimination of the company housing system at many corporations have caused demand for rental housing in this segment to expand steadily. The occupancy rate for the single and compact apartments that NAF manages has been stable at a high level.

■ Occupancy Rates by Category

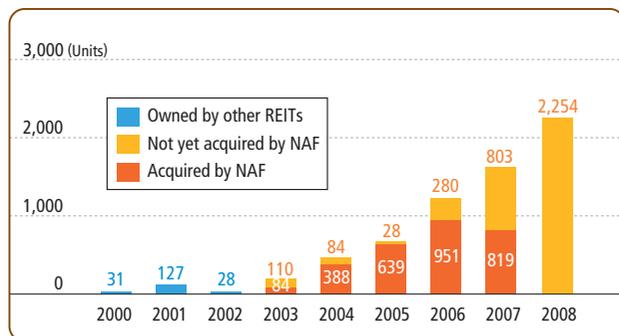


■ Percentage of Single and Compact Units



▶ Solid Relationship with Mitsui Fudosan

■ Park Axis Series Supply (Mitsui Fudosan)



Source: Prepared by MFAFM from Mitsui Fudosan materials and publicly available data.

The Park Axis series is NAF's core asset. Taking advantage of Mitsui Fudosan's many years of experience in residential housing, the properties in the series are functional, safe, located in convenient areas and distinguished by quality control from the construction stage. NAF aims to continue expanding its portfolio based on the competitive and profitable Park Axis series.

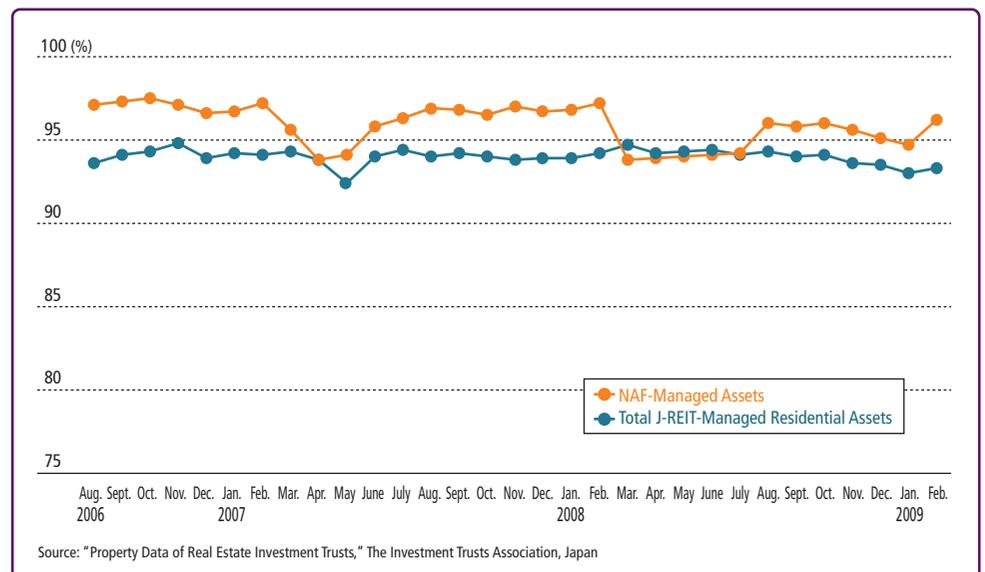
Clear Management Objectives, Consistent Returns

Efficient Operations

NAF aims for a high net operating income (NOI) yield by maintaining a high occupancy rate and steadily reducing operating expenses. Through continued cooperation with Mitsui Fudosan Housing Lease Co., Ltd. (the "Master PM"), MFAFM will implement effective operations and management, aiming for steady internal growth by increasing rental revenues and reducing operating expenses.

► Sound Management for Solid Returns

■ Occupancy Rates of NAF-Managed Assets and Total J-REIT-Managed Residential Assets



Since NAF's listing on the Tokyo Stock Exchange, its portfolio has maintained a high occupancy rate, reaching 96.2 percent at the end of the 6th Period. This is a result of the highly competitive power of NAF's assets together with the agile marketing of available space and quick and efficient leasing activities conducted by MFAFM and the Master PM.

▶ Maintaining and Enhancing Competitiveness and Reducing Management Costs

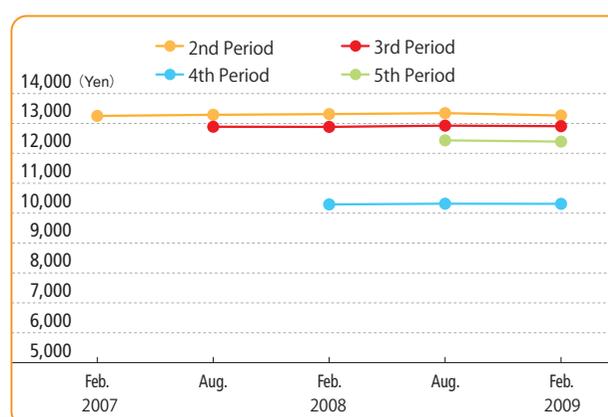
The extent to which property management and administration handles annual wear and tear of rental housing assets gives rise to substantial differences in their relative worth and competitiveness. NAF uses the expertise of companies in the Mitsui Fudosan Group to optimize its system for property management and operation. With this as a base, NAF works to maintain and enhance competitiveness by maintaining asset values over the long term. During the 6th Period, efforts to maintain long-term asset value included the selective renovation of units that tenants had vacated in the sections of Okawabata Apartment Communities that NAF owns.

Moreover, NAF reviewed the adequacy of building management specifications and management and administration costs, as required, in working to reduce operating expenses through rationalization that leverages the scale of its management and other methods. As part of these efforts, NAF revised its electricity rate plan and reduced Internet connection costs.

▶ The Results of Steady, Consistent Operations

NAF conducts steady, consistent operations in cooperation with its Master PM and asset management company. Initiatives include leasing activities based on strategies formulated in accordance with regional characteristics, the individual features of each property and market conditions; setting property management specifications in accordance with the individual features of each property; and maintaining and enhancing competitiveness through strategic renovations and capital expenditures. As a result of these initiatives, average rent per unit of floor space by acquisition period has remained stable at high levels.

■ Average Rent per *Tsubo*



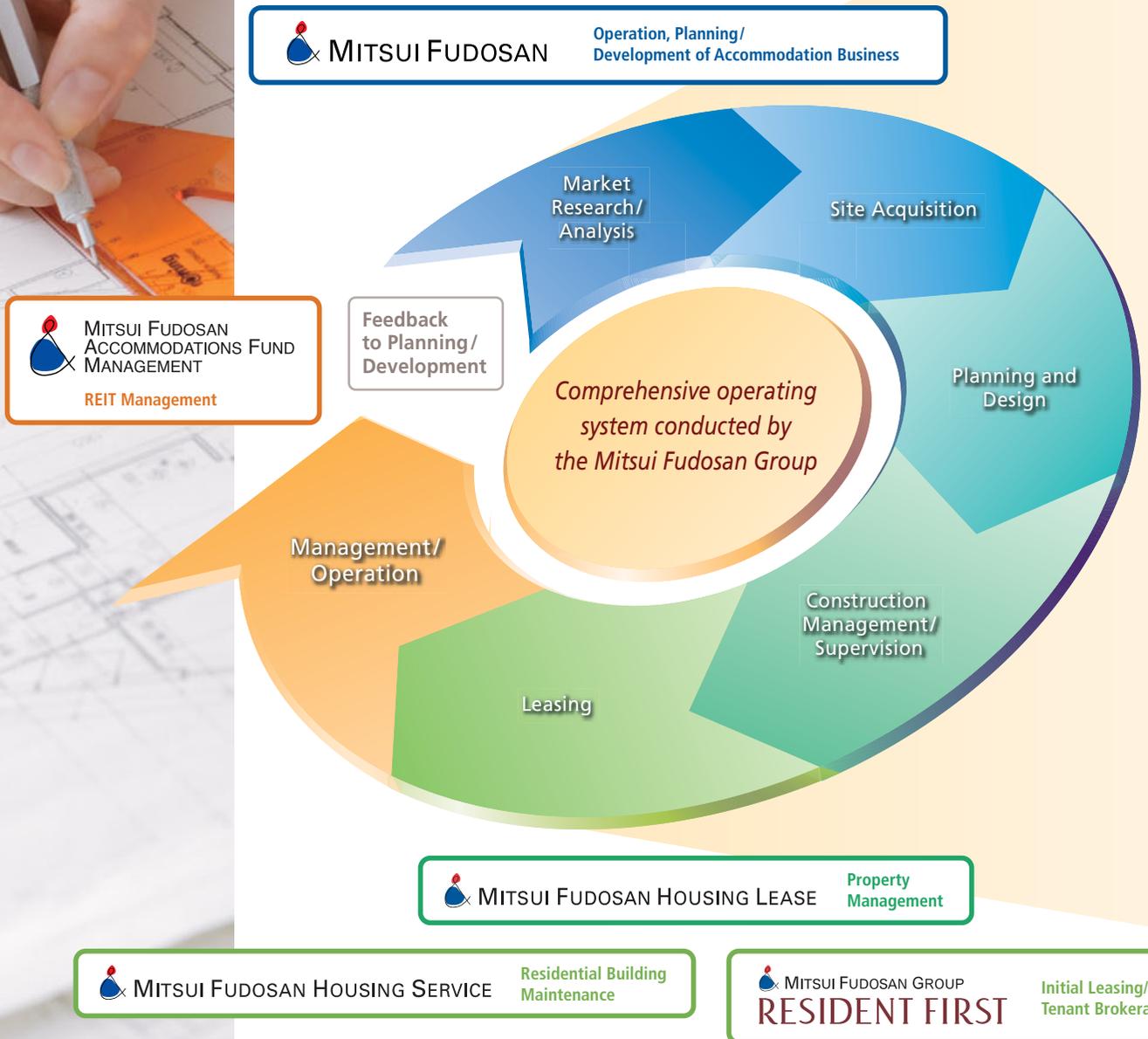
	3rd Period	4th Period	5th Period	6th Period
New Contracts				
Number of units	354 units	372 units	483 units	449 units
(Percentage of units with increased rent)	73.4%	69.1%	57.1%	35.9%
Net increase (decrease) in rents	¥829,000	¥1,516,000	¥563,000	¥(1,940,000)
Total tenant rents before new contracts	¥69,102,000	¥66,545,000	¥82,266,000	¥80,693,000
Change	1.2%	2.3%	0.7%	(2.4)%
Total Including Renewals				
Number of units	654 units	856 units	1,283 units	853 units
Net increase (decrease) in rents	¥876,000	¥1,501,000	¥571,000	¥(2,103,000)
Total tenant rents before new contracts	¥140,254,000	¥166,136,000	¥222,476,000	¥158,064,000
Change	0.6%	0.9%	0.3%	(1.3)%

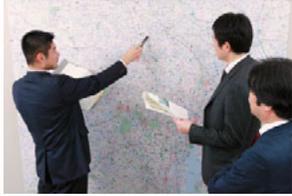
Clear Management Objectives, Consistent Returns

An Effective Value Chain

The companies of the Mitsui Fudosan Group form a comprehensive operating system that spans from planning and development to leasing, management and operation, in which the Group functions as a single integrated value chain. NAF will secure solid returns through the full and active use of this value chain.

Mitsui Fudosan Group Companies Form an Integrated 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 supports property development capabilities of all types from small buildings to complexes and large development projects.



Planning and Design

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



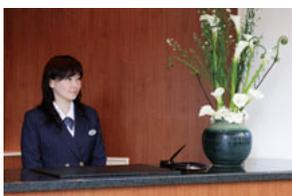
Construction Management / Supervision

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



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.

▶ Housing Planned and Designed for Tenant Appeal

The planning and design of rental housing involves the creation of residential space that responds to the needs and desires arising from changes in people's lifestyles and the composition of households. Specifically, it takes numerous factors into consideration, ranging from detailed design targets based on use and the number of residents, specifications that meet the design targets, and quality planning to design, safety, functionality, management and operation.

The Park Axis series of properties accounts for a large percentage of NAF's portfolio. Mitsui Fudosan Co., Ltd. plans and designs these properties, which consistently maintain high occupancy rates and profitability for several reasons. One is the residential development expertise of Mitsui Fudosan, which has been providing outstanding residential space for more than 40 years with a strong commitment to putting tenant satisfaction first. Another is the ability of the Master PM to optimize the planning and design of rental housing by incorporating the feedback it obtains through rental housing management and operation under its catchphrase of "Resident First." Moreover, this approach to planning and design is also used in selecting properties for the Park Cube series, for which construction is handled by other developers. Thus planning and design that employ the Mitsui Fudosan Group value chain generate stable revenues.



▶ Meeting the Specific Requirements of Urban Lifestyles

NAF invests in rental housing, primarily in the 23 wards of Tokyo. Housing in this area requires planning and design that respond to the decrease in household size as a result of lifestyle changes and to the broad range of tenant life stages from young people to seniors. For example, after listening to feedback from tenants who said they want to keep a pet, NAF introduced condominiums that allow pets. Moreover, NAF has installed surveillance cameras, window sensors and other security equipment in response to tenant desires for safety and peace of mind. Other initiatives include the incorporation of security considerations in property design and the use of universal design with the goal of preventing household accidents and other incidents in daily life.

This focus on tenant needs does not stop at interior and exterior design. NAF designs functional spaces that meet tenant demands as their lifestyles change. Creating properties that appeal to tenants allows NAF to continuously maintain the market competitiveness and value of its assets.



Realizing long-term value

I think that each piece of information we collect through feedback during property management and administration has significant meaning in product creation. The decision to incorporate them in the ongoing supply of new products creates assets that maintain their value well into the future.

Tetsuro Nakajima
Manager, Mitsui Fudosan Co., Ltd.



Planning that accommodates lifestyles

It is important that planning accommodate diversifying lifestyles by thinking about what tenants want, such as the way they want to use their apartment and the elements that attract them to a property.

Satoshi Ito
Mitsui Fudosan Co., Ltd.



Emphasis on the entrance and the first impressions it makes

We want to continuously maintain the market competitiveness of our rental housing, so we emphasize first impressions. We focus entrance design on what tenants first see, and also pay close attention to issues such as landscaping around the entrance.

Aika Hirose
Mitsui Fudosan Co., Ltd.



Designs that never become dull

We try to propose designs for the Park Axis series that will remain interesting for a hundred years and never become dull. A focus on design as well as functionality and durability differentiate rental housing design at Mitsui Fudosan.

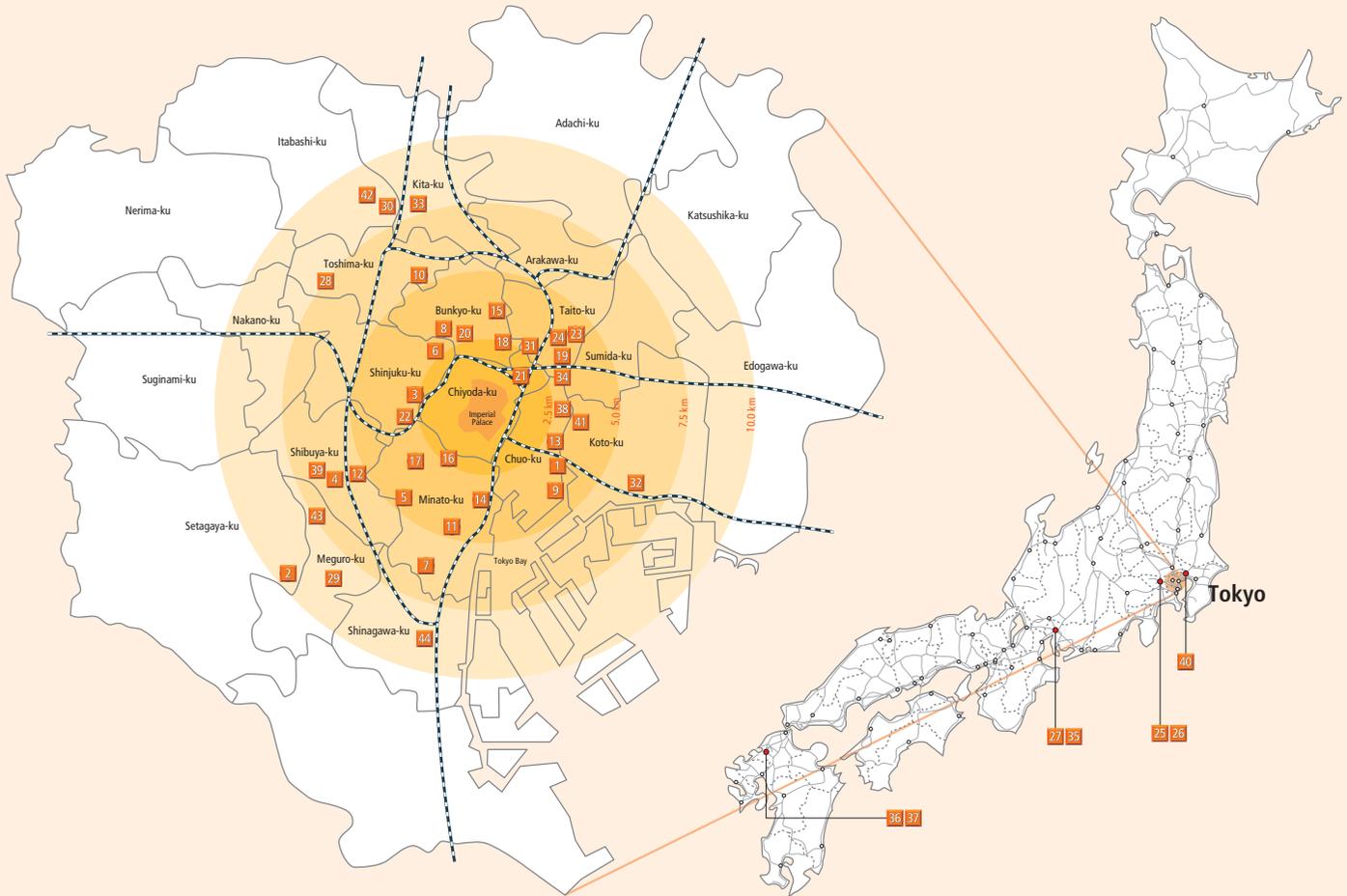
Eki Norimitsu
Architect



NAF Portfolio

(As of February 28, 2009. Numbers in red for each property refer to the Portfolio Summary on pages 22-23.)

Portfolio Map



Investment Criteria

► Area

- 23 Wards of Tokyo (80% or more)
- Greater Tokyo (Tokyo (other than the 23 wards), Kanagawa, Chiba, Saitama)
- Other Major Cities (Sapporo, Sendai, Nagoya, Kyoto, Osaka, Kobe, Hiroshima, Fukuoka)

► Investment Size

¥1 billion or more per property (in principle)

► Ownership Interest

Fee simple (in principle)

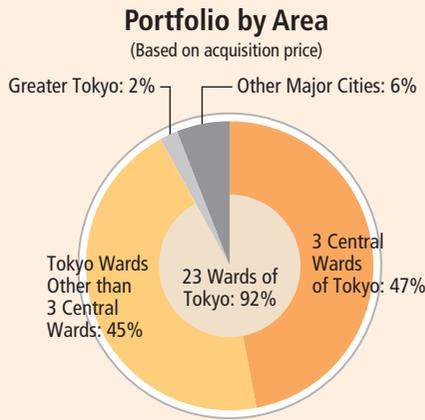
► Building Structure

Reinforced concrete or steel reinforced concrete (no wooden structures)

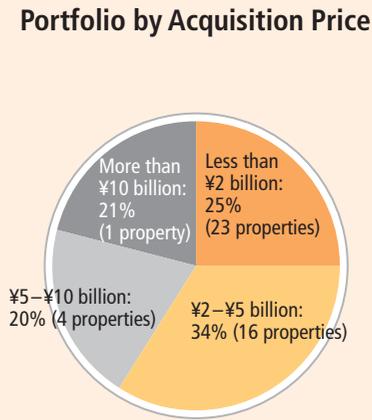
- 1 Okawabata (River Point Tower)
Okawabata (Park Side Wings)
Okawabata (Pier West House)
- 2 Park Axis Gakugei Daigaku
- 3 Park Axis Ichigaya
- 4 Park Axis Shibuya Jinnan
- 5 Park Axis Aoyama Kotto Dori
- 6 Park Axis Kagurazaka Stage
- 7 Park Axis Shirokanedai
- 8 Park Axis Bunkyo Stage
- 9 Park Axis 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
- 31 Park Axis Akihabara
- 32 Park Axis Toyocho
- 33 Park Axis Takinogawa
- 34 Park Axis Asakusabashi
- 35 Park Axis Marunouchi
- 36 Park Axis Ropponmatsu
- 37 Park Axis Hakataeki Minami
- 38 Park Axis Nihonbashi Hamacho
- 39 Park Cube Yoyogi Tomigaya
- 40 Park Axis Nishi Funabashi
- 41 Park Axis Monzen Nakacho
- 42 Park Cube Itabashi Honcho
- 43 Park Cube Gakugei Daigaku
- 44 Park Cube Oimachi

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

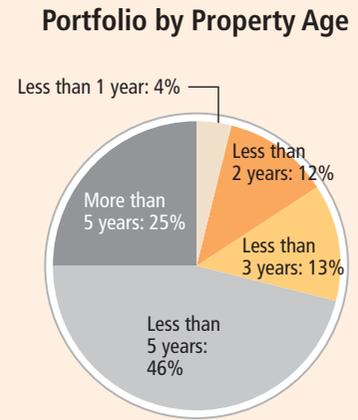


92% of portfolio is located in the 23 wards of Tokyo



Average ¥3.2 billion per property

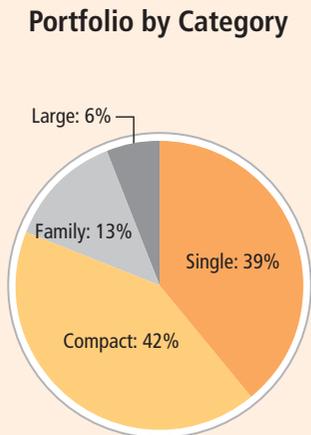
[Approx. ¥2.6 billion per property, excluding the Okawabata Apartment Communities]



Average 6.6 years

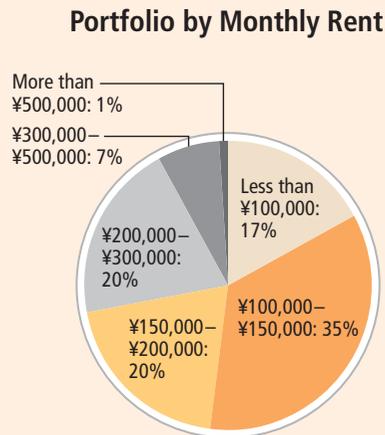
[Approx. 3.1 years, excluding the Okawabata Apartment Communities]

A Balanced Mix of Properties Centered on Single and Compact Units



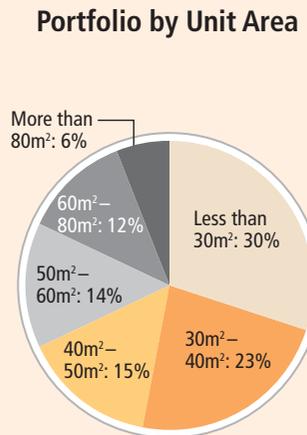
Percentage of Single and Compact Units: 81%

[Approx. 92%, excluding the Okawabata Apartment Communities]



Average ¥171 thousand per unit

[Approx. ¥149 thousand per unit, excluding the Okawabata Apartment Communities]



Average 44.3m² per unit

[Approx. 39.0m² per unit, excluding the Okawabata Apartment Communities]

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 Unit Area are unit-based, excluding retail units.

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

Property Portfolio

① River Point Tower



② Park Side Wings



③ Pier West House



1 Okawabata Apartment Communities



3 Park Axis Ichigaya



42 Park Cube Itabashi Honcho



6 Park Axis Kagurazaka Stage



2 Park Axis Gakugei Daigaku



30 Park Axis Shin Itabashi



43 Park Cube Gakugei Daigaku



33 Park Axis Takinogawa



15 Park Axis Hongo no Mori



27 Park Axis Meieki Minami



7 Park Axis Shirokanedai



12 Park Axis Shibuya



14 Park Axis Hamamatsucho



34 Park Axis Asakusabashi



38 Park Axis Nihonbashi Hamacho



40 Park Axis Nishi Funabashi



4 Park Axis Shibuya Jinnan

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



44 Park Cube Oimachi



18 Park Axis Ochanomizu Stage



9 Park Axis Tsukishima



10 Park Axis Otsuka



22 Park Cube Ichigaya



8 Park Axis Bunkyo Stage



5 Park Axis Aoyama Kotto Dori



17 Park Axis Roppongi Hinokicho Koen



23 Park Cube Asakusa Tawaramachi



11 Park Axis Minami Azabu



36 Park Axis Ropponmatsu



13 Park Axis Nihonbashi Stage



35 Park Axis Marunouchi



29 Park Axis Meguro Honcho



39 Park Cube Yoyogi Tomigaya



41 Park Axis Monzen Nakacho



19 Park Axis Okachimachi



32 Park Axis Toyochi



31 Park Axis Akihabara



28 Park Cube Ikebukuro Kanamecho

Property Portfolio

Portfolio Summary



25 Park Cube Keio Hachioji



26 Park Cube Keio Hachioji II



21 Park Cube Kanda



20 Park Cube Hongo



24 Park Cube Ueno



16 Park Axis Tameike Sanno



37 Park Axis Hakataeki Minami

No. Name

1	Okawabata Apartment Communities River Point Tower Park Side Wings 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
28	Park Cube Ikebukuro Kanamecho
29	Park Axis Meguro Honcho
30	Park Axis Shin Itabashi
31	Park Axis Akihabara
32	Park Axis Toyochō
33	Park Axis Takinogawa
34	Park Axis Asakusabashi
38	Park Axis Nihonbashi Hamacho
39	Park Cube Yoyogi Tomigaya
41	Park Axis Monzen Nakacho
42	Park Cube Itabashi Honcho
43	Park Cube Gakugei Daigaku
44	Park Cube Oimachi
Tokyo 23 Wards Total	
25	Park Cube Keio Hachioji
26	Park Cube Keio Hachioji II
40	Park Axis Nishi Funabashi
Greater Tokyo Total (Note 3)	
27	Park Axis Meieki Minami
35	Park Axis Marunouchi
36	Park Axis Ropponmatsu
37	Park Axis Hakataeki Minami
Other Major Cities Total	
Grand Total	

(As of February 28, 2009)

Location	Acquisition Price (Note 1) (Yen in millions)	Portfolio Share (%)	Rentable Area (sq. m.)	Rentable Units	PML (Note 2) (%)
Chuo-ku, Tokyo	29,696	21.2	43,812.41	544	4.5
					7.9
					7.0
Setagaya-ku, Tokyo	1,760	1.3	2,437.66	64	7.6
Shinjuku-ku, Tokyo	2,570	1.8	3,313.33	84	7.3
Shibuya-ku, Tokyo	3,230	2.3	2,766.62	75	6.8
Minato-ku, Tokyo	1,730	1.2	1,537.24	40	7.0
Shinjuku-ku, Tokyo	1,400	1.0	1,891.05	59	7.5
Minato-ku, Tokyo	5,140	3.7	4,704.44	99	8.7
Bunkyo-ku, Tokyo	4,440	3.2	6,078.93	154	6.5
Chuo-ku, Tokyo	930	0.7	1,383.99	30	6.8
Toshima-ku, Tokyo	1,655	1.2	2,606.37	52	6.4
Minato-ku, Tokyo	3,939	2.8	3,938.14	64	7.4
Shibuya-ku, Tokyo	1,283	0.9	1,094.28	20	7.9
Chuo-ku, Tokyo	7,558	5.4	10,025.40	184 Residential, 1 Retail	7.5
Minato-ku, Tokyo	2,025	1.4	2,426.45	80	7.1
Bunkyo-ku, Tokyo	2,910	2.1	3,317.94	86 Residential, 1 Retail	8.8
Minato-ku, Tokyo	2,860	2.0	2,710.69	70	8.2
Minato-ku, Tokyo	2,170	1.5	2,054.46	46	9.2
Bunkyo-ku, Tokyo	9,710	6.9	12,025.25	324	7.2
Taito-ku, Tokyo	1,070	0.8	1,621.73	42	6.8
Bunkyo-ku, Tokyo	1,760	1.3	2,160.12	60	8.2
Chiyoda-ku, Tokyo	2,454	1.8	3,194.59	95	8.9
Shinjuku-ku, Tokyo	1,794	1.3	2,127.50	51	6.8
Taito-ku, Tokyo	2,508	1.8	4,012.68	76	8.8
Taito-ku, Tokyo	2,233	1.6	3,041.61	91	7.5
Toshima-ku, Tokyo	1,609	1.1	1,886.82	65	8.1
Meguro-ku, Tokyo	1,810	1.3	1,884.77	60	8.5
Itabashi-ku, Tokyo	3,430	2.4	4,395.99	152	7.3 East, 7.5 West
Chiyoda-ku, Tokyo	1,200	0.9	1,346.07	41	7.4
Koto-ku, Tokyo	3,950	2.8	5,412.40	140	10.8
Kita-ku, Tokyo	1,820	1.3	2,924.75	48 Residential, 1 Retail	5.8
Taito-ku, Tokyo	2,717	1.9	3,400.78	78 Residential, 1 Retail	8.9
Chuo-ku, Tokyo	5,540	4.0	6,999.83	118	8.1
Shibuya-ku, Tokyo	1,975	1.4	1,929.10	38	7.4
Koto-ku, Tokyo	1,700	1.2	1,886.39	55	10.1
Itabashi-ku, Tokyo	4,170	3.0	5,317.07	165 Residential, 1 Retail	8.1
Meguro-ku, Tokyo	910	0.6	957.88	24	6.8
Shinagawa-ku, Tokyo	1,440	1.0	1,511.12	65	10.0
	129,095	92.2	164,135.85	3,539 Residential, 5 Retail	
Hachioji-shi, Tokyo	991	0.7	2,814.32	52	7.1
Hachioji-shi, Tokyo	1,130	0.8	3,082.32	47 Residential, 1 Retail	7.6
Funabashi-shi, Chiba	1,020	0.7	2,074.35	55	7.9
	3,141	2.2	7,970.99	154 Residential, 1 Retail	
Nagoya-shi, Aichi	2,440	1.7	5,565.13	169	4.1
Nagoya-shi, Aichi	1,920	1.4	3,821.75	98 Residential, 1 Retail	6.1
Fukuoka-shi, Fukuoka	1,515	1.1	3,473.67	111 Residential, 1 Retail	2.2
Fukuoka-shi, Fukuoka	1,890	1.3	4,668.29	176 Residential, 1 Retail	3.1
	7,765	5.5	17,528.84	554 Residential, 3 Retail	
	140,001	100.0	189,635.68	4,247 Residential, 9 Retail	3.9 (Portfolio PML)

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

2. PML = Probable maximum loss

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

Corporate Structure and Governance

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

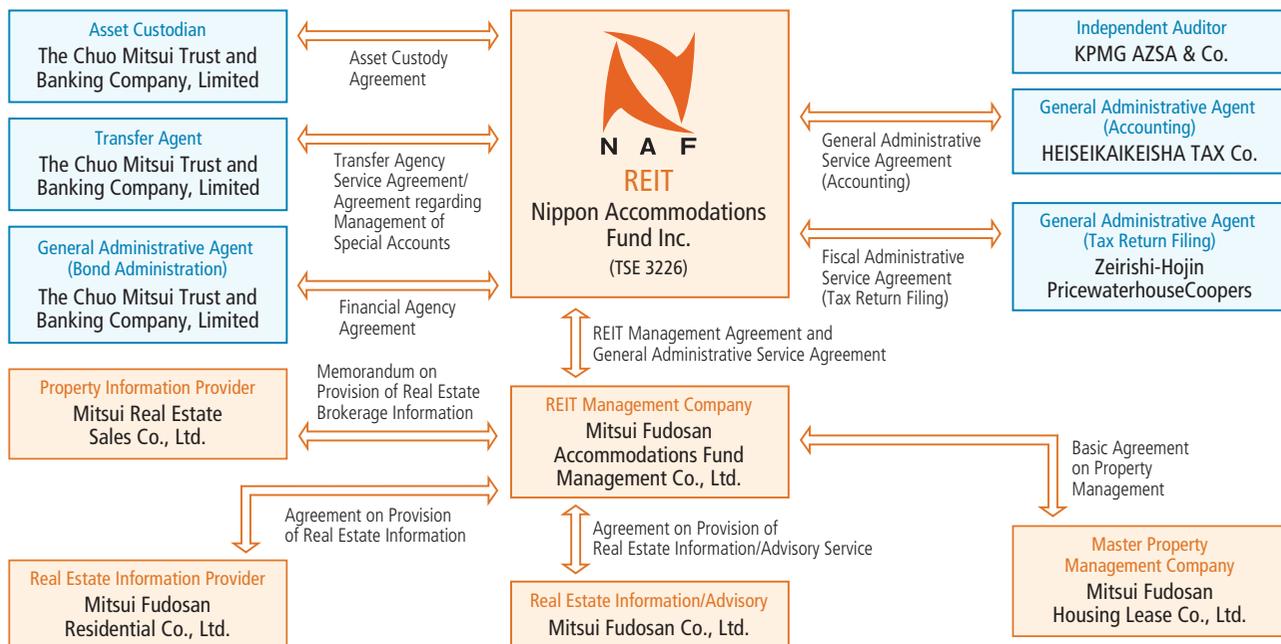
Real Estate Investment Trust (“REIT”) Structure

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

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

These guidelines may change in the future in response to changes in the external investment environment and the status of NAF’s assets under management.

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



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 fourth General Meeting of Unitholders convened on May 22, 2009. The General Meeting of Unitholders adopts or vetoes ordinary resolutions on the basis of a simple majority of the voting rights of unitholders in attendance. Decisions on substantive resolutions such as changes in the Articles of Incorporation require the attendance of unitholders holding at least a simple majority of total units issued and outstanding, and a vote of two-thirds majority of the voting rights of such unitholders. The asset management policies and standards are stipulated by NAF's Articles of Incorporation.

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

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

supervisory directors (but always equal to the number of executive directors plus at least one additional supervisory director). As of February 28, 2009, NAF had two executive directors and three supervisory directors. NAF's independent auditor is KPMG AZSA & Co.

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

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

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

The independent auditors are elected at the General Meeting of Unitholders. They audit financial and accounting documents including NAF's financial statements. In addition, they are charged with reporting to supervisory directors any

unlawful acts or material violations of laws, regulations or NAF's Articles of Incorporation that executive directors may commit in the course of their duties. The independent auditors also perform other duties as required by laws and regulations.

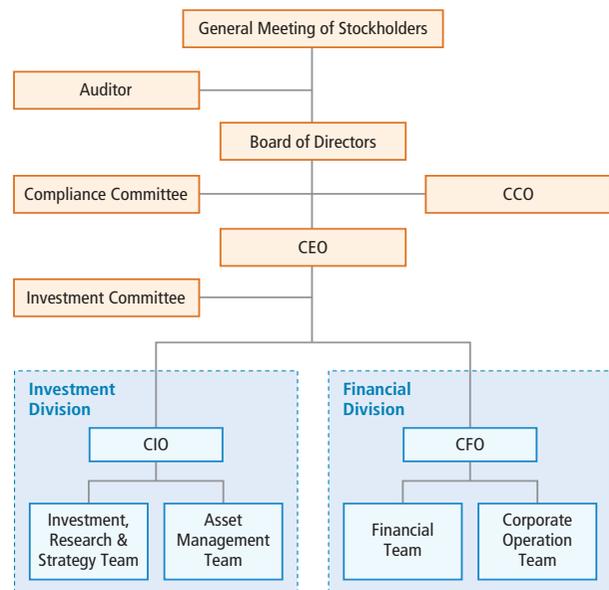
Compliance Initiatives

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

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

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

Corporate Governance Structure of MFAFM



Investment 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 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 policy 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, NAF is providing education and implementing other measures to enhance the culture of compliance among officers and employees of MFAFM.

NAF's Board of Directors convenes as needed at least once every three months, and resolves important matters and reports on the status of business execution in accordance with laws, regulations and internal rules for such Board of Directors. Independent supervisory directors supervise business execution. Moreover, supervisory directors can obtain as needed reports on operations and financial condition from the REIT Management Company and from NAF's asset

custodian, The Chuo Mitsui Trust and Banking Company, Limited. Independent supervisory directors can also conduct required investigations.

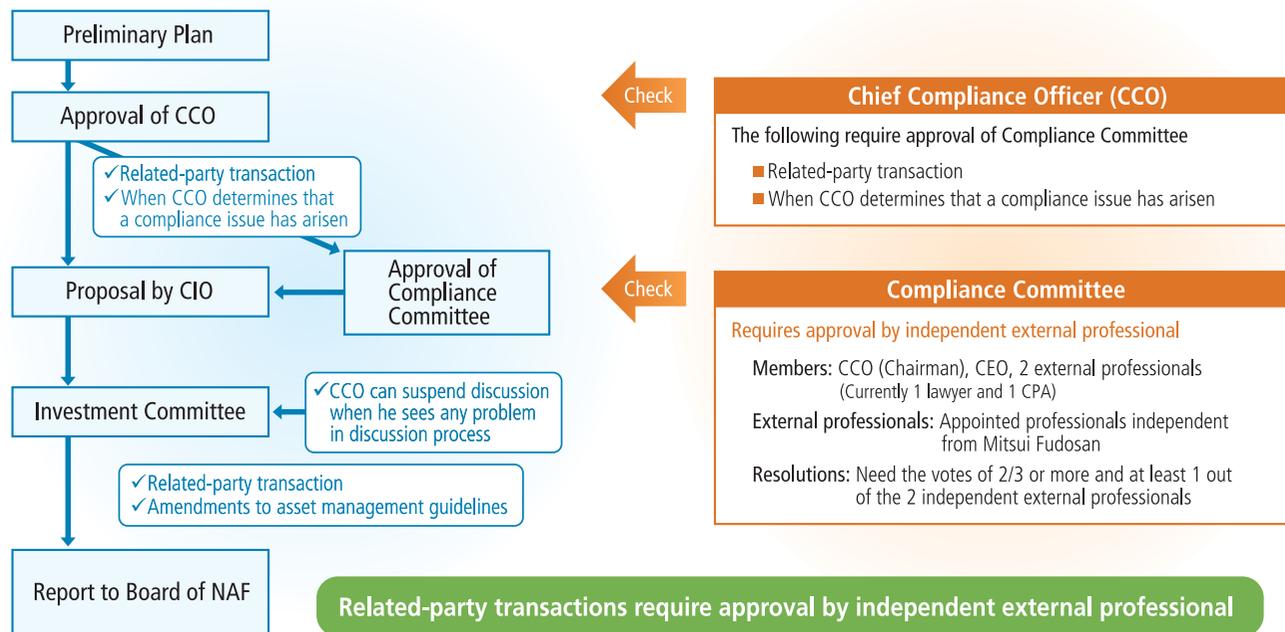
One of NAF’s executive directors has obtained approval from the regulator in accordance with the Investment Trust and Investment Corporation Act of Japan to serve concurrently as the President and CEO of the REIT Management Company, or MFAFM.

The REIT Management Company formulates and revises an annual management plan that is the blueprint for

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

Investment Policy & Acquisition/Sale Decision Process

Compliance Checking System



Restrictions on Related-Party Transactions

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

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

Rental Apartment Investment Characteristics

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

Growing Demand for Rental Apartments

Japan's population is projected to decrease in the future, but the number of smaller households is conversely projected to increase due to the growth in single-person households and the trend toward nuclear families. In the 23 wards of Tokyo in

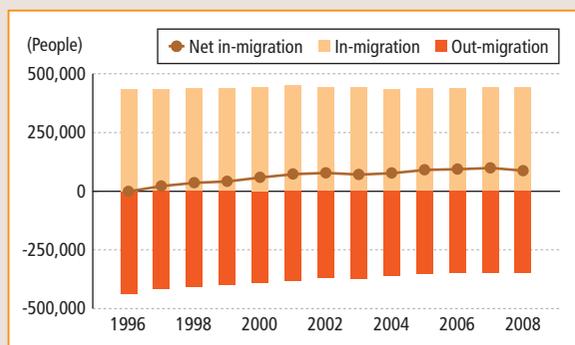
particular, where over 90 percent of NAF's assets under management are located, the population influx is continuing, suggesting that the number of households and population in the 23 wards of Tokyo will continue to increase steadily.

Scarcity of High-Quality Rental Apartments

The principal sources of rental apartments in Japan have conventionally been individual landowners seeking to utilize their assets effectively and public organizations, and the supply by private companies has been limited. In recent years, however, the private sector has a greater influence on the supply of rental apartments due to factors including the reorganization of the former Urban Development Corporation as the independent administrative institution Urban Renaissance Agency and the transformation of rental apartments into investment products through the securitization of real estate.

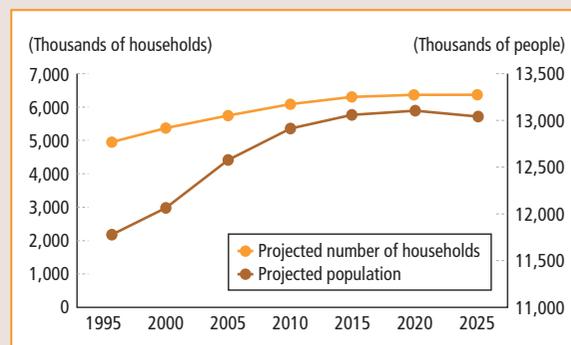
In recent years, while there has been an upward trend in the number of construction starts for reinforced concrete apartments in Tokyo, the overall stock of rental apartments is not increasing, due in part to the demolition of aging rental stock including company housing. Furthermore, rental apartments generally do not compare favorably with owned houses in terms of floor space and quality of facilities and other amenities. The stock of high-quality rental apartments owned by J-REITs is still limited, and thus very scarce.

Demand: Increasing Population Influx into Tokyo



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

Demand: Steady Growth of Households in Tokyo



Source: "Household Projections for Tokyo," March 2006, Tokyo Metropolitan Government; National Institute of Population and Policy Research

Rental Apartments Generate Stable Earnings

Rental apartments are generally unaffected by fluctuations in economic conditions and asset value, and rents have remained stable in the past. Moreover, the risk of sudden shifts in vacancy rates 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 lower. For this reason, rental apartments are perfectly matched with NAF's core strategy of securing stable earnings.

Common Practices in Japan's Rental Apartment Market

Contract Validity Period

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

Security Deposit

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

Key Money

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

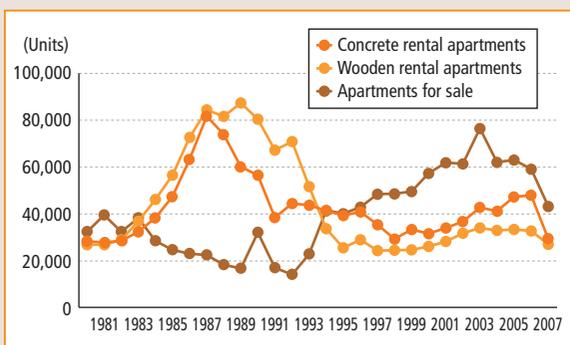
Commission Fee

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

Guarantor/Joint Surety

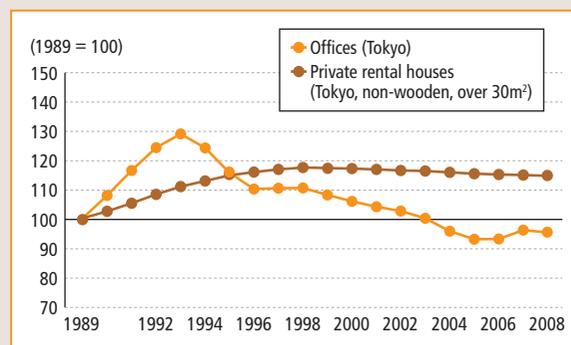
A guarantor is required when signing a lease contract. The guarantor must have an income sufficient to cover the rent if the tenant cannot pay and/or the cost of repairs to the apartment if the tenant causes any damage.

Supply: Number of Apartment Construction Starts in Tokyo



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

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

Management's Discussion and Analysis

Summary of Selected Financial Data

	Yen in millions (Except per unit data or where otherwise indicated)			U.S. dollars in thousands (Note 1) (Except per unit data)
	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008	4th Period September 1, 2007 to February 29, 2008	6th Period September 1, 2008 to February 28, 2009
Total revenues (Note 2)	¥ 4,508	¥ 4,498	¥ 4,092	\$ 46,089
Rental revenues	4,296	4,208	3,869	43,922
Other revenues	212	290	223	2,167
Operating expenses	2,260	2,286	1,989	23,106
Income before income taxes	1,656	1,642	1,631	16,931
Net income (a)	1,655	1,641	1,630	16,921
Funds from operations (Note 3)	2,518	2,489	2,361	25,744
Net operating income from property leasing activities (Note 3)	3,614	3,541	3,317	36,949
Total amount of cash distribution (b)	1,655	1,641	1,630	16,921
Depreciation and amortization	862	848	731	8,813
Capital expenditures	72	442	538	736
Total assets (c)	146,666	146,666	129,969	1,499,499
Interest-bearing debt	81,000	81,000	64,500	828,136
Total net assets (d)	62,634	62,620	62,609	640,364
Total number of common units issued (units) (e)	113,480	113,480	113,480	
Net assets per unit (Yen/\$) (d) / (e)	551,939	551,813	551,717	5,642.97
Distribution per unit (Yen/\$) (b) / (e)	14,587	14,461	14,366	149.14
Funds from operations per unit (Yen/\$) (Note 3)	22,184	21,929	20,809	226.81
Return on total assets (Note 4)	1.1%	1.2%	1.3%	
(Annual rate)	(2.3%)	(2.4%)	(2.7%)	
ROE (Note 4)	2.6%	2.6%	2.6%	
(Annual rate)	(5.3%)	(5.2%)	(5.2%)	
LTV (Loan-to-value) ratio (Note 3)	55.2%	55.2%	49.6%	
Capital ratio (d) / (c)	42.7%	42.7%	48.2%	
Payout ratio (b) / (a) (Note 5)	99.9%	99.9%	100.0%	
Number of days in period	181	184	182	
Number of investment properties (Note 6)	44	44	37	
Total rentable area (m ²)	189,636	189,636	168,960	
Average occupancy rate at end of period (Note 6)	96.2%	96.0%	97.2%	

Notes 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥97.81 = U.S.\$1.00, the approximate exchange rate on February 28, 2009.

2. Total revenues do not include consumption tax.

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

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

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

LTV ratio: Interest-bearing debt ÷ Total assets

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

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

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

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

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

Annual equivalent amounts for the period ended February 29, 2008: Amount for the period ÷ Actual days in the period (182) x 365 days

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

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

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

Investment Environment and Operating Performance

Amid a global downturn in business conditions stemming from the crisis in financial and capital markets, Japan's economic recession became clear, with lower capital investment due to a decline in corporate earnings and other factors, and weak personal consumption caused by an increasingly severe employment and income environment.

In the residential rental market, the impact of the downturn in business conditions was visible at certain high-priced properties. Nevertheless, people continued to move from other regions into the 23 wards of Tokyo, where NAF has concentrated over 90 percent of its portfolio investment, as well as into the centers of other major cities. The number of households also expanded because of an increase in the number of single and two-person households. As a result of these and other factors, demand for rental housing remained steady. In addition, rental housing that features outstanding location, management, facilities and specifications is still limited in number in the overall market, and occupancy rates and rents remain stable at highly competitive properties.

In the real estate investment and trading market, the changes in the capital procurement environment and the economic recession had a chilling effect on competition for acquisitions by real estate funds and other parties, leading to a decline in transaction volume.

No new properties were acquired during the 6th Period. NAF's portfolio as of February 28, 2009 consisted of 44 properties valued at ¥140,001 million on an acquisition price basis.

Mitsui Fudosan Housing Lease Co., Ltd., the master property management company (hereinafter "Master PM"), and Mitsui Fudosan Accommodations Fund Management Co., Ltd. (hereinafter "MFAFM"), NAF's asset management company, collaborate with the aim of implementing effective management and operations at properties held by NAF in accordance with regional characteristics and the individual features of each property. Activities include rapid management and operations by the Master PM applying the portfolio management system, tenant recruiting suited to the circumstances of individual properties, streamlining of management cost reduction efforts, interior renovations at Okawabata Apartment Communities, one of NAF's principle properties, and provision of tenant services that meet various needs in accordance with the results of resident questionnaires covering all properties. As a result of these activities, the occupancy rate for NAF's overall portfolio as of February 28, 2009 remained at a high level of 96.2 percent.

Overview of Results

As a result of the above, for the 6th Period, NAF recorded total revenues of ¥4,508 million, operating income of ¥2,248 million, income before income taxes of ¥1,656 million and net income of ¥1,655 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 6th Period, cash distributions totaled ¥1,655,332,760, or ¥14,587 per unit.

	Yen in thousands, except per unit amounts		
	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008	4th Period September 1, 2007 to February 29, 2008
Retained earnings	¥1,655,345	¥1,641,044	¥1,630,255
Undistributed earnings	12	10	1
Total cash distribution	1,655,333	1,641,034	1,630,254
(Per unit)	14,587	14,461	14,366
Distribution of retained earnings	1,655,333	1,641,034	1,630,254
(Per unit)	14,587	14,461	14,366
Cash distribution in excess of retained earnings	—	—	—
(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 February 28, 2009 were ¥146,666 million, basically unchanged from August 31, 2008.

Total current assets increased ¥773 million from August 31, 2008 to ¥4,655 million due to an increase in cash and cash equivalents resulting from depreciation.

Total investment properties decreased ¥772 million from August 31, 2008 to ¥141,931 million as a result of normal depreciation, as NAF acquired no new properties during the period and the only increase in assets was from capital expenditures of ¥72 million.

Liabilities

Interest-bearing debt as of February 28, 2009, was unchanged from August 31, 2008 at ¥81,000 million. However, ¥4,000 million of long-term loans due within one year were transferred from long-term liabilities to current liabilities during the period. As a result, current liabilities increased ¥4,018 million from August 31, 2008 to ¥34,422 million while long-term loans decreased ¥4,000 million to ¥38,000 million. Short-term loans remained unchanged from August 31, 2008 at ¥29,000 million.

The ratio of long-term, fixed-rate debt to total interest-bearing debt was 64.2 percent, unchanged from August 31, 2008. Excluding long-term loans due within one year, the ratio was 59.3 percent. The loan-to-value ratio, calculated as interest-bearing debt divided by total assets at the end of the period, was 55.2 percent, unchanged from August 31, 2008.

Net Assets

Net assets totaled ¥62,634 million as of February 28, 2009. Unitholders' capital was unchanged at ¥60,979 million, and retained earnings increased to ¥1,655 million from ¥1,641 million as of August 31, 2008.

Funding

Balance of Paid-in Capital

NAF was established on October 12, 2005 with initial paid-in capital of ¥100 million. NAF began investing activities on November 29, 2005 after ¥21,140 million was raised through private placement. As of February 28, 2009, NAF had issued 113,480 investment units out of 2,000,000 total authorized units. NAF's investment units were listed on the J-REIT section of the Tokyo Stock Exchange in August 2006 upon the completion of a public offering. As the Investment Trust and Investment Corporation Act of Japan does not contain any provision for the issue of more than one class of units, NAF's investment units comprise the sole class of units authorized and issued by NAF.

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

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

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

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

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

Market Price of Units

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

	6th Period September 1, 2008 to February 28, 2009 (Yen)	5th Period March 1, 2008 to August 31, 2008 (Yen)	4th Period September 1, 2007 to February 29, 2008 (Yen)	3rd Period March 1, 2007 to August 31, 2007 (Yen)	2nd Period April 1, 2006 to February 28, 2007 (Yen)
High	¥538,000	¥565,000	¥762,000	¥1,030,000	¥1,000,000
Low	371,000	396,000	528,000	685,000	583,000

Borrowings

Borrowings by financial institution as of February 28, 2009 are shown below.

Short-term loans

Lender	Balance (Yen in millions)	Interest rate (Note 1)	Date of maturity (Note 2)	Repayment method	Use of funds	Notes
Sumitomo Mitsui Banking Corporation	¥12,000	0.9%	March 19, 2009	Bullet payment	(Note 3)	Unsecured /unguaranteed /pari passu (Note 4) Fixed rate
The Hachijuni Bank, Ltd.	1,000	1.1%	April 13, 2009			
Mitsubishi UFJ Trust and Banking Corporation	5,000	1.2%	April 24, 2009			
The 77 Bank, Ltd.	1,000	1.1%	April 30, 2009			
The Chuo Mitsui Trust and Banking Company, Limited	3,500	0.8%	May 20, 2009			
The Sumitomo Trust and Banking Co., Ltd.	4,500	1.4%	March 6, 2009			
The Bank of Fukuoka, Ltd.	2,000	1.2%	April 16, 2009			
Total short-term loans	¥29,000					

Long-term loans

Lender	Balance (Yen in millions)	Interest rate	Date of maturity	Repayment method	Use of funds	Notes
Sumitomo Mitsui Banking Corporation	¥ 2,000	1.2%	November 30, 2009	Bullet payment	(Note 3)	Unsecured /unguaranteed /pari passu (Note 4) Fixed rate
	5,000	1.4%	November 30, 2010			
The Chuo Mitsui Trust and Banking Company, Limited	3,000	1.4%	November 30, 2010			
The Sumitomo Trust and Banking Co., Ltd.	3,000	1.8%	November 30, 2012			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000	1.5%	February 26, 2010			
Nippon Life Insurance Company	3,000	1.6%	February 28, 2011			
Development Bank of Japan Inc.	3,000	2.1%	April 11, 2012			
	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			
	1,000	1.5%	September 14, 2012			
Mizuho Corporate Bank, Ltd.	1,000	1.6%	April 19, 2011			
	2,000	1.6%	October 12, 2011			
The Chugoku Bank, Limited	2,000	1.6%	April 19, 2011			
Shinsei Bank, Limited	1,000	1.6%	April 19, 2011			
Shinkin Central Bank	3,000	1.7%	October 12, 2012			
The Bank of Fukuoka, Ltd.	2,000	1.6%	October 31, 2012			
Total long-term loans	¥42,000					
Total borrowings	¥71,000					

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

(Yen in millions)				
	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount	¥9,000	¥9,000	¥12,000	¥8,000

Bonds

Issue	Issue date	Balance as of February 28, 2009 (Yen in millions)	Coupon	Maturity date	Redemption	Use of proceeds	Notes
No. 1 unsecured bonds	November 15, 2007	¥10,000	1.7%	November 14, 2014	Bullet payment	Note 1	Note 2
Total		¥10,000					

- Notes 1. Use of funds includes repayment of borrowings.
2. This bond is only issued to rank pari passu with other bonds issued.

Capital Expenditures

1. Planned

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

Name of property	Objective	Estimated duration	Estimated amounts		
			Total amounts	Payment for the current period (September 1, 2008 to February 28, 2009)	Cumulative amount paid
			(Yen in millions)		
Okawabata Apartment Communities	Renovation of common use areas (emergency lighting, water pump, etc.)	From March 2009 to August 2009	¥45	—	—
	Expansion of bicycle parking lot, replacement of bicycle rack	From March 2009 to August 2009	25	—	—
	Renovation of disaster-prevention equipment	From July 2009 to July 2010	71	—	—

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NAF posted ¥72 million in capital expenditures together with ¥127 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
Okawabata Apartment Communities	Renewal construction in rentable areas, etc.	From September 2008 to February 2009	¥56
Other Properties	Renovation of furnishings in common use areas, etc., and other construction	From September 2008 to February 2009	16
Total			¥72

3. Cash Reserve for Capital Improvements

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

	Yen in millions		
	As of February 28, 2009	As of August 31, 2008	As of February 29, 2008
Reserve balance at the beginning of the period	¥556	¥740	¥696
Amount accumulated in the current period	12	222	651
Withdrawal from reserves in the current period	67	406	607
Amount carried forward	¥501	¥556	¥740

Expenses regarding Entrustment, etc.

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

Item	Yen in millions		
	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008	4th Period September 1, 2007 to February 29, 2008
Asset management fees	¥324	¥323	¥301
Asset custody fees	7	6	6
Agent fees (stock transfer, accounting and administrative)	22	21	27
Directors' remuneration	10	10	10
Auditor's fees	12	13	13
Other expenses	128	108	125
Total	¥504	¥481	¥482

Related Party Transactions

(1) Transactions

None applicable

(2) Fees Paid for the Period from September 1, 2008 to February 28, 2009

Category	Total fees paid (A) (Yen in millions)	Description of transactions with related parties (Note 1)		B/A (Note 2)
		Paid to	Amount of payment (B) (Yen in millions)	
Property management fees	¥295	Mitsui Fudosan Housing Lease Co., Ltd.	¥295	100.0%
Building management fees	144	Mitsui Fudosan Housing Lease Co., Ltd.	144	100.0%
Leasing related service fees	83	RESIDENT FIRST CO., LTD.	15	18.1%
		Mitsui Rehouse Tokyo Co., Ltd.	1	1.7%
		Mitsui Home Estate Co., Ltd.	0	0.6%
		Kyushu Mitsui Real Estate Sales Co., Ltd.	0	0.2%
		Nagoya Rehouse Co., Ltd.	0	0.1%

(3) Other Payments to Related Parties

Paid to	Amount of payment (Yen in millions)	Item
Mitsui Home Remodeling Co., Ltd.	¥50	Repair and maintenance costs
Mitsui Fudosan Housing Service Co., Ltd.	1	Repair and maintenance costs

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

2. Figures indicate percentages of total price.

Financial Statements

Balance Sheets

Nippon Accommodations Fund Inc.
As of February 28, 2009 and August 31, 2008

	Yen in millions		U.S. dollars in thousands (Note 1)
	6th Period As of February 28, 2009	5th Period As of August 31, 2008	6th Period As of February 28, 2009
Assets			
Current assets:			
Cash and cash equivalents	¥ 4,000	¥ 3,189	\$ 40,896
Rent receivables	628	658	6,421
Consumption tax receivables and other current assets	27	35	276
Total current assets	4,655	3,882	47,592
Investment properties (Note 3):			
Land including trust accounts	96,015	96,006	981,648
Depreciable property and improvements including trust accounts	49,941	49,860	510,592
Accumulated depreciation	(4,025)	(3,163)	(41,151)
Total investment properties	141,931	142,703	1,451,089
Other assets	80	81	818
Total Assets	¥146,666	¥146,666	\$1,499,499
Liabilities and Net Assets			
Liabilities			
Current liabilities:			
Short-term loans (Note 4)	¥ 29,000	¥ 29,000	\$ 296,493
Long-term loans due within one year (Note 4)	4,000	—	40,896
Accounts payable	432	434	4,417
Rent received in advance	708	710	7,239
Accrued expenses and other liabilities	282	259	2,883
Total current liabilities	34,422	30,403	351,927
Long-term liabilities:			
Long-term loans (Note 4)	38,000	42,000	388,508
Bonds (Note 4)	10,000	10,000	102,239
Tenant security deposits	1,610	1,643	16,460
Total long-term liabilities	49,610	53,643	507,208
Total Liabilities	¥ 84,032	¥ 84,046	\$ 859,135
Net Assets			
Unitholders' capital (Note 5)	60,979	60,979	623,443
Retained earnings	1,655	1,641	16,921
Total Net Assets	¥ 62,634	¥ 62,620	\$ 640,364
Total Liabilities and Net Assets	¥146,666	¥146,666	\$1,499,499

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

Statements of Income

Nippon Accommodations Fund Inc.

September 1, 2008 to February 28, 2009, March 1, 2008 to August 31, 2008 and September 1, 2007 to February 29, 2008

	Yen in millions			U.S. dollars in thousands (Note 1)
	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008	4th Period September 1, 2007 to February 29, 2008	6th Period September 1, 2008 to February 28, 2009
Revenues (Note 6):				
Rental	¥4,296	¥4,208	¥3,869	\$43,922
Other revenues related to property leasing	212	290	223	2,167
Total Revenues	4,508	4,498	4,092	46,089
Operating Expenses (Note 6):				
Property management fees	458	499	425	4,683
Real estate taxes and insurance	148	148	115	1,513
Repairs and maintenance	127	133	91	1,298
Other rental expenses	162	177	145	1,656
Depreciation and amortization	862	848	731	8,813
Asset management fees	324	323	301	3,313
Other expenses	179	158	181	1,830
Total Operating Expenses	2,260	2,286	1,989	23,106
Operating Income	2,248	2,212	2,103	22,983
Interest and other income	4	19	6	41
Interest expense	(592)	(583)	(474)	(6,053)
Other expenses	(4)	(6)	(4)	(41)
Income before Income Taxes	1,656	1,642	1,631	16,931
Current and deferred income taxes (Note 7)	1	1	1	10
Net Income	¥1,655	¥1,641	¥1,630	\$16,921

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

Statements of Changes in Net Assets

Nippon Accommodations Fund Inc.

For the period from September 1, 2007 to February 28, 2009

	Number of Units	Yen in millions		
		Unitholders' Capital	Retained Earnings	Total
Balance as of August 31, 2007	113,480	¥60,979	¥ 1,447	¥62,426
Cash distribution declared	—	—	(1,447)	(1,447)
Net income	—	—	1,630	1,630
Balance as of February 29, 2008	113,480	60,979	1,630	62,609
Cash distribution declared	—	—	(1,630)	(1,630)
Net income	—	—	1,641	1,641
Balance as of August 31, 2008	113,480	60,979	1,641	62,620
Cash distribution declared	—	—	(1,641)	(1,641)
Net income	—	—	1,655	1,655
Balance as of February 28, 2009	113,480	¥60,979	¥ 1,655	¥62,634

	Number of Units	U.S. dollars in thousands (Note 1)		
		Unitholders' Capital	Retained Earnings	Total
Balance as of August 31, 2007	113,480	\$623,443	\$ 14,794	\$638,237
Cash distribution declared	—	—	(14,794)	(14,794)
Net income	—	—	16,665	16,665
Balance as of February 29, 2008	113,480	623,443	16,665	640,108
Cash distribution declared	—	—	(16,665)	(16,665)
Net income	—	—	16,777	16,777
Balance as of August 31, 2008	113,480	623,443	16,777	640,221
Cash distribution declared	—	—	(16,777)	(16,777)
Net income	—	—	16,921	16,921
Balance as of February 28, 2009	113,480	\$623,443	\$ 16,921	\$640,364

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

Statements of Cash Flows

Nippon Accommodations Fund Inc.

September 1, 2008 to February 28, 2009, March 1, 2008 to August 31, 2008 and September 1, 2007 to February 29, 2008

	Yen in millions			U.S. dollars in thousands (Note 1)
	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008	4th Period September 1, 2007 to February 29, 2008	6th Period September 1, 2008 to February 28, 2009
Cash Flows from Operating Activities:				
Income before income taxes	¥ 1,656	¥ 1,642	¥ 1,631	\$ 16,931
Depreciation and amortization	862	848	731	8,813
Amortization of bond issue costs	4	4	3	41
Interest expense	592	583	474	6,053
(Increase) Decrease in rent receivables	30	(75)	(72)	307
Increase (Decrease) in accounts payable	(2)	(46)	59	(20)
Increase (Decrease) in rents received in advance	(3)	63	88	(31)
Cash payments of interest expense	(578)	(556)	(387)	(5,909)
(Increase) Decrease in consumption tax refund receivable	9	1	(9)	92
Other, net	6	15	(4)	61
Net Cash Provided by Operating Activities	2,576	2,479	2,514	26,337
Cash Flows from Investing Activities:				
Payments for purchases of investment properties	(90)	(17,782)	(16,144)	(920)
Proceeds from tenant security deposits	163	341	351	1,666
Payments for tenant security deposits	(196)	(197)	(168)	(2,004)
Other, net	(2)	(6)	(2)	(20)
Net Cash Used in Investing Activities	(125)	(17,644)	(15,963)	(1,278)
Cash Flows from Financing Activities:				
Proceeds from short-term loans	55,000	77,100	53,000	562,315
Repayment of short-term loans	(55,000)	(60,600)	(56,000)	(562,315)
Proceeds from long-term loans	—	—	8,000	—
Proceeds from bonds	—	—	10,000	—
Payments for bond issue costs	—	—	(58)	—
Payment of distribution	(1,640)	(1,632)	(1,444)	(16,767)
Net Cash Provided by (Used in) Financing Activities	(1,640)	14,868	13,498	(16,767)
Net Change in Cash and Cash Equivalents	811	(297)	49	8,292
Cash and Cash Equivalents at the Beginning of the Period	3,189	3,486	3,437	32,604
Cash and Cash Equivalents at the End of the Period	¥ 4,000	¥ 3,189	¥ 3,486	\$ 40,896

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

Notes to Financial Statements

Nippon Accommodations Fund Inc.

September 1, 2008 to February 28, 2009, March 1, 2008 to August 31, 2008 and September 1, 2007 to February 29, 2008

Note 1 Organization and Basis of Presentation

Organization

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

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

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

As of February 28, 2009, NAF had ownership or beneficiary interests in 44 properties containing approximately 189,636 square meters of rentable space. As of February 28, 2009, NAF had leased approximately 182,427 square meters to tenants. The occupancy rate for the properties was approximately 96.2%.

Basis of Presentation

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the approximate exchange rate on February 28, 2009, which was ¥97.81 to U.S. \$1. The convenience translation should not be construed as representation that the Japanese yen amounts have been, or could in future be, converted into U.S. dollars at this or any other rate of exchange.

Note 2 Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Investment Properties

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

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

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

Deferred Assets

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

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

Income Taxes

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

Real Estate Taxes

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

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

When the property is purchased before January 1 of any given calendar year, these taxes for the previous year are imposed on the seller. The Company pays the seller the corresponding tax amounts for the period from the property's transfer date to December 31 of the previous year as part of the purchase prices of each property, and capitalizes these amounts as the cost of the property. There was no capitalized property tax for the period ended February 28, 2009.

Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate

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

Note 3 Schedule of Investment Properties

Investment properties as of February 28, 2009 and August 31, 2008 consisted of the following:

	Yen in millions					
	As of February 28, 2009			As of August 31, 2008		
	Acquisition Costs	Accumulated Depreciation	Book Value	Acquisition Costs	Accumulated Depreciation	Book Value
Land	¥ 52,594	¥ —	¥ 52,594	¥ 52,585	¥ —	¥ 52,585
Land in trust	43,421	—	43,421	43,421	—	43,421
Land including trust total	96,015	—	96,015	96,006	—	96,006
Buildings and improvements	29,330	(1,831)	27,500	29,321	(1,387)	27,934
Buildings and improvements in trust	17,674	(1,671)	16,003	17,601	(1,376)	16,225
Building and improvements including those in trust total	47,004	(3,501)	43,503	46,922	(2,763)	44,159
Structures	661	(85)	576	661	(64)	596
Machinery and equipment	513	(55)	458	513	(31)	481
Tools, furniture and fixtures	453	(146)	307	453	(111)	342
Structures in trust	883	(90)	793	883	(76)	808
Machinery and equipment in trust	120	(23)	97	120	(17)	103
Tools, furniture and fixtures in trust	294	(125)	170	293	(100)	192
Construction in process in trust	13	—	13	16	—	16
Other investment properties total	2,937	(524)	2,414	2,937	(399)	2,538
Total	¥145,956	¥(4,025)	¥141,931	¥145,866	¥(3,163)	¥142,703

Note 4 Short-Term Loans and Long-Term Debt

Short-term loans consist of short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are fixed rates and as of February 28, 2009 and August 31, 2008 ranged from 0.65% to 1.37% and from 0.82% to 1.08%, respectively. Long-term debt is at fixed rates and consists of the following:

	Yen in millions	
	As of February 28, 2009	As of August 31, 2008
Unsecured loans due 2009 to 2013 principally from banks and insurance companies with interest rates mainly ranging from 1.2% to 2.2%	¥42,000	¥42,000
1.7% unsecured bonds due 2014	10,000	10,000
	¥52,000	¥52,000

The annual maturities of long-term loans as of February 28, 2009 were as follows:

	Yen in millions
2009	¥ 2,000
2010	11,000
2011	9,000
2012	12,000
Thereafter	8,000

Note 5 Unitholders' Capital

	As of February 28, 2009	As of August 31, 2008	As of February 29, 2008
Total number of common units authorized	2,000,000	2,000,000	2,000,000
Total number of common units issued and outstanding	113,480	113,480	113,480

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

Note 6 Rental Revenues and Expenses

Rental revenues and expenses for the periods ended February 28, 2009, August 31, 2008 and February 29, 2008 were as follows:

	Yen in millions		
	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008	4th Period September 1, 2007 to February 29, 2008
Revenues from Property Leasing:			
Rental:			
Rental revenues	¥4,179	¥4,091	¥3,766
Facility charge	117	117	103
Subtotal	4,296	4,208	3,869
Other revenues related to property leasing:			
Income from leasing rights, etc.	164	241	186
Miscellaneous income	48	49	37
Subtotal	212	290	223
Total revenues from property leasing	4,508	4,498	4,092
Rental Expenses:			
Property management fees	458	499	425
Repairs and maintenance	127	133	90
Real estate taxes	138	138	107
Trust fee	9	9	9
Utilities	47	46	41
Insurance	9	9	8
Depreciation and amortization	862	848	731
Leasing-related service fees, etc.	84	98	67
Other rental expenses	22	24	28
Total rental expenses	1,756	1,804	1,506
Operating Income from Property Leasing Activities	¥2,752	¥2,694	¥2,586

Note 7 Income Taxes

NAF is subject to income taxes in Japan. The effective tax rates on NAF's income based on applicable Japanese tax law were 0.06%, 0.06% and 0.06% for the periods ended February 28, 2009, August 31, 2008 and February 29, 2008, respectively. The following table summarizes the significant differences between the statutory tax rates and NAF's effective tax rates for financial statement purposes.

	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008	4th Period September 1, 2007 to February 29, 2008
Statutory effective tax rate	39.39%	39.39%	39.39%
Deductible distributions paid	(39.37)	(39.37)	(39.37)
Others	0.04	0.04	0.04
Effective tax rate	0.06%	0.06%	0.06%

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of February 28, 2009, August 31, 2008 and February 29, 2008 were as follows:

	Yen in thousands		
	As of February 28, 2009	As of August 31, 2008	As of February 29, 2008
Deferred tax assets:			
Enterprise taxes	¥ 20	¥ 21	¥ 19
Total deferred tax assets	20	21	19
Deferred tax liabilities	—	—	—
Net Deferred Tax Assets	¥ 20	¥ 21	¥ 19

NAF was established as an investment corporation under the Investment Trust and Investment Corporation Act of Japan, and as long as an investment corporation distributes to its unitholders at least 90% of 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 February 28, 2009, August 31, 2008 and February 29, 2008 and net assets per unit as of February 28, 2009, August 31, 2008 and February 29, 2008 was as follows.

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

	Yen		
	6th Period September 1, 2008 to February 28, 2009	5th Period March 1, 2008 to August 31, 2008	4th Period September 1, 2007 to February 29, 2008
Earnings per Unit:			
Net income	¥14,587	¥14,461	¥14,365
Weighted average number of common units outstanding	113,480	113,480	113,480
	As of February 28, 2009	As of August 31, 2008	As of February 29, 2008
Net Assets per Unit	¥551,939	¥551,813	¥551,717

Note 9 Transactions with Related Parties

(September 1, 2008 – February 28, 2009)

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

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction (Yen in millions)	Account	Balance at end of period (Yen in millions)
Director and/or close relative	Nobuyuki Nakai	Executive Director of NAF and President & CEO of MFAFM	Payment of asset management fees to MFAFM (Note 1)	¥324 (Notes 2 and 4)	Accounts payable	¥341 (Note 4)
			Payment for the provision of general administration services relating to organizational management to MFAFM (Note 3)	¥1 (Note 4)	Accounts payable	¥0 (Note 4)

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

(March 1, 2008 – August 31, 2008)

- (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)	¥449 (Notes 2 and 4)	Accounts payable	¥339 (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 ¥126 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

None applicable

Independent Auditors' Report



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

We have audited the accompanying balance sheets of Nippon Accommodations Fund Inc. (a Japanese Real Estate Investment Trust) as of February 28, 2009 and August 31, 2008, and the related statements of income, changes in net assets and cash flows for each of the periods from September 1, 2008 to February 28, 2009, from March 1, 2008 to August 31, 2008, and from September 1, 2007 to February 29, 2008, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nippon Accommodations Fund Inc. as of February 28, 2009 and August 31, 2008, the results of its operations and its cash flows for each of the periods from September 1, 2008 to February 28, 2009, from March 1, 2008 to August 31, 2008, and from September 1, 2007 to February 29, 2008, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying financial statements with respect to the period ended February 28, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the financial statements.

KPMG AZSA & Co.

Tokyo, Japan
May 26, 2009

KPMG AZSA & Co., an audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Appendix

Primary Related Corporations

Overview of the Roles of Primary Related Corporations

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

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

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

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

MFAFM, as a REIT management company provided for in the Investment Trust and Investment Corporation Act of Japan, performs management of NAF's assets and undertakes management of the institutions of NAF. As of February 28, 2009, 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 of NAF as General Administrative Agent based on an entrustment from NAF and pursuant to a General Administrative Service Agreement.

■ Fees for the Asset Management Operation

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

Management Fees 1

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

Management Fees 2

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

Management Fees 3

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

Management Fees 4

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

■ 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
September 30, 2007	Registration of financial instruments and exchange business

■ Directors and Staff

As of February 28, 2009, 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)
Hiroshi Matsumoto	Director
Toru Suzuki	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, 2009	(Yen in millions)
Total Assets	¥867
Total Liabilities	99
Net Assets	767

Profit and loss for the most recent fiscal year:

Fifth Fiscal Year (April 1, 2008 – March 31, 2009)	(Yen in millions)
Operating Income	¥668
Ordinary Profit	269
Net Income	151

Mitsui Fudosan Co., Ltd.

Real Estate Information and Advisory Service Provider

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

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

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

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

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

■ Provision of Third-Party Real Estate Sales Information

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

■ Provision of Real Estate Management Information

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

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

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

■ Provision of Advisory Services

MFAFM has entrusted the following activities to Mitsui Fudosan.

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

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

■ Operation Fees

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

Portfolio Policy

Portfolio Structure Policies

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

1. Investment Areas

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

When considering individual investments, NAF studies

regional characteristics and tenant needs. NAF then deploys this information to invest in properties with suitable residential plans and characteristics.

2. Investment Standards

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

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

3. Due Diligence Standards

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

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

Item	Issues Investigated	
Economic feasibility studies	Market survey	<ol style="list-style-type: none"> 1. Current residential environment in the relevant region and its mid-to-long-term forecast 2. Demand and supply for rental housing and housing sales in the relevant region 3. Rental housing competition trends in the relevant region 4. Markets rents in the relevant region, including current rents and 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 be below 15 percent. For buildings for which PML is at or above 20 percent, consideration of additional antiseismic reinforcing work, additional earthquake insurance and other relevant matters must be considered.
	Environmental, soil and other issues	<ol style="list-style-type: none"> 1. Investigation of whether the building contains hazardous materials 2. Investigation of land use records and soil contamination
Legal investigation	Rights and related issues	<ol style="list-style-type: none"> 1. Issues regarding ownership interests and mortgage 2. Lease contract terms 3. Any documentation related to confirmation of border or agreement regarding cross-border issues 4. Permission for occupancy of roads under the Traffic Law 5. Compliance with laws and regulations related to environmental preservation, including the Nature Conservation Law and the Urban Green Space Conservation Law <p>Investigation shall be conducted as to whether the previous owner had obtained the enforceable real right. In case of complicated relation of rights, the following matters, among others, shall be investigated; (the complicated relation of rights include relationship between NAF and others if NAF does not hold the title to property or jointly holds the title.)</p> <ol style="list-style-type: none"> 1. (If the concerned right is leasehold) the perfection of such leasehold and the absence of any right which supersedes such leasehold. 2. The registration status of the relevant right of site; the limitation on separate transfer of such right of site from the building thereon and the registration status of such limitation; share of such right 3. Measures to be taken to ensure the maintenance of deposits; reserve rules or measures based on long-term renovation plan 4. Existence of agreement on prohibition from division of co-ownership property and registration status of such agreement; appropriate treatments in case of request for division of co-ownership property or sales of co-ownership share; (possible) claims against or from other co-owners.

		<p>5. Status of compartment of compartmentalized ownership.</p> <p>6. Security arrangements established prior to involvement of NAF and assumption of any encumbrances or obligations in connection thereto.</p> <p>7. Terms of special agreement with the owner of site (or leasehold originator), other compartmentalized ownership holders, other co-owners and any other relevant parties, including agreement regarding first refusal.</p> <p>8. Characteristics of owners of site (or leasehold originator), compartmentalized 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>
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Policies for Portfolio Management and Operation

1. Basic Management Policies

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

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

2. Selection and Monitoring of the Property Management Company

The property management company is responsible for proposal and implementation of various measures for day-to-day, on-site management of tenants and properties. Such functions of the property management company are particularly important to the management of accommodation assets in general and rental housing in particular. Naturally, the property management company should have specialized expertise in the business of property management, and its operations must be organized and efficient so that it can provide consistent, high-quality services across a widely dispersed array of properties and tenants.

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

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

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

3. Policies for Property and Casualty Insurance Coverage

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

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

4. Basic Policies for Renovation Plans and Capital Expenditures

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

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

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

Divestiture Policy

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

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

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

Financial Policies

1. Issue of New Units

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

2. Debt Financing

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

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

3. Loan-to-Value Ratio

The ratio of 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 NAF's LTV ratio as part of its mid-to-long-term asset management plans and its yearly management plans. The upper limit for NAF's LTV ratio is currently set at 60 percent, although issues including the acquisition of assets may cause the LTV ratio to temporarily exceed 60 percent.

4. Derivatives

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

Information Disclosure Policy

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

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

Corporate Data and Investor Information

(As of February 28, 2009)

■ 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 February 28, 2009)
Unitholders	4,109
Transfer agent	The Chuo Mitsui Trust and Banking Company, Limited 33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan
Business office of the transfer agent	Stock Transfer Agency Department of The Chuo Mitsui Trust and Banking Company, Limited 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, Japan
Independent auditor	KPMG AZSA & Co. AZSA Center Building 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo 162-8551, Japan
Investor relations	For further information, please contact the REIT Management Company: Mitsui Fudosan Accommodations Fund Management Co., Ltd. 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-0022, Japan +81-3-3246-3677

Disclaimer

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

This English document contains selected information including a partial translation of the Securities Report (*Yuka shoken hokokusho*) filed on May 27, 2009 pursuant to the Financial Instruments and Exchange Law of Japan, and the Financial Statements and Performance Information Report for the period from September 1, 2008 to February 28, 2009, of Nippon Accommodations Fund Inc. prepared pursuant to the Investment Trust and Investment Corporation Act of Japan. This document should not be deemed a summary of the above mentioned Securities Report and the Financial Statements and Performance Information Report.

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

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

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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 common units issued	113,480 (As of February 28, 2009)
Distribution per unit	¥14,587 (As of February 28, 2009)
Unit listing	Tokyo Stock Exchange (Securities Code: 3226)

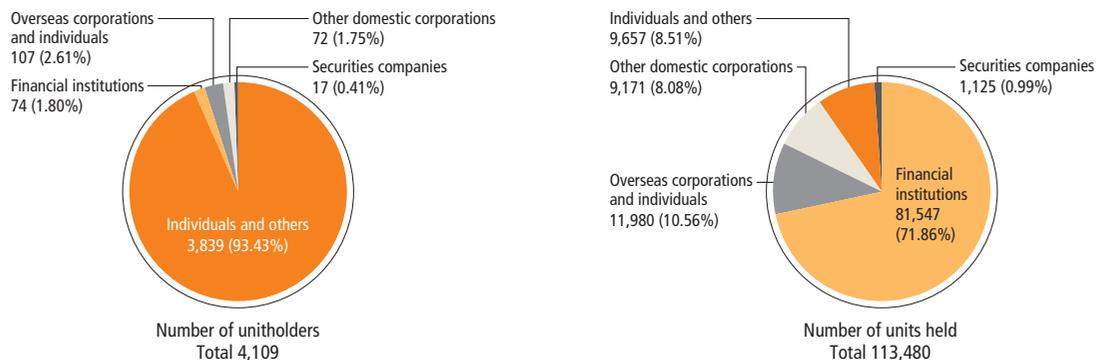
Major Unitholders

(As of February 28, 2009)

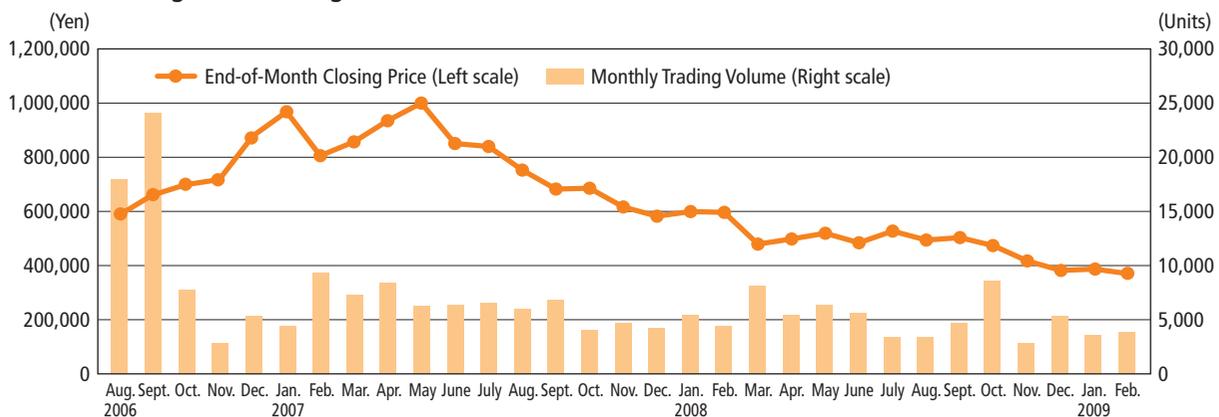
Name	Number of Units Held	Percentage of Total*
Japan Trustee Services Bank, Ltd. (Trust Account)	14,055	12.38%
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,985	10.56%
NikkoCiti Trust and Banking Corporation (Investment Account)	9,618	8.47%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	6,877	6.06%
Mitsui Fudosan Co., Ltd.	6,600	5.81%
The Nomura Trust and Banking Co., Ltd. (Investment Account)	6,387	5.62%
The Chuo Mitsui Trust and Banking Company, Limited	3,600	3.17%
Sumitomo Mitsui Banking Corporation	3,590	3.16%
American Life Insurance Company GA-L	3,000	2.64%
AIG EDISON-GA NON DIMA	1,999	1.76%

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

Composition and Distribution of Unitholders



Unit Price Range and Trading Volume





Nippon Accommodations Fund Inc.

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

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