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Financial Results for the Fiscal Period From September 1, 2007 to February 29, 2008

Nippon Accommodations Fund Inc. (NAF) is listed on the Tokyo Stock Exchange (J-REIT) with the securities code number 3226. (Website: <http://www.naf-r.jp/>)

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1. Business Results for the Fiscal Period From September 1, 2007 to February 29, 2008

(1) Operating Results (in millions of yen, rounded down; except as noted)

	Total revenue		Operating income		Income before income taxes	
		(%)		(%)		(%)
For the period ended						
February 29, 2008	4,092	16.1	2,103	17.2	1,631	12.7
August 31, 2007	3,524	(30.5)	1,795	(33.7)	1,447	(28.7)

	Net income		Net income per unit	Net income/ net assets	Income before income taxes/ total assets	Income before income taxes/ operating income
		(%)	(yen)	(%)	(%)	(%)
For the period ended						
February 29, 2008	1,630	12.7	14,365	2.6	1.3	39.9
August 31, 2007	1,446	(28.7)	12,749	2.3	1.3	41.1

(Percent figures show changes from previous period)

(2) Distributions*(in millions of yen, rounded down; except as noted)*

	Distribution per unit (yen)	Total distributions	Distribution in excess of earnings per unit (yen)	Total distributions in excess of earnings	Payout ratio (%)	Distributions/ net assets (%)
For the period ended						
February 29, 2008	14,366	1,630	—	—	100.0	2.6
August 31, 2007	12,750	1,446	—	—	100.0	2.3

Notes:

1. The payout ratio is rounded down to the nearest first decimal place.
2. "Distribution per unit" does not include distribution in excess of earnings per unit.

(3) Financial Position*(in millions of yen, rounded down; except as noted)*

	Total assets	Net assets	Net assets/ total assets (%)	Net assets per unit (yen)
As of				
February 29, 2008	129,969	62,608	48.2	551,717
August 31, 2007	114,366	62,425	54.6	550,102

Note: Net assets as of February 29, 2008 and August 31, 2007 were respectively ¥62,608 million and ¥62,425 million.

(4) Cash Flow*(in millions of yen, rounded down; except as noted)*

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents
For the period ended				
February 29, 2008	2,513	(15,962)	13,498	3,486
August 31, 2007	1,861	(7,315)	4,974	3,437

2. Forecasts for the Fiscal Period From March 1, 2008 to August 31, 2008

(in millions of yen, rounded down; except as noted)

	Total revenue		Operating income		Income before income taxes		Net income		Distribution per unit	Distribution in excess of earnings per unit
	(%)		(%)		(%)		(%)		(yen)	(yen)
For the period ending August 31, 2008	4,506	10.1	2,225	5.8	1,631	0.0	1,630	0.0	14,370	-

(Percent figures show changes from previous period)

Notes:

1. "Distribution per unit" does not include distribution in excess of earnings per unit.
2. Projected net income per unit for the fiscal period ending August 31, 2008 is 14,370 yen.

3. Other

1. Changes in significant accounting policies:

- (1) Changes due to revisions in accounting standards and others: None
- (2) Changes other than in the above item (1): None.

2. Number of investment units issued

- (1) The number of investment units issued (including treasury investment units) as of the period-end:

As of February 29, 2008: 113,480 units

As of August 31, 2007: 113,480 units

- (2) The number of treasury investment units as of the period-end:

As of February 29, 2008: - units

As of August 31, 2007: - units

Note:

Net income per unit is calculated by dividing net income by the weighted average number of investment units: 113,480 units as of February 29, 2008, and 113,480 units as of August 31, 2007.

Disclaimer:

The above forecasts are based on information currently available to NAF and on certain assumptions deemed to be reasonable. Actual operations may differ substantially due to a number of factors.

4th Period (February 2008) Overview of Operating Results

(in millions of yen, rounded down; except as noted)

	Result of the 4th Period (February 2008) (1)	Forecast of the 4th Period	Result of the 3rd Period (August 2007) (2)	Comparison with the 3rd Period (1)-(2)
Number of operating days	182	182	184	(2)
Total revenue	4,092	4,014	3,524	568
Income before income taxes	1,631	1,470	1,447	183
Net income	1,630	1,469	1,446	183
Distribution per unit (yen)	14,366	12,950	12,750	1,616
Number of investment properties	37	37	30	7
Average occupancy rate at end of period (%)	97.2	95	96.9	0.3

Overview of performance and distribution

As a result of the above, NAF recorded total revenue of ¥4,092 million, operating income of ¥2,103 million, income before income taxes of ¥1,631 million and net income of ¥1,630 million. In addition to the above, NAF has decided to distribute nearly the entire amount of earnings in accordance with the Distribution Policy (Article 34 of the Articles of Incorporation) set forth by NAF. The distribution per unit was ¥14,366.

4th Period (February 29, 2008) Overview of Investment

External Growth (Acquisition of properties)

During the period under review, NAF acquired 7 properties in September 2007 (total acquisition price: ¥15,012 million). As a result, NAF held 37 properties in its assets at the end of the period and the total acquisition price was ¥123,245 million.

Internal Growth (Management and operation of properties held by NAF)

NAF concentrates its investment property holdings in the 23 wards of Tokyo, where the demand for rental housing is steady and strong, and it implemented effective leasing activities in accordance with regional characteristics and the individual features of each property collaborating with Mitsui Fudosan Housing Lease Co., Ltd., the master property management company (below, "Master PM."

At the Okawabata Apartment Communities, one of the principle properties, NAF completed the large-scale repair of the exterior walls of the River Point Tower, and begun the same work for the Park Side Wings. Also, repair work on the Pier West House, the property management building, was also completed during the period under review and efforts are presently being made to increase tenant services by the staff working at the property and improve competitiveness.

Further, we were able to flexibly apply the portfolio management system already under full scale operation at the Master PM since the previous period enabling NAF to further expedite the effectuation of its management and operation business and develop tenant recruiting activities suited to the circumstances of individual properties.

As a result of the above leasing activities, NAF achieved a high average occupancy rate of 97.2% in all invested properties at the end of the 4th period. NAF will work towards implementing measures in relation to "accommodation" services corresponding to various needs, in accordance with the results of resident questionnaires concerning all properties implemented in the current period.

Financial Strategy (Overview of funds procurement)

NAF borrowed a total amount of ¥15,000 million from multiple financial institutions for the September 2007 new asset purchases. It subsequently issued in November of that year NAF 1st Unsecured Investment Corporation Bonds (¥10,000 million; 7-year term) for the repayment of its already existing borrowings and for the transition of interest-bearing debt to long-term, fixed-rate loans. As a result, total interest-bearing debt at the end of the period under review reached ¥64,500 million with a 49.6% LTV (loan-to-value ratio). Also, the long-term, fixed-rate loans to total interest-bearing debt ratio at the end of the period was 80.6%.

The following is an overview of the shelf-registration statement of investment corporation bonds in public offering filed in July 2007. The remaining balance of the planned issuance amount at the end of the period is ¥90,000 million.

Planned issuance amount	Up to ¥100,000 million
Scheduled period of issuance	From July 18, 2007 to July 17, 2009
Purpose for funds	Acquisition of new specified assets (same meaning as defined in Article 2, Paragraph 1 of the Investment Trust and Investment Corporation Act of Japan), repayment of borrowings, repayment of tenant security deposit, payments for maintenance and renovation, and operational use

Rating of NAF as of February 29, 2008 is as follows.

Rating agency	Rating subject	Rating
Moody's Investors Service Inc.	Issuer credit rating	A 1 (Outlook for rating: Stable)
Rating and Investment Information, Inc.	Issuer credit rating	A A (Trend of rating: Stable)
Standard and Poor's	Long-term corporate Short-term corporate	A + (Outlook for rating: Stable) A-1

Outlook of investment performance

The forecast for the 5th period (from March 1, 2008 to August 31, 2008) is as follows.

(in millions of yen, rounded down; except as noted)

Total revenue	4,506
Income before income taxes	2,225
Net income	1,630
Distribution per unit (yen)	14,370
Distribution in excess of earnings per unit (yen)	—

Notes: Underlying assumptions of forecasts

Investment assets: NAF is assuming 44 properties, consisting of 37 properties held as of February 29, 2008, 6 properties acquired on March 11 or March 27 and 1 property concluded a sales contract on February 21 and to be acquired on May 30.

Interest-bearing debt ratio: Interest-bearing debt of ¥81,300 million and interest-bearing debt ratio of 57.1% as of August 31, 2008 is the premise of the forecast. Interest expense is anticipated to be ¥593 million.

Interest-bearing debt ratio = Interest-bearing debt / (Interest-bearing debt + capital)

Number of units issued: A quantity of 113,480 units outstanding as of April 14, 2008 (assumption of no additional unit issuance) is assumed.

Above-mentioned forecasts are the figures calculated based on the above assumptions at the time of preparation of this information. Therefore, actual total revenue, income before income taxes, net income, distribution per unit and distribution in excess of earnings per unit may be subject to change due to acquisition or sale of properties in future, fluctuation in the real estate market or other changes in the environment in which NAF operates. Accordingly, the forecasts are not a guarantee of any cash distribution amount.

Management policy and issues to be dealt with hereafter

NAF has always aimed to maximize its unitholder value through investments in accommodation properties and the utilization of the Mitsui Fudosan Group as well as the formulation and management of a high quality portfolio centered on rental residential properties located in the 23 wards of Tokyo.

From the 5th period onward, we aim to manage our portfolio stably based on the above-mentioned policies and further increase our unitholder value by achieving internal and external growth expectations.

External Growth (New acquisition of properties)

In addition to utilizing our pipeline to the Mitsui Fudosan Group and acquiring sales information on residential rental properties, we will strive to rapidly obtain the best real estate information possible by fortifying our independent information channels. Our property acquisition strategy will be to stably expand our portfolio based on the Park Axis Series to be acquired from Mitsui Fudosan Co., Ltd. in addition to the Park Cube Series constructed by other developers. Moreover, we will aim to realize solid property acquisitions while avoiding excessive price wars through individual strategies such as increasing our single-occupant, compact, residential property ratio for which a high occupancy rate is expected, widening the geographic area of our holdings within the 23 wards of Tokyo and carefully selecting properties for investment in the major cities of regional areas.

We will also work towards effectuating high quality due diligence when acquiring properties in order to avoid risk in an effort to increase the profitability of our portfolio.

Internal Growth (Management and operation of leasehold properties)

NAF will aim to improve its rent levels and occupancy rate through the formulation and implementation of a leasing strategy that takes into account the characteristics of each individual property with the objective of maximizing rent revenues over the mid- to long-term.

NAF will review the adequacy of the grade of property management and cost of management and operation as to each invested property in an appropriate timeframe and manner and reduce cost by the rational review of management cost by utilizing the merits of outsourcing all property management tasks to the Master PM.

NAF is continuously aiming for the maintenance and enhancement of the market competitiveness of Okawabata Apartment Communities by the implementation of strategic renovation.

Further, with the help of Mitsui Fudosan Co., Ltd., NAF will work to establish brand power by concentrating on the market penetration of the “Park Axis” brand, NAF’s main invested asset, and the further enhancement of name recognition on the rental housing market

Financial Strategy

NAF will continue to emphasize the continued use of long-term, fixed-rate loans taking into account measures to counter future interest rate and refinancing risks. NAF will examine future issuances of investment corporation bonds within the range of the remaining balance of the planned issuance amount based on the shelf-registration statement of NAF bonds filed in July 2007. Regarding LTV (loan-to-value ratio), the upper limit is set at 60% and targeted range during normal operations is set at approximately 40% to 50%. Additionally, NAF will examine the issuance of new units paying attention to 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.

Disclaimer:

This financial report has been prepared in accordance with Japanese accounting standards and Japanese laws. Figures have been rounded down to eliminate amounts of less than one million yen.

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