



October 17, 2011

Financial Results for the Fiscal Period From March 1, 2011 to August 31, 2011

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/english/>)

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1. Business Results for the Fiscal Period from March 1, 2011 to August 31, 2011

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

	Total revenues		Operating income		Income before income taxes	
		(%)*		(%)*		(%)*
For the period ended						
August 31, 2011	7,565	22.4	3,420	16.2	2,631	19.5
February 28, 2011	6,180	(0.6)	2,944	1.7	2,200	2.5

	Net income		Net income per unit	Net income/ net assets	Income before income taxes/ total assets	Income before income taxes/ operating income
		(%)*				
For the period ended						
August 31, 2011	2,630	19.6	13,518	2.8	1.2	34.8
February 28, 2011	2,199	2.5	14,085	2.6	1.1	35.6

*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						
August 31, 2011	13,508	2,630	–	–	100.0	2.5
February 28, 2011	14,086	2,199	–	–	100.0	2.6

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				
August 31, 2011	230,551	105,865	45.9	543,705
February 28, 2011	192,360	83,302	43.3	533,383

(4) Cash Flows*(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				
August 31, 2011	4,799	(38,879)	34,385	4,483
February 28, 2011	3,171	(185)	(2,147)	4,178

2. Forecasts for the Fiscal Period from September 1, 2011 to February 29, 2012

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

	Total revenues		Operating income		Income before income taxes		Net income		Distribution per unit	Distribution in excess of earnings per unit
	(%)		(%)		(%)		(%)		(yen)	(yen)
For the period ending February 29, 2012	7,795	3.0	3,543	3.6	2,746	4.4	2,745	4.4	14,100	-

(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 February 29, 2012 is ¥14,100.

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 August 31, 2011:	194,711 units
As of February 28, 2011:	156,178 units

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

As of August 31, 2011:	- units
As of February 28, 2011:	- units

Note:

Net income per unit is calculated by dividing net income by the weighted average number of investment units: 194,559 units as of August 31, 2011, and 156,178 units as of February 28, 2011.

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.

11th Period (August 2011) Overview of Operating Results

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

	Result of the 11th Period (August 2011) (1)	Forecast of the 11th Period	Result of the 10th Period (February 2011) (2)	Comparison with the 10th Period (1)-(2)
Number of operating days	184	184	181	3
Total revenues	7,565	7,461	6,180	1,385
Income before income taxes	2,631	2,532	2,200	430
Net income	2,630	2,531	2,199	430
Distribution per unit (yen)	13,508	13,000	14,086	(578)
Number of investment properties	83	82	63	20
Average occupancy rate at end of period (%)	95.5	95.0	96.5	(1.0)

Overview of Performance and Distribution

In the period under review, NAF recorded total revenues of ¥7,565 million, operating income of ¥3,420 million, income before income taxes of ¥2,631 million and net income of ¥2,630 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 ¥13,508.

11th Period (August 2011) Overview of Investment

External Growth (Acquisition of properties)

During the period under review, NAF acquired 20 new properties in total consisting of 18 properties in March 2011 (total acquisition price: ¥22,781 million), 1 property in April 2011 (acquisition price: ¥7,905 million), and 1 property in August 2011 (acquisition price: ¥6,060 million). Also, in June 2011, NAF acquired additional unit ownership interest in an existing property (acquisition price: ¥155 million).

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

Mitsui Fudosan Housing Lease Co., Ltd., the master property management company (below, "Master PM"), and the asset management company collaborate in the management of properties held by NAF with the aim of implementing effective management and operation activities in accordance with regional characteristics and the individual features of each property. These include efforts such as rapid management and operations by the Master PM applying the portfolio management system, tenant recruiting activities suited to the circumstances of individual properties, the streamlining of management cost reduction efforts, interior renovations at Okawabata Apartment Communities, one of the principle properties of NAF, and provide tenant services corresponding to various needs in accordance with the results of resident questionnaires.

Financial Strategy (Overview of funds procurement)

During the period under review, NAF issued investment units with a total amount of ¥22,132 million and borrowed a total amount of ¥14,500 million from multiple financial institutions as funds for the acquisition of new properties, etc. Also, while taking into account market trends and interest rate levels, NAF raised the long-term loans to total interest-bearing debt ratio and refinanced its existing loans. As a result, total interest-bearing debt at the end of the period amounted to ¥119,500 million, while the long-term loans to total interest-bearing debt ratio was 90.4% (ratio excluding long-term loans due within one year: 81.6%). Also, LTV (loan-to-value ratio) at the end of the period was 51.8%.

A shelf-registration statement of investment corporation bonds in public offering was filed at the Kanto Local Finance Bureau in July 2011. An overview of the shelf-registration statement is given below. The remaining balance of the planned issuance amount at the end of the period is ¥100,000 million.

Planned issuance amount	Up to ¥100,000 million
Scheduled period of issuance	From July 18, 2011 to July 17, 2013
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 August 31, 2011 is as follows.

Rating agency	Rating subject	Rating
Moody's Japan K.K. (Moody's)	Issuer credit rating	A 2 (Outlook for rating: Negative)
Rating and Investment Information, Inc. (R&I)	Issuer credit rating	A A - (Trend of rating: Stable)
Standard & Poor's Ratings Japan K.K. (S&P)	Long-term corporate Short-term corporate	A + (Outlook for rating: Negative) A -1

Significant Subsequent Events

Not applicable.

(Reference information)

The following assets were acquired on September 30, 2011. The figures listed below under “Acquisition price” are exclusive of miscellaneous expenses for acquisition, fixed property taxes, urban planning taxes, consumption taxes, and local consumption taxes.

Park Cube Kita Matsudo

Acquisition price:	¥1,200 million
Appraised value:	¥1,220 million (date of value appraisal: August 31, 2011)
Type of property:	Real estate
Location (registration number):	904-3, Kami-Hongo Aza Santo Maki, Matsudo-shi, Chiba (district where residence indication has not been implemented yet)
Completion date:	February 2009
Structure/number of stories:	Flat-roofed reinforced concrete structure/ 14 stories
Rentable units:	108 residential 1 retail etc.
Rentable area:	2,358.66 m ²
Seller:	ITOCHU Property Development, Ltd.

Park Cube Sasazuka

Acquisition price:	¥2,200 million
Appraised value:	¥2,440 million (date of value appraisal: August 31, 2011)
Type of property:	Real estate
Location (residence indication):	4-3, Sasazuka 2-chome, Shibuya-ku, Tokyo
Completion date:	August 2009
Structure/number of stories:	Flat-roofed reinforced concrete structure/ 15 stories above ground and 1 underground story
Rentable units:	92 residential 1 retail etc.
Rentable area:	2,416.00 m ²
Seller:	ITOCHU Property Development, Ltd.

Park Cube Musashi Kosugi

Acquisition price:	¥2,250 million
Appraised value:	¥2,300 million (date of value appraisal: August 31, 2011)
Type of property:	Real estate trust
Location (registration number):	890-6, Shin-maruko-higashi 2-chome, Nakahara-ku, Kawasaki-shi, Kanagawa (district where residence indication has not been implemented yet)
Completion date:	September 2009
Structure/number of stories:	Flat-roofed reinforced concrete structure/ 14 stories
Rentable units:	136 residential
Rentable area:	3,057.36 m ²
Seller:	ITOCHU Property Development, Ltd.

Forecasts of Investment Performance

The forecasts for the 12th period (from September 1, 2011 to February 29, 2012) are as follows.

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

	12th period (February 2012)
Total revenues	7,795
Income before income taxes	2,746
Net income	2,745
Distribution per unit (yen)	14,100
Distribution in excess of earnings per unit (yen)	—

Notes: Underlying assumptions of forecasts

Investment assets: -The number of properties held by NAF as of the date of this document is 86. In the forecasts of investment performance, it is assumed that no subsequent transfer of properties (acquisition of new properties, sale of properties acquired, etc.) shall occur until February 29, 2012.
-The occupancy rate at the end of the 12th period for total properties is expected to be approx. 95 %.

Expenses: -The following expenses are projected.

(in millions of yen)

	12th period
Fixed property taxes and urban planning taxes	275
Depreciation and amortization	1,699
Interest expense and interest expenses on investment corporation bonds	796

Interest-bearing debt: -It is assumed that NAF's balance of interest-bearing debt that is ¥125,000 million as of the date of this document shall not fluctuate until February 29, 2012.

Number of units issued: -We assume 194,711 units outstanding as of the date of this document.
-It is assumed that, there shall be no issuance of new units until February 29, 2012.

The forecasts are the figures calculated based on the above assumptions at the time of preparation of this information. Therefore, actual total revenues, income before income taxes, net income and distribution 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 for the 12th Period Onward

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 12th 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)

We will strive to rapidly obtain the best real estate information possible by utilizing our pipeline to the Mitsui Fudosan Group and fortifying our independent information channel consisting of the asset management company. Our basic strategy will be to stably expand our portfolio based on the Park Axis Series developed by Mitsui Fudosan Co., Ltd. in addition to the Park Cube Series constructed by other developers. Moreover, we will aim to realize solid acquisitions of properties considered to possess our mid- to long-term competitive advantages through individual strategies such as widening the geographic area of our holdings within the 23 wards of Tokyo mainly of single-occupant and compact residential properties for which a high occupancy rate is expected and carefully selecting properties for investment in the major cities of regional areas.

The main part of the acquisition strategy of NAF continues to be stable acquisition of “Rental Apartments”. However, it will continue to consider making acquisitions of “Other Accommodation Assets”, including dormitories and corporate housing, as the investment market in “Other Accommodation Assets”, excluding “Rental Apartments”, appears to have matured in some categories. In the management of its portfolio, NAF has set the upper limit of the share of “Other Accommodation Assets” in the overall portfolio to around 10% (on the basis of acquisition price) for the time being (the share of “Other Accommodation Assets” in the overall portfolio was 3.6% at the end of the 11th period).

We will also continue to work towards effectuating high quality due diligence when acquiring properties in order to avoid risk.

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 implementing strategic renovation of principally private-use areas.

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. Regarding LTV (loan-to-value ratio), the upper limit is set at around 60%. 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. Additionally, 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 2011.

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.

Please note that this English translation of the Japanese original document is provided solely for informational purposes. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.