



April 14, 2009

## Financial Results for the Fiscal Period From September 1, 2008 to February 28, 2009

**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 September 1, 2008 to February 28, 2009

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

	Total revenue		Operating income		Income before income taxes	
		(%)		(%)		(%)
For the period ended						
<b>February 28, 2009</b>	<b>4,508</b>	<b>0.2</b>	<b>2,248</b>	<b>1.6</b>	<b>1,656</b>	<b>0.9</b>
August 31, 2008	4,498	9.9	2,212	5.2	1,642	0.7

	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						
<b>February 28, 2009</b>	<b>1,655</b>	<b>0.9</b>	<b>14,587</b>	<b>2.6</b>	<b>1.1</b>	<b>36.7</b>
August 31, 2008	1,641	0.7	14,461	2.6	1.2	36.5

*(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						
<b>February 28, 2009</b>	<b>14,587</b>	<b>1,655</b>	<b>–</b>	<b>–</b>	<b>99.9</b>	<b>2.6</b>
August 31, 2008	14,461	1,641	–	–	99.9	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				
<b>February 28, 2009</b>	<b>146,665</b>	<b>62,634</b>	<b>42.7</b>	<b>551,939</b>
August 31, 2008	146,666	62,619	42.7	551,813

Note: Net assets as of February 28, 2009 and August 31, 2008 were respectively ¥62,634 million and ¥62,619 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				
<b>February 28, 2009</b>	<b>2,576</b>	<b>(125)</b>	<b>(1,639)</b>	<b>3,999</b>
August 31, 2008	2,478	(17,644)	14,868	3,188

## 2. Forecasts for the Fiscal Period from March 1, 2009 to August 31, 2009

(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, 2009	4,555	1.0	2,225	(1.0)	1,578	(4.7)	1,577	(4.7)	13,900	-

(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, 2009 is ¥13,900.

## 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 28, 2009: 113,480 units

As of August 31, 2008: 113,480 units

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

As of February 28, 2009: - units

As of August 31, 2008: - 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 28, 2009, and 113,480 units as of August 31, 2008.

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.

## **6th Period (February 2009) Overview of Operating Results**

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

	Result of the 6th Period (February 2009) (1)	Forecast of the 6th Period	Result of the 5th Period (August 2008) (2)	Comparison with the 5th Period (1)-(2) (3)
Number of operating days	181	181	184	(3)
Total revenue	4,508	4,543	4,498	10
Income before income taxes	1,656	1,642	1,642	14
Net income	1,655	1,642	1,641	14
Distribution per unit (yen)	14,587	14,470	14,461	126
Number of investment properties	44	44	44	0
Average occupancy rate at end of period (%)	96.2	95.0	96.0	0.2

### **Overview of Performance and Distribution**

In the period under review, NAF recorded total revenue 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. 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 ¥14,587.

### **6th Period (February 2009) Overview of Investment**

#### **External Growth (Acquisition of properties)**

No new properties were acquired during the period under review. NAF held 44 properties in its assets at the end of the period and the total acquisition price was ¥140,000 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 concerning all properties.

### Financial Strategy (Overview of funds procurement)

During the period under review, NAF refinanced its loans taking into account market trends and interest rate levels. As a result, total interest-bearing debt at the end of the period amounted to ¥81,000 million, unchanged from the end of the previous period, with a 55.2% 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 64.2% (ratio excluding long-term loans due within one year: 59.3%).

A shelf-registration statement of investment corporation bonds in public offering was filed at the Kanto Local Finance Bureau in July 2007. 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 ¥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 28, 2009 is as follows.

Rating agency	Rating subject	Rating
Moody's Investors Service Inc.	Issuer credit rating	A 1 (*)
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

\*Moody's Investors Services Inc. announced on January 15, 2009, that it may revise downward its rating of NAF.

## **Forecasts of Investment Performance**

The forecasts for the 7th period (from March 1, 2009 to August 31, 2009) are as follows.

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

Total revenue	4,555
Income before income taxes	1,578
Net income	1,577
Distribution per unit (yen)	13,900
Distribution in excess of earnings per unit (yen)	—

### **Notes: Underlying assumptions of forecasts**

**Investment assets:** NAF is assuming the number of properties at the end of the 7th period will be unchanged (by, for example, acquisition of new properties or sale of existing properties) from 44 properties, which was the number as of April 14, 2009.

**Interest-bearing debt:** NAF is assuming interest-bearing debt at the end of the 7th period will be unchanged from ¥81,000 million, which was the interest-bearing debt as of April 14, 2009.

**Number of units issued:** A quantity of 113,480 units outstanding as of April 14, 2009 (assumption of no additional unit issuance) is assumed.

The 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 for the 7th 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 7th 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 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 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 60% and targeted range during normal operations is set at approximately 40% to 50%. 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 2007.

*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.*