



October 15, 2007

Financial Results for the Fiscal Period From March 1, 2007 to August 31, 2007

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 March 1, 2007 to August 31, 2007

(1) Operating Results

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

	Total revenue		Operating income		Income before income taxes	
		(%)		(%)		(%)
For the period ended						
August 31, 2007	3,524	(30.5)	1,795	(33.7)	1,447	(28.7)
February 28, 2007	5,072	449.0	2,705	480.5	2,029	437.5

	Net income		Net income per unit	Net income/ net assets	Income before income taxes/ Total assets	Operating income / Income before income taxes
		(%)				
For the period ended						
August 31, 2007	1,446	(28.7)	12,749	2.3	1.3	41.1
February 28, 2007	2,028	438.2	23,375	4.8	2.7	40.0

(Percent figures show changes from previous period)

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

	Distribution per unit	Total distributions	Distribution in excess of retained earnings per unit	Total distributions in excess of retained earnings	Payout ratio	Distributions/ net assets
	(yen)		(yen)		(%)	(%)
For the period ended						
August 31, 2007	12,750	1,446	—	—	100.0	2.3
February 28, 2007	17,871	2,028	—	—	99.9	3.2

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 retained 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, 2007	114,366	62,425	54.6	550,102
February 28, 2007	108,096	63,006	58.3	555,223

Note: Net assets as of August 31, 2007 and February 28, 2007 were respectively ¥62,425 million and ¥63,006 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
			(%)	(yen)
For the period ended				
August 31, 2007	1,861	(7,315)	4,974	3,437
February 28, 2007	4,259	(62,560)	60,742	3,917

2. Forecasts for the Fiscal Period From September 1, 2007 to February 29, 2008

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

	Total revenue	Operating income	Income before income taxes	Net income	Distribution per unit	Distributions in excess of retained earnings per unit
	%	%	%	%	(yen)	(yen)
For the period ending February 29, 2008	4,014 (13.9)	1,971 (9.8)	1,470 (1.6)	1,469 (1.6)	12,950	-

(Percent figures show changes from previous period)

Notes:

1. "Distribution per unit" does not include distribution in excess of retained earnings per unit.
2. Projected net income per unit for the fiscal period ending February 29, 2007 is 12,950 yen.

3. Other

1. Changes in significant accounting policies: None.

(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 and Outstanding

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

As of August 31, 2007: 113,480 units

As of February 28, 2007: 113,480 units

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

As of August 31, 2007: - units

As of February 28, 2007: - units

Note:

1. Net income per unit is calculated by dividing net income by the weighted average number of units: 113,480 units as of August 31, 2007, and 86,757 units as of February 28, 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.

3rd Period (August 2007) Overview of Operating Results

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

	Result of the 3rd Period (August 2007) (1)	Forecast of the 3rd Period	Result of the 2nd Period (February 2007) (2)	Comparison with the 2nd Period (1)-(2)
Number of days under asset management (days)	184	184	334	(150)
Total revenue	3,524	3,498	5,072	(1,548)
Income before income taxes	1,447	1,401	2,029	(582)
Net income	1,446	1,400	2,028	(582)
Distribution per unit (Yen)	12,750	12,340	17,871	(5,121)
Number of investment properties	30	30	27	3
Average occupancy rate at end of period (%)	96.9	95	97.2	(0.3)

Overview of performance and distribution

As a result of the above results, NAF recorded total revenue of ¥3,524 million, operating income of ¥1,795 million, income before income taxes of ¥1,447 million, and net income of ¥1,446 million. In addition to the above, NAF has decided to distribute nearly the entire amount of retained earnings in accordance with the distribution policy (Article 34) set forth by NAF. The distribution per unit was ¥12,750.

3rd Period (August 2007) Overview of Investment

External Growth (Acquisition and sale of properties)

During the period under review ended August 31, 2007, NAF acquired one property in March 2007 (acquisition price: ¥1,608 million) and two properties in April 2007 (total acquisition price: ¥5,240 million). As a result, NAF held 30 properties in its assets at the end of the period and the total acquisition price was ¥108,233 million.

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

NAF concentrates to hold its investment properties in the 23 wards of Tokyo, where the demand for rental housing is steadily strong and implemented effective leasing activities in accordance with the regional characteristics and the individual feature of our each property collaborating with Mitsui Fudosan Housing Lease Co., Ltd. (“MFHL”), Master Property Management company. NAF has continued large-scale repair work of exterior wall at the Okawabata Apartment Communities, one of the principle properties, since the previous period.

Furthermore, NAF implemented renovation of proprietary space of some dwelling units. Aiming to increase name recognition of the “Park Axis” brand, NAF addressed measures such as creation of new logo in cooperation with Mitsui Fudosan Co., Ltd. As portfolio management system stated its operation on a full scale in MFHL in this period, that enabled NAF to enhance the expedition of management and operation business further and develop the recruiting tenants activities suited to the situation of the individual property.

As a result of above leasing activities, lease-up of “Park Cube Ikebukuro Kanamecho” has been almost completed, which was newly constructed and was not in operation at the time of acquisition. NAF achieved the high average occupancy rate of 96.9% in all invested properties at the end of the 3rd period. At the same time, NAF strived to reduce the maintenance costs of equipment. NAF will try to implement measures in relation to “accommodating” service corresponding to various needs, in accordance with the results of residents questionnaire survey as to all of the properties implemented in the previous period.

Financial Strategy (Overview of funds procurement)

NAF has borrowed funds from some financial institutions to purchase the new assets, which the totaled amount was ¥7,000 million. As a result, total interest-bearing debt at the end of the 3rd period reached to ¥49,500 million with 43.3% of LTV (loan-to-value ratio). To hedge the interest ratio raise for borrowings, NAF emphasizes the use of long-term, fixed-rate loans to counter the risk of future increases in interest rates and the long-term fixed ratio for the total interest-bearing debt at the end of the 3rd period is 68.7%.

Moreover, NAF filed the shelf-registration statement of investment corporation bonds in public offering to the Kanto Local Finance Bureau of the Ministry of Finance in July 2007 to diversify and increase the flexibility of access to funding.

Brief overview of the shelf-registration statement is as follows.

Planned issuance amount	Up to ¥100 billion
Scheduled period of issuance	From July 18, 2007 to July 17, 2009
Reason for use of proceeds	Acquisition of new specified assets (same meaning as defined in Article 2-1 of the Investment Trust and Investment Corporation Act of Japan), Repayment of borrowings, Repayment of tenant security deposit, payment for maintenance and renovation, and operational use.

Rating of NAF as of August 31, 2007 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	A + (Outlook for rating: Stable)
	Corporate	
	Short-term	A-1
	Corporate	

Outlook of investment performance

The forecast for the 4th period (from September 1, 2007 to February 29, 2008) is as follows.

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

Total revenue	¥4,014
Income before income taxes	¥1,470
Net income	¥1,469
Distribution per unit	¥12,950
Cash distribution in excess of net income	¥ —

Underlying assumptions of forecasts

Investment assets: NAF is assuming that there is no change from 37 properties held as of October 15, 2007 during the period. (No acquisition and no sale of properties)

Interest-bearing debt ratio: Interest-bearing debt ratio of 51.4% as of October 15, 2007 is the premise of the forecast.

$$\text{Interest-bearing debt ratio} = \text{Interest-bearing debt} / (\text{Interest-bearing debt} + \text{capital})$$

Number of units issued: The 113,480 units outstanding as of October 15, 2007 (assumption of no additional unit issuance) is assumed.

Note: Above-mentioned forecasts are based on the above assumptions and information available at the time of preparation of this information. As a result, actual total revenue, income before income taxes, net income, distribution per unit and exceeding profit distribution per unit will be subject to change due to acquisition or sale of properties in future, fluctuation in the real estate market, and other changes in environment around NAF. Accordingly, the forecasts are not a guarantee of any cash distribution amount.

Management policy and issues to be dealt with hereafter

External Growth (New acquisition of properties)

NAF will try to screen the properties that will bring the stable profit in the long and medium terms and can be competitive.

And NAF will aim the constant acquisition of properties, with an emphasis on avoiding excessive price competition.

Internal Growth (Management and operation of leasehold properties)

NAF will review the adequacy of the grade of property management and cost of management and operation as to each property in an appropriate time and manner and will reduce the cost by the reasonable review of management cost, by utilizing the advantage of requesting Master Property Management company to manage the properties in bulk. Also, NAF is continuously aiming at the maintenance and enhancement of the market competitiveness of Okawabata Apartment Communities by the implementation of strategic renovation.

Financial Strategy

NAF will continue to emphasize the use of long-term, fixed-rate loans. Intending to diversify and increase the flexibility of access to funding, NAF was registered as the investment corporation issuing bonds in public offering in July, 2007. So NAF will examine the issuances of the bonds for the future. Regarding LTV (loan-to-value ratio), upper limit is set at 60% and targeted range during operation is set at approximately 40% to 50%. Additionally, NAF will examine the issuance of new units paying attention to market trend and distribution level and taking into consideration fund demands on property acquisition and financial situation.

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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