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Financial Results for the Fiscal Period From September 1, 2011 to February 29, 2012

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, 2011 to February 29, 2012

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

	Total revenues		Operating income		Income before income taxes	
		(%)*		(%)*		(%)*
For the period ended						
February 29, 2012	7,857	3.9	3,613	5.6	2,833	7.7
August 31, 2011	7,565	22.4	3,420	16.2	2,631	19.5

	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						
February 29, 2012	2,832	7.7	14,548	2.7	1.2	36.1
August 31, 2011	2,630	19.6	13,518	2.8	1.2	34.8

*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, 2012	14,548	2,832	–	–	100.0	2.7
August 31, 2011	13,508	2,630	–	–	100.0	2.5

Note:

*The payout ratio is rounded down to the nearest first decimal place.***(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, 2012	237,222	106,068	44.7	544,746
August 31, 2011	230,551	105,865	45.9	543,705

(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				
February 29, 2012	4,403	(7,805)	3,870	4,951
August 31, 2011	4,799	(38,879)	34,385	4,483

2. Forecasts for the Fiscal Period from March 1, 2012 to August 31, 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 August 31, 2012	8,075	2.8	3,557	(1.5)	2,757	(2.7)	2,757	(2.7)	13,800	—

*Percent figures show changes from previous period

Notes:

1. Projected net income per unit for the fiscal period ending August 31, 2012 is ¥14,159.
2. "Distribution per unit" is calculated on the assumption that a part of retained earnings be retained internally.

3. Other

1. Changes in significant accounting policies, Changes in accounting estimates and Restatement:

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

For accounting changes and corrections of prior period errors which are made after the beginning of the period ended February 29, 2012, NAF adopted the "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No. 24 issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009).

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, 2012:	194,711 units
As of August 31, 2011:	194,711 units

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

As of February 29, 2012:	- units
As of August 31, 2011:	- units

Note:

Net income per unit is calculated by dividing net income by the weighted average number of investment units: 194,711 units as of February 29, 2012, and 194,559 units as of August 31, 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.

12th Period (February 2012) Overview of Operating Results

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

	Result of the 12th Period (February 2012) (1)	Forecast of the 12th Period	Result of the 11th Period (August 2011) (2)	Comparison with the 11th Period (1)-(2)
Number of operating days	182	182	184	(2)
Total revenues	7,857	7,795	7,565	291
Income before income taxes	2,833	2,746	2,631	202
Net income	2,832	2,745	2,630	202
Distribution per unit (yen)	14,548	14,100	13,508	1,040
Number of investment properties	87	86	83	4
Average occupancy rate at end of period (%)	96.2	95.0	95.5	0.7

Overview of Performance and Distribution

In the period under review, NAF recorded total revenues of ¥7,857 million, operating income of ¥3,613 million, income before income taxes of ¥2,833 million and net income of ¥2,832 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 ¥14,548.

12th Period (February 2012) Overview of Investment

External Growth (Acquisition of properties)

During the period under review, NAF acquired 4 properties in total consisting of 3 properties in September 2011 (total acquisition price: ¥5,650 million) and 1 property in January 2012 (acquisition price: ¥1,700 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 borrowed a total amount of ¥7,500 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 ¥126,000 million, while the long-term loans to total interest-bearing debt ratio was 94.4% (ratio excluding long-term loans due within one year: 80.6%). Also, LTV (loan-to-value ratio) at the end of the period was 53.1%.

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 February 29, 2012 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: Stable) A -1

*Moody's provided NAF with an issuer credit rating of "A 3 (Outlook for rating: Stable)" on March 15, 2012.

Significant Subsequent Events

Not applicable.

(Reference information)

The following assets were acquired on March 29, 2012. 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.

Artis Sendai Kakyoin

Acquisition price:	¥540 million
Appraised value:	¥581 million (date of value appraisal: February 29, 2012)
Type of property:	Real estate
Location (residence indication):	1-6, Kakyoin 2-chome, Aoba-ku, Sendai-shi, Miyagi
Completion date:	December 2008
Structure/number of stories:	Flat-roofed reinforced concrete structure/ 11 stories
Rentable units:	60 residential
Rentable area:	1,564.40 m ²
Seller:	ITOCHU Corporation

Artis Sendai Kimachi Dori

Acquisition price:	¥1,160 million
Appraised value:	¥1,270 million (date of value appraisal: February 29, 2012)
Type of property:	Real estate
Location (residence indication):	4-45, Kimachi Dori 1-chome, Aoba-ku, Sendai-shi, Miyagi
Completion date:	March 2010
Structure/number of stories:	Flat-roofed reinforced concrete structure/ 14 stories
Rentable units:	142 residential
Rentable area:	4,063.47 m ²
Seller:	ITOCHU Corporation

A sales contract for the following asset was concluded on April 6, 2012. The scheduled handover date is April 25, 2012. The figure listed below under "Transfer price" is exclusive of miscellaneous expenses, fixed property taxes, urban planning taxes, consumption taxes, and local consumption taxes.

Park Cube Keio Hachioji

Transfer price:	¥1,020 million
Type of property:	Trust beneficiary interest
Location (residence indication):	25-3, Myojincho 1-chome, Hachioji-shi, Tokyo
Completion date:	January 2005
Structure/number of stories:	Flat-roofed reinforced concrete structure/ 14 stories
Rentable units:	52 residential
Rentable area:	2,814.32 m ²

Forecasts of Investment Performance

The forecasts for the 13th period (from March 1, 2012 to August 31, 2012) are as follows.

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

	13th period (August 2012)
Total revenues	8,075
Income before income taxes	2,757
Net income	2,757
Distribution per unit (yen)	13,800
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 89.
 - For Park Cube Keio Hachioji, a trust beneficiary interest sales contract (transfer) whereby the handover will be made on April 25, 2012 has been concluded. An approx. ¥85 million in gain on sale of investment properties from this property is anticipated.
 - In the forecasts of investment performance, for the 88 properties held following the handover of Park Cube Keio Hachioji stated above, it is assumed that no subsequent transfer of properties (acquisition of new properties, transfer of properties acquired, etc.) shall occur until August 31, 2012.
 - The occupancy rate at the end of the 13th period for total properties is expected to be approx. 95 %.

- Expenses:**
- The following expenses are projected.

(in millions of yen)

	13th period
Fixed property taxes and urban planning taxes	399
Depreciation and amortization	1,724
Interest expense and interest expenses on investment corporation bonds	799

- Interest-bearing debt:**
- It is assumed that NAF's balance of interest-bearing debt that is ¥127,500 million as of the date of this document shall not fluctuate until August 31, 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 August 31, 2012.

- Distribution per unit:**
- Regarding the gain from transfer of Park Cube Keio Hachioji, in order to strengthen its financial position, NAF plans to internally retain approx. ¥70 million by implementing a reduction entry utilizing the "Special Provisions for Taxation in the Event of Advance Acquisition of Land, etc. in 2009 and 2010."

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 13th 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 13th 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 work to steadily acquire properties considered to possess mid- to long-term competitive advantages through individual strategies such as enhancing our portfolio within the 23 wards of Tokyo and other parts of the Tokyo area, mainly with 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 3.5% at the end of the 12th 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 will continue to aim to maintain and enhance market competitiveness by implementing strategic renovations, primarily at Okawabata Apartment Communities.

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, in accordance with market trends, within the range of the remaining balance of the planned issuance amount, for which shelf-registration of NAF bonds has been carried out.

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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