

April 17, 2013

Financial Results for the Fiscal Period From September 1, 2012 to February 28, 2013

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, 2012 to February 28, 2013

(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 28, 2013	8,082	(0.3)	3,655	0.6	2,900	1.5
August 31, 2012	8,103	3.1	3,634	0.6	2,856	0.8

	Net income		Net income per unit (yen)	Net income/ net assets (%)	Income before income taxes/ total assets (%)	Income before income taxes/ operating income (%)
		(%)*				
For the period ended						
February 28, 2013	2,899	1.5	14,890	2.7	1.2	35.9
August 31, 2012	2,855	0.8	14,665	2.7	1.2	35.2

*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 28, 2013	14,890	2,899	–	–	100.0	2.7
August 31, 2012	14,306	2,785	–	–	97.6	2.6

Note:

For the period ended August 31, 2012, the amounts of “Total distributions” and “Net income” are different because a part of retained earnings (¥70 million) was retained internally.

(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 28, 2013	245,982	106,204	43.2	545,447
August 31, 2012	237,854	106,090	44.6	544,863

(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 28, 2013	4,368	(11,147)	5,215	4,596
August 31, 2012	5,604	(2,065)	(2,331)	6,159

2. Forecasts for the Fiscal Period from March 1, 2013 to August 31, 2013

(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, 2013	8,842	9.4	3,907	6.9	3,081	6.2	3,080	6.2	13,350	—

*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, 2013 is ¥13,350.

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

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, 2013:	194,711 units
As of August 31, 2012:	194,711 units

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

As of February 28, 2013:	- units
As of August 31, 2012:	- 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 28, 2013, and 194,711 units as of August 31, 2012.

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.

14th Period (February 2013) Overview of Operating Results

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

	Result of the 14th Period (February 2013) (1)	Forecast of the 14th Period	Result of the 13th Period (August 2012) (2)	Comparison with the 13th Period (1)-(2)
Number of operating days	181	181	184	(3)
Total revenues	8,082	8,060	8,103	(21)
Income before income taxes	2,900	2,853	2,856	43
Net income	2,899	2,852	2,855	43
Distribution per unit (yen)	14,890	14,650	14,306	584
Number of investment properties	90	90	88	2
Average occupancy rate at the end of period (%)	96.4	Approx. 95	95.8	0.6

Overview of Performance and Distribution

In the period under review, NAF recorded total revenues of ¥8,082 million, operating income of ¥3,655 million, income before income taxes of ¥2,900 million and net income of ¥2,899 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 ¥14,890.

14th Period (February 2013) Overview of Investment

External Growth (Acquisition of assets)

During the period under review, NAF acquired an equity interest in an anonymous partnership in September 2012 (acquisition price: ¥150 million), 1 property in October 2012 (acquisition price: ¥1,204 million) and 1 property in December 2012 (acquisition price: ¥9,000 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 speedy management and operations by the Master PM by 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 which is one of the core properties of NAF, and providing 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 ¥9,000 million as funds for the acquisition of new properties, etc. Also, while taking into account market trends and interest rate levels, NAF refinanced its existing loans. In addition, NAF repaid a total of ¥1,000 million of its short-term loans with cash reserves. As a result, total interest-bearing debt at the end of the period amounted to ¥134,500 million, while the long-term loans to total interest-bearing debt ratio was 90.0% (ratio excluding long-term loans due within one year was 75.8%). Also, LTV (loan-to-value ratio) at the end of the period was 54.7%.

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 (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, 2013 is as follows.

Rating agency	Rating subject	Rating
Moody's Japan K.K. (Moody's)	Issuer credit rating	A 3 (Outlook for rating: Stable)
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

Significant Subsequent Events

Issuance of new investment units

Concerning the issuances of new investment units that were resolved at the Board of Directors' Meetings held on February 7, 2013 and February 19, 2013, payment relating to the issuance of new investment units by public offering was completed on March 1, 2013, and payment relating to the issuance of new investment units by third-party allocation was completed on March 26, 2013. The details are provided below.

As a result, the total investment amount paid in was ¥125,686,793,618 and the total number of investment units issued was 230,711 units.

A. Issuance of new investment units by public offering

Number of new investment units issued	34,000 units
Issue price	¥644,816 per unit
Total amount of issue price	¥21,923,744,000
Amount paid in (issue value)	¥623,652 per unit
Total amount paid in (issue value)	¥21,204,168,000
Payment date	March 1, 2013

B. Issuance of new investment units by third-party allocation

Number of new investment units issued	2,000 units
Amount paid in (issue value)	¥623,652 per unit
Total amount paid in (issue value)	¥1,247,304,000
Payment date	March 26, 2013
Allottee	Nomura Securities Co., Ltd.

(Reference information)

The following assets were acquired on March 1, 2013. The "Acquisition price" are exclusive of miscellaneous expenses for acquisition, fixed property taxes, urban planning taxes, consumption taxes, and local consumption taxes.

Park Cube Nihonbashi Suitengu

Acquisition price:	¥2,711 million
Appraised value:	¥2,840 million
	(date of value appraisal: November 30, 2012)
Type of property:	Trust beneficiary interest
Location (residence indication):	33-4, Nihonbashi-Hakozakicho, Chuo-ku, Tokyo
Completion date:	May 2005
Structure/number of stories:	Flat-roofed reinforced concrete structure/12 stories
Rentable units:	77
Rentable area:	4,235.33 m ²
Seller:	Godo Kaisha ABF1

Park Cube Ginza East

Acquisition price: ¥2,269 million
Appraised value: ¥2,350 million
(date of value appraisal: November 30, 2012)
Type of property: Trust beneficiary interest
Location (residence indication): 1-3, Minato 3-chome, Chuo-ku, Tokyo
Completion date: June 2005
Structure/number of stories: Flat-roofed reinforced concrete and steel structure/
12 stories
Rentable units: 77
Rentable area: 3,358.63 m²
Seller: Godo Kaisha ABF1

Park Cube Kayabacho

Acquisition price: ¥1,105 million
Appraised value: ¥1,160 million
(date of value appraisal: November 30, 2012)
Type of property: Real estate
Location (residence indication): 1-8, Nihonbashi-kayabacho 3-chome, Chuo-ku,
Tokyo
Completion date: March 2006
Structure/number of stories: Flat-roofed reinforced concrete structure/10 stories
Rentable units: 27 residential 1 retail etc.
Rentable area: 1,695.06 m²
Seller: Not disclosed by seller's request

Park Cube Honjo Azumabashi

Acquisition price: ¥1,252 million
Appraised value: ¥1,270 million
(date of value appraisal: November 30, 2012)
Type of property: Real estate
Location (residence indication): 19-4, Honjo 4-chome, Sumida-ku, Tokyo
Completion date: March 2006
Structure/number of stories: Flat-roofed reinforced concrete structure/10 stories
Rentable units: 45
Rentable area: 2,241.63 m²
Seller: Not disclosed by seller's request

Park Axis Kiyosumi Shirakawa

Acquisition price: ¥696 million
Appraised value: ¥719 million
(date of value appraisal: November 30, 2012)
Type of property: Real estate
Location (residence indication): 18-4, Ogibashi 1-chome, Koto-ku, Tokyo
Completion date: March 2008
Structure/number of stories: Flat-roofed reinforced concrete structure/8 stories
Rentable units: 36
Rentable area: 1,159.84 m²
Seller: Not disclosed by seller's request

Park Axis Asakusabashi Nichome

Acquisition price: ¥1,079 million
Appraised value: ¥1,080 million
(date of value appraisal: November 30, 2012)
Type of property: Real estate
Location (residence indication): 27-8, Asakusabashi 2-chome, Taito-ku, Tokyo
Completion date: December 2011
Structure/number of stories: Flat-roofed reinforced concrete structure/13 stories
Rentable units: 48
Rentable area: 1,569.00 m²
Seller: Mitsui Fudosan Co., Ltd.

Park Axis Nishi Sugamo

Acquisition price: ¥1,439 million
Appraised value: ¥1,440 million
(date of value appraisal: November 30, 2012)
Type of property: Real estate
Location (residence indication): 46-2, Takinogawa 7-chome, Kita-ku, Tokyo
Completion date: January 2012
Structure/number of stories: Flat-roofed reinforced concrete structure/13 stories
Rentable units: 56
Rentable area: 2,326.32 m²
Seller: Mitsui Fudosan Co., Ltd.

Park Axis Ueno

Acquisition price: ¥1,389 million
Appraised value: ¥1,390 million
(date of value appraisal: November 30, 2012)
Type of property: Real estate
Location (residence indication): 7-9, Kitaueno 2-chome, Taito-ku, Tokyo
Completion date: January 2012
Structure/number of stories: Flat-roofed reinforced concrete structure/12 stories
Rentable units: 59
Rentable area: 1,992.29 m²
Seller: Mitsui Fudosan Co., Ltd.

Park Axis Akihabara East

Acquisition price: ¥1,369 million
Appraised value: ¥1,370 million
(date of value appraisal: November 30, 2012)
Type of property: Real estate
Location (residence indication): 5-9, Asakusabashi 5-chome, Taito-ku, Tokyo
Completion date: May 2012
Structure/number of stories: Flat-roofed reinforced concrete structure/14 stories
Rentable units: 58
Rentable area: 1,890.20 m²
Seller: Mitsui Fudosan Co., Ltd.

Park Axis Yokohama Tanmachi Koen

Acquisition price: ¥1,119 million
Appraised value: ¥1,120 million
(date of value appraisal: November 30, 2012)
Type of property: Real estate
Location (residence indication): 11-4, Tanmachi 1-chome, Kanagawa-ku,
Yokohama-shi, Kanagawa (address written in the
old addressing system with land given a registration
number)
Completion date: June 2012
Structure/number of stories: Flat-roofed reinforced concrete structure/10 stories
Rentable units: 63
Rentable area: 1,682.46 m²
Seller: Mitsui Fudosan Co., Ltd.

Park Axis Kayabacho

Acquisition price:	¥1,809 million
Appraised value:	¥1,810 million (date of value appraisal: November 30, 2012)
Type of property:	Real estate
Location (residence indication):	26-6, Shinkawa 1-chome, Chuo-ku, Tokyo
Completion date:	June 2012
Structure/number of stories:	Flat-roofed reinforced concrete structure/14 stories
Rentable units:	72
Rentable area:	2,355.07 m ²
Seller:	Mitsui Fudosan Co., Ltd.

The following asset was acquired on April 1, 2013. The “Acquisition price” is exclusive of miscellaneous expenses for acquisition, fixed property taxes, urban planning taxes, consumption taxes, and local consumption taxes.

Park Axis Kinshicho Shinsui Koen

Acquisition price:	¥1,369 million
Appraised value (Note):	¥1,370 million (date of value appraisal: November 30, 2012)
Type of property:	Real estate
Location (residence indication):	22-8, Kamezawa 4-chome, Sumida-ku, Tokyo
Completion date:	June 2012
Structure/number of stories:	Flat-roofed reinforced concrete structure/7 stories
Rentable units :	60
Rentable area :	2,085.62 m ²
Seller:	Mitsui Fudosan Co., Ltd.

(Note)

The appraised value as of February 28, 2013, which is the 14th period closing date, is ¥1,370 million (a real estate appraisal report has been obtained from Daiwa Real Estate Appraisal Co., Ltd.).

This property is applicable to forward commitments (refers to the postdated sales contract under which payment and handover shall be made at least one month after the conclusion of the contract, or any other contract similar thereto) by investment corporations as provided for in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators etc., defined by the Financial Services Agency. In the case of properties applicable to forward commitments, if the closing date of the accounting period falls in the period between the conclusion of the sales contract and the date of payment and handover, it is specified in the internal rules of the asset management company to disclose the continually conducted appraised value as of the closing date.

Forecasts of Investment Performance

The forecasts for the 15th period (from March 1, 2013 to August 31, 2013) and the 16th period (from September 1, 2013 to February 28, 2014) are as follows.

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

	15th period (August 2013)	16th period (February 2014)
Total revenues	8,842	8,749
Income before income taxes	3,081	3,196
Net income	3,080	3,195
Distribution per unit (yen)	13,350	13,850
Distribution in excess of earnings per unit (yen)	—	—

Notes: Underlying assumptions of forecasts

Number of operating days: -From March 1, 2013 to August 31, 2013 (15th period: 184 days)
-From September 1, 2013 to February 28, 2014 (16th period: 181 days)

Investment assets: -The number of properties held by NAF as of the date of this document is 102, in addition to 1 asset as an equity interest in an anonymous partnership relating to real estate. In the forecasts of investment performance, it is assumed that no subsequent transfer of properties (such as acquisition of new assets, sale of assets acquired, etc.) shall occur until February 28, 2014.

-The occupancy rate at the end of the each period for total properties is expected to be approximately 95%.

Expenses: -The following expenses are assumed.

(in millions of yen)

	15th period	16th period
Fixed property taxes and urban planning taxes	428	433
Depreciation and amortization	1,893	1,890
Interest expense and interest expenses on investment corporation bonds	775	749
Temporary expenses related to the issuance of new units	50	—

Interest-bearing debt: -It is assumed that NAF's balance of interest-bearing debt that is ¥133,000 million as of the date of this document shall not change until February 28, 2014.

Number of units issued: -We assume 230,711 units outstanding as of the date of this document.
-It is assumed that, there shall be no issuance of new units until February 28, 2014.

(Note)

NAF revised its forecasts for the period ending August 31, 2013 (15th period: From March 1, 2013 to August 31, 2013.)

For details, please refer to "Notice Concerning Revision to Financial Results Forecasts for the Period ending August 31, 2013 (15th period)", released as of this date.

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 investment assets 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 15th Period Onward

NAF has always aimed to maximize its unitholder value through investments in “Accommodation Assets” and the utilization of the Mitsui Fudosan Group as well as the formulation and management of a high quality portfolio centered on “Rental Apartments” located in the 23 wards of Tokyo.

From the 15th 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.

Combining funds procured by the issuance of new investment units of total amount ¥22,451 million conducted March 2013, following the resolution for the issuance of new investment units made in February 2013, NAF has completed the acquisition of 11 properties in March 2013 (total acquisition price: ¥16,237 million) and 1 property in April 2013 (acquisition price: ¥1,369 million). In addition, as a result of the issuance of the new investment units, LTV (loan-to-value ratio) has decreased. Looking forward, we plan to continue our efforts to further increase our external growth.

External Growth (New acquisition of properties)

We will strive to obtain the best real estate information possible by utilizing our pipeline to the Mitsui Fudosan Group and fortifying the asset management company’s independent information channel . 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. We will also consider making investments (including obtaining first refusal rights) in “Equity Interests in Anonymous Partnerships relating to Real Estate” or “Real Estate-Backed Securities” for such purposes as securing opportunities for property acquisitions.

The main part of the acquisition strategy of NAF continues to be stable acquisition of “Rental Apartments”. However, we will continue making acquisitions of “Other Accommodation Assets”, including dormitories and corporate housings, 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 4.1% at the end of the 14th period).

We will also continue to work towards achieving 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 range of years. 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 maintain and enhance market competitiveness by implementing strategic renovations, primarily at Okawabata Apartment Communities.

Further, NAF will collaborate with Mitsui Fudosan Co., Ltd., to establish brand power by concentrating on the “Park Axis” brand, NAF’s main investment asset to penetrate the market, and further enhance brand recognition on the rental housing market.

Financial Strategy

NAF will continue to emphasize the continued use of long-term, fixed-rate loans by taking 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 by 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 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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