

April 16, 2015

Financial Results for the Fiscal Period From September 1, 2014 to February 28, 2015

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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Scheduled Filing Date of Securities Report: May 29, 2015

Scheduled Commencement Date of Cash Distribution Payment: May 15, 2015

1. Business Results for the Fiscal Period from September 1, 2014 to February 28, 2015

(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, 2015	10,129	(0.2)	4,374	1.6	3,685	4.1
August 31, 2014	10,152	9.9	4,304	3.0	3,541	3.1

	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, 2015	3,684	4.1	7,984	2.8	1.3	36.4
August 31, 2014	3,540	3.1	7,672	2.7	1.2	34.9

* Percent figures show changes from previous period.

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

	Distribution per unit (not including distributions in excess of earnings) (yen)	Total distributions (not including distributions in excess of earnings)	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, 2015	7,984	3,683	–	–	100.0	2.8
August 31, 2014	7,672	3,540	–	–	100.0	2.7

(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, 2015	290,463	129,441	44.6	280,526
August 31, 2014	292,317	129,296	44.2	280,214

(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, 2015	5,659	(219)	(5,539)	8,219
August 31, 2014	6,031	(17,358)	11,065	8,318

2. Forecasts for the Fiscal Period from March 1, 2015 to August 31, 2015

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

	Total revenues		Operating income		Income before income taxes		Net income		Distribution per unit (not including distributions in excess of earnings)	Distribution in excess of earnings per unit
	(%)*		(%)*		(%)*		(%)*		(yen)	(yen)
For the period ending August 31, 2015	10,370	2.4	4,317	(1.3)	3,635	(1.4)	3,634	(1.4)	7,500	–

* Percent figures show changes from previous period.

Note:

Projected net income per unit for the fiscal period ending August 31, 2015 is ¥7,500.

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, 2015: 461,422 units

As of August 31, 2014: 461,422 units

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

As of February 28, 2015: - units

As of August 31, 2014: - units

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.

18th Period (February 2015) Overview of Investment

External Growth (Acquisition of properties)

No properties were acquired during the period under review, and NAF's assets under management at the end of the period under review were unchanged from the end of the previous period.

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

NAF has chosen Mitsui Fudosan Housing Lease Co., Ltd. as master property management company (below, "Master PM") on management of NAF's rental apartments portfolio. The company and the asset management company collaborate in the management of properties NAF owns with the aim of implementing effective management and operational activities based on 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, the tenant recruiting activities suited to the circumstances of individual properties, the streamlining efforts such as reduction of management cost, etc., and providing tenants the "accommodation" services by corresponding to various needs based on the results of resident questionnaires.

In order to maintain and improve the competitiveness of NAF's portfolio, operations are adequately planned and carried out at the asset management company. These include appropriate renewal work according to the property age, and work to enhance the value of properties such as Okawabata Apartment Communities, which is one of the core properties of NAF. In addition, NAF is not only making continuous efforts to reduce costs, but also introducing such features as environmentally friendly, energy-saving facilities in a timely manner.

In the period under review, NAF carried out renovations in common areas and private areas at Okawabata Apartment Communities. Other than the above, changes planned and implemented include reviews of contract capacity for electricity through the introduction of controllable circuit breakers, and work to change the lighting in common areas to LED lighting.

Financial Strategy (Overview of funds procurement)

One of NAF's basic policies is to carry out financing in a conservative manner while giving consideration to such matters as maintaining stable distributions in the medium and long term, and paying attention to various risk factors and market trends. Based on this policy, NAF has pursued financing from various sources with diversified repayment dates and long-term fixed interest rates in its procurement of funds during the period under review.

As a result, at the end of the period, total interest-bearing debt amounted to ¥154,500 million, the long-term loans ratio was 97.4%, the fixed-rate loans ratio was 97.4%, the LTV (loan-to-value ratio) was 53.2%. The average annual current maturity of long-term interest-bearing loans was 4.9 years and the number of financial institutions was 22. Furthermore, the weighted average interest rate at the end of the period was 0.87%, and NAF achieved both further progress in its conversion to long-term borrowing and a reduction in financing costs.

NAF has also established a commitment line with a total maximum borrowing amount of ¥10,000 million, for the purpose of securing flexible and stable fund procurement methods.

With respect to financing through investment corporation bonds, NAF filed a shelf-registration

statement regarding its establishment of a maximum issuance amount for investment corporation bonds for public offering in July 2013. 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, 2013 to July 17, 2015
Purpose for funds	Acquisition of specified new assets (as defined in Article 2, Paragraph 1 of the Act on Investment Trusts and Investment Corporations), repayment of borrowings, redemption of investment corporation bonds, repayment of tenant security deposit, payments for maintenance and renovations, and operational use

Rating of NAF as of February 28, 2015 is as follows.

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

Overview of Performance and Distribution

In the period under review, NAF recorded total revenues of ¥10,129 million, operating income of ¥4,374 million, income before income taxes of ¥3,685 million and net income of ¥3,684 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 ¥7,984.

Management Policy and Issues for the 19th Period Onward

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

From the 19th period onward, we aim to manage our portfolio stably based on the above-mentioned policies and further maximize the unitholder value by achieving internal and external growth expectations.

NAF adopted the resolutions for the issuance of new investment units by public offering and third party allocation in February 2015, and payment of a total of ¥9,916 million was completed in March 2015. Using the resultant increase in its own capital, NAF completed acquisitions of 1 property in March 2015 and 3 properties in April 2015, acquiring a total of 4 properties at a total acquisition price of ¥7,185 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 unique information channel. Our basic strategy will be to stably expand our portfolio based on the Park Axis Series developed by the Mitsui Fudosan Group in addition to the Park Cube Series constructed by companies outside the Mitsui Fudosan Group. Moreover, we will work to steadily acquire properties considered to possess mid- to long-term competitive advantages through NAF's 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 major cities of regional areas. We will also consider making investments in "Equity Interests in Anonymous Partnerships relating to Real Estate" or "Real Estate-Backed Securities" (including obtaining first refusal rights) for such purposes as securing opportunities of property acquisitions.

The main part of NAF's acquisition strategy continues to be stable acquisition of "Rental Apartments". However, we will continue making acquisitions of "Dormitories" and "Student Apartments", "Corporate Housing" and "Senior Residences", as the investment market in "Other Accommodation Assets" appears to have matured. 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 an acquisition price basis for the time being. The share of "Other Accommodation Assets" in the overall portfolio was 3.4% at the end of the 18th period.

We will also continue to work towards achieving high quality due diligence at 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, cost of management and operation as to each invested property in an appropriate timeframe and manner, and reduce the cost by reviewing rationally the 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 in the rental housing market.

Financial Strategy

NAF will emphasize the continued use of long-term, fixed-rate loans by taking measures to counter future interest rate and refinancing risks. With respect to the upper limit of LTV (loan-to-value ratio), although the limit is set at around 60% in the asset management guidelines, NAF is aiming for a near-term upper limit at a level of around 55% in its external growth process.

NAF will examine the necessity of issuance of new units by paying attention to market trends and distribution amount 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.

Significant Subsequent Events

Issuance of new investment units

Concerning the issuance of new investment units that were resolved at the Board of Directors' Meetings held on February 6, 2015 and February 18, 2015, payment relating to the issuance of new investment units by public offering was completed on March 2, 2015, and payment relating to the issuance of new investment units by third-party allocation was completed on March 24, 2015. The details are provided below.

As a result, the total investment amount paid in was ¥135,603,623,618 and the total number of investment units issued was 484,522 units.

A. Issuance of new investment units by public offering

Number of new investment units issued	22,000 units
Issue price	¥443,868 per unit
Total amount of issue price	¥9,765,096,000
Amount paid in (issue value)	¥429,300 per unit
Total amount paid in (issue value)	¥9,444,600,000
Payment date	March 2, 2015

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

Number of new investment units issued	1,100 units
Amount paid in (issue value)	¥429,300 per unit
Total amount paid in (issue value)	¥472,230,000
Payment date	March 24, 2015
Allottee	Nomura Securities Co., Ltd.

(Reference information)

The following assets were acquired on March 31, 2015. The “Acquisition price” is exclusive of miscellaneous expenses for acquisition, fixed property taxes, urban planning taxes, consumption taxes, and local consumption taxes.

Medical Home Granda Sangen Jaya (Land with leasehold interest)

Acquisition price:	¥735 million
Appraised value (Note):	¥757 million
	(date of value appraisal: December 31, 2014)
Type of property:	Real estate
Location (residence indication):	37-2, Taishido 2-chome, Setagaya-ku, Tokyo
Seller:	Benesse Style Care Co., Ltd.

The following assets were acquired on April 3, 2015. The “Acquisition price” is exclusive of miscellaneous expenses for acquisition, fixed property taxes, urban planning taxes, consumption taxes, and local consumption taxes.

Park Axis Kamata Station Gate

Acquisition price:	¥4,144 million
Appraised value (Note):	¥4,290 million
	(date of value appraisal: December 31, 2014)
Type of property:	Real estate
Location (residence indication):	23-1, Nishi-kamata 8-chome, Ota-ku, Tokyo
Completion date:	September 18, 2012
Structure/number of stories:	Flat-roofed reinforced concrete structure/14 stories
Rentable units:	157 residential, 1 retail, etc.
Rentable area:	4,582.72 m ²
Seller:	Mitsui Fudosan Co., Ltd.

Park Axis Kinshicho Residence

Acquisition price:	¥1,251 million
Appraised value (Note):	¥1,310 million
	(date of value appraisal: December 31, 2014)
Type of property:	Real estate
Location (residence indication):	2-6, Kotobashi 1-chome, Sumida-ku, Tokyo
Completion date:	September 20, 2013
Structure/number of stories:	Flat-roofed reinforced concrete structure/14 stories
Rentable units:	56
Rentable area:	1,793.33 m ²
Seller:	Mitsui Fudosan Co., Ltd.

Park Axis Oshiage Sumida Koen

Acquisition price:	¥1,055 million
Appraised value (Note):	¥1,090 million
	(date of value appraisal: December 31, 2014)
Type of property:	Real estate and land lease rights
Location (residence indication):	11-3, Mukojima 1-chome, Sumida-ku, Tokyo
Completion date:	January 31, 2014
Structure/number of stories:	Flat-roofed reinforced concrete structure/12 stories
Rentable units:	49
Rentable area:	1,610.49 m ²
Seller:	Mitsui Fudosan Co., Ltd.

(Note)

The outline of real estate appraisal reports (obtained from Morii Appraisal & Investment Consulting, Inc. and Japan Real Estate Institute) as of February 28, 2015, which is the 18th period closing date, is as follows.

(in millions of yen, except as noted)

Name of property	Appraised value	Income capitalization method					Cost method	Appraisal company
		Value calculated by direct capitalization method	Direct cap rate	Value calculated by DCF method	Discount rate	Terminal cap rate	Cost method value	
Park Axis Kamata Station Gate	4,380	4,450	4.5%	4,310	4.3%	4.7%	2,890	Morii Appraisal & Investment Consulting, Inc.
Park Axis Kinshicho Residence	1,340	1,360	4.5%	1,320	4.3%	4.7%	904	Morii Appraisal & Investment Consulting, Inc.
Park Axis Oshiage Sumida Koen	1,110	1,130	4.8%	1,090	4.6%	5.0%	775	Morii Appraisal & Investment Consulting, Inc.
Medical Home Granda Sangen Jaya (Land with leasehold interest)	757	769	4.3%	744	4.1%	4.5%	*748	Japan Real Estate Institute

** The "Cost method value" of Medical Home Granda Sangen Jaya (Land with leasehold interest) is shown in value calculated by the ratio method.*

These properties are applicable to forward commitments (refers to the postdated sales contract under which payment and delivery 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 delivery, it is specified in the internal rules of the asset management company to disclose the continually conducted appraised value as of the 18th period closing date.

Forecasts of Investment Performance

The forecasts for the 19th period (from March 1, 2015 to August 31, 2015) and 20th period (from September 1, 2015 to February 29, 2016) are as follows.

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

	19th period (August 2015)	20th period (February 2016)
Total revenues	10,370	10,336
Operating income	4,317	4,388
Income before income taxes	3,635	3,707
Net income	3,634	3,706
Distribution per unit (not including distributions in excess of earnings) (yen)	7,500	7,650
Distribution in excess of earnings per unit (yen)	—	—

Notes: Underlying assumptions of forecasts

- Number of operating days:** -From March 1, 2015 to August 31, 2015 (184 days)
-From September 1, 2015 to February 29, 2016 (182 days)
- Investment assets:** -The number of properties held by NAF as of the date of this document is 116. In the forecasts of investment performance, it is assumed that no subsequent transfer of properties (such as acquisition of new properties, sale of properties acquired, etc.) shall occur until February 29, 2016.
-The average month-end occupancy rate during the 19th period for total properties is expected to be 95.7%, during the 20th period for total properties is expected to be 96.0%.
- Expenses:** -The following expenses are assumed.

(in millions of yen)

	19th period	20th period
Fixed property taxes and urban planning taxes	580	580
Depreciation and amortization	2,084	2,073
Interest expense and interest expenses on investment corporation bonds	677	675
Amortization of investment unit issuance expenses	5	5

- Interest-bearing debt:** - It is assumed that NAF's balance of interest-bearing debt that is ¥154,500 million as of the date of this document shall not change until February 29, 2016.
- Number of units issued:** - We assume 484,522 units outstanding as of the date of this document.
- It is assumed that, there shall be no issuance of new units until February 29, 2016.

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 change due to future acquisitions or sale of investment assets, 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.

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.