



October 16, 2009

Financial Results for the Fiscal Period From March 1, 2009 to August 31, 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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Scheduled Filing Date of Securities Report: November 26, 2009
 Scheduled Commencement Date of Cash Distribution Payment: November 13, 2009

1. Business Results for the Fiscal Period from March 1, 2009 to August 31, 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						
August 31, 2009	4,474	(0.7)	2,169	(3.5)	1,547	(6.6)
February 28, 2009	4,508	0.2	2,248	1.6	1,656	0.9

	Net income		Net income per unit	Net income/ net assets	Income before income taxes/ total assets	Income before income taxes/ operating income
		(%)*	(yen)	(%)	(%)	(%)
For the period ended						
August 31, 2009	1,546	(6.6)	13,626	2.5	1.1	34.6
February 28, 2009	1,655	0.9	14,587	2.6	1.1	36.7

*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						
August 31, 2009	13,626	1,546	—	—	100.0	2.5
February 28, 2009	14,587	1,655	—	—	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				
August 31, 2009	146,541	62,525	42.7	550,978
February 28, 2009	146,665	62,634	42.7	551,939

(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				
August 31, 2009	2,435	(246)	(1,654)	4,533
February 28, 2009	2,576	(125)	(1,639)	3,999

2. Forecasts for the Fiscal Period from September 1, 2009 to February 28, 2010

(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 February 28, 2010	5,890	31.7	2,973	37.1	2,219	43.4	2,218	43.5	14,000	-

(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 February 28, 2010 is ¥14,000.

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 August 31, 2009: 113,480 units

As of February 28, 2009: 113,480 units

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

As of August 31, 2009: - units

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

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.

7th Period (August 2009) Overview of Operating Results

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

	Result of the 7th Period (August 2009) (1)	Forecast of the 7th Period	Result of the 6th Period (February 2009) (2)	Comparison with the 6th Period (1)-(2)
Number of operating days	184	184	181	3
Total revenue	4,474	4,555	4,508	(33)
Income before income taxes	1,547	1,578	1,656	(109)
Net income	1,546	1,577	1,655	(109)
Distribution per unit (yen)	13,626	13,900	14,587	(961)
Number of investment properties	44	44	44	0
Average occupancy rate at end of period (%)	94.4	95.0	96.2	(1.8)

Overview of Performance and Distribution

In the period under review, NAF recorded total revenue of ¥4,474 million, operating income of ¥2,169 million, income before income taxes of ¥1,547 million and net income of ¥1,546 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 ¥13,626.

7th Period (August 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, unchanged from the end of the previous period.

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 55.3% 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 71.0% (ratio excluding long-term loans due within one year: 64.8%).

A shelf-registration statement of investment corporation bonds in public offering was filed at the Kanto Local Finance Bureau in July 2009. 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, 2009 to July 17, 2011
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 August 31, 2009 is as follows.

Rating agency	Rating subject	Rating
Moody's Investors Service Inc.	Issuer credit rating	A 2 (Outlook for rating: Negative)
Rating and Investment Information, Inc.	Issuer credit rating	A A - (Trend of rating: Stable)
Standard and Poor's	Long-term corporate	A + (Outlook for rating: Stable)
	Short-term corporate	A -1

Significant Subsequent Events

Issuance of new units

At the Board of Directors' meeting on October 16, 2009, NAF resolved to issue new units as follows. The issue price per unit (payment amount) shall be determined at the Board of Directors' meeting scheduled to be held in the latter part of October 2009.

A. Issuance of new units through public offering

- | | |
|----------------------------------|-----------------|
| (1) Issuance method | Public offering |
| (2) Number of units to be issued | 42,000 units |

B. Issuance of new units through third party allocation (Note)

- | | |
|----------------------------------|-----------------------------|
| (1) Issuance method | Third party allocation |
| (2) Number of units to be issued | 3,000 units |
| (3) Allocatee | Nomura Securities Co., Ltd. |

(Note) It is possible that no applications are made for a third party allocation for all or part of the issued units resulting in the reduction of the final number of units issued by third party allocation to the minimum amount due to the forfeiture of rights, or in no issuance whatsoever.

C. Purpose for procurement of funds

Funds procured by this public offering and third party allocation shall be allocated for the acquisition of new specified assets by NAF.

Forecasts of Investment Performance

The forecasts for the 8th period (from September 1, 2009 to February 28, 2010) and the 9th period (from March 1, 2010 to August 31, 2010) are as follows.

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

	8th period (February 2010)	9th period (August 2010)
Total revenue	5,890	6,086
Income before income taxes	2,219	2,061
Net income	2,218	2,060
Distribution per unit (yen)	14,000	13,000
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 44 (hereinafter, "properties acquired").
- Of the properties acquired, a sales contract (disposal) was concluded as follows.

(in millions of yen)

Name of property	Transfer price	Scheduled handover date
Park Axis Ichigaya	3,100	February 24, 2010

-The difference between the transfer price of the above asset and the book value as of August 31, 2009 is ¥543 million.

-NAF has concluded a sales contract (acquisition) whereby NAF shall acquire the following 18 properties with condition precedent that funds for acquisition are procured.

(in millions of yen)

Name of property	Acquisition price	Scheduled acquisition date
Park Axis Nishigahara	840	November 5, 2009
Park Axis Kinshicho	1,448	
Park Axis Tatsumi Stage	7,464	
Park Axis Kameido	2,359	
Park Axis Honancho	745	
Park Axis Itabashi	1,448	
Park Axis Oshiage	1,193	
Park Axis Takadanobaba	1,222	
Park Axis Naka Gofukumachi	742	
Park Axis Shirakabe	1,547	
Park Axis Sendai	2,320	
Park Axis Hakata Minoshima	960	
Park Axis Takamiya Higashi	605	

Park Axis Toyosu	14,300	December 1, 2009
Park Axis Sapporo Shokubutsuen Mae	1,650	
Park Axis Hatchobori	1,760	January 8, 2010
Park Axis Itabashi Honcho	987	
Park Axis Sumiyoshi	1,006	
Total	42,596	

Expenses:

-The following expenses are projected.

(in millions of yen)

	8th period	9th period
Fixed property taxes and urban planning taxes	165	234
Depreciation and amortization	1,096	1,266
Asset management fee IV relating to the sale of Park Axis Ichigaya	31	—
Interest expense and interest expenses on investment corporation bonds	683	755
Temporary expenses related to the issuance of new units	80	—

Interest-bearing debt:

-As of the date of this document, NAF's balance of interest-bearing debt is ¥81,000 million. The proceeds from the issuance of new units decided at the Board of Directors' meeting held on October 16, 2009, newly procured borrowings and own funds shall be applied to the purchase of properties to be acquired. As a result, the balance of interest-bearing debt at February 28, 2010 shall be ¥98,000 million.

Net income per unit and distributions:

-Net income per unit and distributions for each operating period are calculated based on 158,480 units outstanding expected at end of period subsequent to the complete execution of the issuance of new units.

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 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 8th 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 8th 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 aim to realize solid acquisitions of properties considered to possess our mid- to long-term competitive advantages through individual strategies such as widening the geographic area of our holdings within the 23 wards of Tokyo mainly of 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 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 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%. 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 2009.

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.