

October 20, 2014

Financial Results for the Fiscal Period From March 1, 2014 to August 31, 2014

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/>)

Executive Director: Nobumi Tobari
Investment Trust
Management Company: Mitsui Fudosan Accommodations Fund Management Co., Ltd.
President and CEO: Kosei Murakami
Inquiries: Satoshi Nohara, Director and Chief Financial Officer
Tel: +81-3-3246-3677

Scheduled Filing Date of Securities Report: November 27, 2014

Scheduled Commencement Date of Cash Distribution Payment: November 18, 2014

1. Business Results for the Fiscal Period from March 1, 2014 to August 31, 2014

(1) Operating Results

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

	Total revenues		Operating income		Income before income taxes	
		(%)*		(%)*		(%)*
For the period ended						
August 31, 2014	10,152	9.9	4,304	3.0	3,541	3.1
February 28, 2014	9,241	2.7	4,181	5.5	3,435	8.5

	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						
August 31, 2014	3,540	3.1	7,672	2.7	1.2	34.9
February 28, 2014	3,434	8.5	7,443	2.7	1.2	37.2

* Percent figures show changes from previous period.

Note:

NAF implemented a two-for-one split of investment units with the effective date of March 1, 2014. "Net income per unit" is calculated on the assumption that this split of investment units was implemented at the start of the period ended February 28, 2014. Net income per unit is calculated by dividing net income by the weighted average number of investment units: 461,422 units as of August 31, 2014, and 461,422 units as of February 28, 2014.

(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						
August 31, 2014	7,672	3,540	–	–	100.0	2.7
February 28, 2014	14,888	3,434	–	–	100.0	2.7

Note:

NAF implemented a two-for-one split of investment units with the effective date of March 1, 2014.

(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, 2014	292,317	129,296	44.2	280,214
February 28, 2014	277,125	129,191	46.6	279,985

Note:

NAF implemented a two-for-one split of investment units with the effective date of March 1, 2014. "Net assets per unit" is calculated on the assumption that this split of investment units was implemented at the start of the period ended February 28, 2014.

(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, 2014	6,031	(17,358)	11,605	8,318
February 28, 2014	5,259	(4,693)	(164)	8,579

2. Forecasts for the Fiscal Period from September 1, 2014 to February 28, 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 February 28, 2015	10,092	(0.6)	4,311	0.1	3,577	1.0	3,576	1.0	7,750	–

* Percent figures show changes from previous period.

Note:

Projected net income per unit for the fiscal period ending February 28, 2015 is ¥7,750.

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 August 31, 2014: 461,422 units

As of February 28, 2014: 230,711 units

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

As of August 31, 2014: - units

As of February 28, 2014: - units

Note:

NAF implemented a two-for-one split of investment units with the effective date of March 1, 2014. "Net income per unit" is calculated on the assumption that this split of investment units was implemented at the start of the period ended February 28, 2014.

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.

17th Period (August 2014) Overview of Investment

External Growth (Acquisition of properties)

During the period under review, NAF acquired a total of 4 new properties with a total acquisition price of ¥16,020 million: 2 properties in March 2014 and 2 properties in April 2014 (Okawabata Parking is not included in the number of properties but included in the total acquisition price).

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. Changes implemented at other properties 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, etc.

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 ¥156,500 million, the long-term loans ratio was 97.4%, the fixed-rate loans ratio was 90.4%, the LTV (loan-to-value ratio) was 53.5%. The average annual current maturity of long-term interest-bearing loans was 4.7 years and the number of financial institutions was 21. Furthermore, the weighted average interest rate at the end of the period was 0.95%, 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. In the period under review, the expiration date of the commitment line agreement was extended for another

year.

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 August 31, 2014 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 ¥10,152 million, operating income of ¥4,304 million, income before income taxes of ¥3,541 million and net income of ¥3,540 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 ¥7,672.

Management Policy and Issues for the 18th 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 18th 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.

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 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 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 17th 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

Not applicable

Forecasts of Investment Performance

The forecasts for the 18th period (from September 1, 2014 to February 28, 2015) are as follows.

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

	18th period (February 2015)
Total revenues	10,092
Operating income	4,311
Income before income taxes	3,577
Net income	3,576
Distribution per unit (not including distributions in excess of earnings) (yen)	7,750
Distribution in excess of earnings per unit (yen)	—

Notes: Underlying assumptions of forecasts

Number of operating days: -From September 1, 2014 to February 28, 2015 (181 days)

Investment assets: -The number of properties held by NAF as of the date of this document is 112. 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 28, 2015.

-The average month-end occupancy rate during the 18th period for total properties is expected to be 96.0%.

Expenses: -The following expenses are assumed.

(in millions of yen)

	18th period
Fixed property taxes and urban planning taxes	505
Depreciation and amortization	2,076
Interest expense and interest expenses on investment corporation bonds	734

Interest-bearing debt: -It is assumed that NAF's balance of interest-bearing debt that is ¥156,500 million as of the date of this document shall not change until February 28, 2015.

Number of units issued: - We assume 461,422 units outstanding as of the date of this document.

-It is assumed that, there shall be no issuance of new units until February 28, 2015.

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.