



October 17, 2013

Financial Results for the Fiscal Period From March 1, 2013 to August 31, 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/>)

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, 2013

Scheduled Commencement Date of Cash Distribution Payment: November 15, 2013

1. Business Results for the Fiscal Period from March 1, 2013 to August 31, 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						
August 31, 2013	9,002	11.4	3,964	8.5	3,165	9.1
February 28, 2013	8,082	(0.3)	3,655	0.6	2,900	1.5

	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, 2013	3,164	9.2	13,732	2.7	1.2	35.2
February 28, 2013	2,899	1.5	14,890	2.7	1.2	35.9

*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, 2013	13,717	3,164	–	–	100.0	2.5
February 28, 2013	14,890	2,899	–	–	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				
August 31, 2013	273,872	128,921	47.1	558,800
February 28, 2013	245,982	106,204	43.2	545,447

(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, 2013	5,556	(25,981)	24,006	8,178
February 28, 2013	4,368	(11,147)	5,215	4,596

2. Forecasts for the Fiscal Period from September 1, 2013 to February 28, 2014

(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 February 28, 2014	9,162	1.8	4,117	3.9	3,323	5.0	3,322	5.0	14,400	—

*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, 2014 is ¥14,400.

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, 2013:	230,711 units
As of February 28, 2013:	194,711 units

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

As of August 31, 2013:	- units
As of February 28, 2013:	- units

Note:

Net income per unit is calculated by dividing net income by the weighted average number of investment units: 230,439 units as of August 31, 2013, and 194,711 units as of February 28, 2013.

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.

15th Period (August 2013) Overview of Operating Results

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

	Result of the 15th Period (August 2013) (1)	Forecast of the 15th Period	Result of the 14th Period (February 2013) (2)	Comparison with the 14th Period (1)-(2)
Number of operating days	184	184	181	3
Total revenues	9,002	8,958	8,082	920
Income before income taxes	3,165	3,138	2,900	265
Net income	3,164	3,137	2,899	265
Distribution per unit (yen)	13,717	13,600	14,890	(1,173)
Number of investment properties	105	105	90	15
Average occupancy rate at the end of period (%)	95.6	Approx. 95	96.4	(0.8)

Overview of Performance and Distribution

In the period under review, NAF recorded total revenues of ¥9,002 million, operating income of ¥3,964 million, income before income taxes of ¥3,165 million and net income of ¥3,164 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 ¥13,717.

15th Period (August 2013) Overview of Investment

External Growth (Acquisition of properties)

During the period under review, NAF acquired 15 new properties in total – 11 properties in March 2013 (total acquisition price: ¥16,237 million), 1 property in April 2013 (acquisition price: ¥1,369 million), 1 property in June 2013 (acquisition price: ¥2,670 million), and 2 properties in July 2013 (total acquisition price: ¥4,990 million).

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 of efforts to reduce management cost, etc., and renovations at Okawabata Apartment Communities which is one of the core properties of NAF, as well as providing tenants the "accommodation" services by corresponding to various needs based on the results of resident questionnaires.

Financial Strategy (Overview of funds procurement)

During the period under review, NAF issued investment units with a total amount of ¥22,451 million and borrowed ¥8,000 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 refinanced its existing loans. In addition, NAF repaid a total of ¥3,500 million of its short-term loans with cash reserves.

As a result, total interest-bearing debt at the end of the period amounted to ¥139,000 million, while the long-term loans to total interest-bearing debt ratio was 97.5% (ratio excluding long-term loans due within one year was 83.8%). Also, LTV (loan-to-value ratio) at the end of the period was 50.8%.

NAF 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 August, 2013.

A shelf-registration statement of investment corporation bonds for public offering was filed at the Kanto Local Finance Bureau in July 2013. 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, 2013 to July 17, 2015
Purpose for funds	Acquisition of specified new assets (as defined in Article 2, Paragraph 1 of the Investment Trust and Investment Corporation Act of Japan), 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, 2013 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)

Significant Subsequent Events

Not applicable

(Reference information)

The following assets were acquired on September 27, 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 Shin Okachimachi East

Acquisition price:	¥1,299 million
Appraised value:	¥1,300 million (date of value appraisal: August 31, 2013)
Type of property:	Real estate
Location (residence indication):	21-10, Misuji 2-chome, Taito-ku, Tokyo
Completion date:	September 2012
Structure/number of stories:	Flat-roof reinforced concrete structure/14 stories
Rentable units:	49
Rentable area:	1,847.01 m ²
Seller:	Mitsui Fudosan Co., Ltd.

Park Axis Yokohama Yamashitacho

Acquisition price:	¥1,539 million
Appraised value:	¥1,540 million (date of value appraisal: August 31, 2013)
Type of property:	Real estate
Location (registration number):	210-3, Yamashitacho, Naka-ku, Yokohama-shi, Kanagawa (district where residence indication has not been implemented yet)
Completion date:	October 2012
Structure/number of stories:	Flat-roof reinforced concrete structure/ 9 stories
Rentable units:	70 residential 1 retail etc.
Rentable area:	2,325.92 m ²
Seller:	Mitsui Fudosan Co., Ltd.

Park Axis Nihonbashi Honcho

Acquisition price:	¥1,469 million
Appraised value:	¥1,470 million (date of value appraisal: August 31, 2013)
Type of property:	Real estate
Location (residence indication):	6-8, Nihonbashi Honcho 4-chome, Chuo-ku, Tokyo
Completion date:	February 2013
Structure/number of stories:	Flat-roof reinforced concrete structure/14 stories
Rentable units:	49
Rentable area:	1,808.12 m ²
Seller:	Mitsui Fudosan Co., Ltd.

Forecasts of Investment Performance

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

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

	16th period (February 2014)
Total revenues	9,162
Income before income taxes	3,323
Net income	3,322
Distribution per unit (yen)	14,400
Distribution in excess of earnings per unit (yen)	—

Notes: Underlying assumptions of forecasts

Number of operating days: -From September 1, 2013 to February 28, 2014 (181 days)

Investment assets: -The number of properties held by NAF as of the date of this document is 108. 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, 2014.

-The occupancy rate at the end of the 16th period for total properties is expected to be approximately 95%.

Expenses: -The following expenses are assumed.

(in millions of yen)

	16th period
Fixed property taxes and urban planning taxes	422
Depreciation and amortization	1,981
Interest expense and interest expenses on investment corporation bonds	794

Interest-bearing debt: -It is assumed that NAF's balance of interest-bearing debt that is ¥143,500 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.

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.

Management Policy and Issues for the 16th 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 16th 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 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 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 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 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 “Other Accommodation Assets”, including dormitories and corporate housings, 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 the basis of acquisition price) for the time being (the share of “Other Accommodation Assets” in the overall portfolio was 3.7% at the end of the 15th 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 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 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. Regarding LTV (loan-to-value ratio), the upper limit is set at around 60%. 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.

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.