



October 18, 2010

Financial Results for the Fiscal Period From March 1, 2010 to August 31, 2010

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/>)

Representative Executive Director: Yuji Yokoyama
 Asset Management Company: Mitsui Fudosan Accommodations Fund Management Co., Ltd.
 Representative President and CEO: Kosei Murakami
 Inquiries: Morio Shibata, Director and Chief Financial Officer
 Tel: +81-3-3246-3677

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1. Business Results for the Fiscal Period from March 1, 2010 to August 31, 2010

(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, 2010 | 6,217 | 5.0 | 2,895 | (3.8) | 2,148 | (5.6) |
| February 28, 2010 | 5,918 | 32.3 | 3,010 | 38.8 | 2,276 | 47.1 |

| | 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 | | | | | | |
| August 31, 2010 | 2,147 | (5.6) | 13,748 | 2.6 | 1.1 | 34.6 |
| February 28, 2010 | 2,275 | 47.1 | 16,137 | 3.1 | 1.4 | 38.5 |

*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, 2010 | 13,748 | 2,147 | – | – | 100.0 | 2.6 |
| February 28, 2010 | 14,567 | 2,275 | – | – | 100.0 | 2.7 |

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, 2010 | 192,478 | 83,249 | 43.3 | 533,045 |
| February 28, 2010 | 186,428 | 83,377 | 44.7 | 533,863 |

(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 | | | | |
| August 31, 2010 | 3,663 | (7,651) | 3,690 | 3,339 |
| February 28, 2010 | 6,048 | (43,459) | 36,513 | 3,636 |

2. Forecasts for the Fiscal Period from September 1, 2010 to February 28, 2011

(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, 2011 | 6,171 | (0.7) | 2,946 | 1.8 | 2,172 | 1.1 | 2,171 | 1.1 | 13,900 | - |

(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, 2011 is ¥13,900.

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, 2010: 156,178 units

As of February 28, 2010: 156,178 units

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

As of August 31, 2010: - units

As of February 28, 2010: - units

Note:

Net income per unit is calculated by dividing net income by the weighted average number of investment units: 156,178 units as of August 31, 2010, and 140,976 units as of February 28, 2010.

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.

9th Period (August 2010) Overview of Operating Results

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

| | Result of the 9th Period (August 2010) (1) | Forecast of the 9th Period | Result of the 8th Period (February 2010) (2) | Comparison with the 8th Period (1)-(2) |
|---|---|-------------------------------|---|--|
| Number of operating days | 184 | 184 | 181 | 3 |
| Total revenues | 6,217 | 6,230 | 5,918 | 298 |
| Income before income taxes | 2,148 | 2,132 | 2,276 | (127) |
| Net income | 2,147 | 2,131 | 2,275 | (127) |
| Distribution per unit (yen) | 13,748 | 13,650 | 14,567 | (819) |
| Number of investment properties | 63 | 63 | 61 | 2 |
| Average occupancy rate at end of period (%) | 95.5 | 95.0 | 96.5 | (1.0) |

Overview of Performance and Distribution

In the period under review, NAF recorded total revenues of ¥6,217 million, operating income of ¥2,895 million, income before income taxes of ¥2,148 million and net income of ¥2,147 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 ¥13,748.

9th Period (August 2010) Overview of Investment

External Growth (Acquisition of properties)

During the period under review, NAF acquired 2 properties in total, Park Cube Yotsuya Sanchoime in March 2010 (acquisition price: ¥2,749 million) and Park Cube Hatchobori in June 2010 (acquisition price: ¥4,200 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 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.

Financial Strategy (Overview of funds procurement)

During the period under review, NAF newly procured short-term loans of ¥7,000 million in total from multiple financial institutions as funds for the acquisition of new properties, etc. Afterwards, NAF issued the "2nd Unsecured Investment Corporation Bonds" (¥7,000 million, 6 year period) in July 2010 to increase the long-term portion of interest-bearing debt and raise the ratio of fixed-rate loans, and it repaid the existing short-term loans. As a result, total interest-bearing debt at the end of the period amounted to ¥105,000 million, with a 54.6% 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 78.6% (ratio excluding long-term loans due within one year: 59.0%).

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 ¥93,000 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, 2010 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 Short-term corporate | A + (Outlook for rating: Negative) A -1 |

Significant Subsequent Events

Not applicable.

Forecasts of Investment Performance

The forecasts for the 10th period (from September 1, 2010 to February 28, 2011) are as follows.

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

| | 10th period (February 2011) |
|---|--------------------------------|
| Total revenues | 6,171 |
| Income before income taxes | 2,172 |
| Net income | 2,171 |
| Distribution per unit (yen) | 13,900 |
| 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 63. In the forecasts of investment performance, it is assumed that no subsequent transfer of properties (acquisition of new properties, sale of properties acquired, etc.) shall occur until February 28, 2011.

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

Expenses: -The following expenses are projected.

(in millions of yen)

| | 10th period |
|--|-------------|
| Fixed property taxes and urban planning taxes | 233 |
| Depreciation and amortization | 1,266 |
| Interest expense and interest expenses on investment corporation bonds | 774 |

Interest-bearing debt: -It is assumed that NAF's balance of interest-bearing debt that is ¥105,000 million as of the date of this document shall not fluctuate until February 28, 2011.

Number of units issued: -We assume 156,178 units outstanding as of the date of this document.

-It is assumed that, there shall be no issuance of new units until February 28, 2011.

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 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 10th 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 10th 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.

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