

Rating Action: Moody's assigns A2 to NAF's Series 2 bonds

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JPY 7 billion of debt securities affected

Tokyo, July 23, 2010 -- Moody's Investors Service has assigned an A2 unsecured senior debt rating to the proposed Series 2 (JPY7 billion, due 2016) Japan domestic bonds to be issued by Nippon Accommodations Fund Inc (NAF).

The issuance will represent a takedown from NAF's JPY100 billion domestic shelf registration of July 2009, and which is rated (P)A2. The rating outlook is negative.

The rating reflects Moody's view that the sound nature of NAF's portfolio contributes to the stability of its cash flow and debt-servicing capacity. At the same time, its sponsor, Mitsui Fudosan Co., Ltd. (A2), has a strong competitiveness in the residential business, and this is a strength for NAF.

In addition, NAF will likely maintain its conservative financial policy, which has strengthened its financial position even during this current economic downturn.

Moody's previous rating action on NAF took place on April 21, 2009, when it downgraded its issuer and unsecured long-term debt ratings to A2 with a negative outlook from A1. The ratings had been placed under review for possible downgrade on January 15, 2009.

The principal methodology used in rating the real estate investment trusts was the "Rating Methodology for REITs and Other Commercial Property Firms," published in January 2006, which can be found at www.moody.com in the Research & Ratings directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this issue can also be found in the Ratings Methodologies subdirectory.

Nippon Accommodations Fund Inc is a J-REIT that invests in and manages residential properties. Its operating revenue for the fiscal half-year that ended in February 2010 was approximately JPY5.9 billion.

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