

March 22, 2022

To All Concerned Parties

Issuer of Real Estate Investment Trust Securities:

Nippon Accommodations Fund Inc.
Takashi Ikeda, Executive Director
(TSE Code: 3226)

Investment Trust Management Company:

Mitsui Fudosan Accommodations Fund
Management Co., Ltd.

Tateyuki Ikura, President and CEO

Inquiries: Tetsuji Kawakami, CFO and
Director

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Notification Concerning Acquisition of Domestic Real Estate Property (Park Axis Kikukawa)

This is a notification that Mitsui Fudosan Accommodations Fund Management Co., Ltd., an investment trust management company, which has been commissioned by Nippon Accommodations Fund Inc. ("NAF") to manage its assets, decided on the acquisition of real estate property in Japan as shown below.

1. Reason for acquisition

Based on the provisions for investments and policies on asset management provided in the Articles of Incorporation, the decision to acquire the following property was made to ensure the steady growth of assets under management, and for the diversification and further enhancement of the investment portfolio.

2. Overview of acquisition

(1) Name of property to be acquired	Park Axis Kikukawa
(2) Type of property to be acquired	Real estate
(3) Planned acquisition price	¥2,410,000,000 (Note 1)
(4) Appraised value	¥2,680,000,000 (Note 2)
(5) Date of conclusion of sale contract	March 22, 2022
(6) Planned date of handover	April 4, 2022 (Note 3)
(7) Seller	Mitsui Fudosan Residential Co., Ltd.
(8) Acquisition fund	Borrowings and own funds
(9) Method of payment	Full payment at the time of handover

(Note 1) "Planned acquisition price" denotes the trading value (exclusive of miscellaneous expenses for acquisition, fixed property taxes, urban planning taxes, consumption taxes, and local consumption taxes) specified in the contract for the sale of real estate for the property to be acquired.

(Note 2) "Appraised value" is based on the amount mentioned in the real estate appraisal report (date of value appraisal: December 31, 2021) prepared by Daiwa Real Estate Appraisal Co., Ltd. for the property to be acquired.

(Note 3) In accordance with the contract for the sale of real estate, the planned handover date may be changed to a date separately agreed by the buyer and the seller (a date up to April 4, 2022).

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3. Description of the property to be acquired

(1) Outline of the property to be acquired

Name of property to be acquired		Park Axis Kikukawa
Type of property to be acquired		Real estate
Appraisal company		Daiwa Real Estate Appraisal Co., Ltd.
Appraised value (Note 1)		¥2,680,000 thousand
Date of value appraisal (Note 1)		December 31, 2021
Location	Residence indication	14-24, Kikukawa 3-chome, Sumida-ku, Tokyo
Land	Building-to-land ratio (Note 2)	80%
	Floor-area ratio (Note 2)	500%
	Zoning	Commercial zone
	Site area (Note 3)	552.44 m ²
	Ownership form	Proprietorship
Building	Completion date (Note 4)	June 20, 2014
	Structure / number of stories (Note 5)	Flat-roofed reinforced concrete structure / 10 stories
	Uses (Note 5)	Apartment building, parking, bicycle parking, garbage depot, storage
	Gross floor area (Note 5)	3,378.28 m ²
	Ownership form	Proprietorship
	Rentable units	81
	Rentable area	2,595.60 m ²
Existence of security interests		None
Special affairs (Note 6)		None
Special features of the property		The property is a 4-minute walk from Kikukawa Station on the Toei Shinjuku Subway Line and an 8-minute walk from Sumiyoshi Station on the Toei Shinjuku Subway Line and Tokyo Metro Hanzomon Line, offering access to multiple train stations and lines. It offers excellent convenience in daily life as there are major supermarkets in the surrounding areas of Kikukawa Station. Demand from working individuals living alone and DINKS households that place importance on locational conditions can be expected.

Details of leasing (Note 7)	Total number of tenants	1
	Rentable units	81
	Rented units	75
	Rentable area	2,595.60 m ²
	Rented area	2,416.63 m ²
	Occupancy rate	93.1%
	Deposit / Security deposit	¥16,911 thousand
	Monthly rental revenue	¥10,114 thousand

(Note 1) "Appraised value" and "date of value appraisal" are based on the description in the real estate appraisal report prepared by Daiwa Real Estate Appraisal Co., Ltd. for the property to be acquired.

(Note 2) "Building-to-land ratio" is the ratio of the building's construction area to the site area as stipulated in Article 53 of the Building Standards Act, and the figure stipulated by city planning in accordance with zoning, etc. is indicated. "Floor-area ratio" is the ratio of the building's gross floor area to the site area as stipulated in Article 52 of the Building Standards Act, and the figure stipulated by city planning in accordance with zoning, etc. is indicated.

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- (Note 3) "Site area" denotes the land area included in the register.
- (Note 4) "Completion date" of the building denotes the date included in the register.
- (Note 5) "Structure / number of stories," "uses," and "gross floor area" are based on the description in the register.
- (Note 6) "Special affairs" include issues considered to be important by NAF as of today, with consideration of influence on the rights, uses, and appraisal values as well as profits of the property that NAF plans to acquire.
- (Note 7) Explanation on "details of leasing"
- (i) "Total number of tenants" is denoted as 1 if there is a master lease agreement (a bulk lease agreement) concluded with a master lease company. With regards to the property to be acquired, a master lease agreement is concluded with Mitsui Fudosan Residential Lease Co., Ltd. as the master lease company. The "total number of tenants" above is therefore the number of tenants after such a master lease agreement is concluded.
 - (ii) "Rentable units" denotes the number of units that can be rented within the entire property that NAF plans to acquire.
 - (iii) "Rented units," "rented area" and "deposit / security deposit" denote figures as of January 31, 2022, based on the report received from the seller.
 - (iv) "Rentable area" denotes the total area of the building that can be rented within the entire property that NAF plans to acquire.
 - (v) "Occupancy rate" denotes the ratio of the "rented area" against the "rentable area" and the figures are rounded to one decimal place.
 - (vi) "Monthly rental revenue" is the monthly rents (including common service fees and excluding usage fees of attached facilities such as parking lot and trunk room) indicated in the lease agreement concluded between the master lease company and end tenants as of January 31, 2022. Figures less than ¥1 thousand are rounded down and consumption tax is excluded from the figure.

(2) Outline of investigations into the state of the building, etc.

Investigations into the state of building	Consigned investigating company	Tokio Marine dR Co., Ltd.
	Investigation report date	January 18, 2022
	Urgent repair cost	—
	Short-term repair cost	—
	Repair and renewal costs expected to be necessary within 12 years	¥52,959 thousand
	Replacement value	¥808,300 thousand
Earthquake risk diagnosis	Consigned investigating company	Tokio Marine dR Co., Ltd.
	Investigation report date	January 18, 2022
	PML value (Note 1)	4.9%

(Note 1) The report on earthquake risk diagnosis only states the views of the consigned investigating company and does not provide any guarantee for its contents. PML (Probable Maximum Loss) value represents the rate of probable maximum loss to be caused by earthquakes. In this case, it means the extent of damage to be caused by one of the biggest earthquakes anticipated to happen within the expected duration of service (the biggest earthquake which happens once every 475 years = 10% chance of a big earthquake happening once every 50 years) represented by the rate (%) of the estimated cost of restoration from the damage to the replacement cost.

4. Outline of seller

Name	Mitsui Fudosan Residential Co., Ltd.	
Location	2-1, Nihonbashi-Muromachi 3-chome, Chuo-ku, Tokyo	
Representative	Toru Kamura, President & CEO	
Description of principal operations	Medium and high-rise housing, detached housing, rental housing, overseas business, urban redevelopment, reconstruction of apartments, commissioned sales, and senior residence businesses	
Capital	¥40,000 million	
Date of establishment	December 26, 2005	
Net assets (As of March 31, 2021)	¥153,103 million	
Total assets (As of March 31, 2021)	¥896,058 million	
Major stockholders and shareholding ratio (As of December 31, 2021)	Stockholder name	Shareholding ratio
	Mitsui Fudosan Co., Ltd.	100.0%
Relationship between NAF or the investment trust management company, and the seller		
Capital relationships	The seller holds 3.09% of total NAF investment units issued as of August 31, 2021. Also, the seller is a subsidiary of Mitsui Fudosan Co., Ltd., which is the parent company of the investment trust management company.	
Personal relationships	There are no personal relationships between NAF or the investment trust management company and the seller during the period ended August 31, 2021.	
Business relationships	During the period ended August 31, 2021, NAF acquired three properties from the seller. Other than this, during the period ended August 31, 2021, there are no business relationships to report between NAF or the investment trust management company and the seller.	
Applicability to related parties	The seller does not fall under the category of related parties of NAF. Also, the seller is a subsidiary (100%) of Mitsui Fudosan Co., Ltd., which is the parent company of the investment trust management company, and therefore falls under the category of related parties thereof.	

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5. Situation of the acquirer of the property

Property: Park Axis Kikukawa	Situation of the property owner	Former owner, etc.	Owner before the former owner, etc.
	Name	Mitsui Fudosan Residential Co., Ltd. (Note)	None
	Relationship with a special related party	Wholly owned subsidiary of Mitsui Fudosan Co., Ltd., which is the parent company of the investment trust management company	—
	Acquisition history, reason, etc.	Property developed by Mitsui Fudosan Co., Ltd. (Note)	—
	Acquisition price (including other costs)	—	—
	Acquisition time	—	—

(Note) Mitsui Fudosan Co., Ltd.'s rights and obligations in the rental housing business were succeeded by Mitsui Fudosan Residential Co., Ltd. as of October 1, 2015, through a company split.

6. Outlines of brokerage

Not applicable.

7. Transactions with related parties and the like

Since Mitsui Fudosan Residential Co., Ltd., which is the seller of the property to be acquired, corresponds to related parties and the like (see Note), the real estate sales contract has been carried out through deliberation and approval by the compliance committee and deliberation and decision by the investment committee of the investment trust management company, in accordance with NAF's self-established rules on asset management relevant to transactions with related parties and the like.

Mitsui Fudosan Residential Lease Co., Ltd., which will be the master lease company and property management company for the property to be acquired, corresponds to related parties and the like (see Note). Therefore, the conclusion of a master lease contract and property management contract have been carried out through deliberation and approval by the compliance committee and is scheduled to later undergo deliberation and decision by the investment committee of the investment trust management company, in accordance with NAF's self-established rules on asset management relevant to transactions with related parties and the like.

(Note) "Related parties and the like" means related parties and the like of the investment trust management company which has concluded an asset management contract with NAF, as determined in Article 123 of the Order for Enforcement of the Act on Investment Trust and Investment Corporation.

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8. Earthquake resistance matters

The property to be acquired has received a structural calculation conformity judgment pursuant to the Building Standards Act as revised by the Act No. 92 of 2006.

In addition, NAF always entrusts earthquake risk diagnosis to the third-party investigating company to review drawings and the like using structural design drawings, structural calculation sheets, etc., during the course of due diligence upon acquisition of properties, besides building certification investigations performed by an inspection and certification agency.

9. Outlook for management after acquisition of the property

The impact of the acquisition on NAF's financial results for the period ending August 31, 2022 (33rd Period: March 1, 2022, to August 31, 2022) will be minor, and there will be no change to financial results forecast for the period.

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10. Summary of appraisal report

Appraised value	¥2,680,000 thousand
Appraisal company	Daiwa Real Estate Appraisal Co., Ltd.
Date of value appraisal	December 31, 2021

(Unit: Thousands of yen)

Item	Details	Summary, etc.
Value of earnings	2,680,000	Calculated by judging the value of earnings found by the discounted cash flow method in which the value is derived by specifying future net income fluctuations to be more convincing and also verifying with the value of earnings found by the direct capitalization method.
Value calculated by the direct capitalization method [(4)÷(5)]	2,740,000	
(1) Operating revenues [(a)-(b)]	128,744	
(a) Potential gross revenue	135,957	Appraised after taking into account medium- to long-term competitiveness based on levels of new rent at similar real estate and trends of such.
(b) Vacancy loss, etc.	7,212	Appraised by considering competitiveness of the subject real estate, etc. based on actual vacancy rates and standard vacancy rates of similar real estate.
(2) Operating expenses [(c)+(d)+(e)+(f)+(g)+(h)+(i)+(j)]	24,009	
(c) Maintenance expenses	4,848	Posted based on the planned contract amount.
(d) Utilities expenses	1,319	Appraised based on levels at similar real estate and actual amounts of past fiscal years.
(e) Repair expenses	2,476	Posted repair expenses by making reference to the repair cost in the engineering report and levels of repair expenses at similar real estate. Appraised the maintenance expenses associated with evacuation of lessees by making reference to actual amounts of past fiscal years and levels at similar real estate.
(f) Property management fees	4,422	Appraised based on making reference to levels at similar real estate.
(g) Tenant soliciting fees, etc.	3,543	Appraised based on levels at similar real estate, making reference to actual amounts of past fiscal years.
(h) Taxes and public dues	5,963	Posted by appraising based on actual amounts after considering burden levels, land price trends and adjustments for age.
(i) Property insurance fees	296	Posted based on the estimated amount.
(j) Other expenses	1,139	Posted by appraising miscellaneous expenses, etc. by making reference to actual amounts of past fiscal years, etc.
(3) Net operating income [(1)-(2)]	104,735	
(k) Earnings from temporary deposits	95	Posted the amount obtained when the expected amount of deposits received, etc. is multiplied by the investment yield appraised by comprehensively taking into account the viewpoints of both management aspects and procurement aspects.
(l) Capital expenditures	3,389	Posted by making reference to the renewal cost in the engineering report and levels of renewal cost at similar real estate.
(4) Net income [(3)+(k)-(l)]	101,441	
(5) Cap rate	3.7%	Appraised by taking the cap rate for similar uses located in the area with the lowest risk as a standard and adding/subtracting the spread attributable to the subject real estate's various conditions, level of current rent against market rent and other conditions, and by making reference to the cap rate for the same supply-demand area, etc.

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Value calculated by discounted cash flow method	2,650,000	
Discount rate	3.5%	Appraised by making reference to interviews with investors, etc., after using a combination of the method of deriving by comparison with similar real estate transactions and the method of deriving by factoring the individual characteristics of the real estate into the yield of financial assets.
Terminal cap rate	3.9%	Appraised after comprehensively taking into account future trends of investment yield, risk of the subject real estate as an investment target, general projection of future economic growth rates, real estate price trends, etc., making reference to the market-derived cap rate of similar transactions.
Cost method value	1,560,000	
Land ratio	58.1%	
Building ratio	41.9%	
Other items considered by the appraisal company in making the appraisal		—

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< Attached Documents >

1. Portfolio list after the purchase of property to be acquired is completed (on a planned acquisition price basis)
2. Photos of the property to be acquired and map of the area

NAF's website: <https://www.naf-r.jp/english/>

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< Attached Document 1 >

Portfolio list after the purchase of property to be acquired is completed (on a planned acquisition price basis)

Total Planned Acquisition Price	¥340,340 million
Number of Investment Properties	135 properties
Total Rentable Units (including retail units)	13,356 units

Proportion of Investment by Asset

	Planned Acquisition Price (Note 1)	Portfolio Share (Note 2)
Rental Apartments	¥322,641 million	94.8%
Hospitality Facilities	¥17,699 million	5.2%
Grand Total	¥340,340 million	100.0%

Proportion of "Rental Apartments" by Area

	Planned Acquisition Price (Note 1)	Portfolio Share (Note 3)
Tokyo 23 Wards	¥285,660 million	88.5%
Greater Tokyo (Note 4)	¥14,426 million	4.5%
Other Major Cities (Note 5)	¥22,555 million	7.0%
Total of "Rental Apartments"	¥322,641 million	100.0%

(Note 1) "Planned Acquisition Price" does not include anticipated acquisition expenses, fixed property taxes, urban planning taxes, consumption taxes or local consumption taxes.

(Note 2) The figure indicates the percentage of asset category to the total (planned) acquisition price.

(Note 3) The figure indicates the percentage of Rental Apartments by area to the total (planned) acquisition price.

(Note 4) "Greater Tokyo" indicates Tokyo metropolis (excluding Tokyo 23 wards), and the 3 prefectures of Kanagawa, Saitama and Chiba.

(Note 5) "Other major cities" indicates major cities across Japan and their surrounding areas, excluding the Tokyo area.

(Note 6) Proportion of all properties by area (including Hospitality Facilities)

Tokyo 23 wards 85.7%

Other area 14.3%

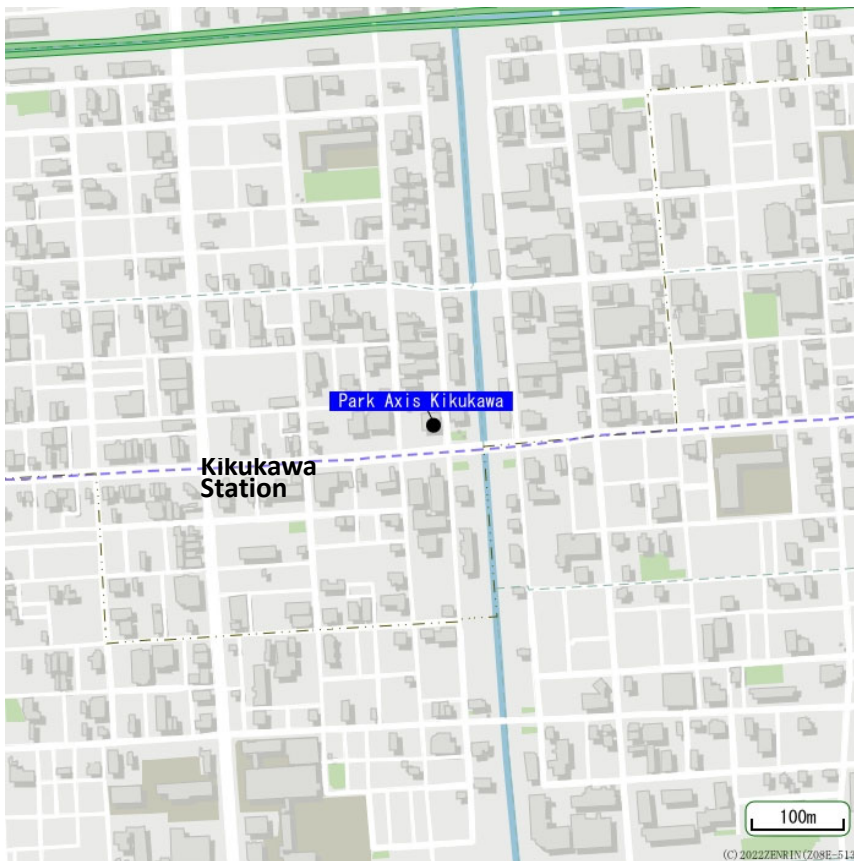
(Note 7) Please refer to NAF's website for the latest portfolio list:

<https://www.naf-r.jp/portfolio/5-1.html>

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< Attached Document 2 >

Photo of the property to be acquired and map of the area



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