

October 5, 2012

To All Concerned Parties

Issuer of Real Estate Investment Trust Securities
1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku,
Tokyo 103-0022
Nippon Accommodations Fund Inc.
Executive Director

Yuji Yokoyama
(Code number 3226)

Investment Trust Management Company
Mitsui Fudosan Accommodations Fund Management Co., Ltd.
President and CEO
Contact CFO and Director
(TEL 03-3246-3677)

Kosei Murakami
Satoshi Nohara

Notice Concerning Acquisition of Investment Assets
(Anonymous Partnership Equity Interests)

This is a notification that Nippon Accommodations Fund Inc. ("NAF") decided on and completed the acquisition of investment assets (anonymous partnership equity interests) 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 investment assets was made to secure opportunity to acquire superior properties through investments in anonymous partnership equity interests and ensure the steady growth of the entire portfolio, and for the diversification and further enhancement of the investment portfolio in Tokyo's 23 wards.

Through this acquisition, NAF will receive from the operator of the anonymous partnership, dividends of profits from rental revenues, etc., from real estate in trust. In addition, NAF will be granted preferential negotiation rights for trust beneficiary interest in real estate in trust, or real estate in trust through this acquisition. NAF will not be obliged to acquire the trust beneficiary interest in real estate in trust. However, with the grant of enforceable right in the future, opportunity to acquire superior rental housing is secured and it is expected to contribute to NAF's healthy portfolio growth and increased profitability through expansion of asset size over the medium- to long-term.

2. Overview of Acquisition

(1) Name of asset acquired	(Anonymous partnership equity interest in) Godo Kaisha ABF1
(2) Type of asset acquired	Equity interest in anonymous partnership investing in domestic real estate in trust beneficiary interest
(3) Real estate in trust	Iris Nihonbashi Suitengu Iris Ginza East
(4) Investment amount	¥150,000 thousand (9.1% of total anonymous partnership equity interest)
(5) Date of conclusion of sales contract	September 26, 2012
(6) Date of acquisition	September 26, 2012

3. Description of Asset Acquired

(1) Outline of the anonymous partnership

Name of operator	Godo Kaisha ABF1		
Anonymous partnership agreement valid until	Through September 30, 2016		
Total amount of net asset	¥1,650 million		
Outline of the anonymous partnership agreement	Outline of the investment in the anonymous partnership		
	Godo Kaisha ABF1		
	Trust beneficial interest in real estate in trust and other assets ¥5,110 million (Note 1) (Note2)	Non-recourse loan ¥3,460 million	
		Net assets including anonymous partnership equity interest ¥1,650 million (Note 3)	
	Note 1: Godo Kaisha ABF1 is scheduled to acquire trust beneficiary interest in real estate in trust on September 27, 2012. Furthermore, the amount listed above includes acquisition costs of trust beneficiary interest in real estate in trust and formulation cost of anonymous partnership, etc.		
	Note 2: The total appraised value of the underlining real estate is ¥5,080 million (as of August 31, 2012)		
	Note 3: NAF is scheduled to invest ¥150 million (9.1%) of the total amount of net assets of Godo Kaisha ABF1. There are no special relations of interest between NAF or the Investment Trust Management Company and other investors.		
	Note 4: Sumitomo Mitsui Trust Real Estate Investment management Co., Ltd. is scheduled to be the asset manager of Godo Kaisha ABF1. There are no special relations of interest between NAF or the Investment Trust Management Company and the Company.		
	Calculation period: The calculation periods are every quarter. The quarters are January 1 to the end of March, April 1 to the end of June, July 1 to the end of September, and October 1 to the end of December. However, the first calculation period will be from the date of first execution of equity investment to the end of September, and in addition, in case of termination of anonymous partnership agreement, the termination date will be the last day of calculation period.		
Distribution of profits and losses: The operator will distribute the profit, if any, to the anonymous partnership equity interest holders according to their investment ratio for each calculation period on the last day of each calculation period. If losses from operator or anonymous partnership equity interest holders accumulate, then the said profit will be allocated to the cumulative losses of operator first and then to the cumulative losses of anonymous partnership equity interest holders according to their investment ratio before the distribution mentioned above. If losses from the business are generated in each calculation period, anonymous partnership equity interest holders shall be distributed the losses according to their investment ratios on the last day of each calculation period. However, in the case where the cumulative loss exceeds the total equity interest, the excess loss will be distributed to the operator.			

Outline of Preferential Negotiation Right	Outline of preferential negotiation right granted through acquisition of anonymous partnership equity interests	
	Description of preferential negotiation rights	Preferential negotiation rights for acquisition of real estate in trust or its trust beneficiary interest scheduled to be acquired by the operator on September 27, 2012.
	Exercise period of preferential negotiation rights	Through September 30, 2014
	Preferential negotiation rights price terms	Acquisition of ¥4,980,000 thousand or more Prime breakdown: Iris Nihonbashi Suitengu: ¥2,711,000 thousand Iris Ginza East: ¥2,269,000 thousand

(2) Overview of real estate in trust

i. Iris Nihonbashi Suitengu

Name of property acquired		Iris Nihonbashi Suitengu
Type of property acquired		Trust beneficiary interest
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust period		From June 29, 2005 to May 31, 2020
Appraisal company		Morii Appraisal & Investment Consulting Inc.
Appraisal value (Note 1)		¥2,780,000 thousand
Date of value appraisal (Note 1)		August 31, 2012
Location	Residence indication	33-4 Nihonbashi-Hakozakicho, Chuo-ku, Tokyo
Land	Building-to-land ratio	80%
	Floor-area ratio	500%
	Zoning	Commercial zone
	Site area (Note 2)	740.36 m ²
	Ownership form	Proprietorship
Building	Completion date (Note 3)	May 12, 2005
	Structure / number of stories (Note 4)	Flat-roofed reinforced concrete structure / 12 stories
	Uses (Note 4)	Apartment building
	Gross floor area (Note 4)	4,780.44 m ²
	Ownership form	Proprietorship
	Rentable units	77
	Rentable area	4,235.33 m ²
Existence of security interests (Note 5)		None
Special affairs (Note 6)		None

Special features of the property	<p>The property is approximately a two-minute walk from Suitengumae Station on the Tokyo Metro Hanzomon Line and approximately an eight-minute walk from Ningyocho Station on the Tokyo Metro Hibiya Line and the Toei Subway Asakusa Line. It is approximately 5 minutes from Suitengumae Station to Otemachi Station providing excellent access to central Tokyo. As it is approximately a two-minute walk to Tokyo City Air Terminal, it also provides excellent access to Haneda Airport and Narita International Airport.</p> <p>Demand can be expected mainly from businesspersons, DINKs households and families who stress value on location.</p>
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Details of tenants (Note 7)	Total number of tenants	1
	Rentable units	77
	Rented units	69
	Rentable area	4,235.33 m ²
	Rented area	3,857.96 m ²
	Occupancy rate	91.1%
	Deposit	¥24,076 thousand
	Total rental revenues	Please refer to <Attached Document 1> Summary of the appraisal report on the amount of the real estate in trust.

ii. Iris Ginza East

Name of property acquired		Iris Ginza East
Type of property acquired		Trust beneficiary interest
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust period		From June 29, 2005 to February 29, 2020
Appraisal company		Morii Appraisal & Investment Consulting Inc.
Appraisal value (Note 1)		¥2,300,000 thousand
Date of value appraisal (Note 1)		August 31, 2012
Location	Residence indication	3-1-3 Minato, Chuo-ku, Tokyo
Land	Building-to-land ratio	80%
	Floor-area ratio	500%
	Zoning	Commercial zone
	Site area (Note 2)	555.26 m ²
	Ownership form	Proprietorship
Building	Completion date (Note 3)	June 1, 2005
	Structure / number of stories (Note 4)	Flat-roofed reinforced concrete structure / 12 stories

	Uses (Note 4)	Apartment building
	Gross floor area (Note 4)	4,248.30 m ²
	Ownership form	Proprietorship
	Rentable units	77
	Rentable area	3,358.63 m ²
Existence of security interests (Note 5)		None
Special affairs (Note 6)		None
Special features of the property		<p>The property is approximately a five-minute walk from Shintomicho Station on the Tokyo Metro Yurakucho Line, in addition, it provides excellent access to central Tokyo as it can use multiple stations and multiple lines as it is in walking distance to Tsukiji Station on the Tokyo metro Hibiya Line and Hatchobori Station on the JR Keiyo Line.</p> <p>The neighborhood is in walking distance of facilities such as convenience stores, etc., Chuo City Ward Office and Saint Luke's International Hospital, lending to high convenience in daily life.</p> <p>Demand can be expected mainly from businesspersons and families who stress value on location.</p>

Details of tenants (Note 7)	Total number of tenants	1
	Rentable units	77
	Rented units	73
	Rentable area	3,358.63 m ²
	Rented area	3,186.30 m ²
	Occupancy rate	94.9%
	Deposit	¥17,920 thousand
	Total rental revenues	Please refer to <Attached Document 1> Summary of the appraisal report on the amount of the real estate in trust.

(Note 1) "Appraised value" and "Date of value appraisal" are stated based on the amount mentioned in the real estate appraisal report which Morii Appraisal & Investment Consulting, Inc. prepared for the real estate in trust.

(Note 2) "Site area" of the "Land" item denotes the land area as entered in the register.

(Note 3) "Completion date" of the "Building" item denotes the date as entered in the register.

(Note 4) "Structure / number of stories," "Uses," and "Gross floor area" are stated based on the entries in the register.

(Note 5) The right of pledge is scheduled to set operator as the pledger and the non-recourse lenders as the pledgee concerning the trust beneficiary rights in real estate in trust.

(Note 6) "Special affairs" denotes matters which NAF recognizes as important as of today, taking into consideration their effects on title-related matters, use, appraised value, profitability, etc. of the real estate in trust.

(Note 7) Description of the "Details of tenants" column:

(i) "Rentable units" denotes the number of rentable units in the real estate in trust.

(ii) Figures for "Rented units," "Rented area," and "Deposit" are based on information provided by the operator, valid as of August 31, 2012.

(iii) "Rentable area" denotes the total rentable area of the building of the real estates in trust.

(iv) "Occupancy rate" is the ratio of "Rented area" to "Rentable area" and is rounded to one decimal place.

(3) Outline of operator of anonymous partnership

Trade name	Godo Kaisha ABF1
Head office address	Nihonbashi Itchome Building, 1-4-1 Nihonbashi, Chuo-ku, Tokyo
Representative	Representative employee: ABF1 Operational executor: Takanori Mishina
Description of Principal operations	1. Acquisition, possession and disposal of trust beneficiary interest in real estate in trust 2. Transaction, leasing, management, acquisition, possession, disposal and use of real estate 3. All business incidental to the above
Capital	¥100,000
Date of establishment	August 31, 2012
Anonymous partnership equity investment holder	General Incorporated Associations ABF1
Relationship between the Investment Trust Management Company and the Company	
Capital relationship	There are no capital relations to report between NAF or the Investment Trust Management Company and the Company. Also, there are no capital relations to report between related parties or associated companies of NAF or the Investment Trust Management Company and related parties or associated companies of the Company.
Personal relationship	There are no personal relations to report between NAF or the Investment Trust Management Company and the Company. Also, there are no personal relations to report between related parties or associated companies of NAF or the Investment Trust Management Company and related parties or associated companies of the Company.
Business relationships	There are no business relations to report between NAF or the Investment Trust Management Company and the Company. Also, there are no business relations to report between related parties or associated companies of NAF or the Investment Trust Management Company and related parties or associated companies of the Company.
Applicability to related parties	The Company does not fall under the category of related party of NAF or the Investment Trust Management Company. Also, the related parties and associated companies of the Company do not fall under the category of interested parties of NAF or the Investment Management Company.

4. Transactions with Related Parties and the Like

Not applicable

5. Outline of Brokerage

Not applicable

6. Outlook for Management of the Properties after Acquisition

NAF will separately disclose the outlook for results of operations subsequent to acquisition of these investment assets. NAF plans to make the disclosure when the financial results for the fiscal period ending in August 2012 are announced, scheduled for (October 16, 2012).

- * The Japanese original document was distributed to press clubs within the Tokyo Stock Exchange (Kabuto Club) and the Ministry of Land, Infrastructure, Transport, and Tourism and to the press club of the construction trade newspaper of the Ministry of Land, Infrastructure, Transport and Tourism.
- * NAF website: <http://www.naf-r.jp/english/index.html>

Please note that this English language notice is a translation of the Japanese language notice dated September 26, 2012 and was prepared solely for the convenience of, and reference by, overseas investors. NAF makes no warranties as to its accuracy or completeness.

<Attached Documents>

1. Summary of the appraisal report on the amount of trust beneficiary interest in real estate in trust
2. Photos of exterior and entrance of the trust beneficiary interest in real estate in trust
3. Map of the trust beneficiary rights in real estate in trust

<Attached Document 1> Summary of the appraisal report on the amount of the amount of real estate in trust
(unit: Thousands of yen)

Name of property acquired		Iris Nihonbashi Suitengu	Iris Ginza East
Appraised value (specified value)		2,780,000	2,300,000
Assessment item		Details	
Operating revenues	(a) Unit rental revenues, including commons area fees	176,817	146,302
	(b) Utilities revenues	0	0
	(c) Parking lot revenues	7,104	6,192
	(d) Other revenues	4,497	4,732
	Revenues from key money, etc.	0	1,455
	Renewal fees	4,136	3,001
	Other revenues	361	276
	(1) (a)+(b)+(c)+(d)	188,418	157,226
	(e) Total loss from vacancies, etc.	10,570	8,772
	(f) Loss on bad debts	0	0
	(2) Operating revenues [(1)-(e)-(f)]	177,848	148,454
Operating expenses	(g) Maintenance expense	3,722	4,020
	(h) Utilities expense	2,306	1,707
	(i) Repair expense	4,517	3,602
	(j) Property management fees	7,278	5,821
	(k) Tenant soliciting fee, etc.	5,587	5,819
	(l) Taxes and public dues	7,249	6,620
	(m) Property insurance fee	379	386
	(n) Other expenses	1,256	647
	(3) Operating expenses [(g)+(h)+(i)+(j)+(k)+(l)+(m)+(n)]	32,294	28,622
	(4) Net operating income [(2)-(3)]	145,554	119,832
	(o) Earnings from temporary deposits	404	338
	(p) Capital expenditures	4,806	3,564
	(5) Net income [(4)+(o)-(p)]	141,152	116,606
	(6) Cap rate	5.0%	5.0%
	Value of earnings calculated by the direct capitalization method [(5)÷(6)]	2,820,000	2,330,000
	Value calculated by discounted cash flow method	2,740,000	2,260,000
	Discount rate	4.7%	4.7%
	Terminal cap rate	5.3%	5.3%
	Cost method value	1,700,000	1,260,000
	Total value of land and building	1,696,000	1,256,000
	Land value	728,000	476,000
	Building value	968,000	780,000
	Adjustment	0	0

NAF requested real estate appraisal by Morii Appraisal & Investment Consulting, Inc., for the real estate in trusted, based on points to note when appraising real estate from the Act on Securities Investment Trust and Securities Investment Corporations, and based on the Act on Real Estate Appraisal (1963 Act No. 152, including later amendments) and on real estate appraisal standards. The above figures record a summary of the real estate appraisal report prepared. The appraisal valuation is the judgment and opinion of the appraiser at a fixed point in time, with no guarantees as to the validity or accuracy of the report, nor the possibility of transactions at the appraised value. Yen amounts are rounded down to the nearest thousand yen.

<Attached Document 2> Photos of exterior and entrance of the trust beneficiary interest in real estate in trust

1) Iris Nihonbashi Suitengu



2) Iris Ginza East



- 1) <Attached Document 3> Map of the trust beneficiary interest in real estate in trust Iris Nihonbashi Suitengu



- 2) Iris Ginza East

