

**Nippon Accommodations Fund Inc.**  
**33rd Period (March 2022 – August 2022) Investor Presentation**  
**Q&A**

Q What has led you to believe that the rent change rate at tenant turnover for single type units is expected to recover and shift from negative to positive within the next 12 to 18 months and that the rent change rate for single type units is bottoming out? Amid the declining impact of high unit rents prior to tenant turnover, for example, is there a possibility that tenants will accept higher rents as the occupancy rate climbs to around 97% and the balance between supply and demand tightens?

A While instances where tenants, who took up space at high rent levels, are vacating have progressed, the volume is shrinking. Cases where contracts cannot be closed without lowering rents to levels prior to tenant turnover have also declined. Conversely, instances where rents can be raised to levels higher than those prior to tenant turnover are increasing in relative terms. Despite these conditions, the occupancy rate is yet to reach the 97% level. Moreover, it is premature to think that tenants feel the need to decide out of a sense of urgency. In addition to the high volume of existing single type unit stock, there is also a reasonable amount of new supply. The sense of oversupply is therefore yet to be resolved. However, given current conditions, and the improvement in the rate of rent change for all categories including single type units at the time of tenant turnover compared with the previous period, we anticipate the rent change rate for single type units will shift from negative to positive within the next 12 to 18 months.

Q Can you confirm to us your policy toward the sale of properties? The average age of properties in NAF's portfolio excluding Okawabata Apartment Communities is approximately 13.8 years. Roughly half of the Investment Corporation's properties has a building age of over 15 years. I am aware that the cash flow from these properties is steady. Can you tell us if there is any change in, for example, your stance toward the sale of properties held?

A Even if the age is a little high, properties within our portfolio continue to generate firm cash flow. Moreover, each property was required at a discount compared with current market conditions. As such, yields are relatively high. In light of these circumstances, we are not contemplating the sale of properties to realize any gain just because the market is overheated. We will continue to make decisions as appropriate based on the status of each individual property.

Q While the percentage that exceeds target rents is increasing, is it your understanding that market rents are going up or are likely to go up? The rent change rate for single type units is expected to recover and shift from negative to positive within the next 12 to 18 months. Do you believe the potential for this to happen will improve as market

rents rise in the first place?

A It is safe to say that target rents are in line with the market when we call for tenants. The fact that we have been able to conclude contracts in excess of this level, we believe that the market has already bottomed out in overall terms. While the need for certain adjustments remain, we feel that the rent market is entering an upward trend.

Q Looking at NAF's financial results announcements over the recent past, the Investment Corporation adopted a positive approach toward external growth with the aim of building up its DPU by accelerating the acquisition of properties in the August 2021 period. In the February 2022 period, NAF adopted a slightly cautious approach toward acquisition in light of the overheated acquisition market. Can you tell us about your current stance toward the acquisition of properties?

A As indicated by the appraisal value status of the properties held by the Fund, current market conditions remain overheated and cap rates are declining. Under these circumstances, we run the risk of lowering the quality of the overall portfolio as well as the level of distributions if we overreach and acquire properties with low cap rates in an effort to secure external growth. Our stance is to acquire prime properties when the right opportunities arise while working firmly to promote internal growth.

- This document is intended for informational purposes, and is not intended to sell or solicit an offer to buy or sell any security or other financial instrument of the Investment Corporation.
- Unless explicitly indicated, the information provided in this document does not constitute the disclosure or asset management reports required under the Financial Instruments and Exchange Act or the Act on Investment Trusts and Investment Corporations.
- Nippon Accommodations Fund Inc. has exercised due care in providing the information in this document, but does not guarantee its accuracy or completeness.
- The information in this document contains future projections, but such statements do not guarantee future performance.
- The Investment Corporation is not responsible for updating the information in this document. The information in this document may be changed without prior notice.

REIT Management Company: Mitsui Fudosan Accommodations Fund Management Co., Ltd.  
(Financial Instruments Firm: Kanto Finance Bureau (registration) No. 401  
Member of the Investment Trusts Association, Japan)