

July 28, 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.
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Notification Concerning Sale of Domestic Real Estate Property (Dormy Rakuhoku)

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

1. Reason for the Sale

Based on the provisions for investment and policies on asset management provided in the Articles of Incorporation of NAF, NAF has decided on the Sale after comprehensively considering the composition of the portfolio and trends in the real estate market, etc.

The sale price for the Sale surpasses the book value of the property, and thus unrealized gain is likely to be incurred.

Although the sale price is lower than the appraised value, the decision to sell the property on this occasion was made based on the conclusion that it would be profitable for investors considering future tenant risks of the property, among other factors.

NAF plans to internally reserve all or part of gain from the Sale as reserve.

2. Overview of the Sale

| | | |
|------|---|--|
| (1) | Name of property sold | Dormy Rakuhoku |
| (2) | Type of property sold | Real estate |
| (3) | Sale price (Note 1) | ¥405,000 thousand |
| (4) | Book value | ¥292,257 thousand (as of February 28, 2022) |
| (5) | Differences between sale price and book value | ¥112,743 thousand |
| (6) | Appraised value (Note 2) | ¥536,000 thousand |
| (7) | Date of conclusion of sale contract | July 28, 2022 |
| (8) | Date of handover | July 28, 2022 |
| (9) | Buyer | Not disclosed (Note 3) |
| (10) | Settlement | Lump sum settlement at time of handover |
| (11) | Use of proceeds | Future acquisitions of properties, repayment of borrowings, payment for repairs and maintenance, working funds, etc. |

(Note 1) “Sale price” denotes the trading value (exclusive of miscellaneous expenses, fixed property taxes, urban planning taxes, consumption taxes, and local consumption taxes) specified in the sale contract for the property sold.

(Note 2) "Appraised value" is based on the amount mentioned in the real estate appraisal report (date of value appraisal: February 28, 2022) which JLL Morii Valuation & Advisory K.K. prepared for the property sold.

(Note 3) Not disclosed as consent from the buyer has not been obtained.

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3. Outline of the property sold

| | | |
|------------------------------------|--|--|
| Name of property sold | | Dormy Rakuhoku |
| Type of property sold | | Real estate |
| Appraisal company | | JLL Morii Valuation & Advisory K.K. |
| Appraisal value upon sale (Note 1) | | ¥536,000 thousand |
| Date of value appraisal (Note 1) | | February 28, 2022 |
| Location | Residence indication | 51, Takagamine Kinohatacho, Kita-ku, Kyoto-shi, Kyoto |
| Land | Building-to-land ratio (Note 2) | 60% |
| | Floor-area ratio (Note 2) | 200% |
| | Zoning | Category 1 medium-to-high-rise exclusive residential district, category 1 residential district |
| | Site area (Note 3) | 811.99 m ² |
| | Ownership form | Proprietorship |
| Building | Completion date (Note 4) | February 24, 2006 |
| | Structure / Number of stories (Note 5) | Flat-roofed reinforced concrete structure / 3 stories with 1 story underground |
| | Use (Note 5) | Dormitory |
| | Gross floor area (Note 5) | 1,489.86 m ² |
| | Ownership form | Proprietorship |
| | Rentable units | 70 |
| | Rentable area | 1,489.86 m ² |

| | | |
|-----------------------------|---------------------------|--|
| Details of tenants (Note 6) | Total number of tenants | 1 |
| | Rentable units | 70 |
| | Rented units | 70 |
| | Rentable area | 1,489.86 m ² |
| | Rented area | 1,489.86 m ² |
| | Occupancy Rate | 100% |
| | Deposit /Security deposit | Not disclosed as the consent from the lessee has not been obtained |
| | Monthly rental revenue | Not disclosed as the consent from the lessee has not been obtained |

(Note 1) "Appraisal value upon sale" and "Date of value appraisal" are based on the description in the real estate appraisal report which JLL Morii Valuation & Advisory K.K. prepared for the property sold.

(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.

(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," "use," and "gross floor area" are based on the description in the register.

(Note 6) Explanation on "details of tenants"

- (i) "Total number of tenants" is denoted as "1" when a master lease agreement (bulk lease agreement) has been concluded with the lessee. As to the property sold, "Total number of tenants" is denoted as "1" as a fixed-term building lease agreement has been concluded with Kyoritsu Maintenance Co., Ltd. as the lessee (and operator).
- (ii) "Rentable units" and "Rentable area" denote the number of units or the total area that can be rented for the property sold.
- (iii) "Occupancy rate" denotes the ratio of the "rented area" against the "rentable area" and the figures are rounded to one decimal place.
- (iv) "Deposit/Security deposit" and "Monthly rental revenue" are not disclosed as the consent from the lessee has not been obtained.

4. Outline of buyer

The buyer of the property sold is a domestic corporation, but information is not disclosed as consent from the buyer has not been obtained. There are no capital, personnel or business relationships between the buyer and NAF or the investment trust management company. Also, the buyer does not fall under the category of related parties of NAF or the investment trust management company.

5. Outline of brokerage

The broker is not disclosed as consent from the broker has not been obtained. There are no capital, personnel or business relationships between the broker and NAF or the investment trust management company. Also, the broker does not fall under the category of related parties of NAF or the investment trust management company.

6. Transactions with related parties and the like

This is omitted as it is not a sale to a related party.

7. Outlook for management after the Sale

NAF plans to internally reserve all or part of gain from the Sale as reserve for reduction entry using the special provisions for replacement of business assets for long-term land holdings, etc.

The impact of the Sale on NAF's financial results for the period ending August 31, 2022 (33rd Period: March 1, 2022, to August 31, 2022) and the period ending February 28, 2023 (34th Period: September 1, 2022, to February 28, 2023) will be minor, and there will be no change to financial results forecast for the periods.

8. Summary of appraisal report

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|-------------------------|-------------------------------------|
| Appraised value | ¥536,000 thousand |
| Appraisal company | JLL Morii Valuation & Advisory K.K. |
| Date of value appraisal | February 28, 2022 |

(Unit: thousands of yen)

| Item | Details | Summary, etc. |
|--|---------|---|
| Value of earnings | 536,000 | |
| Value calculated by the direct capitalization method [(4)÷(5)] | 544,000 | |
| (1) Operating revenues [(a)-(b)] | 32,954 | |
| (a) Potential gross revenue | 32,954 | Appraised based on medium- and long-term stable rental income, etc. based on current condition, etc. |
| (b) Vacancy loss, etc. | 0 | |
| (2) Operating expenses [(c)+(d)+(e)+(f)+(g)+(h)+(i)+(j)] | 3,257 | |
| (c) Maintenance expenses | 0 | |
| (d) Utilities expenses | 0 | |
| (e) Repair expenses | 1,152 | Posted 30% of a standardized amount assuming the estimate in the engineering report to be appropriate. |
| (f) Property management fees | 0 | |
| (g) Tenant soliciting fees, etc. | 0 | |
| (h) Taxes and public dues | 1,980 | Appraised by considering actual amounts and making reference to the fluctuation rate and annual depreciation, etc. |
| (i) Property insurance fees | 125 | The amount is posted assuming the materials presented to be appropriate. |
| (j) Other expenses | 0 | |
| (3) Net operating income [(1)-(2)] | 29,697 | |
| (k) Earnings from temporary deposits | 165 | Appraised by multiplying the amount obtained by subtracting the amount equivalent to security deposits of vacancies from the amount of security deposits, etc., at full occupancy, by yield of 1.0%. |
| (l) Capital expenditures | 2,687 | Posted 70% of a standardized amount assuming the estimate in the engineering report to be appropriate. |
| (4) Net income [(3)+(k)-(l)] | 27,175 | |
| (5) Cap rate | 5.0% | Appraised by considering the income and capital fluctuation risk in addition to the discount rate. |
| Value calculated by the discounted cash flow method | 528,000 | |
| Discount rate | 4.8% | Appraised by comprehensively taking into account overall market trends for buyers and sellers, etc., after considering risk factors of location and individual characteristics of the subject real estate as well as standard cap rate. |
| Terminal cap rate | 5.2% | Appraised by considering uncertainty of fluctuation projections for future net income, future deterioration of the building, and risk of sale, in addition to capitalization rate. |
| Cost method value | 331,000 | |
| Land ratio | 66.4% | |
| Building ratio | 33.6% | |

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| Other items considered by the appraisal company in making the appraisal | — |
|---|---|

< Attached Document 1 >

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

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|---|-----------------|
| Total Planned Acquisition Price | 339,966 million |
| Number of Investment Properties | 134 properties |
| Total Rentable Units (including retail units) | 13,286 units |

Proportion of Investment by Asset

| | Planned Acquisition Price (Note 1) | Portfolio Share (Note 2) |
|------------------------|---------------------------------------|-----------------------------|
| Rental Apartments | 322,641 million | 94.9% |
| Hospitality Facilities | 17,325 million | 5.1% |
| Grand Total | 339,966 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 85.8%

Other area 14.2%

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

<https://www.naf-r.jp/english/portfolio/6-2.html>