

June 24, 2020

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
(TEL: +81-3-3246-3677)

Notification Concerning Acquisition of Domestic Real Estate Property
(Park Cube Oimachi Residence)

This is a notification that Mitsui Fudosan Accommodations Fund Management Co., Ltd., an investment trust management company 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 Cube Oimachi Residence
(2) Type of property to be acquired	Real estate (70% co-ownership interest) (Note 1)
(3) Planned acquisition price	¥4,064,900,000 (Note 2)
(4) Appraised value	¥4,450,000,000 (Note 3)
(5) Date of conclusion of sale contract	June 24, 2020
(6) Planned date of handover	July 1, 2020
(7) Seller	ITOCHU Property Development, Ltd.
(8) Acquisition funds	Borrowings and own funds
(9) Method of payment	Full payment at the time of delivery

(Note 1) NAF is scheduled to acquire 70% co-ownership interest in the real estate property. The remaining 30% co-ownership interest is owned by Mitsui Fudosan Residential Co., Ltd.

(Note 2) "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 real estate sale contract for the property to be acquired.

(Note 3) "Appraised value" is based on the real estate appraisal report (date of value appraisal on May 31, 2020) prepared by Daiwa Real Estate Appraisal Co., Ltd., and is the amount equivalent to NAF's 70% ownership interest.

3. Description of the property to be acquired

(1) Outline of the property to be acquired

Name of property to be acquired		Park Cube Oimachi Residence
Type of property to be acquired		Real estate (70% of co-ownership interest)
Appraisal company		Daiwa Real Estate Appraisal Co., Ltd.
Appraised value (Note 1)		¥4,450,000 thousand
Date of value appraisal (Note 1)		May 31, 2020
Location	Residence indication	22-16, Oi 1-chome, Shinagawa-ku, Tokyo
Land	Building-to-land ratio (Note 2)	80%
	Floor-area ratio (Note 2)	600%, 500%
	Zoning	Commercial district
	Site area (Note 3)	803.36 m ²
	Ownership form	Co-ownership of proprietorship (70% co-ownership interest)
Building	Completion date (Note 4)	January 10, 2018
	Structure / Number of stories (Note 5)	Flat-roofed reinforced concrete structure / 15 stories
	Uses (Note 5)	Apartment building, store
	Gross floor area (Note 5)	5,835.06 m ²
	Ownership form	Co-ownership of proprietorship (70% co-ownership interest)
	Rentable units	170 residential, 1 retail, etc.
	Rentable area	4,271.17 m ²
Existence of security interests		None
Special affairs (Note 6)		<p>(Arrangements with the co-owner)</p> <p>With co-ownership of the proprietorship in the property by NAF (70% co-ownership interest) and a co-owner (30% co-ownership interest), a co-ownership agreement (the "Agreement") is scheduled to be concluded between the co-owner and NAF. The main content is as follows:</p> <p>① Matters concerning maintenance, management and operation of the property to be acquired shall be executed in accordance with the will of the co-owner that has the majority ownership interest. Specific matters (reconstruction, etc.) shall require the agreement of all co-owners.</p> <p>② If NAF or the co-owner is to transfer its own co-ownership interest to a third party, the transfer must be all at once to a single transferee.</p> <p>③ If NAF or the co-owner intends to transfer its own co-ownership interest to a third party, that party shall be required to notify the other party in writing and the other party shall be granted the first refusal right to purchase in the transfer of the co-ownership interest if the other party wishes to purchase the co-ownership interest.</p> <p>④ NAF and the co-owner shall not request for partition of the property to be acquired for a period of five years starting from the date of conclusion of the Agreement.</p>
Special features of the property		<p>The property is a 4-minute walk from Oimachi Station on the JR Keihin-Tohoku Line, the Tokyo Waterfront Area Rapid Transit Rinkai Line and the Tokyu Oimachi Line, offering access to multiple train stations and lines.</p> <p>There are not only department stores, electronics retail stores and other large-scale commercial facilities, but also several shopping districts (Oi Sanpia, Oi Ginza, etc.) lined with restaurants, merchandise stores, etc., and even Shinagawa Ward Office and other public facilities, offering excellent convenience in daily life. Demand from working individuals living alone, DINKs, etc. placing importance on locational conditions can be expected.</p>

Details of leasing (Note 7)	Total number of tenants	1
	Rentable units	119 residential, 1 retail, etc.
	Rented units	114
	Rentable area	2,989.82 m ²
	Rented area	2,855.78 m ²
	Occupancy rate	95.5%
	Deposit / Security deposit	¥23,375 thousand
	Monthly rental revenue	¥16,305 thousand

(Note 1) "Appraised value" and "date of value appraisal" are based on the real estate appraisal report prepared by Daiwa Real Estate Appraisal Co., Ltd., and the amount is the amount equivalent to NAF's 70% ownership interest.

(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," "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 to be acquired.

(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 scheduled to be 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" is calculated by multiplying the number of units that can be rented within the entire property to be acquired by 70%, which is NAF's ownership ratio.
- (iii) "Rented units," "rented area" and "deposit / security deposit" denote figures as of April 30, 2020, based on the material received from the seller, and are calculated by multiplying the figures for the entire property to be acquired by 70%, which is NAF's ownership ratio.
- (iv) "Rentable area" calculated by multiplying the total area of the building that can be rented within the entire property to be acquired by 70%, which is NAF's ownership ratio.
- (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 calculated by multiplying the total monthly rent indicated in the lease agreement concluded between the master lease company and end tenant as of April 30, 2020 (including common service fees and excluding usage fees of attached facilities such as parking lot and trunk room) by 70%, which is NAF's ownership ratio. Amounts are rounded down to the nearest thousand yen and do not include consumption tax.

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

Investigations into the state of building (Note 1)	Consigned investigating company	Tokio Marine & Nichido Risk Consulting Co., Ltd.
	Investigation report date	June 15, 2020
	Urgent repair cost	—
	Short-term repair cost	—
	Repair and renewal costs expected to be necessary within 12 years	¥26,939 thousand
	Replacement value	¥989,730 thousand
Earthquake risk diagnosis	Consigned investigating company	Tokio Marine & Nichido Risk Consulting Co., Ltd.
	Investigation report date	June 15, 2020
	PML value (Note 2)	4.0%

(Note 1) Amounts are calculated by multiplying the amounts for the entire property to be acquired by NAF's 70% ownership interest.

(Note 2) 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	ITOCHU Property Development, Ltd.	
Location	9-11, Akasaka 2-chome, Minato-ku, Tokyo	
Representative	Norio Matsu, President	
Description of principal operations	Construction and sales of apartments and detached houses, etc.	
Capital	¥10,225 million	
Date of establishment	December 1, 1997	
Net assets	Not disclosed	
Total assets	Not disclosed	
Major stockholders and shareholding ratio (As of March 31, 2020)	Stockholder name	Shareholding ratio
	ITOCHU Corporation	100.0%
Relationship with NAF or the investment trust management company		
Capital relationships	There are no capital relationships between NAF or the investment trust management company and the seller.	
Personal relationships	There are no personal relationships between NAF or the investment trust management company and the seller.	
Business relationships	There are no business relationships 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 or the investment trust management company.	

5. Situation of the acquirer of the property

The property to be acquired is not an acquisition from a party classified as having a relationship of special interest with NAF or the investment trust management company. Therefore, the situation of the acquirer is not stated.

6. Outline of brokerage

Not applicable.

7. 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 has undergone 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 an investment trust management company which has concluded an asset management contract with NAF as determined in the Order for Enforcement of the Act on Investment Trusts and Investment Corporations, Article 123.

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 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, 2020 (29th Period: March 1, 2020 to August 31, 2020), and the period ending February 28, 2021 (30th Period: September 1, 2020 to February 28, 2021), will be minor, and there will be no change to financial results forecast for the periods.

10. Summary of appraisal report

Appraised value	¥4,450,000 thousand (Note)
Appraisal company	Daiwa Real Estate Appraisal Co., Ltd.
Date of value appraisal	May 31, 2020

(Unit: Thousands of yen)

Item	Details (Note)	Summary, etc.
Value of earnings	4,450,000	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)]	4,550,000	
(1) Operating revenues [(a)-(b)]	289,413	
(a) Potential gross revenue	305,789	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.	16,375	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)]	45,313	
(c) Maintenance expenses	6,540	Posted based on the planned contract amount.
(d) Utilities expenses	1,549	Appraised based on levels at similar real estate and actual amounts of past fiscal years.
(e) Repair expenses	2,949	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 cost 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	9,866	Appraised by making reference to levels at similar real estate.
(g) Tenant soliciting fees, etc.	8,480	Appraised based on levels at similar real estate, making reference to actual amounts of past fiscal years.
(h) Taxes and public dues	14,950	Posted by appraising based on actual amounts after considering burden levels, land price trends and adjustments for age.
(i) Property insurance fees	356	Posted based on the estimated amount.
(j) Other expenses	619	Posted by appraising miscellaneous expenses, etc., making reference to actual records of past fiscal years, etc.
(3) Net operating income [(1)-(2)]	244,100	
(k) Earnings from temporary deposits	326	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	3,958	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)]	240,468	
(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.
Value calculated by discounted cash flow method	4,400,000	
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	3,250,000	
Land ratio	68.7%	
Building ratio	31.3%	

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

(Note) "Appraised value," "value of earnings," "value calculated by the direct capitalization method," "value calculated by discounted cash flow method" and "cost method value" are the amounts equivalent to NAF's 70% ownership interest. The items other than those are the amounts for the entire property.

< Attached Document >

1. Portfolio list after the purchase of the 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/>

< Attached Document 1 >

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

Total Planned Acquisition Price	¥316,208 million
Number of Investment Properties	128 properties
Total Rentable Units (including retail units)	12,559 units

Proportion of Investment by Asset

	Planned Acquisition Price (Note 1)	Portfolio Share (Note 2)
Rental Apartments	¥300,319 million	95.0%
Hospitality Facilities	¥15,889 million	5.0%
Grand Total	¥316,208 million	100.0%

Proportion of "Rental Apartments" by Area

	Planned Acquisition Price (Note 1)	Portfolio Share (Note 3)
Tokyo 23 Wards	¥265,438 million	88.4%
Greater Tokyo (Note 4)	¥12,326 million	4.1%
Other Major Cities (Note 5)	¥22,555 million	7.5%
Total of "Rental Apartments"	¥300,319 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) Please refer to NAF's website for the latest portfolio list:

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

< Attached Document 2 >

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





