

March 13, 2018

To All Concerned Parties

Issuer of Real Estate Investment Trust Securities
4-1, Nihonbashi 1-chome, Chuo-Ku, Tokyo 103-0027
Nippon Accommodations Fund Inc.
Executive Director Takashi Ikeda
(Code Number 3226)

Investment Trust Management Company
Mitsui Fudosan Accommodations Fund Management Co., Ltd.
President and CEO Tateyuki Ikura
Contact CFO and Director Satoshi Nohara
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Notification Concerning Acquisition of Domestic Real Estate Properties
(Park Cube Shin Itabashi and another property)

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 properties 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 properties was made to ensure the steady growth of assets under management, and for the diversification and further enhancement of the investment portfolio.

2. Overview for acquisition

	Name of property to be acquired	Type of property to be acquired	Planned acquisition price (Note 3) (thousands of yen)	Appraised value (Note 4) (thousands of yen)
Property 1	Park Cube Shin Itabashi (Note 1)	Real estate	1,700,000	1,740,000
Property 2	Park Cube Nishi Shinjuku (Note 2)	Real estate	2,400,000	2,430,000
Total			4,100,000	4,170,000

(1) Date of conclusion of sale contract March 13, 2018

(2) Planned date of handover

Property 1 March 29, 2018

Property 2 September 3, 2018

(3) Seller

Property 1 Not disclosed (Note 5)

Property 2 ITOCHU Property Development, Ltd.

(4) Acquisition funds Borrowings and own funds

(5) Method of payment Full payment at the time of delivery

(Note 1) Current name of the property to be acquired is “Axcelis Itabashi.” NAF plans to rename the property as stated above without delay after it has acquired the property.

(Note 2) Current name of the property to be acquired is “CREVIA RXE Nishi Shinjuku.” NAF plans to rename the property as stated above without delay after it has acquired the property.

(Note 3) “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 properties to be acquired.

(Note 4) “Appraised value” is based on the amount mentioned in the real estate appraisal report (date of value appraisal on February 28, 2018) which Morii Appraisal & Investment Consulting, Inc. prepared for the properties to be acquired.

(Note 5) Not disclosed as the consent from the seller has not been obtained.

3. Description of the properties to be acquired

(1) Outline of the properties to be acquired

(i) Property 1: Park Cube Shin Itabashi

Name of property to be acquired		Park Cube Shin Itabashi
Type of property to be acquired		Real estate
Appraisal company		Morii Appraisal & Investment Consulting, Inc.
Appraised value (Note 1)		¥1,740,000 thousand
Date of value appraisal (Note 1)		February 28, 2018
Location	Residence indication	44-10 Itabashi 1-chome, Itabashi-ku, Tokyo
Land	Building-to-land ratio (Note 2)	80%
	Floor-area ratio (Note 2)	600%
	Zoning	Commercial district
	Site area (Note 3)	336.52 m ²
	Ownership form	Proprietorship
Building	Completion date (Note 4)	November 17, 2016
	Structure / Number of stories (Note 5)	Flat-roofed reinforced concrete structure / 13 stories
	Use (Note 5)	Apartment building, store
	Gross floor area (Note 5)	2,142.92 m ²
	Ownership form	Proprietorship
	Rentable units	70 residential, 1 retail, etc.
	Rentable area	1,930.12 m ²
Existence of security interests		None
Special affairs (Note 6)		None
Special features of the property		<p>The property is approximately a 2-minute walk from Shin-Itabashi Station on the Toei Subway Mita Line and approximately a 6-minute walk from Itabashi Station on the JR Saikyo Line. The property is close to the nearest stations and also has excellent living convenience, with a convenience store, supermarket and other facilities within walking distance.</p> <p>As multiple stations and multiple lines which are directly connected to terminal stations including Otemachi, Ikebukuro and Shinjuku can be used, rental demand can be expected from single business persons, students and others that place importance on convenient transportation access.</p>

Details of tenants (Note 7)	Total number of tenants	1
	Rentable units	70 residential, 1 retail, etc.
	Rented units	69
	Rentable area	1,930.12 m ²
	Rented area	1,879.66 m ²
	Occupancy Rate	97.4%
	Deposit /Security deposit	¥10,341 thousand
	Total rental revenues	Refer to "10. Summary of appraisal report" below.

(ii) Property 2: Park Cube Nishi Shinjuku

Name of property to be acquired		Park Cube Nishi Shinjuku
Type of property to be acquired		Real estate
Appraisal company		Morii Appraisal & Investment Consulting, Inc.
Appraised value (Note 1)		¥2,430,000 thousand
Date of value appraisal (Note 1)		February 28, 2018
Location	Residence indication	2-6 Kita-shinjuku 1-chome, Shinjuku-ku, Tokyo
Land	Building-to-land ratio (Note 2)	80%
	Floor-area ratio (Note 2)	500%
	Zoning	Commercial district
	Site area (Note 3)	417.82 m ²
	Ownership form	Proprietorship
Building	Completion date (Note 4)	December 26, 2014
	Structure / Number of stories (Note 5)	Flat-roofed reinforced concrete structure / 13 stories
	Use (Note 5)	Apartment building
	Gross floor area (Note 5)	2,169.15 m ²
	Ownership form	Proprietorship
	Rentable units	57 residential, 1 retail, etc.
	Rentable area	1,809.56 m ²
Existence of security interests		None
Special affairs (Note 6)		None
Special features of the property		<p>The property is approximately a 4-minute walk from Okubo Station on the JR Chuo Main Line, approximately a 9-minute walk from Shin-Okubo Station on the JR Yamanote Line, approximately a 7-minute walk from Nishi-Shinjuku Station on the Tokyo Metro Marunouchi Line and approximately a 7-minute walk from Shinjuku-Nishiguchi Station on the Toei Oedo Line. The property also has excellent living convenience, with a convenience store, supermarket and other facilities located within the area.</p> <p>This property is expected to attract single people, DINK households, and others who place importance on locational conditions.</p>

Details of tenants (Note 7)	Total number of tenants	1
	Rentable units	57 residential, 1 retail, etc.
	Rented units	58
	Rentable area	1,809.56 m ²
	Rented area	1,809.56 m ²
	Occupancy Rate	100.0%
	Deposit /Security deposit	¥30,180 thousand
	Total rental revenues	Refer to "10. Summary of appraisal report" below.

(Note 1) "Appraised value" and "date of value appraisal" are based on the real estate appraisal report prepared by Morii Appraisal & Investment Consulting, Inc. for the properties 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.

(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 properties to be acquired.

(Note 7) Explanation on "details of tenants"

- (i) "Total number of tenants" is entered as 1 if there is a master lease agreement (a bulk lease agreement) concluded with a master lease company. With regard to the properties 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" denotes the number of units that can be rented within the properties to be acquired.
- (iii) "Rented units," "rented area" and "deposit / security deposit" denote figures as of January 31, 2018 based on the materials received from the seller.
- (iv) "Rentable area" denotes the total area of the building that can be rented within the properties to be acquired.
- (v) "Occupancy rate" denotes the ratio of the "rented area" against the "rentable area" and the figures are rounded to one decimal place.

(2) Effect on NAF's financial position in the event of inability to execute forward commitments, etc.

Property 2 is applicable to forward commitments (Note) by investment corporations as provided for in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. defined by the Financial Services Agency.

In the event of a violation of the terms and conditions of any sales contract related to the above property (the "Sales Contract") made by NAF or the seller, the counterparty may cancel the Sales Contract and claim, as a penalty, an amount equivalent to 10% of the trading value of the property whose contract was cancelled.

Note: Refers to the postdated sales contract under which payment and delivery shall be made at least one month after the conclusion of the contract, or any other contract similar thereto.

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

		Property 1	Property 2
Name of property to be acquired		Park Cube Shin Itabashi	Park Cube Nishi Shinjuku
Investigations into the state of building	Consigned investigating company	Tokio Marine & Nichido Risk Consulting Co., Ltd.	
	Investigation report date	February 28, 2018	February 26, 2018
	Urgent repair cost	—	—
	Short-term repair cost	—	—
	Repair and renewal costs expected to be necessary within 12 years	¥14,505 thousand	¥15,529 thousand
	Replacement value	¥516,500 thousand	¥500,600 thousand
Earthquake risk diagnosis	Consigned investigating company	Tokio Marine & Nichido Risk Consulting Co., Ltd.	
	Investigation report date	February 28, 2018	February 26, 2018
	PML value (Note)	2.9%	3.4%

(Note) 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.

Profile of third-party investigative body

Name	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Address	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
Representative	Taizo Shimakura, President and Chief Executive Officer
Description of principal operations	Research, study, provision of information, assessment, consulting, holding of seminars, publishing, provision of training, etc. on security, disaster prevention, sanitation, environment, product safety and information management, etc.
Capital	¥100 million
Relationship with NAF or investment trust management company	None

4. Outline of seller

The seller of Property 1 is a domestic business corporation, but information is not disclosed as the consent from the seller has not been obtained. There are no capital, personal or business relationships to report between the seller and NAF, the investment trust management company, or any related parties or associated companies of NAF or the investment trust management company. Moreover, the seller and any related parties or associated companies of the seller do not fall under the category of related parties of NAF or the investment trust management company.

Seller of Property 2

Name	ITOCHU Property Development, Ltd.
Address	9-11, Akasaka 2-chome, Minato-ku, Tokyo
Representative	Haruo Terasaka, President and Chief Executive Officer
Description of principal operations	Construction and sales of apartments and detached houses, etc.
Capital	¥10,250 million
Date of establishment	December 1, 1997
Relationship between NAF or the investment trust management company, and the seller	There are no capital, personal, or business relationships to report between NAF or the investment trust management company, or any related parties or associated companies of NAF or the investment trust management company, and the seller. Moreover, the seller and any related parties or associated companies of the seller do 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 properties to be acquired are not acquisitions from parties classified as having a relationship of special interest with NAF or the investment trust management company, therefore the situations of the acquirers are not stated.

6. Outline of brokerage

Not applicable.

7. Transactions with related parties and the like

The properties to be acquired have not been acquired from a party classified as having a relationship of special interest with NAF or the investment trust management company.

8. Earthquake resistance matters

The properties to be acquired have 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., as well as on on-site inspection and the like 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 properties

The outlook for NAF's financial results for the period ending August 31, 2018 (25th Period: March 1, 2018 to August 31, 2018) will be disclosed when financial results for the period ended February 28, 2018 are announced (the announcement is scheduled for April 18, 2018) with due consideration of the status of operations of the overall portfolio.

10. Summary of appraisal report

Property 1: Park Cube Shin Itabashi

Appraised value	¥1,740,000 thousand
Appraisal company	Morii Appraisal & Investment Consulting, Inc.
Date of value appraisal	February 28, 2018

(Unit: thousands of yen)

Item	Details	Summary, etc.
Value of earnings	1,740,000	Calculated making correlation to the value of earnings found by the direct capitalization method and the value of earnings found by the discounted cash flow method.
Value calculated by the direct capitalization method [(4)÷(5)]	1,770,000	
(1) Operating revenues [(a)-(b)]	95,168	
(a) Potential gross revenue	100,217	Appraised based on medium- and long-term stable rental income, etc. based on current condition, etc.
(b) Vacancy loss, etc.	5,049	Appraised based on standard vacancy rates giving consideration to individual characteristics of the subject real estate.
(2) Operating expenses [(c)+(d)+(e)+(f)+(g)+(h)+(i)+(j)]	18,301	
(c) Maintenance expenses	4,344	Appraised based on actual records making reference to levels at similar real estate.
(d) Utilities expenses	700	
(e) Repair expenses	1,261	The cost of restoration to original condition is appraised giving consideration to actual records and the evacuation rate, making reference to levels at similar real estate. Repair expenses are posted as 30% of a standardized amount assuming the estimate in the engineering report to be appropriate.
(f) Property management fees	3,643	Appraised making reference to levels at similar real estate.
(g) Tenant soliciting fees, etc.	3,413	Appraised taking into account local practice and the evacuation rate of the subject real estate.
(h) Taxes and public dues	4,813	Appraised by considering actual amounts and making reference to the fluctuation rate and annual depreciation, etc.
(i) Property insurance fees	127	The amount is posted assuming the estimate to be appropriate.
(j) Other expenses	0	
(3) Net operating income [(1)-(2)]	76,867	
(k) Earnings from temporary deposits	99	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	846	Posted 70% of a standardized amount assuming the estimate in the engineering report to be appropriate.
(4) Net income [(3)+(k)-(l)]	76,120	
(5) Cap rate	4.3%	Appraised by considering the income and capital fluctuation risk in addition to the discount rate.
Value calculated by the discounted cash flow method	1,710,000	
Discount rate	4.1%	Appraised 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	4.5%	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	863,000	
Land ratio	37.7%	
Building ratio	62.3%	

Other items considered by the appraisal company in making the appraisal	—
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Property 2: Park Cube Nishi Shinjuku

Appraised value	¥2,430,000 thousand
Appraisal company	Morii Appraisal & Investment Consulting, Inc.
Date of value appraisal	February 28, 2018

(Unit: thousands of yen)

Item	Details	Summary, etc.
Value of earnings	2,430,000	Calculated making correlation to the value of earnings found by the direct capitalization method and the value of earnings found by the discounted cash flow method.
Value calculated by the direct capitalization method [(4)÷(5)]	2,470,000	
(1) Operating revenues [(a)-(b)]	125,595	
(a) Potential gross revenue	131,254	Appraised based on medium- and long-term stable rental income, etc. based on current condition, etc.
(b) Vacancy loss, etc.	5,659	Appraised based on standard vacancy rates giving consideration to individual characteristics of the subject real estate.
(2) Operating expenses [(c)+(d)+(e)+(f)+(g)+(h)+(i)+(j)]	21,129	
(c) Maintenance expenses	5,210	Appraised based on actual records making reference to levels at similar real estate.
(d) Utilities expenses	1,182	
(e) Repair expenses	1,152	The cost of restoration to original condition is appraised giving consideration to actual records and the evacuation rate, making reference to levels at similar real estate. Repair expenses are posted as 30% of a standardized amount assuming the estimate in the engineering report to be appropriate.
(f) Property management fees	3,650	Appraised making reference to levels at similar real estate.
(g) Tenant soliciting fees, etc.	4,277	Appraised taking into account local practice and the evacuation rate of the subject real estate.
(h) Taxes and public dues	4,410	Appraised by considering actual amounts and making reference to the fluctuation rate and annual depreciation, etc.
(i) Property insurance fees	128	The amount is posted assuming the estimate to be appropriate.
(j) Other expenses	0	
(3) Net operating income [(1)-(2)]	104,466	
(k) Earnings from temporary deposits	286	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	906	Posted 70% of a standardized amount assuming the estimate in the engineering report to be appropriate.
(4) Net income [(3)+(k)-(l)]	103,846	
(5) Cap rate	4.2%	Appraised by considering the income and capital fluctuation risk in addition to the discount rate.
Value calculated by the discounted cash flow method	2,380,000	
Discount rate	4.0%	Appraised 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	4.4%	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	1,220,000	
Land ratio	64.5%	
Building ratio	35.5%	

Other items considered by the appraisal company in making the appraisal	—
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- Japanese original document was distributed to the press clubs within Tokyo Stock Exchange (Kabuto Club) and the press club of the Ministry of Land, Infrastructure, Transport and Tourism, and to the press club for construction publications of the Ministry of Land, Infrastructure, Transport and Tourism.
- NAF website: <https://www.naf-r.jp/english/index.html>

Please note that this English translation of the Japanese original document is provided solely for information purposes. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

<Attached Documents>

1. Portfolio status after the purchase of the properties to be acquired is completed
2. Photos and maps of the properties to be acquired

<Attached Document 1> Portfolio status after the purchase of the properties to be acquired is completed

Total (Planned) Acquisition Price	¥305,659 million
Number of Investment Properties	123 properties
Total Rentable Units (including retail units)	12,105 units

Proportion of Investment in Assets

	(Planned) Acquisition Price (Note 1)	Portfolio Share (%) (Note 2)
Rental Apartments	¥292,171 million	95.6%
Hospitality Facilities	¥13,488 million	4.4%
Grand Total	¥305,659 million	100.0%

Proportion of “Rental Apartments” in Areas

	(Planned) Acquisition Price (Note 1)	Portfolio Share (%) (Note 3)
Tokyo 23 Wards	¥256,691 million	87.9%
Greater Tokyo (Note 4)	¥12,326 million	4.2%
Other Major Cities (Note 5)	¥23,154 million	7.9%
Total of “Rental Apartments”	¥292,171 million	100.0%

(Note 1) “(Planned) Acquisition Price” excludes miscellaneous expenses for acquisition, fixed property taxes, urban planning taxes, consumption taxes and 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.

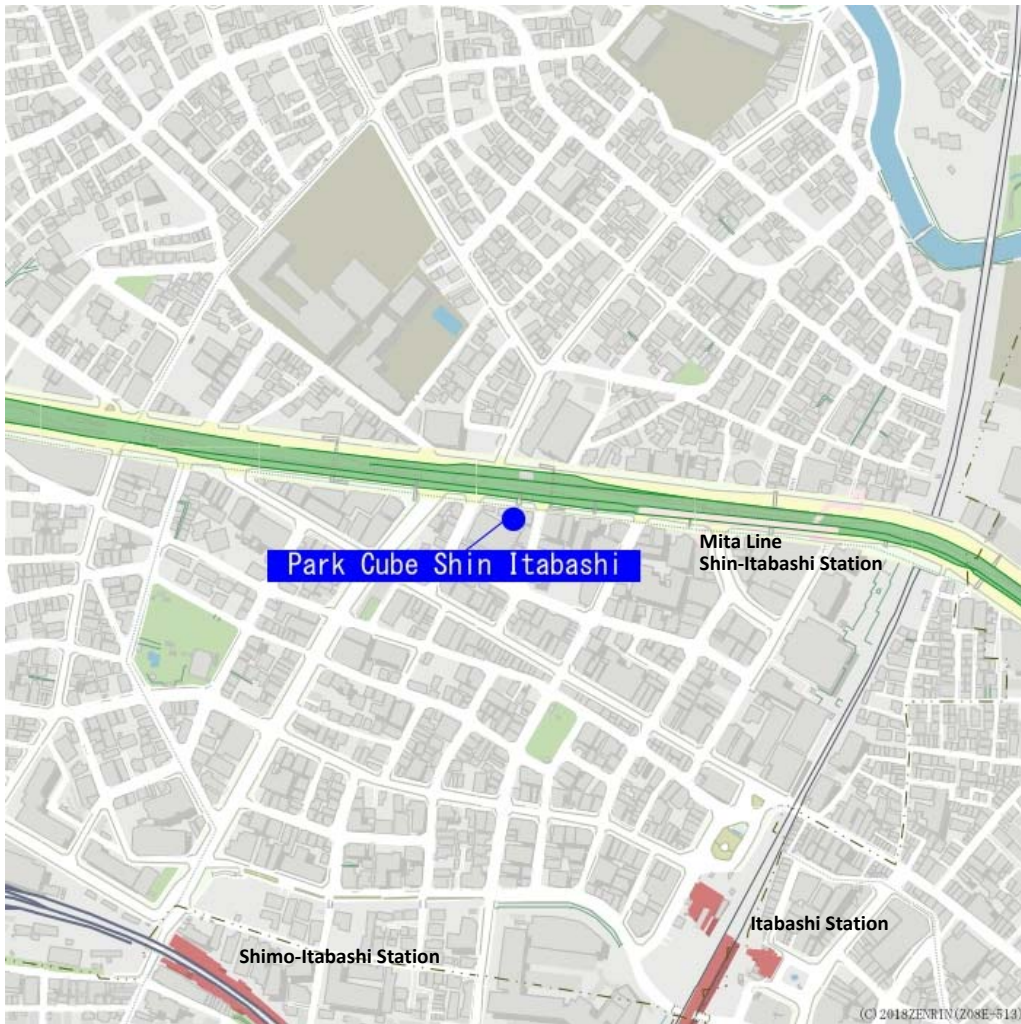
(Note 4) “Greater Tokyo” indicates Tokyo metropolis (excluding Tokyo 23 wards), and the 3 prefectures of Kanagawa, Saitama and Chiba.

(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/english/portfolio/6-2.html>

<Attached Document 2> Photos and maps of the properties to be acquired

Property 1: Park Cube Shin Itabashi



Property 2: Park Cube Nishi Shinjuku

