

February 14, 2025

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 Acquisition of Domestic Real Estate Property
(STAYAT OSAKA SHINSAIBASHI east)

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 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. The property to be acquired falls under the category of a facility is Private Lodging services (accommodation services using all or part of a residence).

2. Overview of acquisition

(1) Name of property to be acquired	STAYAT OSAKA SHINSAIBASHI east
(2) Type of property to be acquired	Real estate
(3) Planned acquisition price	¥2,552,400,000 (Note 1)
(4) Appraised value	¥2,790,000,000 (Note 2)
(5) Date of conclusion of sale contract	February 14, 2025
(6) Planned date of handover	March 3, 2025
(7) Seller	Mitsui Fudosan Residential Co., Ltd.
(8) Acquisition fund	Borrowings and own funds
(9) Method of payment	Full payment at the time of handover

(Note 1) "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 contract for the sale of real estate for the property to be acquired.

(Note 2) "Appraised value" is based on the amount mentioned in the real estate appraisal report (date of value appraisal: January 1, 2025) prepared by JLL Morii Valuation & Advisory K.K. for the property to be acquired.

3. Description of the property to be acquired

(1) Outline of the property to be acquired

Name of property to be acquired		STAYAT OSAKA SHINSAIBASHI east
Type of property to be acquired		Real estate
Appraisal company		JLL Morii Valuation & Advisory K.K.
Appraised value (Note 1)		¥2,790,000 thousand
Date of value appraisal (Note 1)		January 1, 2025
Location	Residence indication	14-2, Minamisemba 1-chome, Chuo-ku, Osaka-shi , Osaka
Land	Building-to-land ratio (Note 2)	80%
	Floor-area ratio (Note 2)	600%
	Zoning	Commercial zone
	Site area (Note 3)	395.67 m ²
	Ownership form	Proprietorship
Building	Completion date (Note 4)	April 21, 2020
	Structure / number of stories (Note 5)	Flat-roofed reinforced concrete structure / 15 stories
	Uses (Note 5)	Apartment building, parking, dustbin, retail, storage
	Gross floor area (Note 5)	2,653.23 m ²
	Ownership form	Proprietorship
	Total number of units	69 units (68 rooms as Private Lodging)
	Rentable area	2,691.88 m ²
Existence of security interests		None
Special affairs (Note 6)		None
Special features of the property		<p>The property has been approved as a “Foreign Residence Facility Management Business in National Strategic Special Zones”, so-called “Special Zone Private Lodging”, which is a private residential accommodation business for apartment use.</p> <p>The property is located about a 6-minute walk from Nagahoribashi Station on the Osaka Metro Nagahori Tsurumi-ryokuchi Line, and is also within walking distance of Shinsaibashi Station and Sakaisuji-Honmachi Station, making it highly convenient location for both sightseeing and business.</p> <p>As the area surrounding the subject property is close to Osaka CBD(Central Business District) , there is a certain level of demand for Rental Apartments, Rental Offices, etc., as well as for Private Lodging converted from Hotels and Rental Apartment, with foreign visitors to Japan for sightseeing and business people visiting for training, etc. being the main users of Private Lodging.</p>

Tenant detail (Note 7)	Total number of tenants	1
	Rented area	2,691.88 m ²
	Occupancy rate	100.0%
	Deposit / Security deposit	None
	Total rental revenues	variable rent

(Note 1) “Appraised value” and “date of value appraisal” are based on the description in the real estate appraisal report prepared by JLL Morii Valuation & Advisory K.K. for the property 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 property that NAF plans to acquire.
- (Note 7) Explanation on "Tenant of detail"
- (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. As to the property to be acquired, a fixed-term building lease agreement has been concluded with the Seller as the lessor and Rakuten STAY, Inc. as the lessee, and NAF shall succeed the status of the seller as a lessor on the handover date. The above "Total number of tenants" is denoted as "1" indicating the number of said lessee.
 - (ii) "Occupancy rate" denotes the ratio of the "rented area" against the "rentable area" and the figures are rounded to one decimal place.
 - (iii) "Total rental revenues" denotes as variable rent as the monthly rent based on the fixed term building lease agreement.

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

Investigations into the state of building	Consigned investigating company	Tokio Marine dR Co., Ltd.
	Investigation report date	January 23, 2025
	Urgent repair cost	—
	Short-term repair cost	—
	Repair and renewal costs expected to be necessary within 12 years	¥29,188 thousand
	Replacement value	¥763,600 thousand
Earthquake risk diagnosis	Consigned investigating company	Tokio Marine dR Co., Ltd.
	Investigation report date	January 23, 2025
	PML value (Note1)	5.6%

- (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.

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4. Outline of seller

Name	Mitsui Fudosan Residential Co., Ltd.	
Location	2-1, Nihonbashi-Muromachi 3-chome, Chuo-ku, Tokyo	
Representative	Toru Kamura, President & CEO	
Description of principal operations	Medium and high-rise housing, detached housing, rental housing, senior residence business, urban redevelopment, apartments revitalization business, and, overseas business.	
Capital	40,000 million	
Date of establishment	December 26, 2005	
Net assets (As of March 31, 2024)	¥191,908 million	
Total assets (As of March 31, 2024)	¥1,106,671 million	
Major stockholders and shareholding ratio (As of March 31, 2024)	Stockholder name	Shareholding ratio
	Mitsui Fudosan Co., Ltd.	100.00%
Relationship between NAF or the investment trust management company, and the seller		
Capital relationships	The seller holds 3.09% of total NAF investment units issued as of August 31, 2024. Also, the seller is a subsidiary of Mitsui Fudosan Co., Ltd., which is the parent company of the investment trust management company.	
Personal relationships	There are no personal relationships between NAF or the investment trust management company and the seller during the period ended August 31, 2024.	
Business relationships	There are no business relationships between NAF or the investment trust management company and the seller during the period ended August 31, 2024.	
Applicability to related parties	The seller does not fall under the category of related parties of NAF. Also, the seller is a subsidiary (100%) of Mitsui Fudosan Co., Ltd., which is the parent company of the investment trust management company, and therefore falls under the category of related parties thereof.	

5. Situation of the acquirer of the property.

Situation of the property owner	Former owner, etc.	Owner before the former owner, etc.
Name	Mitsui Fudosan Residential Co., Ltd.	None
Relationship with a special related party	Wholly owned subsidiary of Mitsui Fudosan Co., Ltd., which is the parent company of the investment trust management company	—
Acquisition history, reason, etc.	Property developed by Mitsui Fudosan Residential Co., Ltd.	—
Acquisition price (including other costs)	—	—
Acquisition time	—	—

6. Outlines of brokerage

Not applicable.

7. Transactions with related parties and the like

Since Mitsui Fudosan Residential Co., Ltd., which is the seller of the property to be acquired, corresponds to related parties and the like (see Note), the real estate sales contract has been carried out through deliberation and approval by the compliance committee and 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 the investment trust management company which has concluded an asset management contract with NAF, as determined in Article 123 of the Order for Enforcement of the Act on Investment Trust and Investment Corporation.

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 and the like 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 acquisition will have no impact on NAF's financial results for the period ending February 28, 2025 (38th Period: September 1, 2024 to February 28, 2025) as the acquisition is planned for May 3, 2025.

The impact of the acquisition on NAF's financial results for the period ending August 31, 2025 (39th Period: March 1, 2025 to August 31, 2025) will be minor, and there will be no change to financial results forecast for the period.

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10. Summary of appraisal report

Appraised value	¥2,790,000 thousand
Appraisal company	JLL Morii Valuation & Advisory K.K.
Date of value appraisal	January 1, 2025

(Unit: Thousands of yen)

Item	Details	Summary, etc.
Value of earnings	2,790,000	Calculated making correlation to the value of earnings found by the discounted cash flow method and the value of earnings found by direct capitalization method.
Value calculated by the direct capitalization method [(4)÷(5)]	2,900,000	
(1) Operating revenues [(a)–(b)]	127,634	
(a) Potential gross revenue	127,634	Appraised rent with reference to actual performance and market reports.
(b) Vacancy loss, etc.	0	Not posted as it is assumed to be leased on a long-term basis according to the terms of the contract.
(2) Operating expenses [(c)+(d)+(e)+(f)+(g)+(h)+(i)+(j)]	11,818	
(c) Maintenance expenses	2,089	Appraised based on presented materials and actual performance, etc.
(d) Utilities expenses	0	
(e) Repair expenses	730	Repair expenses are posted as 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	8,482	Appraised by considering actual amounts and making reference to the fluctuation rate and annual depreciation, etc.
(i) Property insurance fees	277	The presented materials were determined to be appropriate and posted.
(j) Other expenses	240	reserve funds
(3) Net operating income [(1)–(2)]	115,816	
(k) Earnings from temporary deposits	0	
(l) FF&E Reserve	3,909	Posted based on the estimated amount.
(m) Other expenses	1,703	Posted 70% of a standardized amount assuming the estimate in the engineering report to be appropriate.
(4) Net income [(3)+(k)–(l)]	110,204	
(5) Cap rate	3.8%	Appraised by factoring income and principal fluctuation risks into the discount rate.
Value calculated by discounted cash flow method	2,740,000	
Discount rate	3.6%	Appraised by comprehensively factoring market trends, etc. on the transaction market into the basic yield, after considering regionality- and individuality-related risk factors for the applicable property.
Terminal cap rate	4.1%	Appraised by factoring the uncertainty of forecast changes in net income in the future, future deterioration of buildings, and selling risks into the cap rate.
Cost method value	1,620,000	
Land ratio	62.1%	
Building ratio	37.0%	
FF&E Ratio	0.9%	

Other items considered by the appraisal company in making the appraisal	—
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NAF's website: <https://www.naf-r.jp/english/>

< Attached Documents >

1. Portfolio list after the purchase of property to be acquired is completed (on a planned acquisition price basis)
2. Photo of the property to be acquired and map of the area

< Attached Document 1 >

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

Total (Planned) Acquisition Price	¥346,326 million
Number of Investment Properties	139 properties
Total Rentable Units (including retail units)	13,674 units

Proportion of Investment by Asset

	(Planned) Acquisition Price (Note 1)	Portfolio Share (Note 2)
Rental Apartments	¥323,617 million	93.4%
Hospitality Facilities*	¥22,709 million	6.6%
Grand Total	¥346,626 million	100.0%

*The property to be acquired is classified as a Hospitality Facilities.

Proportion of "Rental Apartments" by Area

	(Planned) Acquisition Price (Note 1)	Portfolio Share (Note 3)
Tokyo 23 Wards	¥286,636 million	88.6%
Greater Tokyo (Note 4)	¥14,426 million	4.4%
Other Major Cities (Note 5)	¥22,555 million	7.0%
Total of "Rental Apartments"	¥323,617 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 84.5%

Other area 15.5%

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

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

< Attached Document 2 >

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

