

December 1, 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.
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Notification Concerning Acquisition of Domestic Real Estate Properties (Park Cube Oimachi Residence and other 3 properties)

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 of acquisitions

	Name of property to be acquired	Property to be acquired	Acquisition price (Note 3) (Thousands of yen)	Appraised value (Note 4) (Thousands of yen)
Property 1	Park Cube Oimachi Residence	Real estate (30% co-ownership) (Note 2)	1,742,100	1,960,000
Property 2	Park Axis Toyochō Shinsui Koen	Real estate (65% co-ownership) (Note 2)	4,147,000	4,391,000
Property 3	Park Axis Ofuna (Note 1)	Real estate	2,100,000	2,320,000
Property 4	Campus terrace Waseda	Real estate	1,810,000	1,870,000
Total			9,799,100	10,541,000

(1) Date of conclusion of sale contract	December 1, 2020
(2) Planned date of handover	April 5, 2021 (Note 5)
(3) Seller	Mitsui Fudosan Residential Co., Ltd.
(4) Acquisition fund	Net proceeds from issuance of new investment units through the public offering and third-party allocation stated in “Notification Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” released on December 1, 2020
(5) Method of payment	Full payment at the time of handover

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- (Note 1) The current name of Property 3 is “Ofuna Residence,” but NAF plans to change the name of the property to the name above without delay after its acquisition.
- (Note 2) Regarding Property 1, NAF has acquired 70% co-ownership of “Park Cube Oimachi Residence” from ITOCHU Property Development, Ltd. on July 1, 2020 and completed to hold 100% co-ownership with this acquisition of 30% co-ownership from Mitsui Fudosan Residential Co., Ltd. Furthermore, regarding Property 2, NAF has acquired 35% co-ownership of “Park Axis Toyoko Shinsui Koen” from Mitsui Fudosan Residential Co., Ltd. on October 1, 2020 and completed to hold 100% co-ownership with this acquisition of 65% co-ownership from Mitsui Fudosan Residential Co., Ltd.
- (Note 3) “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 with condition precedent for the properties to be acquired.
- (Note 4) “Appraised value” is based on the real estate appraisal report (date of value appraisal on October 31, 2020) prepared by Daiwa Real Estate Appraisal Co., Ltd., Japan Real Estate Institute and JLL Morii Valuation & Advisory K.K. for the properties to be acquired and is the amount equivalent to NAF’s 30% co-ownership for Property 1 and 65% co-ownership for Property 2.
- (Note 5) In accordance with the contract for the sale of real estate with condition precedent, the planned handover date may be changed to a date separately agreed by the buyer and the seller (a date up to April 5, 2021).

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3. Description of the properties to be acquired

(1) Outline of the properties to be acquired

(i) Property 1: Park Cube Oimachi Residence

Name of property to be acquired		Park Cube Oimachi Residence
Type of property to be acquired		Real estate (30% of co-ownership)
Appraisal company		Daiwa Real Estate Appraisal Co., Ltd.
Appraised value (Note 1)		¥1,960,000 thousand
Date of value appraisal (Note 1)		October 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 zone
	Site area (Note 3)	803.36 m ²
	Ownership form	Co-ownership of proprietorship (30% co-ownership)
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 (30% co-ownership)
	Rentable units	170 residential, 1 retail, etc.
	Rentable area	4,271.17 m ²
Existence of security interests		None
Special affairs (Note 6)		None
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	170 residential, 1 retail, etc.
	Rented units	163
	Rentable area	4,271.17 m ²
	Rented area	4,078.53 m ²
	Occupancy rate	95.5%
	Deposit / Security deposit	¥34,379 thousand
	Monthly rental revenue	¥23,404 thousand

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(ii) Property 2: Park Axis Toyocho Shinsui Koen

Name of property to be acquired		Park Axis Toyocho Shinsui Koen
Type of property to be acquired		Real estate (65% of co-ownership)
Appraisal company		Japan Real Estate Institute
Appraised value (Note 1)		¥4,391,000 thousand
Date of value appraisal (Note 1)		October 31, 2020
Location	Residence indication	34-4 Minamisuna 2-chome, Koto-ku, Tokyo
Land	Building-to-land ratio (Note 2)	60%
	Floor-area ratio (Note 2)	400%
	Zoning	Quasi-industrial district
	Site area (Note 3)	1,937.44 m ²
	Ownership form	Co-ownership of proprietorship (65% co-ownership)
Building	Completion date (Note 4)	August 29, 2014
	Structure / number of stories (Note 5)	Flat-roofed reinforced concrete structure / 14 stories
	Uses (Note 5)	Apartment building, store, bicycle parking, garage
	Gross floor area (Note 5)	9,450.49 m ²
	Ownership form	Co-ownership of proprietorship (65% co-ownership)
	Rentable units	190 residential, 2 retail, etc.
	Rentable area	7,254.57 m ²
Existence of security interests		None
Special affairs (Note 6)		None
Special features of the property		<p>The property is an 11-minute walk from Minami-Sunamachi Station on the Tokyo Metro Tozai Line, and it takes 15 minutes to get to Otemachi Station from Minami-Sunamachi Station. In addition, the property has advantages in terms of living environment as there are shopping districts, large-scale commercial properties, and electronics retail stores within walking distance.</p> <p>The property is expected to be in demand by singles or small households.</p>

Details of leasing (Note 7)	Total number of tenants	1
	Rentable units	190 residential, 2 retail, etc.
	Rented units	185
	Rentable area	7,254.57 m ²
	Rented area	6,973.34 m ²
	Occupancy rate	96.1%
	Deposit / Security deposit	¥62,372 thousand
	Monthly rental revenue	¥26,607 thousand

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(iii) Property 3: Park Axis Ofuna

Name of property to be acquired		Park Axis Ofuna
Type of property to be acquired		Real estate
Appraisal company		JLL Morii Valuation & Advisory K.K.
Appraised value (Note 1)		¥2,320,000 thousand
Date of value appraisal (Note 1)		October 31, 2020
Location	Residence indication	9-29, Kasama 1-chome, Sakae-ku, Yokohama-shi, Kanagawa
Land	Building-to-land ratio (Note 2)	80%
	Floor-area ratio (Note 2)	200%
	Zoning	Neighborhood commercial zone
	Site area (Note 3)	2,444.21 m ²
	Ownership form	Proprietorship
Building	Completion date (Note 4)	January 12, 2010
	Structure / number of stories (Note 5)	Flat-roofed reinforced concrete structure / 6 stories
	Uses (Note 5)	Apartment building
	Gross floor area (Note 5)	5,056.06 m ²
	Ownership form	Proprietorship
	Rentable units	73
	Rentable area	4,752.68 m ²
Existence of security interests		None
Special affairs (Note 6)		Part of the borderline between the land for the property and the adjoining land is not confirmed.
Special features of the property		<p>This property is in a great residential location that offers excellent convenience in daily life as it is a 4-minute walk from Ofuna Station, which is accessible from multiple train lines such as the JR Tokaido Main Line, Shonan-Shinjuku Line, Yokosuka Line, Negishi Line, Yokohama Line and the Shonan Monorail Line, and is within walking distance of a variety of facilities for daily life. From Ofuna Station, it takes about 15 minutes by JR Line to Yokohama Station and about 42 minutes to Tokyo Station.</p> <p>Demand from working individuals living with families, DINKs, etc. placing importance on locational conditions and convenience and comfort in daily life can be expected.</p>

Details of leasing (Note 7)	Total number of tenants	1
	Rentable units	73
	Rented units	67
	Rentable area	4,752.68 m ²
	Rented area	4,341.53 m ²
	Occupancy rate	91.3%
	Deposit / Security deposit	¥22,684 thousand
	Monthly rental revenue	¥11,870 thousand

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(iv) Property 4: Campus terrace Waseda

Name of property to be acquired		Campus terrace Waseda
Type of property to be acquired		Real estate
Appraisal company		JLL Morii Valuation & Advisory K.K.
Appraised value (Note 1)		¥1,870,000 thousand
Date of value appraisal (Note 1)		October 31, 2020
Location	Residence indication	39-13, Sekiguchi 1-chome, Bunkyo-ku, Tokyo
Land	Building-to-land ratio (Note 2)	60%
	Floor-area ratio (Note 2)	300%
	Zoning	Quasi-industrial district
	Site area (Note 3)	567.98 m ²
	Ownership form	Proprietorship
Building	Completion date (Note 4)	January 31, 2020
	Structure / number of stories (Note 5)	Flat-roofed reinforced concrete structure / 7 stories
	Uses (Note 5)	Dormitory
	Gross floor area (Note 5)	1,747.51 m ²
	Ownership form	Proprietorship
	Rentable units	82
	Rentable area	1,747.51 m ²
Existence of security interests		None
Special affairs (Note 6)		None
Special features of the property		<p>This property is approximately a 10-minute walk from Waseda Station on the Tokyo Metro Tozai Line, and provides excellent access to central Tokyo as Waseda Station is approximately 3 minutes away from Takadanobaba Station, where one can transfer to the JR Yamanote Line and get to Shinjuku Station or Ikebukuro Station in approximately 16 minutes. In addition, this property is approximately a 5-minute walk from Waseda Station on the Toden Arakawa Line. This property also provides excellent access to colleges as it is approximately a 7-minute walk from Waseda University, approximately an 11-minute walk from the Mejiro campus of Japan Women's University, and approximately a 17-minute walk from Gakushuin Women's College. A certain amount of demand for college dormitories can be expected.</p>

Details of leasing (Note 7)	Total number of tenants	1
	Rentable units	82
	Rented units	82
	Rentable area	1,747.51 m ²
	Rented area	1,747.51 m ²
	Occupancy rate	100.0%
	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.

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- (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. for Property 1, Japan Real Estate Institute for Property 2, and JLL Morii Valuation & Advisory K.K. for Property 3 and Property 4, and the amounts are the amounts equivalent to NAF’s 30% co-ownership for Property 1 and 65% co-ownership for Property 2, respectively.
- (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. Property 3 includes a public road (2.37 m²), but this public road is not included in the site area for the building certification application.
- (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 that NAF plans to acquire.
- (Note 7) Explanation on “details of leasing”
- (i) With regard to the Properties 1–3, a master lease agreement has been 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. With respect to Property 4, a fixed-term building lease agreement has been concluded with J.S.B. Co., Ltd. as the lessee (and operator), and “total number of tenants” is entered as 1, with the lessee as the tenant.
 - (ii) “Rentable units” denotes the number of units that can be rented within the property that NAF plans to acquire.
 - (iii) “Rented units” and “rented area” denote figures as of August 31, 2020 based on the report received from the seller.
 - (iv) “Rentable area” denotes the total area of the building that can be rented within the property that NAF plans to acquire.
 - (v) “Occupancy rate” denotes the ratio of the “rented area” against the “rentable area” and the figures are rounded to one decimal place.
 - (vi) With regard to the Properties 1-3, “Monthly rental revenue” and “Deposit / Security deposit” are the total amounts of both the monthly rent (including common service fees and excluding usage fees of attached facilities such as parking lot and trunk room) and deposit / security deposit indicated in the lease agreement concluded between the master lease company and end tenant as of August 31, 2020. Figures less than ¥1 thousand are rounded down and consumption tax is excluded from those figures.

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

Properties to be acquired are applicable to forward commitments (see 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 contract for the sale of real estate with condition precedent, the agreement for the sale and purchase of each property is dependent on the completion of the raising of funds for the transaction price of the property to be acquired by NAF through issuance of investment units or loans, etc., and in case such condition is not fulfilled, the portion of the contract for the sale of real estate with condition precedent that relates to the sale and purchase of the respective property shall cease to be definitively effective, and no claim for compensation or reparation of damages, losses and expenses (including attorney's fees) incurred in connection with the execution or expiration of such portion shall be made. Therefore, in the event that NAF is unable to fulfill its payment obligations under the contract for the sale of real estate with condition precedent due to failure to raise funds through the issuance of investment units or loans, etc., NAF believes that it is unlikely to have a direct and material adverse impact on its finances and distributions, etc., because failure to perform so will not result in the payment of a penalty.

(Note) Refers to the postdated sales contract under which payment and handover 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	Property 3	Property 4
Name of properties to be acquired		Park Cube Oimachi Residence (Note 1)	Park Axis Toyocho Shinsui Koen (Note 1)	Park Axis Ofuna	Campus terrace Waseda
Investigations into the state of building	Consigned investigating company	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Sompo Risk Management Inc.	Tokio Marine & Nichido Risk Consulting Co., Ltd.	
	Investigation report date	June 15, 2020	September 10, 2020	November 10, 2020	November 10, 2020
	Urgent repair cost	–	–	–	–
	Short-term repair cost	–	–	–	–
	Repair and renewal costs expected to be necessary within 12 years	¥38,485 thousand	¥137,480 thousand	¥130,641 thousand	¥12,796 thousand
	Replacement value	¥1,413,900 thousand	¥2,508,000 thousand	¥1,308,500 thousand	¥441,200 thousand
Earthquake risk diagnosis	Consigned investigating company	Tokio Marine & Nichido Risk Consulting Co., Ltd.			
	Investigation report date	August 27, 2020	September 11, 2020	November 10, 2020	November 10, 2020
	PML value (Note 2)	4.0%	5.8%	14.8%	3.5%

(Note 1) The amounts of "Park Cube Oimachi Residence" and "Park Axis Toyocho Shinsui Koen" are the amounts for the entire property.

(Note 2) The report on earthquake risk diagnosis only states the views of the consigned investigating company and does not provide any guarantee of their appropriateness or accuracy 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 (10% chance of a big earthquake happening once every 50 years = a big earthquake which happens once every 475 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	Kiyotaka Fujibayashi, President & CEO	
Description of principal operations	Medium and high-rise housing, detached housing, rental housing, overseas business, urban redevelopment, reconstruction of apartments, commissioned	
Capital	¥40,000 million	
Date of establishment	December 26, 2005	
Net assets	Not disclosed	
Total assets	Not disclosed	
Major stockholders and shareholding ratio (As of March 31, 2020)	Stockholder name	Shareholding ratio
	Mitsui Fudosan Co., Ltd.	100.0%
Relationship between NAF or the investment trust management company, and the seller		
Capital relationships	The seller holds 3.21% of total NAF investment units issued as of August 31, 2020. 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.	
Business relationships	During the period ended August 31, 2020, NAF acquired 1 property from the seller. Other than this, as of August 31, 2020, there are no business relationships to report 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. 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.	

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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. (Note)	None
Property 1: Park Cube Oimachi Residence	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	—
Property 2: Park Axis Toyochō Shinsui Koen	Acquisition history, reason, etc.	Property 1: Property developed by ITOCHU Property Development, Ltd. and Mitsui Fudosan Residential Co., Ltd.	—
Property 3: Park Axis Ofuna		Property 2: Property developed by Mitsui Fudosan Co., Ltd. (Note)	
Property 4: Campus terrace Waseda		Properties 3 and 4: Properties developed by Mitsui Fudosan Residential Co., Ltd.	
	Acquisition price (including other costs)	—	—
	Acquisition time	—	—

(Note) Mitsui Fudosan Co., Ltd.'s rights and obligations in the rental housing business were succeeded by Mitsui Fudosan Residential Co., Ltd. as of October 1, 2015, through a company split.

6. Outlines of brokerage

Not applicable.

7. Transactions with related parties and the like

Since Mitsui Fudosan Residential Co., Ltd., which is the seller, corresponds to related parties and the like (see Note), the real estate sales contract with condition precedent 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.

Mitsui Fudosan Residential Lease Co., Ltd., which will be the master lease company and property management company for Property 1 to Property 3, corresponds to related parties and the like (see Note). Therefore, the master lease contract and property management contract will be 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.

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(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 Article 123 of the Order for Enforcement of the Act on Investment Trust and Investment Corporation.

8. Earthquake resistance matters

Property 1, Property 2 and Property 4 have received a structural calculation conformity judgment pursuant to the Building Standards Act as revised by the Act No. 92 of 2006.

NAF outsourced the inspection and verification of the details of earthquake-resistant structures, including structural calculation sheets, of Property 3, and for the building of the property to be acquired, obtained a view that structural calculation and structural drawings that ensure earthquake resistance as per the Building Standards Act have not been fabricated.

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 properties

As stated in “Notification Concerning Revision to Financial Results Forecasts for the Periods Ending February 28, 2021 and August 31, 2021” released today.

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10. Summary of appraisal report

Property 1: Park Cube Oimachi Residence

Appraised value	¥1,960,000 thousand (Note)
Appraisal company	Daiwa Real Estate Appraisal Co., Ltd.
Date of value appraisal	October 31, 2020

(Unit: Thousands of yen)

Item	Details (Note)	Summary, etc.
Value of earnings	1,910,000	Appraised 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)]	1,950,000	
(1) Operating revenues [(a)–(b)]	290,277	
(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.	15,511	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)]	46,183	
(c) Maintenance expenses	6,540	Posted based on amounts in the current contract.
(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. Furthermore, 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	9,896	Appraised based on making reference to levels at similar real estate.
(g) Tenant soliciting fees, etc.	8,502	Appraised based on levels at similar real estate, making reference to actual amounts of past fiscal years.
(h) Taxes and public dues	15,768	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)]	244,094	
(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)]	240,462	

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Item		Details (Note)	Summary, etc.
	(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	1,890,000	
	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	1,380,000	
	Land ratio	69.5%	
	Building ratio	30.5%	
	Market value of property to be acquired (30% of co-ownership)	1,910,000	
	Market value of property acquired (70% of co-ownership)	4,450,000	
	Market value assuming full ownership of one building	6,530,000	
	Incremental value	170,000	
	Allocation of the incremental value to property to be acquired	51,900	
	Limited value of property to be acquired (30% of co-ownership)	1,960,000	

Other items considered by the appraisal company in making the appraisal	This appraisal seeks "for marketable real estate, a value that fairly represents the market value of the acquired part of the property based on that market limitation in cases where the market is relatively limited by a discrepancy between the market value and the market value that would be generated under the same market concept as the normal value based on the merger of the property with other properties to be acquired," and the value to be sought is the limited value.
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(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 30% of the co-ownership to be acquired by NAF. The items other than those are the amounts for the entire property.

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Property 2: Park Axis Toyochō Shinsui Koen

Appraised value	¥4,391,000 thousand (Note)
Appraisal company	Japan Real Estate Institute
Date of value appraisal	October 31, 2020

(Unit: Thousands of yen)

Item	Details (Note)	Summary, etc.
Value of earnings	6,620,000	The value of earnings was calculated by income capitalization method upon relating the value of earnings of the direct capitalization method and the value of earnings of the discounted cash flow method.
Value calculated by the direct capitalization method [(4)÷(5)]	6,700,000	
(1) Operating revenues [(a)–(b)]	337,736	
(a) Potential gross revenue	351,573	Upon appraising the unit price level of rents, etc., that can be collected stably over the medium- to long-term, rental income and common service fees were posted.
(b) Vacancy loss, etc.	13,837	Upon appraising the stable occupancy rate levels over the medium- to long-term based on the status of past occupancies and future outlook, vacancy loss, etc., was posted.
(2) Operating expenses [(c)+(d)+(e)+(f)+(g)+(h)+(i)+(j)]	62,038	
(c) Maintenance expenses	6,826	Posted upon considering individual characteristics after making reference to the actual amounts of past fiscal years and the levels at similar real estate.
(d) Utilities expenses	3,000	Posted upon considering individual characteristics after making reference to the actual amounts of past fiscal years and the levels at similar real estate.
(e) Repair expenses	6,750	In addition to posting restoration costs based on the level, etc., of restoration costs normally incurred with tenant replacements, repair expenses were posted by making reference to the actual amounts of past fiscal years, etc.
(f) Property management fees	9,770	Posted upon considering remuneration rates at similar real estate and individual characteristics of relevant properties, by making reference to remuneration rates, etc., based on the terms and conditions of the contract.
(g) Tenant soliciting fees, etc.	14,332	Posted upon considering lease conditions of similar real estate, actual amounts of past fiscal years, average annual tenant turnover ratio, and occupancy rates, etc.
(h) Taxes and public dues	18,976	Posted from materials related to taxes and public dues.
(i) Property insurance fees	572	Posted upon considering insurance premiums, etc., based on the insurance contract.
(j) Other expenses	1,812	Posted town hall association fees, etc.
(3) Net operating income [(1)–(2)]	275,698	
(k) Earnings from temporary deposits	625	Investment yield was appraised as 1.0% upon considering the level of interest rates, etc., for both management and funding.
(l) Capital expenditures	8,470	Appraised upon considering capital expenditure levels on similar real estate, the age of the property, and the annual average cost of repairs and renewals in the engineering report.
(4) Net income [(3)+(k)–(l)]	267,853	
(5) Cap rate	4.0%	Appraised upon taking the standard cap rate in each district, adding/subtracting the spread attributable to the location conditions, etc., and considering future uncertainties as well as transaction yields, etc., of similar real estate.

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Item	Details (Note)	Summary, etc.
Value calculated by discounted cash flow method	6,540,000	
Discount rate	3.7%	Appraised upon comprehensively considering the individual characteristics, making reference to investment yield, etc., of similar real estate.
Terminal cap rate	4.2%	Appraised after comprehensively considering the future trends of investment yield, making reference to transaction yields, etc., of similar real estate.
Cost method value	6,320,000	
Land ratio	70.9%	
Building ratio	29.1%	
Market value of property to be acquired (65% of co-ownership)	4,300,000	
Market value of property acquired (35% of co-ownership)	2,320,000	
Market value assuming full ownership of one building	6,760,000	
Incremental value	140,000	
Allocation of the incremental value to property to be acquired	91,000	
Limited value of property to be acquired (65% of co-ownership)	4,391,000	

Other items considered by the appraisal company in making the appraisal	This appraisal seeks a value that fairly represents the market value of the property based on that market limitation in cases where the market is relatively limited by a discrepancy between the market value and the market value that would be generated in a market that meets the conditions considered reasonable under actual socioeconomic conditions and the value to be sought is the limited value.
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(Note) "Appraised value," is the amount equivalent to 65% of the co-ownership to be acquired by NAF. The items other than those are the amounts for the entire property.

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Property 3: Park Axis Ofuna

Appraised value	¥2,320,000 thousand
Appraisal company	JLL Morii Valuation & Advisory K.K.
Date of value appraisal	October 31, 2020

(Unit: Thousands of yen)

Item	Details	Summary, etc.
Value of earnings	2,320,000	Calculated making correlation to the value of earnings found by the discounted cash flow method and the value of earnings found by the direct capitalization method.
Value calculated by the direct capitalization method [(4)÷(5)]	2,350,000	
(1) Operating revenues [(a)-(b)]	158,449	
(a) Potential gross revenue	170,751	Appraised based on medium- and long-term stable rental income, etc. based on current condition, etc.
(b) Vacancy loss, etc.	12,302	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)]	35,865	
(c) Maintenance expenses	6,374	Appraised based on actual records making reference to levels at similar real estate.
(d) Utilities expenses	3,449	
(e) Repair expenses	5,678	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	6,424	The contract to be concluded is deemed reasonable and applied, making reference to levels at similar real estate.
(g) Tenant soliciting fees, etc.	5,173	Appraised by taking into account local practice and the evacuation rate of the subject real estate.
(h) Taxes and public dues	7,909	Appraised by considering the fluctuation rate and annual depreciation, etc. based on actual amounts.
(i) Property insurance fees	315	The amount is posted assuming the presented materials to be appropriate.
(j) Other expenses	543	Posted other operating expenses.
(3) Net operating income [(1)-(2)]	122,584	
(k) Earnings from temporary deposits	230	Appraised by deducting the amount equivalent to vacancy from the amount of the security deposit at the time of full occupancy, multiplied by a 1.0% yield.
(l) Capital expenditures	7,621	Posted 70% of a standardized amount assuming the estimate in the engineering report to be appropriate.
(4) Net income [(3)+(k)-(l)]	115,193	
(5) Cap rate	4.9%	Appraised by considering the income and capital fluctuation risk in addition to the discount rate.
Value calculated by discounted cash flow method	2,280,000	
Discount rate	4.7%	Appraised by comprehensively taking into account overall transaction market trends, etc. after considering risk factors of location and individual characteristics of the subject real estate as well as standard cap rate.
Terminal cap rate	5.1%	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.

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Cost method value	1,610,000	
Land ratio	63.3%	
Building ratio	36.7%	

Other items considered by the appraisal company in making the appraisal	—
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Property 4: Campus terrace Waseda

Appraised value	¥1,870,000 thousand
Appraisal company	JLL Morii Valuation & Advisory K.K.
Date of value appraisal	October 31, 2020

(Unit: Thousands of yen)

Item	Details	Summary, etc.
Value of earnings	1,870,000	Calculated making correlation to the value of earnings found by the discounted cash flow method and the value of earnings found by the direct capitalization method.
Value calculated by the direct capitalization method [(4)÷(5)]	1,900,000	
(1) Operating revenues [(a)-(b)]	Not disclosed	(Note)
(a) Potential gross revenue		
(b) Vacancy loss, etc.		
(2) Operating expenses [(c)+(d)+(e)+(f)+(g)+(h)+(i)+(j)]	Not disclosed	(Note)
(c) Maintenance expenses		
(d) Utilities expenses		
(e) Repair expenses		
(f) Property management fees		
(g) Tenant soliciting fees, etc.		
(h) Taxes and public dues		
(i) Property insurance fees		
(j) Other expenses		
(3) Net operating income [(1)-(2)]	78,370	
(k) Earnings from temporary deposits	Not disclosed	(Note)
(l) Capital expenditures		
(4) Net income [(3)+(k)-(l)]	77,763	
(5) Cap rate	4.1%	Appraised by considering the income and capital fluctuation risk in addition to the discount rate.
Value calculated by discounted cash flow method	1,830,000	
Discount rate	3.9%	Appraised by comprehensively taking into account overall transaction market trends, etc. after considering risk factors of location and individual characteristics of the subject real estate as well as standard cap rate.
Terminal cap rate	4.3%	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	1,190,000	
Land ratio	61.5%	
Building ratio	38.5%	

Other items considered by the appraisal company in making the appraisal	—
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(Note) Not disclosed as the consent from the lessee regarding the disclosure has not been obtained.

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< Attached Documents >

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

NAF's website: <https://www.naf-r.jp/english/>

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< Attached Document 1 >

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

Total Planned Acquisition Price	¥328,240 million
Number of Investment Properties	131 properties
Total Rentable Units (including retail units)	12,957 units

Proportion of Investment by Asset

	Planned Acquisition Price (Note 1)	Portfolio Share (Note 2)
Rental Apartments	¥310,541 million	94.6%
Hospitality Facilities	¥17,699 million	5.4%
Grand Total	¥328,240 million	100.0%

Proportion of "Rental Apartments" by Area

	Planned Acquisition Price (Note 1)	Portfolio Share (Note 3)
Tokyo 23 Wards	¥273,560 million	88.1%
Greater Tokyo (Note 4)	¥14,426 million	4.6%
Other Major Cities (Note 5)	¥22,555 million	7.3%
Total of "Rental Apartments"	¥310,541 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:

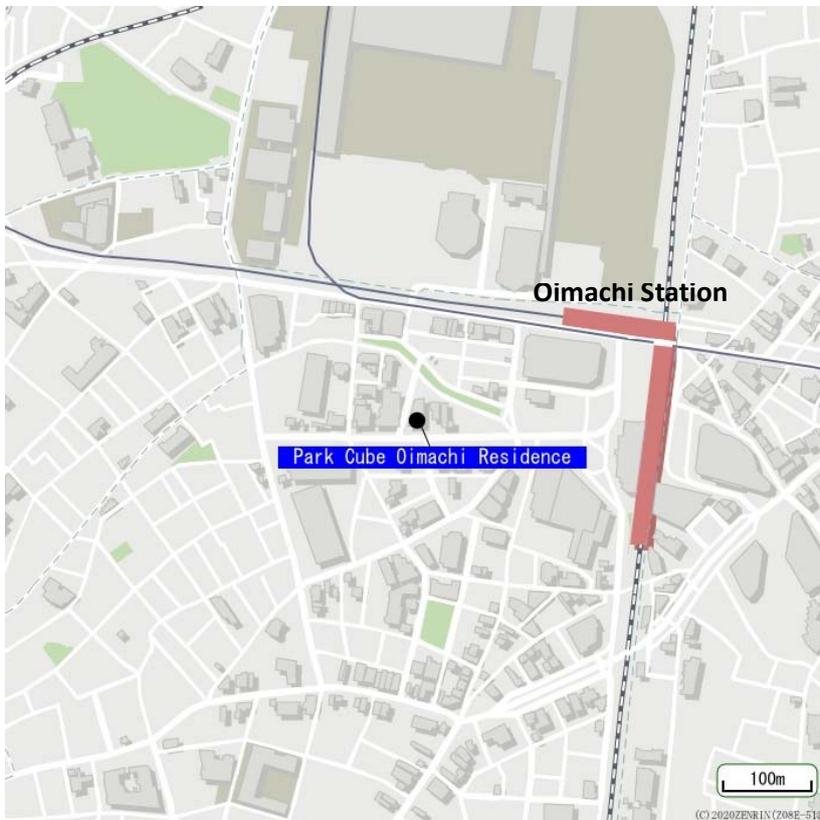
<https://www.naf-r.jp/portfolio/5-1.html>

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< Attached Document 2 >

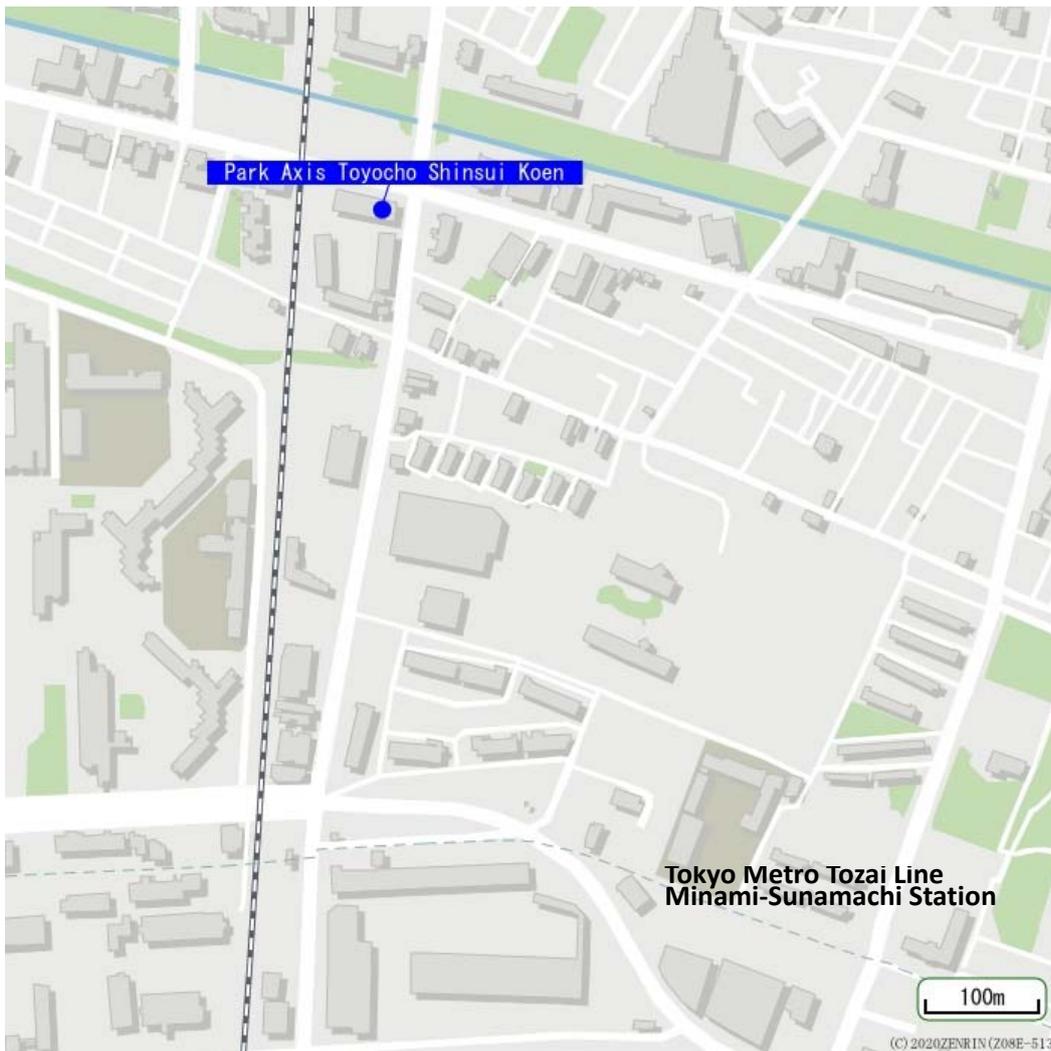
Photo of the property to be acquired and map of the area

Property 1: Park Cube Oimachi Residence



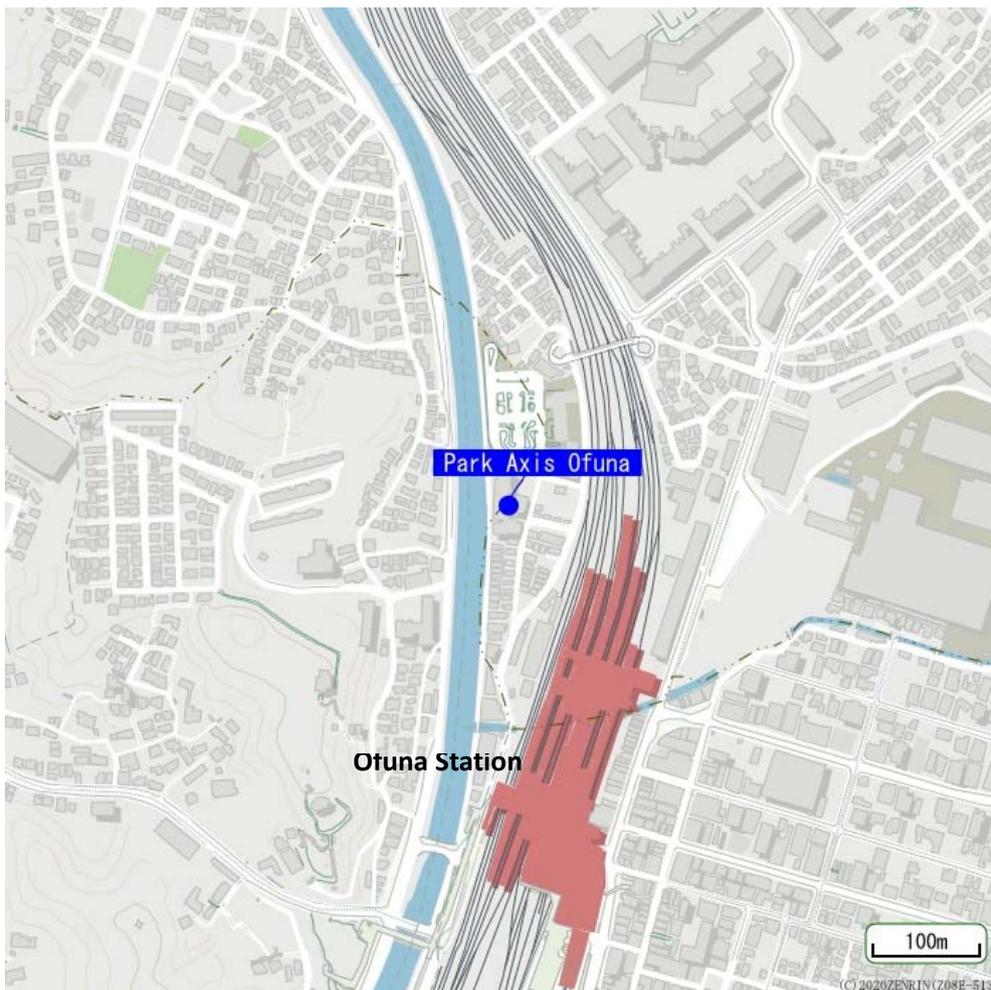
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Property 2: Park Axis Toyochō Shinsui Koen



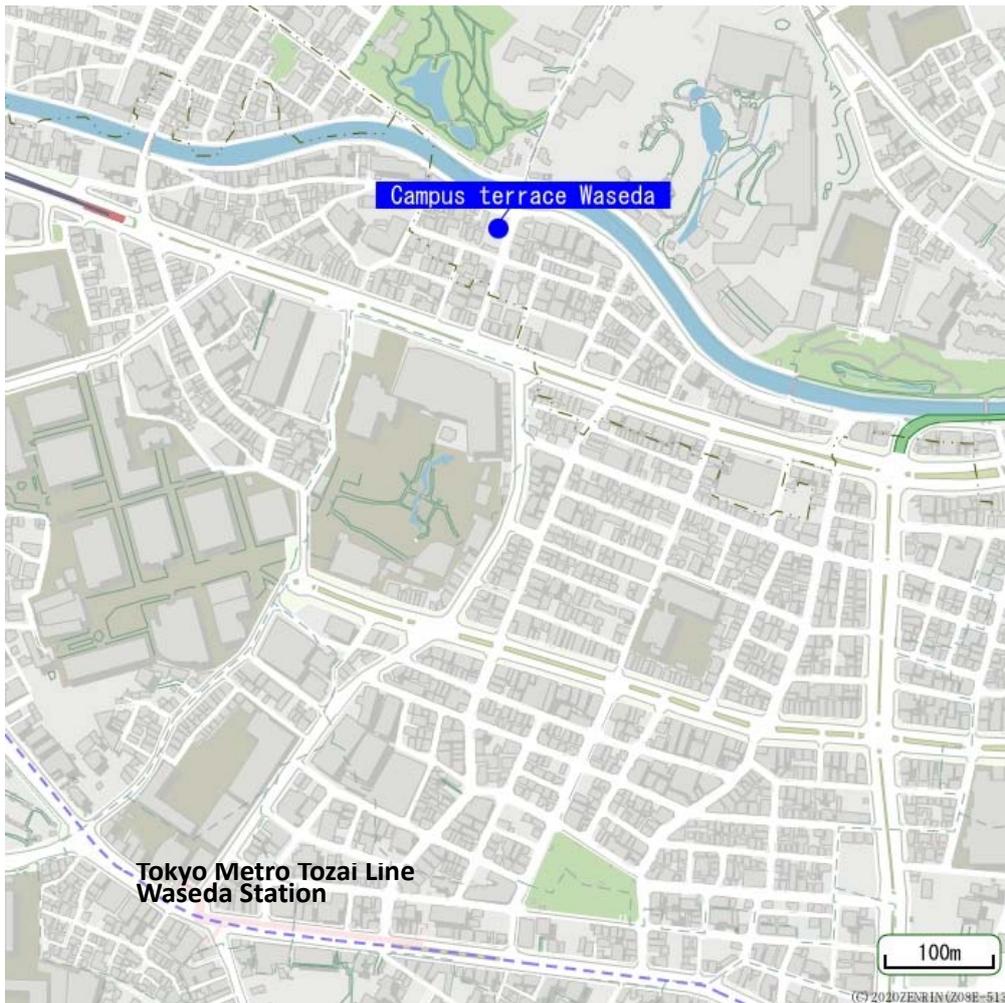
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Property 3: Park Axis Ofuna



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Property 4: Campus terrace Waseda



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