

August 8, 2019

To All Concerned Parties

Issuer of Real Estate Investment Trust Securities:  
Nippon Accommodations Fund Inc.  
Takashi Ikeda, Executive Director  
(TSE Code: 3226)  
Investment Trust Management Company:  
Mitsui Fudosan Accommodations Fund  
Management Co., Ltd.  
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**Notification Concerning Sale of Domestic Real Estate Property**  
**(Park Axis Esaka Hiroshibacho)**

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

1. Reason for the Sale

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

The sale price for the Sale surpasses the book value of the property, and thus unrealized gain is likely to be incurred. NAF plans to internally reserve part of gain from the Sale as reserve.

2. Overview of the Sale

(1)	Name of property sold	Park Axis Esaka Hiroshibacho
(2)	Type of property sold (Note 1)	Real estate
(3)	Sale price (Note 2)	¥3,089,000 thousand
(4)	Book value	¥2,106,212 thousand (as of February 28, 2019)
(5)	Differences between sale price and book value	¥982,787 thousand
(6)	Appraised value (Note 3)	¥2,650,000 thousand
(7)	Date of conclusion of sale contract	August 8, 2019
(8)	Date of handover	August 8, 2019
(9)	Buyer	Not disclosed (Note 4)
(10)	Settlement	Lump sum settlement at time of handover
(11)	Use of proceeds	Future acquisitions of properties, repayment of borrowings, payment for repairs and maintenance, working funds, etc.

(Note 1) As to the property sold, NAF sold trust beneficiary interests of which trust property is the property sold after entrusting the sold property to the trustee as of today.

(Note 2) “Sale price” denotes the trading value (exclusive of miscellaneous expenses, fixed property taxes, urban planning taxes, consumption taxes, and local consumption taxes) specified in the trust beneficiary interest sale contract for the property sold.

(Note 3) “Appraised value” is based on the amount mentioned in the real estate appraisal report (date of value appraisal: February 28, 2019) which Daiwa Real Estate Appraisal Co., Ltd. prepared for the property sold.

(Note 4) Not disclosed as consent from the buyer has not been obtained.

### 3. Outline of the property sold

Name of property sold		Park Axis Esaka Hiroshibacho
Type of property sold (Note 1)		Real estate
Appraisal company		Daiwa Real Estate Appraisal Co., Ltd.
Appraisal value upon sale (Note 2)		¥2,650,000 thousand
Date of value appraisal (Note 2)		February 28, 2019
Location	Residence indication	6-26 Hiroshibacho, Suita-shi, Osaka
Land	Building-to-land ratio (Note 3)	80%
	Floor-area ratio (Note 3)	400%
	Zoning	Commercial district
	Site area (Note 4)	1,180.69 m <sup>2</sup>
	Ownership form	Proprietorship (percentage of right of site: 100%)
Building	Completion date (Note 5)	September 28, 2009
	Structure / Number of stories (Note 6)	Flat-roofed reinforced concrete structure / 14 stories
	Use (Note 6)	Apartment building, parking lot, garbage disposal site
	Gross floor area (Note 6)	4,899.88 m <sup>2</sup>
	Ownership form	Proprietorship (unit ownership interest: 100%)
	Rentable units	130
	Rentable area	4,309.24 m <sup>2</sup>

Details of tenants (Note 7)	Total number of tenants	1
	Rentable units	130
	Rented units	121
	Rentable area	4,309.24 m <sup>2</sup>
	Rented area	4,014.04 m <sup>2</sup>
	Occupancy Rate	93.1%
	Deposit / Security deposit	¥17,964 thousand
	Monthly rental revenue	¥13,073 thousand

(Note 1) As to the property sold, NAF sold trust beneficiary interests of which trust property is the property sold after entrusting the property sold to the trustee as of today.

(Note 2) "Appraisal value upon sale" and "Date of value appraisal" are based on the description in the real estate appraisal report which Daiwa Real Estate Appraisal Co., Ltd. prepared for the property sold.

(Note 3) "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 4) "Site area" denotes the land area included in the register

(Note 5) "Completion date" of the building denotes the date included in the register.

(Note 6) "Structure / Number of stories," "use," and "gross floor area" are based on the description in the register.

(Note 7) Explanation on "details of tenants"

(i) "Total number of tenants" is entered as 1 since a master lease agreement (bulk lease agreement) is concluded with Mitsui Fudosan Residential Lease Co., Ltd. as the master lease company.

(ii) "Rentable units" denotes the number of units that can be rented.

(iii) Figures for "Rented units," "Rented area," and "Deposit / Security deposit" are based on information valid as of June 30, 2019.

(iv) "Rentable area" denotes the total area of the building that can be rented within the property sold.

(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 the total monthly rent indicated in the lease agreement concluded between the master lease company and end tenant as of June 30, 2019 (including common service fees and excluding usage fees of attached facilities such as parking lot and trunk room). Amounts are rounded down to the nearest thousand yen and do not include consumption tax.

#### 4. Outline of buyer

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

#### 5. Outline of brokerage

##### (1) Outline of broker

Name	Mitsui Fudosan Realty Co., Ltd.
Address	3-2-5, Kasumigaseki, Chiyoda-ku, Tokyo
Representative	Yasuhiko Yamashiro, President and Chief Executive Officer
Description of principal operations	Real estate brokerage services, parking lot business, etc.
Capital	¥20,000 million
Date of establishment	July 15, 1969
Relationship with NAF or the investment trust management company	
Capital relationships	There are no capital relationships between NAF and the broker. The broker is a subsidiary (100%) of Mitsui Fudosan Co., Ltd., the parent company of the investment trust management company.
Personnel relationships	There are no personnel relationships between NAF or the investment trust management company and the broker.
Business relationships	The broker has brokered NAF's property acquisition deals in the period ending August 2019. In addition, it has concluded a parking lot lease agreement, service agreement, etc. with NAF. Other than the above, there are no business relationships to report between NAF or the investment trust management company and the broker.
Applicability to related parties	The broker does not fall under the category of related parties of NAF. Furthermore, the broker is a subsidiary (100%) of Mitsui Fudosan Co., Ltd., the parent company of the investment trust management company, and thus falls under the category of related parties of the investment trust management company.

##### (2) Amount of brokerage fee

¥61,780 thousand (Excluding consumption taxes and local consumption taxes)

#### 6. Transactions with related parties and the like

Since Mitsui Fudosan Realty Co., Ltd., the broker, corresponds to related parties and the like (Note 1), the conclusion of the agreement on the brokerage (Note 2) 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 1) "Related parties and the like" means related parties and the like of an investment trust management company which has concluded an asset management agreement with NAF, as determined in the Order for Enforcement of the Act on Investment Trust and Investment Corporation, Article 123.

(Note 2) The agreement on the brokerage means a private placement handling service agreement concerning handling of issuance of trust beneficiary interests.

#### 7. Outlook for management after the Sale

The outlook for NAF's financial results for the period ending August 31, 2019 (27th Period) taking into account the impact of the Sale is as described in "Notification Concerning Revision to Financial Results Forecast for the Period Ending August 31, 2019 (27th Period)" dated today. The impact of the Sale on NAF's financial results for the period ending February 29, 2020 (28th Period) is minimal, and there is no change to the financial results forecast for the period.

## 8. Summary of appraisal report

Appraised value	¥2,650,000 thousand
Appraisal company	Daiwa Real Estate Appraisal Co., Ltd.
Date of value appraisal	February 28, 2019

(Unit: thousands of yen)

Item	Details	Summary, etc.
Value of earnings	2,650,000	Calculated judging the value of earnings found by the discounted cash flow method 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)]	2,690,000	
(1) Operating revenues [(a)-(b)]	181,241	
(a) Potential gross revenue	192,217	Appraised based on medium- and long-term stable rental income, etc. based on current condition, etc.
(b) Vacancy loss, etc.	10,976	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)]	42,289	
(c) Maintenance expenses	7,227	Appraised based on the agreed amount.
(d) Utilities expenses	1,877	Utilities expenses are appraised to be ¥120 per month per tsubo of rentable area.
(e) Repair expenses	10,240	Repair expenses are appraised based on the 12-year-period average repair expenses stated in the engineering report. Tenant replacement expenses are appraised by appraising maintenance expenses for rental rooms arising upon move-outs of lessees and considering the turnover rate.
(f) Property management fees	5,991	Posted the amount equivalent to 3.5% of rental revenues, etc. based on the fee rates, etc. at similar real estate.
(g) Tenant soliciting fees, etc.	5,970	Posted 1.5-month equivalent of fees for newly moving-in tenants, making reference to fees at similar real estate.
(h) Taxes and public dues	10,042	Posted after an appraisal based on the actual amount for fiscal 2018.
(i) Property insurance fees	314	Posted assuming the estimated amount to be appropriate.
(j) Other expenses	625	As discretionary reserve, other expenses are appraised to be ¥40 per month per tsubo of rentable area based on actual records of past fiscal years.
(3) Net operating income [(1)-(2)]	138,952	
(k) Earnings from temporary deposits	124	Investment yield is appraised to be 1.0%.
(l) Capital expenditures	12,522	Capital expenditures are appraised based on the 12-year-period average renewal expenses stated in the engineering report. Furniture/home appliance renewal expenses, etc. are appraised to be ¥84,000 per furnished unit.
(4) Net income [(3)+(k)-(l)]	126,554	
(5) Cap rate	4.7%	With the cap rate for real estate with similar use located in a lowest-risk area as the standard, appraised by adding/subtracting the spread attributable to the location and other conditions of the subject real estate, making reference to the cap rate of real estate in the same supply and demand areas, etc.
Value calculated by the discounted cash flow method	2,630,000	
Discount rate	4.5%	Appraised using the comparison with discount rates of transactions of similar real estate and yields of other financial instruments, etc.

	Terminal cap rate	4.9%	Appraised taking into account the marketability, etc. of the subject real estate at the end of the holding period subject to the cap rate.
Cost method value		1,650,000	
	Land ratio	40.2%	
	Building ratio	59.8%	
Other items considered by the appraisal company in making the appraisal			—

• 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 Document> Portfolio status after the Sale

Total Acquisition Price	¥309,723 million
Number of Investment Properties	126 properties
Total Rentable Units (including retail units)	12,351 units

#### Proportion of Investment in Assets

	Acquisition Price (Note 1)	Portfolio Share (%) (Note 2)
Rental Apartments	¥293,834 million	94.9%
Hospitality Facilities	¥15,889 million	5.1%
Grand Total	¥309,723 million	100.0%

#### Proportion of "Rental Apartments" by Area

	Acquisition Price (Note 1)	Portfolio Share (%) (Note 3)
Tokyo 23 Wards	¥258,953 million	88.1%
Greater Tokyo (Note 4)	¥12,326 million	4.2%
Other Major Cities (Note 5)	¥22,555 million	7.7%
Total of "Rental Apartments"	¥293,834 million	100.0%

(Note 1) "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 acquisition price.

(Note 3) The figure indicates the percentage of Rental Apartments by area to the total 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>