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To All Concerned Parties

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Notification Concerning Submission of Revised Shelf Registration Statement for Issuance of Green Bonds

Nippon Accommodations Fund Inc. (“NAF”) hereby provides notice of its submission today of a revised shelf registration statement for issuance of green bonds (unsecured investment corporation bonds) (the “Green Bonds”).

1. Content of the revised shelf registration statement for issuance of the Green Bonds

NAF today submitted a revised shelf registration statement of investment corporation bonds to the Director-General of the Kanto Local Finance Bureau to enable issuance of the Green Bonds. NAF plans to appoint SMBC Nikko Securities Inc. (the green bond structuring agent) (Note), Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and Mizuho Securities Co., Ltd. as lead managers to consider the viability of issuance and the terms of issuance such as interest rates of the Green Bonds and perform other tasks in the issuance of the Green Bonds.

NAF plans to apply all of the proceeds from the Green Bonds to fund the acquisition of eligible green asset (described in “3. Outline of the green finance framework” below) and to make repayments of loans or bonds taken out to acquire eligible green asset.

(Note) “Green bond structuring agent” refers to a party that supports the issuance of green bonds by advising on formulation of a green bond framework and on obtaining second-party opinions, among other ways.

2. Purpose and background of issuance of the Green Bonds

As the asset management company for NAF, Mitsui Fudosan Accommodations Fund Management Co., Ltd. (the “Asset Management Company”), in recognition of the importance of initiatives for sustainability including environmental and social considerations for carrying out asset management activities, established a “Sustainability Policy” in April 2016, under which it strives to achieve asset management activities giving consideration to reduction of environmental load and diversified affiliations and collaborations with various internal and external stakeholders, in line with the “Group Environmental Policy” and “Policy for Social Contribution Initiatives” established by the Mitsui Fudosan Group, NAF’s sponsor.

As part of these initiatives, proactive efforts are also underway at NAF for acquisition of environmental certification, such as DBJ Green Building Certification (a certification program for real estate properties with high environmental and social awareness by Development Bank of Japan Inc. (DBJ)), in addition to such activities as “promoting energy saving and reduction of CO₂ emissions” and “preserving water environment and promoting resource saving and waste reduction.”

NAF has been selected as a “Sector Leader (Residential, Multi-family)” in Asia in the 2019 GRESB Real Estate Assessment in high recognition of its initiatives for environmental consideration and sustainability.

NAF is conducting this submission of a revised shelf registration statement with the aim of strengthening the funding base by expanding the group of investors interested in ESG investment and financing, along with

promoting initiatives for sustainability even further, by procuring funds through the Green Bonds.

NAF's procuring of funds through green finance is also thought to contribute to "promoting energy saving and reduction of CO₂ emissions" that has been set as one of the material issues of sustainability to be addressed.

3. Outline of the green finance framework

For implementation of green finance including issuance of the Green Bonds, NAF has formulated a green finance framework in line with the Green Bond Principles (Note 1) 2018, the Green Bond Guidelines 2020 (Note 2), the Green Loan Principles (Note 3) 2018, and the Green Loan and Sustainability Linked Loan Guidelines 2020 (Note 4).

(Note 1) "Green Bond Principles" refers to the guidelines for green bond issuance formulated by the Green Bond Principles Executive Committee, a non-government organization for which the International Capital Market Association (ICMA) serves as secretariat, and are hereinafter referred to as the "Green Bond Principles."

(Note 2) "Green Bond Guidelines 2020" refers to the guidelines formulated and published in March 2017 and revised in March 2020 by the Ministry of the Environment of Japan. The Guidelines, in accordance with the Green Bond Principles, seek to provide market participants with illustrative examples of specific approaches and interpretations tailored to the Japanese market to aid with decision-making regarding green bonds, thereby spurring green bond issuances and investments in Japan. The Guidelines are hereinafter referred to as the "Green Bond Guidelines."

(Note 3) "Green Loan Principles" refers to the guidelines for loans made available exclusively for use on green projects formulated by the Loan Market Association (LMA) and the Asia Pacific Loan Market Association (APLMA), and are hereinafter referred to as the "Green Loan Principles."

(Note 4) "Green Loan and Sustainability-Linked Loan Guidelines 2020" refers to the guidelines formulated and published in March 2020 by the Ministry of the Environment of Japan. The Guidelines, in accordance with the Green Loan Principles for green loans, seek to provide borrowers, lenders and other market participants with illustrative examples of specific approaches and interpretations tailored to the Japanese market to aid with decision-making regarding green loans, thereby spurring utilization of green loans in Japan.

(1) Use of proceeds from green finance

NAF plans to apply the proceeds from green finance to the funds for acquisition of eligible green assets (described in "(2) Eligibility criteria" below), and the funds for repayment of existing loans or redemption of investment corporation bonds that were procured for acquisition of the assets.

(2) Eligibility criteria

Assets for which any of the following certifications from a third-party certification body ("green building certification") has been or will be obtained ("eligible green assets")

- DBJ Green Building Certification: 3 Stars, 4 Stars or 5 Stars
- BELS Certification: 3 Stars, 4 Stars or 5 Stars
- Certification for CASBEE for Real Estate: B+ , A or S Rank
- Other green building certification: Rating of an equivalent level to the above

(3) Process for project evaluation and selection

The eligibility criteria are drafted by the Sustainability Promotion Office (the "Office"), which is made up of members from across the Asset Management Company, and decided at the Investment Committee, the members of which include the President & CEO, the Chief Investment Officer (CIO) and the Chief Financial Officer (CFO) of the Asset Management Company.

Green finance projects are selected through examination of eligibility carried out by the Office based on the eligibility criteria followed by deliberation and approval by the Investment Committee.

(4) Management of proceeds

The amount of debt calculated by multiplying total acquisition price of eligible green assets in NAF's portfolio by the ratio of interest-bearing debt to total assets ("amount of eligible green debt") will be set as the upper limit amount for green finance and managed so that the balance of green finance does not exceed the amount of eligible green debt.

(5) Reporting

The following items will be disclosed on the NAF website in the information as at the end of February of each year so long as the balance of green finance is outstanding.

- Total acquisition price of eligible green assets
- Ratio of interest-bearing debt to total assets
- Amount of eligible green debt
- Balance of green finance outstanding

The following items will also be disclosed on the NAF website each year so long as the balance of green finance is outstanding.

- Status of acquisition of green building certification (number of properties, floor area and ratio of acquisition (floor area basis))
- Each eligible green asset's property name, and certification type, rating and certification (renewal) date of green building certification
- Energy (electricity) consumption volume and intensity
- Energy-originated CO₂ emissions volume and intensity
- Water consumption volume and intensity

4. External review

For eligibility of the green finance framework, NAF has been assigned "Green 1 (F)," the highest evaluation grade in the JCR Green Finance Framework Evaluation by Japan Credit Rating Agency, Ltd. (JCR). For the content and other details of the JCR Green Finance Framework Evaluation, please refer to the following website.

JCR Green Finance Framework Evaluation: <https://www.jcr.co.jp/en/greenfinance/>

Furthermore, as an issuance supporter under the Ministry of the Environment of Japan's Fiscal 2020 Financial Support Programme for Green Bond Issuance (Note 5), JCR has received the notification of decision to grant the subsidy from the Green Finance Organization, making the assignment of third-party evaluation of the green finance framework of NAF eligible for grant of the subsidy.

(Note 5) "Financial Support Programme for Green Bond Issuance" refers to a program providing subsidies for the expenses required by those who support companies, municipalities and other bodies who seek to issue green bonds, etc. in the form of granting external reviews, consultation on establishing a green bond or other framework, etc. The requirements for green bonds, etc. to be eligible are that the proceeds are exclusively applied to green projects and that all of the following requirements are met at the time of issuance.

- (1) One of the following criteria is met at the time of issuance of green bonds, etc.:
 1. Contributes mainly to domestic decarbonization (renewable energy, energy efficiency, etc.)
 - Projects for which an equivalent amount or more than half of the procured amount, or of which an equivalent number or more than half of the number of projects target domestic, decarbonization-related projects
 2. Has high effects on decarbonization and vitalization of local economy
 - Decarbonization effects: Those whose subsidy amount per ton of domestic CO₂ reduction is less than the specified amount
 - Effects on vitalization of local economy: Projects that are expected to contribute to vitalization of local economy as part of the ordinance and plan, etc. decided by the municipality, projects for which investment by municipalities can be anticipated, etc.
- (2) Compliance of the green bond or other framework with the Green Bond Guidelines has been confirmed by an external review organization before issuance
- (3) Not a so-called "green-wash bond"

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

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