

December 26, 2016

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 Nobumi Tobari
(Code Number 3226)

Investment Trust Management Company
Mitsui Fudosan Accommodations Fund Management Co., Ltd.
President and CEO Tateyuki Ikura
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Notification Concerning Sale of Domestic Real Estate Trust Beneficiary Interest

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 sale of a real estate trust beneficiary interest in Japan and completed the sale as shown below.

1. Reason for Sale

NAF has decided the sale of the property after comprehensively considering the composition of the portfolio and trends in the real estate market, etc.

2. Overview of Sale

(1) Name of property sold	Park Axis Shibuya
(2) Type of property sold	Trust beneficiary interest
(3) Sales price (Note 1)	¥1,270,000 thousand
(4) Book value	¥1,213,822 thousand (as of August 31, 2016)
(5) Differences between sale price and book value	¥56,177 thousand
(6) Appraised value (Note 2)	¥1,150,000 thousand
(7) Date of conclusion of sales contract	December 26, 2016
(8) Date of handover	December 26, 2016
(9) Buyer	Not disclosed (Note 3)
(10) Settlement	Lump sum settlement at time of handover

(Note 1) "Sales 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 sales contract for the property sold.

(Note 2) "Appraised value" is based on the amount mentioned in the real estate appraisal report (price as of August 31, 2016) which Morii Appraisal & Investment Consulting, Inc., prepared for the property sold.

(Note 3) Not disclosed as the consent from the buyer has not been obtained.

3. Outline of the property sold

Name of property sold		Park Axis Shibuya
Type of property sold		Trust beneficiary interest
Trustee		Sumitomo Mitsui Trust Bank, Limited
Trust period		From December 12, 2003 to December 31, 2023
Appraisal company		Morii Appraisal & Investment Consulting, Inc.
Appraised value (Note 1)		¥1,150,000 thousand
Date of value appraisal (Note 1)		August 31, 2016
Location	Residence indication	4-7 Shibuya 1-chome, Shibuya-ku, Tokyo
Land	Building-to-land ratio (Note 2)	80%
	Floor-area ratio (Note 2)	500%
	Zoning	Commercial district
	Site area (Note 3)	340.85m ²
	Ownership form	Proprietorship
Building	Completion date (Note 4)	April 25, 2003
	Structure / Number of stories (Note 5)	Flat-roofed reinforced concrete structure / 10 stories
	Uses (Note 5)	Apartment building
	Gross floor area (Note 5)	1,194.78m ²
	Ownership form	Proprietorship
	Rentable units	20
	Rentable area	1,094.28m ²

Details of tenants (Note 6)	Total number of tenants	1
	Total rental revenues	¥5,225 thousand
	Rentable units	20
	Rented units	20
	Rentable area	1,094.28m ²
	Rented area	1,094.28m ²
	Occupancy rate	100.0%
	Deposit / Security deposit	¥15,898 thousand

(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 property sold.

(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) Explanation on "details of tenants"

- (i) "Total number of tenants" is denoted as 1 tenant because, as to the property sold, NAF has concluded a master lease contract (blanket lease contract) with Mitsui Fudosan Residential Lease Co., Ltd as the master lease company.
- (ii) "Total rental revenues" denotes the monthly rent under the lease contract (total of housing rent and common service fees, excluding parking fees) concluded as of November 30, 2016.
- (iii) "Rentable units" denotes the number of units that can be rented within the property sold.
- (iv) Figures for "Rented units" and "Rented area" and "Deposit / Security deposit" are based on information valid as of November 30, 2016.
- (v) "Rentable area" denotes the total area of the building that can be rented within the property sold.
- (vi) "Occupancy rate" denotes the ratio of the "rented area" against the "rentable area" and the figures are rounded to one decimal place.

4. Outline of Buyer

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

5. Outline of brokerage

Not applicable.

6. Outlook for management after sale of the property

The impact of the sale of the property on NAF's financial results for the period ending February 28, 2017 (22nd Period: September 1, 2016 to February 28, 2017) is minimal, and there is no change to the financial results forecast for the period.

Part of the capital gains resulting from the sale of the property is planned to be internally reserved as a reserve.

The funds gained from the sale of the property is planned to be allocated to future acquisitions of properties, repayment of borrowings, payment for repairs and maintenance, working funds, etc.

7. Summary of appraisal report

Appraised value	¥1,150,000 thousand	
Appraisal company	Morii Appraisal & Investment Consulting, Inc.	
Date of value appraisal	August 31, 2016	
(Unit: Thousands of yen)		
Item	Details	Summary, etc.
Value of earnings	1,150,000	Calculated making correlation to the value of earnings found by the DCF method and the value of earnings found by the direct capitalization method.
Value calculated by the direct capitalization method [(4)÷(5)]	1,170,000	
(1) Operating revenues [(a)–(b)]	63,106	
(a) Potential gross revenue	66,282	Appraised based on medium- and long-term stable rental income, etc. based on current condition, etc.
(b) Vacancy loss, etc.	3,176	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)]	13,506	
(c) Maintenance expenses	2,796	Appraised based on actual records making reference to levels at similar real estate.
(d) Utilities expenses	715	
(e) Repair expenses	1,652	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 based on the standardized amount of the estimate in the engineering report.
(f) Property management fees	2,494	Appraised making reference to levels at similar real estate.
(g) Tenant soliciting fees, etc.	2,647	Appraised taking into account local practice and the evacuation rate of the subject real estate.
(h) Taxes and public dues	2,700	For the land, appraised based on actual amount considering the fluctuation rate. For the building, appraised by considering annual depreciation. For depreciable assets, appraised based on actual amounts considering the annual depreciation, etc.
(i) Property insurance fees	60	
(j) Other expenses	442	Internet usage fees and CATV.

(3) Net operating income [(1)-(2)]		49,600	
	(k) Earnings from temporary deposits	302	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 2.0%.
	(l) Capital expenditures	2,039	Posted based on the standardized amount of the estimate in the engineering report.
(4) Net income [(3)+(k)-(l)]		47,863	
(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		1,120,000	
	Discount rate	3.9%	Appraised comprehensively taking into account market trends, etc. after considering risk factors of location/individual characteristics of the subject real estate as well as standard cap rate of real estate standing in an area judged to have the lowest risk.
	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		893,000	
Land ratio		87.5%	
Building ratio		12.5%	
Other items considered by the appraisal company in making the appraisal		—	

- * Japanese original document was distributed to press clubs within the 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's website: <http://www.naf-r.jp/english/>

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 list after the sale of the property is completed (on an acquisition price basis)

<Attached Document> Portfolio list after the sale of the property is completed (on an acquisition price basis)

1. Rental Apartments

	Name	Location	Acquisition price (millions of yen) (Note 1)	Portfolio share (%) (Note 2)
	Okawabata Apartment Communities	Chuo-ku, Tokyo	30,816	10.4
	Park Axis Gakugei Daigaku	Setagaya-ku, Tokyo	1,760	0.6
	Park Axis Shibuya Jinnan	Shibuya-ku, Tokyo	3,230	1.1
	Park Axis Aoyama Kotto Dori	Minato-ku, Tokyo	1,730	0.6
	Park Axis Kagurazaka Stage	Shinjuku-ku, Tokyo	1,400	0.5
	Park Axis Shirokanedai	Minato-ku, Tokyo	5,140	1.7
	Park Axis Bunkyo Stage	Bunkyo-ku, Tokyo	4,440	1.5
	Park Axis Tsukishima	Chuo-ku, Tokyo	930	0.3
	Park Axis Otsuka	Toshima-ku, Tokyo	1,655	0.6
	Park Axis Minami Azabu	Minato-ku, Tokyo	3,939	1.3
	Park Axis Nihonbashi Stage	Chuo-ku, Tokyo	7,557	2.5
	Park Axis Hamamatsucho	Minato-ku, Tokyo	2,025	0.7
	Park Axis Hongo no Mori	Bunkyo-ku, Tokyo	2,910	1.0
	Park Axis Tameike Sanno	Minato-ku, Tokyo	2,860	1.0
	Park Axis Roppongi Hinokicho Koen	Minato-ku, Tokyo	2,170	0.7
	Park Axis Ochanomizu Stage	Bunkyo-ku, Tokyo	9,710	3.3
	Park Axis Okachimachi	Taito-ku, Tokyo	1,070	0.4
	Park Cube Hongo	Bunkyo-ku, Tokyo	1,760	0.6
	Park Cube Kanda	Chiyoda-ku, Tokyo	2,454	0.8
	Park Cube Ichigaya	Shinjuku-ku, Tokyo	1,949	0.7
	Park Cube Asakusa Tawaramachi	Taito-ku, Tokyo	2,508	0.8
	Park Cube Ueno	Taito-ku, Tokyo	2,233	0.8
	Park Cube Ikebukuro Kanamecho	Toshima-ku, Tokyo	1,608	0.5
	Park Axis Meguro Honcho	Meguro-ku, Tokyo	1,810	0.6
	Park Axis Shin Itabashi	Itabashi-ku, Tokyo	3,430	1.2
	Park Axis Akihabara	Chiyoda-ku, Tokyo	1,200	0.4
	Park Axis Toyochi	Koto-ku, Tokyo	3,950	1.3
	Park Axis Takinogawa	Kita-ku, Tokyo	1,820	0.6
	Park Axis Asakusabashi	Taito-ku, Tokyo	2,717	0.9
	Park Axis Nihonbashi Hamacho	Chuo-ku, Tokyo	5,540	1.9
	Park Cube Yoyogi Tomigaya	Shibuya-ku, Tokyo	1,975	0.7
	Park Axis Monzen Nakacho	Koto-ku, Tokyo	1,700	0.6
	Park Cube Itabashi Honcho	Itabashi-ku, Tokyo	4,170	1.4
	Park Cube Gakugei Daigaku	Meguro-ku, Tokyo	910	0.3
	Park Cube Oimachi	Shinagawa-ku, Tokyo	1,440	0.5
	Park Axis Nishigahara	Kita-ku, Tokyo	840	0.3
	Park Axis Kinshicho	Sumida-ku, Tokyo	1,448	0.5
	Park Axis Tatsumi Stage	Koto-ku, Tokyo	7,464	2.5
	Park Axis Kameido	Koto-ku, Tokyo	2,359	0.8
	Park Axis Honancho	Nakano-ku, Tokyo	745	0.3

	Name	Location	Acquisition price (millions of yen) (Note 1)	Portfolio share (%) (Note 2)
	Park Axis Itabashi	Kita-ku, Tokyo	1,448	0.5
	Park Axis Oshiage	Sumida-ku, Tokyo	1,193	0.4
	Park Axis Takadanobaba	Toshima-ku, Tokyo	1,222	0.4
	Park Axis Toyosu	Koto-ku, Tokyo	14,300	4.8
	Park Axis Hatchobori	Chuo-ku, Tokyo	1,760	0.6
	Park Axis Itabashi Honcho	Itabashi-ku, Tokyo	987	0.3
	Park Axis Sumiyoshi	Sumida-ku, Tokyo	1,006	0.3
	Park Cube Yotsuya Sanchome	Shinjuku-ku, Tokyo	2,749	0.9
	Park Cube Hatchobori	Chuo-ku, Tokyo	4,200	1.4
	Park Axis Kamata Ichibankan	Ota-ku, Tokyo	1,069	0.4
	Park Axis Taito Negishi	Taito-ku, Tokyo	672	0.2
	Park Axis Komagome	Toshima-ku, Tokyo	1,389	0.5
	Park Axis Itabashi Honcho Nibankan	Itabashi-ku, Tokyo	1,859	0.6
	Shibaura Island Air Tower	Minato-ku, Tokyo	7,905	2.7
	Park Cube Higashi Shinagawa	Shinagawa-ku, Tokyo	6,060	2.0
	Park Cube Sasazuka	Shibuya-ku, Tokyo	2,200	0.7
	Park Axis Higashi Jujo	Kita-ku, Tokyo	1,700	0.6
	Park Cube Heiwadai	Nerima-ku, Tokyo	1,204	0.4
	Park Cube Meguro Tower	Meguro-ku, Tokyo	9,000	3.0
	Park Cube Nihonbashi Suitengu	Chuo-ku, Tokyo	2,711	0.9
	Park Cube Ginza East	Chuo-ku, Tokyo	2,269	0.8
	Park Cube Kayabacho	Chuo-ku, Tokyo	1,105	0.4
	Park Cube Honjo Azumabashi	Sumida-ku, Tokyo	1,252	0.4
	Park Axis Kiyosumi Shirakawa	Koto-ku, Tokyo	696	0.2
	Park Axis Asakusabashi Nichome	Taito-ku, Tokyo	1,079	0.4
	Park Axis Nishi Sugamo	Kita-ku, Tokyo	1,439	0.5
	Park Axis Ueno	Taito-ku, Tokyo	1,389	0.5
	Park Axis Akihabara East	Taito-ku, Tokyo	1,369	0.5
	Park Axis Kayabacho	Chuo-ku, Tokyo	1,809	0.6
	Park Axis Kinshicho Shinsui Koen	Sumida-ku, Tokyo	1,369	0.5
	Park Cube Kasuga Andozaka	Bunkyo-ku, Tokyo	2,670	0.9
	Park Cube Kameido	Koto-ku, Tokyo	3,020	1.0
	Park Axis Shin Okachimachi East	Taito-ku, Tokyo	1,299	0.4
	Park Axis Nihonbashi Honcho	Chuo-ku, Tokyo	1,469	0.5
	Park Cube Nishigahara Stage	Kita-ku, Tokyo	4,110	1.4
	Park Cube Atagoyama Tower	Minato-ku, Tokyo	8,650	2.9
	Park Axis Shibaura	Minato-ku, Tokyo	1,045	0.4
	Park Axis Asakusa Kuramae	Taito-ku, Tokyo	1,095	0.4
	Park Axis Kamata Station Gate	Ota-ku, Tokyo	4,144	1.4
	Park Axis Kinshicho Residence	Sumida-ku, Tokyo	1,251	0.4
	Park Axis Oshiage Sumida Koen	Sumida-ku, Tokyo	1,055	0.4
	Park Axis Magome Residence	Ota-ku, Tokyo	1,450	0.5
	Park Axis Higashi Ueno	Taito-ku, Tokyo	1,250	0.4
Tokyo 23 wards total			250,291	84.1

	Name	Location	Acquisition price (millions of yen) (Note 1)	Portfolio share (%) (Note 2)
	Park Cube Keio Hachioji II	Hachioji-shi, Tokyo	1,130	0.4
	Park Axis Nishi Funabashi	Funabashi-shi, Chiba	1,020	0.3
	Park Axis Yokohama Idogaya	Minami-ku, Yokohama-shi, Kanagawa	1,419	0.5
	Park Axis Chiba Shinmachi	Chuo-ku, Chiba-shi, Chiba	1,679	0.6
	Park Axis Chiba	Chuo-ku, Chiba-shi, Chiba	970	0.3
	Park Cube Kita Matsudo	Matsudo-shi, Chiba	1,200	0.4
	Park Cube Musashi Kosugi	Nakahara-ku, Kawasaki-shi, Kanagawa	2,250	0.8
	Park Axis Yokohama Tanmachi Koen	Kanagawa-ku, Yokohama-shi, Kanagawa	1,119	0.4
	Park Axis Yokohama Yamashitacho	Naka-ku, Yokohama-shi, Kanagawa	1,539	0.5
Greater Tokyo total (Note 3)			12,326	4.1
	Park Axis Meieki Minami	Nakamura-ku, Nagoya-shi, Aichi	2,440	0.8
	Park Axis Marunouchi	Naka-ku, Nagoya-shi, Aichi	1,920	0.6
	Park Axis Ropponmatsu	Chuo-ku, Fukuoka-shi, Fukuoka	1,515	0.5
	Park Axis Hakataeki Minami	Hakata-ku, Fukuoka-shi, Fukuoka	1,890	0.6
	Park Axis Naka Gofukumachi	Hakata-ku, Fukuoka-shi, Fukuoka	742	0.2
	Park Axis Shirakabe	Higashi-ku, Nagoya-shi, Aichi	1,547	0.5
	Park Axis Sendai	Wakabayashi-ku, Sendai-shi, Miyagi	2,320	0.8
	Park Axis Hakata Minoshima	Hakata-ku, Fukuoka-shi, Fukuoka	960	0.3
	Park Axis Takamiya Higashi	Minami-ku, Fukuoka-shi, Fukuoka	605	0.2
	Park Axis Sapporo Shokubutsuen Mae	Chuo-ku, Sapporo-shi, Hokkaido	1,650	0.6
	Park Axis Shin Sapporo	Atsubetsu-ku, Sapporo-shi, Hokkaido	827	0.3
	Park Axis Esaka Hiroshibacho	Suita-shi, Osaka	2,369	0.8
	Park Axis Utsubo Koen	Nishi-ku, Osaka-shi, Osaka	2,399	0.8
	Park Cube Kitahama	Chuo-ku, Osaka-shi, Osaka	1,970	0.7
Other major cities total (Note 4)			23,154	7.8
Rental Apartments Total			285,771	96.1

2. Other Accommodation Assets

	Name	Location	Acquisition price (millions of yen) (Note 1)	Portfolio share (%) (Note 2)
	Dormy Ashiya	Ashiya-shi, Hyogo	928	0.3
	Kawaijuku Kyoto Gakushin Ryo	Nakagyo-ku, Kyoto-shi, Kyoto	991	0.3
	Sundai Horikawa Ryo	Kamigyo-ku, Kyoto-shi, Kyoto	916	0.3
	Dormy Rakuoku	Kita-ku, Kyoto-shi, Kyoto	374	0.1
	Rikkyo University International Dormitory (RUID) Shiki	Shiki-shi, Saitama	1,478	0.5
	Dormy Naka Itabashi	Itabashi-ku, Tokyo	1,041	0.3
	Philosophia Nishidai	Itabashi-ku, Tokyo	1,249	0.4
	Dormy Musashi Kosugi	Nakahara-ku, Kawasaki-shi, Kanagawa	1,152	0.4
	Artis Sendai Kakyoin	Aoba-ku, Sendai-shi, Miyagi	540	0.2
	Artis Sendai Kimachi Dori	Aoba-ku, Sendai-shi, Miyagi	1,160	0.4
	Medical Home Granda Sangen Jaya (Land with leasehold interest)	Setagaya-ku, Tokyo	735	0.2
	Dormy Nishi Ogikubo	Suginami-ku, Tokyo	1,100	0.4
Other Accommodation Assets Total			11,664	3.9
Grand total			297,435	100.0

(Note 1) The "Acquisition price" item does not include anticipated acquisition expenses, fixed property taxes, urban planning taxes, consumption taxes or local consumption taxes.

(Note 2) The "Portfolio share" item indicates the percentage contribution of each property holding to the "Acquisition price" item. The percentage figure is rounded to one decimal place.

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

(Note 4) "Other major cities" indicates major cities across Japan and their surrounding areas, excluding the Tokyo area.