

September 29, 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 Property
(Park Axis Toyocho Shinsui Koen)

This is a notification that Mitsui Fudosan Accommodations Fund Management Co., Ltd., an investment trust management company 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.

2. Overview of acquisition

(1) Name of property to be acquired	Park Axis Toyocho Shinsui Koen
(2) Type of property to be acquired	Real estate (35% co-ownership interest) (Note 1)
(3) Planned acquisition price	¥2,233,000,000 (Note 2)
(4) Appraised value	¥2,320,000,000 (Note 3)
(5) Date of conclusion of sale contract	September 29, 2020
(6) Planned date of handover	October 1, 2020
(7) Seller	Mitsui Fudosan Residential Co., Ltd.
(8) Acquisition funds	Borrowings and own funds
(9) Method of payment	Full payment at the time of delivery

(Note 1) NAF is scheduled to acquire 35% co-ownership interest in the real estate property. The remaining 65% co-ownership interest is owned by Mitsui Fudosan Residential Co., Ltd.

(Note 2) “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 real estate sale contract for the property to be acquired.

(Note 3) “Appraised value” is based on the real estate appraisal report (date of value appraisal on August 31, 2020) prepared by Japan Real Estate Institute for the property to be acquired and is the amount equivalent to NAF’s 35% ownership interest.

3. Description of the property to be acquired

(1) Outline of the property to be acquired

Name of property to be acquired		Park Axis Toyocho Shinsui Koen
Type of property to be acquired		Real estate (35% of co-ownership interest)
Appraisal company		Japan Real Estate Institute
Appraised value (Note 1)		¥2,320,000 thousand
Date of value appraisal (Note 1)		August 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 (35% co-ownership interest)
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 (35% co-ownership interest)
	Rentable units	190 residential, 2 retail
	Rentable area	7,254.57 m ²
Existence of security interests		None
Special affairs (Note 6)		<p>(Arrangements with the co-owner)</p> <p>With co-ownership of the proprietorship in the property by NAF and a co-owner, a co-ownership agreement (the "Agreement") is scheduled to be concluded between the co-owner and NAF. The main content is as follows:</p> <ol style="list-style-type: none"> ① Matters concerning maintenance, management, and operation of the property to be acquired shall be executed in accordance with the will of the co-owner that has the majority ownership interest. Specific matters (reconstruction, etc.) (the "Matters Requiring Agreement of All Co-owners") shall require the agreement of all co-owners. ② Concerning the Matters Requiring Agreement of All Co-owners, in the case that an agreement cannot be reached upon deliberation by co-owners and through the prescribed methods of decision-making, one co-owner shall deliberate on the acquisition of all the co-ownership interest held by the other co-owner. ③ If NAF or the co-owner is to transfer its own co-ownership interest to a third party, the transfer must be all at once to a single transferee. ④ If NAF or the co-owner intends to transfer its own co-ownership interest to a third party, that party shall be required to notify the other party in writing and the other party shall be granted the first refusal right to purchase in the transfer of the co-ownership interest if the other party wishes to purchase the co-ownership interest. ⑤ NAF and the co-owner shall not request for partition of the property to be acquired for a period of five years starting from the date of conclusion of the Agreement.

Special features of the property	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. The property is expected to be in demand by singles or small households.
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Details of leasing (Note 7)	Total number of tenants	1
	Rentable units	67 residential, 1 retail
	Rented units	65
	Rentable area	2,539.10 m ²
	Rented area	2,440.67 m ²
	Occupancy rate	96.1%
	Deposit / Security deposit	¥21,830 thousand
	Monthly rental revenue	¥9,312 thousand

(Note 1) "Appraised value" and "date of value appraisal" are based on the real estate appraisal report prepared by Japan Real Estate Institute for the property to be acquired and the amount is the amount equivalent to NAF's 35% ownership interest.

(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 to be acquired.

(Note 7) Explanation on "details of leasing"

- (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. With regards to the property to be acquired, a master lease agreement is scheduled to be 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.
- (ii) "Rentable units" is calculated by multiplying the number of units that can be rented within the entire property to be acquired by 35%, which is NAF's ownership ratio.
- (iii) "Rented units," "rented area" and "deposit / security deposit" denote figures as of August 31, 2020, based on the material received from the seller, and are calculated by multiplying the figures for the entire property to be acquired by 35%, which is NAF's ownership ratio.
- (iv) "Rentable area" calculated by multiplying the total area of the building that can be rented within the entire property to be acquired by 35%, which is NAF's ownership ratio.
- (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 calculated by multiplying the total monthly rent indicated in the lease agreement concluded between the master lease company and end tenant as of August 31, 2020 (including common service fees and excluding usage fees of attached facilities such as parking lot and trunk room) by 35%, which is NAF's ownership ratio. Amounts are rounded down to the nearest thousand yen and do not include consumption tax.

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

Investigations into the state of building (Note 1)	Consigned investigating company	Sompo Risk Management Inc.
	Investigation report date	September 10, 2020
	Urgent repair cost	—
	Short-term repair cost	—
	Repair and renewal costs expected to be necessary within 12 years	¥48,118 thousand
	Replacement value	¥877,800 thousand
Earthquake risk diagnosis	Consigned investigating company	Tokio Marine & Nichido Risk Consulting Co., Ltd.
	Investigation report date	September 11, 2020
	PML value (Note 2)	5.8%

(Note 1) Amounts are calculated by multiplying the amounts for the entire property to be acquired by NAF's 35% ownership interest.

(Note 2) 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.

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 sales, and senior residence businesses	
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 with NAF or the investment trust management company		
Capital relationships	As of August 31, 2020, the seller holds 3.21% of all investment units issued by NAF. Moreover, the seller is the 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 one real estate property from the seller. Otherwise, there are no business relationships between NAF or the investment trust management company and the seller during the period ended August 31, 2020.	
Applicability to related parties	The seller does not fall under the category of related parties of NAF. However, the seller does fall under the category of related parties of the investment trust management company, as the seller is the subsidiary (100%) of Mitsui Fudosan Co., Ltd., which is the parent company of the investment trust management company.	

5. Situation of the acquirer of the property

Property: Park Axis Toyocho Shinsui Koen	Situation of the owner of the property	Previous owner, etc.	Previous owners, etc.
	Name	Mitsui Fudosan Residential Co., Ltd. (Note)	None
Relations with special interest party	Fully-owned subsidiary (100%) of Mitsui Fudosan Co., Ltd., the parent company of the investment trust management company	—	
Background and reason for acquisition	Developed by Mitsui Fudosan Co., Ltd.	—	
Acquisition price (including other fees)	—	—	
Acquisition period	—	—	

(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. Outline of brokerage

Not applicable.

7. Transactions with related parties and the like

Mitsui Fudosan Residential Co., Ltd., which is the seller of the property to be acquired, corresponds to related parties and the like (see Note). Therefore, the conclusion of the real estate sale contract has undergone deliberation and approval by the compliance committee as well as 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 the property to be acquired, corresponds to related parties and the like (Note). Therefore, the conclusion of a master lease contract and property management contract has undergone deliberation and approval by the compliance committee and is scheduled to later undergo 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 an investment trust management company which has concluded an asset management contract with NAF as determined in the Order for Enforcement of the Act on Investment Trusts and Investment Corporations, Article 123.

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 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 impact of the acquisition on NAF's financial results for the period ending February 28, 2021 (30th Period: September 1, 2020, to February 28, 2021) will be minor, and there will be no change to financial results forecast for the period.

10. Summary of appraisal report

Appraised value	¥2,320,000 thousand (Note)
Appraisal company	Japan Real Estate Institute
Date of value appraisal	August 31, 2020

(Unit: Thousands of yen)

Item	Details (Note)	Summary, etc.
Value of earnings	6,630,000	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 townhall association fees, etc.
(3) Net operating income [(1)-(2)]	275,698	
(k) Earnings from temporary deposits	602	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)]	267,830	
(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.
Value calculated by discounted cash flow method	6,550,000	
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%	

Other items considered by the appraisal company in making the appraisal	-
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(Note) "Appraised value" is the amount equivalent to NAF's 35% ownership interest. The items other than this are the amounts for the entire property.



< Attached Document >

1. Portfolio list after the purchase of the 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

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

< Attached Document 1 >

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

Total Planned Acquisition Price	¥318,441 million
Number of Investment Properties	129 properties
Total Rentable Units (including retail units)	12,627 units

Proportion of Investment by Asset

	Planned Acquisition Price (Note 1)	Portfolio Share (Note 2)
Rental Apartments	¥302,552 million	95.0%
Hospitality Facilities	¥15,889 million	5.0%
Grand Total	¥318,441 million	100.0%

Proportion of "Rental Apartments" by Area

	取得（予定）価格（注1）	投資比率（注3）
Tokyo 23 Wards	¥267,671 million	88.5%
Greater Tokyo (Note 4)	¥12,326 million	4.1%
Other Major Cities (Note 5)	¥22,555 million	7.4%
Total of "Rental Apartments"	¥302,552 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>

< Attached Document 2 >

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



