

September 27, 2018

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 Takashi Ikeda  
(Code Number 3226)

Investment Trust Management Company  
Mitsui Fudosan Accommodations Fund Management Co., Ltd.  
President and CEO Tateyuki Ikura  
Contact CFO and Director Tetsuji Kawakami  
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**Notification Concerning Acquisition and Sale of Domestic Real Estate Properties  
(Acquisition: Park Axis Kanayama WEST, Sale: Park Cube Ikebukuro Kanamecho)**

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 acquisition and sale (the "Acquisition" and "Sale," respectively; collectively, the "Transaction") of real estate properties in Japan as shown below, and completed the Transaction today.

1. Overview of the Transaction

(1) Overview of the Acquisition

1) Name of property acquired (Note 1)	Park Axis Kanayama WEST
2) Type of property acquired (Note 2)	Real estate
3) Acquisition price (Note 3)	¥1,770,000 thousand
4) Appraised value (Note 4)	¥1,840,000 thousand
5) Date of conclusion of sales contract	September 27, 2018
6) Date of handover	September 27, 2018
7) Seller	Not disclosed (Note 6)
8) Acquisition funds	Borrowings and own funds (Note 7)
9) Method of payment	Full payment at the time of delivery

(2) Overview of the Sale

1) Name of property sold	Park Cube Ikebukuro Kanamecho
2) Type of property sold (Note 2)	Real estate
3) Sales price (Note 5)	¥1,620,000 thousand
4) Book value	¥1,551,584 thousand (as of February 28, 2018)
5) Differences between sale price and book value	¥68,415 thousand
6) Appraised value (Note 4)	¥1,620,000 thousand
7) Date of conclusion of sales contract	September 27, 2018
8) Date of handover	September 27, 2018
9) Buyer	Not disclosed (Note 6)
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) Current name of the property acquired is "Famildo Kanayama," but NAF plans to rename the property without delay after the acquisition of the property. Since the property was developed by Mitsui Fudosan Co., Ltd. and satisfies quality standards for the "Park Axis" series which are planned and developed by Mitsui Fudosan Group, the new name is planned to be "Park Axis Kanayama WEST."

(Note 2) As to the property acquired, NAF terminated the trust as of today after acquiring trust beneficiary interests of which trust

property is the property acquired. 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 3) "Acquisition 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 acquired.
- (Note 4) "Appraised value" is based on the amount mentioned in the real estate appraisal reports (date of value appraisal on August 31, 2018 for the property acquired and on February 28, 2018 for the property sold) which JLL Morii Valuation & Advisory K.K. prepared for the property acquired and property sold.
- (Note 5) "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 6) Not disclosed as the consent from the seller and buyer has not been obtained.
- (Note 7) Borrowings to compensate for the decrease in own funds are planned to be newly conducted after the acquisition of the property with own funds as of today. Details of new borrowings will be announced once finalized.

## 2. Reason for the Transaction

Based on the provisions for investments and policies on asset management provided in the Articles of Incorporation of NAF, the decision on the Transaction was made to ensure the steady growth of assets under management and the further diversification and enhancement of the investment portfolio.

NAF believes that the Acquisition will secure a stable revenue base through investment in a family-type apartment which enjoys strong demand and high scarcity value. With respect to the Sale, NAF received a request for sale with a purchase price surpassing the book value, which was likely to actualize unrealized gain, and thus entered an agreement.

The Transaction is expected to result in improvement of portfolio profitability, leading to an increase in distribution per unit. NAF plans to internally reserve part of gain from the Sale as a reserve and distribute the remaining amount.

## 3. Description of the property acquired and property sold

### (1) Outline of the property acquired

Name of property acquired		Park Axis Kanayama WEST
Type of property acquired (Note 1)		Real estate
Appraisal company		JLL Morii Valuation & Advisory K.K.
Appraised value upon acquisition (Note 2)		¥1,840,000 thousand
Date of value appraisal (Note 2)		August 31, 2018
Location	Residence indication	4-3 Masaki 2-chome, Naka-ku, Nagoya-shi, Aichi
Land	Building-to-land ratio (Note 3)	80%
	Floor-area ratio (Note 3)	400%
	Zoning	Neighborhood commercial district
	Site area (Note 4)	1,261.70 m <sup>2</sup>
	Ownership form	Proprietorship
Building	Completion date (Note 5)	February 17, 2006
	Structure / Number of stories (Note 6)	Flat-roofed reinforced concrete structure / 14 stories
	Use (Note 6)	Apartment building
	Gross floor area (Note 6)	5,223.73 m <sup>2</sup>
	Ownership form	Proprietorship
	Rentable units	63
	Rentable area	4,795.13 m <sup>2</sup>
Existence of security interests		None
Special affairs (Note 7)		None

Special features of the property	<p>The property is approximately a 9-minute walk from Otobashi Station on the JR Tokaido Main Line and approximately a 13-minute walk from Kanayama Station on the Nagoya Municipal Subway Meijo Line and other lines, allowing use of multiple lines.</p> <p>In addition, there are many commercial facilities, supermarkets, convenient stores, etc. in the neighboring area and the vicinity of the stations.</p> <p>Demand can be expected from DINK households, families and others who place importance on pleasant living conditions and convenience.</p>
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Details of tenants (Note 8)	Total number of tenants	1
	Rentable units	63
	Rented units	61
	Rentable area	4,795.13 m <sup>2</sup>
	Rented area	4,627.57 m <sup>2</sup>
	Occupancy Rate	96.5%
	Deposit /Security deposit	¥16,837 thousand
	Total rental revenues	Refer to "10. Summary of appraisal report" below.

(2) Outline of the property sold

Name of property sold		Park Cube Ikebukuro Kanamecho
Type of property sold (Note 1)		Real estate
Appraisal company		JLL Morii Valuation & Advisory K.K.
Appraisal value upon sale (Note 2)		¥1,620,000 thousand
Date of value appraisal (Note 2)		February 28, 2018
Location	Residence indication	27-9 Nishi-ikebukuro 5-chome, Toshima-ku, Tokyo
Land	Building-to-land ratio (Note 3)	80% / 60%
	Floor-area ratio (Note 3)	500% / 300%
	Zoning	Commercial district, category 1 residential district
	Site area (Note 4)	458.05 m <sup>2</sup>
	Ownership form	Proprietorship
Building	Completion date (Note 5)	March 23, 2007
	Structure / Number of stories (Note 6)	Flat-roofed reinforced concrete structure / 14 stories
	Use (Note 6)	Apartment building, parking lot for bicycles
	Gross floor area (Note 6)	2,041.39 m <sup>2</sup>
	Ownership form	Proprietorship
	Rentable units	65
	Rentable area	1,886.82 m <sup>2</sup>

Details of tenants (Note 8)	Total number of tenants	1
	Rentable units	65
	Rented units	63
	Rentable area	1,886.82 m <sup>2</sup>
	Rented area	1,828.78 m <sup>2</sup>
	Occupancy Rate	96.9%
	Deposit /Security deposit	¥13,715 thousand
	Total rental revenues	Refer to "10. Summary of appraisal report" below.

(Note 1) As to the property acquired, NAF terminated the trust as of today after acquiring trust beneficiary interests of which trust property is the property acquired. 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 acquisition," "Appraisal value upon sale" and "Date of value appraisal" are based on the description in the real estate appraisal report which JLL Morii Valuation & Advisory K.K. prepared for the property acquired and 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", "uses", and "gross floor area" are based on the description in the register.
- (Note 7) "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 to be acquired.
- (Note 8) Explanation on "details of tenants"
- (i) "Total number of tenants" is entered as 1 if there is a master lease agreement (a bulk lease agreement) concluded with a master lease company. With regard to the property acquired, a master lease agreement is 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 regard to the property sold, a master lease agreement (bulk lease agreement) is concluded with Mitsui Fudosan Residential Lease Co., Ltd. as the master lease company. The "total number of tenants" above is entered as 1.
  - (ii) "Rentable units" denotes the number of units that can be rented within the property sold.
  - (iii) Figures for "Rented units" and "Rented area" and "Deposit / Security deposit" are based on information valid as of August 31, 2018.
  - (iv) "Rentable area" denotes the total area of the building that can be rented within the property acquired and 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.

(3) Outline of investigations into the state of the building, etc. for the property acquired

Investigations into the state of building	Consigned investigating company	SOMPO Risk Management & Health Care Inc.
	Investigation report date	September 7, 2018
	Urgent repair cost	—
	Short-term repair cost	—
	Repair and renewal costs expected to be necessary within 12 years	¥97,880 thousand
	Replacement value	¥1,029,000 thousand
Earthquake risk diagnosis	Consigned investigating company	Tokio Marine & Nichido Risk Consulting Co., Ltd.
	Investigation report date	September 5, 2018
	PML value (Note)	4.4%

(Note) 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.

Profile of third-party investigative body

Name	SOMPO Risk Management & Health Care Inc.
Address	24-1, Nishishinjuku 1-chome, Shinjuku-ku, Tokyo
Representative	Yasushi Fuse, President and Chief Executive Officer
Description of principal operations	Study, research, assessment, provision of information, consulting, etc. on security, disaster prevention, environment conservation, and risk management, etc.
Capital	¥30 million
Relationship with NAF or investment trust management company	None

Name	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Address	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
Representative	Taizo Shimakura, President and Chief Executive Officer
Description of principal operations	Research, study, provision of information, assessment, consulting, holding of seminars, publishing, provision of training, etc. on security, disaster prevention, sanitation, environment, product safety and information management, etc.
Capital	¥100 million
Relationship with NAF or investment trust management company	None

#### 4. Outline of seller and buyer

##### (1) Outline of seller

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

##### (2) Outline of buyer

The buyer of the property sold is a domestic Godo Kaisha (different from the seller of the property acquired, who is mentioned in (1) above), but information is not disclosed as 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. Situation of the acquirer of the property

The acquisition of the property acquired is not acquisition from a party classified as having a relationship of special interest with NAF or the investment trust management company, therefore the situation of the acquirer is not stated.

#### 6. Outline of brokerage

##### (1) Outline of brokerage for the property acquired

The broker for the acquisition of the property acquired is a financial institution in Japan, but information is not disclosed as consent from the company has not been obtained. The company holds 0.82% of total NAF investment units issued as of August 31, 2018, and falls under the category of trustee of real estate owned by NAF, NAF's lender, asset custodian, transfer agent, and special accounts management institution. There are no personnel relationships to report between NAF or the investment trust management company and the company and there are no personnel relationship to report between any related parties or associated companies of NAF or the investment trust management company and any related parties or associated companies of the company. Furthermore, the company or any related parties or associated companies of the company do not fall under the category of related parties of NAF or the investment trust management company.

(2) Outline of brokerage for the property sold

The broker for the sale of the property sold is the same broker as that for the acquisition of the property acquired, who is mentioned in (1) above.

7. Transactions with related parties and the like

The acquisition of the property acquired is not acquisition from a party having a relationship of special interest with NAF or the investment trust management company, and the sale of the property sold is not sale to a party having a relationship of special interest with NAF or the investment trust management company.

8. Earthquake resistance matters

NAF outsourced the inspection and verification of the details of earthquake-resistant structures including structural calculation sheets and, for the building of the property acquired, obtained confirmation that, no falsification is suspected in the structural calculation and structural drawings with respect to their structure, which ensures earthquake resistance as per the Building Standards Act.

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., as well as on-site inspection and the like 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 the Transaction

The outlook for NAF's financial results for the period ending February 28, 2019 (26th Period: September 1, 2018 to February 28, 2019) will be disclosed when financial results for the period ended August 31, 2018 are announced (the announcement is scheduled for October 18, 2018) with due consideration of the status of operations of the overall portfolio.

## 10. Summary of appraisal report

## (1) Property acquired: Park Axis Kanayama WEST

Appraised value	¥1,840,000 thousand
Appraisal company	JLL Morii Valuation & Advisory K.K.
Date of value appraisal	August 31, 2018

(Unit: thousands of yen)

Item	Details	Summary, etc.
Value of earnings	1,840,000	Calculated making correlation to the value of earnings found by the direct capitalization method and the value of earnings found by the discounted cash flow method.
Value calculated by the direct capitalization method [(4)÷(5)]	1,860,000	
(1) Operating revenues [(a)-(b)]	116,935	
(a) Potential gross revenue	123,593	Appraised based on medium- and long-term stable rental income, etc. based on current condition, etc.
(b) Vacancy loss, etc.	6,658	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)]	23,847	
(c) Maintenance expenses	1,956	Appraised based on actual records making reference to levels at similar real estate.
(d) Utilities expenses	1,740	
(e) Repair expenses	5,474	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	3,484	Appraised making reference to levels at similar real estate.
(g) Tenant soliciting fees, etc.	3,011	Appraised taking into account local practice and the evacuation rate of the subject real estate.
(h) Taxes and public dues	7,251	Appraised by considering actual amounts and making reference to the fluctuation rate and annual depreciation, etc.
(i) Property insurance fees	251	The amount is posted assuming the estimate to be appropriate.
(j) Other expenses	680	Neighborhood association fees, CATV usage fees
(3) Net operating income [(1)-(2)]	93,088	
(k) Earnings from temporary deposits	167	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 1.0%.
(l) Capital expenditures	5,710	Posted 70% of a standardized amount assuming the estimate in the engineering report to be appropriate.
(4) Net income [(3)+(k)-(l)]	87,545	
(5) Cap rate	4.7%	Appraised by considering the income and capital fluctuation risk in addition to the discount rate.
Value calculated by the discounted cash flow method	1,810,000	
Discount rate	4.5%	Appraised comprehensively taking into account overall market trends for buyers and sellers, etc. after considering risk factors of location and individual characteristics of the subject real estate as well as standard cap rate.
Terminal cap rate	4.9%	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	1,020,000	
Land ratio	60.3%	
Building ratio	39.7%	

Other items considered by the appraisal company in making the appraisal	-
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(2) Property sold: Park Cube Ikebukuro Kanamecho

Appraised value	¥1,620,000 thousand
Appraisal company	JLL Morii Valuation & Advisory K.K.
Date of value appraisal	February 28, 2018

(Unit: thousands of yen)

Item	Details	Summary, etc.
Value of earnings	1,620,000	Calculated making correlation to the value of earnings found by the direct capitalization method and the value of earnings found by the discounted cash flow method.
Value calculated by the direct capitalization method [(4)÷(5)]	1,650,000	
(1) Operating revenues [(a)-(b)]	84,581	
(a) Potential gross revenue	89,728	Appraised based on medium- and long-term stable rental income, etc. based on current condition, etc.
(b) Vacancy loss, etc.	5,147	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)]	15,262	
(c) Maintenance expenses	2,326	Appraised based on actual records making reference to levels at similar real estate.
(d) Utilities expenses	1,027	
(e) Repair expenses	1,829	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	2,459	Appraised making reference to levels at similar real estate.
(g) Tenant soliciting fees, etc.	3,283	Appraised taking into account local practice and the evacuation rate of the subject real estate.
(h) Taxes and public dues	3,304	Appraised by considering actual amounts and making reference to the fluctuation rate and annual depreciation, etc.
(i) Property insurance fees	109	The amount is posted assuming the estimate to be appropriate.
(j) Other expenses	78	Neighborhood association fees
(3) Net operating income [(1)-(2)]	69,319	
(k) Earnings from temporary deposits	125	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 1.0%.
(l) Capital expenditures	1,596	Posted 70% of a standardized amount assuming the estimate in the engineering report to be appropriate.
(4) Net income [(3)+(k)-(l)]	67,848	
(5) Cap rate	4.1%	Appraised by considering the income and capital fluctuation risk in addition to the discount rate.
Value calculated by the discounted cash flow method	1,590,000	
Discount rate	3.9%	Appraised comprehensively taking into account overall market trends for buyers and sellers, 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	849,000	
Land ratio	78.6%	
Building ratio	21.4%	

Other items considered by the appraisal company in making the appraisal	—
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- Japanese original document was distributed to the press clubs within 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 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 Documents>

1. Portfolio status after the Transaction
2. Photo and map of the property acquired

<Attached Document 1> Portfolio status after the Transaction

Total Acquisition Price	¥305,821 million
Number of Investment Properties	123 properties
Total Rentable Units (including retail units)	12,108 units

Proportion of Investment in Assets

	Acquisition Price (Note 1)	Portfolio Share (%) (Note 2)
Rental Apartments	¥292,333 million	95.6%
Hospitality Facilities	¥13,488 million	4.4%
Grand Total	¥305,821 million	100.0%

Proportion of "Rental Apartments" by Area

	Acquisition Price (Note 1)	Portfolio Share (%) (Note 3)
Tokyo 23 Wards	¥255,083 million	87.3%
Greater Tokyo (Note 4)	¥12,326 million	4.2%
Other Major Cities (Note 5)	¥24,924 million	8.5%
Total of "Rental Apartments"	¥292,333 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>

<Attached Document 2> Photo and map of the property acquired

