



NEWS RELEASE

Jun 2, 2025

Rating and Investment Information, Inc. (R&I) has announced the following:

Nippon Accommodations Fund Inc. (Sec. Code: 3226)

[Affirmed]

Issuer Rating: AA-, Stable

Bond Rating: AA-

RATIONALE:

Nippon Accommodations Fund Inc. (NAF) is a real estate investment trust (REIT) that went public in 2006. NAF invests primarily in rental apartments located in Tokyo 23 wards. The sponsor is Mitsui Fudosan Co., Ltd.

While 88.6% of the rental apartments under the ownership of NAF are located in Tokyo 23 wards, over 70% are the properties developed by the Mitsui Fudosan Group, such as the "Park Axis" series, as of February 2025. The portfolio is highly diversified, with the asset size reaching approximately 340 billion yen in value, as well as approximately 13,000 units under management. In addition to rental apartments, NAF also invests in hospitality facilities up to a cap of 10% of the total portfolio as laid out in the portfolio structure policy, and NAF acquired a private lodging (minpaku) facility located in the central part of Osaka City from the sponsor for approximately 2.5 billion yen in March 2025.

During the fiscal period ended February 2025, the average month-end occupancy rate remained high at 97.5%. The rent change rate at tenant turnover was positive, reaching record-high 7.7% on average. The categories of family-type units and large units sustain momentum, while the category of single-type units is accelerating the pace of rent increase. Given the favorable supply-demand balance in the rental apartment market of urban centers, NAF's cash flow will likely stay on a firm trend for some time to come.

As for "Okawabata Apartment Communities", or NAF's largest property, NAF has been working on the value-enhancement initiatives for private areas, realizing considerable rent increases for applicable units. As for the other remaining properties, which are increasingly comprised of properties built more than 15 years ago, NAF plans to maintain or improve their competitiveness by carrying out large-scale renovation projects in an appropriate manner. On the front of ESG (Environmental, Social, and Governance), NAF has been pushing ahead with measures including the switch to LED lightings and the acquisition of green building certifications.

The LTV ratio as of February 2025 was 51.1%, which is on a par with other REITs specialized in residential properties. Reflecting large unrealized gains, the LTV ratio is low at 32.8% on an appraisal-value basis. NAF has met its funding needs stably depending mainly on long-term fixed-rate loans disbursed by major domestic financial institutions, and the average remaining term of long-term debts is long at 4.1 years with staggered due dates. The sponsor's strong creditworthiness has given NAF an advantage over other J-REITs in terms of funding cost. R&I believes that NAF will be able to comfortably absorb rising borrowing costs driven by the hike in base interest rates with higher rent revenues.

The Rating Outlook is Stable. NAF has built up a quality portfolio by investing intensively in the sponsor's properties located in Tokyo 23 wards. The occupancy rate remains high and the average rent per tsubo is steadily rising. The financing base is solid, with large unrealized gains leading to low leverage on an appraisal-value basis.

R&I RATINGS:

ISSUER: Nippon Accommodations Fund Inc.

[Affirmed]

	Rating	Rating Outlook
Issuer Rating	AA-	Stable

■Contact : Sales and Marketing Division, Customer Service Dept.
■Media Contact : Corporate Planning Dept. (Public Relations)

TEL.+81-(0)3-6273-7471 E-mail. infodept@r-i.co.jp
TEL.+81-(0)3-6273-7273

Rating and Investment Information, Inc.

TERRACE SQUARE, 3-22 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan <https://www.r-i.co.jp>

Credit ratings are R&I's opinions on an issuer's general capacity to fulfill its financial obligations and the certainty of the fulfillment of its individual obligations as promised (creditworthiness) and are not statements of fact. Further, R&I does not state its opinions about any risks other than credit risk, give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a credit rating and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to credit ratings (including amendment or withdrawal thereof). As a general rule, R&I issues a credit rating for a fee paid by the issuer. For details, please refer to <https://www.r-i.co.jp/en/docs/policy/site.html>.

©Rating and Investment Information, Inc.



NEWS RELEASE

	Issue Amount	Issue Date	Maturity Date	Rating
Unsec. Str. Bonds No.3 (Green Bonds)	JPY 2,000 mn	Jul 16, 2020	Jul 16, 2025	AA-
Unsec. Str. Bonds No.4 (Green Bonds)	JPY 2,000 mn	Jul 16, 2020	Jul 16, 2030	AA-
Unsec. Str. Bonds No.5 (Green Bonds)	JPY 1,000 mn	Sep 30, 2021	Sep 28, 2029	AA-
Unsec. Str. Bonds No.6	JPY 2,000 mn	Sep 30, 2021	Sep 30, 2031	AA-
Unsec. Str. Bonds No.7	JPY 1,000 mn	Sep 30, 2021	Sep 30, 2036	AA-

Primary rating methodologies applied:
Rating Methodology for REITs [Jul 1, 2022]

■Contact : Sales and Marketing Division, Customer Service Dept. TEL.+81-(0)3-6273-7471 E-mail. infodept@r-i.co.jp
■Media Contact : Corporate Planning Dept. (Public Relations) TEL.+81-(0)3-6273-7273

Rating and Investment Information, Inc.

TERRACE SQUARE, 3-22 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan <https://www.r-i.co.jp>
Credit ratings are R&I's opinions on an issuer's general capacity to fulfill its financial obligations and the certainty of the fulfillment of its individual obligations as promised (creditworthiness) and are not statements of fact. Further, R&I does not state its opinions about any risks other than credit risk, give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a credit rating and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to credit ratings (including amendment or withdrawal thereof). As a general rule, R&I issues a credit rating for a fee paid by the issuer. For details, please refer to <https://www.r-i.co.jp/en/docs/policy/site.html>.

©Rating and Investment Information, Inc.