

March 23, 2020

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
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Notification Concerning Acquisition of Domestic Real Estate Property
(Park Axis Akatsuka)

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 Akatsuka
(2) Type of property to be acquired	Real estate (55% co-ownership interest) (Note 1)
(3) Planned acquisition price	¥2,420,000,000 (Note 2)
(4) Appraised value	¥2,580,000,000 (Note 3)
(5) Date of conclusion of sale contract	March 23, 2020
(6) Planned date of handover	March 30, 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 55% co-ownership interest in the real estate property. The seller of the property to be acquired is Mitsui Fudosan Residential Co., Ltd. The remaining 45% co-ownership interest is owned by Marubeni Corporation and is scheduled to be acquired by United Urban Investment Corporation.

(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 January 31, 2020) prepared by JLL Morii Valuation & Advisory K.K., and is the amount equivalent to NAF’s 55% 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 Akatsuka
Type of property to be acquired		Real estate (55% of co-ownership interest)
Appraisal company		JLL Morii Valuation & Advisory K.K.
Appraised value (Note 1)		¥2,580,000 thousand
Date of value appraisal (Note 1)		January 31, 2020
Location	Residence indication	2-18, Akatsuka 2-chome, Itabashi-ku, Tokyo
Land	Building-to-land ratio (Note 2)	80%
	Floor-area ratio (Note 2)	400%
	Zoning	Commercial district
	Site area (Note 3)	1,137.49 m ²
	Ownership form	Co-ownership of proprietorship (55% co-ownership interest)
Building	Completion date (Note 4)	September 12, 2018
	Structure / Number of stories (Note 5)	Flat-roofed reinforced concrete and steel-frame structure / 13 stories
	Uses (Note 5)	Apartment building, store
	Gross floor area (Note 5)	5,433.60 m ²
	Ownership form	Co-ownership of proprietorship (55% co-ownership interest)
	Rentable units	156 residential, 3 retail, etc.
	Rentable area	4,370.31 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 (55% co-ownership interest) and a co-owner (45% co-ownership interest), a co-ownership agreement (the "Agreement") is scheduled to be concluded between the co-owner and NAF. The main content is as follows:</p> <p>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.) shall require the agreement of all co-owners.</p> <p>② 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.</p> <p>③ 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.</p> <p>④ 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.</p>
Special features of the property		<p>The property is a 1-minute walk from Shimo-akatsuka Station on the Tobu Tojo Line and a 3-minute walk from Chikatetsu-akatsuka Station on the Tokyo Metro Yurakucho Line and Fukutoshin Line, offering access to multiple train stations and lines.</p> <p>There is a shopping district lined with supermarkets, restaurants, etc. around the stations and a drugstore, dry cleaner, etc. occupy the first floor of the property, offering excellent convenience in daily life. Demand from business people, students, etc. who place importance on locational conditions can be expected.</p>

Details of leasing (Note 7)	Total number of tenants	1
	Rentable units	86 residential, 2 retail, etc.
	Rented units	86
	Rentable area	2,403.67 m ²
	Rented area	2,342.99 m ²
	Occupancy rate	97.5%
	Deposit / Security deposit	¥27,718 thousand
	Monthly rental revenue	¥10,114 thousand

(Note 1) "Appraised value" and "date of value appraisal" are based on the real estate appraisal report prepared by JLL Morii Valuation & Advisory K.K., and the amount is the amount equivalent to NAF's 55% 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 55%, which is NAF's ownership ratio.
- (iii) "Rented units," "rented area" and "deposit / security deposit" denote figures as of January 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 55%, 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 55%, 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 January 31, 2020 (including common service fees and excluding usage fees of attached facilities such as parking lot and trunk room) by 55%, 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	Tokio Marine & Nichido Risk Consulting Co., Ltd.
	Investigation report date	March 9, 2020
	Urgent repair cost	—
	Short-term repair cost	—
	Repair and renewal costs expected to be necessary within 12 years	¥16,333 thousand
	Replacement value	¥686,455 thousand
Earthquake risk diagnosis	Consigned investigating company	Tokio Marine & Nichido Risk Consulting Co., Ltd.
	Investigation report date	March 9, 2020
	PML value (Note 2)	3.2%

(Note 1) Amounts are calculated by multiplying the amounts for the entire property to be acquired by NAF's 55% 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 and CEO	
Description of principal operations	Housing sales and leasing operations, consignment sales operations (sales of other companies' properties), new operations (resort residence operations, overseas operations, etc.), etc.	
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, 2019)	Stockholder name	Shareholding ratio
	Mitsui Fudosan Co., Ltd.	100.0%
Relationship with NAF or the investment trust management company		
Capital relationships	The seller holds 3.21% of total NAF investment units issued as of February 29, 2020. Also, the seller is a 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	There are no business relationships between NAF or the investment trust management company and the seller.	
Applicability to related parties	The seller does not fall under the category of related parties of NAF. Also, the seller is a wholly-owned subsidiary of Mitsui Fudosan Co., Ltd., which is the parent company of the investment trust management company, and therefore falls under the category of related parties of the investment trust management company.	

5. Situation of the acquirer of the property

	Situation of the property owner, etc.	Former owner, etc.	Owner, etc. before the former owner, etc.
	Property: Park Axis Akatsuka	Name	Mitsui Fudosan Residential Co., Ltd.
Relationship with a special related party		Wholly-owned subsidiary of Mitsui Fudosan Co., Ltd., which is the parent company of the investment trust management company	—
Acquisition history, reason, etc.		Property developed by Mitsui Fudosan Residential Co., Ltd. and Marubeni Corporation	—
Acquisition price (including other costs)		—	—
Acquisition time		—	—

6. Outline of brokerage

Not applicable.

7. Transactions with related parties and the like

Since Mitsui Fudosan Residential Co., Ltd., the seller of the property to be acquired, corresponds to related parties and the like (see Note), the conclusion of a real estate sale contract has undergone deliberation and approval by the compliance committee and 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 (see 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., as well as on 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 acquisition of the property

The impact of the acquisition on NAF's financial results for the period ending August 31, 2020 (29th Period: March 1, 2020 to August 31, 2020) will be minor, and there will be no change to financial results forecast for the period.

10. Summary of appraisal report

Appraised value	¥2,580,000 thousand (Note)
Appraisal company	JLL Morii Valuation & Advisory K.K.
Date of value appraisal	January 31, 2020

(Unit: Thousands of yen)

Item	Details (Note)	Summary, etc.
Value of earnings	4,690,000	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)]	4,780,000	
(1) Operating revenues [(a)-(b)]	232,511	
(a) Potential gross revenue	244,246	Appraised medium- to long-term stable rental income, etc. based on current condition, etc.
(b) Vacancy loss, etc.	11,735	Appraised by taking into account standard vacancy rates and individual characteristics of the subject real estate.
(2) Operating expenses [(c)+(d)+(e)+(f)+(g)+(h)+(i)+(j)]	40,073	
(c) Maintenance expenses	5,750	Appraised based on actual records, making reference to levels at similar real estate.
(d) Utilities expenses	3,013	
(e) Repair expenses	2,796	The cost of restoration to original condition is appraised by taking into account 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	6,740	Adopted the scheduled contract content assuming the content to be appropriate, making reference to levels at similar real estate.
(g) Tenant soliciting fees, etc.	10,805	Appraised by taking into account local practice and the evacuation rate of the subject real estate.
(h) Taxes and public dues	10,315	Appraised based on actual amounts, and by considering the fluctuation rate and annual depreciation.
(i) Property insurance fees	510	Appraised by making reference to levels at similar real estate.
(j) Other expenses	144	Posted neighborhood association fees, etc.
(3) Net operating income [(1)-(2)]	192,438	
(k) Earnings from temporary deposits	494	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	1,732	Posted 70% of a standardized amount assuming the estimate in the engineering report to be appropriate.
(4) Net income [(3)+(k)-(l)]	191,200	
(5) Cap rate	4.0%	Appraised by considering the income and capital fluctuation risk, in addition to the discount rate.
Value calculated by discounted cash flow method	4,590,000	
Discount rate	3.8%	Appraised by comprehensively taking into account overall transaction market trends, etc. after considering risk factors of location and individual characteristics of the subject real estate as well as standard cap rate.
Terminal cap rate	4.2%	Appraised by considering uncertainty of fluctuation projections for future net income, future deterioration of the building, and risk of sale, in addition to the cap rate.
Cost method value	2,800,000	
Land ratio	53.4%	
Building ratio	46.6%	

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 55% ownership interest. The items other than that 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. Photos 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	¥312,143 million
Number of Investment Properties	127 properties
Total Rentable Units (including retail units)	12,439 units

Proportion of Investment by Asset

	Planned Acquisition Price (Note 1)	Portfolio Share (Note 2)
Rental Apartments	¥296,254 million	94.9%
Hospitality Facilities	¥15,889 million	5.1%
Grand Total	¥312,143 million	100.0%

Proportion of "Rental Apartments" by Area

	Planned Acquisition Price (Note 1)	Portfolio Share (Note 3)
Tokyo 23 Wards	¥261,373 million	88.2%
Greater Tokyo (Note 4)	¥12,326 million	4.2%
Other Major Cities (Note 5)	¥22,555 million	7.6%
Total of "Rental Apartments"	¥296,254 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 >

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





