

January 29, 2019

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 of Domestic Real Estate Property**  
**(Dormy Odawara)**

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 and completed 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 for acquisition

(1) Name of property acquired	Dormy Odawara
(2) Type of property acquired	Real estate
(3) Acquisition price (Note 1)	¥521,000 thousand
(4) Appraised value (Note 2)	¥613,000 thousand
(5) Date of conclusion of sale contract	January 29, 2019
(6) Date of handover	January 29, 2019
(7) Seller	Not disclosed (Note 3)
(8) Acquisition funds	Own funds
(9) Method of payment	Full payment at the time of delivery

(Note 1) “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 acquired.

(Note 2) “Appraised value” is based on the amount mentioned in the real estate appraisal report (date of value appraisal on December 31, 2018) which Daiwa Real Estate Appraisal Co., Ltd. prepared for the property acquired.

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

### 3. Description of the property acquired

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

Name of property acquired		Dormy Odawara
Type of property acquired		Real Estate
Appraisal company		Daiwa Real Estate Appraisal Co., Ltd.
Appraised value (Note 1)		¥613,000 thousand
Date of value appraisal (Note 1)		December 31, 2018
Location	Residence indication	3-3 Odawara 1-chome, Miyagino-ku, Sendai-shi, Miyagi
Land	Building-to-land ratio (Note 2)	60%
	Floor-area ratio (Note 2)	200%
	Zoning	Category 2 residential district
	Site area (Note 3)	2,075.94 m <sup>2</sup>
	Ownership form	Proprietorship
Building	Completion date (Note 4)	February 24, 1998
	Structure / Number of stories (Note 5)	Flat-roofed reinforced concrete structure / 8 stories Galvanized steel sheet-roofed steel-framed structure / 2 stories
	Use (Note 5)	Dormitory / warehouse
	Gross floor area (Note 5)	2,384.98 m <sup>2</sup> / 67.16 m <sup>2</sup>
	Ownership form	Proprietorship
	Rentable units	78
	Rentable area	2,384.98 m <sup>2</sup> / 67.16 m <sup>2</sup>
Existence of security interests		None
Special affairs (Note 6)		For part of the land of the property, surface right for the purpose of constructing a railway viaduct has been set and registered.
Special features of the property		Located approximately a 14-minute walk from JR Sendai Station, the property provides excellent access to the city center. The central commercial district has been formed on the west exit side of the JR Sendai Station and a number of condominiums and apartments have been constructed on the east exit side in recent years. Corporate contracts for transferees can be expected in addition to demand from singles who commute to the central commercial district as well as students who commute to the universities, etc. in the vicinity, mainly seeking convenience of living in a city center.

Details of tenants (Note 7)	Total number of tenants	1
	Rentable units	78
	Rented units	78
	Rentable area	2,452.14 m <sup>2</sup>
	Rented area	2,452.14 m <sup>2</sup>
	Occupancy rate	100.0%
	Deposit / Security deposit	Not disclosed as the consent from the lessee has not been obtained.
	Total rental revenues	¥4,157 thousand

(Note 1) "Appraised value" and "date of value appraisal" are based on the real estate appraisal report prepared by Daiwa Real Estate Appraisal Co., Ltd. for the property acquired.

(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," "use," 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 acquired.

(Note 7) Explanation on “details of tenants”

- (i) “Total number of tenants” is denoted as “1” where a master lease agreement (a bulk lease agreement) has been concluded with the lessee. As to the property acquired, NAF has succeeded a fixed-term building lease agreement with the seller as the lessor and Fujita Corporation as the lessee, as of today. The above “Total number of tenants” is denoted as “1” indicating the number of said lessee. In addition, Fujita Corporation, the lessee, is currently using part of the property themselves after concluding a sublease agreement with Kyoritsu Maintenance Co., Ltd. (operator).
- (ii) “Rentable units” denotes the number of units that can be rented within the property acquired.
- (iii) “Rented units” and “rented area” are based on the fixed-term building lease status succession agreement concluded as of today. “Deposit / Security deposit” is not disclosed as the consent from the lessee has not been obtained.
- (iv) “Rentable area” denotes the total area of the building that can be rented within the property acquired.
- (v) “Occupancy rate” denotes the ratio of the “rented area” against the “rentable area” and the figures are rounded to one decimal place.
- (vi) “Total rental revenues” denotes a monthly rent (fixed rent) stated in the fixed-term building lease agreement.

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

Investigations into the state of building	Consigned investigating company	Tokio Marine & Nichido Risk Consulting Co., Ltd.
	Investigation report date	January 16, 2019
	Urgent repair cost	—
	Short-term repair cost	—
	Repair and renewal costs expected to be necessary within 12 years	¥62,710 thousand
	Replacement value	¥550,900 thousand
Earthquake risk diagnosis	Consigned investigating company	Tokio Marine & Nichido Risk Consulting Co., Ltd.
	Investigation report date	January 16, 2019
	PML value (Note)	0.2%

(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	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 the investment trust management company	None

4. Outline of seller

The seller is a domestic business corporation, but information is not disclosed as the 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 does 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 property acquired is not an 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 broker

Name	Mizuho Trust & Banking Co., Ltd.
Address	2-1 Yaesu 1-chome, Chuo-ku, Tokyo
Representative	Tetsuo Imori, President & CEO
Description of principal operations	Trust business, acceptance of deposits or installment savings and other
Capital	¥247,369 million
Date of establishment	May 9, 1925
Relationship with NAF or the investment trust management company	There are no capital, personal or business relationships to report between the broker and NAF, the investment trust management company, or any related parties or associated companies of NAF or the investment trust management company. Moreover, the broker does not fall under the category of related parties of NAF or the investment trust management company.

(2) Amount of brokerage fee

Not disclosed as the consent from the broker has not been obtained.

7. Transactions with related parties and the like

The property acquired has not been acquired from a party classified as having a relationship of special interest with NAF or the investment trust management company.

8. Earthquake resistance matters

The property acquired has acquired the approval of the Minister of Land, Infrastructure, Transport and Tourism pursuant to the provisions of Article 38 of 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. 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 February 28, 2019 (26th Period: September 1, 2018 to February 28, 2019) will be minor, and there will be no change to financial results forecast for the period.

## 10. Summary of appraisal report

Appraised value	¥613,000 thousand
Appraisal company	Daiwa Real Estate Appraisal Co., Ltd.
Date of value appraisal	December 31, 2018

(Unit: Thousands of yen)

Item	Details	Summary, etc.
Value of earnings	613,000	Calculated the value of earnings found by income approach judging the value of earnings found by the discounted cash flow method to be more convincing and also verifying with the value of earnings found by the direct capitalization method.
Value calculated by the direct capitalization method [(4)+(5)]	615,000	
(1) Operating revenues [(a)-(b)]	49,891	
(a) Potential gross revenue	49,891	Posted rent based on the agreement.
(b) Vacancy loss, etc.	0	Not posted as long-term tenancy is assumed.
(2) Operating expenses [(c)+(d)+(e)+(f)+(g)+(h)+(i)+(j)]	5,902	
(c) Maintenance expenses	0	Not posted based on the agreement.
(d) Utilities expenses	0	Not posted based on the agreement.
(e) Repair expenses	1,781	Appraised based on the 12-year-period average repair expenses stated in the engineering report.
(f) Property management fees	0	Not posted based on the agreement.
(g) Tenant soliciting fees, etc.	0	Not posted as a long-term tenancy is assumed.
(h) Taxes and public dues	3,547	Posted the amount assessed based on tax amount materials for fiscal 2018.
(i) Property insurance fees	129	The amount is posted assuming the estimate to be appropriate.
(j) Other expenses	445	Posted as discretionary reserve.
(3) Net operating income [(1)-(2)]	43,988	
(k) Earnings from temporary deposits	326	Posted based on an appraised investment yield of 1.0%.
(l) Capital expenditures	4,369	Appraised based on the 12-year-period average repair expenses stated in the engineering report.
(4) Net income [(3)+(k)-(l)]	39,945	
(5) Cap rate	6.5%	Appraised by considering the rent burden risk based on the current level with it being leased in its entirety as a dormitory, referencing the cap rate of similar real estate, etc.
Value calculated by discounted cash flow method	612,000	
Discount rate	6.3%	Appraised using the comparison with discount rates of transactions of similar real estate and yields of other financial instruments, etc.
Terminal cap rate	6.7%	Appraised taking into account the marketability, etc. of the subject real estate at the end of the holding period subject to the cap rate.
Cost method value	585,000	
Land ratio	67.5%	
Building ratio	32.5%	

Other items considered by the appraisal company in making the appraisal	—
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 \* NAF's website: <https://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 Documents>

1. Portfolio status after acquisition of the property is completed
2. Photo and map of the property acquired

<Attached Document 1> Portfolio status after the Acquisition

Total Planned Acquisition Price	¥308,222 million
Number of Investment Properties	125 properties
Total Rentable Units (including retail units)	12,356 units

Proportion of Investment in Assets

	Planned Acquisition Price (Note 1)	Portfolio Share (Note 2)
Rental Apartments	¥292,333 million	94.8%
Hospitality Facilities	¥15,889 million	5.2%
Grand Total	¥308,222 million	100.0%

Proportion of "Rental Apartments" by Area

	Planned 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%

The above table includes a property to be acquired which was announced in "Notification Concerning Acquisition of Domestic Real Estate Property (Chisun Hotel Hiroshima)" dated January 29, 2019.

(Note 1) "Planned 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 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/english/portfolio/6-2.html>

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

