

August 4, 2023

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.
Hiroshi Kojima, President and CEO
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Notification Concerning Sale of Domestic Real Estate Property (Dormy Ashiya)

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 sale (the “Sale”) of a real estate property in Japan as shown below.

1. Reason for the Sale

Based on the provisions for investment and policies on asset management provided in the Articles of Incorporation of NAF, NAF has decided on the Sale after comprehensively considering the composition of the portfolio and trends in the real estate market, etc.

The sale price for the Sale surpasses the book value of the property, and thus unrealized gain is likely to be actualized.

Although the sale price is lower than the appraised value, the decision to sell the property on this occasion was made based on the conclusion that it would be profitable for investors considering future tenant risks of the property, among other factors.

NAF plans to internally reserve all or part of gain from the Sale as reserve.

2. Overview of the Sale

(1)	Name of property sold	Dormy Ashiya
(2)	Type of property sold	Real estate
(3)	Sale price (Note 1)	¥1,304,000 thousand
(4)	Book value	¥761,931 thousand (as of February 28, 2023)
(5)	Difference between sale price and book value	¥542,068 thousand
(6)	Appraised value (Note 2)	¥1,360,000 thousand
(7)	Date of conclusion of sale contract	August 4, 2023
(8)	Date of handover	August 4, 2023
(9)	Buyer	Not disclosed (Note 3)
(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) “Sale price” denotes the trading value (exclusive of miscellaneous expenses, fixed property taxes, urban planning taxes, consumption taxes, and local consumption taxes) specified in the sale contract for the property sold.



(Note 2) "Appraised value" is based on the amount mentioned in the real estate appraisal report (date of value appraisal: February 28, 2023) which JLL Morii Valuation & Advisory K.K. prepared for the property sold.

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

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3. Outline of the Property Sold

Name of property sold		Dormy Ashiya
Type of property sold		Real estate
Appraisal company		JLL Morii Valuation & Advisory K.K.
Appraisal value upon sale (Note 1)		¥1,360,000 thousand
Date of value appraisal (Note 1)		February 28, 2023
Location	Residence indication	12-28, Daitocho, Ashiya-shi, Hyogo
Land	Building-to-land ratio (Note 2)	60%
	Floor-area ratio (Note 2)	200%
	Zoning	Category 1 medium-to-high-rise exclusive residential district
	Site area (Note 3)	3,267.22 m ²
	Ownership form	Proprietorship
Building	Completion date (Note 4)	September 17, 2002
	Structure / Number of stories (Note 5)	Flat-roofed reinforced concrete structure / 5 stories
	Use (Note 5)	Dormitory, garage
	Gross floor area (Note 5)	3,729.45 m ²
	Ownership form	Proprietorship
	Rentable units	140
	Rentable area	3,729.45 m ²

Details of tenants (Note 6)	Total number of tenants	1
	Rentable units	140
	Rented units	140
	Rentable area	3,729.45 m ²
	Rented area	3,729.45 m ²
	Occupancy rate	100%
	Deposit / Security deposit	Not disclosed as the consent from the lessee has not been obtained
	Monthly rental revenue	Not disclosed as the consent from the lessee has not been obtained

(Note 1) "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 sold.

(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) Explanation on "details of tenants"

- (i) "Total number of tenants" is denoted as "1" when a master lease agreement (bulk lease agreement) has been concluded with the lessee. As to the property sold, "Total number of tenants" is denoted as "1" as a fixed-term building lease agreement has been concluded with Kyoritsu Maintenance Co., Ltd. as the lessee (and operator).
- (ii) "Rentable units" and "Rentable area" denote the number of units or the total area that can be rented for the property sold.
- (iii) "Occupancy rate" denotes the ratio of the "rented area" against the "rentable area" and the figures are rounded to one decimal place.
- (iv) "Deposit / Security deposit" and "Monthly rental revenue" are not disclosed as the consent from the lessee has not been obtained.

4. Outline of Buyer

The buyer of the property sold is a domestic corporation, but information is not disclosed as consent from the buyer has not been obtained. There are no capital, personnel or business relationships between the buyer and NAF or the investment trust management company. Also, the buyer does not fall under the category of related parties of NAF or the investment trust management company.

5. Outline of Brokerage

Not applicable.

6. Transactions with Related Parties and the Like

This is omitted as it is not a sale to a related party.

7. Outlook for Management After the Sale

NAF plans to internally reserve all or part of gain from the Sale as reserve for reduction entry using the special provisions for replacement of business assets for long-term land holdings, etc.

The impact of the Sale on NAF's financial results for the period ending August 31, 2023 (35th Period: March 1, 2023, to August 31, 2023) and the period ending February 29, 2024 (36th Period: September 1, 2023, to February 29, 2024) will be minor, and there will be no change to the financial results forecasts for the periods.

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8. Summary of Appraisal Report

Appraised value	¥1,360,000 thousand
Appraisal company	JLL Morii Valuation & Advisory K.K.
Date of value appraisal	February 28, 2023

(Unit: thousands of yen)

Item	Details	Summary, etc.
Value of earnings	1,360,000	
Value calculated by the direct capitalization method [(4)÷(5)]	1,370,000	
(1) Operating revenues [(a)-(b)]	80,810	
(a) Potential gross revenue	80,810	Appraised medium- and long-term stable rental income, etc. based on current condition, etc.
(b) Vacancy loss, etc.	0	
(2) Operating expenses [(c)+(d)+(e)+(f)+(g)+(h)+(i)+(j)]	8,566	
(c) Maintenance expenses	0	
(d) Utilities expenses	0	
(e) Repair expenses	2,954	Posted 30% of a standardized amount assuming the estimate in the engineering report to be appropriate.
(f) Property management fees	0	
(g) Tenant soliciting fees, etc.	0	
(h) Taxes and public dues	5,263	Appraised by considering the fluctuation rate and annual depreciation, etc. based on actual amounts.
(i) Property insurance fees	349	The amount is posted assuming the materials presented to be appropriate.
(j) Other expenses	0	
(3) Net operating income [(1)-(2)]	72,244	
(k) Earnings from temporary deposits	404	Appraised by multiplying the amount obtained by subtracting the amount equivalent to vacancies from the amount of security deposits, etc., at full occupancy, by yield of 1.0%.
(l) Capital expenditures	6,893	Posted 70% of a standardized amount assuming the estimate in the engineering report to be appropriate.
(4) Net income [(3)+(k)-(l)]	65,755	
(5) Cap rate	4.8%	Appraised by considering the income and capital fluctuation risk in addition to the discount rate.
Value calculated by the discounted cash flow method	1,340,000	
Discount rate	4.5%	Appraised by 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	5.0%	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	1,230,000	
Land ratio	76.2%	
Building ratio	23.8%	

Other items considered by the appraisal company in making the appraisal	—
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< Attached Document 1 >

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

Total Planned Acquisition Price	339,038 million
Number of Investment Properties	133 properties
Total Rentable Units (including retail units)	13,146 units

Proportion of Investment by Asset

	Planned Acquisition Price (Note 1)	Portfolio Share (Note 2)
Rental Apartments	322,641 million	95.2%
Hospitality Facilities	16,397 million	4.8%
Grand Total	339,038 million	100.0%

Proportion of "Rental Apartments" by Area

	Planned Acquisition Price (Note 1)	Portfolio Share (Note 3)
Tokyo 23 Wards	285,660 million	88.5%
Greater Tokyo (Note 4)	14,426 million	4.5%
Other Major Cities (Note 5)	22,555 million	7.0%
Total of "Rental Apartments"	322,641 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) Proportion of all properties by area (including Hospitality Facilities)

Tokyo 23 wards 86.0%

Other area 14.0%

(Note 7) Please refer to NAF's website for the latest portfolio list:

<https://www.naf-r.jp/english/portfolio/6-2.html>