

September 1, 2023

To All Concerned Parties

Issuer of Real Estate Investment Trust Securities:

Nippon Accommodations Fund Inc.
1-4-1 Nihonbashi, Chuo Ward, Tokyo
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 Acquisition of Domestic Real Estate Properties
(Smile Hotel Nishi-Akashi, Smile Hotel Okinawa Naha, Smile Hotel Matsuyama)**

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 the acquisition of real estate properties 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 properties 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

	Name of Acquired Property	Type of Acquired Property (Note 1)	Acquisition Price (Note 2)	Appraised Value (Note 3)
Property 1	Smile Hotel Nishi-Akashi	Real estate and real estate leasehold rights	¥970,000,000	¥994,000,000
Property 2	Smile Hotel Okinawa Naha	Real estate	¥1,120,000,000	¥1,240,000,000
Property 3	Smile Hotel Matsuyama	Real estate	¥1,010,000,000	¥1,040,000,000
Total			¥3,100,000,000	¥3,274,000,000

- (1) Date of conclusion of sale contract September 1, 2023
 (2) Date of handover September 1, 2023
 (3) Seller Hirakawamon Kanri GK
 (4) Acquisition funds Own funds (Note 4)
 (5) Method of payment Full payment at time of handover

(Note 1) NAF completed commissioning of the acquired properties today following acquisition of the trust beneficiary rights, with the acquired properties as the assets in trust.

(Note 2) "Acquisition price" denotes the trading value (exclusive of miscellaneous expenses for acquisition, fixed property taxes, <Caution> This document is a press release intended for general publication regarding NAF's acquisition of real estate properties and is not for purposes of soliciting investment. When investing, we ask that investors exercise their own judgment taking full responsibility after having read carefully the new investment unit issuance and secondary offering prospectus, or any corrections thereof (if made), prepared by NAF.

urban planning taxes, consumption taxes, and local consumption taxes) specified in the contract for the sale of trust beneficiary rights for the acquired properties.

(Note 3) "Appraised value" is based on the amount mentioned in the real estate appraisal report (date of value appraisal: July 1, 2023) prepared by JLL Morii Valuation & Advisory K.K. for the acquired properties.

(Note 4) Following the acquisition of the properties today using NAF's own funds, NAF may newly borrow funds to cover for said decrease in NAF's own funds. Details of the new borrowings, if any, will be announced once they are finalized.

3. Description of the acquired properties

(1) Outline of acquired properties

1. Property 1: Smile Hotel Nishi-Akashi

Name of acquired property		Smile Hotel Nishi-Akashi
Type of acquired property		Real estate and real estate leasehold rights
Appraisal company		JLL Morii Valuation & Advisory K.K.
Appraised value (Note 2)		¥994,000,000
Date of value appraisal (Note 2)		July 1, 2023
Location	Residence indication	12-5 Wasaka, Akashi-shi, Hyogo (area whose lot number and residence indication are undisclosed)
Land	Building-to-land ratio (Note 3)	80%
	Floor-area ratio (Note 3)	600%
	Zoning	Commercial zone
	Site area (Note 4)	1) 403.43 m ² , 2) 41.90 m ²
	Ownership form	1) Proprietorship, 2) Leasehold
Building	Completion date (Note 5)	January 8, 2003
	Structure / number of stories (Note 6)	Flat-roofed steel structure / 10-stories
	Uses (Note 6)	Hotel
	Gross floor area (Note 6)	2,045.00 m ²
	Ownership form	Proprietorship
	Number of guestrooms	106 rooms
	Rentable area	2,045.00 m ²
Existence of security interests		None
Special affairs (Note 7)		The following is an overview of the land lease agreement with the individual who owns part of the property's land ("the site"): 1) Purpose of leasehold rights: parking lot 2) Leasehold term: August 1, 2023, to July 31, 2073 3) Rent paid: ¥80,000/month 4) Security deposit: ¥500,000 5) Other: If the lessor attempts to transfer the site to a third party, the lessee must be notified in advance and granted first refusal right with respect to acquiring ownership of the site

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Special features	<p>The property is a 2-minute walk from Nishi-Akashi Station on the JR Kobe Line and San-yo Shinkansen Line. It therefore is highly convenient in terms of travel across a wide area, and with a number of major companies having opened plants and other facilities nearby, it is a convenient location for accommodating business demand.</p> <p>The guestrooms, which total 106, are mainly single rooms that focus on business demand, but since the location is about 20 minutes by train from Sannomiya Station on the JR Kobe Line, the property also captures a certain amount of tourism demand. The indoor facilities include a breakfast meeting venue, large communal bath (for men only), and coin-operated laundry.</p>
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Tenant details (Note 8)	Total number of tenants	1
	Occupancy rate	100.0%
	Deposit / Security deposit	Undisclosed because consent was not obtained from the lessee
	Monthly rental revenue	Undisclosed because consent was not obtained from the lessee

2. Property 2: Smile Hotel Okinawa Naha

Name of acquired property		Smile Hotel Okinawa Naha
Type of acquired property (Note 1)		Real estate
Appraisal company		JLL Morii Valuation & Advisory K.K.
Appraised value (Note 2)		¥1,240,000,000
Date of value appraisal (Note 2)		July 1, 2023
Location	Residence indication	24-1, Maeshima 3-chome, Naha-shi, Okinawa
Land	Building-to-land ratio (Note 3)	80%
	Floor-area ratio (Note 3)	600%・400%
	Zoning	Commercial zone
	Site area (Note 4)	527.19 m ²
	Ownership form	Proprietorship
Building	Completion date (Note 5)	August 27, 2007
	Structure / number of stories (Note 6)	Flat-roofed reinforced concrete structure / 10-stories
	Uses (Note 6)	Hotel
	Gross floor area (Note 6)	2,772.69 m ²
	Ownership form	Proprietorship
	Number of guestrooms	128 rooms
	Rentable area	2,772.69 m ²
Existence of security interests		None
Special affairs (Note 7)		None
Special features		<p>The property is located a 7-minute walk from Miebash Station on the Okinawa Urban Monorail (Yui Rail) line. It offers access to the Kokusai-dori and Matsuyama districts, which are popular tourist destinations, and the Kumoji office district, which are 15 minutes away by foot. It is also near Tomari Port, which serves high-speed boats and ferries to and from the outer islands.</p> <p>The guestrooms, which total 128, are mainly single rooms. The property is a business hotel mainly occupied by businesspeople or tourists traveling alone. The facilities include a breakfast meeting venue and coin-operated laundry.</p>

Tenant details (Note 8)	Total number of tenants	1
	Occupancy rate	100.0%
	Deposit / Security deposit	Undisclosed because consent was not obtained from the lessee
	Monthly rental revenue	Undisclosed because consent was not obtained from the lessee

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3. Property 3: Smile Hotel Matsuyama

Name of acquired property		Smile Hotel Matsuyama
Type of acquired property (Note 1)		Real estate
Appraisal company		JLL Morii Valuation & Advisory K.K.
Appraised value (Note 2)		¥1,040,000,000
Date of value appraisal (Note 2)		July 1, 2023
Location	Residence indication	18-1, Katsuyamacho 1-chome, Matsuyama-shi, Ehime (area whose lot number and residence indication are undisclosed)
Land	Building-to-land ratio (Note 3)	80%
	Floor-area ratio (Note 3)	500%
	Zoning	Commercial zone
	Site area (Note 4)	433.77 m ²
	Ownership form	Proprietorship
Building	Completion date (Note 5)	October 19, 2007
	Structure / number of stories (Note 6)	Flat-roofed reinforced concrete structure / 11-stories
	Uses (Note 6)	Hotel, parking lot
	Gross floor area (Note 6)	2,144.46 m ² , 41.79 m ²
	Uses (Note 6)	Proprietorship
	Number of guestrooms	97 rooms
	Rentable area	2,144.46 m ²
Existence of security interests		None
Special affairs (Note 7)		Part of the boundary between the property's site and the adjacent site has not been defined.
Special features		The property is a 1-minute walk from Iyo Railway Katsuyama Station, which is about 10 minutes from Matsuyama City Station and Dogo Onsen Station, making it convenient for both business and tourism. The guestrooms, which total 97, are mainly single and double rooms. They focus on business demand but are also able to accommodate tourism demand. The facilities include a breakfast meeting venue and coin-operated laundry.

Tenant details (Note 8)	Total number of tenants	1
	Occupancy rate	100.0%
	Deposit / Security deposit	Undisclosed because consent was not obtained from the lessee
	Monthly rental revenue	Undisclosed because consent was not obtained from the lessee

(Note 1) NAF completed commissioning of the acquired properties today following acquisition of the trust beneficiary rights, with the acquired properties as the assets in trust.

(Note 2) "Appraised value" and "date of value appraisal" are based on the description in the real estate appraisal report prepared by JLL Morii Valuation & Advisory K.K. for the acquired properties.

(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.

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(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 acquired properties.

(Note 8) Explanation of "Tenant details"

- (i) "Total number of tenants" is denoted as 1 if there is a master lease agreement (bulk lease agreement) concluded with the lessee. With regards to the acquired properties, a fixed-term building lease agreement had been concluded with Hospitality Operations, Inc. as the lessee, and NAF will take over the status of lessor.
- (ii) "Occupancy rate" denotes the ratio of the "rented area" against the "rentable area" and the figures are rounded to one decimal place.

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

		Property 1	Property 2	Property 3
Name of properties acquired		Smile Hotel Nishi-Akashi	Smile Hotel Okinawa Naha	Smile Hotel Matsuyama
Investigations into the state of the building	Consigned investigating company	Sompo Risk Management Inc.		
	Investigation report date	August 24, 2023	August 24, 2023	August 24, 2023
	Urgent repair cost	—	—	—
	Short-term repair cost	—	—	—
	Repair and renewal costs expected to be necessary within 12 years	¥90,990,000	¥60,500,000	¥80,010,000
	Replacement value	¥724,000,000	¥1,040,000,000	¥817,000,000
Earthquake risk diagnosis	Consigned investigation company	Tokio Marine & Nichido Risk Consulting Co., Ltd.		
	Investigation report date	August 23, 2023	August 23, 2023	August 23, 2023
	PML value (Note)	5.7%	3.1%	2.8%

(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.

4. Outline of seller

Name	Hirakawamon Kanri GK	
Address	3-1-1 Marunouchi Chiyoda-ku Tokyo	
Outline of managing partner	Name	Ippan Shadan Hojin F.B. Holding
	Address	Tokyo Kyodo Accounting Office 3-1-1 Marunouchi Chiyoda-ku Tokyo
	Representative	Office administrator: Hisayoshi Kitagawa
Description of principal operations	1. Acquisition, holding, disposal, leasing and management of real estate 2. Acquisition, holding, and disposition of trust beneficiary interest in real estate 3. Any and all other businesses related to the businesses listed in the preceding items	
Date of establishment	March 15, 2021	
Capital	¥100 thousand	
Relationship between NAF or the investment trust management company, and the seller		
Capital relationships	There are no investments in the seller either from NAF, the investment trust management company.	
Personal relationships	There are no personal relationships between NAF or the investment trust management company.	
Business relationships	There are no business relationships between NAF or the investment trust management company.	
Applicability to related parties	There are no applicability to related parties between NAF or the investment trust management company.	

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The seller of the acquired properties is a domestic limited liability company, but information is not disclosed since the seller's consent has not been obtained. There are no noteworthy capital, personal, or business relationships between the seller and NAF and the investment trust management company, parties related to them, and affiliated companies. Also, the seller, parties related to it, and its affiliates do not fall under the category of related parties of NAF or the investment trust management company.

5. Situation of the acquirer of the properties

Since the acquisition of the acquired properties does not correspond to an acquisition from a related party or the like of NAF or the investment trust management company, this information has been omitted.

6. Outlines of brokerage

(1) Outline of broker

Name	Jones Lang LaSalle, Inc.
Address	1-3 Kioicho, Chiyoda Ward, Tokyo
Representative	Toshinobu Kasai, President & CEO
Main business	Real estate transaction support (real estate acquisition, disposition, and securitization support), cross-border transaction support, corporate real estate strategy, portfolio/property management, project management, facility management, leasing/transaction management, hotel investment support & advisory, supply chain consulting, energy & sustainability consulting, real estate appraisal, research/consulting, real estate technology
Capital	¥195 million
Date of establishment	April 23, 1985
Relationship with NAF and investment trust management company	There are no noteworthy capital, personal, or business relationships between the broker and NAF and the investment trust management company, parties related to them, and affiliated companies. Also, the broker, parties related to it, and its affiliates do not fall under the category of related parties of NAF or the investment trust management company.

(2) Amount of brokerage fees

The information is not disclosed because the broker's consent was not obtained.

7. Transactions with related parties and the like

The acquisition of the acquired properties does not correspond to an acquisition from a related party or the like of NAF or the investment trust management company.

8. Earthquake resistance matters

NAF commissioned investigation and verification of details relating to the seismic resistance structure, including structural calculation sheets, and for the buildings relating to the acquired properties, it obtained a judgment indicating that the structural calculations and structural drawings provide the seismic resistance stipulated in the Building Standards Act with respect to building structure and that there are no concerns about falsification.

9. Outlook for management after acquisition of the properties

The impact of the acquisition on NAF's financial results for the period ending February 2024 (36th Period: September 1, 2023, to February 29, 2024) will be minor, and there will be no change to financial results forecast for the period.

10. Summary of appraisal reports
(1) Property 1: Smile Hotel Nishi-Akashi

Appraised value	¥994,000,000
Appraisal company	JLL Morii Valuation & Advisory K.K.
Date of value appraisal	July 1, 2023

(Unit: Thousands of yen)

Item	Details	Summary, etc.
Value of earnings	994,000	Estimated by linking the value of earnings based on the direct capitalization method and value of earnings based on the discounted cash flow method.
Value calculated by the direct capitalization method [(4)+(5)]	1,010,000	
(1) Operating revenues [(a)-(b)]		
(a) Potential gross revenue		
(b) Vacancy loss, etc.		
(2) Operating expenses [(c)+(d)+(e)+(f)+(g)+(h)+(i)+(j)]		
(c) Maintenance expenses	Undisclosed (Note)	
(d) Utilities expenses		
(e) Repair expenses		
(f) Property management fees		
(g) Tenant soliciting fees, etc.		
(h) Taxes and public dues		
(i) Property insurance fees		
(j) Other expenses		
(3) Net operating income [(1)-(2)]	58,428	
(k) Earnings from temporary deposits	Undisclosed (Note)	
(l) Capital expenditures		
(4) Net income [(3)+(k)-(l)]	53,278	
(5) Cap rate	5.3%	Appraised by factoring income and principal fluctuation risks into the discount rate.
Value calculated by discounted cash flow method	978,000	
Discount rate	5.1%	Appraised by comprehensively factoring market trends, etc. on the transaction market into the basic yield, after considering regionality- and individuality-related risk factors for the applicable property.
Terminal cap rate	5.5%	Appraised by factoring the uncertainty of forecast changes in net income in the future, future deterioration of buildings, and selling risks into the cap rate.
Cost method value	448,000	
Land ratio	56.0%	
Building ratio	44.0%	

Other items considered by the appraisal company in making the appraisal	—
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(Note) Information is not disclosed because the lessee's consent was not obtained.

(2) Property 2: Smile Hotel Okinawa Naha

Appraised value	¥1,240,000,000
Appraisal company	JLL Morii Valuation & Advisory K.K.
Date of value appraisal	July 1, 2023

(Unit: Thousands of yen)

Item	Details	Summary, etc.
Value of earnings	1,240,000	Estimated by linking the value of earnings based on the direct capitalization method and value of earnings based on the discounted cash flow method.
Value calculated by the direct capitalization method [(4)÷(5)]	1,260,000	
(1) Operating revenues [(a)-(b)]		
(a) Potential gross revenue		
(b) Vacancy loss, etc.		
(2) Operating expenses [(c)+(d)+(e)+(f)+(g)+(h)+(i)+(j)]		
(c) Maintenance expenses	Undisclosed (Note)	
(d) Utilities expenses		
(e) Repair expenses		
(f) Property management fees		
(g) Tenant soliciting fees, etc.		
(h) Taxes and public dues		
(i) Property insurance fees		
(j) Other expenses		
(3) Net operating income [(1)-(2)]	58,856	
(k) Earnings from temporary deposits	Undisclosed (Note)	
(l) Capital expenditures		
(4) Net income [(3)+(k)-(l)]	55,494	
(5) Cap rate	4.4%	Appraised by factoring income and principal fluctuation risks into the discount rate.
Value calculated by discounted cash flow method	1,220,000	
Discount rate	4.2%	Appraised by comprehensively factoring market trends, etc. on the transaction market into the basic yield, after considering regionality- and individuality-related risk factors for the applicable property.
Terminal cap rate	4.6%	Appraised by factoring the uncertainty of forecast changes in net income in the future, future deterioration of buildings, and selling risks into the cap rate.
Cost method value	1,230,000	
Land ratio	70.0%	
Building ratio	30.0%	

Other items considered by the appraisal company in making the appraisal	—
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(Note) Information is not disclosed because the lessee's consent was not obtained.

(3) Property 3: Smile Hotel Matsuyama

Appraised value	¥1,040,000,000
Appraisal company	JLL Morii Valuation & Advisory K.K.
Date of value appraisal	July 1, 2023

(Unit: Thousands of yen)

Item	Details	Summary, etc.
Value of earnings	1,040,000	Estimated by linking the value of earnings based on the direct capitalization method and value of earnings based on the discounted cash flow method.
Value calculated by the direct capitalization method [(4)+(5)]	1,060,000	
(1) Operating revenues [(a)-(b)]		
(a) Potential gross revenue		
(b) Vacancy loss, etc.		
(2) Operating expenses [(c)+(d)+(e)+(f)+(g)+(h)+(i)+(j)]	Undisclosed (Note)	
(c) Maintenance expenses		
(d) Utilities expenses		
(e) Repair expenses		
(f) Property management fees		
(g) Tenant soliciting fees, etc.		
(h) Taxes and public dues		
(i) Property insurance fees		
(j) Other expenses		
(3) Net operating income [(1)-(2)]	57,266	
(k) Earnings from temporary deposits	Undisclosed (Note)	
(l) Capital expenditures		
(4) Net income [(3)+(k)-(l)]	52,757	
(5) Cap rate	5.0%	Appraised by factoring income and principal fluctuation risks into the discount rate.
Value calculated by discounted cash flow method	1,020,000	
Discount rate	4.8%	Appraised by comprehensively factoring market trends, etc. on the transaction market into the basic yield, after considering regionality- and individuality-related risk factors for the applicable property.
Terminal cap rate	5.2%	Appraised by factoring the uncertainty of forecast changes in net income in the future, future deterioration of buildings, and selling risks into the cap rate.
Cost method value	597,000	
Land ratio	53.4%	
Building ratio	46.6%	

Other items considered by the appraisal company in making the appraisal	—
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(Note) Information is not disclosed because the lessee's consent was not obtained.

NAF's website: <https://www.naf-r.jp/english/>

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<Attached Documents>

1. Portfolio List After the Transaction
2. Photos of the Acquired Properties and Area Maps

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< Attached Document 1 >

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

Total Planned Acquisition Price	¥342,138 million
Number of Investment Properties	136 properties
Total Rentable Units (including retail units)	13,477 units

Proportion of Investment by Asset

	Planned Acquisition Price (Note 1)	Portfolio Share (Note 2)
Rental Apartments	¥322,641 million	94.3%
Hospitality Facilities	¥19,497 million	5.7%
Grand Total	¥342,138 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 85.2%

Other area 14.8%

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

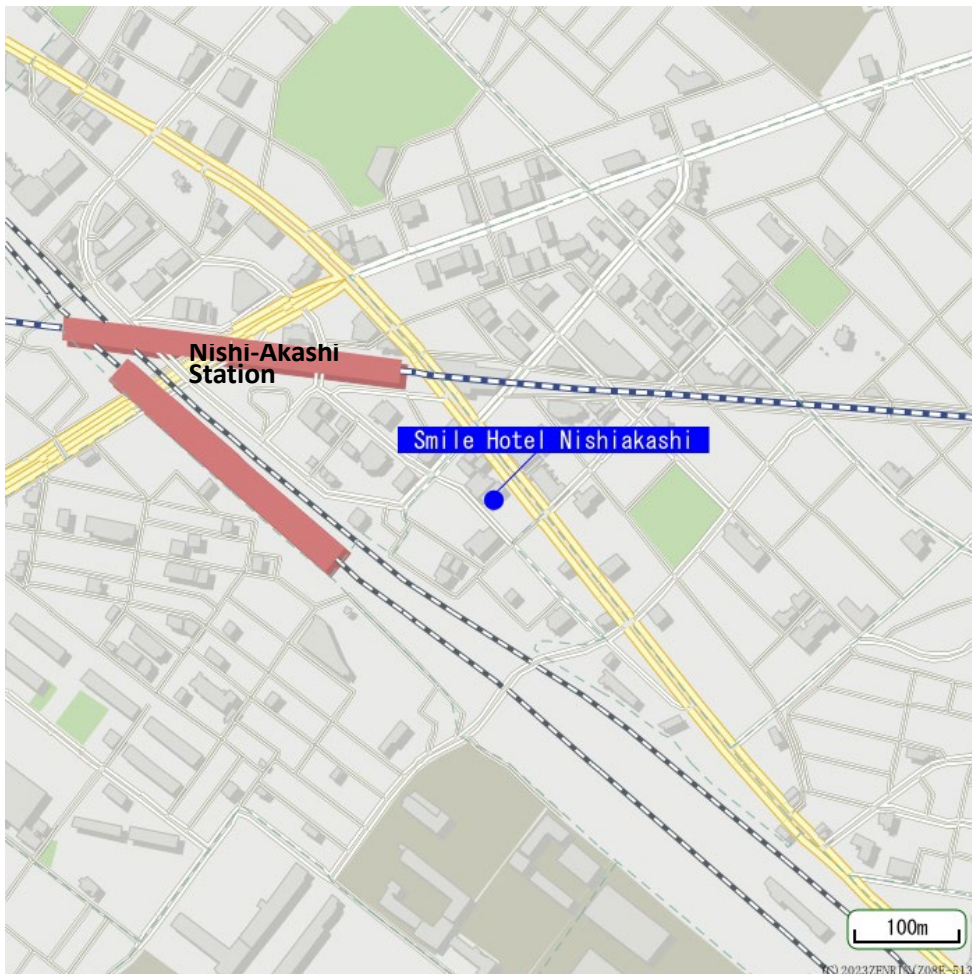
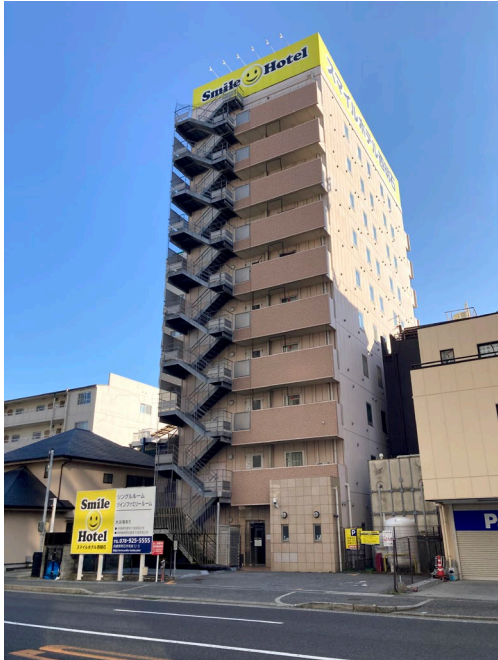
<https://www.naf-r.jp/portfolio/5-1.html>

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< Attached Document 2 >

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

1. Smile Hotel Nishi-Akashi



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2. Smile Hotel Okinawa Naha



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3. Smile Hotel Matsuyama



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