

December 1, 2020

To All Concerned Parties

Issuer of Real Estate Investment Trust Securities:
Nippon Accommodations Fund Inc.
Takashi Ikeda, Executive Director
(TSE Code: 3226)

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**Notification Concerning Revision to Financial Results Forecasts
for the Periods Ending February 28, 2021 and August 31, 2021**

Nippon Accommodations Fund Inc. ("NAF") revised its financial results forecasts for the period ending February 28, 2021 (30th Period: September 1, 2020 to February 28, 2021) and for the period ending August 31, 2021 (31st Period: March 1, 2021 to August 31, 2021) that were announced on October 19, 2020 as follows.

1. Revision to financial results forecast for the 30th period (September 1, 2020 to February 28, 2021)

	Total revenues	Operating income	Income before income taxes	Net income	Distribution per unit (not including distributions in excess of earnings)	Distribution in excess of earnings per unit
	Million yen	Million yen	Million yen	Million yen	Yen	Yen
Previous forecast (A)	11,577	5,335	4,885	4,884	10,080	—
Current revised forecast (B)	11,577	5,335	4,882	4,881	10,080	—
Change (B-A)	0	0	(2)	(2)	—	—
Change	0.0%	0.0%	(0.1)%	(0.1)%	—	—

Projected number of investment units issued as of the end of the 30th period: 503,472 units

<Caution> This document is a press release intended for general publication regarding revision to financial results forecast for the periods ending February 28, 2021 and August 31, 2021 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.

2. Revision to financial results forecast for the 31st period (March 1, 2021 to August 31, 2021)

	Total revenues	Operating income	Income before income taxes	Net income	Distribution per unit (not including distributions in excess of earnings)	Distribution in excess of earnings per unit
	Million yen	Million yen	Million yen	Million yen	Yen	Yen
Previous forecast (A)	11,711	5,272	4,802	4,801	9,910	—
Current revised forecast (B)	11,943	5,391	4,915	4,914	9,910	—
Change (B-A)	231	119	113	113	—	—
Change	2.0%	2.3%	2.4%	2.4%	—	—

Projected number of investment units issued as of the end of the 31st period: 503,472 units

Notes

1. The above forecasted figures are represented by figures as of the date of this document and calculated under assumptions described in "Underlying assumptions of forecasts for the 30th period and 31st period." Therefore, actual total revenues, operating income, income before income taxes, net income and distribution per unit may change due to future acquisition or sale of investment assets, fluctuation in the real estate market or other changes in the environment in which NAF operates. Accordingly, the forecasts are not a guarantee of any cash distribution amount.
2. Distribution per unit for the 30th period has been calculated assuming that ¥5,074 million that is the sum of ¥193 million in reversal of reserves for reduction entry and ¥4,881 million in net income will be distributed. Furthermore, distribution per unit for the 31st period has been calculated assuming that ¥4,989 million that is the sum of ¥74 million in reversal of reserves for reduction entry and ¥4,914 million in net income will be distributed.
3. A forecast revision shall be performed if a large deviation from above forecast is expected.
4. All amounts less than a single unit have been disregarded.

3. Reason for revision

As there have been changes to the underlying assumptions of forecasts for the 30th period and 31st period announced on October 19, 2020 in the "Financial Results for the Fiscal Period from March 1, 2020 to August 31, 2020" due to the acquisition of the properties to be acquired that was announced today in "Notification Concerning Acquisition of Domestic Real Estate Properties (Park Cube Oimachi Residence and other 3 properties)" and new investment unit issuance that was announced today in "Notification Concerning Issuance of New Investment Units and Secondary Offering of Investment Units," NAF has revised its financial results forecasts for the 30th period and 31st period.

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

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[Reference] Underlying assumptions of forecasts for the 30th period and 31st period

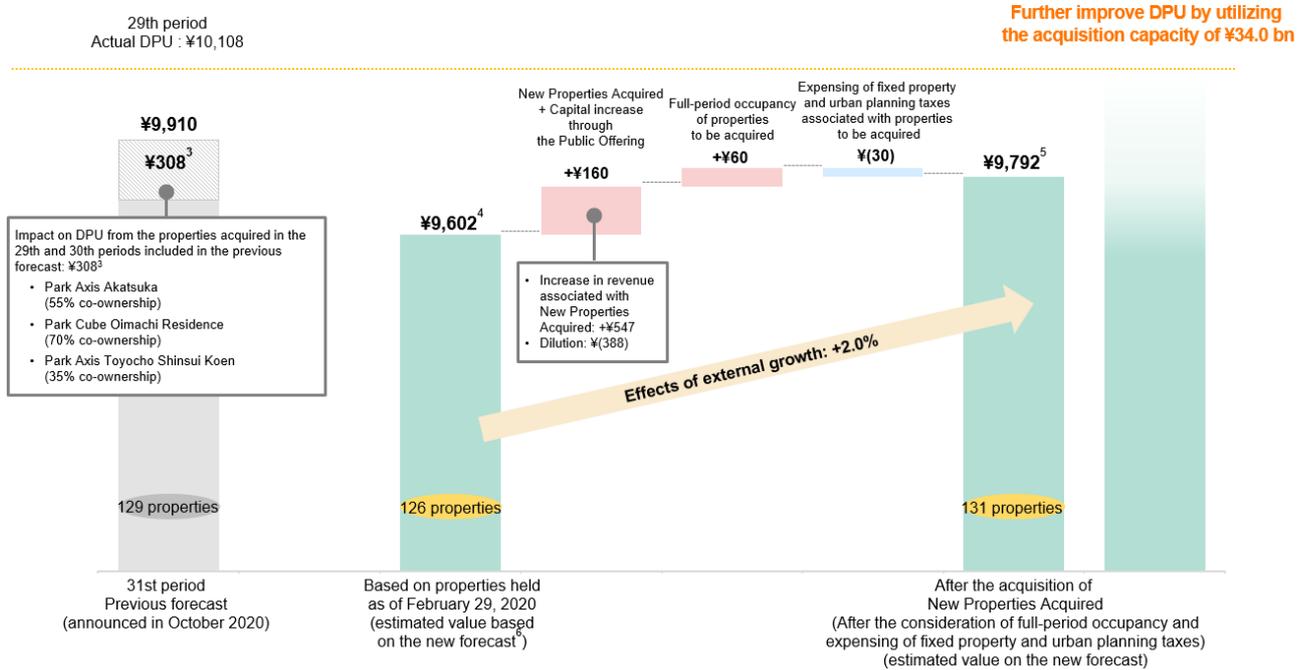
Item	Underlying assumptions
Number of operating days	<ul style="list-style-type: none"> - 30th period: From September 1, 2020 to February 28, 2021 (181 days) - 31st period: From March 1, 2021 to August 31, 2021 (184 days)
Investment assets/ Total revenues	<ul style="list-style-type: none"> - NAF holds 129 properties (hereinafter, “properties acquired”) as of the date of this document. - NAF has concluded a real estate sales contract with condition precedent for the following 4 properties (hereinafter, “properties to be acquired”). The names of the properties to be acquired and the planned date of handover are as follows. <ul style="list-style-type: none"> <April 5, 2021 handover (planned)> Park Axis Toyochō Shinsui Koen (65% co-ownership), Park Cube Oimachi Residence (30% co-ownership), Park Axis Ofuna, Campus Terrace Waseda (Note) Regarding the properties with planned handovers of April 5, 2021, the condition for the sale and purchase of each property is dependent on the completion of the procurement of funds reserved as the trading value for the properties to be acquired by NAF through the issuance of new investment units or loans etc. The planned handover date for these properties may be changed to a date separately agreed by the buyer and seller (a day up to April 5, 2021) in accordance with a real estate sales contract with condition precedent. - In the financial results forecasts, it is assumed that no transfer of properties (such as acquisition of new properties, sale of properties acquired, etc.) shall occur until August 31, 2021 other than for the above properties to be acquired. - The average month-end occupancy rates for total properties for the 30th period and 31st period are expected to be 96.5% and 96.3%, respectively. - The actual figures may change due to factors such as transfer of properties.
Operating expenses	<ul style="list-style-type: none"> - The fixed property taxes and urban planning taxes recognized as expenses are expected to be ¥618 million for the 30th period and ¥630 million for the 31st period. However, when an investment asset is acquired, the fixed property taxes and urban planning taxes that are settled with the previous owner according to the number of days the asset is owned are not recognized as expenses because they are included in the acquisition price. - The amounts recognized for the repairs and maintenance expenses and outsourcing expenses of buildings are the required amounts forecast for the number of operating days. However, because repairs and maintenance expenses and outsourcing expenses may arise suddenly due to some unexpected cause (building damage, etc.), amounts usually vary depending on the year, some expenses arise occasionally, etc., the repair and maintenance expenses and outsourcing expenses for the number of operation days may be different from the amounts forecast. - We calculate depreciation and amortization expenses (including ancillary expenses upon initial acquisition) using the straight-line method, and the expenses are expected to be ¥1,982 million for the 30th period and ¥2,037 million for the 31st period.

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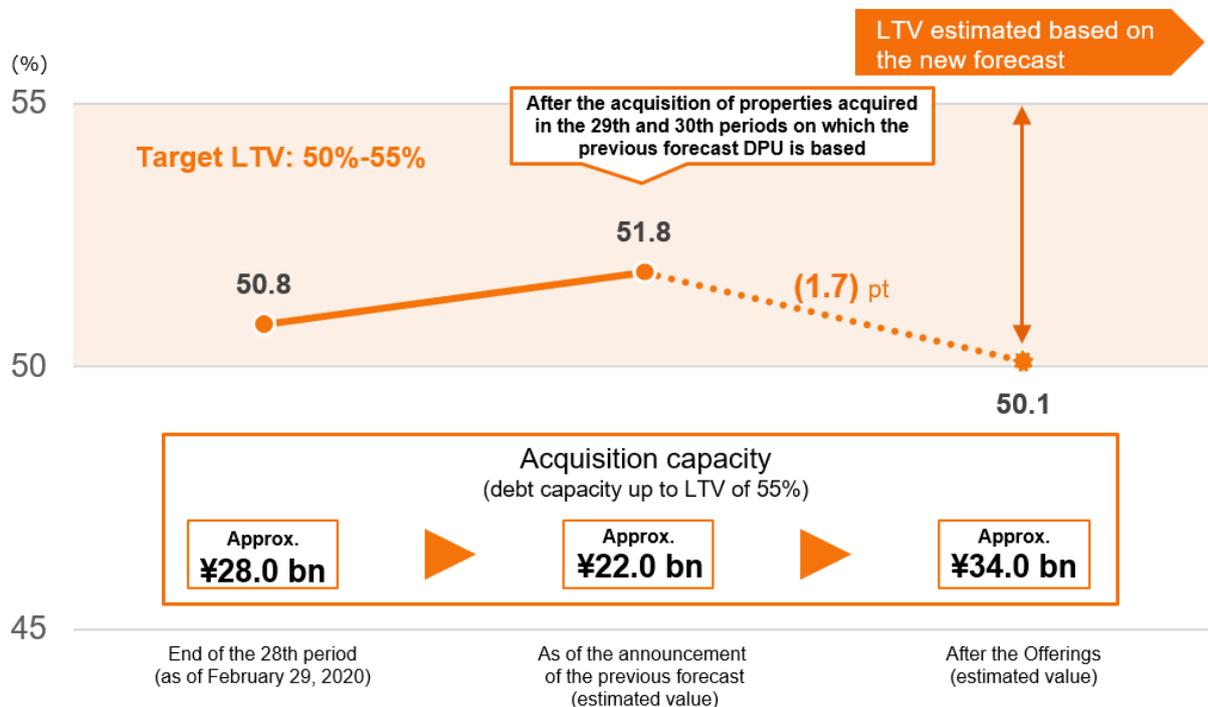
Item	Underlying assumptions
Interest-bearing debt/ Non-operating expenses	<ul style="list-style-type: none"> - The proceeds from the issuance of new units decided at the Board of Directors' meeting held on December 1, 2020 shall be applied to the purchase of properties to be acquired. - It is assumed that NAF's balance of interest-bearing debt, which is ¥159,500 million as of the date of this document, shall not change until August 31, 2021. In addition, it is assumed that loans that become due during the period will be fully refinanced. - Interest expense and interest expenses on investment corporation bonds, etc. are expected to be ¥450 million for the 30th period and ¥469 million for the 31st period. - Amortization of costs related to the issuance of new units, etc. is expected to be ¥3 million for the 30th period and ¥6 million for the 31st period.
Number of units issued	<ul style="list-style-type: none"> - It is assumed that a total of 18,950 new units through the issuance of new units by public offering (18,000 units) and third-party allocation (a maximum of 950 units) to be completely issued in addition to the 484,522 units outstanding as of the date of this document. - It is assumed that subsequent to the issuance of new units, there shall be no issuance of new units until August 31, 2021.
Distribution per unit (not including distributions in excess of earnings)	<ul style="list-style-type: none"> - Distribution (distribution per unit) is calculated assuming it will be in accordance with the Distribution Policy set forth in the Articles of Incorporation of NAF. - NAF has assumed ¥193 million for the 30th period and ¥74 million for the 31st period as reversal of internal reserves (reserve for reduction entry). - The actual amount of distribution per unit may change due to factors such as fluctuations in rent revenues owing to changes in tenants, transfer of properties, interest rate fluctuations, and additional issuance of investment units. - The actual amount of reversal of internal reserves (reserve for reduction entry) may change.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> - There is no distribution in excess of earnings planned as of the date of this document.
Other	<ul style="list-style-type: none"> - NAF has assumed no enforcement of such revisions to laws and regulations, tax systems, accounting standards, regulations of the Tokyo Stock Exchange and rules of The Investment Trusts Association, Japan, etc. that may affect the above forecasts. - NAF's forecasts assume no unforeseen significant changes in general economic trends or conditions in the real estate market.

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(Reference) Effects of external growth from the Offerings¹ and the acquisition of the New Properties Acquired²



<Changes in LTV⁷ and acquisition capacity⁸>



Notes

1. The "Offerings" refers to the issuance of new investment units and third-party allocation as stated in "Notification Concerning Issuance of New Investment Units and Secondary Offering of Investment Units" released today. The same shall apply hereinafter.
2. "Properties acquired in the 29th and 30th periods" are properties acquired in the 29th period (March 1, 2020 to August 31, 2020),

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including Park Axis Akatsuka (55% co-ownership) and Park Cube Oimachi Residence (70% co-ownership), as well as properties acquired in the 30th period, including Park Axis Toyoko Shinsui Koen (35% co-ownership) (together with properties to be acquired, collectively referred to as the “New Properties Acquired”; the same applies hereinafter).

3. The calculation of the “impact on DPU from the properties acquired in the 29th and 30th periods included in the previous forecast” uses the amount obtained by deducting rental expenses and asset management fees arisen thereto from revenues from property leasing associated with the properties acquired in the 29th and 30th Periods, which was used for the calculation of the financial results forecast for the 31st period announced on October 19, 2020 (“previous forecast”). The impact is then calculated by dividing the amount by the number of investment units issued of 484,522 units used for the calculation of the said forecast.
4. The figure of DPU “based on properties held as of February 29, 2020 (estimated value based on the new forecast)” refers to the forecast DPU for the 31st period based on the calculation of 126 properties held as of the end of the 28th period (September 1, 2019 to February 29, 2020). It is calculated by excluding the amount of “impact on DPU from the properties acquired in the 29th and 30th periods included in the previous forecast” based on the financial results forecast for the 31st period announced today.
5. The figure of DPU “after the acquisition of New Properties Acquired (after the consideration of full-period occupancy and expensing of fixed property and urban planning taxes) (estimated value based on the new forecast)” is calculated by adding the following (1) and (2) to and subtracting (3) from the DPU “based on properties held as of February 29, 2020”: The figures differ from the forecasted distribution per unit for the 31st period released today, as they were calculated by adding (2) and (3) below without consideration to the amount of reversal of internal reserves (reserve for reduction entry).
 - (1) “New Properties Acquired + Capital increase through the Public Offering”: calculated by dividing the amount of revenues from property leasing associated with the New Properties Acquired, which was used for the calculation of the financial results forecast for the 31st period announced today, (net of rental expenses) by the projected number of investment units to be issued as of the end of the 31st period of 503,472 units.
 - (2) “Full-period occupancy of properties to be acquired”: calculated by dividing the amount of incremental revenues from property leasing (net of incremental rental expenses) by the projected number of investment units to be issued as of the end of the 31st period of 503,472 units, based on the assumption that properties to be acquired on April 5, 2021 will be occupied throughout the full period.
 - (3) “Expensing of fixed property and urban planning taxes associated with the new properties to be acquired”: calculated by dividing the amount of fixed property and urban planning taxes assumed to be expensed associated with the new properties to be acquired by the projected number of investment units to be issued as of the end of the 31st period of 503,472 units.
6. The “new forecast” refers to the financial results forecast for the 31st period released today.
7. “LTV (Loan to Value Ratio)” refers to the percentage of interest-bearing debt to the total assets of NAF. The “LTV” after the announcement of the previous forecast is calculated by dividing the outstanding balance of interest-bearing debt as of October 31, 2020 by the amount of total assets as of October 31, 2020 (a prospective amount obtained by adding the amount equivalent to borrowings at the time of the acquisition of properties acquired in the 30th period to the amount of total assets on the balance sheet for the 29th period). The “LTV” after the Offerings (*) is calculated by dividing the outstanding balance of interest-bearing debt as of October 31, 2020 by the amount of total assets after the Offerings (a prospective amount obtained by adding the amount equivalent to borrowings at the time of the acquisition of properties acquired in the 30th period and the amount of unitholders’ capital expected to increase through the Offerings (*) to the amount of total assets on the balance sheet for the 29th period). The unitholders’ capital expected to increase thorough the Offerings is the sum of the prospective amounts of total issue value of the Offerings (*). Accordingly, if the actual issue value of the Offerings is less than the prospective amount of issue value (*), or if the payment is not made for all or part of the new investment units to be issued through the Third-party Allocation, the total issue value of the Offerings becomes less than the above prospective amount of total issue value, and the actual LTV after the Offerings could therefore be higher than the estimate. In contrast, if the actual issue value is higher than the above prospective amount of issue value, the total issue value of the Offerings becomes higher than the above prospective amount of total issue value, and the actual LTV after the Offerings could therefore be lower than the estimate.

* “After the Offerings” refers to when the Offerings are entirely completed. The same shall apply hereinafter. Furthermore, all of the “expected amount of unitholders’ capital,” “prospective amount of total issue value” and “prospective amount of issue value” above are prospective amounts calculated based on the closing price of regular trading of the Investment Units at the Tokyo Stock Exchange as of Monday, November 16, 2020, and based on the assumption that all the investment units to be issued through the Third-party Allocation will be paid in by Nomura Securities Co., Ltd., the book runner of the issuance of new investment units announced today in the press release “Notification Concerning Issuance of New Investment Units and Secondary Offering of Investment Units.”
8. “Acquisition capacity” refers to debt capacity, an extra amount of interest-bearing debt that a firm can service. The figures above show a range of estimated debt capacities at the time of each LTV calculation up to LTV of 55%, which is NAF’s LTV target.

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