

February 6, 2015

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

Nobumi Tobari  
(Code number 3226)

Investment Trust Management Company  
Mitsui Fudosan Accommodations Fund Management Co., Ltd.  
President and CEO  
Contact CFO and Director  
(TEL 03-3246-3677)

Kosei Murakami  
Satoshi Nohara

## Notification Concerning Issuance of New Investment Units and Secondary Offering of Investment Units

Nippon Accommodations Fund Inc. ("NAF") hereby provides notice of its resolution regarding issuance of new investment units and secondary offering of investment units adopted at the Board of Directors' Meeting held on February 6, 2015, as follows.

### 1. Issuance of new investment units by public offering

- |     |                                       |   |
|-----|---------------------------------------|---|
| (1) | Number of units to be offered         | 22,000 units  |
| (2) | Amount to be paid in<br>(issue value) | Undetermined. The amount to be paid in shall be determined at the Board of Directors' meeting to be held on any date between February 18, 2015 (Wed) and February 24, 2015 (Tue) ("Issue Price Determination Date").  |
| (3) | Method of offering                    | <p>The method of offering shall be by public offering where all investment units are to be subscribed and purchased by an underwriting syndicate whose joint lead managers are Nomura Securities Co., Ltd. and Merrill Lynch Japan Securities Co., Ltd. ("Joint Lead Managers"). Underwriters other than Joint Lead Managers are Daiwa Securities Co. Ltd., SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (hereinafter referred to collectively with Joint Lead Managers as "Underwriters").</p> <p>The issue price (offer price) for the public offering shall be determined in consideration of the degree of demand and other conditions based on a tentative price obtained by multiplying the amount calculated by deducting the projected distribution amount of ¥7,750 from the closing price at the Tokyo Stock Exchange on the Issue Price Determination Date (if no closing price is available for that date, the nearest preceding closing price will be used) by a number between 0.90 to 1.00 (any fractions less than one yen shall be omitted).</p> |
| (4) | Details of underwriting contract      | The Underwriters shall pay in the amount equivalent to the total amount to be paid in (issue value) to NAF on the payment date stated in (7) below. The difference between such amount and the total issue price (offer price) for the public offering shall be retained by the Underwriters. NAF shall pay no underwriting commission to the   |

<Caution> This document is a press release intended for general publication regarding NAF's issuance of new investment units and secondary offering of investment units 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.

- Underwriters.
- (5) Subscription unit One investment unit or more in whole units
  - (6) Subscription period Two business days starting the business day immediately following the Issue Price Determination Date
  - (7) Payment date Either March 2, 2015 (Mon), or March 3, 2015 (Tue)  
If the Issue Price Determination Date is any one of February 18, 2015 (Wed), February 19, 2015 (Thu), February 20, 2015 (Fri), or February 23, 2015 (Mon), the payment date shall be March 2, 2015 (Mon), and if the Issue Price Determination Date is February 24, 2015 (Tue), the payment date shall be March 3, 2015 (Tue)
  - (8) The amount to be paid in (issue value) and any other matters necessary for this issuance of new investment units shall be determined at a future Board of Directors' meeting.
  - (9) The above items shall be subject to the effectiveness of registration under the Financial Instruments and Exchange Act.

2. Secondary offering of investment units by over-allotment (see "Reference" item 1. below)

- (1) Offerer Nomura Securities Co., Ltd.
- (2) Number of units to be offered 1,100 units  
This number is the maximum number of investment units to be offered. The number may decrease, or the secondary offering by over-allotment itself may be cancelled, depending on the degree of demand and other conditions. The number of investment units to be offered shall be determined at the Board of Directors' meeting to be held on the Issue Price Determination Date, in consideration of the degree of demand and other conditions.
- (3) Offer price Undetermined. The offer price shall be determined on the Issue Price Determination Date; provided, however, that such offer price shall be the same as the issue price (offer price) for the public offering.
- (4) Method of offering Nomura Securities Co., Ltd. will make an offering of the maximum of 1,100 investment units of NAF that it borrows from the certain investor(s) of NAF in consideration of the degree of demand and other conditions in the public offering.
- (5) Subscription unit One investment unit or more in whole units
- (6) Subscription period Same as the subscription period in the public offering
- (7) Delivery date The business day immediately following the payment date in the public offering
- (8) The offer price and any other matters necessary for this offering of investment units shall be determined at a future Board of Directors' meeting.
- (9) The above items shall be subject to the effectiveness of registration under the Financial Instruments and Exchange Act.

3. Issuance of new investment units by third-party allocation (see "Reference" item 1. below)

- (1) Number of units to be offered 1,100 units
- (2) Amount to be paid in (issue value) Undetermined. The amount to be paid in (issue value) shall be the same as the amount to be paid in (issue value) for the public offering.
- (3) Allottee Nomura Securities Co., Ltd.
- (4) Subscription unit One investment unit or more units in whole units

<Caution> This document is a press release intended for general publication regarding NAF's issuance of new investment units and secondary offering of investment units 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.

- (5) Subscription period (subscription date) March 23, 2015 (Mon)
- (6) Payment date March 24, 2015 (Tue)
- (7) Investment units not subscribed within the subscription period (subscription date) stated in (5) above shall not be issued.
- (8) The amount to be paid in (issue value) and any other matters necessary for this issue of new investment units shall be determined at a future Board of Directors' meeting.
- (9) The above items shall be subject to the effectiveness of registration under the Financial Instruments and Exchange Act.

<Reference>

1. Secondary offering by over-allotment, etc.

- (1) The secondary offering by over-allotment stated in "2. Secondary offering of investment units by over-allotment" above is a secondary offering of over-allotted units to be made in conjunction with the public offering in "1. Issuance of new investment units by public offering" above in an amount not to exceed 1,100 investment units of NAF, that will be borrowed by Nomura Securities Co., Ltd. from the certain investor(s) of NAF in consideration of the degree of demand and other conditions in the public offering. Although 1,100 investment units is planned to be offered by over-allotment, this is the maximum number of investment units to be offered and, depending on the degree of demand and other conditions, such number may decrease, or the secondary offering by over-allotment itself may be cancelled.

In connection with the secondary offering by over-allotment, the Board of Directors of NAF has resolved, at the meeting held on February 6, 2015 (Fri), that NAF will issue by third-party allocation 1,100 investment units of NAF necessary to return the units borrowed from the certain investor(s) of NAF by Nomura Securities Co., Ltd. ("Borrowed Investment Units"), where the payment date is March 24, 2015 (Tue) and the allottee is Nomura Securities Co., Ltd. ("Third-Party Allocation").

Furthermore, Nomura Securities Co., Ltd. may also purchase investment units of NAF on the Tokyo Stock Exchange up to the number of investment units to be offered by over-allotment ("Syndicate Cover Transactions") to return the Borrowed Investment Units. All investment units of NAF purchased through Syndicate Cover Transactions shall be used to return the Borrowed Investment Units. Such Syndicate Cover Transactions would be made during the period beginning on the date immediately following the last day of the subscription period of the public offering and secondary offering by over-allotment and ending on March 17, 2015 (Tue) (the "Syndicate Cover Transaction Period"). During the Syndicate Cover Transaction Period, Nomura Securities Co., Ltd. at its discretion may not conduct any Syndicate Cover Transactions or may terminate any Syndicate Cover Transactions before the number of investment units purchased reaches the number of investment units of the secondary offering by over-allotment.

In addition, Nomura Securities Co., Ltd. may conduct stabilizing operations as it conducts the public offering and the secondary offering by over-allotment. The investment units of NAF purchased through such stabilizing operations may be used, in whole or in part, to return the Borrowed Investment Units.

Nomura Securities Co., Ltd. plans to underwrite the allocation under this issuance of new investment units by Third-Party Allocation of a number of investment units of NAF obtained by deducting (a) the number of investment units purchased through stabilizing operations and Syndicate Cover Transactions that are to be used to return the Borrowed Investment Units, from (b) the number of investment units to be offered in the over-allotment. Accordingly, all or a part of the investment units to be issued under this issuance by Third-Party Allocation may not be subscribed for, which may result in a decrease in the maximum number of investment units planned to be issued under this issuance by Third-Party Allocation, or in the cancellation of the entire issuance due to forfeiture.

- (2) The transaction stated in (1) above shall be made by Nomura Securities Co., Ltd. in consultation with the Merrill Lynch Japan Securities Co., Ltd.

<Caution> This document is a press release intended for general publication regarding NAF's issuance of new investment units and secondary offering of investment units 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. Change in the number of issued investment units by this issuance

Total number of issued investment units at present	461,422 units
Increase in number of investment units by public offering	22,000 units
Total number of issued investment units after public offering	483,422 units
Increase in number of investment units by Third-Party Allocation	1,100 units (Note)
Total number of issued investment units after Third-Party Allocation	484,522 units (Note)
(Note) Number of units in the event Nomura Securities Co., Ltd. subscribes all investment units offered by Third-Party Allocation, and said units are issued.	

3. Purpose and reason for issuance

The issuance of new investment units was decided as a result of an examination of the current LTV (Loan to Value Ratio), market trends and cash distributions in an effort to promote external growth through the purchase of new specified properties.

4. Total amount to be procured, specific use of funds and scheduled outlay period

(1) Total amount to be procured (approximate net balance)

¥10,634,685,600 (maximum)

(Note) Sum of ¥10,128,272,000 in net proceeds from the public offering and the ¥506,413,600 maximum net proceeds from the issuance of new investment units by third-party allocation. The above amount is a prospective amount calculated based on the closing price at the Tokyo Stock Exchange for January 23, 2015 (Fri).

(2) Specific use of procured funds and scheduled outlay period

The procured funds shall be allocated for the acquisition of specified properties to be purchased by NAF in and after March 2015 (as mentioned in "Notification Concerning Acquisition of Domestic Real Estate Properties" released on February 6, 2015). Remaining balance shall be kept as funds on hand and used for future acquisitions of specified properties or repayments of borrowings.

5. Designated purchaser

Not applicable.

6. Future prospects

As mentioned in "Notification Concerning Financial Results Forecast for the Periods Ending August 31, 2015 and February 29, 2016" released on February 6, 2015.

<Caution> This document is a press release intended for general publication regarding NAF's issuance of new investment units and secondary offering of investment units 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.

## 7. Management conditions during the three most recent fiscal periods and status of equity finance

### (1) Management conditions during the three most recent fiscal periods

	15th Period March 1, 2013 to August 31, 2013	16th Period September 1, 2013 to February 28, 2014	17th Period March 1, 2014 to August 31, 2014
Net income per unit (Note 1) (Note 2)	¥6,866	¥7,443	¥7,672
Distribution per unit	¥13,717	¥14,888	¥7,672
Actual payout ratio (Note 3)	100.0%	100.0%	100.0%
Net assets per unit (Note 1)	¥279,400	¥279,985	¥280,214

(Notes)

1. NAF conducted a 2-for-1 split of investment units with an effective date of March 1, 2014. "Net income per unit" and "Net assets per unit" are calculated as if the unit split had been conducted at the beginning of the period ended August 31, 2013.
2. Net income per unit is calculated by dividing net income by the average number of investment units during the period.
3. Because new investment units were issued during the period, the payout ratio for the period ended August 31, 2013 is calculated as follows:  

$$\text{Payout ratio} = \text{Total distribution amount (¥3,164 million)} \div \text{Net income (¥3,164 million)} \times 100$$

### (2) Conditions of the most recent investment unit price

#### A. Conditions during the three most recent fiscal periods

	15th Period March 1, 2013 to August 31, 2013	16th Period September 1, 2013 to February 28, 2014	17th Period March 1, 2014 to August 31, 2014
Opening price	¥685,000	¥634,000 (Note) ¥351,500	¥351,000
Highest price	¥831,000	¥742,000 (Note) ¥355,000	¥401,500
Lowest price	¥591,000	¥634,000 (Note) ¥348,000	¥335,500
Closing price	¥643,000	¥726,000 (Note) ¥351,000	¥378,000

(Note) Investment unit prices for the ex-rights period following an investment unit split (February 26, 2014 to February 28, 2014) are provided.

#### B. Conditions during the most recent six-month period

	2014 September	October	November	December	2015 January	February
Opening price	¥378,500	¥391,500	¥433,500	¥468,500	¥476,500	¥480,500
Highest price	¥396,000	¥405,500	¥476,000	¥494,500	¥503,000	¥498,000
Lowest price	¥368,500	¥378,000	¥386,000	¥468,500	¥471,500	¥456,500
Closing price	¥396,000	¥405,500	¥469,000	¥474,500	¥486,500	¥490,000

(Note) The investment unit price for February 2015 is the price as of February 5, 2015.

<Caution> This document is a press release intended for general publication regarding NAF's issuance of new investment units and secondary offering of investment units 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.

C. Investment unit prices on the business day immediately prior to the resolution date of the issuance

	February 5, 2015
Opening price	¥477,000
Highest price	¥498,000
Lowest price	¥476,000
Closing price	¥490,000

(3) Status of equity finance during the three most recent fiscal periods

• Capital increase through public offering

Issue date	March 1, 2013
Total amount procured	¥21,204,168,000
Issue value	¥623,652
Number of issued investment units at the time of the offering	194,711 units
Number of investment units issued by the offering	34,000 units
Total number of issued investment units after the offering	228,711 units
Specific use of procured funds at the time of the issue	To be fully allocated for the acquisition of specified properties to be purchased by NAF and repayment of loans payable
Scheduled outlay period at the time of the issue	In and after March 2013
Current status of the allocation	Fully allocated during the above scheduled outlay period

• Capital increase through third-party allocation

Issue date	March 26, 2013
Total amount procured	¥1,247,304,000
Issue value	¥623,652
Number of issued investment units at the time of the offering	228,711 units
Number of investment units issued by the offering	2,000 units
Total number of issued investment units after the offering	230,711 units
Allottee	Nomura Securities Co., Ltd.
Specific use of procured funds at the time of the issue	To be fully allocated for the acquisition of specified properties to be purchased by NAF and repayment of loans payable
Scheduled outlay period at the time of the issue	In and after April 2013
Current status of the allocation	Fully allocated during the above scheduled outlay period

<Caution> This document is a press release intended for general publication regarding NAF's issuance of new investment units and secondary offering of investment units 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.

8. Others (Restrictions on sale and additional issuance, etc.)

(1) Regarding 15,600 of the investment units of NAF held as of February 6, 2015, by Mitsui Fudosan Co., Ltd., which is an investing party that has held investment units of NAF since before the public offering, Mitsui Fudosan Co., Ltd. has agreed with the Joint Lead Managers that it shall not effectuate any sale, etc. of the investment units of NAF it holds in connection with the public offering during the period from the Issue Price Determination Date to the date six months after the delivery date of the public offering, without the prior written consent of the Joint Lead Managers (however, excluding where investment units of NAF are lent to Nomura Securities Co., Ltd. for the purpose of secondary offering by overallotment).

The Joint Lead Managers have the right at their discretion to dissolve the said agreement in whole or in part during the period above.

(2) NAF has agreed with the Joint Lead Managers that it will not effectuate any issuance, etc. of investment units of NAF in connection with the public offering during the period from the Issue Price Determination Date to the date three months after the delivery date of the public offering without the prior written consent of the Joint Lead Managers (however, excluding where new investment units are issued by Third-Party Allocation or by investment unit split).

The Joint Lead Managers have the right at their discretion to dissolve the said agreement in whole or in part during the period above.

- The Japanese original document was distributed to press clubs within the Tokyo Stock Exchange (Kabuto Club) and the Ministry of Land, Infrastructure, Transport and Tourism, and to the press club of the construction trade newspaper of the Ministry of Land, Infrastructure, Transport and Tourism.
- NAF website: <http://www.naf-r.jp/english/index.html>

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.

<Caution> This document is a press release intended for general publication regarding NAF's issuance of new investment units and secondary offering of investment units 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.