



NOMURA  
Residential Fund

For Translation Purposes Only

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**For Immediate Release**

Nomura Real Estate Residential Fund, Inc.  
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(Securities Code: 3240)

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**Notice Concerning Forecasts of Financial Results  
for the Fiscal Period Ending September 30, 2015 (Final Fiscal Period)  
and Cash Distribution on Merger**

Nomura Real Estate Residential Fund, Inc. (“NRF”) hereby announces, in relation to the scheduled new merger (“Merger”) in which Nomura Real Estate Master Fund, Inc. (“NMF”), Nomura Real Estate Office Fund, Inc. (“NOF”) and NRF are the consolidated investment corporations and October 1, 2015 is the date of incorporation of the new investment corporation (“New Investment Corporation”) as announced in the press release “Notice Concerning Execution of Merger Agreement by and among Nomura Real Estate Master Fund, Inc., Nomura Real Estate Office Fund, Inc. and Nomura Real Estate Residential Fund, Inc.” dated May 27, 2015, the forecasts for financial results for the fiscal period ending September 2015 (June 1, 2015 to September 30, 2015), NRF’s final fiscal period, and for cash distribution on merger scheduled to be paid out in place of the cash distribution of the final fiscal period, as described below.

**1. Forecasts of Financial Results for the Fiscal Period Ending September 30, 2015 (Final Fiscal Period) and Cash Distribution on Merger**

Operating Revenues (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income (Millions of Yen)	Cash Distribution on Merger Per Unit (Yen)
3,697	1,558	1,187	1,186	7,700

**[Related Information]**

Total number of investment units: 160,800 units

Net income forecast per unit: ¥7,377

**[Notes]**

1. The period for the forecast financial results is the four-month period from June 1, 2015 to September 30, 2015.
2. The forecasts presented in this document are calculated as of today, based on the assumptions set forth in the attached “Assumptions for Forecasts of the Financial Results for the Fiscal Period Ending September 2015 (Final Fiscal Period)” as Exhibit. The actual operating revenues, operating income, ordinary income, net income and cash distribution on merger per unit may differ due to future acquisition or disposition of properties, changes in the real estate market, progress of procedures related to the merger, and other factors affecting the New Investment Corporation. We do not guarantee the amount of cash

distribution on merger stated above. For details of cash distribution on merger please see 3 below.

3. Instead of cash distributions for NRF's final fiscal period, the New Investment Corporation will make a cash distribution on merger to the unitholders listed or recorded on the final unitholders register of NRF as of the day immediately prior to the date of incorporation of the New Investment Corporation (excluding each consolidated investment corporation and the dissenting unitholders of NRF who demand for repurchase of investment units pursuant to Article 149-3 of the Act on Investment Trusts and Investment Corporations (Law No. 198 of 1951, as amended; the "Investment Trust Act") (the "Allotted Investors"), in an amount equivalent to the cash distributions for the final fiscal period based on NRF's distributable profit (the payment on merger will be (i) the amount of distributable profit of NRF as of the day immediately prior to the date of incorporation of the New Investment Corporation divided by (ii) the number of investment units that is obtained by deducting (a) the number of investment units held by the unitholders other than the allotted investors of NRF from (b) the number of investment units issued and outstanding of NRF, as of the day immediately prior to the date of incorporation of the New Investment Corporation (amounts less than one yen are rounded down)). As such, the amount of cash distribution on merger will vary according to the execution of rights to demand purchase of investment units, but since the situation of execution of rights is not certain as of now, the amount in the table above assumes that there will be no execution of rights to demand purchase of investment units.
4. Nomura Residential Fund may revise the forecasts if the Fund expects a large variance from the forecasts mentioned above.
5. Amounts less than the stated units are rounded down.

## **2. Reasons for Announcement**

As announced in the press release "Notice Concerning Approval of the Consolidation-Type Merger Agreement at the General Meeting of Unitholders" dated July 31, 2015, the resolutions of approval of the consolidation-type merger agreement and the resolutions of approval of the termination of the asset management agreement (NOF and NRF) were approved by the general meetings of unitholders of NMF and NOF held on July 30, 2015 and by the general meeting of unitholders of NRF held on July 31, 2015. As such, the forecasts of financial results and cash distribution on merger as of today are being announced.

For forecasts of financial results and cash distribution per unit of the New Investment Corporation, please see the press release "Notice Concerning Forecasts of Financial Results for the Fiscal Period Ending February 29, 2016 and the Fiscal Period Ending August 31, 2016 following the Merger between Nomura Real Estate Master Fund, Inc., Nomura Real Estate Office Fund, Inc. and Nomura Real Estate Residential Fund, Inc." dated May 27, 2015.

[Exhibit]

**Assumptions for Forecasts of Financial Results  
for the Fiscal Period Ending September 30, 2015 (Final Fiscal Period)**

Item	Assumptions
Period	<ul style="list-style-type: none"> <li>● Eighteenth Fiscal Period: June 1, 2015 to September 30, 2015</li> </ul>
Investment Portfolio	<ul style="list-style-type: none"> <li>● It is assumed that there will be no changes in assets under management (new property acquisitions or sales of portfolio properties) from the 146 properties consisting of the real estate and real estate beneficiary interests in trust until September 30, 2015.</li> <li>● The forecast may be subject to potential change, due to the shifting of the investment portfolio.</li> </ul>
Operating Revenues	<ul style="list-style-type: none"> <li>● Rental income is estimated based on the tenant trends, the information concerning the existence of competitive properties located in adjacent areas, and the real estate market conditions, etc., and that there are no rental income arrears and nonpayment cases.</li> <li>● ¥45 million of gain on sale from transfer of assets in the 18th Fiscal Period (various costs for transfer are deducted) is estimated.</li> </ul>
Operating Expenses	<ul style="list-style-type: none"> <li>● In general, the fixed asset taxes and urban planning taxes of the properties are divided between the seller and the purchaser on a daily pro-rata basis. Although it is settled at the time of acquisition, such taxes are deemed as the acquisition costs and not included in the expenses. However, as to the 146 properties currently owned, of the estimated amount of annual tax, ¥256 million will be allocated as rental business expenses.</li> <li>● Required expenses for maintenance and repair are calculated based on the mid-to-long term repair plans the asset management company has established. However, it is possible that the actual expenses for maintenance and repair for the fiscal periods may differ significantly from the estimates due to unforeseeable events that may cause serious damage to a building and require expenses for urgent repair or due to expenses for certain types of repair not required annually, causing the estimate to vary.</li> <li>● Property management fees are allocated according to the estimated amount, taking into consideration past figures, etc.</li> <li>● Rental business expenses are estimated to be ¥1,613 million and the depreciation and amortizations are estimated to be ¥703 million.</li> <li>● Other operating expenses (fees, etc. to asset managers, asset custodians, general administrative trustees and experts) are estimated to be ¥525 million. Fees related to entrustment operations implemented during the fiscal period ending September 2015 (18th Fiscal Period) (final fiscal period) based on asset management agreement, asset custodian agreement and general administration agreement are recorded as other operating expenses in NRF's fiscal period ending September 2015 (18th Fiscal Period) (final fiscal period).</li> </ul>
Non-Operating Expenses	<ul style="list-style-type: none"> <li>● Interest expenses and borrowing related expenses are estimated to be ¥364 million.</li> </ul>
Interest-Bearing Debts	<ul style="list-style-type: none"> <li>● The Fund currently has a total of ¥87,830 million in loan debts.</li> <li>● The Fund assumes that, of the ¥9,790 million in loans scheduled for repayment by the end of the Eighteenth fiscal period (ending September 30, 2015), other than the agreed repayment of ¥90 million, the remaining ¥9,700 million will be repaid through refinancing.</li> <li>● The Fund assumes that there are no changes in the amount of loan debts other than the amount stated above.</li> </ul>
Investment Units	<ul style="list-style-type: none"> <li>● The Fund, currently with a total of 160,800 investment units, assumes that no new investment units will be issued until the end of the Eighteenth fiscal period (ending September 30, 2015).</li> </ul>

<p>Cash Distribution on Merger per Unit</p>	<ul style="list-style-type: none"> <li>● Cash distribution on merger (cash distribution on merger per unit) is to be paid instead of cash distribution for the fiscal period ending September 2015 (18th Fiscal Period) (final fiscal period) and is calculated assuming the cash distribution policy stipulated in NRF's Articles of Incorporation.</li> <li>● It is assumed that ¥52 million of provision for reserve for reduction entry will be withdrawn and distributed in the fiscal period ending September 2015 (18th Fiscal Period) (final fiscal period).</li> <li>● Cash distribution on merger per unit may vary due to various factors, including changes of portfolio, changes in rent income caused by replacement of tenants, unforeseen repairs, execution of rights to demand purchase of investment units, etc.</li> </ul>
<p>Others</p>	<ul style="list-style-type: none"> <li>● The Fund assumes that there will be no amendments in legislation, taxation, Japanese GAAP, listing requirements and the Investment Trusts Association regulations, which affect the above forecasts.</li> <li>● The Fund assumes that there will be no material changes in general economic conditions and real estate markets.</li> </ul>