



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 the Asset Management Company's
Merger and Change of Business Name**

Nomura Real Estate Residential Fund, Inc. (“Nomura Residential Fund” or the “Fund”) announced today that Nomura Real Estate Asset Management Co., Ltd. (“NREAM”), a licensed investment trust management company retained by the Fund to provide asset management services, has determined to merge with Nomura Real Estate Investment Management Co., Ltd. (“NREIM”) and Nomura Real Estate Capital Management (“NRECM”) and conclude the merger agreement on July 7, 2011, as mentioned below.

1. Reason for Merger

NREAM currently manages 2 listed REITs (the Fund and Nomura Real Estate Office Fund, Inc.) and 1 open-ended unlisted REIT (Nomura Real Estate Private REIT, Inc.) and has built-up vast experience and expertise regarding REIT management.

NREIM, since its establishment in December 2001, is a private fund asset management company that has managed and offers various risk-return profiles, from core to opportunity funds.

NRECM has expanded into new real estate financial instrument business through development of the fund business, which manages primarily domestic and international real estate Fund of Funds (FoFs) and real estate backed securities, and discretionary investment management business for Pension funds.

Through the merger of the real estate management related business operated by the three companies mentioned above, NREAM will be able to integrate the human resources and expertise regarding asset management that was dispersed within the Nomura Real Estate Group (Note) and are also able to further enhance the ability to gather property information through the expansion of the managing asset size, expand on investment opportunities, and

further improve their management ability.

(Note) Refers to the business operations of Nomura Real Estate Development Co., Ltd. and the subsidiary companies of Nomura Real Estate Holding, Inc.

2. Advantage to Merging

Through this merger, NREAM will obtain advantages, as mentioned below.

- (1) Accurate understanding of investor needs and promote development of new real estate financial instruments.

NREAM will be able to unify the handling of investment products that were divided among the 3 companies and developing the planning and business strategy of new products that will meet the need of investors.

- (2) Swift response to changes in the real estate and financial market.

Through the wide coverage of the REIT market, private real estate fund market, and the financial market, it ensures the enhancement of investment timing and investment risk verification, and it will be able to respond swiftly and flexibly to changes in the market.

- (3) Enhancement of professional knowledge/experience needed for real estate investment.

By merging the 3 companies and unifying the management and operation expertise regarding the diversification and the complexity of real estate financial instruments, it will be able to gather the knowledge and experience within the companies after merging and cultivate human resources with high professionalism and a wealth of management experience.

- (4) Management by largest domestic real estate asset management company.

Although NREAM will be handling a wide variety and large amount of real estate financial instruments after the merger, through the diversification of products and the enlargement of managing assets, of which most are real estate, they are able to heighten both recognition and presence as an asset management company in the real estate transaction market, and furthermore, through the enhancement of transaction opportunities and negotiation power, is will be able to continue with their efforts to increase profit for investors.

3. System for the Prevention of Conflicts of Interests

As mentioned in the “Notice Concerning the Filing of the Notification Regarding the Incorporation of the Open-Ended Unlisted Investment Corporation by the Asset Management Company, the Filing of the Notification Regarding the Changes in Contents and Methods of Business, and Changes in Personnel,” released on February 25, 2010, due to the NREAM being retained by Nomura Real Estate Private REIT, Inc. (“NPR”) to provide asset management services, a system for the prevention of conflict of interests was introduced between the investment corporations where any property possibly subject to competition for acquisition, NREAM will prevent the arbitrary allocation of the property information by adopting the “rotation rule” for the consideration of the acquisition. The Rotation Rule between the Fund

and NPR has been implemented since the establishment of NPR in October 2010.

Due to the merger, NREAM will be providing asset management services to real estate funds besides the Fund, and in terms of preventing conflict of interest with the real estate funds, the Rotation Rule regarding any property possibly subject to competition for acquisition is scheduled to be revised, as mentioned below.

<Outline of Changes in Rotation Rule> (in case of residential facilities)

When NREAM obtains information on a property, it will rotate the order of priority to offer the opportunity for the consideration based on the “completion year,” which is an objective and definitive factor.

(Before Change)

| | |
|--|----------|
| When completion year for the target property is an even number: | |
| First Priority: | The Fund |
| Second Priority: | NPR |
| When completion year of the target property is an uneven number: | |
| First Priority: | NPR |
| Second Priority: | The Fund |

(After Change)

| | |
|--|--------------------|
| When completion year for the target property is an even number: | |
| First Priority: | The Fund |
| Second Priority: | NPR |
| <u>Third Priority:</u> | <u>Other Funds</u> |
| When completion year of the target property is an uneven number: | |
| First Priority: | NPR |
| Second Priority: | The Fund |
| <u>Third Priority:</u> | <u>Other Funds</u> |

However, in the case where the target property is a joint or sectional ownership building (including quasi-ownership of beneficial interest), the investment corporation or fund that has priority negotiating rights with other owners regarding the remaining or partial acquisition of the said target property will be given priority to consider for acquisition.

Due to the merger, NREAM will be providing asset management services to real estate funds besides the Fund, but as mentioned above, regarding the property information given to the asset management company, by adopting a clear Rotation Rule, any possible competition is prevented.

In light of the above factors, NREAM will be able to prevent conflict of interest between funds and comply with fiduciary responsibility and due diligence obligations.

4. Summary of Merger

(1) Schedule

| | |
|--|-----------------------------|
| Board of Directors Meeting | July 6, 2011 |
| Date of Merger Agreement | July 7, 2011 (scheduled) |
| Date of Shareholders Meeting | August 25, 2011 (scheduled) |
| Effective Date of Merger | October 1, 2011 (scheduled) |
| Date of Merger Registration | October 3, 2011 (scheduled) |
| Date of Notification to Prime Minister | October 3, 2011 (scheduled) |

(2) Method

The merger will be an absorption-type merger under which the asset management company will remain the surviving company and NREIM and NRECM will be dissolved as the absorbed company.

(3) Content of Allocation

As the merger will be conducted among wholly owned subsidiaries of Nomura Real Estate Holdings, Inc. (“NREHD”), the surviving company will not allocate any counter values, etc., to the shareholder of absorbed companies (NREHD).

5. Company Profiles

| | | | |
|--|--|---|--|
| (1) Company Name | Nomura Real Estate Asset Management Co., Ltd. | Nomura Real Estate Investment Management Co., Ltd. | Nomura Real Estate Capital Management Co., Ltd. |
| | Surviving company | Absorbed company | Absorbed company |
| (2) Location | 8-5-1 Nishi-Shinjuku, Shinjuku-ku Tokyo 160-0023, Japan | | |
| (3) Representative | Atsushi Ogata, President and Chief Executive Officer | Hiroyuki Kimura, President and Chief Executive Officer | Eiji Enomoto, President and Chief Executive Officer |
| (4) Description of Business | Investment management business, Type II financial instruments business, Investment advisory and agency business, Building lots and buildings transaction business, and Money-lending business* *under application | Investment management business, Type II financial instruments business, Investment advisory and agency business, Building lots and buildings transaction business, and Money-lending business | Investment management business, Type II financial instruments business, Investment advisory and agency business, and Moneylending business |
| (5) Capital | ¥300 million | ¥300 million | ¥300 million |
| (6) Date of Incorporation | January 24, 2003 | December 14, 2001 | July 1, 2005 |
| (7) Net Assets | ¥1,780 million | ¥1,927 million | ¥369 million |
| (8) Total Assets | ¥2,231 million | ¥7,014 million | ¥481 million |
| (9) Principal Shareholder (share ratio) | NREHD (100%) | NREHD (100%) | NREHD (100%) |
| (10) Relationship between the Fund/NREAM and other companies | | | |
| | Capital | Fellow subsidiaries that shares the same parent company as NREAM. | |

| | | |
|--|---------------------------|---|
| | Personnel | <p>Atsushi Ogata, President and CEO of NREAM, concurrently serves as a director of NREIM and NRECM.</p> <p>Yoji Kurihara, a director of NREAM, concurrently serves as a director of NREIM and NRECM.</p> <p>Eiji Enomoto, a director of NREAM, concurrently serves as the President and CEO of NRECM and as a director of NREIM.</p> <p>Hiroyuki Kimura, a director of NREAM, concurrently serves as the President and CEO of NREIM and as a director of NRECM.</p> <p>Akira Morinaga, a director of NREAM, concurrently serves as a director of NRECM.</p> <p>Seiki Okawa, of NREAM, concurrently serves as a director of NRECM.</p> <p>Mitsuharu Sato, an auditor of NREAM, concurrently serves as an auditor of NREIM and NRECM.</p> |
| | Transactions | <p>“Memorandum Regarding Management of Information on Real Estate” contracted on October 14, 2003 between NREAM and NREIM will be discharged due to the merger.</p> <p>NREAM has an “Information Provision Agreement” with Nomura Real Estate Development Co., Ltd. and Nomura Real Estate Urban Net Co., Ltd.</p> |
| | Status of Related Parties | The parent company of NREAM, NREIM, and NRECM is NREHD. Therefore, NREIM and NRECM are considered Related Parties of NREAM. |

(11) Operating Results and Financial Conditions of the Last 3 Years

| Nomura Real Estate Asset Management Co., Ltd. (surviving company) | | | |
|---|------------------------------------|------------------------------------|------------------------------------|
| Fiscal Term | Fiscal Period ended March 31, 2009 | Fiscal Period ended March 31, 2010 | Fiscal Period ended March 31, 2011 |
| Net Assets | 1,723 | 1,811 | 1,780 |
| Total Assets | 2,287 | 2,446 | 2,231 |
| Operating Revenues | 2,848 | 2,977 | 2,976 |
| Operating Profits | 1,825 | 1,956 | 1,746 |
| Current Profits | 1,826 | 1,953 | 1,748 |
| Net Income | 1,065 | 1,150 | 988 |
| Nomura Real Estate Investment Management Co., Ltd. (absorbed company) | | | |
| Fiscal Term | Fiscal Period ended March 31, 2009 | Fiscal Period ended March 31, 2010 | Fiscal Period ended March 31, 2011 |
| Net Assets | 3,646 | 2,033 | 1,927 |
| Total Assets | 5,935 | 2,796 | 7,014 |
| Operating Revenues | 7,856 | 3,694 | 3,225 |
| Operating Profits | 4,705 | 1,980 | 1,849 |
| Current Profits | 4,729 | 2,006 | 1,823 |
| Net Income | 2,796 | 1,182 | 1,075 |

| | Nomura Real Estate Capital Management Co., Ltd. (absorbed company) | | |
|--------------------|--|---------------------------------------|---------------------------------------|
| Fiscal Term | Fiscal Period ended March 31, 2009 | Fiscal Period ended March 31, 2010 | Fiscal Period ended March 31, 2011 |
| Net Assets | 199 | 298 | 369 |
| Total Assets | 283 | 413 | 481 |
| Operating Revenues | 572 | 627 | 551 |
| Operating Profits | 63 | 162 | 124 |
| Current Profits | 63 | 111 | 124 |
| Net Income | 63 | 98 | 71 |

(Millions of yen, unless otherwise stated.)

6. Status After Merger

| | Surviving company |
|-----------------------------|---|
| (1) Company Name | Nomura Real Estate Asset Management Co., Ltd. (The Japanese company name “Nomura Fudosan Toshin K.K.” will be changed to “Nomura Fudosan Toshi Komon K.K.”) |
| (2) Location | 8-5-1 Nishi-Shinjuku, Shinjuku-ku Tokyo 160-0023, Japan |
| (3) Representative | TBD |
| (4) Description of Business | Investment management business, Type II financial instruments business, Investment advisory and agency business, Building lots and buildings transaction business, and Money-lending business |
| (5) Capital | ¥300 million |
| (6) Fiscal Term | From April to March |
| (7) Net Asset | ¥2,900 million (predicted) |
| (8) Total Asset | ¥4,100 million (predicted) |

7. Forecasts

(1) Changes in the asset management agreement

No scheduled changes.

(2) Changes in decision making functions

No scheduled changes.

(3) Changes in rules related to the compliance, related parties, etc.

Refer to “3. System for the Prevention of Conflicts of Interests” on rules for the prevention of conflict of interests regarding the allocation of property information.

(4) Changes in investment policies

No scheduled changes.

(5) Changes in the agreement with the sponsor, etc.

No scheduled changes.

(6) Prospect of the Fund's listed status

The Fund is scheduled to stay listed.

(7) Future policies, etc.

The Fund will report these changes pursuant to the Financial Instruments and Exchange Law, Building Lots and Buildings Transaction Business Law, and other applied laws and regulations.