

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 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**

Nomura Real Estate Residential Fund, Inc. (“Nomura Residential Fund” or the “Fund”) announced the resolution of Nomura real Estate Asset Management Co., Ltd. (“NREAM”), a licensed investment trust management company retained by the Fund to provide asset management services, at NREAM’s Board of Directors Meeting held today, to (a) file a notification regarding the incorporation of an investment corporation (“REIT”) with the Director General of the Kanto Local Finance Bureau pursuant to Article 69 of the Act Concerning Investment Trusts and Investment Corporations (the “Investment Trust Act”), (b) to file a notification concerning the changes in contents and methods of business with the Commissioner of the Financial Services Agency pursuant to Article 31, Paragraph 3 of the Financial Instruments and Exchange Act and Article 21 of the Cabinet Office Ordinance concerning Financial Instruments Business, etc., and (c) the changes in personnel concerning important employees in connection therewith.

1. Background

The REIT market in Japan has expanded, since the establishment of the market in 2001 and currently there are as many as forty\* listed REITs. Nevertheless, following the global disruption and stagnation in the financial market, which has been standing since the year before last, it is conceivable that it has become necessary to provide the REIT market with new investment instruments, in order to cope with the various types of attitude of the investors.

Under such environment, NREAM has decided to incorporate the Nomura Real Estate Private REIT, Inc. (“NPR”) as a comprehensive-type unlisted open-ended REIT for the purpose of providing the REIT market with a different type of REIT instrument that has never been seen before. For NPR, NREAM will utilize to the utmost extent, the achievement and know-how and the provider network, which have been accumulated through both (i) the asset management, by NREAM itself, of the two publicly listed REITs which have different types of target investment assets, and (ii) the management, for more than a decade, by Nomura Real Estate Group (sponsor of NREAM), of the private funds.

\*As of February 23, 2010

## 2. NPR’s Features and Influence/Effects of the Incorporation

NPR is a comprehensive-type unlisted open ended REIT, which is expected to have the following features.

- (i) It is an open-ended REIT, having a provision in its Articles of Incorporation that the investment units will be refunded upon request from investors, and is not expected to list its investment units on securities exchanges.
- (ii) It seeks, by way of private placement, the equity financing from such investors that aim for a long-term stable revenue (income return) and it is expected to adopt the financial policies in order to keep a relatively low Loan-to-Value (“LTV”) ratio.
- (iii) It diversifies investment into various types of real properties, such as offices, residential facilities, commercial facilities, and logistical facilities (comprehensive-type).
- (iv) It solicits subscription of investment units exclusively from qualified institutional investors as set forth in the Financial Instruments and Exchange Act.

As stated above, NPR is expected to have the features which are different from the existing publicly listed REITs, and we believe that through the management of NPR, in addition to the Fund and Nomura Real Estate Office Fund, Inc. (“NOF”), to which NREAM is already providing the asset management services, the following synergy effect will be achieved.

### (i) Collecting More Information on Properties

We believe that through the management of the three REITs with different features, i.e., the publicly listed REITs (NOF’s offices, and NRF’s residential facilities) and the unlisted REIT (NPR, Comprehensive-type), the presence of NREAM will be enhanced in the real estate market and it will be able to draw more information on properties from a wider range of sellers than before.

(ii) More Investment Opportunities through Joint Investment, etc.

Through the joint investment in bulk sale offers, including several properties with different purposes, or joint investment in the properties of large investment value, the mutual increase in the number of investment opportunities of the REITs, as well as the effects of risk sharing, can be expected.

(iii) Improvement of Management Capability of the Asset Management Company

Through providing the management services to the multiple REITs which have different investment targets and features, NREAM's management capability is expected to improve through expansion of human resources and accumulation of management know-how, from which the management capability of NREAM originates.

On the other hand, NREAM will promote a system for providing asset management services to the third investment corporation, strive to prevent conflicts of interest between the REITs, and be careful to avoid damage to the interests of the Fund and NOF. (Refer to "6. System for the Prevention of Conflict of Interest")

3. Outline of the Notification Regarding the Incorporation of the Investment Corporation

(1) Summary of Notification

Incorporation of "Nomura Real Estate Private REIT, Inc."

(2) Date of Filing

February 25, 2010

(3) Scheduled Date of Incorporation

March 2, 2010

(4) Scheduled Date of Registration

Early April 2010

(5) Major Investment Targets

NPR plans to invest mainly in real estate related assets or assets backed by real estate (including surface rights and leasehold rights of real estate) used primarily for offices, residential facilities, logistical facilities or commercial facilities.

(6) Investment Areas

The planned investment areas are limited to Japan, primarily the three major metropolitan areas, as well as in other major cities, including government-designated cities. When investing in the real estate related assets, NPR plans area diversification of the properties to be acquired in order to secure stable cash flows through mitigating the risk of earthquakes and the risk associated with changes in the local economies and rental markets, etc.

#### 4. Notification Concerning the Changes in Contests and Methods of Business

##### (1) Details of Change

##### (i) Establishment of the Private REIT Management Division

In addition to the Office Management Division engaging in asset management for NOF, which invests mainly in offices, and the Residence Management Division, engaging in the management for NRF, which invests mainly in residential facilities, NREAM will establish the Private REIT Management Division to engage in asset management for NPR, the comprehensive-type open-ended REIT that invests in various types of real estate. For the purpose of avoiding damage to interests of respective REITs, to which NREAM provides the asset management services, NREAM will clearly separate the investment decision making division for each REIT.

##### (ii) Addition of Business Operating System for the Refund of the Investment Units of NPR

In accepting the entrustment of asset management services from NPR, an open-ended REIT, NREAM will establish the business operating system to secure the appropriateness of the refund and valuation of the investment units, and the fairness of the amount.

##### (iii) Organization of the System for the Prevention of Conflicts of Interests between NPR and other REITs to which NREAM Provides the Asset Management Services

When NREAM obtains property information on an office or a residential facility, (a) the compliance officer shall determine, based on the previously established rule, the management division having the priority for considering acquisition of the property; and (b) if the management division with the second priority will have an opportunity to consider the acquisition. When the management division with the first priority declines the acquisition and the management division with the second priority continues with its consideration of the acquisition, a prior approval of the Investment Committee of the Management Division that declined the acquisition with respect to the reason for declining is required, and when the management division with the second priority decides to acquire the property, a report of the reason for declining, etc., to the board of directors of the investment corporation, the asset management of which is entrusted by the management division with the first priority, is required.

As for the organization chart of NREAM after the amendment, see Reference.

##### (2) Date of Filing:

February 25, 2010

5. Change in Personnel (as of February 25, 2010)

In connection with the amendment of organization as described in the preceding section, “4. Notification Concerning the Changes in Contents and Methods of Business,” the following person will be elected as the General Manager who controls the business of the Private REIT Management Division.

Title	Name
General Manager, Private REIT Management Division	Seishi Nakamura

The above change in personnel will be reported, as a change in important employees, to the Commissioner of the Financial Services Agency, pursuant to the relevant provision of the Financial Instruments and Exchange Act. Also, such change in personnel will be reported, as a change in important employees, to the Minister of Land, Infrastructure, Transport and Tourism pursuant to the requirements imposed upon the acquisition of discretionary real estate brokerage licenses.

6. System for the Prevention of Conflicts of Interests

It is possible that NPR, a comprehensive-type REIT investing in various types of properties, including residential facilities, and NRF, investing in residential facilities, will compete with each other for opportunities to acquire properties.

However, NRF is a publicly listed REIT that mainly seeks equity financing, by way of public offerings in the capital markets, and debt financing based on the assumed flexible control of LTV. On the other hand, NPR, as an unlisted REIT, will seek equity financing by way of private placements, mainly with qualified institutional investors, and seek debt financing as long as it may constantly maintain lower LTV. Since their financing characteristics, financial strategies, and level of investment returns desired by their investors differ, NREAM expects that, even if the type of target properties overlaps, actual competition between NOF and NPR to acquire the same properties will rarely happen

Additionally, as for any property possibly subject to competition for acquisition, NREAM will prevent the arbitrary allocation of the property information by adopting the “rotation rule” stated below for the consideration of the acquisition.

<Outline of the Rotation Rule>

When NREAM obtains information on properties, 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:

- If the completion year for the target property is an even number, NRF shall have priority in considering whether to acquire the property

- If the completion year of the target property is an uneven number, NPR shall have priority in considering whether to acquire the property.

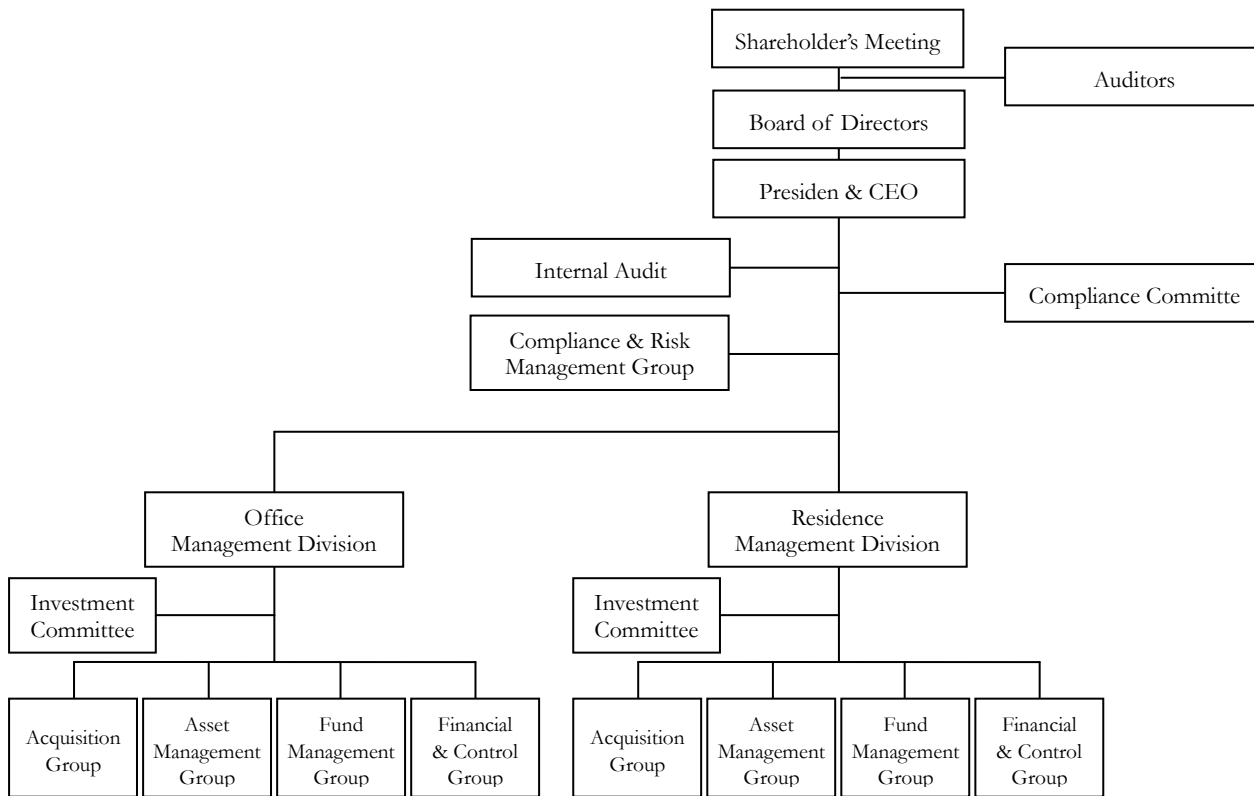
However, as mentioned above, since NREAM expects that competition to acquire the same property would rarely happen between NRF and NPR, NREAM assumes that the rotation rule will have only a limited impact on NRF's opportunities to acquire property.

NREAM believes that its acceptance of the entrustment of asset management services from NPR, the third REIT, will contribute to the interests of NOF's unitholders, as well as further development of the REIT market by providing the market with a new type of the REIT product.

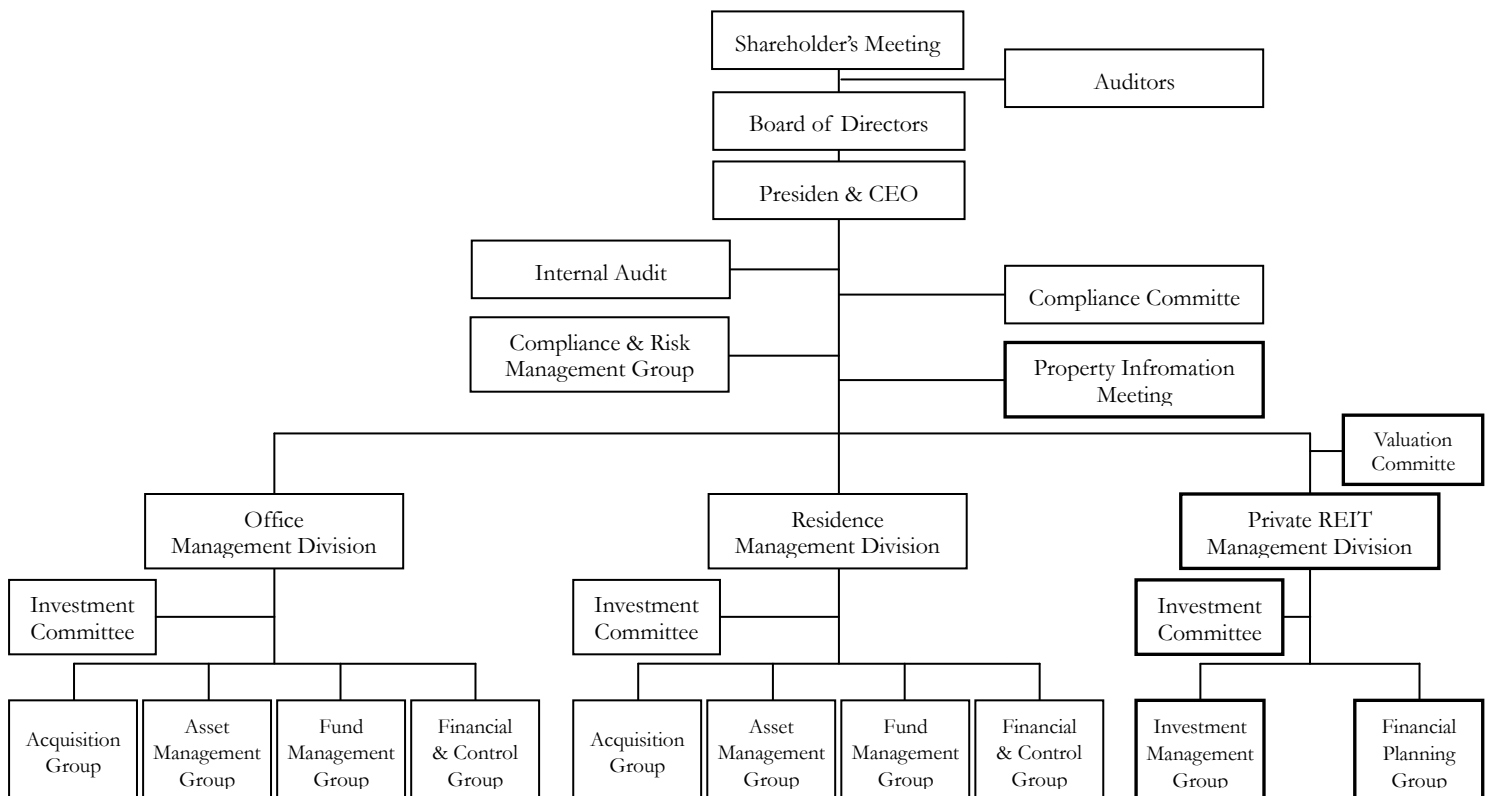
(Reference)

Organization chart before change (current structure) and after change

**[Before Change (current structure)]**



**[After Change]**



... Newly established