



# NEWS RELEASE

No.2009-C-708

Aug 7, 2009

## R&I Retains NRI on Monitor/Places ADR on Monitor

Rating and Investment Information, Inc. (R&I) has announced the following.

**ISSUER:** Nippon Residential Investment Corp. (Sec. Code: 8962)  
**Issuer Rating**

**R&I RATING: (BB); Remains on the Rating Monitor with a view to upgrading**

**ISSUER:** Advance Residence Investment Corp. (Sec. Code: 8978)  
**Issuer Rating**

**R&I RATING: (A+); Placed on the Rating Monitor with direction uncertain**

### **RATIONALE:**

Nippon Residential Investment Corp. (NRI) and Advance Residence Investment Corp. (ADR) announced on August 6 they signed a letter of intent regarding a merger. If this materializes, this will be the first merger in the J-REIT sector. Furthermore, AD Investment Management Co., Ltd (group company of Itochu Corp.), which currently manages ADR's assets, plans to merge with NRI's asset manager after turning it into a subsidiary.

Although NRI has relatively good quality properties, it has lost the fundraising capacity significantly due to the worsened creditworthiness of Pacific Holdings, Inc., a sponsor of NRI, and the following bankruptcy. Since Itochu has strong creditworthiness and the participation of such company as a sponsor will very likely turn around the financing environment, R&I has retained the rating on the Rating Monitor with a view to upgrading.

On the other hand, the merger will expand ADR's asset size of 86.0 billion yen currently, and the new REIT will be the largest residential REIT in terms of asset size. Meanwhile, the financial burden may increase, since the new REIT will take over NRI's debts of 168.9 billion yen including investment trust bonds totaling 89.5 billion yen. As such, R&I has placed the rating for ADR on the Rating Monitor with direction uncertain.

R&I will keep a close eye on near-term developments including the merger proceedings, and examine a post-merger portfolio, management structure, and financial policy, among others. R&I will reflect them to the ratings.

The primary rating methodologies applied to this rating are provided at "R&I J-REIT Rating Methodology" and "Basic Methodologies for R&I's Credit Rating". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/rating/st/methodology.html>

<http://www.r-i.co.jp/eng/rating/rating/methodology.html>

### **R&I RATINGS:**

**ISSUER:** Nippon Residential Investment Corp. (Sec. Code: 8962)

**ISSUER RATING:** (BB); Remains on the Rating Monitor with a view to upgrading

**Rating and Investment Information, Inc.** Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan  
Investors Service Division TEL.03-3276-3511 FAX.03-3276-3413 <http://www.r-i.co.jp>

Credit ratings are statements of R&I's opinions regarding an issuer's general capacity to repay its financial obligations and its individual obligations (creditworthiness) and are not statements of fact. Further, R&I does not state its opinions about any risks other than credit risk, give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a credit rating and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to credit ratings (including amendment or withdrawal thereof). As a general rule, R&I issues a credit rating for a fee paid by the issuer. For details, please refer to <http://www.r-i.co.jp/eng/about.html>.

©Rating and Investment Information, Inc.



# NEWS RELEASE

<b>LONG-TERM ISSUE RATING:</b>	<b>Issue Date</b>	<b>Redemption</b>	<b>Issue Amount (mn)</b>
Unsec. Str. Bonds No. 4	Feb 20, 2006	Feb 18, 2011	Yen 15,000
Unsec. Str. Bonds No. 6	Oct 25, 2006	Oct 23, 2009	Yen 12,000
Unsec. Str. Bonds No. 7	Feb 09, 2007	Feb 29, 2012	Yen 12,000
Unsec. Str. Bonds No. 8	Sep 13, 2007	Sep 11, 2009	Yen 6,000
Unsec. Str. Bonds No. 9	Sep 13, 2007	Sep 13, 2011	Yen 10,000
Unsec. Str. Bonds No. 10*	Sep 13, 2007	Sep 13, 2012	Yen 4,800

**R&I RATING: (BB-); Remains on the Rating Monitor with a view to upgrading**

\*The issue amount was reduced by 200 million yen from the initial amount of 5,000 million yen through retirement by purchase.

**R&I RATINGS:**

**ISSUER:**

**Advance Residence Investment Corp. (Sec. Code: 8978)**

**ISSUER RATING:**

**(A+); Placed on the Rating Monitor with direction uncertain**

**ISSUE:**

Preliminary Rating for the Shelf Registration scheme

Bonds to be Rated: Corporate Bonds

Issue Amount: Yen 100,000 million (Shelf Amount)

Issue Period: Two years from Oct 18, 2007

**R&I RATING:**

**(A+); Placed on the Rating Monitor with direction uncertain**

**LONG-TERM ISSUE RATING:**

<b>Issue Date</b>	<b>Redemption</b>	<b>Issue Amount (mn)</b>	
Unsec. Str. Bonds No. 1	Nov 21, 2007	Nov 21, 2011	Yen 5,000
Unsec. Str. Bonds No. 2	Nov 21, 2007	Nov 21, 2012	Yen 5,000

**R&I RATING:**

**(A+); Placed on the Rating Monitor with direction uncertain**

In principle, an Issuer Rating is R&I's opinion on an issuer's overall capacity to repay its financial obligations as agreed and is assigned to all issuers. The rating of individual obligations includes the prospect of recovery and reflects the terms and conditions of the agreement and it may be lower or higher than the Issuer Rating.

**Rating and Investment Information, Inc.** Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan  
Investors Service Division TEL.03-3276-3511 FAX.03-3276-3413 <http://www.r-i.co.jp>

Credit ratings are statements of R&I's opinions regarding an issuer's general capacity to repay its financial obligations and its individual obligations (creditworthiness) and are not statements of fact. Further, R&I does not state its opinions about any risks other than credit risk, give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a credit rating and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to credit ratings (including amendment or withdrawal thereof). As a general rule, R&I issues a credit rating for a fee paid by the issuer. For details, please refer to <http://www.r-i.co.jp/eng/about.html>.

©Rating and Investment Information, Inc.