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**For Immediate Release**

**Advance Residence Investment Corporation**

Securities Code: 8978  
3-12 Kioicho, Chiyoda-ku, Tokyo  
Kenji Kousaka, Executive Director

Asset Management Company:  
AD Investment Management Co., Ltd.  
3-12 Kioicho, Chiyoda-ku, Tokyo  
Kenji Kousaka, President

Inquiries:  
Kazuhito Akamatsu, Director  
TEL. +81-3-5216-1871

**Nippon Residential Investment Corporation**

Securities Code: 8962  
1-14-1 Kanda Jimbo-cho, Chiyoda-ku, Tokyo  
Masaru Nishimura, Chief Executive Officer

Asset Management Company:  
Pacific Residential Corporation  
1-14-1 Kanda Jimbo-cho, Chiyoda-ku, Tokyo  
Takeshi Takano, President and Chairman of the Board

Inquiries:  
Shigeki Hirayama, Director  
TEL. +81-3-3518-0480

**Notice Concerning Series of Undertakings Toward Merger of Investment Corporations**

As announced in the “Notice Concerning Signing of Letter of Intent for Merger of Investment Corporations” issued today by Advance Residence Investment Corporation (ADR) and its asset management company AD Investment Management Co., Ltd. (ADIM) as well as Nippon Residential Investment Corporation (NRIC) and its asset management company Pacific Residential Corporation (PRS), ADR and NRIC each held a meeting of its board of directors, at which the decision was made to sign into a letter of intent for the merging of ADR and NRIC (hereafter, the “Merger of Investment Corporations”), among other matters. Furthermore, as announced in the “Notice Concerning Acquisition of Shares (Conversion into Subsidiary)” issued by ADR and ADIM, “Notification of Change in Parent Company at Asset Management Company” issued by NRIC and PRS, and “Notice Concerning Signing of Letter of Intent for Merger of Asset Management Companies” issued by ADR and ADIM as well as NRIC and PRS, each dated today, ADIM and PRS each held a meeting of its board of directors, at which the decision was made to sign into a letter of intent for the merging of ADIM and PRS (hereafter, the “Merger of Asset Management Companies”) at the same time as the Merger of Investment Corporations, after ADIM turns PRS into its subsidiary by acquiring some PRS shares, and commence discussions aimed at the Merger of Asset Management Companies.

A merger of J-REITs is an event that J-REIT players and investors have long been hoping to see, and will likely become a major cornerstone in revitalizing the J-REIT market and real estate market. To that end, ADR and ADIM as well as NRIC and PRS will continue to strive toward realizing the Merger of Investment Corporations and the Merger of Asset Management Companies. Such undertakings are announced as follows.

## 1. Background of Merger

ADIM and its main sponsor ITOCHU Corporation (ITOCHU) have bid for NRIC's and PRS' selection of a new sponsor. As a result of a rigorous process, ADIM and ITOCHU have been offered to become the new sponsors.

ADR and ADIM as well as NRIC and PRS have deemed that carrying out the Merger of Investment Corporations and the Merger of Asset Management Companies would be the optimal approach in increasing both ADR's and NRIC's unitholder value. The merged investment corporations (hereafter, the "New Investment Corporation") will have a fully-diversified portfolio and become one of Japan's largest residential REITs in terms of asset size, and it will aspire to become the front runner leading the J-REIT market. In addition, ADIM's major shareholder ITOCHU will continue to provide support to the New Investment Corporation.

## 2. Synergies for the New Investment Corporation

The Merger of Investment Corporations is anticipated to generate the following synergies and is believed to become a highly-significant merger.

### [Portfolio]

- Combining the management know-how of PRS, which has played a major part in the J-REIT housing sector from early on, and ADIM's characteristic asset management, which is aimed at maintaining high occupancy rates and stable management over the medium and long term, will facilitate asset management of an even higher quality.
- With a portfolio covering a wider geographic area centering on the Tokyo 23 Wards as well as increasing diversification of residential unit types by drawing on the respective characteristics of the two REITs, it will realize a full line-up of asset classes in rental housing, which will enhance the value of the portfolio.
- As there will be a substantial increase in asset size, it will allow economies of scale to be enjoyed and also enable the portfolio quality to be enhanced and revenue to be maximized through the implementation of flexible asset management, through timely property acquisitions, sales and replacements.

[Financial Strategy]

- The uncertainty over the ability to refinance and fear over the rising financing costs faced by NRIC will be dispelled by ITOCHU becoming the main sponsor of the asset management company resulting from the Merger of Asset Management Companies and enable stable dividends over the long term, even in an uncertain financial environment.
- ADR's management objective to improve the liquidity of investment units will be possible, due to the fact that the New Investment Corporation will become one of Japan's largest residential REITs in terms of asset size.

### 3. Series of Transactions for the Merger of Investment Corporations

	Investment Corporations	Asset Management Companies
August 6, 2009 (Note 1)	Signing of letter of intent	Signing of share transfer agreement Signing of letter of intent
September 2009 (planned) (Note 2)	Signing of merger agreement	Execution of share transfer Signing of merger agreement
Yet to be determined (Note 3)	General meeting of unitholders Effective date of merger	General meeting of shareholders Effective date of merger

Note 1: Please refer to the “Notice Concerning Signing of Letter of Intent for Merger of Investment Corporations” (issued by ADR, ADIM, NRIC and PRS), “Notice Concerning Acquisition of Shares (Conversion into Subsidiary)” (issued by ADR and ADIM), “Notice Concerning Signing of Letter of Intent for Merger of Asset Management Companies” (issued by ADR, ADIM, NRIC and PRS), and “Notification of Change in Parent Company at Asset Management Company” (issued by NRIC and PRS), each dated today, for details.

Note 2: The date of signing of the merger agreement and effective date of the merger between the asset management companies shall, in principle, be at the same time as the date of signing of the merger agreement and effective date of the merger between ADR and NRIC.

Note 3: The specific dates will be notified once they are determined.

\* The original Japanese version of this material is released today to the Kabuto Club (the press club of the Tokyo Stock Exchange), the Ministry of Land, Infrastructure, Transport and Tourism Press Club, and the Ministry of Land, Infrastructure, Transport and Tourism Press Club for Construction Publications.

\* URL for the two investment corporations:

Advance Residence Investment Corporation  
Nippon Residential Investment Corporation

<http://www.adr-reit.com>  
<http://www.nric.co.jp>

[Provisional Translation Only]

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