

September 25, 2009

**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 Signing of Agreement on Merger of Asset Management Companies  
AD Investment Management Co., Ltd. and Pacific Residential Corporation**

Advance Residence Investment Corporation (ADR) and Nippon Residential Investment Corporation (NRIC) announced their respective asset management companies, AD Investment Management Co., Ltd. (ADIM) and Pacific Residential Corporation (PRS), each held a meeting of its board of directors on September 25, 2009, at which the decision to sign into a merger agreement for the merging of the two asset management companies (hereafter, the “Merger of Asset Management Companies”) was made as follows. This decision was made based on discussions held following the signing of a letter of intent for the Merger of Asset Management Companies as announced in the “Notice Concerning Signing of Letter of Intent for Merger of Asset Management Companies” dated August 6, 2009.

1. Purpose of the Merger

As announced in the “Notice Concerning Signing of Agreement on Merger of Advance Residence Investment Corporation and Nippon Residential Investment Corporation” issued today by ADR and ADIM as well as NRIC and PRS, ADR and NRIC have signed into a merger agreement for the merging of ADR and NRIC (hereafter, the “Merger of Investment Corporations”). As announced in the “Notice Concerning Signing of Letter of Intent for Merger of Asset Management Companies” dated August 6, 2009, the purpose of the Merger of Asset Management Companies is to pursue efficient management of the assets of the merged investment corporations (hereafter, the “New Investment Corporation”) by the merged asset management companies (hereafter, the “New ADIM”), which will assume PRS’ personnel, who have a good command of the features, status, etc. of NRIC properties, and continue the use of PRS’ property management system, which are suited to NRIC properties, thereby increasing the New Investment Corporation’s unitholder value.

Furthermore, the Merger of Investment Corporations will be in the form of a consolidation-type merger with ADR and NRIC as the corporations consolidated through the consolidation-type merger, whereby the New Investment Corporation will assume any and all rights and obligations of the two investment corporations.

Rather than just combining the existing ADR and NRIC, the consolidation-type merger is aimed at rebuilding a new framework that incorporates each investment corporation's characteristics and strengths and making a fresh start as a new investment corporation. ADIM and PRS see it crucial that the asset management for the New Investment Corporation, which is expected to become one of Japan's largest residential REITs in terms of asset size, be undertaken under a firm framework and the best approach will be for the asset management to be performed by the New ADIM. To that end, ADIM and PRS decided to carry out the Merger of Asset Management Companies.

## 2. Issues on Conflicts of Interest

As announced in the "Notice Concerning Completion of Acquisitions of Pacific Residential Corporation Shares" issued today by ADR and ADIM and the "Notification on Completion of Transfers of Shares of Asset Management Company" issued today by NRIC and PRS, ADIM acquired PRS shares from Pacific Holdings, Inc., which has received a district court order of commencement of corporate reorganization proceedings, and Odakyu Real Estate Co., Ltd., thereby making PRS a subsidiary of ADIM. This will result in ADIM and PRS, being respectively the parent company and its subsidiary, each managing the assets of different investment corporations during the period until the Merger of Investment Corporations becomes effective. ADIM and PRS will take measures, such as, restricting the flow of information between the two companies, to prevent conflicts of interest.

For the future investment policy and other details, please refer to "6. Future Outlook" below.

## 3. Outline of the Merger

### (1) Schedule of the Merger

Board of directors meeting for approval of merger agreement	September 25, 2009
Signing of merger agreement	September 25, 2009
Effective date of merger	March 1, 2010 (planned)
Registration of merger	March 1, 2010 (planned)

### (2) Format of the Merger

The merger will be in the form of an absorption-type merger with ADIM as the surviving company, and PRS will be dissolved as a result of the merger.

### (3) Merger Ratio

Company Name	ADIM (company surviving the absorption-type merger)	PRS (company dissolving in the absorption-type merger)
Merger Ratio	1	2

## 4. Overview of Companies Involved in the Merger

	Company Surviving the Absorption-Type Merger	Company Dissolving in the Absorption-Type Merger
(1) Name	AD Investment Management Co., Ltd.	Pacific Residential Corporation
(2) Location	3-12 Kioi-cho, Chiyoda-ku, Tokyo	1-14-1 Kanda Jimbo-cho, Chiyoda-ku, Tokyo
(3) Name and Post of Representative	Kenji Kousaka President	Takeshi Takano President and Chairman of the Board
(4) Description of Business	i. Investment trust entrustment business (Note) ii. Investment corporation asset management business (Note) iii. Building lots and buildings transaction business directly related to i. or ii. iv. All work incidental or related to any preceding item	i. Investment management business ii. Work on management of assets of investment corporations other than the preceding item iii. Entrustment with administration associated with operating investment corporations' organization and other general administration based on the Investment Trusts and Investment

	(Note) The underlying laws and ordinances have changed in correlation with enactment of the Law for Amending the Securities and Exchange Law and Other Financial Laws (Law No. 65 of 2006), changing the name of the business to financial instruments business (investment management business).	Corporations Law iv. Building lots and buildings transaction business v. Real estate management work vi. All work incidental or related to any preceding item
(5) Paid-in Capital	300 million yen	320 million yen
(6) Date Established	February 2, 2005	June 21, 2001
(7) Net Assets	381 million yen	861 million yen
(8) Total Assets	402 million yen	1,027 million yen
(9) Main Shareholders and their Shareholdings (number of shares held as a percentage of total number of shares issued and outstanding)	(as of September 25, 2009) ITOCHU Corporation 45.0% ITOCHU Property Development, Ltd. 20.0% Nippon Tochi-Tatemono Co., Ltd. 20.0% Aozora Bank, Ltd. 3.0% Orient Corporation 3.0% The Sumitomo Trust & Banking Co., Ltd. 3.0% Century21 Real Estate of Japan Ltd. 3.0% Mizuho Trust & Banking Co., Ltd. 3.0%	(as of September 25, 2009) AD Investment Management Co., Ltd. 96.9% The Bank of Tokyo-Mitsubishi UFJ, Ltd. 3.1%
(10) Relationship between the Investment Corporations/Asset Management Companies and the Merger Counterparties		
Capital Ties	As stated in 2. above, ADIM today acquired 96.9% of the total number of PRS shares issued and outstanding, making ADIM the parent company of PRS and PRS the subsidiary of ADIM. Otherwise, there are no capital ties requiring special mention between related persons or related companies of ADR or ADIM and related persons or related companies of NRIC or PRS.	
Personnel Ties	There are no personnel ties requiring mention between ADR/ADIM and PRS. In addition, there are no personnel ties requiring special mention between related persons or related companies of ADR /ADIM and related persons or related companies of NRIC/PRS.	
Business Ties	There are no business ties requiring mention between ADR/ADIM and PRS. In addition, there are no business ties requiring special mention between related persons or related companies of ADR/ADIM and related persons or related companies of NRIC/PRS.	
Status of Classification as Related Party	As mentioned in "Capital Ties" above, ADIM is a related party (parent company) of PRS. Otherwise, ADR/ADIM and PRS do not constitute a related party requiring mention, and related persons or related companies of ADR/ADIM and related persons or related companies of NRIC/PRS do not constitute a related party requiring special mention.	

#### 5. Post-Merger Status

	Company Surviving the Absorption-Type Merger
(1) Trade Name	AD Investment Management Co., Ltd.
(2) Location	3-12 Kioi-cho, Chiyoda-ku, Tokyo
(3) Name and Post of Representative	Kenji Kousaka, President
(4) Description of Business	i. Investment trust entrustment business (Note) ii. Investment corporation asset management business (Note) iii. Building lots and buildings transaction business directly related to i. or ii. iv. All work incidental or related to any preceding item (Note) The underlying laws and ordinances have changed in correlation with enactment of the Law for Amending the Securities and Exchange Law and Other Financial Laws (Law No. 65 of 2006), changing the name of the business to financial instruments business (investment management business).

(5) Paid-in Capital	300 million yen (The Merger of Asset Management Companies does not result in an increase in paid-in capital.)
(6) End of Fiscal Year	March
(7) Net Assets	1,242 million yen (Calculated based on a simple sum of the two companies' net assets as of March 31, 2009.)
(8) Total Assets	1,429 million yen (Calculated based on a simple sum of the two companies' total assets as of March 31, 2009.)

## 6. Future Outlook

### (1) Change in Asset Management Agreement with Investment Corporation

On the date of establishment of the New Investment Corporation, the New ADIM will sign into a new asset management agreement with the New Investment Corporation and perform asset management services for the New Investment Corporation. The asset management agreements each of ADR and NRIC have signed into with their asset management companies will each be terminated on the condition that the New Investment Corporation is established as a result of the Merger of Investment Corporations.

### (2) Change in Asset Management Company's Structure

The change, if any, will be notified once it is determined.

### (3) Change in Decision-Making Structure for Investment Management

The change, if any, will be notified once it is determined.

### (4) Change in Rules for Compliance or Related Parties

The change, if any, will be notified once it is determined.

### (5) Change in Investment Policy

The change, if any, will be notified once it is determined.

### (6) Change in Agreement with Sponsors, Etc.

The change, if any, will be notified once it is determined.

### (7) Prospect of Investment Corporation's Continued Listing

The Merger of Investment Corporations will be in the form of a consolidation-type merger with ADR and NRIC as the corporations consolidated through the consolidation-type merger. As a result, ADR and NRIC are expected to be dissolved and the investment units issued by the two investment corporations will be delisted in accordance with the Criteria for Delisting set forth by Tokyo Stock Exchange, Inc. On the other hand, upon the Merger of Investment Corporations, the unitholders of ADR and NRIC will be allotted new investment units of the New Investment Corporation in proportion to their respective unitholdings and thereby own New Investment Corporation investment units. The date of ADR's and NRIC's delisting is scheduled for February 24, 2010 (Notes 1 and 2); the New Investment Corporation's establishment, registration and recording are scheduled for March 1, 2010; and the date of the New Investment Corporation's listing is scheduled for March 2, 2010 (Note 1).

(Note 1) ADR and NRIC investment units are scheduled to be delisted on February 24, 2010. The New Investment Corporation investment units are scheduled to be listed on March 2, 2010 after listing on the Tokyo Stock Exchange is approved as technical listing, and thus expected to ensure ongoing trading opportunities.

(Note 2) The abovementioned date of delisting is the schedule based on the "Abolishment of T+4 Settlement and Trading Suspension for a Predetermined Period" announced by Tokyo Stock Exchange, Inc. If the abolishment of T+4 settlement does not take place as scheduled, the date of delisting is scheduled to become February 23, 2010.

### (8) Other Procedures

In compliance with the Financial Instruments and Exchange Law, Building Lots and Buildings Transaction Business Law and other applicable laws, ordinances and regulations, the required filing and other procedures will be performed in relation to this matter.

\* 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

<http://www.adr-reit.com>

Nippon Residential Investment Corporation

<http://www.nric.co.jp>

[Provisional Translation Only]

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Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.