



Press Release

Structured Finance Ratings & Research

For immediate release

Media Contact: Kyota Narimatsu

Tel: (81) 3-4550 -8411

Fax: (81) 3-4550 -8740

Marunouchi Kitaguchi Bldg. 28F, 1-6-5 Marunouchi,

Chiyoda-ku, Tokyo 100-0005

tokyo_pressroom@standardandpoors.com

S&P Assigns 'A' Rating To JRF's Proposed ¥20 Billion Senior Unsecured Bonds

Tokyo, Dec. 13, 2006 – Standard & Poor's Ratings Services said today it had assigned its 'A' rating to Japan Retail Fund Investment Corp.'s (JRF) proposed ¥20 billion fourth senior unsecured bonds due December 2011. At the same time, Standard & Poor's affirmed its 'A+' long-term and 'A-1' short-term corporate credit ratings on JRF. The outlook on the long-term rating is stable. The ratings on outstanding bonds – the ¥20 billion first senior unsecured bonds due February 2010, the ¥15 billion second senior unsecured bonds due February 2015, and ¥10 billion third senior unsecured bonds due February 2016 – were also affirmed.

The ratings on JRF reflect its strong business position and relatively conservative financial profile, as well as the conservative nature of J-REIT structures. The company is a top-tier J-REIT, backed by a high-quality portfolio of retail properties, and sponsors with strong real estate expertise in Japan. JRF maintains strong liquidity and a relatively sound financial profile, supported by a relatively high profitability.

As of Aug. 31, 2006, the last day of JRF's ninth accounting period, JRF owned 37 retail properties with a total acquisition value of about ¥370 billion. Since then, JRF has purchased Kawaramachi OPA for ¥18.5 billion in September 2006, AEON Ueda Shopping Center for ¥9.5 billion and Diamond City Leafa for ¥29.9 billion in November 2006, and Diamond City Terrace for ¥20.3 billion in December 2006. JRF also plans to purchase in December 2007 Urawa PARCO, a department store slated for construction in front of JR Urawa Station in September 2007. Given its relatively aggressive strategy, JRF's portfolio assets have expanded about 10x over the past four and half years since it listed on the Tokyo Stock Exchange (TSE).

In April 2006, the Kanto Local Finance Bureau imposed a business improvement order on JRF, based on the results of an inspection of the company by the Securities and Exchange Surveillance Commission (SESC). The administrative order is not expected to have a negative impact on the ratings, due to its minimal impact on JRF's cash flow and financial profile. However, Standard & Poor's will closely monitor the future development of JRF's compliance and internal control systems.

JRF's debt-to-capital ratio (leverage) may temporarily increase as purchases of new real estate properties could be funded through debt financing. In the fiscal year ended Aug. 31, 2006, JRF's leverage increased to about 52.7% according to the company's definition, including deposit (*hoshokin*) liabilities. However, given its five public equity issues since listing on the TSE, JRF is expected to maintain a conservative leverage ratio near 40% via timely equity issues.

It is a Standard & Poor's policy to assign a rating to unsecured debt one notch below the corporate credit rating if the proportion of encumbered portfolio net operating income (NOI) is above 50%. Regarding JRF, the ratio remains at

about 57% due to the encumbrance associated with outstanding *hoshokin* liabilities. Therefore, JRF's unsecured debt is rated one notch below its corporate credit rating.

The stable outlook reflects the expectation that JRF will continue to record stable profits, underpinned by its high-quality assets. Backed by strong sponsors, JRF is also expected to maintain a certain level of financial strength by further improving its financial flexibility and securing sufficient liquidity. Standard & Poor's will continue to monitor the concentration of properties and tenants, leverage control, and the level of cash flow protection including actual debt-service coverage ratio (DSCR) taking into consideration installment repayments of *hoshokin* liabilities.

A Japanese-language version of this media release is available on Standard & Poor's Research Online at www.researchonline.jp, or via CreditWire Japan on Bloomberg Professional at SPCJ <GO>.

Analytical Contact:

Yuji Hashimoto, Tokyo
(81) 3-4550-8275
yuji_hashimoto@standardandpoors.com

Media Contact:

Kyota Narimatsu
(81) 3-4550-8411
tokyo_pressroom@standardandpoors.com

Yumi Oikawa, Tokyo
(81) 3-4550-8775
yumi_oikawa@standardandpoors.com

Roko Izawa, Tokyo
(81) 3-4550-8674
roko_izawa@standardandpoors.com

Standard & Poor's, a division of The McGraw-Hill Companies (NYSE:MHP), is the world's foremost provider of financial market intelligence, including independent credit ratings, indices, risk evaluation, investment research and data. With approximately 7,500 employees, including wholly owned affiliates, located in 21 countries and markets, Standard & Poor's is an essential part of the world's financial infrastructure and has played a leading role for more than 140 years in providing investors with the independent benchmarks they need to feel more confident about their investment and financial decisions. For more information, visit <http://www.standardandpoors.com>

#####