



NEWS RELEASE

No.2009-C-543
Jun 22, 2009

R&I Downgrades to AA-, Stable: Japan Retail Fund Investment

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

ISSUER: Japan Retail Fund Investment Corp. (Sec. Code: 8953)
Issuer Rating

R&I RATING: AA- (Downgraded from (AA); Removed from the Rating Monitor)
RATING OUTLOOK: Stable

RATIONALE:

Japan Retail Fund Investment Corp. (JRF) is a real estate investment trust (J-REIT) that went public in March 2002. JRF exclusively invests in commercial properties. Mitsubishi Corp. and UBS, a leading financial group in Switzerland, serve as its sponsors.

R&I has downgraded the ratings this time because 1) LTV ratios (Debt / Total assets, including security deposits) have been high during the past year, standing in the mid-50% range, 2) It will remain difficult for JRF to substantially reduce LTV ratios through a capital increase due to a continued slowdown in the REIT market, and 3) Short-term debt of approximately 120 billion yen is a financial burden on JRF.

R&I assigned a rating of AA based on expectations that LTV ratios will generally stay below 50% and even if the ratios temporarily exceed 50% due to a series of property acquisitions, they will be reduced through a capital increase, etc. and will not remain high for a long period of time. However, due to the drastic change in the REIT market, it has become difficult for JRF, like its competitors, to increase its capital, and LTV ratios have been high. As of the end of February 2009, total appraisal value of JRF's properties was below total book value. If these unrealized losses are incorporated, LTV ratios will increase further. While JRF sold some of its properties in January 2009, its proceeds were appropriated to purchase new properties and did not reduce LTV ratios.

Furthermore, JRF's short-term debt currently amounts to approximately 120 billion yen. While JRF worked to hold longer-duration liabilities mainly by issuing corporate bonds, this initiative has been affected by the deteriorating REIT bond market. Supported by the creditworthiness of its sponsor and its past performance, it is expected that JRF will continue to refinance its debts successfully. However, in general, the financing environment is harsh. Relative to its sizable short-term debt, the unused portion of JRF's commitment line currently stands at as low as 15 billion yen. Given its bonds that will become due successively from 2010, the financial burden on JRF cannot be ignored.

Nevertheless, JRF has established a portfolio of approximately 570 billion yen, mainly comprised of highly competitive, large shopping malls. Since many of JRF's properties are leased under long-term, stable lease contracts with major retailers that have strong creditworthiness, its cash flow is stable. As retailers are faced with a severe business environment, JRF is expected to find increasing opportunities to take advantage of the expertise it has accumulated as a pioneer of commercial property REIT.

JRF plans to gradually reduce the debts by using internal reserves, instead of raising the leverage. Given that the cash flow and fundraising conditions remain solid as noted above, the Rating Outlook is Stable.

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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:

Japan Retail Fund Investment Corp. (Sec. Code: 8953)

ISSUER RATING:

AA- (Downgraded from (AA); Removed from the Rating Monitor)

RATING OUTLOOK:

Stable

LONG-TERM ISSUE RATING:

	Issue Date	Redemption	Issue Amount (mn)
Unsec. Str. Bonds No. 1	Feb 09, 2005	Feb 09, 2010	Yen 20,000
Unsec. Str. Bonds No. 2	Feb 09, 2005	Feb 09, 2015	Yen 15,000
Unsec. Str. Bonds No. 3	Feb 22, 2006	Feb 22, 2016	Yen 10,000
Unsec. Str. Bonds No. 4	Dec 22, 2006	Dec 22, 2011	Yen 20,000
Unsec. Str. Bonds No. 5	May 23, 2007	May 23, 2012	Yen 20,000
Unsec. Str. Bonds No. 6	May 23, 2007	May 23, 2017	Yen 15,000

R&I RATING: AA- (Downgraded from (AA); Removed from the Rating Monitor)

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.

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