(The IRCJ's letter to Standard & Poor's : December 28, 2004)

I'm writing this letter to you to seek your clarification concerning the commentary on Daiei Inc. that was recently released by your Tokyo Office. I have a particular concern about the possible impact the said commentary might have on the subsequent procedures the Industrial Revitalization Corporation of Japan (the IRCJ) and Daiei are to undertake for Daiei's rehabilitation, thus wished to bring the matter to your immediate attention.

The IRCJ is a Japanese government-backed assets restructuring company established under a special law in April 2003 to accelerate disposal of non-performing loans and business restructuring. Today, the IRCJ has officially approved the restructuring plan to assist Daiei's rehabilitation.

The questioned commentary titled "Possible Negative Impact for Potential Participants in Daiei Rehabilitation" was written by Ms. Machiko Amano, an analyst at your Tokyo Office, released on December 21, 2004, to be publicly available on your website, that has raised the following issues.

- 1. While there has been no official disclosure released regarding the Daiei's rehabilitation plan up to today, the said commentary by your analyst appears to be based solely on media information that was not directly confirmed with Daiei or our corporation. Nonetheless, the commentary asserts that "companies selected by the IRCJ to participate in the rehabilitation of Daiei Inc. would see their credit qualities negatively affected."
- 2. Although the level of outstanding debt needs to be evaluated against earnings capability such as the EBITDA, the commentary does not provide any analysis of Daiei's future earning powers except for simply stating "Daiei's outstanding debt is expected to remain in the hundreds of billions of yen even if the company receives debt waivers from creditor banks." Since the approved rehabilitation plan includes a business strategy to sufficiently raise the EBITDA, a commentary on the absolute level of outstanding debt is misleading.
- 3. At the present moment, neither the acquisition price nor the amount of allocation of new shares to a third party for Daiei has been determined. It is misleading to assert that a purchase activity in itself is risky for an asset whose purchase price is yet to be determined. Moreover, even admitting that the level of outstanding debt of the company is high, it does not follow that the acquisition itself would push the rating of the sponsor company down

unless the purchase price is unreasonable (i.e., unless the sponsor provides guarantee of liabilities of the acquired company).

As evident from the above discussions, we put various question marks on the said commentary and might consider it as a possible interference in a bid procedure that Daiei and our corporation have been undertaking in selecting a sponsor for Daiei. I am wondering whether the Head Office of the Standard & Poor's is aware of the fact that the above mentioned commentary was released.

We would like to receive your views on the following: reliability of the information that formed the basis for the said commentary; the logic behind the assertion that the candidate sponsors would see their credit qualities negatively affected; the quality control process that exist at your Tokyo Office for a commentary; and the decision making process regarding the release of the said commentary, etc.

Your prompt response on this matter would be highly appreciated.