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## Ratings On Frontier Real Estate Investment Corp. Affirmed Following Proposed Sponsor Change

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TOKYO (Standard & Poor's) Feb. 19, 2008--Standard & Poor's Ratings Services today affirmed its 'A+' long-term and 'A-1' short-term corporate credit ratings on Frontier Real Estate Investment Corp. (FRI). The outlook on the long-term corporate credit rating remains stable. The affirmation reflects Standard & Poor's expectations that FRI will maintain its strong business position and conservative financial policy after the proposed change in sponsor of FRI's asset management company, Frontier REIT Management Inc. (FRM, N.R.), to Mitsui Fudosan Co. Ltd. (BBB+/Stable/A-2) from Japan Tobacco Inc. (JT; A+/Stable/--). Mitsui Fudosan announced on Feb. 18, 2008, that it would acquire FRM.

Under the collaboration agreement, Mitsui Fudosan will acquire all outstanding shares in FRM from Japan Tobacco, and will then transfer directors and officers to FRM. FRI will make a third-party allocation of new investment units to Mitsui Fudosan. Mitsui Fudosan and other related parties will subsequently grant preferential negotiation rights for property acquisitions to FRI. Standard & Poor's will pay close attention to FRI's ability to maintain its core business strengths following the change of sponsor. In particular, we will focus on whether FRI will be able to retain its conservative financial policy, which JT's strong credit profile has supported until now. However, FRI has already made an announcement stating that its

financial policy will remain unchanged. Going forward, Standard & Poor's expects FRI to take advantage of Mitsui Fudosan's operation networks and expertise in the development and management of retail properties to grow both externally, by acquiring new properties and diversifying its asset portfolio, and internally, by enhancing its management of retail properties.

As of Feb. 19, 2008, FRI has a geographically well-diversified real estate portfolio, consisting of 10 relatively high quality commercial facilities, one piece of land with a fixed-term leasehold for commercial use (sokochi), and a sports club building with a total acquisition value of about ¥123.1 billion. The portfolio generates stable cash flows from tenants, most of which are of strong credit quality and are renting under long-term leasing contracts. On the other hand, the portfolio has a high concentration of specific properties and tenants. FRI is likely to reduce gradually this asset concentration risk by expanding its asset portfolio, which it will achieve by exercising its preferential negotiation rights for property acquisitions under Mitsui Fudosan. In addition, Standard and Poor's will focus on FRI's profit stability, as the company may in future acquire properties with sales percentage rent and outlet malls.

FRI's management intends to maintain the company's debt-to-capital ratio at an average of 30% to 40%, which we view to be a conservative level. Standard & Poor's will pay close attention as to whether FRI will be able to control its level of debt in a timely manner during the process of acquiring properties.

The outlook on the long-term corporate credit rating is stable. FRI is likely to enlarge its asset portfolio, backed by its new sponsor, Mitsui Fudosan, while also maintaining a relatively high quality asset portfolio. However, Standard & Poor's would consider a revision of its credit ratings on FRI if the change in sponsor results in a change in the robustness of the company's superior rating factors, including its strong asset quality, stable cash flow, conservative financial policy, and high profitability.

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Ratings List

Ratings Affirmed

Frontier Real Estate Investment Corp.

Corporate Credit Rating

A+/Stable/A-1

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