

Rating Assigned To Frontier Real Estate Investment Corp.'s Series 1 Unsecured Bonds

Primary Credit Analyst:

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

Secondary Contact:

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

TOKYO (Standard & Poor's) March 4, 2011--Standard & Poor's Ratings Services today assigned its 'A+' rating to Frontier Real Estate Investment Corp.'s (FRI; A+/Stable/A-1) proposed ¥5 billion series 1 unsecured bonds, due March 11, 2016. The rating reflects FRI's strong business position and conservative financial policy, as well as its high-quality assets.

FRI is a Japanese real estate investment trust (J-REIT) that specializes in retail properties. As such, it has secured a leading position in the J-REIT market, backed by the brand recognition and the real estate development and management expertise of its sponsor, Mitsui Fudosan Co. Ltd. (BBB+/Stable/A-2).

As of Feb. 28, 2011, FRI's real estate portfolio comprised 24 retail properties (including two plots of land with a fixed-term leasehold for commercial use; "sokochi") located across Japan. The total acquisition value stood at about ¥221.2 billion. The portfolio incorporates various types of assets, but comprises primarily large suburban shopping centers. The retail industry has been sluggish, indicating that overall business conditions remain difficult. Nevertheless, as FRI's portfolio consists mostly of retail properties that are highly competitive in their respective submarkets, its average occupancy rate is high, contributing to the stability of the J-REIT's cash flow. In addition, FRI has been steadily pursuing external growth with support from its sponsor. In particular, the J-REIT acquired two retail properties in the Tokyo metropolitan area in the beginning of 2011.

FRI has a conservative financial profile and enjoys a high degree of financial flexibility, given that all its debt from financial institutions is unsecured.

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The J-REIT, which has changed its financial policy, has decided to maintain its ratio of debt to total assets (after including security deposits and hoshokin liabilities) in a higher range of between 40% and 50% (cruising level) for the time being in an effort to achieve stable external growth. As FRI's debt ratios have risen from previous levels, we intend to focus on developments in this area.

Meanwhile, it is our view that FRI's portfolio profitability and interest coverage ratios remain relatively high, although the latter have declined slightly compared with previous levels. In addition, the J-REIT maintains a conservative capital structure and sufficient liquidity to meet its debt repayment obligations.

RATING ASSIGNED

Frontier Real Estate Investment Corp.
Unsecured J-REIT bonds (series 1)
Proposed issue amount Coupon Rating
¥5 bil. 1.07% A+

RELATED CRITERIA AND RESEARCH

"Principles Of Credit Ratings," published Feb. 16, 2011
"Rating Policy For Japanese Real Estate Investment Trusts," published May 9, 2001

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>. Complete ratings information is available to RatingsDirect subscribers on the Global Credit Portal at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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