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For Immediate Release

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**Notice Concerning the Acquisition of an Investment Asset
(Belltown Tambaguchi Eki-mae Store)**

In connection with the provisional purchase and sale agreement for Belltown Tambaguchi Eki-mae Store (provisional name) contracted on April 1, 2005, Frontier Real Estate Investment Corporation (“Frontier Real Estate Investment” or “the Investment Corporation”) today completed steps to acquire the property in conjunction with construction completion, property settlement and confirmation of the acquisition price. Brief details are as follows.

1. Acquisition Details

- | | | |
|------------------------------|---|--|
| (1) Type of Acquisition | : | Real estate (Proprietary ownership in land and building) |
| (2) Property Name | : | Belltown Tambaguchi Eki-mae Store |
| (3) Acquisition Price | : | ¥2,130 million (Excluding related acquisition costs, fixed assets tax, urban planning tax, consumption tax and other expenses) |
| (4) Contract Settlement Date | : | August 29, 2005 |
| (5) Completion Date | : | August 29, 2005 |
| (6) Settlement Date | : | August 29, 2005 |
| (7) Seller | : | Japan Tobacco Inc. |

2. Acquisition Price

Pursuant to the provisional Purchase and Sale Agreement, the Investment Corporation and the seller have agreed on an acquisition price of ¥2,130 million, the appraisal value, which is also the same price as the initial estimated acquisition price.

3. Property Details

(1) Real Estate Details

Land details are based on public records from the Land Register. Since the buildings are yet to be registered, building details are based on construction completion inspection records (Lot “A”: H16 11367 dated August 23, 2005, and Lot “B”: H16 11368 dated August 18,

2005) pursuant to Article 7.2 of the Building Standards Law.

Type of Asset	Real estate	
Address	Registered	Lot "A": 60, 61 Chudoji-Bojo-cho, Shimogyo-ku, Kyoto-shi Lot "B": 70 Chudoji-Kita-machi, Shimogyo-ku, Kyoto-shi
Land	Lot Area	Lot "A": 4,468.42 m ² Lot "B": 2,699.32 m ²
	Use	Retail
	Plot Ratio	400% (30 m from the roadway boundary of Gojo Avenue in Lot B, which is 600%)
	Building-to-Land Ratio	80% (10% added to the corner plot in Lot A)
	Ownership	Proprietary ownership
Building	Structure / No. of Floors	Lot "A": SF / 4F Lot "B": SF / 1F
	Construction Completed	August 29, 2005
	Floor Area	Lot "A": 10,274.90 m ² Lot "B": 901.44 m ²
	Use	Retail, parking
	Ownership	Proprietary ownership
Acquisition Price	¥2,130 million	
Appraisal Value	¥2,130 million (As of July 31, 2005)	
Appraiser	Japan Real Estate Institute	
Probable Maximum Loss (PML)	9% (Building Status Survey Report prepared by Shimizu Corporation)	
Number of Tenants	1	
Total Leasable Floor Space	11,176.34 m ²	
Total Leased Floor Space	11,176.34 m ²	
Occupancy Rate on Planned Acquisition Date	100%	
Collateral	Plans to establish a mortgage over land and building (Lot "A")	

(2) Lease Details

Tenant Name	Matsumoto Co., Ltd. (Head Office: 61-1 Nishitatsucho, Kameoka-shi, Kyoto Prefecture)
Type of Contract	Fixed-Term Lease Agreement
Contract Term	20 years from the commencement of operations (August 30, 2005)
Annual Rent	¥169,800,000
Revisions to Contract	Fixed price for the period of the agreement (20 years)
Termination prior to Maturity	Not allowed
Security Deposit	¥100,000,000
Guarantee Money	¥534,194,600 Refunded to the tenant in 240 equal installments over the term (20 years) of the lease, payable on the last day of each month

(3) Overview of Facilities

As identified, the property is divided into two sites. Lot "A" is a four-story building comprised of a super market run by Matsumoto Co., Ltd., a Kyoto-based company with extensive operations across Kyoto Prefecture. The second to the fourth floors are to be used as a parking facility. Lot "B" is a one-story building, which Matsumoto Co., Ltd. subleases as a drugstore. Located in the center of the city, it offers parking for 268 vehicles in total.

4. Seller Profile

Company Name	Japan Tobacco Inc.
Head Office Address	2-2-1 Toranomom, Minato-ku, Tokyo
Representative	Katsuhiko Honda, President & CEO
Capital	¥100 billion (As of March 31, 2005)
Principal Shareholders	The Finance Ministry of Japan, others (As of March 31, 2005)
Principal Activities	Active in the tobacco, pharmaceuticals and food industries
Relationship with the Investment Corporation	The Asset Management Company is a wholly owned subsidiary of Japan Tobacco Inc.

5. Interested-Party Transactions

The Investment Corporation contracted to acquire the subject property from Japan Tobacco Inc., an interested party as defined under Article 15 of the Investment Trusts and Investment Corporations Law and Article 20 of the Implementation Guidelines of the Investment Trusts and Investment Corporations Law. Accordingly, and pursuant to internal rules and measures to prevent conflicts of interest as formulated by its Asset Management Company, Frontier REIT Management Inc., the Investment Corporation obtained the following in connection with the acquisition of the property: (1) prior approval to the acquisition from its Board of Directors, (2) unanimous approval from all members of the Asset Management Company's Compliance and Management Evaluation Committee, and (3) approval from at least two-thirds of the Asset Management Company's Board of Directors, as well as unanimous approval from the Asset Management Company's external directors.

6. Outlook

The impact of the acquisition of the subject property has been incorporated in operating forecasts for the third period ending December 31, 2005.

[Attachments]

1. Property appraisal
2. Property location map
3. External façade of the property (Lot “A”)
4. Overview of the investment portfolio following acquisition

This document is released to media organizations through the “Kabuto Club” (the press club of the Tokyo Stock Exchange), the Ministry of Land, Infrastructure and Transport Press Club, and the Press Club for the Ministry of Land, Infrastructure and Transport Construction Paper.

[Attachment 1]

Property appraisal

Appraiser	Japan Real Estate Institute	
Profit Price	¥2,130,000,000	
Date of Value Estimate	July 31, 2005	
	Figures	Remarks
Direct-Reduction Method		
(1) Revenue (1+2+3)	¥169,800,000	
1. Potential Revenue (Rental revenues, common service revenues, other revenues)	¥169,800,000	Annual rent recorded under the fixed-lease agreement
2. Loss on Vacant Areas	¥0	Not recorded. Building tenanted in full
3. Loss on Doubtful Accounts	¥0	Not recorded in light of tenant standing
(2) Expenses (4+5+6+7)	¥18,967,400	
4. Maintenance and Management	¥1,698,000	Property management fee
5. Taxes and Public Dues	¥16,849,400	Land: Based on taxation standards for fiscal 2005 Building: Based on replacement cost
6. Casualty Insurance Premiums	¥420,000	Based on replacement cost
7. Other Expenses	¥0	
(3) Operating Income ((1) - (2))	¥150,832,600	
(4) Income from Security and Guarantee Deposits	¥12,439,230	Based on an investment yield of 2.0%
(5) Capital Expenditure	¥2,772,167	Based on building status assessment report average over 12 years
(6) Net Income ((3)+(4)+(5))	¥160,499,663	
(7) Cap Rate	7.50%	Based on an overall evaluation of property location, building condition and related factors
Direct-Reduction Method Value	¥2,140,000,000	
DCF Value	¥2,120,000,000	
	Discount Rate	7.00%
	Final Cap Rate	7.50%
Cumulative Value at Cost	¥1,740,000,000	
	Land Ratio	63.75%
	Building Ratio	36.25%

[Attachment 4]**Overview of the investment portfolio following acquisition**

Property Name	Location	Type of Asset	Acquisition Date	Acquisition Price (Millions of Yen)	Percentage of Portfolio (Note 1)
AEON Shinagawa Seaside Shopping Center	Shinagawa-ku, Tokyo	Trust Beneficiary Interest	August 9, 2004	20,100	22.1
MYCAL Ibaraki	Ibaraki-shi, Osaka	Trust Beneficiary Interest	August 9, 2004	18,100	19.9
Joyfultown Okayama	Okayama-shi, Okayama Prefecture	Trust Beneficiary Interest	August 9, 2004	11,000	12.1
Joyfultown Hadano	Hadano-shi, Kanagawa Prefecture	Trust Beneficiary Interest	August 9, 2004	9,300	10.2
Papillon Plaza	Fukuoka-shi, Fukuoka Prefecture	Trust Beneficiary Interest	August 9, 2004	4,810	5.3
Kamiikedai Tokyu Store	Ota-ku, Tokyo	Trust Beneficiary Interest	August 9, 2004	1,490	1.6
Belltown Tambaguchi Eki-mae Store	Kyoto-shi, Kyoto	Real Estate	August 29, 2005	2,130	2.3
(Provisional Name) AEON Ozone Shopping Center	Nagoya-shi, Aichi Prefecture	Real Estate	March 2006 (Planned)	24,100 (Note 2)	26.5
Total				91,030	100.0

Notes:

1. Percentages of portfolio figures are rounded to the nearest first decimal place
2. Planned acquisition price