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For Immediate Release

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Notice Concerning the Decision to Acquire an Investment Asset

Frontier Real Estate Investment Corporation (“Frontier Real Estate Investment” or “the Investment Corporation”) today executed a provisional purchase and sale agreement in connection with the following property. Brief details are as follows.

1. Overview of the Provisional Purchase and Sale Agreement

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|-------------------------------|---|---|
| (1) Type of Acquisition | : | Real estate (Proprietary ownership in land and building) or a trust beneficiary interest |
| (2) Property Name | : | (Provisional Name) You Me Town Hiroshima |
| (3) Planned Acquisition Price | : | ¥20,700 million (The Investment Corporation intends to acquire the property utilizing cash-on-hand or debt funding) |
| (4) Planned Contract Date | : | August 7, 2006 |
| (5) Planned Completion Date | : | February 2008 |
| (6) Planned Acquisition Date | : | February 2008 (Acquisition on construction completion date) |
| (7) Seller | : | Japan Tobacco Inc. |

Note: The property earmarked for acquisition is yet to be completed; construction is scheduled to commence in September 2006. Under these circumstances, the Investment Corporation has agreed to the execution of the provisional purchase and sale agreement subject to conditions as follows.

- The building shall be completed in accordance with the plans detailed in provisional purchase and sale agreement for use as a retail facility in strict compliance with the rules and restrictions outlined in the Building Standards Law, the Fire Defense Law and related regulations.
- The fixed-term leasing agreements shall be concluded according to the provisional purchase and sale agreement.

2. Rationale

The proposed property acquisition is in line with the Investment Corporation's basic asset management policy and investment stance as outlined in its Articles of Incorporation. The Asset Management Company undertook an evaluation based on the following factors:

(1) Location

The property is located in Minami-ku, Hiroshima-shi, approximately 3 kilometers south of JR Hiroshima Station, which is nearly a 15-minute ride on Hiroshima Electrical Railway. With convenient access, the property faces Route 487, and Route 2 runs approximately 500 meters to the north. Surrounded by many educational institutions and green spaces such as schools attached to Hiroshima University, Hijiyama park and Kyobashi river. Minami ward office is also to the east.

(2) Trading Conditions

The property is located in a densely populated trading area with approximately 230,000 residents within a three kilometer radius and 460,000 within a five kilometer radius. Therefore the region is considered ideal for use as a large-scale shopping center. On the basis of distance traveled by car, approximately 110,000 people are within a 10-minute distance and 340,000 are within a 20-minute distance. Combining the number of people trading on Route 2 and Route 487, a large number of people are expected to visit the property.

(3) Building Facilities

The building will have five stories above the ground and one story below the ground. Plans include the construction of a shopping mall from the first to the third floor comprised of super market "You Me Town" run by IZUMI Co., Ltd., whose head office is in Hiroshima-shi and a variety of specialty stores. Also there are plans to build a parking facility from the fourth floor to the rooftop as well as an underground parking lot and an outdoor parking lot. Total capacity will be approximately 2,400 vehicles.

3. Property Details

(1) Real Estate Details

Land details are based on public records from the Land Register. Since the building is yet to be completed and registered, building details are based on records (ERI 06008185 dated June 22, 2006) pursuant to Article 6.2-1 of the Building Standards Law.

Type of Asset	Real estate and trust beneficiary interest	
Address	Registered	2-224-7 and a part of 2-224-11 Mimami-machi, Minami-ku, Hiroshima-shi, Hiroshima Prefecture
Land	Lot Area	50,130.78 m ²
	Use	Industrial
	Plot Ratio	200%
	Building-to-Land Ratio	60%
	Ownership	Proprietary ownership
Building	Structure / No. of Floors	SF / B1, 5F
	Construction Commenced	September 2006 (Planned)
	Construction Completion	February 2007 (Planned)
	Floor Area	122,057.01 m ²
	Use	Retail
	Ownership	Proprietary ownership
Architect	JT Development Consulting first-class Architect Office	
Inspection agency	JAPAN ERI CO.,LTD.	
Builder	Yet to be determined	
Acquisition Price (Planned)	¥20,700 million (The final acquisition price will be determined based on the appraisal value prior to the planned acquisition date)	
Provisional Appraisal Value	¥20,700 million (As of July 1, 2006) Because the building is yet to be completed, the appraisal method was based on the assumption that the building had been completed in order to estimate its value.	
Appraiser	Japan Real Estate Institute	
Probable Maximum Loss (PML)	Yet to be assessed (Plans are in place to assess PML prior to the planned date of acquisition)	
Projected NOI	6.1% The above figure is calculated by dividing the planned acquisition price by the net rental income based on the capitalization method (direct-reduction method) used by the appraiser in determining the appraisal value.	

(2) Lease Details

The Investment Corporation has obtained an acknowledgement from Japan Tobacco Inc., as lessor, and IZUMI Co., Ltd., as lessee, to disclose details of the lease agreement as follows.

Tenant Name	IZUMI Co., Ltd.
Type of Contract	Fixed-Term Lease Agreement
Contract Term	20 years from the commencement of operations
Annual Rent	¥1,490,000,000
Revisions to Contract	Fixed term for the period of the agreement (20 years)
Termination prior to Maturity	Not allowed
Number of Tenants	1
Total Leasable Floor Space	122,057.01 m ²
Total Leased Floor Space	122,057.01 m ²
Occupancy Rate on Acquisition Date	100%

4. The Significance of Acquisition

The acquisition of the property is in accordance with the Memorandum relating to the Development and Sale of Properties Owned by Japan Tobacco Inc., executed among the Investment Corporation, Japan Tobacco Inc. and the Asset Management Company. This acquisition reflects efforts to expand the investment asset scale of the Investment Corporation through the pipeline support of Japan Tobacco Inc.

5. Seller Profile

Company Name	Japan Tobacco Inc.
Head Office Address	2-2-1 Toranomom, Minato-ku, Tokyo
Representative	Hiroshi Kimura, President & CEO
Capital	¥100 billion (As of March 31, 2006)
Principal Shareholders	The Finance Ministry of Japan, others (As of March 31, 2006)
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.

6. 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.

7. Outlook

There are no changes to operating forecasts for the fourth period ending June 30, 2006, following the acquisition of the subject property. Operating forecasts for the fifth period ending December 31, 2006 will be announced in the Financial Report for the Fourth Fiscal Period dated August 17, 2006.

[Attachment]

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]

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	17.4
MYCAL Ibaraki	Ibaraki-shi, Osaka	Trust Beneficiary Interest	August 9, 2004	18,100	15.7
Joyfultown Okayama	Okayama-shi, Okayama Prefecture	Trust Beneficiary Interest	August 9, 2004	11,000	9.5
Joyfultown Hadano	Hadano-shi, Kanagawa Prefecture	Trust Beneficiary Interest	August 9, 2004	9,300	8.1
Papillon Plaza	Fukuoka-shi, Fukuoka Prefecture	Trust Beneficiary Interest	August 9, 2004	4,810	4.2
Kamiikedai Tokyu Store	Ota-ku, Tokyo	Trust Beneficiary Interest	August 9, 2004	1,490	1.3
Belltown Tambaguchi Eki-mae Store	Kyoto-shi, Kyoto	Real Estate	August 29, 2005	2,130	1.8
AEON Nagoya Dome-mae Shopping Center	Nagoya-shi, Aichi Prefecture	Real Estate	March 23 2006	24,800	21.5
(Provisional Name) Summit Shin Takinogawa Store	Kita-ku, Tokyo	Real Estate or Trust Beneficiary Interest	September 2006 (Planned)	2,900 (Note 2)	2.5
(Provisional Name) You Me Town Hiroshima	Hiroshima-shi, Hiroshima Prefecture	Real Estate or Trust Beneficiary Interest	February 2008 (Planned)	20,700 (Note 2)	17.9
Total	—	—	—	115,330	100.0

Notes:

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