

March 27, 2007

For Immediate Release

2-17-22 Akasaka, Minato-ku, Tokyo
Frontier Real Estate Investment Corporation
Shunpei Nishikata, Executive Director
(Securities Code : 8964)

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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 announced details of its decision to acquire an investment asset. Brief details are as follows.

1. Overview of the Acquisition Details

- (1) Type of Acquisition : Real estate (Proprietary ownership in land and building)
- (2) Property Name : Sports Club Renaissance Hiroshima
- (3) Planned Acquisition Price : ¥1,940 million (excluding acquisition costs, municipal property tax, city planning tax and consumption tax)
- (4) Planned Contract Date : March 30, 2007
- (5) Planned Acquisition Date : April 13, 2007
(Handover Date)
- (6) Seller : Japan Tobacco Inc.
- (7) Acquisition Financing : Utilizing cash-on-hand and debt funding
- (8) Payment Method : Single payment at time of transfer of ownership

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. In the decision-making process, 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 Electric Railway. With Route 2 running approximately 700 meters to the north and Route 487 to the east, the property offers convenient access. The surrounding area contains the Kyobashi River to the west, Minami ward office to the east, schools attached to Hiroshima University along with many other educational institutions and green spaces such as Hijiyama Park.

(2) Trading Conditions

The property is located in a densely populated trading area with approximately 33,000 residents within one kilometer radius, 115,000 within two kilometers radius and 216,000 within a radius of three kilometers. In addition, since You-Me Town Hiroshima (provisional name), which is a large scale commercial complex, is scheduled for completion in February 2008, the area has further potential for enhancement.

(3) Building Facilities

Although the property was completed 16 years ago, it is a fitness center on a major scale with 4 stories above ground and a floor area of 4,600 square meters, and is fully equipped with all the necessary facilities of a general-purpose fitness center.

3. Property Details

(1) Real Estate Details

Type of Acquisition		Real estate
Address	Registered	2-224-12 Minami-machi, Minami-ku, Hiroshima-shi, Hiroshima Prefecture
Land	Lot Area	6,055.14 m ² (figure reported in the registry)
	Use	Industrial
	Plot Ratio	200%
	Building-to-Land Ratio	60%
	Ownership	Proprietary ownership
Building	Structure/No. of Floors	SRC, Flat roof / 4F
	Construction Completed	March, 1991
	Floor Area	4,516.25 m ² (figure reported in the registry)
	Use	Gymnasium
	Architect	JT Real Estate Inc. first-class Architect Office
	Builder	JT Real Estate Inc.
	Inspection Agency	Minami-ku, Hiroshima City
	Ownership	Proprietary Ownership
Acquisition Price		¥1,940 million
Appraisal Value		¥1,940 million (as of March 1, 2007)
Appraiser		Japan Real Estate Institute
Probable Maximum Loss (PML)		12% (according to Shimizu Corporation building assessment reports)
Collateral offered		None

(2) Lease Details

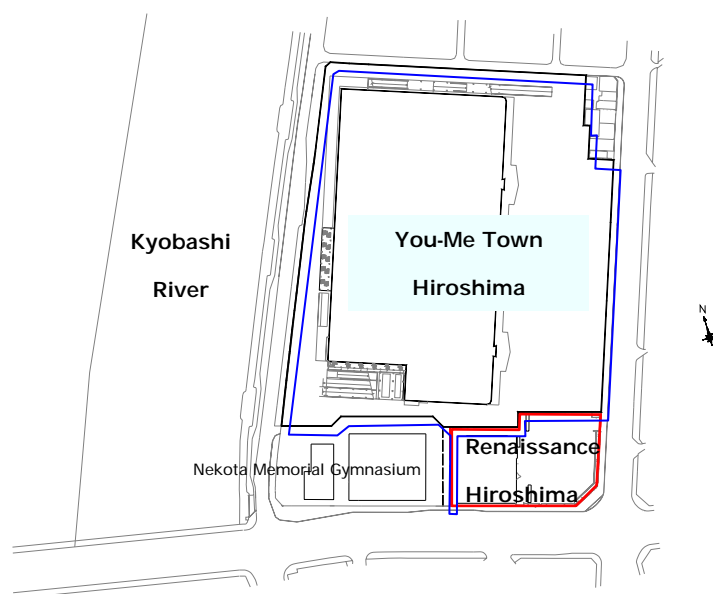
The Investment Corporation has obtained an acknowledgement from Japan Tobacco Inc., as the lessor, and RENAISSANCE INC. as lessee, to disclose details of the lease agreement as follows.

Tenant Name	RENAISSANCE INC.
Type of Contract	Fixed-term lease agreement
Contract Term	August 1, 2006 — July 31, 2016
Annual Rent	-
Rent Revisions	Fixed rent in principle
Deposit	-
Termination Prior to Maturity	In principle not allowed (but can be terminated by the tenant on payment of an amount totaling 12 months' rent)
Number of Tenants	1
Total Leasable Floor Space	4,678.10 m ²
Total Leased Floor Space	4,678.10 m ²
Occupancy Rate	100%

Information about "Annual rent" and "Deposit" is unable to be disclosed because of the policy of tenant.

4. The Significance of the Acquisition

Sports Club Renaissance Hiroshima is a large-scale fitness center facility adjacent to You-Me Town Hiroshima (provisional name), a large-scale commercial complex that is scheduled for acquisition in accordance with a provisional purchase and sales agreement signed on August 7, 2006. The Investment Corporation believes that the ideal location of the property will bring positive synergistic benefits to this investment.



【Area Overview】

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 September 30, 2006)
Principal Shareholders	The Finance Ministry of Japan, others (As of September 30, 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. Status of the Company Acquiring the Property

Property Name (Location)	Renaissance Hiroshima 2-224-12 Minami-machi, Minami-ku, Hiroshima-shi, Hiroshima Prefecture	
Status of Property Owner	Last owner Owner of trust beneficiary interest	Owner before last owner Owner of trust beneficiary interest
Name of Company/Person	Japan Tobacco Inc.	None
Relations with Interested Parties	Sole parent company of the Asset Management Company	—
Background Rationale of the Acquisition	Property developed by the last owner	—
Acquisition Price (including other expenses)	—	—
Acquisition Period	—	—

7. Broker Profile

No broker was involved in this transaction.

8. Interested-Party Transactions

The Investment Corporation has 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 has 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 more than two thirds of the Asset Management Company's Board of Directors, as well as unanimous approval from the Asset Management Company's external directors.

9. Acquisition Schedule

March 27, 2007:	Decision to acquire
March 30, 2007:	Signing of Purchase and Sales Agreement
April 13, 2007:	Transfer of ownership

10. Outlook

There are no changes to operating forecasts for the sixth period ending June 30, 2007 following the acquisition of the subject property.

[Attachments]

1. Property appraisal
2. Photograph of the property exterior
3. 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.
- Frontier Real Estate Investment website : <http://www.frontier-reit.co.jp/eng/>

[Attachment 1]

Property Appraisal

Appraiser	Japan Real Estate Institute
Appraisal Value	¥1,940,000,000
Date of Value Estimate	March 1, 2007
Direct-Reduction Method Value	¥1,940,000,000
Operating Income	¥117,661,000
Net Income	¥114,598,000
Cap Rate	5.9%
DCF Value	¥1,930,000,000
Discount Rate	6.0%
Final Cap Rate	5.4%
Cumulative Value at Cost	¥2,020,000,000
Land Ratio	89.25%
Building Ratio	10.75%

[Attachment 2]

Photograph of the Property Exterior



[Attachment 3]

Overview of the Investment Portfolio Following Acquisition

Property Name	Location	Type of Asset	Acquisition Date	Acquisition Price (MM)	Percentage of Portfolio (%) (Note 1)
AEON Shinagawa Seaside Shopping Center	Shinagawa-ku Tokyo	Trust Beneficiary Interest	August 9, 2004	¥20,100	17.1
MYCAL Ibaraki	Ibaraki-shi, Osaka Prefecture	Trust Beneficiary Interest	August 9, 2004	¥18,100	15.4
Joyfultown Okayama	Okayama-shi, Okayama Prefecture	Trust Beneficiary Interest	August 9, 2004	¥11,000	9.4
Joyfultown Hadano	Hadano-shi, Kanagawa Prefecture	Trust Beneficiary Interest	August 9, 2004	¥9,300	7.9
Papillon Plaza	Fukuoka-shi, Fukuoka Prefecture	Trust Beneficiary Interest	August 9, 2004	¥4,810	4.1
Kamiikedai Tokyu Store	Ota-ku, Tokyo	Trust Beneficiary Interest	August 9, 2004	¥1,490	1.3
Belltown Tambaguchi Eki-mae Store	Kyoto-shi, Kyoto Prefecture	Real Estate	August 29, 2005	¥2,130	1.8
AEON NAGOYADOME-mae Shopping Center	Nagoya-shi, Aichi Prefecture	Real Estate	March 23, 2006	¥24,800	21.1
Summit Store Takinogawa Momiji-bashi	Kita-ku, Tokyo	Real Estate	September 29, 2006	¥3,100	2.6
Sports Club Renaissance Hiroshima	Hiroshima-shi, Hiroshima Prefecture	Real Estate	April 13, 2007	¥1,940	1.7
You-Me Town Hiroshima (Provisional Name)	Hiroshima-shi, Hiroshima Prefecture	Real Estate or Trust Beneficiary Interest	February 2008 (Planned)	¥20,700 (Note 2)	17.6
Total	—	—	—	¥117,470	100.0

Notes:

1. Based on acquisition prices, actual or projected, percentages of portfolio figures are rounded to the nearest first decimal place.
2. Planned acquisition price