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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 Third-Party Allocation of Investment Units

Frontier Real Estate Investment Corporation (the "Investment Corporation") today announced its decision on a third-party allocation of new investment units. The relevant details are as follows.

1. Outline of New Investment Unit Issue

- | | |
|---|---|
| (1) Number of new investment units issued | : 14,600 units |
| (2) Issue price (amount paid) per unit | : ¥ 661,000 |
| (3) Total issue price | : ¥ 9,650,600,000 |
| (4) Application period (application date) | : February 26, 2008 |
| (5) Payment due date | : March 24,2008 |
| (6) Allottee and number of units to be allocated | : (Allottee) Mitsui Fudosan Co., Ltd. : (Number of units) 14,600 units : (Amount paid) ¥ 9,650,600,000 |
| (7) Administrative agent commissioned to offer new investment units | : Nikko Citigroup Limited. |
| (8) Each of the above items shall be put into effect in line with the entry into force of the security registration statement under the Financial Instruments and Exchange Law. | |

2. Total Number of Investment Units Issued Following Issue of New Investment Units

| | |
|---|-----------------|
| Current total number of investment units issued | : 110,400 units |
| Increase in investment units following this issue | : 14,600 units |
| Total number of investment units following this issue | : 125,000 units |

3. Reason for Issue and Use of Funds

(1) Reason for Issue

As announced today in "Notice Concerning Collaboration with Mitsui Fudosan Co., Ltd.", Mitsui Fudosan Co., Ltd. ("Mitsui Fudosan") agreed to acquire from Japan Tobacco Inc. ("JT") all outstanding shares of the Investment Corporation's asset management company (the "Asset Management Company"). In addition, with the aim of maximize unitholder value, the Investment Corporation and the Asset Management Company implement a variety measures through the

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collaboration with Mitsui Fudosan including () conclusion of a agreement concerning preferential negotiation rights for property acquisitions and () real estate acquisition advisory services and provide the Asset Management Company with expertise in retail facility operation and management.

(2) Basis for Calculation of Issue Price (Amount to be paid)

The issue price takes into consideration a volume weighted average price (¥661,000, rounded up to the nearest thousand) of regular transactions of the Investment Corporation's investment units announced by the Tokyo Stock Exchange for the 2 days from the business day immediately prior to February 18, 2008, the date of the meeting at which the new unit issuance was decided (from February 1, 2008 to February 14, 2008).

(Reference)

| | |
|--|-----------|
| (a) Investment unit price | ¥ 661,000 |
| (b) Closing price on business day (2/15) immediately prior to meeting at which new unit issuance decided | ¥ 651,000 |
| (a)-(b) | ¥ 10,000 |
| (a)/(b)×100 | 101.5% |

(3) Use of Procured Funds

All proceeds (¥9,650,600,000) from the third-party allocation will be applied to the partial repayment of short-term borrowings (¥15,900,000,000) on February 18, 2008 to appropriate for the acquisition of You Me Town Hiroshima.

(4) Restrictions on Disposition and Others

During each period from the payment due date (March 24, 2008) to a date corresponding to 6 months later (September 24, 2008) (the "lockup period"), Mitsui Fudosan agrees not to sell, offer as collateral, loan or dispose of in any other way 14,600 investment units of the Investment Corporation scheduled for acquisition by the allottees to third parties, excluding any case where there is written prior consent of the Investment Corporation and the Asset Management Company. However, this limitation does not apply in cases where the Investment Corporation and the Asset Management Company unreasonably withhold or decline agreement.

As of the date of this notice, JT holds 8,200 investment units of the Investment Corporation. JT has agreed with Mitsui Fudosan not to sell or otherwise dispose of investment units acquired through the third-party allocation for a period of two years to the day after March 24, 2008, or the completion date of the development of part of JT's former Ueda factory site, whichever comes first, without Mitsui Fudosan's prior agreement.

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(5) Predicted Impact on the Operations of the Investment Corporation

Please refer to the "Forecast Results for the Eighth Fiscal Period," which are included in the Financial Report for the Seventh Fiscal Period Ended December 31, 2007, dated February 18, 2008.

4. Profit Distribution to Unitholders

The Investment Corporation shall distribute profit following the policy of cash distribution set forth in the Investment Corporation's Articles of Incorporation.

5. History of Equity Financing

(1) Equity Financing

| Date | Remarks | Number of investment units issued and outstanding (Units) | | Unitholders' equity (Millions of yen) (Note 1) | | |
|-------------------|-----------------------------------|---|---------|--|---------|------------|
| | | Change | Balance | Change | Balance | |
| May 12, 2004 | Private offering of establishment | 400 | 400 | 200 | 200 | (Note 2) |
| August 7, 2004 | Public offering | 102,000 | 102,400 | 54,136 | 54,336 | (Note 3) |
| September 8, 2004 | Third-party allocation | 8,000 | 110,400 | 4,246 | 58,582 | (Note 4) |

(Note 1) Unitholders' Equity is rounded down to the nearest million.

(Note 2) The issue price per unit was ¥500,000 at the time of the Investment Corporation's establishment.

(Note 3) The issue price per share was ¥550,000 (the underwritten price was ¥530,750). New investment units were issued through public offering for the purpose of raising funds for property acquisition.

(Note 4) The issue price per share was ¥530,750. New investment units were issued through third-party allocation for the purpose of raising funds for property acquisition.

(2) Three-Year History of Investment Unit Price

| | 5th Period (December 31, 2006) | 6th Period (June 30, 2007) | 7th Period (December 31, 2007) | 8th Period (June 30, 2008) |
|-------|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| Open | ¥840,000 | ¥1,140,000 | ¥1,110,000 | ¥827,000 |
| High | ¥1,170,000 | ¥1,340,000 | ¥1,180,000 | ¥840,000 |
| Low | ¥810,000 | ¥1,070,000 | ¥742,000 | ¥630,000 |
| Close | ¥1,140,000 | ¥1,100,000 | ¥817,000 | ¥651,000 |

(Note) Figure of 8th Period is as of February 15, 2008.

6. Overview of Allottees

| | |
|---|---|
| Name | Mitsui Fudosan Co., Ltd. |
| Head office address | 2-1-1, Nihonbashi-Muromachi, Chuo-ward, TOKYO |
| Name and title of representative(s) | President and CEO Hiromichi Iwasa |
| Stock capitalization | ¥174,296 million (as of September 30, 2007) |
| Current total number of stock issued | 881,424,727 stocks |
| Major shareholder and percentage of held shares | The Master Trust Bank of Japan, Ltd. (Trust Account) 7.15% |

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| | | |
|--|--|----------------------------------|
| Principal business | Possession, disposition and lease of real estate Management and use of real estate Purchase and sale, brokerage and appraisal of real estate | |
| Principal Operating Results and Financial Position (Consolidation) | Fiscal year ended March 31, 2006 | Fiscal year ended March 31, 2007 |
| Revenue from operations | ¥1,159,280 million | ¥1,229,193million |
| Operating income | ¥137,543 million | ¥161,842 million |
| Ordinary income | ¥118,970 million | ¥142,324 million |
| Net income | ¥56,541 million | ¥75,213 million |
| Total assets | ¥2,986,501 million | ¥3,294,190 million |
| Total net assets | ¥858,363 million | ¥963,213 million |
| Relationship to the Investment Corporation and/or Asset Management Company | Not an interested party as of the date of this release, but will become a 100% parent company on March 24, 2008 and an interested party of the Asset Management Company. | |

7. Principal Unitholders after Third-Party Allocation

| Name | Number of investment units owned (Units) | Percentage of total units issued (%) |
|---|--|--|
| Mitsui Fudosan Co., Ltd. | 14,600 | 11.68 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 8,351 | 6.68 |
| Japan Tobacco Inc. | 8,200 | 6.56 |
| Nikko Citigroup Limited. (Trust Account) | 7,898 | 6.32 |
| The Bank of Ikeda, Ltd. | 5,228 | 4.18 |
| Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account) | 5,181 | 4.14 |
| The Master Trust Bank of Japan ,Ltd. (Trust Account) | 5,065 | 4.05 |
| North Pacific Bank, Ltd. | 3,649 | 2.92 |
| The Nomura Trust and Banking Co., Ltd. (Trust Account) | 3,045 | 2.44 |
| The Gunma Bank, Ltd. | 2,954 | 2.36 |
| Total | 64,171 | 51.34 |

(Note 1) Figures in the "Percentage of Total Units Issued" column have been rounded down.

(Note 2) Percentages are based on totals that include the third-party allocation of investment units, while the contents of the register of unitholders, current as of December 31, 2007, have been revised. Therefore, the figures above concerning principal unitholders may not be exact.

8. Submission of Reports on Major Unit Holdings

The submission of reports on major shareholdings is detailed below. There were no reports based on Article 27-26 of the Financial Instruments and Exchange Law from any submitters for submissions from on or after the submission dates listed below to February 15, 2008.

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| Submission Date | Submitter | Number of investment units owned (Units) | Percentage of total units issued (%) | Percentage of total after third-party allocation (%) |
|------------------|-----------------------------------|--|--|--|
| February 7, 2008 | Nomura Securities Co., Ltd. | 652 | 0.59 | 0.52 |
| | Nomura Asset Management Co.,Ltd | 4,215 | 3.82 | 3.37 |
| January 10, 2008 | Mizuho Securities Co., Ltd. | 151 | 0.14 | 0.12 |
| | Mizuho Trust and Banking Co., Ltd | 463 | 0.42 | 0.37 |
| | Mizuho Asset Management Co. ,Ltd | 3,639 | 3.30 | 2.91 |
| October 5, 2007 | Nikko Asset Management Co., Ltd. | 8,064 | 7.30 | 6.45 |
| | Nikko Citigroup Limited | 250 | 0.23 | 0.20 |
| January 9, 2007 | Japan Tobacco Inc | 8,200 | 7.43 | 6.56 |
| | Frontier REIT Management Inc | 200 | 0.18 | 0.16 |
| Total | - | 25,834 | 23.40 | 20.67 |

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- Frontier Real Estate Investment website : <http://www.frontier-reit.co.jp/eng/>

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