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For Immediate Release

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

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Notice Concerning Acquisition of an Investment Asset (You Me Town Hiroshima)

Frontier Real Estate Investment Corporation (the "Investment Corporation") today announced that it will acquire an investment asset (the "Property"). Brief details are as follows.

1 . Acquisition Details

(1) Type of Acquisition	Real estate (Proprietary ownership in land and buildings)
(2) Property Name	You Me Town Hiroshima
(3) Acquisition Price	¥ 23,200 million (Excluding acquisition costs, municipal property tax, city planning tax, and consumption tax.)
(4) Contract Completion Date	February 19, 2008
(5) Handover Date	February 19, 2008 (Property completion 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. Acquisition Price

Pursuant to the Purchase and Sale Agreement, the Investment Corporation and the seller have agreed on an acquisition price of ¥ 23,200million (¥ 2,500million more than the initial estimated acquisition price).

3 . Rational

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. Frontier REIT Management Inc., the Investment Corporation's asset management company, (the "Asset Management Company") undertook an evaluation based on the following factors:

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(1) Location

The property is located in Minami-ku, Hiroshima-shi, approximately 3 kilometers south of, or a nearly 15-minute ride on the Hiroshima Electric Railway from, JR Hiroshima Station. With Route 2 passing approximately 500 meters to the north and Route 487 to the east, the property offers convenient access. The surrounding area is home to the Kyobashi River to the west, Minami ward office to the east, a number of schools attached to Hiroshima University and many other educational institutions as well as such green spaces as Hijiyama Park.

(2) Trading Conditions

The Property is zoned for commercial use, and the area in which it is sited boasts a population of approximately 230,000 people within a 3 km radius and approximately 460,000 within a 5 km radius, making it favorable to support large-scale retail facilities. On the basis of car-travel time, the Property is within 10 or 20 minutes drive for approximately 120,000 and 350,000 people, respectively. The further development of the commercial zone is highly expected thanks to the presence of major commuter arteries in the area, such as Route 2 and Route 487.

(3) Building Facilities

The building on the Property is a five-story, one-basement retail facility presently leased to Hiroshima City-based IZUMI Co., Ltd. IZUMI Co., Ltd. operates a general merchandise store within the facility under the brand You Me Town, with the first through third floors serving as sales floors and the basement, fourth floor and roof used for parking. The sales floors house a number of varied tenants, and the parking facilities can accommodate a total of approximately 2,400 cars.

4 . Property Details

(1) Real Estate Details

Land details are based on public records from the Land Register. Building records are based on records pursuant to Article 7.2-5 of the Building Standards Law (ERI-07041900 as of February 4, 2008).

Type of Acquisition	Real estate	
Address (public record)	2-8-17, Minami-machi, Minami-ku, Hiroshima-city, HIROSHIMA	
Land	Lot Area	50,135.95 m ²
	Use	Industrial
	Plot Ratio	200%
	Building-to-Land Ratio	60%
	Ownership	Proprietary ownership
Building	Structure/Number of Floors	Steel construction, Five-story, One-basement
	Construction Completed	February 19, 2008
	Floor Area	122,107.16 m ²

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	Use	Retail shops
	Ownership	Proprietary ownership
Architect		JT Development Consulting Inc. (First-class Architect Office)
Inspection Agency		JAPAN ERI Co., Ltd.
Acquisition Price		23,200million
Appraisal Value		23,200million (As of January 19, 2008)
Appraiser		Japan Real Estate Institute
Probable Maximum Loss (PML)		10.0%
Collateral offered		None

(2) Lease Details

Tenant Name	IZUMI Co., Ltd.
Type of Contract	Fixed-term lease agreement
Contract Term	20 years from February 20, 2008
Annual Rent	¥ 1,490,000,000
Revisions to Contract	Fixed term for the period from the agreement (20 years)
Termination Prior to Maturity	Not allowed
Security Deposit	¥ 3,072,906,740
Guarantee Deposit	¥ 4,609,360,110 ※ To be held for 10 years and thereafter repaid to the tenant (depositor) over a period of 10 years in equal monthly installments
Number of Tenants	1
Total Leasable Floor Space	122,107.16 m ²
Total Leased Floor Space	122,107.16 m ²
Occupancy Rate	100% (From operation commencement date, February 20,2008)

5. The Significance of the Acquisition

The acquisition of the Property is in line with the Investment Corporation's investment policy, which is aimed at securing stable earnings and profits over the medium to long term. This acquisition not only expands the Investment Corporation's asset scale, it improves the quality of the existing portfolio in terms of tenant diversity and building age.

6. Seller Profile

Company Name	Japan Tobacco Inc.
Address of Head Office	2-2-1, Toranomon, Minato-ku, TOKYO
Representative	Hiroshi Kimura, President and CEO
Capital	¥ 100 billion (As of September 30, 2007)
Major Shareholders	The Finance Ministry of Japan, others (As of September 30, 2007)
Principal Business	Active in the Tobacco, pharmaceuticals and food industries
Relationship with the Investment Corporation or the Asset Management Company	Japan Tobacco Inc. ("JT") is the sole parent company of the Asset Management Company as of the date of this press release. However, JT concluded an agreement for the transfer of all its outstanding shares in the Asset Management Company to Mitsui Fudosan Co., Ltd. on March 24, 2008. For details, please refer to the press release entitled "Notice Concerning Transfer of Shares in Asset Management

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Company," also dated February 18, 2008.

7 . Previous Owners

Property Name (Location)	Youmetown Hiroshima (2-8-17, Minami-machi, Minami-ku, Hiroshima-city, HIROSHIMA)	
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 rational of the Acquisition	Property developed by the last owner	-
Acquisition Price (Including Other Expenses)	-	-
Acquisition Period	-	-

8 . Broker Profile

No broker was involved in this transaction.

9 . Interested-Party Transactions

The Investment Corporation has taken the steps necessary to prevent conflicts of interest in the course of the acquisition of the Property, pursuant to internal rules and measures formulated by the Asset Management Company. Specifically, 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.

10. Outlook

For operating forecasts for the eighth period ending June 30, 2008, please refer to the Financial Report for the Seventh Fiscal Period, also released on February 18, 2008.

< Attachment >

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/>

1. Property Appraisal

Appraiser		Japan Real Estate Institute		
Appraisal Value		¥23,200,000,000		
Date of Value Estimate		January 19, 2008		
		Figures	Remarks	
Direct-Reduction Method Value				
Revenue	Rent	¥1,490,000,000	Annual rent recorded under the fixed-lease agreement	
	Common Service Revenues	-	Common service revenues are not recorded as the lessee shall assume responsibility for repairs and maintenance.	
	Utility Charges Revenues	-	None	
	Parking Space Revenues	-	Not recorded as they shall be included in rental revenues, as stated in the relevant provisional lease agreement.	
	Others	¥9,000	Includes utility-pole installation revenues	
	Loss on Vacant Areas	-	Not recorded, based on comprehensive review of the lessee's financial standing and other conditions, the Property's competitiveness as retail facilities and the content of the relevant provisional lease agreement.	
	Occupancy Rate	100%		
	Loss on Doubtful Accounts	-	Not recorded in light of tenant standing	
Potential Revenues	¥1,490,009,000			
Total Revenue		¥1,409,009,000		
Expenses	Maintenance and Management Fee	-	Not recorded as the building on the Property is leased to the lessee as retail facilities based on a master lease agreement, with the lessee assuming responsibility for daily maintenance and management.	
	Utility Charges	-	Not recorded as the lessee shall assume responsibility for payment.	
	Repair and Maintenance	¥3,472,000	Recorded using estimates based on such data as repair and maintenance expenses for equivalent competing properties and annual average repair and maintenance expenses described in the relevant engineering reports	
	Property Management Fee	¥14,900,000	Property management fees payable to management outsourcees that coordinate tenant and building management are calculated based on the fee systems set forth in the relevant agreements as well as on the fee systems for equivalent competing properties and unique characteristics of the Property.	
	Tenant Attraction Expenses	-	Not recorded as the Property is leased to the lessee as retail facilities over the long term based on a master lease agreement, and, accordingly, the Investment Corporation expects no expenses arising from brokerage and advertising operations to attract new tenants	
	Taxes and Public Due	Land	¥108,572,000	Factored in the possibility of appraisal value increase attributable to change of land usage
		Buildings	¥106,216,000	Based on replacement cost
	Casualty Insurance Premiums	¥5,467,000	Recorded based on estimates made with reference to insurance premium levels for equivalent competing properties	
	Others	-	None	
	Total Expenses		¥238,627,000	
Operating Income		¥1,251,382,000		
	Income from Security and Guarantee Deposits	¥153,645,000	Gains from investment of security and guarantee deposits in custody are calculated by multiplying the amounts described in the relevant provisional lease agreements by the cap rate. The adequate cap rate during the custody period was set at 2.0%.	
	Capital Expenditure	¥8,101,000	Renovation expenses, which are incurred in the course of maintaining building functionality, are irregularly incurred. For appraisal purposes, capital expenditure is recorded based on the assumption that the Investment Corporation will make monthly average provisions to cover expected costs, as well as on comprehensive review of building age and annual average renovation expenses stated in the relevant engineering reports.	
Net Income		¥1,396,926,000		

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Cap Rate	6.0%	Appraised: (1) with reference to the cap rate for the portfolio property expected to have the lowest investment risk; (2) by adjusting the spread attributable to a comprehensive review of the Property's location, age, total floor area, facilities and other building conditions, the relationship between the Property's rent levels and prevailing rent levels in the relevant market, contract terms and conditions, conditions pertaining to land and building rights and other factors unique to the Property; and (3) with due consideration given to future uncertainties and cap rates applied in the transactions of equivalent competing properties.
Direct-Reduction Method Value	¥23,300,000,000	
DCF Value	¥23,000,000,000	
Discount Rate	4.9%	Appraised with reference to the cap rate applied in the transactions of equivalent competing properties and based on a comprehensive review of characteristics unique to the Property.
Final Cap Rate	6.8%	Appraised: (1) with reference to the cap rate applied in the transactions of equivalent competing properties; (2) based on forecasted cap rate trends; (3) by factoring in the Property's investment risks and (4) with due consideration given to general forecasts for economic growth and future trends of real estate value and market rent levels.
Cumulative Value at Cost	¥22,100,000,000	
Land Ratio	61.16%	
Building Ratio	38.84%	

2. Photograph of the property exterior



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Property Name	Location	Type of Asset	Acquisition Date	Acquisition Price (Million) (Note1)	Percentage of Portfolio (Note2)
AEON Shinagawa Seaside Shopping Center	Shinagawa-ku TOKYO	Trust Beneficiary Interest	August 9, 2004	¥20,100	16.3%
MYCAL Ibaraki	Ibaraki-shi, OSAKA	Trust Beneficiary Interest	August 9, 2004	¥18,100	14.7%
Joyfultown Okayama	Okayama-shi, OKAYAMA	Trust Beneficiary Interest	August 9, 2004	¥11,000	8.9%
Joyfultown Hadano	Hadano-shi, KANAGAWA	Trust Beneficiary Interest	August 9, 2004	¥9,300	7.6%
Papillon Plaza	Fukuoka-shi, FUKUOKA	Trust Beneficiary Interest	August 9, 2004	¥4,810	3.9%
Kamiikedai Tokyu Store	Ota-ku, TOKYO	Trust Beneficiary Interest	August 9, 2004	¥1,490	1.2%
Belltown Tambaguchi Eki-mae Store	Kyoto-shi, KYOTO	Real Estate	August 29, 2005	¥2,130	1.7%
AEON NAGOYADOME-mae Shopping Center	Nagoya-shi, AICHI	Real Estate	March 23, 2006	¥24,800	20.1%
Summit Store Takinogawa Momiji-bashi	Kita-ku, TOKYO	Real Estate	September 29, 2006	¥3,100	2.5%
Sports Club Renaissance Hiroshima	Hiroshima-shi, HIROSHIMA	Real Estate	April 13, 2007	¥1,940	1.6%
Joyfultown Tosu (Sokochi)	Tosu-shi, SAGA	Real Estate (Sokochi)	November 8, 2007	¥3,178	2.6%
You Me Town Hiroshima	Hiroshima-shi, HIROSHIMA	Real Estate	February 19, 2008	¥23,200	18.8%
TOTAL	-	-	-	123,148	100.0%

(Note1) Millions of YEN rounded down.

(Note2) Based on acquisition prices, actual or projected, percentages of portfolio figures are rounded to the nearest first decimal place.

Disclaimer

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