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For Immediate Release

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(Securities Code : 8964)

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Notice Concerning Collaboration with Mitsui Fudosan Co., Ltd.

Frontier Real Estate Investment Corporation (the "Investment Corporation") and Frontier REIT Management Inc., the Investment Corporation's asset management company (the "Asset Management Company") today announced that, following deliberations, they entered into an agreement for collaboration with Mitsui Fudosan Co., Ltd. ("Mitsui Fudosan"). In preparation for the collaboration, Mitsui Fudosan will acquire all the shares issued by the Asset Management Company, which are now held by Japan Tobacco Inc. ("JT"), and underwrite additional investment units to be issued by the Investment Corporation. Based on the new collaborative relationship, the Investment Corporation, the Asset Management Company and Mitsui Fudosan will undertake a series of joint activities (preparatory steps and joint activities collectively referred to as "Collaboration"). Brief details are as follows.

1. Overview of the Collaboration

The Investment Corporation and the Asset Management Company have reached agreement with Mitsui Fudosan on the implementation of the following measures. These measures will enable the Investment Corporation to utilize Mitsui Fudosan's ability to develop, operate and lease retail facilities and thereby reinforce the former's ability to acquire new properties while improving the competitiveness and usability of its existing portfolio properties. Thus, the Investment Corporation will achieve further external and internal growth.

- (1) Mitsui Fudosan will acquire all the shares issued by the Asset Management Company from JT and appoint directors, officers and other personnel to the Asset Management Company
- (2) The Investment Corporation will make a third-party allocation of new investment units to Mitsui Fudosan
- (3) Mitsui Fudosan and other related parties will grant preferential negotiation rights for property acquisitions to the Investment Corporation through the conclusion of a preferential negotiation right agreement among the Investment Corporation, the Asset Management Company, Mitsui Fudosan and other related parties

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- (4) Mitsui Fudosan will provide information and advisory services relating to real estate acquisitions to the Asset Management Company based on an agreement concerning real estate acquisition advisory services to be concluded between the Asset Management Company and Mitsui Fudosan
- (5) Mitsui Fudosan will provide expertise in retail facility operation and management to the Investment Corporation based on a basic agreement concerning shopping center (SC) management to be concluded between the Investment Corporation and Mitsui Fudosan
- (6) Replace directors of the Investment Corporation

2. Rationale behind the Collaboration

The Investment Corporation went public in August 2004 as a real estate investment trust (REIT) specializing in commercial facilities nationwide. Since then, based on a Memorandum Concerning Development and Transactions of JT-Owned Properties exchanged between the Investment Corporation, the Asset Management Company and JT on May 31, 2004 ("Pipeline Contract"), the Investment Corporation has acquired investment assets and continuously worked to secure stable revenues and profits over the medium to long term.

Based on the Pipeline Contract, the Investment Corporation has acquired 11 properties ("Portfolio Properties") from JT as of the date of this press release and plans to acquire a property (You Me Town Hiroshima, "New Portfolio Property") in February 19, 2008. At the time of the Investment Corporation's establishment, there were 14 JT-owned properties—closed factories and factories scheduled for closure—that JT had planned to develop as retail facilities. Some of these retail facility development plans, however, had been abandoned due to revisions to three Japanese urban development laws. The 14 JT-owned properties—excluding those included in the Portfolio Properties, the New Portfolio Property, the former Ueda Factory and the former Takamatsu Factory—were subsequently sold to third parties, some as vacant lots. Under these circumstances, the Investment Corporation has recognized an urgent need for external growth.

In addition, the revisions to three Japanese urban development laws are expected to make the development of new large-scale retail facilities difficult. Accordingly, the Investment Corporation believes that the relative competitiveness of the retail facilities that it has already acquired will increase. Based on this belief, the Investment Corporation has recognized the need to focus on achieving internal growth, in other words, improving the competitiveness and usability of the Portfolio Properties.

3. Significance of the Collaboration

In the operating environment described above, the number of JT-owned properties that are suitable for the development of retail facilities is shrinking. The Investment Corporation has thus committed itself to the new Collaboration with Mitsui Fudosan under which the Investment Corporation will utilize Mitsui Fudosan's ability to develop, operate and lease retail facilities to reinforce its ability to acquire new properties, as well as to improve competitiveness and the usability of its existing portfolio properties.

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This approach will consequently help the Investment Corporation achieve further external and internal growth.

Since its public listing, the Investment Corporation believes that its profitability-focused portfolio and stability-oriented investment policy have been satisfactorily received by the market. To achieve sustainable growth and further expansion, however, the Investment Corporation sees as indispensable the implementation of effective measures against the aforementioned issues in a timely manner. This thinking was behind the decision for this Collaboration, and the Investment Corporation also believes that this undertaking will be highly beneficial to its unitholders.

The details of this Collaboration are set forth in the following sections. Through this Collaboration, the Investment Corporation will welcome Mitsui Fudosan as its new business partner that will grant preferential negotiation rights for property acquisitions, conclude agreements concerning real estate acquisition advisory services and provide the Asset Management Company with expertise in retail facility operation and management. Based on this new business alliance, Mitsui Fudosan will join forces with the Investment Corporation and the Asset Management Company to maximize unitholder value.

4. Transfer of Shares in the Asset Management Company and New Management Structure

Through the Collaboration, the Asset Management Company will become a wholly owned subsidiary of Mitsui Fudosan. For more details of the acquisition, please refer to the press release entitled, "Notice Concerning Transfer of Shares in Asset Management Company", also dated February 18, 2008. Following Mitsui Fudosan's acquisition of the Asset Management Company, the listing of the Investment Corporation's investment units on the Tokyo Stock Exchange REIT section will be maintained. The Asset Management Company plans to change its business name to Mitsui Fudosan Frontier REIT Management Inc (tentative name), subject to the approval of an Extraordinary Meeting of its Shareholders to be held shortly. For more details of the business name change, please refer to the press release entitled, "Notice Concerning Planned Change of Asset Management Company's Business Name and Change of Directors", also dated February 18, 2008.

With the transfer of shares in the Asset Management Company, JT lost its shareholder status. However, the Asset Management Company has decided to revise its Interested-Party Transaction Guidelines so that its shareholders will retain shareholder status for two years after such loss. This initiative will require the Asset Management Company to treat JT for two years as an interested party defined under the guidelines. For more details of the guidelines, please refer to the press release entitled, "Notice Concerning Revisions to Interested-Party Transaction Guidelines", also dated February 18, 2008.

Also as a result of the share transfer, a Pipeline Contract was terminated by consent on February 18, 2008. Under this contract, JT granted the Investment Corporation a preferential negotiation right to purchase both a portion of the former Ueda Factory site and the structure to be constructed on the site

owned by JT (Address: 3-5-8, Tenjin, Ueda city, NAGANO; Lot area: approx. 70,000 m²; collectively the “Ueda Property”). The Investment Corporation, the Asset Management Company and JT have confirmed that JT’s granting of the preferential negotiation right for the Ueda Property will remain effective regardless of the contract termination.

5. New Investment Policy and Growth Strategy

The Investment Corporation will continuously aim to secure stable earnings and profits over the medium to long term, maintain steady profit distribution and achieve the sustained growth of the investment assets that it holds. To these ends, the Investment Corporation will work to reinforce its portfolio from the dual perspectives of external and internal growth. External growth will involve the diversification and strategic allocation of investments in terms of commercial, regional and property characteristics. On the other hand, internal growth will involve a more sophisticated utilization of its ability to operate and manage retail facilities.

In more specific terms, the Investment Corporation will reinforce its earnings base to enable stable distributions by acquiring the properties, listed in 6. below, for which it has been granted preferential negotiation rights for their acquisitions by Mitsui Fudosan and other parties. At the same time, the Investment Corporation will diversify its portfolio by effectively acquiring different types of properties, such as properties leased on a sales-linked rent system and outlet malls.

Once it has strengthened its earnings base, the Investment Corporation will tackle the reinforcement of its portfolio through diversified and optimally allocated investments in order to further expand its portfolio value. Focusing on “trading zones”—the most important concept in retail facility investments—the Investment Corporation will invest in commercial facilities of different types and with various characteristics, including those located in urban centers and suburban areas, as well as in regional shopping centers (RSCs), neighborhood shopping centers (NSCs) and outlet malls. In addition to properties leased to financially sound tenants based on master lease agreements and a fixed rent system, properties based on a sales-linked rent system, a pass-through rent system or other rent system as well as leasing methods that have potential for contributing to earnings and profit growth will also be considered Investment Corporation investment targets. Through these initiatives, the Investment Corporation will reinforce its portfolio with due consideration given to the balance between stability and growth potential.

The Investment Corporation will make optimal use of the Asset Management Company’s accumulated expertise and well-nurtured capabilities in real estate businesses while leveraging Mitsui Fudosan’s business network and know-how in property acquisitions and commercial facility operation and management.

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6. Preferential Negotiation Rights for Property Acquisitions

As of the date of this press release, the Investment Corporation, the Asset Management Company, Mitsui Fudosan and other entities listed in the table below have entered into agreements concerning preferential negotiation rights for property acquisitions and basic agreements concerning property dispositions. Accordingly, the Investment Corporation has been granted preferential negotiation rights for the acquisition of the following properties. An overview of these properties is provided in the attachment to this document.

Property Name	Address	Granter	Period
Mitsui Outlet Park Iruma	Iruma city, SAITAMA	Mitsui Fudosan	Until December 31, 2008
LaLagarden KASUKABE	Kasukabe city, SAITAMA	Mitsui Fudosan	
WV SAKAE	Nagoya city, AICHI	Sakae Development Ltd.(*) Mitsui Fudosan Investment Advisors Inc.	
QUEEN'S ISETAN Suginami-Momoi Store	Suginami ward, TOKYO	Mitsui Fudosan	
MaxValu Tanashi-Shibakubo Store	Nishitokyo city, TOKYO	Mitsui Fudosan	

* This entity is a special purpose company (SPC) that has been capitalized by Mitsui Fudosan and established for the purpose of acquiring, holding and disposing of retail facilities.

The acquisition price and date for each property have yet to be determined. The Investment Corporation will perform the necessary due diligence when considering property acquisitions and make appropriate decisions in line with the Asset Management Company's Interested-Party Transaction Guidelines. Please note, however, that although the Investment Corporation has been granted preferential negotiation rights to acquire a portion of the Ueda Property and the properties listed in the table above, it is not guaranteed that it will be able to acquire these properties without fail.

7. Agreement Concerning Real Estate Acquisition Advisory Services

As of the date of this press release, Mitsui Fudosan and the Asset Management Company have entered into an agreement concerning real estate acquisition advisory services. Under this agreement, Mitsui Fudosan will provide the Asset Management Company with information and advisory services relating to the Investment Corporation's acquisition of real estate and due diligence processes before making acquisition decisions. Mitsui Fudosan will provide advice concerning the following matters.

- (1) The situation of real estate rental revenue and expenditure
- (2) The situation of legal matters relating to real estate ownership, mortgage and other rights
- (3) The situation of other matters relating to real estate ownership, mortgage and other rights
- (4) The situation and/or the trend of lease contracts
- (5) The situation of building management relating to real estate
- (6) The situation of other items related to rights, legal restrictions and use limitations

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- (7) The trend of real estate market and/or commercial facility and other related matters
- (8) Other

8. Basic Agreement Concerning Shopping Center Management

The Investment Corporation and Mitsui Fudosan plan to conclude a basic agreement concerning SC management that will enable the effective utilization of Mitsui Fudosan's expertise in operation and management of retail facilities. SC management involves: the planning and management of general matters relating to retail facility operation and management; leasing operations, contract management and office counter services for tenants; supervision, contract management, property maintenance and financing; and accounting assistance for relevant management companies. Through appropriate SC management, the Investment Corporation aims to expand its asset value over the medium to long term.

The Investment Corporation will start introducing this SC management method to the properties to be acquired from Mitsui Fudosan and Mitsui Fudosan-affiliated SPCs and plans to expand the scope of the introduction to each of its existing portfolio properties.

9. Third-Party Allocation of New Investment Units

The Investment Corporation has decided to make a third-party allocation of its new investment units to Mitsui Fudosan. Brief details are as follows. For more details, please refer to the press release entitled, "Notice Concerning Third-Party Allocation of Investment Units", also dated February 18, 2008.

Number of Units to be Issued	14,600 units
Underwritten Price (Issue Price) per Unit	¥ 661,000
Total Issue Price	¥ 9,650,600,000
Subscription Deadline	February 26, 2008
Payment Deadline	March 24, 2008
Lockup	6months of lookup period (Scheduled)

As of the date of this press release, JT holds 8,200 units issued by the Investment Corporation. JT has reached an agreement with Mitsui Fudosan concerning the holding of these units. According to this agreement, JT will not sell or in any other way dispose of these units without prior written consent by Mitsui Fudosan, until a date two years after March 24, 2008 or the completion of construction on the Ueda Property, whichever comes earlier.

10. New Financing Policies

The Investment Corporation will continue to take a conservative approach to financing activities. Specifically, the Investment Corporation will make effective use of security and guarantee deposits received from tenants upon property acquisition while constantly exploring optimal fund procurement methods and maintaining constant vigilance over the balance of borrowings from banks and other types of interest-bearing debt as well as the financial market environment. In addition, the Investment Corporation will issue new investment units on an as-necessary basis with due consideration given to

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the balance of interest-bearing debt, security and guarantee deposits repayment obligations, interest rate conditions, the REIT market environment and the dilution of per-unit distributions.

11. Change of Executive Director and Supervisory Directors

The Investment Corporation plans to change its Executive Director and Supervisory Directors in a General Meeting of Unitholders (the "Unitholder Meeting") to be held on March 25, 2008. In addition, current Executive Director Shunpei Nishikata's term of office will expire on March 31, 2008 and the terms of office for Supervisory Director Kenichi Tanimura and Supervisory Director Hisaaki Deguchi will expire on March 31, 2008. Accordingly, the Investment Corporation will ask the General Meeting of Unitholders to elect a new Executive Director and Supervisory Directors on April 1, 2008.

For more details, please refer to the press release entitled, "Notice Concerning Change of Directors", also dated February 18, 2008.

12. Press Releases Relating to the Collaboration

For more details of matters relating to the Collaboration, please refer to the press releases dated February 18, 2008, listed below.

- (1) Notice Concerning Transfer of Shares in Asset Management Company
- (2) Notice Concerning Planned Change of Asset Management Company's Business Name and Change of a Director
- (3) Notice Concerning Revisions to Interested-Party Transaction Guidelines
- (4) Notice Concerning Third-Party Allocation of Investment Units
- (5) Notice Concerning Acquisition of an Investment Asset (You Me Town Hiroshima)
- (6) Notice Concerning Planned Change of Directors

Overview of the Properties Relating to Preferential Negotiation Rights

Mitsui Outlet Park Iruma		Lalagarden KASUKABE	
			
Address	3169, aza miyadera, Iruma city SAITAMA and other blocks	Address	1-1-1, Minami, Kasukabe city SAITAMA and other blocks
Lot Area	Approximately 89,000 m ²	Lot Area	23,361.82 m ²
Floor Area	Approximately 98,000 m ²	Floor Area	54,897.33 m ²
Construction Completed	February, 2009 (Scheduled)	Construction Completed	November, 2007

WV SAKAE		QUEEN'S ISETAN Suginami-Momoi Store	
			
Address	3-27-1, Sakae, Naka ward, Nagoya city, AICHI	Address	3-5-1, Momoi, Suginami ward, TOKYO
Lot Area	1,105.24 m ²	Lot Area	3,901.35 m ²
Floor Area	7,196.65 m ²	Floor Area	4,728.85 m ²
Construction Completed	January, 2007	Construction Completed	December, 2004

MaxVlu Tanashi-Shibakubo Store	
	
Address	1-12-5, Shibakubo-cho, Nishitokyo city, TOKYO
Lot Area	8,703.21 m ²
Floor Area	7,593.28 m ²
Construction Completed	March, 2005

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

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