

**Translation for Reference Purposes Only**

July 1, 2008

**For Immediate Release**

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

Asset Management Company:  
Mitsui Fudosan Frontier REIT Management Inc.  
Shinichi Totani  
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**Notice Concerning Issue of New Investment Units and Secondary Offering**

Frontier Real Estate Investment Corporation (the "Investment Corporation" or "FRI") hereby announces that it has resolved at the Board of Directors meeting held today, July 1, 2008, to issue new investment units and to conduct a secondary offering as follows:

**1. Issue of New Investment Units by Public Offering**

( 1 ) Total number of new units to be issued      35,000 units

( 2 ) Paid-in amount (issue value)

To be determined

The issue value for new units will be determined through resolution by the Board of Directors at a meeting to be held on any day from July 16, 2008 (Wednesday) to July 23, 2008 (Wednesday) (inclusive) ("Date for Determination of Issue Price etc.").

( 3 ) Total issue value

To be determined

( 4 ) Offering method

New units are to be offered through public offering, underwritten by the following 8 underwriters (collectively, the "Underwriters"), including 3 joint lead managers (collectively, the "Lead Managers") :  
Nikko Citigroup Limited.  
(Lead Manager);

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Daiwa Securities SMBC Co., Ltd.  
(Lead Manager);  
UBS Securities Japan Ltd.  
(Lead Manager);  
Nomura Securities Co., Ltd.;  
Mitsubishi UFJ Securities Co., Ltd.;  
Mizuho Securities Co., Ltd.;  
Shinko Securities Co., Ltd.; and  
Merrill Lynch Japan Securities Co., Ltd.

The issue price (offer price) for the public offering will be determined by taking into consideration market demand for the issue, provisionally calculated by applying the closing price for FRI's investment securities ("FRI Units") on Tokyo Stock Exchange, Inc. ("Tokyo Stock Exchange") on the Date for Determination of Issue Price etc. (if no closing price is available on that date, then the closing price for the most recent date prior to the Date for Determination of Issue Price etc. where a closing price is available) multiplied by 0.90 to 1.00 (resulting amounts less than ¥1 shall be disregarded).

### ( 5 ) Underwriting agreement

FRI will not pay an underwriting commission. Instead, underwriting fees applicable to the issue will be the difference between the total issue price (offer price) for the public offering and the total paid-amount (issue value) to be paid by the Underwriters to FRI on the payment date stated in Item (8).

### ( 6 ) Offering period

From July 24, 2008 (Thursday) to July 25, 2008 (Friday)

The above offering period may be moved forward depending on market demand and other factors. It can be moved forward to will be July 17, 2008 (Thursday) to July 18, 2008 (Friday) at the earliest case.

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- ( 7 ) Offering unit 1 unit or more in multiples of 1 unit
- ( 8 ) Payment date July 30, 2008 (Wednesday)  
The above payment date may be moved forward depending on market demand and other factors. It can be moved forward to will be July 24, 2008 (Thursday) at the earliest case.
- ( 9 ) Delivery and settlement date The business day immediately following the payment date.
- ( 10 ) Issue price (offer price), paid-in amount (issue value) and other matters necessary for the issue of new investment units will be decided at the Board of Director's Meeting to be held hereafter.
- ( 11 ) The aforementioned items are subject to the effectiveness of the Securities Registration Statement in accordance with the Financial Instruments and Exchange Law.

### **2. Secondary Offering (through Over-Allotment)**

- ( 1 ) Seller Nikko Citigroup Limited.
- ( 2 ) Number of units to be offered 2,500 units  
The number of units to be offered represents a maximum number of units to be offered through over-allotment, which may be reduced, or the offering through over-allotment itself may be suspended, depending on market demand and other factors. The number of units to be offered will be determined at the Board of Directors' meeting held on the Date for Determination of Issue Price etc. after taking into consideration market demand and other factors
- ( 3 ) Offer price To be determined  
[ It will be determined on the Date for Determination of Issue Price etc. The offer price will be the same as the issue price (offer price) for the public offering. ]

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- ( 4 ) Offering method                      Nikko Citigroup Limited will carry out the secondary offering of FRI Units borrowed from Japan Tobacco Inc. (“JT”), an unitholder of FRI, the maximum number of which shall be 2,500, after due consideration of market demand and other factors in the public offering.
- ( 5 ) Offering period                        The same as the offering period for the public offering.
- ( 6 ) Delivery and settlement date        The business day following the payment date for the public offering.
- ( 7 ) Offering unit                            1 unit or more in multiples of 1 unit
- ( 8 ) The offer price and other matters necessary for this secondary offering of units will be decided at the Board of Directors’ Meeting to be held hereafter.
- ( 9 ) The aforementioned items are subject to the effectiveness of the Securities Registration Statement in accordance with the Financial Instruments and Exchange Law.

### **<Reference>**

1. Secondary Offering through Over-Allotment etc.

Nikko Citigroup Limited may carry out a secondary offering (over-allotment) separately from the public offering for no more than 2,500 FRI Units borrowed from JT (the “Borrowed Units”), after due consideration of market demand and other factors in the public offering.

In the event the secondary offering (over-allotment) will be carried out, Nikko Citigroup Limited will be granted the right to acquire additional investment units from JT (the “Greenshoe Option”) up to the number of units to be offered in the secondary offering (over-allotment) in order to enable Nikko Citigroup Limited to the return of Borrowed Units. The exercise period for the Greenshoe Option starts on the immediately following day of the last day of the offering period for the public offering and secondary offering (over-allotment) and continues for a period of 30 days thereafter (until the immediately preceding business day in the event the 30th day is not a business day).

In addition, Nikko Citigroup Limited may purchase up to the number of investment units to be offered in the secondary offering (over-allotment) on the Tokyo Stock Exchange (“Syndicate Cover Transaction”) in order to acquire units to be used for the return of Borrowed Units during the period starting on the immediately following day of the last date in the offering period for the

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public offering and secondary offering (over-allotment) and ending on the last day of the exercise period for the Greenshoe Option (the “Syndicate Cover Transaction Period”). During the Syndicate Cover Transaction Period, Nikko Citigroup Limited, at its discretion, may not carry out any Syndicate Cover Transaction or may end a Syndicate Cover Transaction before it acquires the number offered in the secondary offering (over-allotment).

Moreover, during the offering period for the public offering and secondary offering, Nikko Citigroup Limited may carry out transaction for stabilization of FRI Units and apply FRI Units so acquired to return Borrowed Units.

Nikko Citigroup Limited plans to exercise the Greenshoe Option with respect to the number of units remaining after subtracting the aggregate number of units purchased through the Syndicate Cover Transaction and the number of FRI Units purchased through transaction for stabilization to return Borrowed Units, from the number of units offered in the secondary offering (over-allotment). Accordingly, in case of a decrease in the number of units offered in the secondary offering, or cancellation of the secondary offering (over-allotment), implementation of a Syndicate Cover Transaction, or application of FRI Units purchased through transaction for stabilization to return Borrowed Units, Nikko Citigroup Limited shall decrease the number of units when exercising the Greenshoe Option based on the number of units affected or not exercise the Greenshoe Option.

Whether or not a secondary offering (over-allotment) will be carried out and the number of units offered in connection with the secondary offering (over-allotment) will be ultimately decided on the Date for Determination of Issue Price etc. In the case where the secondary offering (over-allotment) is not carried out, Nikko Citigroup Limited will not borrow FRI Units from JT. As a result, Nikko Citigroup Limited will not exercise any Greenshoe Option, and any acquisition of additional investment units from JT will not take place. Further, no Syndicate Cover Transaction will be conducted on the Tokyo Stock Exchange.

Nikko Citigroup Limited shall consult with Daiwa Securities SMBC Co., Ltd. and UBS Securities Japan Ltd. in respect to all transactions above.

### **2. Total Number of Units Issued and Outstanding after the New Issue**

Number of units outstanding	125,000 Units
Number of new units to be issued in the public offering	35,000 Units
Number of units issued and outstanding after the public offering	160,000 Units

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### **3. Rationale for Issue (use of proceeds from the issue)**

( 1 ) Rationale for the issue (use of proceeds from the issue)

Anticipated net proceeds from the public offer (¥26,317,000,000) will be used to repay a part of borrowings for acquisition of the specified assets.

For more details regarding the specified assets, please refer to the press release entitled "Notice Concerning Acquisition of Investment Assets" released today.

( 2 ) Scheduled expenditure period for proceeds from the issue      Late July, 2008

( 3 ) Change in use of previously procured funds      Not applicable

( 4 ) Anticipated impact on FRI's operation

Please refer to "Notice Concerning Operating Forecasts for the Fiscal Period Ending December 31, 2008" released today.

### **4. Distribution to Unitholders**

( 1 ) Distribution policy

Distributions will be made in accordance with FRI's distribution policy set forth in its Articles of Incorporation.

( 2 ) Distributions during the past 3 business periods.

	<b>Period ended December 31, 2006</b>	<b>Period ended June 30, 2007</b>	<b>Period ended December 31, 2007</b>
<b>Net income per unit</b>	¥17,296	¥17,692	¥17,845
<b>Distribution per unit</b>	¥17,296	¥17,693	¥17,845
<b>Actual dividend payout ratio</b>	99.9%	100.0%	99.9%

### **5. Miscellaneous**

( 1 ) Restrictions on sale etc.

As of the date of this notice, Mitsui Fudosan Co., Ltd. ("Mitsui Fudosan") and Mitsui Fudosan Frontier REIT Management Inc, hold 14,600 and 200 investment units of the Investment Corporation, respectively. They have agreed not to sell or otherwise dispose of the Investment Units they hold, unless prior written consent of the Lead Managers, for the period

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commencing on the Date for Determination of Issue Price etc. for the public offering and ending on the date 6 months after the date for delivery and settlement relating to the public offering.

As of the date of this notice, JT holds 8,200 Investment Units. JT has agreed with Mitsui Fudosan not to transfer or otherwise dispose of the 8200 Investment Units (excluding the units to be transferred to Nikko Citigroup Limited as a result of the exercise of the Greenshoe Option), without prior written consent of Mitsui Fudosan, for a period of two years from March 24, 2008 or until the completion date of the development of the property on part of JT's former Ueda factory site, whichever is earlier.

In relation to the public offering, the Investment Corporation has agreed with the Lead Managers not to issue new investment units, without prior written consent of the Lead Managers, for a period commencing on the Date for Determination of Issue Price etc. for the public offering and ending on the date 90 days after the date for delivery and settlement.

Further, in either of case or above, the Lead Managers have the right to cancel such agreement in whole or in part during the period or to shorten the period at their discretion.

### (2) Equity finance in the past 3 years

Date	Remarks	Investment Units Issued (Units)		Unitholder Equity (¥ Million) (Note 1)		Remarks
		Increase	Balance	Increase	Balance	
March 24, 2008	Third-party allotment	14,600	125,000	9,650	68,233	(Note 2)

Note1: The sum of Unitholder Equity is rounded down to the nearest million yen.

Note2: The issue price per unit was ¥661,000. New investment units were issued for repayment of a part of borrowings related to the acquisition of new properties

### (3) Trends in unit price performance during the past 3 business periods

	Period ended June 30, 2007	Period Ended December 31, 2007	Period ended June 30, 2008
Opening price	¥ 1,140,000	¥ 1,110,000	¥ 827,000
High	¥ 1,340,000	¥ 1,180,000	¥ 905,000
Low	¥ 1,070,000	¥ 742,000	¥ 630,000
Closing price	¥ 1,100,000	¥ 817,000	¥ 768,000

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- 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/>

### **Disclaimer**

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