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February 14, 2020

To All Concerned Parties

6-8-7 Ginza, Chuo-ku, Tokyo
 Frontier Real Estate Investment Corporation
 Takao Iwadou, Executive Director
 (Securities Code: 8964)

Asset Management Company:
 Mitsui Fudosan Frontier REIT Management Inc.
 Goro Toyama
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Notice Concerning the Acquisition of Real Estate Properties in Japan
(Two Properties Including TENJIN216)

Frontier Real Estate Investment Corporation (the "Investment Corporation") hereby announces the decision of Mitsui Fudosan Frontier REIT Management Inc., the Investment Corporation's asset management company (the "Asset Management Company"), reached on February 14, 2020, to acquire TENJIN216 and La La Chance HIROSHIMA Geihinkan (land interest) (collectively, the "Acquisition;" the two aforementioned properties are hereinafter collectively referred to as the "Assets to Be Acquired"). As the seller of these properties is a related party of the Asset Management Company as defined by the latter's internal rules regarding transactions with related parties, in line with said rules, the Asset Management Company obtained authorization from the Investment Corporation based on an approval granted by the Investment Corporation's Board of Directors meeting held on February 13, 2020.

1. Details of Assets to Be Acquired

(1) Property name	TENJIN216	La La Chance HIROSHIMA Geihinkan (land interest)
(2) Type of asset to be acquired	Real estate	Real estate
(3) Planned acquisition price *1	¥2,550 million (Land: ¥2,259.3 million, Building: ¥290.7 million)	¥1,040 million
(4) Contract date	February 14, 2020	February 14, 2020
(5) Planned acquisition date	March 4, 2020 (Delivery and clearance date)	March 13, 2020 (Delivery and clearance date)
(6) Seller *2	Mitsui Fudosan Co., Ltd.	Mitsui Fudosan Co., Ltd.
(7) Broker	None	None
(8) Acquisition financing	Self-financing and loans (planned)	Self-financing and loans (planned)
(9) Payment method	Single payment at the time of delivery	Single payment at the time of delivery

*1 The amount noted here excludes miscellaneous acquisition costs, real property taxes, city planning taxes, consumption taxes, etc.

*2 Please refer to "4. Seller Profile," below.

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2. Rationale

The proposed acquisitions are in line with the Investment Corporation's "Basic Policy of Asset Management" and "Investment Stance" as stipulated in its Articles of Incorporation. Specifically, the Investment Corporation expects the Acquisition to help expand its asset size while enhancing the diversity of its properties in terms of geographical location and type of tenant. By doing so, the Investment Corporation aims to maintain and improve the quality, profitability and stability of its portfolio. In its decision to acquire these assets, the Asset Management Company also considered, *inter alia*, the following factors:

(1) Evaluation of the Sites

TENJIN216

TENJIN216 is located in the Fukuoka/Tenjin area, which boasts a concentration of business and commercial facilities representing Kyushu. The area is served by Nishitetsu Fukuoka (Tenjin) Station, the Nishi-Nippon Railroad terminus, as well as Fukuoka City Subway's Tenjin Station and Tenjin-Minami Station. On an annual basis, these stations see a cumulative total of more than 100 million incoming and outgoing train passengers. TENJIN216 is situated on a corner-lot location at the crossing of Tenjin-Nishi Avenue and Marronnier Avenue. The former avenue boasts an array of stores with street level access, including apparel brand shops as well as service providers. Moreover, in September 2019 an Apple store relocated to a site about a block to the north of the property, reflecting the ongoing concentration of commercial facilities in the area. In addition, a variety of projects associated with the Tenjin Big Bang, an initiative led by Fukuoka City to attract investment, are currently being undertaken in this Tenjin area and the nearby Daimyo area. Accordingly, the number of visitors to the area in which the property is located is expected to grow even larger.

La La Chance HIROSHIMA Geihinkan (land interest)

La La Chance HIROSHIMA Geihinkan (land interest) is located near JR Hiroshima Station (about 10 minutes by foot), a station boasting the highest volume of passenger traffic in the Chugoku region. Moreover, the property is situated within Hiroshima Ball Park Town, a district undergoing an urban development project encompassing land that was occupied by the train yard of the former JR Freight Higashi Hiroshima Station, with Hiroshima Municipal Baseball Stadium (MAZDA Zoom-Zoom Stadium Hiroshima) serving as the project's core facility. Currently, streets around JR Hiroshima Station are also undergoing massive redevelopment, including the reconstruction of station buildings. As the property is easily accessed by foot from JR Hiroshima Station and situated along the main road leading up to the stadium, which serves as a symbol of Hiroshima, it is believed to have significant potential to attract visitors.

(2) Features of the Properties

TENJIN216

TENJIN216 is an urban retail facility completed in November 2019 by expanding and renovating an existing building constructed in 1989 and acquired by Mitsui Fudosan Co., Ltd. in 2018. The renovation involved the additional development of two floors below ground as well as the renewal of areas for common use. Furthermore, a new compartment with glass curtain walls was installed on a corner of the premises to house retail facilities. The glass curtain walls were installed to fully take advantage of the property's location at the Tenjin-Nishi Avenue and Marronnier Avenue crossing, making it even more eye-catching from the street. As all the retail facility segments are directly accessible from Tenjin-Nishi Avenue, the property is capable of ushering in shoppers and other visitors in an extremely smooth manner. Tenants include two foreign-capital apparel brands, boasting a track record in domestic marketing spanning more than 30 years, in addition to two service brands housed on higher floors.

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La La Chance HIROSHIMA Geihinkan (land interest)

On the site, La La Chance HIROSHIMA Geihinkan (land interest), a wedding facility that offers great house-style weddings, was established by the land lessee in 2015. La La Chance HIROSHIMA Geihinkan boasts significant competitive advantages in the neighboring commercial area, as similar facilities are hard to find in the vicinity of JR Hiroshima Station or elsewhere in central Hiroshima City.

3. Details of the Assets to Be Acquired

Name of asset		TENJIN216
Type of asset		Real estate
Location (residence indication)		2-5-16 Tenjin, Chuo-ku, Fukuoka City, Fukuoka
Land	Lot area	282.36 m ² (registered)
	Use	Commercial district
	Plot ratio	500%
	Building to land ratio	80%
	Ownership	Property ownership
Building	Structure / Number of floors	Steel reinforced concrete, flat roof construction, one floor below ground and five floors above ground (registered)
	Construction completed	August 20, 1989; expanded on November 7, 2019
	Gross floor area	1,274.54 m ² (registered)
	Use	Stores
	Ownership	Property ownership
Planned acquisition price		¥2,550 million
Appraisal value		¥2,560 million
Appraiser		Japan Real Estate Institute
PML in earthquake		1%
Collateral		None
Lease details		
	Lessor	Frontier Real Estate Investment Corporation
	Lessee	Not disclosed*
	Type of contract	Not disclosed*
	Contract term	Not disclosed*
	Annual rent	¥125 million
	Termination during the contract term	Not disclosed*
	Rent revision	Not disclosed*
	Leasehold deposit	¥114 million
	Security deposit	None
	Number of tenants	4
	Total leasable floor space	1,041.21 m ²
	Total leased floor space	1,041.21 m ²
	Occupancy rate	100% (total leased floor space / total leasable floor space)
Note		The property is currently not equipped with fire shutter clamping prevention devices in conformity with criteria stipulated in the Building Standards Act. However, the seller has agreed with the Investment Corporation to, by March 31, 2020, responsibly rectify this situation at its own expense.

*Not disclosed, as the Investment Corporation has not obtained the lessee's permission.

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Name of asset		La La Chance HIROSHIMA Geihinkan (land interest)
Type of asset		Real estate
Location (registered)		3-410-14, 3-329-25 Nishikaniya, Minami-ku, Hiroshima City, Hiroshima
Land	Lot area	7,466 m ² (registered)
	Use	Neighboring commercial district
	Plot ratio	300%
	Building to land ratio	80%
	Ownership	Proprietary ownership for land with fixed-term business-use leasehold interest
Planned acquisition price		¥1,040 million
Appraisal value		¥1,170 million
Appraiser		Japan Real Estate Institute
PML in earthquake		—*1
Collateral		None
Lease details		
	Lessor	Frontier Real Estate Investment Corporation
	Lessee	IKK Inc.
	Type of contract	Fixed-term business-use land lease contract
	Contract term	Not disclosed*2
	Annual rent	Not disclosed*2
	Termination during the contract term	Not disclosed*2
	Rent revision	Not disclosed*2
	Leasehold deposit	Not disclosed*2
	Security deposit	Not disclosed*2
	Number of tenants	1
	Total leasable floor space	7,467.58 m ²
	Total leased floor space	7,467.58 m ²
	Occupancy rate	100% (total leased floor space / total leasable floor space)
Note		None

*1 PML in earthquake is not calculated as the property consists only of land interest.

*2 Not disclosed, as the Investment Corporation has not obtained the lessee's permission.

4. Seller Profile

Company Name	Mitsui Fudosan Co., Ltd.
Address	2-1-1 Nihonbashi-Muromachi, Chuo-ku, Tokyo
Name and title of representative	Masanobu Komoda, President and CEO
Capital	¥339,766 million (as of September 30, 2019)
Established	July 15, 1941
Net assets	¥2,515,141 million (as of September 30, 2019)
Total assets	¥7,100,590 million (as of September 30, 2019)
Major shareholders and ownership ratio	The Master Trust Bank of Japan, Ltd. (trust account) (9.99%) (as of September 30, 2019)
Business	Acquisition, ownership, disposal, lease, sale, and management of real estate
Relationship with the Investment Corporation and/or the Asset Management Company	
Capital relationship	As of December 31, 2019, the seller held 5.63% of the Investment Corporation's outstanding investment units. Moreover, the seller holds all of the outstanding shares in the Asset Management Company.
Personal relationship	As of December 31, 2019, eight of the Asset Management Company's officers and employees (excluding non-executive directors) were personnel seconded from the seller.

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Business relationship	The seller is the contractor for the Investment Corporation's SC management services, provider of new tenant mediation services, broker for real estate transactions, seller for some of the Investment Corporation's real estate holdings, and lessee of the Investment Corporation's real estate holdings.
Status of classification as related parties	The seller is not considered a related party of the Investment Corporation. The seller is the parent company of the Asset Management Company.

5. Status of Previous Property Owners

Name of asset (location)	TENJIN216 (2-5-16 Tenjin, Chuo-ku, Fukuoka City, Fukuoka)	
Status of property owner	Previous owner, etc.	Owner before the previous, etc.
Name	Mitsui Fudosan Co., Ltd.	Other than a party with a special interest
Relationship with party with a special interest	100% parent company of the Asset Management Company	—
Background and purpose of acquisition	For the purpose of development	—
Acquisition price*	—	—
Acquisition date	November 7, 2019 (expansion of building) April 13, 2018	—

* This information is omitted because the previous owner held the property for more than one year.

Name of asset (location)	La La Chance HIROSHIMA Geihinkan (land interest) (3-410-14, 3-329-25 Nishikaniya, Minami-ku, Hiroshima City, Hiroshima)	
Status of property owner	Previous owner, etc.	Owner before the previous, etc.
Name	Mitsui Fudosan Co., Ltd.	Other than a party with a special interest
Relationship with party with a special interest	100% parent company of the Asset Management Company	—
Background and purpose of acquisition	For the purpose of development	—
Acquisition price*	—	—
Acquisition date	March 14, 2014	—

* This information is omitted because the previous owner held the property for more than one year.

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6. SC Management Agreement

The Investment Corporation has concluded a Basic Agreement Concerning Shopping Center Management for the operation and management of its retail facilities with Mitsui Fudosan Co., Ltd., the parent company of the Asset Management Company, with the aim of utilizing Mitsui Fudosan's expertise. Based on the stipulations of the basic agreement, an SC management agreement laying out the precise scope of the operations (including property management operations) for TENJIN216, one of the Assets to Be Acquired, will be concluded following the Acquisition.

7. Transactions with Related Parties, etc.

Since the seller of the Assets to Be Acquired falls under the category of related parties set forth in the Asset Management Company's internal rules regarding transactions with related parties, in line with said rules, the Asset Management Company obtained authorization from the Investment Corporation, based on the approval granted by the Investment Corporation's Board of Directors meeting held on February 13, 2020, following a resolution of the Compliance Committee on February 12, 2020. The Asset Management Company's Board of Directors then resolved to conclude the contract on February 14, 2020.

8. Outlook

The expected effect of the Acquisition on the operating forecast for the 32nd and 33rd fiscal periods ending June 30 and December 31, 2020, respectively, has already been factored into the operating forecast published today under "Forecast of Results for the 32nd and 33rd Fiscal Periods" in the "Summary of Financial Results for the 31st Fiscal Period."

9. Summary of Property Appraisal

Name of asset	TENJIN216
Appraisal value	¥2,560,000,000
Appraiser	Japan Real Estate Institute
Date of appraisal	December 31, 2019

Item	Content	Remarks
Indicated value by income approach	¥2,560,000,000	Calculated using the capitalization method, with reference to both the value indicated by the income approach obtained by the DCF method and the value indicated by the income approach obtained by the direct reduction method.
Direct-reduction method value	¥2,610,000,000	
Operating income	Not disclosed*	
Underlying gross income	Not disclosed*	
Loss from vacancy, etc.	Not disclosed*	
Operating costs	Not disclosed*	
Maintenance and management fees	Not disclosed*	

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Item		Content	Remarks
	Utility costs	Not disclosed*	
	Repair costs	Not disclosed*	
	Property management fees	Not disclosed*	
	Tenant advertising costs	Not disclosed*	
	Taxes and public dues	Not disclosed*	
	Insurance premium	Not disclosed*	
	Other expenses	Not disclosed*	
	Net operating income	¥94,599,000	
	Operating profit on lump-sum payments	Not disclosed*	
	Capital expenditure	Not disclosed*	
	Net income	¥93,823,000	
	Cap rate	3.6%	
	DCF value	¥2,510,000,000	
	Discount rate	3.4%	Assessed taking into account the individual characteristics, etc., of the target property comprehensively, with reference to investment yields, etc., of similar real estate.
	Terminal cap rate	3.8%	Assessed taking into account the future trends of investment yields, risks of the target property as an investment target, general outlook for future economic growth rate, trends in real estate prices and rents, etc., comprehensively, with reference to transactional yields, etc., of similar real estate.
	Indicated value by cost approach	¥2,530,000,000	
	Land ratio	88.6%	
	Building ratio	11.4%	

Other matters considered by appraiser in carrying out appraisal	<p>Due to the site characteristics, building use, and other attributes of the real estate property in question, demand would primarily come from corporate investors with the ability to raise capital and who, in general, tend to prioritize revenue potential in their transactions.</p> <p>Given this, the appraisal value was determined through a combination of the direct reduction method and the DCF method, with the cost approach value as a reference.</p>
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* As these items include information about the lessee that the Investment Corporation is obliged to keep confidential and information that could be used to calculate such information, the Asset Management Company has deemed that disclosing such items could result in the infringement of confidentiality requirements and thus prove disadvantageous to the Investment Corporation and ultimately harm the interests of unitholders and investors. Accordingly, these items are not disclosed.

Name of asset	La La Chance HIROSHIMA Geihinkan (land interest)
Appraisal value	¥1,170,000,000
Appraiser	Japan Real Estate Institute
Date of appraisal	December 31, 2019

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Item	Content	Remarks
DCF value	¥1,170,000,000	
Discount rate	6.9%	Assessed taking into account the individual characteristics, etc., of the target property comprehensively, with reference to investment yields, etc., of similar real estate.

Attachments

1. Maps of the surrounding areas of the Assets to Be Acquired and exterior photographs of the assets
2. Overview of the investment portfolio after the 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, Transport and Tourism Press Club; and the Press Club for the Ministry of Land, Infrastructure, Transport and Tourism Construction Paper.

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

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1. Maps of the surrounding areas of the Assets to Be Acquired and exterior photographs of the assets

TENJIN216

■Surrounding area



■Property exterior



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La La Chance HIROSHIMA Geihinkan (land interest)

■Surrounding area



■Property exterior



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2. Overview of the investment portfolio after the Acquisition

Property name	Location	Acquisition date	(Planned) acquisition price (Millions of yen) *1	Percentage of portfolio *2
AEON STYLE Shinagawa Seaside	Shinagawa, Tokyo	August 9, 2004	20,100	6.0%
AEON MALL Ibaraki	Ibaraki City, Osaka	August 9, 2004	18,100	5.4%
Papillon Plaza*3	Fukuoka City, Fukuoka	August 9, 2004	3,990	1.2%
Kamiikedai Tokyu Store	Ota, Tokyo	August 9, 2004	1,490	0.4%
Belltown Tambaguchi Eki-Mae Store	Kyoto City, Kyoto	August 29, 2005	2,130	0.6%
AEON MALL NAGOYADOME-Mae	Nagoya City, Aichi	March 23, 2006	24,800	7.4%
Summit Store Takinogawa Momiji-Bashi	Kita, Tokyo	September 29, 2006	3,100	0.9%
Home Center Kohnan Hiroshima Minami-Machi (land interest)	Hiroshima City, Hiroshima	April 13, 2007	1,940	0.6%
Frespo Tosu (land interest)	Tosu City, Saga	November 8, 2007	3,178	0.9%
You Me Town Hiroshima	Hiroshima City, Hiroshima	February 19, 2008	23,200	6.9%
Queen's Isetan Suginami-Momoi	Suginami, Tokyo	July 4, 2008	3,560	1.1%
Mitsui Outlet Park IRUMA	Iruma City, Saitama	July 10, 2008	19,900	5.9%
Costco Wholesale Warehouse Iruma (land interest)	Iruma City, Saitama	July 10, 2008	2,600	0.8%
Desigual Harajuku	Shibuya, Tokyo	October 15, 2008	3,100	0.9%
Ito-Yokado Higashi-Yamato	Higashi-Yamato City, Tokyo	January 13, 2009	11,600	3.5%
AEON TOWN Tanashi-Shibakubo	Nishi-Tokyo City, Tokyo	February 18, 2009	3,100	0.9%
Don Quijote Fukuoka Tenjin	Fukuoka City, Fukuoka	December 16, 2009	3,700	1.1%
Mitsui Shopping Park LaLaport IWATA	Iwata City, Shizuoka	July 2, 2010	15,200	4.5%
GINZA GLASSE	Chuo, Tokyo	July 2, 2010	13,600	4.1%
Shimura Shopping Center	Itabashi, Tokyo	January 18, 2011	4,430	1.3%
Mitsui Shopping Park LaLagarden KASUKABE	Kasukabe City, Saitama	February 16, 2011	10,000	3.0%
Summit Store Yokohama Okano (land interest)	Yokohama City, Kanagawa	February 24, 2012	5,700	1.7%

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Property name	Location	Acquisition date	(Planned) acquisition price (Millions of yen) *1	Percentage of portfolio *2
VIORO	Fukuoka City, Fukuoka	February 28, 2012	10,100	3.0%
Rakuhoku HANKYU SQUARE	Kyoto City, Kyoto	July 4, 2012	8,800	2.6%
Ikebukuro Square	Toshima, Tokyo	February 1, 2013	20,400	6.1%
Kohnan Kawasaki-Odasakae Mall (land interest)	Kawasaki City, Kanagawa	January 31, 2014	7,000	2.1%
Mitsui Shopping Park LaLaport SHIN-MISATO	Misato City, Saitama	Annex building: March 25, 2014 Main building: April 1, 2015 August 10, 2016 (additional acquisition)	23,770	7.1%
Shinsaibashi Square	Osaka City, Osaka	March 2, 2015	8,620	2.6%
Costco Wholesale Warehouse Shin-Misato (land interest)	Misato City, Saitama	April 1, 2015	3,810	1.1%
KOJIMA × BIC CAMERA Naha Store	Naha City, Okinawa	January 25, 2016	1,850	0.6%
Super Viva Home Zama and Super Sanwa Zama Higashihara (land interest)	Zama City, Kanagawa	July 31, 2017	4,320	1.3%
SAKAE GLOBE	Nagoya City, Aichi	March 28, 2018 March 22, 2019 (additional acquisition)	15,650	4.7%
Summit Store Higashi-Nagasaki (land interest)	Toshima, Tokyo	June 8, 2018	2,022	0.6%
Ikebukuro GLOBE	Toshima, Tokyo	March 22, 2019 September 5, 2019 (additional acquisition)	20,800	6.2%
Shinsaibashi MG Building	Osaka City, Osaka	March 22, 2019	5,840	1.7%
TENJIN216	Fukuoka City, Fukuoka	March 4, 2020	2,550	0.8%
La La Chance HIROSHIMA Geihinkan (land interest)	Hiroshima City, Hiroshima	March 13, 2020	1,040	0.3%
Total			335,091	100.0%

*1 (Planned) acquisition price amounts are rounded down to the nearest million yen.

*2 Percentage of portfolio figures are based on (planned) acquisition price and are rounded to the nearest decimal place.

*3 Figures represent the acquisition price for the land of Papillon Plaza only.