

Translation Purpose Only

March 30, 2016

To All Concerned Parties

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

Asset Management Company:
Mitsui Fudosan Frontier REIT Management Inc.
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Notice Concerning Disposition of Investment Assets (Joyfultown Okayama)
and Impact on Cash Distributions

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"), on the sale of Joyfultown Okayama on March 30, 2016 as described below.

1. Details of Sale

(1) Property Name: Joyfultown Okayama

- 1) Type of disposed Asset: Trust beneficiary rights in a real estate property
- 2) Disposition Price: ¥8,685 million*
- 3) Book Value: ¥ 9,184 million (as of December 31, 2015)
- 4) Difference in disposition price and book value: Approximately -¥0.47 billion**
- 5) Contract Date: March 30, 2016
- 6) Planned Delivery Date: June 23, 2016
- 7) Buyer: Not disclosed (Undisclosed as the Investment Corporation did not obtain buyer's consent.)***
- 8) Intermediary: None
- 9) Method of settlement: Single payment at the time of delivery
- 10) Outline of forward commitment etc.: The disposition falls under the category of forward commitments, etc. (refers to contracts for forward and future transactions, for which settlement and delivery take place one or more months after their signing) (the "Forward Commitment").

Forward Commitment may be cancelled upon violation of legal obligations and when a serious hitch that effects the execution of the contract has

occurred. When the Forward Commitment is cancelled, the company responsible for the cause is to pay a penalty equivalent to 20% of the purchase price of the beneficiary rights to the other party. However, the Forward Commitment is one where the Investment Corporation disposes its property and financing is not necessary, thus impact on the financial statement of the Investment Corporation is considered to be low.

- * Disposition Price amount does not include disposition cost, real property tax, city planning tax, consumption tax, etc.
- ** Since part of the disposition cost, etc. have not been finalized, the amount indicated is an approximate estimate. The assumed book value as of the planned delivery date is 9,103 million yen.
- *** The buyer does not fall under the category of related parties of the Investment Corporation or the Asset Management Company.

2. Rationale for Disposition

The Investment Corporation has managed Joyfultown Okayama (the "Property") as one of the core commercial facilities in Okayama City since its acquisition in August 2004. However, the Investment Corporation has prudently investigated the risk scenarios and the impact from such in the future, taking into account the recent changes in the environment surrounding the Property, trends of retail markets as well as terms of lease agreements with tenants, etc.

As a result of these investigations, the Investment Corporation has judged that it is more desirable to dispose the Property at over a certain amount and collect funds although this will generate a loss on sale, in contrast to the future risks associated with continuing to own it.

As to the disposition of the Property, the Investment Corporation has spent sufficient time in marketing activities searching for a candidate buyer. As the Investment Corporation was able to find, through the Asset Management Company's original resources, a buyer who would purchase the Property at a price significantly above the most recent real estate appraisal value, it has decided on the disposition.

3. Future Management Policy

The Investment Corporation has made it a basic policy to secure stable earnings over a medium to long term and continue to deliver stable distributions (the "Basic Policy") and, having established a stable revenue base centering on properties with fixed rents under long-term lease agreements, have achieved cash distributions of over 9,000 yen per unit for fifteen consecutive fiscal periods as of today.

Going forward, the Investment Corporation intends to, while maintaining conservative financial operations and stable revenue base under the basic policy, utilize pipeline support from its sponsor, Mitsui Fudosan for acquisition of new properties. On another front, the Investment Corporation will seek further enhancement of the portfolio and reinforcement of the revenue base by making strategic renewal investment and effective property replacement for existing properties. Furthermore, the funds from the sale are scheduled to be utilized to acquire properties, etc. in the future.

4. Property Details

(1) Property Name: Joyfultown Okayama

Type of Disposition Asset		Trust beneficiary rights in a real estate property
Location (registered indication)		[Ito-Yokado Building] 2-10-2 Shimo-Ishii, Kita-ku, Okayama City, Okayama [Annex Building] 2-10-1 Shimo-Ishii, Kita-ku, Okayama City, Okayama
Land	Lot Area	38,005.17m ²
	Use	Commercial district
	Ownership	Property ownership
Building	Structure / Number of Floors	1) [Ito-Yokado Building] SRC, B1/5F 2) Annex Building SF, 3F
	Construction Completed	1) October 26, 1998 2) July 10, 1998
	Gross Floor Area	1) 46,121.19m ² 2) 9,713.66m ²
	Use	1) Retail stores 2) Game center, retail stores
	Ownership	Property ownership
Acquisition Price		¥11,000 million
Book Value*		¥9,184 million
Appraisal Value		¥7,360 million (As of December 31, 2015)
Appraiser		Japan Real Estate Institute
Probable Maximum Loss (PML)		2%
Collateral		Setting up of land and building mortgage
Tenancy Situation etc. *		Total number of lessees: 2 Total rental revenues: ¥759 million/year Total rentable area: 62,461.42 m ² Total leased area: 62,461.42 m ² Occupancy rate: 100% Total leasehold and security deposits amount: ¥2,076 million

* Figures are as of December 31, 2015 and the amounts are rounded down to the nearest million yen.

5. Buyer Profile

The buyer is general business company in Japan but its profile is undisclosed as permission to disclose has not been obtained. The buyer does not fall under the category of related parties of the Investment Corporation or the Asset Management Company.

6. Intermediary Profile

None

7. Outlook

Although the disposition is expected to affect the distribution due to recording of loss on sale in the fiscal period ending June 30, 2016, the Investment Corporation plans to conduct management so that there will be no impact of the loss on sale on distribution per unit stated in "Forecast of Results for the 24th Fiscal Period (January 1, 2016 to June 30, 2016)" announced in "Summary of Financial Results for the 23rd Fiscal Period (July 1, 2015 to December 31, 2015)" dated February 15, 2016 by reversing part of internal reserves

(approx. 528 million yen as of December 31, 2015).

As the impact of the disposition on “Forecast of Results for the 24th Fiscal Period (January 1, 2016 to June 30, 2016)” announced in “Summary of Financial Results for the 23rd Fiscal Period (July 1, 2015 to December 31, 2015)” dated February 15, 2016 will be minimal, no revision to the forecast will be made.

12. Summary of Property Appraisal

Property Name	Joyfultown Okayama
Appraisal Value	¥7,360,000,000
Appraiser	Japan Real Estate Institute
Date of Appraisal	December 31, 2015

Thousands of yen

Item	Content
Indicated Value by Income Approach	7,360,000
Value of Direct-Capitalization Approach	7,350,000
Net Operating Income	884,619
Effective Gross Income	884,619
Loss from Vacancy, etc.	0
Operational Cost	338,158
Maintenance and Management Fee	73,927
Utility Cost	61,180
Repair Cost	24,861
Property Management Fee	17,692
Leasing Cost, etc.	0
Taxes and Public Dues	159,673
Insurance Premium	825
Other Expenses	0
Net Operating Income	546,461
Operating Profit on Lump-Sum Payments	14,732
Capital Expenditure	68,639
Net Income	492,554
Cap Rate	6.7%
DCF Value	7,370,000
Discount Rate	6.4%
Terminal Cap Rate	6.8%
Indicated Value by Cost Approach	6,990,000
Land Ratio	68.1%
Building Ratio	31.9%

Other Matters of Consideration	None
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Frontier Real Estate Investment Corporation website: <http://www.frontier-reit.co.jp/eng/>

Attachments

1. Overview of the Investment Portfolio following the Disposition of the Property

Attachment 1: Overview of the Investment Portfolio following the Disposition of the Property

Property Name	Location	Acquisition Date	Acquisition Price (Millions of yen)*	Percentage of Portfolio (%)**
AEON Shinagawa Seaside Shopping Center	Shinagawa-City, TOKYO	August 9, 2004	20,100	7.3
AEON Mall Ibaraki	Ibaraki City, OSAKA	August 9, 2004	18,100	6.6
Joyfultown Okayama***	Okayama City, OKAYAMA	August 9, 2004	0	0.0
Papillon Plaza	Fukuoka City, FUKUOKA	August 9, 2004	4,810	1.8
Kamiikedai Tokyu Store	Ota-City, TOKYO	August 9, 2004	1,490	0.5
Belltown Tambaguchi Eki-mae Store	Kyoto City, KYOTO	August 29, 2005	2,130	0.8
AEON Mall NAGOYADOME-Mae	Nagoya City, AICHI	March 23, 2006	24,800	9.1
Summit Store Takingogawa Momiji-bashi	Kita-City, TOKYO	September 29, 2006	3,100	1.1
Sports Club Renaissance Hiroshima	Hiroshima City, HIROSHIMA	April 13, 2007	1,940	0.7
Frespo Tosu (land interest)	Tosu City, SAGA	November 8, 2007	3,178	1.2
You Me Town Hiroshima	Hiroshima City, HIROSHIMA	February 19, 2008	23,200	8.5
Queen's Isetan Suginami-Momoi	Suginami-City, TOKYO	July 4, 2008	3,560	1.3
Mitsui Outlet Park IRUMA	Iruma City, SAITAMA	July 10, 2008	19,900	7.3
Costco Wholesale Warehouse Iruma (land interest)	Iruma City, SAITAMA	July 10, 2008	2,600	0.9
Desigual Harajuku	Shibuya-City, TOKYO	October 15, 2008	3,100	1.1
Ito-Yokado Higashi-Yamato	Higashi-Yamato City, TOKYO	January 13, 2009	11,600	4.2
AEON Town Tanashi-Shibakubo	Nishi-Tokyo City, TOKYO	February 18, 2009	3,100	1.1
TSUTAYA BOOK STORE TENJIN	Fukuoka City, FUKUOKA	December 16, 2009	3,700	1.4
Mitsui Shopping Park LaLaport IWATA	Iwata City, SHIZUOKA	July 2, 2010	15,200	5.5
GINZA GLASSE	Chuo-City, TOKYO	July 2, 2010	13,600	5.0
Shimura Shopping Center	Itabashi-City, TOKYO	January 18, 2011	4,430	1.6
Mitsui Shopping Park LaLagarden KASUKABE	Kasukabe City, SAITAMA	February 16, 2011	10,000	3.6
Summit Store Yokohama Okano (land interest)	Yokohama City, KANAGAWA	February 24, 2012	5,700	2.1
VIORO	Fukuoka City, FUKUOKA	February 28, 2012	10,100	3.7
QANAT RakuHoku	Kyoto City, KYOTO	July 4, 2012	8,800	3.2
Ikebukuro Square	Toshima-City, TOKYO	February 1, 2013	20,400	7.4
Mitsui Shopping Park ALPARK (East Building)	Hiroshima City, HIROSHIMA	February 19, 2013	5,400	2.0
Kohnan Kawasaki-Odasakae Mall (Land interest)	Kawasaki City, KANAGAWA	January 31, 2014	7,000	2.6
Mitsui Shopping Park LaLaport SHIN-MISATO Annex	Misato City, SAITAMA	March 25, 2014	3,930	1.4
Shinsaibashi Square	Osaka City, OSAKA	March 2, 2015	8,620	3.1
Mitsui Shopping Park LaLaport SHIN-MISATO****	Misato City, SAITAMA	April 1, 2015	4,740	1.7
Costco Wholesale Warehouse Shinmisato (land interest)	Misato City, SAITAMA	April 1, 2015	3,810	1.4
KOJIMA x BIC CAMERA Naha Store	Naha City, OKINAWA	January 25, 2016	1,850	0.7
Total			273,988	100.0

- * Acquisition Price amounts are rounded down to the nearest millions in yen.
- ** Percentage of Portfolio figures are based on acquisition prices and are rounded up or down to the nearest second decimal place.
- *** Joyfultown Okayama is scheduled to be disposed on June 23, 2016.
- ****This is for trust beneficiary interest with a trust asset of 16% co-ownership of Mitsui Shopping Park LaLaport SHIN-MISATO.