

## **Information under Article 23 of the European Alternative Investment Fund Managers Directive (AIFMD) for UK and Dutch Investors**

April 5, 2018

### **DISCLAIMER**

This document has been prepared solely for the purpose of providing U.K. and Dutch investors with certain information under Article 23 of the European Alternative Investment Fund Managers Directive (European Directive 2011/61/EU) as implemented in their respective jurisdictions. Accordingly, you should not use this document for any other purpose.

#### ***Prohibition of Sales to EEA Retail Investors***

The units of Frontier Real Estate Investment Corporation (“FRI” or the “AIF”) are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area, or the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended, or the MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC, as amended, or the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC, as amended, the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014, or the PRIIPs Regulation, for offering or selling the units of FRI or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the units of FRI, or otherwise making them available, to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

#### ***United Kingdom***

The units of FRI are being marketed in the United Kingdom pursuant to Article 59 of the United Kingdom Alternative Investment Fund Managers Regulations 2013. In accordance with this provision, the Mitsui Fudosan Frontier REIT Management Inc. (the “AIFM”) has notified the Financial Conduct Authority (the “FCA”) of its intention to offer these units in the United Kingdom. For the purposes of the United Kingdom Financial Services and Markets Act 2000 (“FSMA”) FRI is an unregulated collective investment scheme which has not been authorized by the FCA. Accordingly, any communications of an investor or inducement to invest in FRI may be made to: (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order

2005, as amended, or the Order; or (ii) high net worth companies and other persons to whom it may lawfully be communicated, falling within Articles 49(2)(a) to (d) of the Order (all such persons together being referred to as “Relevant Persons”). In the United Kingdom, this document and its contents are directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any person who is not a Relevant Person may not act or rely on this document or any of its contents.

### ***European Economic Area Investors***

The Directive 2011/61/EU (the “Alternative Investment Fund Managers Directive”, or the “AIFMD”), was adopted on June 8, 2011 and was required to be implemented by each Member State of the EEA into its national legislation by July 22, 2013. The units of FRI may not be marketed (within the meaning given to the term “marketing” under the AIFMD), and the Communication may not be conducted, to prospective investors domiciled or with a registered office in any Member State of the EEA unless: (i) the units of FRI may be marketed under any national private placement regime (including under the AIFMD) or other exemption in that Member State; or (ii) the units of FRI can otherwise be lawfully marketed or sold in that Member State in circumstances in which the AIFMD does not apply, provided that any such offer or sale is not made to a retail investor as described above. We have made a notification to each of the Netherlands Authority for the Financial Markets and the United Kingdom Financial Conduct Authority pursuant to Article 42 of the AIFMD in order to market the units of FRI in the Netherlands and the United Kingdom, respectively.

### ***Netherlands***

The units of FRI are being marketed in the Netherlands under Section 1:13b of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, or the “Wft”). In accordance with this provision, AIFM has notified the Dutch Authority for the Financial Markets of its intention to offer these units in the Netherlands. The units of FRI will not, directly or indirectly, be offered, sold, transferred or delivered in the Netherlands, except to or by individuals or entities that are qualified investors (*gekwalificeerde beleggers*) within the meaning of Article 1:1 of the Wft, and as a consequence neither the AIFM nor FRI is subject to the license requirement pursuant to the Wft. Consequently, neither the AIFM nor FRI is subject to supervision of the Dutch Central Bank (*De Nederlandsche Bank*, “DNB”) or the Netherlands Authority for Financial Markets (*Autoriteit Financiële Markten*, the “AFM”) and this Article 23 AIFMD Prospectus is not subject to approval by the AFM. No approved prospectus is required to be published in the Netherlands pursuant to Article 3 of the European Directive 2003/71/EC (the EU Prospectus Directive) as amended and implemented in Netherlands law. The AIFM is solely subject to limited ongoing regulatory requirements as referred to in Article 42 of the AIFMD.

Article 23 (1)(a)	
Objectives of the AIF	Frontier Real Estate Investment Corporation (“FRI” or the “AIF”) is a REIT specializing in retail facilities and aims to secure stable earnings over the medium to long term.
Investment strategy	FRI aims to achieve steady growth in distributions by strengthening its ability to respond to changes in the real estate market and fluctuations in revenue from each property while expanding its portfolio, enhancing the quality of its portfolio and reinforcing its financial foundation from a long-term perspective.
Types of assets the AIF may invest in	Real estate, trust beneficiary interests in real estate, real estate securities, specified assets and other assets.
Techniques it may employ and all associated risks	<p>FRI primarily considers as investment targets real estate used as suburban retail facilities and buildings for retail shops in urban centers and other places, and trust beneficiary interests in such types of real estate. In order to reduce risks related to rent revenue associated with regional economic deterioration which are the result of focusing investment properties in specific areas, as well as risks related to earthquakes and other disasters, FRI strives to conduct geographically diverse investment in an aim to stabilize cash flow. In other words, although almost half of FRI’s properties are in Tokyo and the surrounding prefectures that comprise the metropolitan Tokyo area, FRI invests in real estate in all areas of Japan as well as in trust beneficiary interests in such types of real estate. FRI generally does not consider unoccupied properties as investment targets. However, FRI may invest in unoccupied properties, properties planned for construction or properties under development in the event that tenants and leasing rates have been determined and stable earnings can be projected after the property is occupied or the building construction is completed.</p> <p>The principal risks with respect to investment in FRI are as follows:</p> <p>(1) Risks Related to Marketability of FRI’s Investment Units and Investment Corporation Bonds</p> <ul style="list-style-type: none"> <li>(a) Risks concerning market price fluctuations of the investment units or investment corporation bonds</li> <li>(b) Risks concerning FRI’s ability to make cash distributions</li> <li>(c) Risks concerning fluctuations in revenues and expenditures</li> <li>(d) Risks concerning the rights of unitholders and shareholders not necessarily being identical</li> <li>(e) Risks concerning dilution of per-unit value through the issuance of new investment units</li> <li>(f) Risks concerning transactions involving the investment units in the market</li> </ul>

(g) Risks concerning redemption and interest payments for the investment corporation bonds

(2) Risks Related to Management Policies of FRI

- (a) Risks concerning specialized investment in retail facilities
- (b) Risks concerning dependency on a limited number of tenants
- (c) Risks concerning single-tenant properties
- (d) Risks concerning FRI's ability to make real estate acquisitions or dispositions
- (e) Risks concerning fund procurement through borrowings and issuance of investment corporation bonds and new investment units

(3) Risks Related to Affiliates and the Structure of FRI

- (a) Risks concerning dependency on the Mitsui Fudosan Group and conflicts of interest
- (b) Risks concerning dependency on FRI's affiliates and conflicts of interest
- (c) Risks concerning dependence on FRI's executive director and the personnel of the asset management company
- (d) Risks concerning changes to FRI's investment policy
- (e) Risks of FRI going bankrupt or its registration being cancelled
- (f) Risks concerning tenant leasehold and security deposits

(4) Legal Risks Related to Real Estate and Trust Beneficiary Rights

- (a) Risks concerning defects and failures of real estate, including defective title and limited or invalid ownership rights
- (b) Risks concerning lease contracts
- (c) Risks concerning building damage, loss and deterioration due to disasters, etc.
- (d) Risks concerning ownership liabilities, repair and maintenance costs, etc. related to real estate
- (e) Risks concerning administrative rules and regulations and prefectural or municipal ordinances for real estate
- (f) Risks concerning establishment of new or revisions of existing laws and regulations
- (g) Risks arising from bankruptcy of the seller of properties
- (h) Risks concerning subleases
- (i) Risks concerning the status of use of real estate by tenants, etc.
- (j) Risks concerning co-owned properties
- (k) Risks concerning compartmentalized ownership of buildings
- (l) Risks concerning properties on leased lands

	<ul style="list-style-type: none"> <li>(m) Risks concerning leased properties</li> <li>(n) Risks concerning properties including land with leasehold interest for which use a permit has been obtained</li> <li>(o) Risks concerning properties under development</li> <li>(p) Risks concerning hazardous materials and environmental liabilities</li> <li>(q) Risks specific to real estate owned through trust beneficiary rights</li> <li>(r) Risks concerning conclusion of post-dated sale agreements (forward commitment contracts), etc.</li> <li>(s) Risks concerning properties having multiple buildings constructed as a single architectural structure</li> <li>(t) Risks concerning establishment of leasehold interests</li> <li>(u) Risks concerning co-ownership of trust beneficiary rights, etc.</li> </ul> <p>(5) Risks Related to Taxation</p> <ul style="list-style-type: none"> <li>(a) Risks concerning conduit requirements</li> <li>(b) Risks of becoming unable to satisfy conduit requirements due to correction orders as a result of taxation investigations, etc.</li> <li>(c) Risks that preferential tax measures associated with real estate acquisitions cannot be applied</li> <li>(d) Risks concerning revisions of the general tax system</li> </ul> <p>(6) Other Risks</p> <ul style="list-style-type: none"> <li>(a) Risks concerning reliance on professional opinions, as well as industry and market data</li> <li>(b) Risks that tax burdens will increase due to discrepancies between accounting treatment and tax treatment</li> <li>(c) Risks related to the concentration of properties in Tokyo and the metropolitan Tokyo area</li> <li>(d) Risks related to natural and man-made disasters</li> <li>(e) Risks related to holding interests in properties through preferred shares of special purpose companies</li> <li>(f) Risks related to holding Japanese anonymous association interests</li> <li>(g) Risks related to the restrictive covenants under debt financing arrangement</li> </ul>
Any applicable investment restrictions	FRI is subject to investment restrictions under Japanese laws and regulations (e.g., the Act on Investment Trusts and Investment Corporations (the "ITA"), the Financial Instruments and Exchange Act (the "FIEA")) as well as its articles of incorporation.

	<p>FRI must invest primarily in specified assets as defined in the ITA. Specified assets include, but are not limited to, securities, real estate, leaseholds of real estate, surface rights (<i>chijō-ken</i>) (i.e., right to use land for the purpose of having a structure on it) or trust beneficiary interests for securities or real estate, leaseholds of real estate or surface rights. A listed J-REIT must invest substantially all of its assets in real estate, real estate-related assets and liquid assets as provided by the listing requirements. Real estate in this context includes, but is not limited to, real estate, leaseholds of real estate, surface rights, and trust beneficiary interests for these assets, and real estate-related assets in this context include, but are not limited to, anonymous association (<i>tokumei kumiai</i>) interests for investment in real estate. Pursuant to the ITA, investment corporations may not independently develop land for housing or to construct buildings, but may outsource such activities in certain circumstances.</p>
Circumstances in which the AIF may use leverage	<p>FRI may take out loans or issue long- or short-term investment corporation bonds for the purpose of investing in properties, conducting repairs and paying distributions, as well as for operating capital and repaying debt (including security deposits, other debt and bonds).</p>
The types and sources of leverage permitted and associated risks	<p>Loans or investment corporation bonds. Currently, all of FRI's outstanding long- and short-term loans as well as outstanding bonds are unsecured and unguaranteed.</p> <p>Loans or investment corporation bonds in which FRI enters or FRI issues may be subject to restrictive covenants in connection with any future indebtedness that may restrict operations and limit its ability to make cash distributions to unitholders, to dispose of properties or to acquire additional properties. Furthermore, if FRI were to violate such restrictive covenants, such as with regard to loan-to-value ratios, lenders may be entitled to require FRI to collateralize portfolio properties or demand that the entire outstanding balance be paid.</p> <p>In the event of an increase in interest rates, to the extent that FRI has any debt with unhedged floating rates of interest or FRI incurs new debt, interest payments may increase, which in turn could reduce the amount of cash available for distributions to unitholders.</p> <p>Higher interest rates may also limit the capacity for short- and long-term loans, which would in turn limit FRI's ability to acquire properties, and could cause the market price of the units to decline.</p>
Any restrictions on leverage	<p>The maximum amount of each loan and investment corporation bond issuance will be 1 trillion yen, and the aggregate amount of all such debt will not exceed 1 trillion yen.</p>
Any restrictions on collateral and asset reuse arrangements	<p>No applicable arrangements.</p>

<p>Maximum level of leverage which the AIFM is entitled to employ on behalf of the AIF</p>	<p>As a general rule, FRI maintains a conservative loan-to-value, or LTV ratio, which is the ratio of (x) the aggregate principal amount of loans, investment corporation bonds and leasehold and security deposits to (y) the total assets of FRI's portfolio, and which FRI discloses with its fiscal period results; FRI has set 60% as its maximum LTV ratio; however, FRI's LTV ratio may fluctuate as a result of property acquisitions or other events.</p>
<p><b>Article 23(1) (b)</b></p>	
<p>Procedure by which the AIF may change its investment strategy / investment policy</p>	<p>Amendment of the articles of incorporation. Amendment requires a quorum of a majority of the total issued units and at least a two-thirds vote of the voting rights represented at the meeting. Unitholders should note, however that under the ITA and our articles of incorporation, unitholders who do not attend and exercise their voting rights at a general meeting of unitholders are deemed to be in agreement with proposals submitted at the meeting, except in cases where contrary proposals are also being submitted. Additionally, the guidelines of the AIFM, which provide more detailed policies within FRI's overall investment strategy and policy, can be modified without such formal amendment of the articles of incorporation.</p>
<p><b>Article 23(1) (c)</b></p>	
<p>Description of the main legal implications of the contractual relationship entered into for the purpose of investment, including jurisdiction, applicable law, and the existence or not of any legal instruments providing for the recognition and enforcement of judgments in the territory where the AIF is established</p>	<p>FRI has entered into the following agreements with its sponsor, Mitsui Fudosan Co., Ltd.:</p> <ul style="list-style-type: none"> <li>• Basic Agreement concerning Shopping Center (SC) Management;</li> <li>• Master lease agreement under which FRI leases properties to Mitsui Fudosan Co., Ltd. under a master lease agreement, and Mitsui Fudosan Co., Ltd. subleases such properties to subtenants;</li> <li>• Direct lease agreements with Mitsui Fudosan Co., Ltd. as tenant;</li> <li>• Purchase and sale agreements regarding certain FRI assets originally held by the sponsor, and other contracts with regard to such assets.</li> </ul> <p>All of the above agreements are governed by Japanese law.</p> <p>FRI is not involved in or threatened by any legal arbitration, administrative or other proceedings, the results of which might, individually or in the aggregate, be material.</p> <p>FRI is a corporate-type investment trust in the form of investment corporation (<i>toshi hojin</i>) provided for under the ITA. Therefore, the relationship between FRI and its unitholders is governed by FRI's articles of incorporation (as opposed to individual agreements), which can be amended from time to time upon resolution of a general unitholders' meeting. FRI's articles of incorporation stipulate rules relating to general unitholders meetings, including the convocation, setting of record date, exercise of voting rights, resolutions and election of FRI's directors.</p>

	<p>The relationship between FRI and its unitholders is also governed by, and is subject to the provisions of, Japanese law, including the ITA.</p> <p>The courts in Japan would recognize as a valid judgment any final and conclusive civil judgment for monetary claims (which, for this purpose, are limited to those of a purely civil nature and do not include monetary claims of the nature of criminal or administrative sanction, such as punitive damages, even though they take the form of civil claims) against FRI obtained in a foreign court provided that (i) the jurisdiction of such foreign court is admitted under the laws of Japan, (ii) FRI has received service of process for the commencement of the relevant proceedings, otherwise than by a public notice or any method comparable thereto, or has appeared without any reservation before such foreign court, (iii) neither such judgment nor the relevant proceeding is repugnant to public policy as applied in Japan, (iv) there exists reciprocity as to the recognition by such foreign court of a final judgment obtained in a Japanese court and (v) there is no conflicting judgement on the subject matter by any Japanese court.</p>
<p><b>Article 23(1) (d)</b></p>	
<p>The identity of the AIFM, AIF's depository, auditor and any other service providers and a description of their duties and the investors' rights thereto</p>	<ul style="list-style-type: none"> <li>• AIFM (Asset Manager): Mitsui Fudosan Frontier REIT Management Inc.</li> <li>• Auditor: Ernst &amp; Young ShinNihon LLC</li> <li>• Institutional administrator agent and Custodian: Sumitomo Mitsui Trust Bank, Ltd.</li> <li>• Accounting administrator agent: Heiseikaikeisha Tax Corporation</li> <li>• Transfer Agent: Sumitomo Mitsui Trust Bank, Limited</li> <li>• Fiscal and issuing/ paying agent : Sumitomo Mitsui Trust Bank, Ltd.</li> </ul> <p>Service providers owe contractual obligations under their respective agreements with the AIF or AIFM, as the case may be. In addition, the FIEA provides that an asset manager owes a J-REIT a fiduciary duty and must conduct its activities as the asset manager in good faith. The FIEA also prohibits an asset manager from engaging in certain specified conduct, including entering into transactions outside the ordinary course of business or with related parties of the asset manager that are contrary to or violate the J-REIT's interests. Pursuant to the ITA, the unitholders have the right to approve the execution or termination of the asset management agreement at a general meeting of unitholders.</p>
<p><b>Article 23(1) (e)</b></p>	
<p>Description of how the AIFM complies with the requirements to cover professional liability risks (own funds / professional</p>	<p>Not applicable.</p>



indemnity insurance)	
<b>Article 23(1) (f)</b>	
Description of any delegated management function such as portfolio management or risk management and of any safekeeping function delegated by the depositary, the identification of the delegate and any conflicts of interest that may arise from such delegations	Not applicable. There is no delegation of such functions beyond the AIFM, which is responsible for portfolio and risk management, and the Custodian, which is responsible for safekeeping activities.
<b>Article 23(1) (g)</b>	
Description of the AIF's valuation procedure and pricing methodology, including the methods used in valuing hard-to-value assets	<p>FRI makes investment decisions based on its investment strategies and in accordance with its articles of incorporation and based on the results of due diligence, including the valuation of properties and consideration of the property appraisal value. The methods and standards that FRI uses for the evaluation of assets are based on the Regulations Concerning the Calculations of Investment Corporations, as well as the Regulations Concerning Real Estate Investment Trusts and Real Estate Investment Corporations and other regulations stipulated by ITA, in addition to Japanese GAAP. J-REITs may only use the valuation methods prescribed in the rules of the Investment Trusts Association, Japan, which emphasize market price valuation.</p> <p>Regarding hard to value assets, such assets comprise tenant security deposits. Security deposits from tenants are not subject to fair value disclosure because they are not marketable, and actual deposit period is not estimable as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease contract. This makes a reasonable estimate of future cash flows difficult. Valuation of such hard to value assets is included in the notes to our financial statements.</p>

	<p>If asset valuation methods other than those mentioned in the paragraphs above are to be used in order to determine values for asset management reports, etc., valuation shall be conducted in the following manner.</p> <p>(1) Real estate, real estate leasehold rights and surface rights In principle, valuation shall be based on the appraisal by a real estate appraiser.</p> <p>(2) Trust beneficiary interests and equity interests in anonymous associations and voluntary associations Valuation shall be made by calculating the value of the equity interests in anonymous associations or voluntary associations in relation to real estate, real estate leasehold rights or surface rights, or the value of the trust beneficiary interests obtained by subtracting the amount of liabilities from the aggregate value of assets after (i) determining valuation as described in (1) above with respect to trust assets or the assets of anonymous associations composed of real estate, real estate leasehold rights or surface rights and (ii) determining valuation in accordance with general accepted accounting principles in Japan with respect to trust assets or the assets of anonymous associations or voluntary associations composed of financial assets.</p>
<b>Article 23(1) (h)</b>	
<p>Description of the AIF's liquidity risk management, including redemption rights in normal and exceptional circumstances and existing redemption arrangements with investors</p>	<p>FRI seeks to manage the capital resources and liquidity sources to provide adequate funds for current and future financial obligations and other cash needs and acquisitions. FRI has entered into credit lines in the amount of 15 billion yen as of December 31, 2017, and has entered into loans and has issued investment corporation bonds in the past. While loans and bonds are exposed to liquidity risk, such risk is managed by keeping the ratio of interest-bearing liabilities to total assets at a low level, as well as by diversifying fund procurement means, spreading out lending financial institutions and repayment dates, establishing commitment lines and securing liquidity on hand, and also by controlling risks by preparing monthly fund management plans.</p> <p>FRI is a closed-end investment corporation, and unitholders are not entitled to request the redemption of their investment.</p>
<b>Article 23(1) (i)</b>	
<p>Description of all fees, charges and expenses and a maximum amount which is directly / indirectly borne by</p>	<ul style="list-style-type: none"> <li>• Compensation:</li> </ul> <p>The articles of incorporation provide that the AIF may pay its executive and supervisory officers up to 800,000 yen and up to 500,000 yen per month, respectively. The board of officers is responsible for determining a reasonable compensation amount for the executive officer and each of the supervisory officers.</p>

the investors

- Asset Management Fee:

The AIF will pay the Asset Manager an asset management fee as follows:

Management Fees 1 – The amount equivalent to up to 0.3% per annum multiplied by total assets will be payable.

Management Fees 2 – The amount equivalent to up to 2% of operating income prior to deduction of Depreciation, Management Fees 1 and 2 as calculated on each closing date will be payable.

Acquisition/Disposition management Fee – In the event that Real Estate is newly acquired/disposed of, compensation equivalent to up to the total amount of the acquisition/disposition price of said Real Estate multiplied by 0.5% will, in principle, be payable, provided, however, that the applicable rate in a transaction with a related party will be 0.25%.

- Custodian Fee: The AIF will pay the Custodian as follows:

A monthly fee calculated as follows:

The amount of total assets as indicated at the end of the previous period x 0.03% ÷ 12

- Investor Registry Administrator Fee (Standard Fee):

Standard fees are for services such as the preparation, maintenance and storage of FRI's unitholder register; and preparation of materials concerning end-of-period unitholder statistical data (number of unitholders, total units held, distribution per geographic area).

Monthly standard fees are determined by calculating one sixth of the total number of unitholders falling under each section as shown below. There is a minimum monthly fee of ¥210,000.

Up to 5,000.....	86 yen
5,001 to 10,000.....	73 yen
10,001 to 30,000.....	63 yen
30,001 to 50,000.....	54 yen
50,001 to 100,000.....	47 yen
More than 100,001.....	40 yen

The rate for removal of a unitholder from the registry is 50 yen per person.

FRI also pays certain other fees in addition to the standard fee in connection with the administration and handling of distributions (minimum of 350,000 yen per distribution) and other shareholder related functions.

- Auditor Fee:

FRI may pay the accounting auditor up to ¥15 million per fiscal period. The board of officers is responsible for determining the compensation amount for the accounting auditor.

- Accounting Service Fee:

A monthly fee calculated as follows:

The sum of one twelfth of a yearly flat fee of up to ¥30 million and an amount equal to a variable amount of up to ¥100,000 multiplied by the number of properties at the end of the month in excess of a base number of properties.

- Institutional administrator agent fees

FRI will pay institutional administrator agent fees as follows:

A flat fee of 200,000 yen per month for services related to the board of officers meeting and a flat fee of 1,200,00 yen per event for services related to the meeting of unitholders

- Miscellaneous

FRI also pays fees to certain service providers in connection with:

- Administration of special accounts;
- REIT office management;
- Property control;
- Property transfer;
- Referral of tenants;
- Property maintenance, improvement and other related services;
- Tax administration; and
- Administration for investment corporation bonds.

### Article 23(1) (j)

Description of the AIFM's procedure to ensure fair treatment of investors and details of any preferential treatment received by investors, including detailing the type of investors and their legal or economic

Under Article 77 paragraph 4 of the ITA, which applies the requirements of Article 109 paragraph 1 of the Companies Act to investment corporations, investment corporations are required to treat unitholders equally depending on the number and content of units held. In addition, upon liquidation, the allotment of residual assets to unitholders is required to be made equally depending on the number units held under Article 77 paragraph 2 item 2 and Article 158 of the ITA.

links with the AIF or AIFM																									
<b>Article 23(1) (k)</b>																									
The latest annual report referred to in Article 22(1)	Additional information may be found in our most recent semi-annual report prepared in accordance with Article 22 of the AIFMD, which is available at the Asset Manager's office located at Kojun Building, 6th Floor, 6-8-7 Ginza, Chuo-ku, Tokyo 104-0061.																								
<b>Article 23(1) (l)</b>																									
The procedure and conditions for the issue and sale of the units	FRI is authorized under the articles of incorporation to issue up to 4 million units. Its units have been listed on the Tokyo Stock Exchange since August 2004. Secondary market sales and transfers of units will be conducted in accordance with the rules of the Tokyo Stock Exchange. Unit prices on the Tokyo Stock Exchange are determined on a real-time basis by the equilibrium between bids and offers. The Tokyo Stock Exchange sets daily price limits, which limit the maximum range of fluctuation within a single trading day. Daily price limits are set according to the previous day's closing price or special quote.																								
<b>Article 23(1) (m)</b>																									
Latest net asset value of the AIF or latest market price of the unit or share of the AIF	FRI's unit's latest market price is publicly available at the Tokyo Stock Exchange or from financial information vendors at <a href="http://www.reuters.com/finance/stocks/overview?symbol=8964.T">http://www.reuters.com/finance/stocks/overview?symbol=8964.T</a>																								
<b>Article 23(1) (n)</b>																									
Details of the historical performance of the AIF, where available	<p>The units of FRI were listed on the Tokyo Stock Exchange in August 2004.</p> <p>The most recent five fiscal periods performance of the units is as follows.</p> <table border="1"> <thead> <tr> <th>Fiscal period (six months ended)</th> <th>Total Assets (JPY millions)</th> <th>Total Net Assets (JPY millions)</th> <th>Net Assets per unit (base value) (JPY)</th> </tr> </thead> <tbody> <tr> <td>December 31, 2017</td> <td>272,792</td> <td>151,811</td> <td>306,072</td> </tr> <tr> <td>June 30, 2017</td> <td>274,826</td> <td>151,750</td> <td>305,948</td> </tr> <tr> <td>December 31, 2016</td> <td>274,263</td> <td>151,691</td> <td>305,829</td> </tr> <tr> <td>June 30, 2016</td> <td>267,353</td> <td>151,587</td> <td>305,620</td> </tr> <tr> <td>December 31, 2015</td> <td>268,098</td> <td>151,928</td> <td>306,307</td> </tr> </tbody> </table> <p>A two for one split of investment units has been implemented with January 1, 2014 as the effective date. Net Assets per unit are calculated based on the assumption that the investment unit had been split at the beginning of the previous fiscal period.</p>	Fiscal period (six months ended)	Total Assets (JPY millions)	Total Net Assets (JPY millions)	Net Assets per unit (base value) (JPY)	December 31, 2017	272,792	151,811	306,072	June 30, 2017	274,826	151,750	305,948	December 31, 2016	274,263	151,691	305,829	June 30, 2016	267,353	151,587	305,620	December 31, 2015	268,098	151,928	306,307
Fiscal period (six months ended)	Total Assets (JPY millions)	Total Net Assets (JPY millions)	Net Assets per unit (base value) (JPY)																						
December 31, 2017	272,792	151,811	306,072																						
June 30, 2017	274,826	151,750	305,948																						
December 31, 2016	274,263	151,691	305,829																						
June 30, 2016	267,353	151,587	305,620																						
December 31, 2015	268,098	151,928	306,307																						
<b>Article 23(1) (o)</b>																									
Identity of the	Not applicable.																								

<p>prime broker, any material arrangements of the AIF with its prime brokers, how conflicts of interest are managed with the prime broker and the provision in the contract with the depository on the possibility of transfer and reuse of AIF assets, and information about any transfer of liability to the prime broker that may exist</p>	
<p><b>Article 23(1) (p)</b></p>	
<p>Description of how and when periodic disclosures will be made in relation to leverage, liquidity and risk profile of the assets, pursuant to Articles 23(4) and 23(5)</p>	<p>The AIFM will disclose the matters described in Articles 23(4) and 23(5) periodically through the AIF Internet website and semi-annual report.</p>
<p><b>Article 23(2)</b></p>	
<p>The AIFM shall inform the investors before they invest in the AIF of any arrangement made by the depository to contractually discharge itself of</p>	<p>Not applicable.</p>

liability in accordance with Article 21(13)	
The AIFM shall also inform investors of any changes with respect to depositary liability without delay	Not applicable.

**Article 23(4)(a)**

Percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature. The percentage shall be calculated as the net value of those assets subject to special arrangements divided by the net asset value of the AIF concerned	There are no assets that are subject to special arrangements arising from their illiquid nature.
Overview of any special arrangements, including whether they relate to side pockets, gates or other arrangements	There are no such special arrangements.
Valuation methodology applied to assets which are subject to such arrangements	There are no such special arrangements.
How management and performance fees apply to such assets	There are no such special arrangements.

**Article 23(4)(b)**

Any new arrangements for managing the liquidity of the AIF	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.
For each AIF that the AIFM manages that is not an unleveraged closed-end AIF, notify to investors whenever they make changes to its liquidity management systems (which enable an AIFM to monitor the liquidity risk of the AIF and to ensure the liquidity profile of the investments of the AIF complies with its underlying	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.

<p>obligations) that are material in accordance with Article 106(1) of Regulation (EU) No 231/2013 (ie. there is a substantial likelihood that a reasonable investor, becoming aware of such information, would reconsider its investment in the AIF, including because such information could impact an investor’s ability to exercise its rights in relation to its investment, or otherwise prejudice the interests of one or more investors in the AIF).</p>	
<p>Immediately notify investors where they activate gates, side pockets or similar special arrangements or where they decide to suspend redemptions</p>	<p>Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.</p>
<p>Overview of changes to liquidity arrangements, even if not special arrangements</p>	<p>Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.</p>
<p>Terms of redemption and circumstances where management discretion applies, where relevant</p>	<p>FRI is a closed-end investment corporation, and unitholders are not entitled to request the redemption of their investment.</p>
<p>Also any voting or other restrictions exercisable, the length of any lock-up or any provision concerning ‘first in line’ or ‘pro-rating’ on gates and suspensions shall be included</p>	<p>There are no voting or other restrictions on the rights attaching to units.</p>
<p><b>Article 23(4)(c)</b></p>	
<p>The current risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks</p>	<p>The appropriateness and effectiveness of the risk management structure are regularly evaluated and enhanced by the AIFM.</p> <p>Deposits are exposed to risks of failure of the financial institution holding the deposit and other credit risks, but FRI manages credit risk by restricting the term of the deposit to relatively short periods and setting a minimum credit rating requirement for the deposit-taking financial institutions, along with taking heed of security by depositing an amount that is no more than</p>



	<p>the total amount of borrowings from each of the financial institutions that are holding the deposits.</p> <p>Funds from debts and investment corporation bonds are mainly used for asset acquisition or debt repayment, etc. While floating-rate short- and long-term loans are exposed to the risk of interest rate hike, the impact that interest rate rises have on operations is limited by maintaining the proportion of debt that is long-term fixed-rate debt at high levels, and setting a procurement limit depending on the economic and financial environment and other factors.</p> <p>Furthermore, derivative transactions (interest rate swap transactions) are available as hedging instruments to mitigate the risks of rises in floating interest rates.</p> <p>Tenant security deposits are exposed to liquidity risk arising from vacating of properties by tenants due to the termination of contract.</p> <p>FRI limits the liquidity risks by keeping the ratio of liabilities to total assets including tenant and security deposits at a low level, as well as, similarly with borrowings and other risks mentioned above, diversifying fund procurement means, establishing commitment lines and securing liquidity on hand, and also controls risks by preparing monthly fund management plans.</p>
<p>Measures to assess the sensitivity of the AIF's portfolio to the most relevant risks to which the AIF is or could be exposed</p>	<p>No such measures have been implemented.</p>
<p>If risk limits set by the AIFM have been or are likely to be exceeded and where these risk limits have been exceeded a description of the circumstances and the remedial measures taken</p>	<p>No such situation has occurred.</p>
<p><b>Article 23(5)(a)</b></p>	
<p>Any changes to the maximum amount of leverage which the AIFM may employ on behalf of the AIF,</p>	<p>Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.</p>

calculated in accordance with the gross and commitment methods. This shall include the original and revised maximum level of leverage calculated in accordance with Articles 7 and 8 of Regulation (EU) No 231/2013, whereby the level of leverage shall be calculated as the relevant exposure divided by the net asset value of the AIF.	
Any right of the reuse of collateral or any guarantee granted under the leveraging agreement, including the nature of the rights granted for the reuse of collateral and the nature of the guarantees granted	No such right or guarantee exists.
Details of any change in service providers relating to the above.	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.
<b>Article 23(5)(b)</b>	
Information on the total amount of leverage employed by the AIF calculated in accordance with the gross and commitment methods	The aggregate amount of debt with interest is JPY 85,400 million as of December 31, 2017.