

Translation Purpose Only

July 15, 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.
Hiroshi Tanaka
Chief Executive Officer and Representative Director

Inquiries:
Mitsui Fudosan Frontier REIT Management Inc.
Akiko Kaito
Chief Finance Officer and Director
Tel: +81-3-3289-0440

Notice Concerning Acquisition of Investment Asset
(Mitsui Shopping Park LaLaport SHIN-MISATO (Main building): additional acquisition)

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 additional acquisition of 50% co-ownership (the "Acquisition") of Mitsui Shopping Park LaLaport SHIN-MISATO (Main Building) (the "Property") of which 16% co-ownership belongs to the Investment Corporation on July 15, 2016 as described below. Co-ownership of the property substantially owned by the Investment Corporation will be 66% with the Acquisition. Since the seller in the acquisition falls under the category of "Interested Parties" set forth in the Interested-Party Transaction Regulations of the Asset Management Company, the consent of the Investment Corporation based on the approval of the Investment Corporation's Board of Directors meeting held on July 14, 2016 had been acquired pursuant to the Interested-Party Transaction Regulations.

1. Acquisition Details

- (1) Type of Acquired Asset: Co-ownership of real estate (Trust beneficiary rights in a real estate property)*
- (2) Property Name: Mitsui Shopping Park LaLaport SHIN-MISATO (Main Building) (Co-ownership 50%)
- (3) Planned Acquisition Price: ¥15,100 million (Land: ¥10,570 million, Building: ¥4,530 million) **
- (4) Contract Date: July 15, 2016
- (5) Planned Acquisition Date: August 10, 2016
- (6) Seller: SHIN-MISATO Development 3 TMK ***
- (7) Acquisition Financing: Self-financing and borrowings ****
- (8) Payment Method: Payment at the time of delivery

* While the acquired asset is an actual real estate as of the contract date, the seller has agreed to change the 50/100 co-ownership of the asset to trust beneficiary interest by the acquisition date at its own responsibility. Moreover, the trust beneficiary interests are trust beneficiary interests concerning the acquired parts and individual trust beneficiary interests based on the same trust agreement. However, the number of trust beneficiary rights owned by the Investment Corporation after the acquisition will be integrated as one, the same as before the acquisition, since it will be consolidated with trust beneficiary interests concerning the acquired parts after the acquisition.

** Acquisition Price amount does not include acquisition cost, real property tax, city planning tax, consumption tax, etc.

*** For details regarding seller's profile, please see Item 5 in the following section.

**** Matters concerning borrowing of funds in line with the acquisition of trust beneficiary rights in a real estate property will be announced after details are decided.

2. Rationale

The proposed acquisition of the Properties is in line with the Investment Corporation's "basic asset management policy" and "investment stance" as provided in its Articles of Incorporation. In its decision to acquire the Properties, the Asset Management Company considered, inter alia, the following factors:

(1) Surrounding areas

Misato City, Saitama, where the properties planned to be acquired, is located approximately 20 km from central Tokyo and has seen successive development of large-scale danchi (housing complexes) serving as a commuter town for Tokyo along with nearby Nagareyama City and Koshigaya City since mid-1970's. With the opening of Tsukuba Express in 2005 connecting to JR Musashino Line at Minami-Nagareyama Station, convenience of areas along JR Musashino Line enhanced overnight promoting rapid housing development in the surrounding areas again.

(2) Location and trading area

The Properties are located in front of Shin-Misato Station on the JR Musashino Line and serve as core facilities for Shin-misato LaLacity, a large-scale mixed-use town comprised of retail, residential, logistics facilities mainly redeveloped by Mitsui Fudosan Co., Ltd. on the approximately 50ha former site of the Musashino Soshajo yard for freight trains that closed down in 1986. The Properties, along with LaLaport SHIN-MISATO Annex which the Investment Corporation owned, as well as IKEA Shinmisato, etc., stand in the front of Shin-Misato Station, forming one of the largest commercial clusters in the North Kanto area.

In addition to ongoing housing development by Mitsui Fudosan Residential Co., Ltd. in Shin-misato LaLacity, housing development is also progressing in the surrounding area of adjacent Yoshikawaminami Station on the JR Musashino Line, which opened in 2013, and current trade area population is on the rise. The location of the Properties is also quite advantageous for large-scale retail facilities that target wide trade areas since it is close to Joban Expressway Misato Interchange and Tokyo-Gaikan Expressway Misato-nishi Interchange.

(3) Facilities

The property is a regional shopping center opened in September 2009 and operated by Mitsui Fudosan Co., Ltd., composed of 180 stores owned by various tenants such as popular fast fashion including H&M, HOLLISTER and ZARA, along with Nitori, Edion, Akachan Honpo, MUJI and Round One. The second floor is a pedestrian deck directly connected to Shin-Misato Station and also functions as a station building. The trade area population is sufficient at 100,000 within a 3km radius and 300,000 within a 5km radius. Renovation of 44 new stores and 22 refurbished stores including the establishment of a kid's area and renewal of food court was implemented from September to November 2015 by Mitsui Fudosan Co., Ltd., the master lessee, and the facility's competitiveness was maintained and enhanced.

3. Property Details

(1) Real Estate Details

Type of Acquisition Asset		Trust beneficiary rights in a real estate property
Location (registered indication)		3-1-5 LaLa City, Shin-Misato, Misato-City, Saitama
Land	Lot Area	85,153.29m ² (registered)
	Use	Commercial district
	Plot Ratio	200%
	Building to Land Ratio	80%
	Ownership	Co-ownership of property ownership (50/100)
Building	Structure / Number of Floors	Steel-framed reinforced concrete, flat roof construction with aluminum roofing / One below-ground and four above-ground floors, Steel-framed, flat roof construction / Five above-ground floors, Steel-framed, flat roof construction / Six above-ground floors (registered)
	Construction Completed	August 6, 2009
	Gross Floor Area	136,161.36m ² (registered)
	Use	Retail, amusement center and parking
	Ownership	Co-ownership of property ownership (50/100)
Architect		The Zenitaka Corporation First-Class Architect Office
Builders		The Zenitaka Corporation
Inspection Agency		Japan Constructive Inspect Association

Planned Acquisition Price	¥15,100 million
Appraisal Value	¥15,100 million
Appraiser	Japan Real Estate Institute
Probable Maximum Loss (PML)	11%
Collateral	None
Note	The trustee and the Investment Corporation have exchanged a letter of agreement with SHIN-MISATO Development 3 TMK, a co-owner, (the "Letter of Agreement between the Co-Owners"). According to the Letter of Agreement between the Co-Owners, when either of the co-owners is to transfer its co-ownership in whole or in part, and when the Investment Corporation is to transfer its trust beneficiary rights on the co-ownership in whole or in part, they are to preferentially make an offer to the co-owner before other parties, and if such parties wish to make the acquisition, negotiations are to preferentially take place with the co-owner. Moreover, claims on division of co-ownership parts shall not be made for five years from the effective date (April 1, 2015) of the Letter of Agreement between the Co-Owners (however, there is no registration).

(2) Lease Details

Lessor	SHIN-MISATO Development 3 TMK and Mitsubishi UFJ Trust and Banking Corporation
Lessee	Mitsui Fudosan Co., Ltd.
Type of Contract	Building lease contract
Contract Term	20 years (till March 31, 2035)
Annual Rent	¥1,776 million (fixed rent) + sales-linked rent
Termination during the Contract Term	May not be terminated for 5 years
Rent revision	May not be revised for 10 years
Security Deposit	¥586.08 million (only for section owned by the Investment Corporation) **
Guarantee Deposit	None
Number of Tenants	1
Total Leasable Floor Space	142,315.54m ²
Total Leased Floor Space	142,315.54m ²
Occupancy Rate	100 % (Total Leased Space/Total Leasable Space)

*Annual rent, total leasable floor space and total leased floor space are those of the entire property (100%) before taking into account the co-ownership.

** The amount that corresponds to 66% co-ownership which is substantially owned by the Investment Corporation including the acquired parts. The changes in the terms of leasing due to the acquisition are only the changes (increase) in the amount of security deposit. There are no changes in the terms of contract due to the acquisition.

4. The Significance of the Acquisition

The acquisition of the Properties is based on the Investment Corporation's investment policy, the objective of which is to ensure stable earnings over the medium to long term. The acquisition of the Properties will expand the asset size of the Investment Corporation and maintain and improve the quality of the existing portfolio by diversifying and decentralizing the portfolio.

5. Seller Profile

Company Name	SHIN-MISATO Development 3 TMK
Address of Head Office	1-4-1 Nihonbashi, Chuo-ku, Tokyo
Representative	Makoto Sugai, Director
Share Capital	¥4,548.1 million
Major Shareholder	Specified equity member: SHIN-MISATO Development Ippan Shadan Hojin Preferred equity member: Mitsui Fudosan Co., Ltd.
Principle Business	Operations related to takeover, management and disposal of specified asset complying with asset liquidation plan based

	on asset liquidation laws
Relationship with the Investment Corporation or the Asset Management Company	
Capital Relationship	The seller is a special purpose company to which Mitsui Fudosan Co., Ltd, the parent company of the Asset Management Company, makes a preferred equity investment.
Personnel Relationship	Not applicable
Business Relationship	There are no business relationships to be described between SHIN-MISATO Development 3 TMK and the Investment Corporation and/or the Asset Management Company. The Investment Corporation has concluded commissioning agreement concerning accounting, etc. with another tax accountant corporation at which a managing director of the said company, who is a certified public accountant, serves as a representative partner.
Status of Classification as Related Party	SHIN-MISATO Development 3 TMK does not constitute a related party of the Investment Corporation. The company is a special purpose company to which Mitsui Fudosan Co., Ltd, the 100% parent company of the Asset Management Company, makes a preferred equity investment.

6. Status of Property Owner

Property Name (Location)	Mitsui Shopping Park LaLaport SHIN-MISATO (3-1-5 LaLa City Shin-Misato, Misato-City, Saitama)	
Status of Property Owner	Previous Owner/Beneficial Owner	Owner/Beneficial Owner before the Previous Owner/Beneficial Owner
Name of Company	SHIN-MISATO Development 3 TMK	Not a related party
Relationship with Interested Parties	A special purpose company to which Mitsui Fudosan Co., Ltd, the parent company of the Asset Management Company, makes a preferred equity investment.	—
Background and Purpose of Acquisition	For the purpose of development	—
Acquisition Price*	—	—
Acquisition Date	August 6, 2009 (newly built) July 20, 2006 (Land)	—

*Undisclosed as the previous owner has owned the property for over a year.

7. Broker Profile

Not applicable

8. Interested-Party Transaction

Since the seller of the Properties falls under the category of “Interested Parties” set forth in the Interested-Party Transaction Regulations of the Asset Management Company, the consent of the Investment Corporation based on the approval of the Investment Corporation’s Board of Directors meeting held on July 14, 2016 had been acquired following the deliberation and resolution of the Compliance Committee meeting held on July 14, 2016, and the conclusion of the contract was resolved by the Asset Management Company at the Board of Directors meeting held on July 15, 2016, pursuant to the Interested-Party Transaction Regulations.

Regarding the execution of contracts concerning the changes in building lease contract due to the acquisition, since Mitsui Fudosan Co., Ltd. falls under the category of the “Interested Parties” set forth in the Interested-Party Transaction Regulations of the Asset Management Company, the contracts are concluded following the same procedure and decision.

9. Outlook

For the impact of the acquisition of the Properties on the operating forecasts for the 25th fiscal period

ending December 31, 2016, please refer to the “Notice Concerning Operating Forecasts for the Fiscal Period ending December 31, 2016” also released today.

10. Summary of Property Appraisal

Property Name	Mitsui Shopping Park LaLaport SHIN-MISATO (Co-ownership 50%)
Appraisal Value	¥15,100,000,000
Appraiser	Japan Real Estate Institute
Date of Appraisal	June 30, 2016

Item	Content	Remarks
Indicated Value by Income Approach (after taking into account the co-ownership, equivalent to 50%)	¥ 15,100,000,000	
Indicated Value by Income Approach (before taking into account the co-ownership)	¥ 30,200,000,000	Calculated making correlation to the indicated value by income approach obtained by the DCF method and the indicated value by income approach obtained by the direct-reduction method.
Direct-Reduction Method Value	¥ 30,200,000,000	
Net Operating Income	¥ 1,776,000,000	
Effective Gross Income	¥ 1,776,000,000	Recorded rent income, etc. based on the current terms of lease agreement while taking into account the terms of lease agreement and rent-bearing capability of tenants, etc.
Loss from Vacancy, etc.	¥ 0	Not recorded taking into account the status of the lessee, competitiveness as a retail facility, contents of lease agreement, etc.
Operational Cost	¥ 278,614,000	
Maintenance and Management Fee	¥ 0	Not recorded as the property is leased in its entirety as a retail facility and routine management and operation are conducted by the lessee.
Utility Cost	¥ 0	Not recorded as borne by the lessee.
Repair Cost	¥ 55,626,000	Recorded considering the future management/operation plans, levels of similar real estate and the average annual repair costs stated in the engineering report.
Property Management Fee	¥ 35,520,000	Upon assessing the PM fee, a fee to be paid to the commissioned company which sums up works such as tenant management and building management, fee rates for similar real estate, individual characteristics of the subject real estate, etc. are considered with reference to fee rates based on the terms of agreement, etc.
Leasing Cost, etc.	¥ 0	Expenses for brokerage, advertisement, etc. required for leasing activities are not recorded as the property is leased in its entirety as a retail facility under a long-term lease agreement.
Taxes and Public Dues	¥ 183,980,000	Assessed based on the materials about tax and public dues.
Insurance Premium	¥ 3,488,000	Recorded considering insurance premium based on the estimate and insurance premium rates of the subject

Item		Content	Remarks
			building and similar buildings.
	Other Expenses	¥0	There are no expenses to be recorded as other expenses.
	Net Operating Income	¥1,497,386,000	
	Operating Profit on Lump-Sum Payments	¥17,760,000	Calculated by multiplying the amount of security deposit, which is lump-sum payment temporarily in hand, stated in the terms of the lease agreement by the yield.
	Capital Expenditure	¥36,387,000	Renewal costs required for maintaining functions of the building actually arise irregularly. However, capital expenditure is assessed with assumption that the average amount of expected expenditure is saved every fiscal period while taking into account the level of capital expenditure at similar real estate, building age, the average annual renewal costs stated in the engineering report, etc.
	Net Income	¥1,478,759,000	
	Cap Rate	4.9%	Assessed taking into account the future uncertainty, transaction yield of similar real estate, result of interviews with investors, etc., based on the yield of real estate which is considered to possess least risks. Competitiveness as a retail facility including its location, building conditions (building age, total floor area, level of facilities, etc.) and lease conditions, etc. of the target property as well as spread due to other conditions (rights relation of the land and building, etc.) are also considered.
	DCF Value	¥30,100,000,000	
	Discount Rate	4.6%	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	5.0%	Assessed taking into account the future trends of investment yield, risks of the target property as an investment target, general outlook for future economic growth rate, trends of real estate prices and rents, etc. comprehensively, with reference to investment yields, etc. of similar real estate.
	Indicated Value by Cost Approach	¥40,400,000,000	
	Land Ratio	70.0%	
	Building Ratio	30.0%	
Other Matters of Consideration		None	

Attachments

1. Map Indicating Location of the Property / Photographs of the Property
2. Overview of the Investment Portfolio following the Acquisition of the Property

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: <http://www.frontier-reit.co.jp/eng/>

1. Map Indicating Location of the Property / Photographs of the Property

■ Wide Area



■ Surrounding Area



■ Neighborhood Area



■ Photographs of the Property



■ Kid's space established through a large-scale renovation in 2015 and kid's room inside the food court



Attachment 2: Overview of the Investment Portfolio following the Acquisition of the Property

Property Name	Location	(Planned) Acquisition Date	(Planned) Acquisition Price (Millions of yen)*	Percentage of Portfolio (%) **
AEON Shinagawa Seaside Shopping Center	Shinagawa-City, TOKYO	August 9, 2004	20,100	7.0%
AEON MALL Ibaraki	Ibaraki City, OSAKA	August 9, 2004	18,100	6.3%
Papillon Plaza	Fukuoka City, FUKUOKA	August 9, 2004	4,810	1.7%
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	0.7%
AEON Mall NAGOYADOME-mae	Nagoya City, AICHI	March 23, 2006	24,800	8.6%
Summit Store Takinogawa Momiji-bashi	Kita-City, TOKYO	September 29, 2006	3,100	1.1%
(Provisional name) Homecenter Kohnan Hiroshima-Shi Minami-Machi (land interest)	Hiroshima City, HIROSHIMA	April 13, 2007	1,940	0.7%
Frespo Tosu (land interest)	Tosu City, SAGA	November 8, 2007	3,178	1.1%
You Me Town Hiroshima	Hiroshima City, HIROSHIMA	February 19, 2008	23,200	8.0%
Queen's Isetan Suginami-momoi	Suginami-City, TOKYO	July 4, 2008	3,560	1.2%
Mitsui Outlet Park Iruma	Iruma City, SAITAMA	July 10, 2008	19,900	6.9%
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	4.0%
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	1.3%
Mitsui Shopping Park LaLaport IWATA	Iwata City, SHIZUOKA	July 2, 2010	15,200	5.3%
GINZA GLASSE	Chuo-City, TOKYO	July 2, 2010	13,600	4.7%
Shimura Shopping Center	Itabashi-City, TOKYO	January 18, 2011	4,430	1.5%
Mitsui Shopping Park LaLagarden KASUKABE	Kasukabe City, SAITAMA	February 16, 2011	10,000	3.5%
Summit Store Yokohama Okano (land interest)	Yokohama City, KANAGAWA	February 24, 2012	5,700	2.0%
VIORO	Fukuoka City, FUKUOKA	February 28, 2012	10,100	3.5%
QANAT Rakuhoku	Kyoto City, KYOTO	July 4, 2012	8,800	3.0%
Ikebukuro Square	Toshima-City, TOKYO	February 1, 2013	20,400	7.1%
Mitsui Shopping Park ALPARK (East Building)	Hiroshima City, HIROSHIMA	February 19, 2013	5,400	1.9%
Kohnan Kawasaki-Odasakae Mall (Land interest)	Kawasaki City, KANAGAWA	January 31, 2014	7,000	2.4%
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	3.0%
Mitsui Shopping Park LaLaport SHIN-MISATO (main building)***	Misato City, SAITAMA	April 1, 2015 August 10, 2016 (planned to be acquired)	19,840	6.9%
Costco Wholesale Warehouse Shin-misato (land interest)	Misato City, SAITAMA	April 1, 2015	3,810	1.3%
KOJIMA × BIC CAMERA Naha Store	Naha City, OKINAWA	January 25, 2016	1,850	0.6%
Total			289,088	100.0

* Acquisition Price amounts are rounded down to the nearest millions in yen.

** Percentage of Portfolio figures are based on Planned Acquisition Price and are rounded to the nearest first decimal place.

*** Co-ownership (trust beneficiary interest) will be 66% with the additional acquisition of Mitsui Shopping Park LaLaport SHIN-MISATO.