

October 10, 2014

**To All Concerned Parties**

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Notice Concerning Implementation of Renovation at AEON Ibaraki Shopping Center, and Cancellation of Existing Lease Contract by Mutual Consent and Execution of New Contract for the Property

Frontier Real Estate Investment Corporation (the "Investment Corporation") hereby announces that it has agreed with AEON Retail Co., Ltd. ("AEON Retail"), the tenant of AEON Ibaraki Shopping Center owned by the Investment Corporation (the "Property"), regarding implementation of large-scale renovation for the Property, cancellation of the existing lease contract with AEON Retail by mutual consent and execution of the new contract. Details are provided below.

1. Background and Purpose of the Agreement

With approximately 13 years passing since the opening of AEON Ibaraki Shopping Center, sales at the Property have continued to remain strong to date. However, AEON Retail and the Investment Corporation have decided to jointly implement large-scale renovation of the Property to respond to changes in the surrounding environment and further maintain and enhance the facility's competitiveness.

It has also been decided to shift the current ordinary lease agreement with AEON Retail to a fixed-term building lease contract, subject to completion of the said renovation as a condition precedent, in order to extend the lease period and stabilize rental revenue, while working to capitalize on future growth potential by newly introducing sales-linked rent.

## 2. Overview of the Agreement

### <Large-scale renovation>

Schedule	Renewal opening scheduled for the spring of 2015
Overview	The Investment Corporation will bear the renovation work expenses in accordance with its due portion, envisaging 800 million yen. The Investment Corporation plans to collect the work expenses through the investment-linked rent described below.

### < New fixed-term building lease contract>

Tenant	AEON Retail Co., Ltd.
Contract type	Fixed-term building lease contract
Contract period	20 years from the renewal opening date
Annual rent	Fixed rent: 1,455 million yen *In addition to the above fixed rent, sales-linked rent that varies in accordance with the tenant's sales as well as investment-linked rent in accordance with the renovation investment amount will be charged.
Rent revision	No upward or downward revision will be made to the fixed rent and investment-linked rent
Midterm cancellation	Cancellation of the contract will not be allowed in principle for the first 10 years. Cancellation will be admitted in the 11th year and afterward by paying a certain amount of cancellation penalty.
Tenant deposits	5,363 million yen
Remarks	<ul style="list-style-type: none"><li>• The tenant possesses a right to preferentially negotiate for re-contracting after expiration of the contract period.</li><li>• The tenant possesses a right to preferentially purchase the Property if the Investment Corporation puts it on sale.</li></ul>

The agreement will give no impact on the operating results of the Investment Corporation for the fiscal period ending December 2014, causing no revision to the forecast operating results for the fiscal period.

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

#### Disclaimer

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