

Translation Purpose Only

October 22, 2018

To All Concerned Parties

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Notice Concerning Execution of Basic Agreement on Renovation of Papillon Plaza

Frontier Real Estate Investment Corporation (the "Investment Corporation") announces that it has signed a Basic Agreement with Daiwa Lease Co., Ltd. ("Daiwa Lease") on the work to renovate Papillon Plaza (the "Property"), one of the Investment Corporation's properties, as part of its internal growth strategy.

1 . Background and Purpose

Since the Property was acquired in August 2004, it has been steadily operated, but as the lease agreements with the master lessee and others are nearing their end in April 2019, and taking into account the age of the existing buildings (approximately twenty-five years have passed since they were completed in November 1993) and changes in the external environment, the Investment Corporation examined the various possibilities for the Property's operation after these lease agreements expire.

As a result of these considerations, the Investment Corporation concluded that, to raise the competitiveness and profitability of the Property into the future, the best scenario for the Property's operation would be to transfer the existing buildings (excluding some buildings; same below) on the Property's site to a third party, which would construct new buildings on the site (renovation work), after which the Investment Corporation would acquire the new buildings after completion and lease them, or lease the land interest to the third party holding the new buildings after completion (hereafter abbreviated as "renovation project").

In pursuing this renovation project, the Investment Corporation solicited proposals from several firms and considered these proposals. As a result of this process, Daiwa Lease was selected as the partner for this renovation project and the Basic Agreement was signed with Daiwa Lease laying out this arrangement.

The Property's renovation allows the Investment Corporation to avoid the risks involved in the construction of the new buildings (renovation work), and would get a chance to add newly built commercial facilities with highly stable revenue to the Investment Corporation's investment assets.

2 . Schedule for renovation project (see Note)

October 2018 Basic Agreement concluded

April 2019	Contract on transfer of existing buildings signed and transfer and contract for the use of the relevant part to be concluded
June 2019	Work on new buildings to begin
February 2020	New buildings to be completed
March 2020	New buildings to open for business

(Note) This schedule is current as of this point, but may be changed or cancelled in the future.

3 . Overview of Basic Agreement

Co-signatory	Daiwa Lease Co., Ltd.
Description of agreement	<ul style="list-style-type: none"> • The existing buildings will be transferred from the Investment Corporation to Daiwa Lease on the premise that the building certification for the newly constructed buildings will be acquired and a certification of confirmation will be granted (see Notes 1 and 2). • Daiwa Lease will demolish existing buildings, construct new buildings on the site, and begin operations. • The Investment Corporation or trustee will provide the Property's land for use by Daiwa Lease for the purpose of constructing new buildings. • The Investment Corporation has preferential negotiating rights for the purpose of acquiring the new buildings from Daiwa Lease after the new buildings are completed (see Note 1). • If the Investment Corporation acquires the new buildings from Daiwa Lease, the Investment Corporation or trustee will lease the new buildings to Daiwa Lease. • If it is determined that it is difficult for the Investment Corporation to acquire the new buildings, the Investment Corporation or trustee will set fixed-term land leaseholds for the Property's land so that the Property's land can be leased to Daiwa Lease. • In the event that the new buildings are not constructed for reasons attributable to either of the parties, the party responsible shall pay compensation and reparation for the damages and losses suffered by the other party as a result of the failure to construct the new buildings.

Notes: 1. The content in this Basic Agreement concerning the transfer of existing buildings and the acquisition of new buildings is no more than a confirmation and agreement of basic intentions, and neither the Investment Corporation nor Daiwa Lease is required to buy or sell the existing buildings or the new buildings. Accordingly, this Basic Agreement is not a forward commitment (a forward-dated sale and purchase agreement in which settlement and delivery of the property is made at least one month after the date of the agreement, or similar agreements), but in the event that the new buildings are not constructed for reasons attributable to either of the parties, the party responsible shall pay compensation and reparation for the damages and losses suffered by the other party as a result of the failure to construct the new buildings.

2. Under the terms of the Basic Agreement, this transfer consists of the transfer of trust beneficiary rights.

4 . Overview of counter-party to Basic Agreement

Company name	Daiwa Lease Co., Ltd.
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Address of head office	2-1-36 Noninbashi, Chuo-ku, Osaka City, Osaka
Representative	Shunsaku Morita, President
Capital	21,768,382,519 yen (as of September 1, 2018)
Established	July 29, 1947
Net assets	146,528 million yen (as of March 31, 2018)
Total assets	452,995 million yen (as of March 31, 2018)
Major shareholders and ownership ratio	Daiwa House Co., Ltd. (100%) (as of March 31, 2018)
Business	Prefabricated industrial buildings business, retail facility leasing business, environmental greening business, leasing solutions business
Relationship with the Investment Corporation and/or the Asset Management Company	
Capital relationship	There is no capital relationship to report between the Investment Corporation or Asset Management Company and the said company. There is no capital relationship to report between related parties or affiliates of the Investment Corporation or Asset Management Company and the said company.
Personal relationship	There is no capital relationship to report between the Investment Corporation or Asset Management Company and the said company. There is no personal relationship to report between related parties or affiliates of the Investment Corporation or Asset Management Company and the said company.
Business relationship	The said company is the lessee of Frespo Tosu (land interest), an asset held by the Investment Corporation, and the Investment Corporation has a business leasehold agreement for this property with the said company.
Status of classification as related parties	The said company is not considered a related party of the Investment Corporation.

■ Picture of new buildings upon completion (see Note)



(Note) The above picture is a conceptual drawing of the completed new buildings prepared by Daiwa

Lease. Conditions after the new buildings are complete may differ from this drawing.

(Reference) Overview of Property

Location	1-2-7 Chiyo, Hakata-ku, Fukuoka City, Fukuoka, etc.
Acquisition date	August 2004
Acquisition price	4,810 million yen
Construction date	November 1993
Leased floor space	17,095.47 m ² , (Reference) Potential leasable floor area of new buildings (provisional): About 20,000 m ² (Note)

Note: The above pertains to the potential leasable floor area based on the current plans of Daiwa Lease, and may differ from actual data after the new buildings are complete.



5 . Outlook

The existing properties are to be transferred in April 2019, in accordance with the Basic Agreement. This will have no effect on the Investment Corporation's financial results in the fiscal period ending December 31, 2018. The operating forecast of results from the fiscal year ending in June 2019 will be reported once progress has been reflected as needed in Investment Status Forecasts and other disclosure of earnings forecasts.

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

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