

March 23, 2018

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.
Goro Toyama
Chief Executive Officer and Representative Director

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

Notice Concerning Acquisition of Trust Beneficiary Rights in Real Estate Property in Japan

< SAKAE GLOBE (60% quasi co-ownership) >

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"), to acquire a 60% quasi co-ownership stake in trust beneficiary rights in real estate property (the "Acquisition"), namely SAKAE GLOBE (the "Property"), on March 23, 2018. As the seller of this property is an interested party of the Asset Management Company, as defined by transaction regulations on interested parties, etc., the Asset Management Company obtained authorization from the Investment Corporation, based on the authorization of the Investment Corporation's board meeting held on March 23, 2018 and in line with its transaction regulations on interested parties, etc.

1. Details of Planned Acquisition

- (1) Type of Acquired Asset: Quasi Co-ownership of Trust Beneficiary Rights in Real Estate Property
- (2) Property Name: SAKAE GLOBE (quasi co-ownership: 60%)
- (3) Planned Acquisition Price: ¥9,300 million (Land: ¥8,649 million, Building: ¥651 million) *1
- (4) Contract Date: March 23, 2018
- (5) Planned Acquisition Date: March 28, 2018 (Delivery and clearance date)
- (6) Seller: Mitsui Fudosan Co., Ltd. *2
- (7) Acquisition Financing: Self-financing and loans
- (8) Payment Method: Single payment at the time of delivery

*1 The amount noted here excludes miscellaneous acquisition costs, real property taxes, city planning taxes, and consumption taxes, etc.

*2 Please refer to "5. Seller Profile" below.

2. Rationale

The proposed acquisition of the Property 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 Property, the Asset Management Company considered, *inter alia*, the following factors:

(1) Evaluation of the Site

The Property is located on Otsu Street, the main street in the Sakae area of Nagoya and one of the biggest commercial areas in the Chubu region. Otsu Street is lined with department stores such as Mitsukoshi, Matsuzakaya, Lachic, and PARCO, and fashion buildings as well as street-level stores such as GUCCI, HARRY WINSTON, and the Apple Store. This has earned Otsu Street a reputation as the premier destination in Chubu for brand streets. This property is located at the intersection of Otsu Street and Mitsukura Street, and the GUCCI flagship store is on the south side across from Mitsukura Street. It is also one of the few street-level stores located on a corner of Otsu Street, making this a valuable urban retail facility site with significant potential.

(2) Features of the Property

The Property was developed by Mitsui Fudosan Co., Ltd. and is an urban retail facility completed on July 12, 2017. The ZARA Nagoya Branch was opened on this Property by Zara Japan Co., Ltd. the lessee, in August 2017. As the newest store for ZARA, a fashion brand that is popular around the world, it has a white interior and exterior with high ceilings, giving the building a bright and open design. The distinctive façade takes full advantage of the building's site, which faces Otsu Street for about 26 meters and Mitsukura Street for about 48 meters. This gives the façade excellent visibility of Nagoya Sakae area, and can be expected to attract customers who are shopping in nearby retail facilities.

3. Details of Property to be Acquired

(1) Real Estate Details

Type of asset		Trust beneficiary rights in real estate property
Trust formation date		October 25, 2013
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust contract period		March 31, 2028
Location (residence indication)		3-7-17 Sakae, Naka-ku, Nagoya City, Aichi Prefecture
Land	Lot area	1,288.50 m ² (registered)
	Use	Commercial district
	Plot ratio	800%
	Building to land ratio	80%
	Ownership	Proprietary ownership
Building	Structure / Number of floors	Steel frame and steel-framed reinforced concrete, flat roof construction, one level below-ground and four levels above-ground floors (registered)
	Construction completed	July 12, 2017
	Gross floor area	4,595.52 m ² (registered)
	Use	Stores, parking lot
	Ownership	Proprietary ownership

Architect	First-class registered architect office, Chubu Branch, Sumitomo Mitsui Construction Co., Ltd.
Builders	Chubu Branch, Sumitomo Mitsui Construction Co., Ltd.
Inspection Agency	Kakunin Service Inc.
Planned acquisition price	¥9,300 million
Master lease company	None
Type of master lease	—
Appraisal value	¥9,300 million
Appraiser	Japan Real Estate Institute
PML in earthquake	9%
Collateral	None
Note	The trustee and the Investment Corporation plan to exchange a letter of agreement with Mitsui Fudosan Co., Ltd., the quasi-co-owner of the trust beneficiary right in which this property is the asset in trust (the “Letter of Agreement between the Co-Owners”). In this Letter of Agreement between the Co-Owners, when either of the co-owners decides to transfer its 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, with the exception of certain important matters, in the event that a decision has to be made as the trust beneficiary in this property, the Investment Corporation, as the quasi co-owner with the highest ownership, will make the decision based on the Investment Corporation’s independent judgment. In addition, in the event that co-ownership interest in this property is returned from trustee to trustee in kind, claims on division of co-ownership parts shall not be made for five years from the effective return date, in accordance with Article 256 of the Civil Code (however, there is no registration).

(2) Lease Details

Lessor	Mitsubishi UFJ Trust and Banking Corporation
Lessee	Zara Japan Co., Ltd.
Type of contract	Fixed-term building lease agreement
Contract term	Not disclosed *2
Annual rent	Not disclosed *2
Termination during the contract term	Not disclosed *2
Rent revision	Not disclosed *2
Security deposit	Not disclosed *2
Guarantee deposit	Not disclosed *2
Number of tenants	1
Total leasable floor space *1	4,613.07 m ²
Total leased floor space *1	4,613.07 m ²
Occupancy rate	100% (Total leased floor space / total leasable floor space)

*1 The Investment Corporation plans to acquire quasi co-ownership of a trust beneficiary rights (60% holding), but the total leasable floor space and total leased floor space reflect the data for the entire property (100%).

*2 Undisclosed as the Investment Corporation did not obtain the lessee’s consent.

4. Significance of the Acquisition

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

5. Seller Profile

Company Name	Mitsui Fudosan Co., Ltd.
Address of Head Office	1-1 Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo
Representative	Masanobu Komoda, President and CEO
Capital	¥339,766 million (as of December 31, 2017)
Established	July 15, 1941
Net assets	¥2,199,588 million (as of December 31, 2017)
Total assets	¥6,007,130 million (as of December 31, 2017)
Major shareholders and ownership ratio	The Master Trust Bank of Japan, Ltd. (trust account) (8.15%) (as of September 30, 2017)
Business	Acquisition, ownership, disposal, rental, sale, and management of real estate
Relationship with the Investment Corporation and/or the Asset Management Company	
Capital relationship	As of December 31, 2017, the Company held 5.887% of the Investment Corporation's outstanding investment units. Moreover, the Company holds all of the outstanding shares in the Asset Management Company.
Personal relationship	As of February 28, 2018, eight of the Asset Management Company's officers and employees (excluding non-executive directors) had been sent from the Company.
Business relationship	The Company is the contractor for the Investment Corporation's SC management services, provider of new tenant mediation services, brokerage for real estate transactions, seller of some of the Investment Corporation's real estate holdings, and lessee of the Investment Corporation's real estate holdings.
Status of classification as related parties	The said company is not considered a related party of the Investment Corporation. The company is the parent company of the Asset Management Company.

6. Status of Property Owner

Property Name (Location)	SAKAE GLOBE (3-7-17 Sakae, Naka-ku, Nagoya City, Aichi Prefecture)	
Status of Property Owner	Previous owner/beneficial owner	Owner before the previous owner
Name of company	Mitsui Fudosan Co., Ltd.	Other than a party with a special interest
Relationship with party with a special interest	100% parent company of the Asset Management Company	—
Background and purpose of acquisition	For the purpose of development	—
Acquisition price*	—	—
Acquisition date	July 12, 2017 (newly built) October 25, 2013 (land)	—

* This information is not noted because the previous owner held the land for over one year, and the previous owner developed the building.

7. Broker Profile

Not applicable

8. SC Management Agreement

The Investment Corporation has concluded an SC Management Agreement with Mitsui Fudosan Co., Ltd. with the aim of utilizing the expertise of Mitsui Fudosan, the parent company of the Asset Management Company, in the operation and management of retail facilities. Based on the stipulations made in the basic agreement, an SC management agreement laying out the precise scope of the operations for this acquired property (including property management operations) will be concluded following the acquisition of this Property.

9. Transactions with Interested Parties, etc.

Since the seller of the Property 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 March 23, 2018, was acquired following the deliberation and resolution of the Compliance Committee meeting held on March 22, 2018. The conclusion of the contract was resolved at the Board of Directors meeting held the same day.

10. Outlook

There is a modest acquisitional effect of the Property on the Investment Corporation's financial results in the 28th fiscal period ending June 30, 2018. However, there is no change in the operating forecast.

11. Summary of Property Appraisal

Property name	SAKAE GLOBE (quasi co-ownership: 60%)
Appraisal value	¥9,300,000,000
Appraiser	Japan Real Estate Institute
Date of Appraisal	December 1, 2017

Item	Content	Remarks
Indicated value by income approach (after taking into account the quasi co-ownership, equivalent to 60%)	¥9,300,000,000 *1	
Indicated value by income approach (before taking into account the quasi co-ownership)	¥15,500,000,000	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	¥15,800,000,000	
Operating income	Not disclosed *2	
Effective gross income	Not disclosed *2	
Loss from vacancy, etc.	Not disclosed *2	
Operating costs	Not disclosed *2	
Maintenance and management fees	Not disclosed *2	
Utility costs	Not disclosed *2	
Repair costs	Not disclosed *2	
Property management fees	Not disclosed *2	
Tenant advertising costs	Not disclosed *2	
Taxes and public dues	Not disclosed *2	
Insurance premium	Not disclosed *2	
Other expenses	Not disclosed *2	
Net operating income	¥578,351,000	
Operating profit on lump-sum payments	Not disclosed *2	
Capital expenditure	Not disclosed *2	
Net income	¥582,801,000	
Cap rate	3.7%	
DCF value	¥15,200,000,000	
Discount rate	3.5%	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	3.9%	Assessed taking into account the future

Item		Content	Remarks
			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 (before taking into account the quasi co-ownership)		¥15,100,000,000	
	Land ratio	93.0%	
	Building ratio	7.0%	

Other matters considered by appraiser in carrying out appraisal	Due to the site characteristics, building use, and other attributes of the real estate property in question, demand would primarily come from corporate investors with the ability to raise capital and tend to prioritize revenue potential in their transactions in general. Given this, the appraisal value was determined through a combination of the direct capitalization method and the DCF method, with the cost approach value as a reference.
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*1 The Investment Corporation plans to acquire quasi co-ownership of a trust beneficiary rights (60% holding), but the information here reflects the data for the entire property (100%), with the exception of the appraisal value.

*2 As this includes information about the lessee, which the Investment Corporation is obliged to keep confidential, and information that could be used to calculate this information, disclosing such information could result in the infringement of confidential requirements and thus prove disadvantageous to the Investment Corporation. Accordingly, information that the Asset Management Company deems could harm the interests of unitholders and investors has not been disclosed.

Attachments

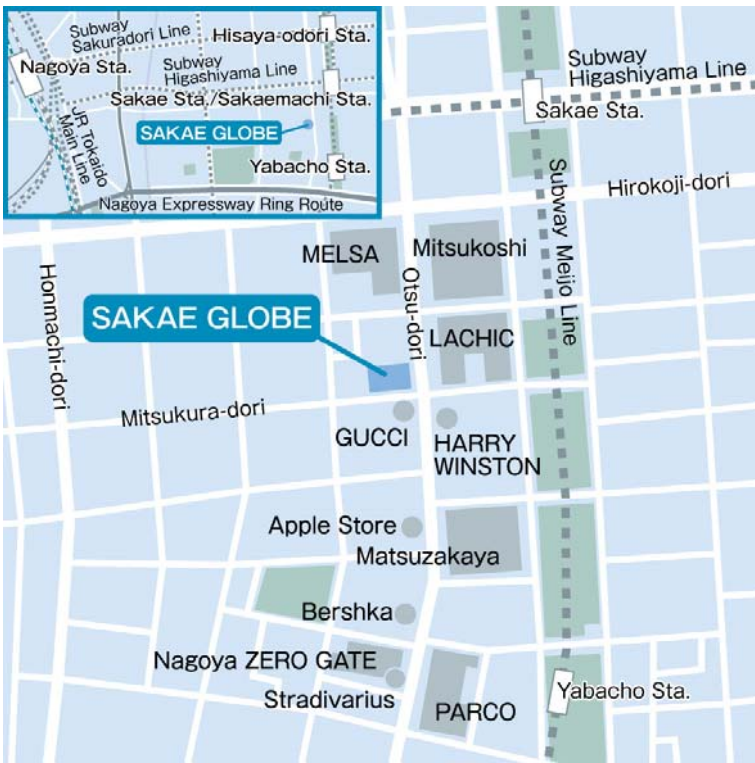
1. Map indicating location of the Property and photographs of the property from outside
2. Overview of the investment portfolio including the asset to be acquired

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 and photographs of the Property from outside

■Surrounding area



■External photograph



2. Overview of the investment portfolio including the asset to be acquired

Property name	Location	(Planned) acquisition date	(Planned) acquisition date (Millions of yen) *1	Percentage of portfolio (%) *2
AEON STYLE Shinagawa Seaside	Shinagawa, Tokyo	August 9, 2004	20,100	6.6%
AEON MALL Ibaraki	Ibaraki City, Osaka	August 9, 2004	18,100	6.0%
Papillon Plaza	Fukuoka City, Fukuoka	August 9, 2004	4,810	1.6%
Kamiikedai Tokyu Store	Ota, 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	8.2%
Summit Store Takinogawa Momiji-bashi	Kita, Tokyo	September 29, 2006	3,100	1.0%
Home Center Kohnan Hiroshima Minami-Machi (land interest)	Hiroshima City, Hiroshima	April 13, 2007	1,940	0.6%
Frespo Tosu (land interest)	Tosu City, Saga	November 8, 2007	3,178	1.0%
You Me Town Hiroshima	Hiroshima City, Hiroshima	February 19, 2008	23,200	7.7%
Queen's Isetan Suginami-momoi	Suginami, Tokyo	July 4, 2008	3,560	1.2%
Mitsui Outlet Park IRUMA	Iruma City, Saitama	July 10, 2008	19,900	6.6%
Costco Wholesale Warehouse Iruma (land interest)	Iruma City, Saitama	July 10, 2008	2,600	0.9%
Desigual Harajuku	Shibuya, Tokyo	October 15, 2008	3,100	1.0%
Ito-Yokado Higashi-yamato	Higashi-yamato City, Tokyo	January 13, 2009	11,600	3.8%
AEON TOWN Tanashi-shibakubo	Nishi-Tokyo City, Tokyo	February 18, 2009	3,100	1.0%
Don Quijote Fukuoka Tenjin	Fukuoka City, Fukuoka	December 16, 2009	3,700	1.2%
Mitsui Shopping Park LaLaport IWATA	Iwata City, Shizuoka	July 2, 2010	15,200	5.0%
GINZA GLASSE	Chuo, Tokyo	July 2, 2010	13,600	4.5%
Shimura Shopping Center	Itabashi, Tokyo	January 18, 2011	4,430	1.5%
Mitsui Shopping Park LaLagarden KASUKABE	Kasukabe City, Saitama	February 16, 2011	10,000	3.3%
Summit Store Yokohama Okano (land interest)	Yokohama City, Kanagawa	February 24, 2012	5,700	1.9%
VIORO	Fukuoka City, Fukuoka	February 28, 2012	10,100	3.3%
QANAT RakuHoku	Kyoto City, Kyoto	July 4, 2012	8,800	2.9%
Ikebukuro Square	Toshima, Tokyo	February 1, 2013	20,400	6.7%
Mitsui Shopping Park ALPARK (East Building)	Hiroshima City, Hiroshima	February 19, 2013	5,400	1.8%

Kohnan Kawasaki-Odasakae Mall (land interest)	Kawasaki City, Kanagawa	January 31, 2014	7,000	2.3%
Mitsui Shopping Park LaLaport SHIN-MISATO Annex	Misato City, Saitama	March 25, 2014	3,930	1.3%
Shinsaibashi Square	Osaka City, Osaka	March 2, 2015	8,620	2.8%
Mitsui Shopping Park LaLaport SHIN-MISATO	Misato City, Saitama	April 1, 2015 August 10, 2016 (additional acquisition)	19,840	6.6%
Costco Wholesale Warehouse Shinmisato (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%
Super Viva Home Zama and Super Sanwa Zama Higashihara (land interest)	Zama City, Kanagawa	July 31, 2017	4,320	1.4%
SAKAE GLOBE	Nagoya City, Aichi	March 28, 2018	9,300	3.1%
Total			302,708	100.0

*1 Acquisition Price amounts are rounded down to the nearest million yen.

*2 Percentages of Portfolio figures are based on Acquisition Price and are rounded to the nearest decimal place.