



Supplementary Explanations on the Implementation of Renovation at AEON Ibaraki Shopping Center and Agreement on Mutual Consent Cancellation of Lease Contract and Execution of New Lease Contract for the Property

October 10, 2014



Frontier Real Estate Investment Corporation



Background and anticipated effect of renovation and execution of new contract

Back-ground

✓ **Promote the “Stage 2” operating strategy of FRI**

(1) Capitalize on growth potential

(2) Continue portfolio management cycle

✓ **Environment surrounding AEON Ibaraki Shopping Center**

External factors

(1) Population increase in the trade area

A new campus of Ritsumeikan University is scheduled to open in April 2015 on the adjacent land across the JR line

(2) Opening of competing retail facilities

Competing retail facilities have opened their stores in neighboring areas

Internal factors

(1) Negotiation for rent revision

Discussions are underway for rent revision in January 2013

(2) Scheduled expiration of the current lease contract

Discussions on contract renewal is needed, as the remaining term of the current lease contract is approximately 6 years

Measures

(1) Conduct large-scale renovation



(2) Newly execute 20-year fixed-term lease contract



(3) Introduce sales-linked rent

Effects

(1) Conducting renovation

- Further upside gains in sales expected as a result of large-scale renovation to be conducted on the opportunity of an increase in the trade area population
- Maintain and enhance facility competitiveness against rival facilities in neighboring areas
- Achieve internal growth by collecting the renovation investment amount and something extra

(2) Executing fixed-term lease contract

- Contribute to the portfolio stability by extending the remaining term of the contract
- Despite a slight decrease in the fixed rent, eliminate the rent fluctuation risks for the fixed rent by switching to ordinary lease contract to fixed-term lease contract

(3) Introduction of sales-linked rent

- Aim to capitalize on growth potential by newly introducing sales-linked rent

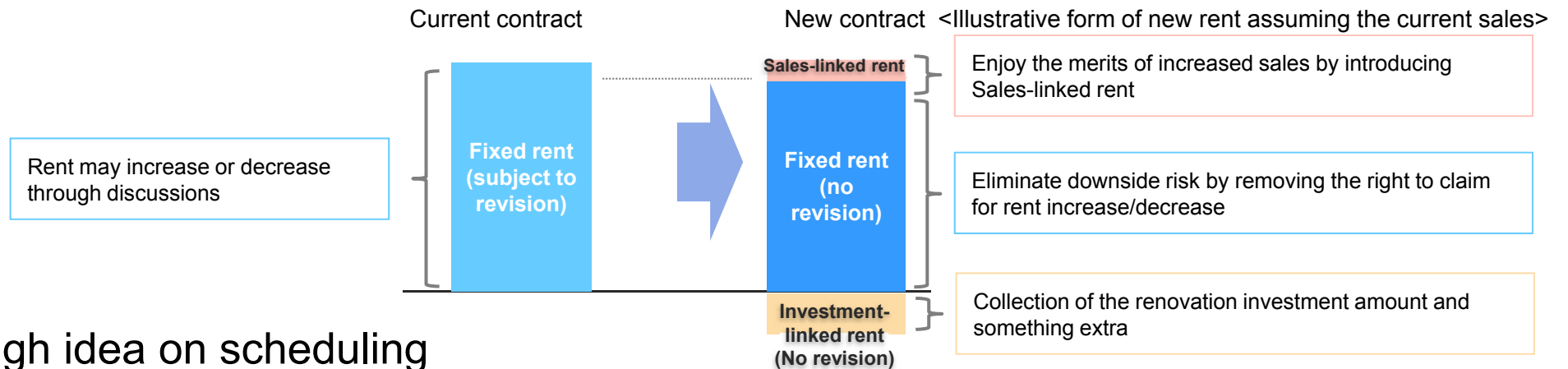


Overview of executing the new contract

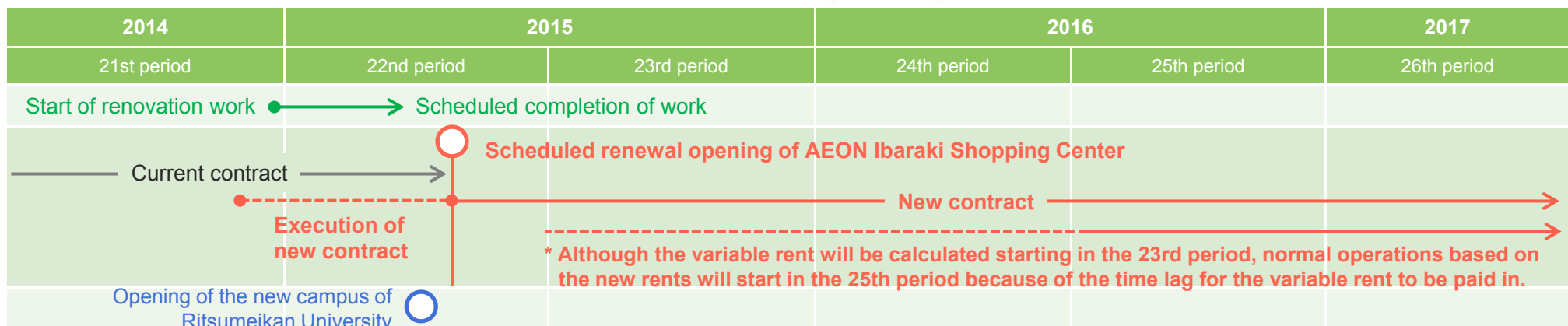
	Current contract
Contract type	Ordinary lease contract
Contract term	20 years (approx. 6 years remaining) (January 1, 2001 – December 31, 2020)
Rent	Fixed rent
Rent revision	To be determined in every 3 years through discussion



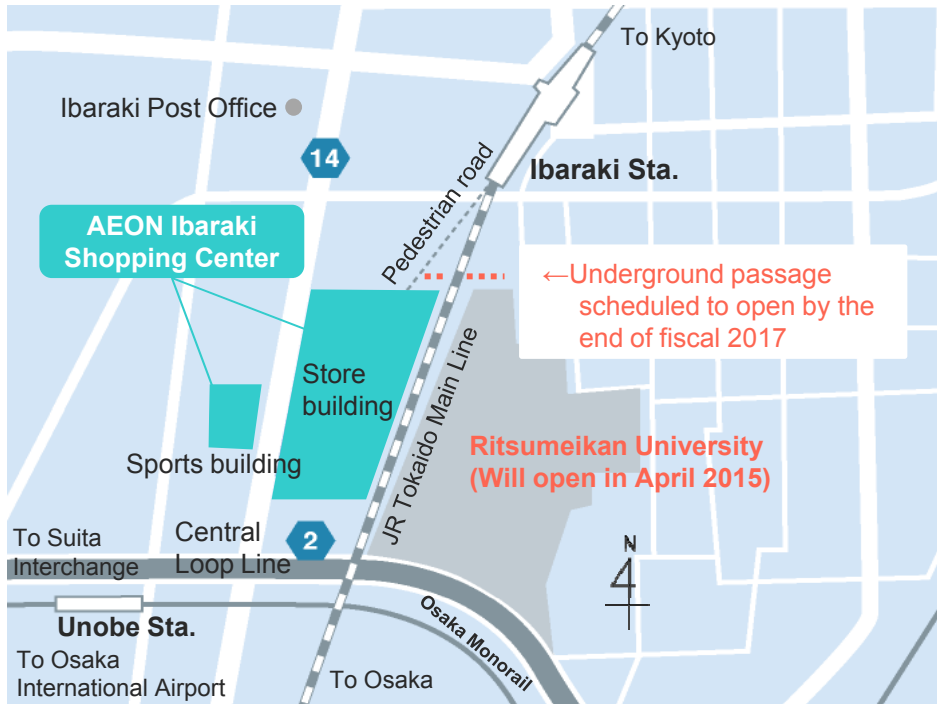
	New contract
Contract type	Fixed-term building lease contract
Contract term	20 years (starting in the spring of 2015)
Rent	Fixed rent + sales-linked rent + investment-linked rent
Rent revision	No upward or downward revision to the fixed rent and investment-linked rent



Rough idea on scheduling



Overview of AEON Ibaraki Shopping Center



*AEON Ibaraki Shopping Center (on the left) and Ritsumeikan University (on the right)

Address	8-30 Matsugamoto-cho, Ibaraki-shi, Osaka 7-minute walk from Ibaraki Station on the JR Tokaido Main Line
Acquisition date	August 2004
Acquisition price	18,100 million yen
Opening date	January 2001
Tenant	AEON Retail
Site area (store building)	58,547.95m ²
Leasable floor area	150,496.58m ²



*New campus of Ritsumeikan University (to be opened in April 2015)



(Reference) Transition to Stage 2

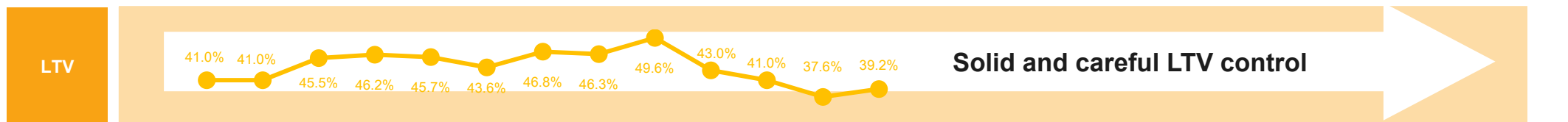
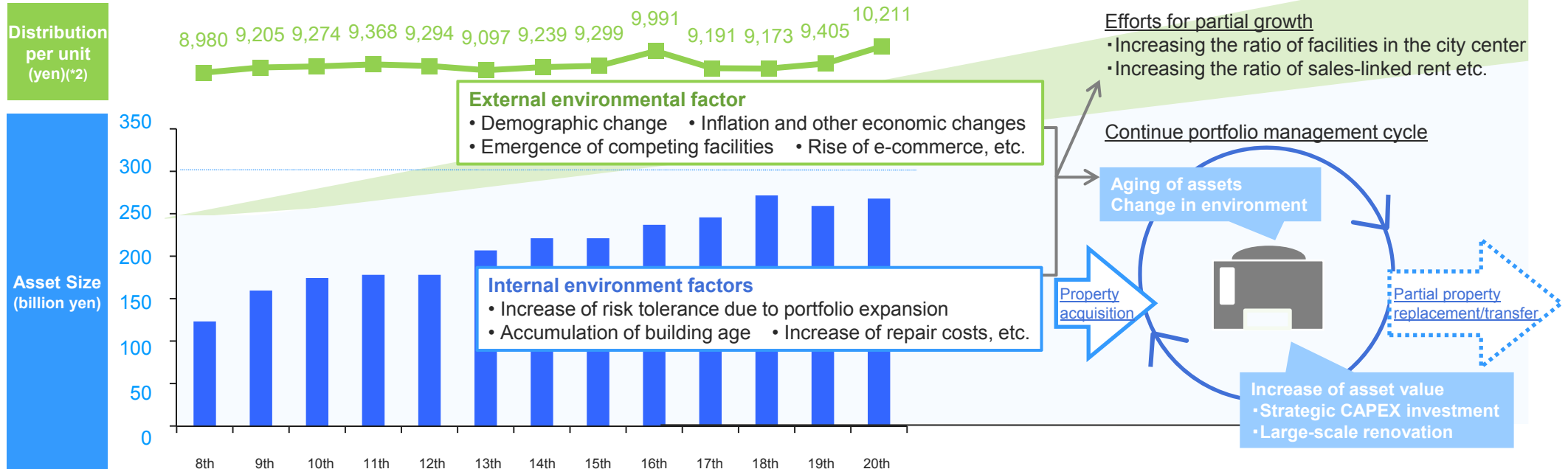
Basic policy: Secure stable earnings over the medium to long term

- 1. Pursue steady expansion of asset size
- 2. Conservative financial operations

→ Realized stable distributions at the **9,000 yen** (*1) level

- 1. Maintain stable earnings structure
- 2. Efforts for economic growth

→ Maintain and increase distributions at the **9,000 yen** (*1) level



Borrowings

Strong financial standing through conservative financial operations

*1: A two-for-one investment unit split was implemented on January 1, 2014, and distributions before considering the investment unit split is in the 18,000 yen level.

*2: Amounts lower than 1 yen are rounded off.

*3: Distributions per unit for the 8th to 19th fiscal periods are divided in half as if the investment unit split was implemented in the 8th fiscal period, with amounts lower than one yen rounded off.





Frontier Real Estate Investment Corporation

- ◆ All content presented in this document is provided solely for informational purposes with regard to Frontier Real Estate Investment Corporation (FRI) and is not intended to serve as an inducement or solicitation to trade in any product offered by FRI.
- ◆ Investment units issued by FRI are subject to price fluctuations due to various factors including: (1) volatile conditions in the J-REIT market, interest rates and the real estate market; (2) fluctuations in rental revenues from properties; and (3) the occurrence of unexpected losses due to natural disasters. Accordingly, investment in FRI entails the risk of incurring a loss. Investment decisions are made at the investors' discretion, and are their responsibility, as well as at their own risk. FRI disclaims any responsibility or liability for the consequences of investing in FRI.
- ◆ Information provided in this document contains forward-looking statements such as business forecasts, which should not be construed as commitment to or guarantee of future performance.
- ◆ The information provided in this document was originally published in Japanese language form and has been translated for reference purposes only. FRI guarantees neither the completeness nor the accuracy of this English translation.
- ◆ Please be advised that forward-looking statements provided herein may be subject to change without prior notice.
- ◆ Duplication or reproduction of any item presented as information herein without the prior consent of FRI or its authorized representative is strictly prohibited.