

**Translation Purpose Only**

April 3, 2019

To All Concerned Parties

6-8-7 Ginza, Chuo-ku, Tokyo  
Frontier Real Estate Investment Corporation  
Takao Iwadou, Executive Director  
(Securities Code: 8964)

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Notice Concerning Partial Sale of Trust Beneficiary Rights to Real Estate Property in Japan  
(Papillon Plaza)

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"), reached on April 3, 2019, to sell the existing buildings of Papillon Plaza (excluding the property's land interest and part of the buildings; hereinafter the "Property," the "Sale"). The Sale is to be executed as part of the renovation project announced in the October 22, 2018 press release titled "Notice Concerning Execution of Basic Agreement on Renovation of Papillon Plaza" (the "Renovation Project").

1. Details of the Sale

- (1) Property name: Papillon Plaza
- (2) Type of asset to be sold: Trust beneficiary rights to real estate \*1
- (3) Planned sale price: ¥401 million \*2
- (4) Book value: ¥412 million (as of December 31, 2018)
- (5) Difference between planned sale price and book value: Approximately -¥0.0 billion \*3
- (6) Contract date: April 4, 2019
- (7) Delivery date: April 4, 2019
- (8) Buyer: Daiwa Lease Co., Ltd.
- (9) Broker: Not applicable
- (10) Method of settlement: Single payment at the time of delivery

\*1 The asset to be sold is the trust beneficiary rights to the Property, excluding the land and building that the Investment Corporation will continue to hold (floor area: 349.41 m<sup>2</sup>; structure: steel frame, slate roof, one floor) (the "Building Beneficiary Rights"). On the date of sale, the Investment Corporation plans to divide the trust beneficiary rights to Papillon Plaza as a whole into (i) trust

beneficiary rights to the land interest and building that the Investment Corporation will continue to hold (the “Land Interest Beneficiary Rights”) and (ii) the Building Beneficiary Rights. Having done so, the Investment Corporation will sell only the Building Beneficiary Rights.

\*2 The amount noted here excludes real property taxes, city planning taxes, consumption taxes, etc.

\*3 The above value is approximate, as certain sale costs had yet to be determined at the time of this publication. The Property’s projected book value at the date of sale is ¥401 million.

## 2. Rationale

### (1) Reasons for the Sale

Since the Investment Corporation acquired Papillon Plaza in August 2004, it has operated steadily, but as the lease agreements with the master lessee and other parties are nearing their end on April 3, 2019, and taking into account the age of the existing buildings (approximately 25 years have passed since their completion in November 1993) as well as 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, as announced in the October 22, 2018 press release, “Notice Concerning Execution of Basic Agreement on Renovation of Papillon Plaza,” the Investment Corporation concluded that the Renovation Project would be the best option to raise the competitiveness and profitability of Papillon Plaza into the future. The Renovation Project entails selling the Property to a third party that will construct a new building on the site (renovation work), after which the Investment Corporation will either acquire the completed new building and lease it out or lease the land interest to the third party holding the completed new building. Accordingly, the Investment Corporation selected Daiwa Lease Co., Ltd. (“Daiwa Lease”) as its partner for the Renovation Project and concluded a basic agreement with Daiwa Lease regarding the Renovation Project on October 22, 2018.

The Asset Management Company has now decided to implement the Sale so that Daiwa Lease can carry out renovations, including the construction of a new building, as part of the Renovation Project based on the aforementioned basic agreement.

### (2) Asset Owned by the Investment Corporation after the Sale

After the Sale, the Investment Corporation will continue to own the Land Interest Beneficiary Rights. On the day of the Sale, the trustee of a trust in which the land and the building of Papillon Plaza that the Investment Corporation will continue to hold are the trust assets (the “Trustee”) and Daiwa Lease will form a master lease agreement. Under this agreement, the building that the Investment Corporation will continue to hold, which is part of the trust assets underlying the Land Interest Beneficiary Rights, will be leased in whole from the Trustee to Daiwa Lease, after which Daiwa Lease will sublease it to end tenants.

Daiwa Lease plans to implement the Renovation Project on the land on which the Property is located. As such, Daiwa Lease and the Trustee, plan to conclude a land use lease contract regarding the use of the land on which the Property is located on the date of sale.

(3) Preferential Negotiation Rights after the Completion of the New Building

The real estate trust beneficiary right sale agreement for the Property to be concluded between the Investment Corporation and Daiwa Lease will grant the Investment Corporation preferential negotiation rights for the acquisition of the new building. However, the Investment Corporation will not be obligated to acquire the new building and will not necessarily do so. Furthermore, as of the date of this publication, the new building does not yet exist, and it may not be built if, for example, the Renovation Project is cancelled or delayed going forward. The acquisition price and date for the new building have yet to be determined as of the date of this publication.

If the Investment Corporation does not acquire the new building, it plans for either the Investment Corporation or the Trustee to enter a fixed-term business-use land lease with Daiwa Lease regarding the land on which the new building is located, thereby operating the Land Interest Beneficiary Rights as an asset by leasing said land to Daiwa Lease.

3. Details of the Asset to Be Sold

Property name		Papillon Plaza
Type of asset		Trust beneficiary rights to real estate *1
Location (residence indication)		1-2-7 Chiyo, Hakata Ward, Fukuoka City, Fukuoka, etc.
Land *1	Lot area	—
	Use	—
	Plot ratio	—
	Building to land ratio	—
	Ownership	—
Building	Structure / Number of floors	Steel frame, slate roof, one floor; others *2
	Construction completed	November 29, 1993
	Gross floor area	16,688.25 m <sup>2</sup> (12 buildings) *2
	Use	Stores, offices, warehouse
	Ownership	Proprietary ownership
Acquisition price *3		¥819 million
Book value *4		¥412 million
Planned sale price		¥401 million
Difference between planned sale price and book value *5		Approximately -¥0.0 billion
Appraisal value *6		—
Appraiser		—
Delivery date		April 4, 2019
Tenant details *7		Number of tenants: 2 (16) Total rent revenue: ¥399 million/year Total leasable floor space: 17,095.47 m <sup>2</sup> Total leased floor space: 17,095.47 m <sup>2</sup> Occupancy rate: 100.0% Leasehold and security deposit: ¥203 million

\*1 The asset to be sold is the trust beneficiary rights in a trust that has as its trust assets the Property, excluding the land and building that the Investment Corporation will continue to hold (the Building

Beneficiary Rights).

- \*2 The above gross floor area is the total for the Property. The name, gross floor area and structure of the individual buildings are as follows.
- (1) Building B (gross floor area: 5,155.8 m<sup>2</sup> (includes offices (administrative building) and machine room); structures: steel frame, galvanized steel plate roof, one floor; lightweight steel frame, galvanized steel plate roof, one floor; and concrete blocks, galvanized steel plate roof, one floor)
  - (2) Building A (gross floor area: 4,074.48 m<sup>2</sup>; structure: steel frame, galvanized steel plate roof, one floor)
  - (3) Building F (gross floor area: 808.39 m<sup>2</sup>; structure: steel frame, slate roof, one floor)
  - (4) Building G (gross floor area: 837.68 m<sup>2</sup>; structure: steel frame, galvanized steel plate roof, one floor)
  - (5) Building H (gross floor area: 142.61 m<sup>2</sup>; structure: steel frame, slate roof, one floor)
  - (6) Building I (gross floor area: 283.45 m<sup>2</sup>; structure: lightweight steel frame, galvanized steel plate roof, one floor)
  - (7) Building J (gross floor area: 200.60 m<sup>2</sup>; structure: steel frame, galvanized steel plate roof, one floor)
  - (8) Building K (gross floor area: 161.65 m<sup>2</sup>; structure: steel frame, slate roof, one floor)
  - (9) Building M (gross floor area: 1,070.92 m<sup>2</sup>; structure: steel frame, galvanized steel plate roof, two floors)
  - (10) Building E (gross floor area: 675.00 m<sup>2</sup>; structure: steel frame, galvanized steel plate roof, one floor)
  - (11) Building D (gross floor area: 1,367.83 m<sup>2</sup>; steel frame, galvanized steel plate roof, one floor below ground and two floors above ground)
  - (12) Building C (gross floor area: 1,909.84 m<sup>2</sup>; structure: steel frame, galvanized steel plate roof, two floors)
- \*3 After the Sale, the Investment Corporation will own the Land Interest Beneficiary Rights. However, the building that the Investment Corporation will continue to hold is small and its value is estimated to account for an insignificant part of that of the all the buildings of Papillon Plaza, which includes the Property. As such, the acquisition price given above is the acquisition price paid for all the existing buildings of Papillon Plaza.
- \*4 Value as of December 31, 2018, rounded down to the nearest million yen.
- \*5 The above value is approximate, as certain sale costs had yet to be determined at the time of this publication. The Property's projected book value at the date of sale is ¥401 million.
- \*6 Omitted, as the Investment Corporation has not obtained an appraisal value for the Building Beneficiary Rights. Regarding the appraisal value of Papillon Plaza as a whole, including the building that the Investment Corporation will continue to hold, please refer to the section titled "Reference," below.
- \*7 The above tenant data is for Papillon Plaza as a whole, as of December 31, 2018. "Number of tenants" is based on lease contracts. The number of tenants arrived at by adding up the number of

tenants based on lease contracts between master lessees and end tenants is additionally given, shown in parentheses.

#### 4. Buyer Profile

Company name	Daiwa Lease Co., Ltd.
Address of head office	2-1-36, Noninbashi, Chuo Ward, Osaka City, Osaka
Representative	Shunsaku Morita, Representative Director and President
Capital	¥21,768,382,519 (as of March 1, 2019)
Established	July 29, 1947
Net assets	¥146,528 million (as of March 31, 2018)
Total assets	¥452,995 million (as of March 31, 2018)
Major shareholders and ownership ratio	Daiwa House Industry Co., Ltd. (100%) (as of March 31, 2018)
Business	Prefabricated industrial buildings, retail facility leasing, environmental greening, leasing solutions, other businesses
Relationship with the Investment Corporation and/or the Asset Management Company	
Capital relationship	There are no notable capital relationships between the buyer and the Investment Corporation or the Asset Management Company. Also, there are no noteworthy capital relationships between the buyer and any affiliated persons or affiliated companies of the Investment Corporation or the Asset Management Company.
Personal relationship	There are no notable personal relationships between the buyer and the Investment Corporation or the Asset Management Company. Also, there are no noteworthy personal relationships between the buyer and any affiliated persons or affiliated companies of the Investment Corporation or the Asset Management Company.
Business relationship	The buyer is the land tenant of Frespo Tosu (land interest), an asset owned by the Investment Corporation, and the Investment Corporation has formed a business-use land lease contract with the buyer regarding said asset. Furthermore, the buyer has formed a basic agreement with the Investment Corporation related to the Renovation Project.
Status of classification as related parties	The buyer is not considered a related party of the Investment Corporation.

#### 5. Broker Profile

Not applicable.

#### 6. Renovation Project Schedule\*

April 2019	Formation of real estate trust beneficiary right sale agreement regarding the Property; delivery; and formation of land use lease agreement
June 2019	Start of new building construction
February 2020	Completion of new building construction
March 2020	Conclusion of land use lease agreement Start of operations at new building

\* The above schedule indicates plans that are current as of the date of this publication and subject to change or cancellation.

## 7. Outlook

The expected effect of the Sale on the results for the 30th fiscal period, ending June 30th, 2019, has already been factored into the operating forecast published on February 15, 2019 under “Forecast of Results for the 30th Fiscal Period” in the Summary of Financial Results for the 29th Fiscal Period. As such, there is no change to the forecast.

## Reference

A summary of a property appraisal of Papillon Plaza as of December 31, 2018 is as follows.

Note that the below appraisal value is that for Papillon Plaza as a whole, including the Property, which is the subject of the Sale, as well as the building that the Investment Corporation will continue to hold and the land interest. Note also that the below appraisal value was calculated using a capitalization method (for development and leasing) based on a judgment by the real estate appraiser that the most effective use of Papillon Plaza would be to partially tear them down for replacement with low-rise retail stores, along with the appraiser’s assumption that the property’s owners would do so.

Property name	Papillon Plaza	
Appraisal value	¥5,790,000,000	
Appraiser	Japan Real Estate Institute	
Date of appraisal	December 31, 2018	
Indicated value by cost approach	¥5,650,000,000	
	Land ratio	94.4%
	Building ratio	5.6%

## Attachments

### 1. Overview of the investment portfolio after the Sale

This document is released to media organizations through the Kabuto Club; 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: <https://www.frontier-reit.co.jp/eng/>

## 1. Overview of the investment portfolio after the Sale

Property name	Location	Acquisition date	Acquisition price (Millions of yen) *1	Percent age of portfolio *2
AEON STYLE Shinagawa Seaside	Shinagawa, Tokyo	August 9, 2004	20,100	6.2%
AEON MALL Ibaraki	Ibaraki City, Osaka	August 9, 2004	18,100	5.5%
Papillon Plaza *3	Fukuoka City, Fukuoka	August 9, 2004	3,990	1.2%
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	7.6%
Summit Store Takinogawa Momiji-Bashi	Kita, Tokyo	September 29, 2006	3,100	0.9%
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	7.1%
Queen's Isetan Suginami-Momoi	Suginami, Tokyo	July 4, 2008	3,560	1.1%
Mitsui Outlet Park IRUMA	Iruma City, Saitama	July 10, 2008	19,900	6.1%
Costco Wholesale Warehouse Iruma (land interest)	Iruma City, Saitama	July 10, 2008	2,600	0.8%
Desigual Harajuku	Shibuya, Tokyo	October 15, 2008	3,100	0.9%
Ito-Yokado Higashi-Yamato	Higashi-Yamato City, Tokyo	January 13, 2009	11,600	3.6%
AEON TOWN Tanashi-Shibakubo	Nishi-Tokyo City, Tokyo	February 18, 2009	3,100	0.9%
Don Quijote Fukuoka Tenjin	Fukuoka City, Fukuoka	December 16, 2009	3,700	1.1%
Mitsui Shopping Park LaLaport IWATA	Iwata City, Shizuoka	July 2, 2010	15,200	4.7%
GINZA GLASSE	Chuo, Tokyo	July 2, 2010	13,600	4.2%
Shimura Shopping Center	Itabashi, Tokyo	January 18, 2011	4,430	1.4%
Mitsui Shopping Park LaLagarden KASUKABE	Kasukabe City, Saitama	February 16, 2011	10,000	3.1%
Summit Store Yokohama Okano (land interest)	Yokohama City, Kanagawa	February 24, 2012	5,700	1.7%
VIORO	Fukuoka City, Fukuoka	February 28, 2012	10,100	3.1%
QANAT RakuHoku	Kyoto City, Kyoto	July 4, 2012	8,800	2.7%

Ikebukuro Square	Toshima, Tokyo	February 1, 2013	20,400	6.2%
Mitsui Shopping Park ALPARK (East Building) *4	Hiroshima City, Hiroshima	February 19, 2013	5,400	1.7%
Kohnan Kawasaki-Odasakae Mall (land interest)	Kawasaki City, Kanagawa	January 31, 2014	7,000	2.1%
Mitsui Shopping Park LaLaport SHIN-MISATO Annex	Misato City, Saitama	March 25, 2014	3,930	1.2%
Shinsaibashi Square	Osaka City, Osaka	March 2, 2015	8,620	2.6%
Mitsui Shopping Park LaLaport SHIN-MISATO	Misato City, Saitama	April 1, 2015 August 10, 2016 (additional acquisition)	19,840	6.1%
Costco Wholesale Warehouse Shin-Misato (land interest)	Misato City, Saitama	April 1, 2015	3,810	1.2%
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	1.3%
SAKAE GLOBE	Nagoya City, Aichi	March 28, 2018 March 22, 2019 (additional acquisition)	15,650	4.8%
Summit Store Higashi-Nagasaki (land interest)	Toshima, Tokyo	June 8, 2018	2,022	0.6%
Ikebukuro GLOBE	Toshima, Tokyo	March 22, 2019	10,300	3.2%
Shinsaibashi MG Building	Osaka City, Osaka	March 22, 2019	5,840	1.8%
Total			326,401	100.0%

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

\*2 Percentage of portfolio figures are based on acquisition price and are rounded to the first decimal place.

\*3 After the Sale, the Investment Corporation will own the Land Interest Beneficiary Rights. However, the building that the Investment Corporation will continue to hold is small and its value is estimated to account for an insignificant part of that of the all the buildings of Papillon Plaza, which include the Property. As such, the acquisition price given above is that for the land interest only.

\*4 The Investment Corporation plans to sell this property on May 31, 2019. Please refer to the press release "Notice Concerning Sale of Real Estate Property in Japan (Mitsui Shopping Park ALPARK (East Building))," dated March 18, 2019.