

August 15, 2019

To All Concerned Parties

6-8-7 Ginza, Chuo-ku, Tokyo
Frontier Real Estate Investment Corporation
Takao Iwadou, 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 Issuance of New Investment Units and Secondary Offering

Frontier Real Estate Investment Corporation (the "Investment Corporation") hereby announces its decision to issue new investment units and to conduct a secondary offering based on a resolution passed at its Board of Directors meeting held today. Details follow.

1. Issuance of New Investment Units via Public Offering (the "Primary Offering")

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| (1) Number of New Units to Be Offered: | 21,900 units |
| (2) Issue Price (offer price): | To be determined |
| | The issue price (offer price) will be determined at a Board of Directors meeting to be held any day from August 28, 2019 (Wed.) to September 2, 2019 (Mon.) (the "Date for Determination of Issue Price"). The issue price (offer price) for the public offering will be determined by taking into consideration market demand for the issue, provisionally calculated by applying the closing price of investment units issued by the Investment Corporation (the "Investment Units") on the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") as of the Date for Determination of Issue Price, multiplied by 0.90 to 1.00. (figures are rounded down to the nearest yen.) If no closing price is available on the Date for Determination of Issue Price, the Investment Corporation will use the most recent closing price. |
| (3) Total Issue Price (offer price): | To be determined |
| (4) Paid-in Amount (issue value): | To be determined |
| | This item will be determined at the Board of Directors meeting to be held on the Date for Determination of |

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- (5) Total Paid-in Amount (issue value) Issue Price. In addition, the paid-in amount (issue value) refers to the value of payments received by the Investment Corporation from the underwriters named in (6) below to acquire each new Investment Unit.
- (6) Offering Method To be determined
All the Investment Units will be offered via Primary Offering and purchased and underwritten by SMBC Nikko Securities Inc., Daiwa Securities Co., Ltd. and Nomura Securities Co., Ltd. (hereinafter collectively the “Joint Lead Managers”) as well as Mizuho Securities Co., Ltd., Tokai Tokyo Securities Co., Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (including the Joint Lead Managers, hereinafter collectively the “Underwriters”).
- (7) Underwriting Agreement The Investment Corporation shall not pay an underwriting commission to the Underwriters. Instead, underwriting fees applicable to the issue shall be considered the difference between the total issue price (offer price) for the Primary Offering and the total paid-in amount (issue value) to be paid by the Underwriters to the Investment Corporation at the payment date specified in (10) below.
- (8) Offering Unit One unit or more in multiples of one unit
- (9) Subscription Period From the next business day following the Date for Determination of Issue Price until two business days after the Date for Determination of Issue Price
- (10) Payment Date Five business days after the Date for Determination of Issue Price, which will fall from September 4, 2019 (Wed.) to September 9, 2019 (Mon.)
- (11) Transfer Date The business day immediately subsequent to the payment date specified in (10) above
- (12) Issue price (offer price), paid-in amount (issue value) and other matters necessary for the issue of new investment units via the Primary Offering will be determined at a Board of Directors meeting to be held hereafter.
- (13) The aforementioned items are subject to the effectiveness of the Securities Registration Statement in accordance with the Financial Instruments and Exchange Act.

2. Secondary Offering via Over-Allotment (See also the reference below)

- (1) Seller SMBC Nikko Securities Inc.
- (2) Number of Units to Be Offered 1,100 units
The number of units to be offered represents the maximum number of investment units to be sold via over-allotment, which may be reduced or completely

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- cancelled due to such factors as market demand for the Primary Offering. The number of investment units to be offered will be determined at the Board of Directors meeting held on the Date for Determination of Issue Price after taking into consideration market demand for the Primary Offering and other factors.
- (3) Offer Price To be determined
This item will be determined at the Board of Directors meeting to be held on the Date for Determination of Issue Price. The offer price shall be the same as the issue price (offer price) set for the Primary Offering.
- (4) Total Amount of Offer Value To be determined
- (5) Offering Method SMBC Nikko Securities Inc., which will serve as the administrative lead manager for the Primary Offering, may also carry out a secondary offering of up to 1,100 Investment Units borrowed from Mitsui Fudosan Co., Ltd., which is the unit holder of the Investment Corporation, after giving due consideration to such factors as market demand for the Primary Offering.
- (6) Offering Unit One unit or more in multiples of one unit
- (7) Subscription Period Same as the subscription period specified in 1. (9) above for the Primary Offering.
- (8) Transfer Date Same as the transfer date specified in 1. (11) above for the Primary Offering
- (9) Offering via over-allotment will be canceled in the event the Primary Offering is cancelled.
- (10) The offer price and other matters necessary to undertake the sale of the investment units will be determined at a Board of Directors meeting to be held hereafter.
- (11) The aforementioned items are subject to the effectiveness of the Securities Registration Statement in accordance with the Financial Instruments and Exchange Act.
3. Issuance of New Investment Units via Third-Party Allotment (See also the reference below)
- (1) Number of New Units to Be Offered 1,100 units
- (2) Allottee SMBC Nikko Securities Inc.
- (3) Paid-in Amount (issue value) To be determined
This item will be determined at the Board of Directors meeting to be held on the Date for Determination of Issue Price. The paid-in amount (issue value) shall be the same amount as the paid-in amount (issue value) set for the Primary Offering.
- (4) Total Paid-in Amount (issue value) To be determined
- (5) Offering Unit One unit or more in multiples of one unit
- (6) Subscription Period (Subscription Date) September 24, 2019 (Tue.)
- (7) Payment Date September 25, 2019 (Wed.)

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- (8) The issuance of the investment units that have not been subscribed for by the end of the subscription period (subscription date) specified in (6) above will be cancelled.
- (9) Offering via third-party allotment will be canceled in the event the Primary Offering is cancelled.
- (10) Issue price (offer price), paid-in amount (issue value) and other matters necessary for the issue of new investment units via third-part allotment will be determined at a Board of Directors meeting to be held hereafter.
- (11) The aforementioned items are subject to the effectiveness of the Securities Registration Statement in accordance with the Financial Instruments and Exchange Act.

Reference

Matters Associated with Secondary Offering via Over-Allotment

- (1) SMBC Nikko Securities Inc., which will serve as the administrative lead manager for the Primary Offering, may also borrow up to 1,100 Investment Units (the "Borrowed Investment Units") from Mitsui Fudosan Co., Ltd., which is the unit holder of the Investment Corporation, in order to carry out a secondary offering (the "Secondary Offering via Over-Allotment") after giving due consideration to such factors as market demand for the Primary Offering. Although it is expected that 1,100 units will be offered via over-allotment, this number represents the maximum number of investment units that may be sold via this method. Accordingly, this number may decrease due to such factors as changes in market demand for the Primary Offering, or the Secondary Offering via Over-Allotment may be cancelled altogether.

In connection with the Secondary Offering via Over-Allotment, the Investment Corporation has decided to issue 1,100 new Investment Units via third-party allotment (the "Third-Party Allotment") and designated SMBC Nikko Securities Inc. as the allottee based on a resolution passed at its Board of Directors meeting held today, with the payment date being set at September 25, 2019 (Wed.). This decision is aimed at ensuring that SMBC Nikko Securities Inc. will be able to return Investment Units in a number equivalent to the number of Borrowed Investment Units.

SMBC Nikko Securities Inc. may also engage in the purchase of the Investment Units in a quantity no greater than the number of units subject to the Secondary Offering via Over-Allotment (the "Syndicate Cover Transaction") through transactions on the Tokyo Stock Exchange during a period from the day subsequent to the end of the subscription period set for the Primary Offering and the Secondary Offering via Over-Allotment to September 19, 2019 (Thu.) (the "Syndicate Cover Transaction Period"), with the aim of returning the Borrowed Investment Units. All the Investment Units purchased by SMBC Nikko Securities Inc. via the Syndicate Cover Transaction will be appropriated for the return of the Borrowed Investment Units. Over the course of the Syndicated Cover Transaction Period, SMBC Nikko Securities Inc. may, at its own discretion, choose not to enter into any Syndicate Cover Transaction or to terminate such transaction prior to reaching the maximum number of units to be issued in the Secondary Offering via Over-Allotment.

In addition, SMBC Nikko Securities Inc. may engage in stabilization transactions in conjunction with the Primary Offering and the Secondary Offering via Over-Allotment, with the aim of appropriating a portion or all of the Investment Units purchased via such transactions for the return of the Borrowed Investment Units.

Moreover, SMBC Nikko Securities Inc. plans to additionally acquire a quantity of Investment Units commensurate to the number of units allotted to it via the Third-Party Allotment to fill the gap between the number of units subject to Secondary Offering via Over-Allotment and the number of units purchased through stabilization transactions and the Syndicate Cover Transaction to be appropriated for the return of

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the Borrowed Investment Units.

For this reason, the units to be issued by third-party allotment may be undersubscribed, in part or in whole, and consequently, the subscription right will be forfeit and the final number of investment units with respect to the Third-Party Allotment may be reduced to the same extent, or the issue itself may be suspended.

On the Date for Determination of Issue Price, whether to undertake a Secondary Offering via Over-Allotment and, if so, the number of investment units to be sold will be determined. If a Secondary Offering via Over-Allotment is not undertaken, SMBC Nikko Securities Inc. will not borrow the Investment Units from Mitsui Fudosan Co., Ltd. In such a case, therefore, SMBC Nikko Securities Inc. will not respond to or apply for units via the Third-Party Allotment and the subscription right will be forfeit and the issuance of new investment units via the Third-Party Allotment would be cancelled altogether. Similarly, the Syndicate Cover Transaction on the Tokyo Stock Exchange would not be undertaken.

(2) The transactions described in (1) shall be made by SMBC Nikko Securities Inc. in consultation with Daiwa Securities Co., Ltd. and Nomura Securities Co., Ltd.

4. Change in total Number of Investment Units Outstanding after the New Issue

Current number of units outstanding	496,000 units
Increase in number of units by Primary Offering	21,900 units
Total number of units outstanding after Primary Offering	517,900 units
Increase in the number of units via the Third-Party Allotment	1,100 units (note)
Total number of investment units outstanding after the Third-Party Allotment	519,000 units (note)

Note: These figures are based on the assumption that all the investment units are applied for by SMBC Nikko Securities Inc. and are successfully issued via the Third-Party Allotment.

5. Rationale for Issue

Through the issuance of new investment units, the Investment Corporation aims to raise funds for newly acquiring Specified Asset (as defined by Article 2, Paragraph 1 of the Investment Trust and Investment Corporation Law of Japan, the same shall apply hereinafter) in an effort to increase the size of and diversify the composition of its asset portfolio while maintaining and enhancing the stability of its profit base. The Investment Corporation also intends to secure financial stability and take a flexible approach in the acquisition of Specified Assets that, in turn, help it achieve medium- to long-term growth. With this in mind, the Investment Corporation has decided to issue new investment units after examining the status of real estate transactions, market trends, the level of distribution, LTV and other factors.

Note: Please also refer to "Notice Concerning Acquisition of Real Estate Property in Japan (Ikebukuro GLOBE (50% Co-Ownership): Additional Acquisition)" announced today to see the details of the Specified Asset.

6. Amount of Funds to Be Raised, Use of Proceeds and Planned Outlay Period

(1) Amount of Funds to Be Raised (Approximate Net Proceeds)

¥10,063,000,000 (upper limit)

Note: This amount comprises the sum of proceeds from the Primary Offering totaling ¥9,582,000,000 and proceeds from the new issuance of investment units via the Third-Party Allotment totaling ¥481,000,000 (upper limit). These estimated amounts are calculated based on the closing price of the Investment Units announced by the Tokyo Stock Exchange for regular transaction as of August 1, 2019 (Thu.).

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(2) Use of Proceeds and Planned Outlay Period

Proceeds from the Primary Offering totaling ¥9,582,000,000 will be, in combination with proceeds from the new investment units totaling ¥481,000,000 (upper limit) to be issued via the Third-Party Allotment resolved on the same day as the resolution on the Primary Offering, appropriated for partial funding of the acquisition of the Specified Asset earmarked by the Investment Corporation and listed on “Notice Concerning Acquisition of Real Estate Property in Japan (Ikebukuro GLOBE (50% Co-Ownership): Additional Acquisition)” announced today, and the partial repayments of loans associated with the acquisition of the Specified Assets listed on “Notice Concerning Acquisition of Real Estate Property in Japan and Trust Beneficiary Rights to Real Estate Property in Japan (Three Properties, Including Ikebukuro GLOBE (50% Co-Ownership))” announced on March 18, 2019.

Note: Funds from the proceeds will be deposited at financial institutions until they are disbursed.

7. Designated Recipients of Distributions

None

8. Outlook

Please refer to “Notice Concerning Operating Forecasts for the Fiscal Period Ending December 31, 2019 and the Fiscal Period Ending June 30, 2020” announced today.

9. Operating Results for the Three Most Recent Fiscal Periods and Status of Equity Finance in the Three Most Recent Fiscal Periods

(1) Operating Results for the Three Most Recent Fiscal Periods

	Fiscal period ended June 30, 2018	Fiscal period ended December 31, 2018	Fiscal period ended June 30, 2019 <small>(note 2)</small>
Net income per unit	¥10,193	¥10,281	¥9,410
Distribution per unit	¥10,194	¥10,282	¥10,490 <small>(note 3)</small>
Payout ratio <small>(note 1)</small>	100.0%	100.0%	104.0%
Net assets per unit	¥306,120	¥306,207	¥305,336

Notes:

- Payout ratio is calculated using the following formula (figures are rounded down to one decimal place).
Total distribution amount (excluding distribution in excess of earnings) ÷ net income × 100
- In accordance with provisions of Article 130 of the Investment Trust and Investment Corporation Law of Japan, figures for the fiscal period ended June 30, 2019 have been audited by accounting auditors. However, these figures have not undergone audits by certified public accountants or audit firms in accordance with provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.
- Distribution per unit for the fiscal period ended June 30, 2019 includes distribution in excess of earnings totaling ¥700 per unit. This was temporarily added to distribution with the aim of stabilizing the amount of distribution per unit, giving consideration to the impact of one-off factors on earnings.

(2) Recent Status of Investment Unit Price

① Investment Unit Price in the Three Most Recent Fiscal Periods

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	Fiscal period ended June 30, 2018	Fiscal period ended December 31, 2018	Fiscal period ended June 30, 2019
Opening price	¥438,000	¥447,000	¥434,000
Highest price	¥467,500	¥458,500	¥480,000
Lowest price	¥427,500	¥421,500	¥427,000
Closing price	¥445,000	¥435,000	¥460,000

② Investment Unit Price in the Most Recent Six Months

	Mar. 2019	Apr. 2019	May 2019	Jun. 2019	July 2019	Aug. 2019
Opening price	¥455,000	¥470,000	¥460,500	¥458,000	¥460,500	¥469,000
Highest price	¥476,000	¥471,500	¥467,500	¥480,000	¥471,500	¥469,000
Lowest price	¥455,000	¥454,500	¥458,000	¥455,500	¥456,000	¥444,000
Closing price	¥464,500	¥463,000	¥458,500	¥460,000	¥469,000	¥444,500

Note: Investment unit price in August 2019 represents price as of August 14, 2019 (Wed.).

③ Investment Unit Price on the Business Day Immediately Preceding the Date of the Resolution with Regard to the Issuance of New Investment Units

	August 14, 2019
Opening price	¥446,500
Highest price	¥447,000
Lowest price	¥444,000
Closing price	¥444,500

(3) Status of Equity Finance in the Three Most Recent Fiscal Periods

None

10. Restrictions on Sales and Additional Issuance of Investment Units

(1) Mitsui Fudosan Co., Ltd. and Mitsui Fudosan Frontier REIT Management Inc. are investors that currently own 29,200 and 400 Investment Units, respectively. With regard to the Primary Offering, both companies have agreed with the Joint Lead Managers not to engage in the sale and certain other transactions of the Investment Units they currently hold without obtaining prior written consent from Joint Lead Managers. This restriction is effective from the Date for Determination of Issue Price until six months after the delivery date. (Notwithstanding the foregoing, this shall not apply to the Investment Units lent out by Mitsui Fudosan Co., Ltd. in connection with the Secondary Offering via Over-Allotment.)

(2) With regard to the Primary Offering, the Investment Corporation has agreed with the Joint Lead Managers not to engage in the issuance certain other transactions of Investment Units without obtaining their prior written consent. This restriction is effective from the Date for Determination of Issue Price until 90 days after the delivery date. (Notwithstanding the foregoing, this shall not apply to the Investment Units issued by the Investment Corporation via the Primary Offering, the Third-Party Allotment or in case of a unit split.)

(3) Notwithstanding (1) and (2) above, the Joint Lead Managers are authorized to cancel part or all of

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the aforementioned agreements during the designated periods of the restrictions or to shorten such periods at their own discretion.

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

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