

December 22, 2014

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.
Hiroshi Tanaka
Chief Executive Officer and Representative Director

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

Notice Concerning Acquisition of Investment Asset

Frontier Real Estate Investment Corporation (the “Investment Corporation”) hereby announces the decision of Mitsui Fudosan Frontier REIT Management Inc., the Investment Corporation’ asset management company (the “Asset Management Company”), on the acquisition of Shinsaibashi Square on December 22, 2014 as described below. Since the seller of Shinsaibashi Square 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 December 19, 2014 had been acquired pursuant to the Interested-Party Transaction Regulations.

1. Planned Acquisition Details

- (1) Type of Acquired Asset: Real estate (Trust beneficiary rights in a real estate property)*
- (2) Property Name: Shinsaibashi Square
- (3) Planned Acquisition Price: ¥8,620 million (Land: ¥8,353 million; Building ¥267 million)**
- (4) Contract Date: December 22, 2014
- (5) Acquisition Date: March 2, 2015 (Delivery and clearance date)
- (6) Seller: Mitsui Fudosan Co., Ltd.***
- (7) Acquisition Financing: Self-financing and borrowings
- (8) Payment Method: Single payment at the time of delivery

* While the acquired asset is an actual real estate as of the contract date, the seller has agreed to change the asset to trust beneficiary interest by the acquisition date at its own responsibility.

** Acquisition Price amount does not include acquisition cost, real property tax, city planning tax, consumption tax, etc.

*** For details regarding seller’s profile, please see Item 5. in the following section.

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) Location

The Property is situated along Midosuji, a main street that connects the north and south sides of the Kansai region's central business and commercial areas such as Umeda, Shinsaibashi and Namba. Near Shinsaibashi on Midosuji there are many roadside shops of globally renowned luxury brands including CHANEL and PRADA, and it is therefore recognized as a globally leading brand street. In addition, the Property is located on a corner plot at the intersection of Midosuji and a road that connects to an arcade street of Shinsaibashi which runs parallel to Midosuji, and the area is bustling throughout the day.

The site in particular can be said to be in an excellent location that is hard to attain, with the highest potential as a commercial spot along Midosuji, as NIKE to the north, APPLE on the diagonal side and PRADA to the south have flagship stores at the intersection. Furthermore, the site is rare with high potential for attracting more visitors due to the increase in inbound tourists.

(2) Features of the Property

The Property is an urban retail facility developed by Mitsui Fudosan Co., Ltd. and completed on September 1, 2014. The facilities are comprised of a north building and south building. The south building houses German luxury brand HUGO BOSS's largest roadside shop in Japan, and an overseas luxury brand is also scheduled to open a roadside shop in the north building next spring. With long-term fixed-term building lease contracts for both the north and south buildings, the property will contribute to stable earnings of the Investment Corporation.

3. Property Details

(1) Real Estate Details

[North Building]

Type of Acquisition Asset		Trust beneficiary rights in a real estate property
Location (registered indication)		2-1-5, Shinsaibashisuji, Chuo-ku, Osaka-shi, Osaka
Land	Lot Area	659.21m ² (registered)
	Use	Commercial district
	Plot Ratio	1000%
	Building to Land Ratio	100%
	Ownership	Property ownership
Building	Structure / Number of Floors	Steel-framed, flat roof construction / Three above-ground floors (registered)
	Construction Completed	September 1, 2014
	Gross Floor Area	1,105.72m ² (registered)
	Use	Retail
	Ownership	Property ownership
Architect		The Zenitaka Corporation First-Class Architect Office
Builders		The Zenitaka Corporation
Inspection Agency		Center of International Architectural Standard
Planned Acquisition Price*		-

Appraisal Value**	-
Appraiser	Japan Real Estate Institute
Probable Maximum Loss (PML)	7%
Collateral	None
Note	Although the building is completed, it is not open as of the contract date as the lessee is conducting interior finish work. However, because it is agreed in the sale agreement that the seller shall be responsible for construction supervision, etc. regarding construction required to meet the related laws and regulations even after the execution of the sale, the Investment Corporation believes that no additional expenses will arise as a result of the construction underway.

*1 Since the north and south buildings are being sold as one unit, the acquisition prices of each are not calculated. The same hereinafter.

*2 Since the north and south buildings are being sold as one unit, the appraisal values of each are not calculated. The same hereinafter.

[South Building]

Type of Acquisition Asset		Trust beneficiary rights in a real estate property
Location (registered indication)		2-1-12, Shinsaibashisuji, Chuo-ku, Osaka-shi, Osaka
Land	Lot Area	343.45m ² (registered)
	Use	Commercial district
	Plot Ratio	1000%
	Building to Land Ratio	100%
	Ownership	Property ownership
Building	Structure / Number of Floors	Steel-framed, flat roof construction / Two above-ground floors (registered)
	Construction Completed	September 1, 2014
	Gross Floor Area	537.03m ² (registered)
	Use	Retail
	Ownership	Property ownership
Architect		The Zenitaka Corporation First-Class Architect Office
Builders		The Zenitaka Corporation
Inspection Agency		Center of International Architectural Standard
Planned Acquisition Price*		-
Appraisal Value**		-
Appraiser		Japan Real Estate Institute
Probable Maximum Loss (PML)		7%
Collateral		None

(2) Lease Details (upon acquisition of newly acquired asset)

[North Building]

Lessor	Sumitomo Mitsui Trust Bank, Limited
Lessee	Not disclosed*
Type of Contract	Fixed - building lease contract
Contract Term	Not disclosed*
Annual Rent	Not disclosed**
Termination during the Contract Term	Not cancellable
Rent revision	In principle, not allowed
Security Deposit	Not disclosed*
Guarantee Deposit	None
Number of Tenants	1
Total Leasable Floor Space	1,175.46m ²
Total Leased Floor Space	1,175.46m ²

Occupancy Rate	100% (Total Leased Space/Total Leasable Space)
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- *1 Undisclosed as of the contract date as the Investment Corporation did not obtain lessee's consent. The lessee is a Japanese entity of overseas luxury brands.
- *2 A fixed-term building lease contract is concluded between Mitsui Fudosan, the seller, and the lessee as of the contract date. Under the lease contract rent shall arise starting March 1, 2015, the day before the Investment Corporation's scheduled acquisition date.

[South Building]

Lessor	Sumitomo Mitsui Trust Bank, Limited
Lessee	Hugo Boss Japan K.K.
Type of Contract	Fixed - building lease contract
Contract Term	Not disclosed*
Annual Rent	Not disclosed*
Termination during the Contract Term	Not cancellable
Rent revision	In principle, not allowed
Security Deposit	Not disclosed*
Guarantee Deposit	None
Number of Tenants	1
Total Leasable Floor Space	575.07m ²
Total Leased Floor Space	575.07m ²
Occupancy Rate	100% (Total Leased Space/Total Leasable Space)

*Undisclosed as of the contract date as the Investment Corporation did not obtain lessee's consent.

4. The Significance of the Acquisition

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

5. Seller Profile

Company Name	Mitsui Fudosan Co., Ltd.
Address of Head Office	2-1-1 Nihonbashi Muromachi, Chuo-ku, Tokyo
Representative	President and Executive Officer Masanobu Komoda
Share Capital	¥339,766 million
Total Assets	¥4,726,817 million
Net Assets	¥1,723,062 million
Major Shareholder	The Master Trust Bank of Japan (trust account)
Principle Business	Acquisition, holding, disposal, leasing, selling and management of real estate
Relationship with the Investment Corporation and/or the Asset Management Company	Parent company (100%) of the Asset Management Company
Relationship with the Investment Corporation and/or the Asset Management Company	
Capital Relationship	As of the end of June 2014, Mitsui Fudosan owns 5.887% of the Investment Corporation's investment units issued and outstanding. Also, Mitsui Fudosan owns all of the shares issued by the Asset Management Company.
Personnel Relationship	As of the end of November 2014, nine of the staff members of the Asset Management Company are seconded employees from Mitsui Fudosan (excluding part-time directors).

Business Relationship	Mitsui Fudosan is the party commissioned with SC management, agent for new tenants and real estate, etc. transaction broker for the Investment Corporation, seller of some real estate owned by the Investment Corporation, and is the lessee, etc. of real estate held by the Investment Corporation.
Status of Classification as Related Party	Mitsui Fudosan does not constitute a related party of the Investment Corporation. Also, Mitsui Fudosan is the parent company of the Asset Management Company.

6. Status of Property Owner

Property Name (Location)	Shinsaibashi Square (2-1-5 and 2-1-12, Shinsaibashisuji, Chuo-ku, Osaka-shi, Osaka)		
Status of Property Owner	Previous Owner/Beneficial Owner	Owner/Beneficial Owner before the Previous Owner/Beneficial Owner	Owner/Beneficial Owner before the Previous, Previous Owner/Beneficial Owner
Name of Company	Mitsui Fudosan Co., Ltd.	Nippon Shopping Facilities Fund Inc.*	Not a related party
Relationship with Interested Parties	Parent company (100%) of the Asset Management Company	The 100% parent company of the Asset Management Company invested 100% in the investment corporation, its asset management company is a subsidiary of the 100% parent company of the Asset Management Company	—
Background and Purpose of Acquisition	For the purpose of development	—	—
Acquisition Price**	—	—	—
Acquisition Date	September 1, 2014 (newly built) December 8, 2008 (Land))	March 21, 2008	—

*The previous owner terminated the trust agreement after succeeding the trust beneficiary rights from the beneficial owner before the previous beneficial owner, and succeeded the ownership of the Property from the trustee. However, in "Owner/Beneficial Owner before the Previous Owner/Beneficial Owner", only the name of before the previous beneficial owner, who is the seller to the previous owner, is indicated.

**Undisclosed as the previous owner has owned the property for over a year.

7. Broker Profile

Not applicable

8. Execution of SC Management Agreement

The Investment Corporation has executed a basic agreement concerning SC management with Mitsui Fudosan Co., Ltd., the parent company of the Asset Management Company, for the purpose of effectively utilizing the expertise of Mitsui Fudosan Co., Ltd. in operation and management of retail facilities. The Investment Corporation will, based on the terms of the aforementioned basic agreement, enter into an SC management agreement that sets out detailed work (including property management) for the Property.

9. Interested-Party Transaction

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 December 19, 2014 had been acquired following the deliberation and resolution of the Compliance Committee meeting on December 17, 2014, and the conclusion of the contract was resolved by the Asset Management Company at the Board of Directors meeting on December 22, 2014, pursuant to the Interested-Party Transaction Regulations.

Regarding the execution of the SC management agreement stated in the previous section 8., Mitsui Fudosan Co., Ltd. falls under the category of the “Interested Parties.” Therefore, the contract will be concluded with a decision following similar procedures. Mitsui Fudosan will re-commissioned a part of the SC management business to Frontier REIT SC Management, a Mitsui Fudosan Group company that specializes in the particular business.

10. Impact on Financial Status of the Investment Corporation in the Event of Failure to Fulfill Forward Commitment, Etc.

The acquisition of the Property falls under the category of forward commitments, etc. (refers to contracts for forward and future transactions, for which settlement and delivery take place one or more months after their signing) (the “Forward Commitment”). The Forward Commitment states that, in the event of a material violation of contractual obligations by one party and the transaction of the Property fails to be executed on the term of payment for reasons attributable to one party, the other party shall have the right to cancel the Forward Commitment and, in the event of cancellation of the Forward Commitment, the party which received damages due to violation of the contract has the right to claim compensation for damages. However, the Investment Corporation’s payment obligation is only to be fulfilled with the condition that the Investment Corporation has completed the financing required for the payment of the purchase price. The Investment Corporation is thus not obliged to pay the purchase price if it is not able to procure the funds necessary for the payment of the purchase price, and it is believed that the likelihood of the Forward Commitment significantly impacting the Investment Corporation’s finances is low.

11. Outlook

The scheduled acquisition date of the property is in the 22nd fiscal period ending June 30, 2015 and there is no impact on the operating forecasts for the 21st fiscal period ending December 31, 2014. The impact on the operating forecasts for the 22nd fiscal period ending June 30, 2015 is expected to be minimal. The operating forecasts for the period are currently under review and information shall be promptly disclosed when appropriate.

12. Summary of Property Appraisal

Property Name	Shinsaibashi Square
Appraisal Value	¥8,620,000,000
Appraiser	Japan Real Estate Institute
Date of Appraisal	December 1, 2014

Item	Content
Indicated Value by Income Approach	
Direct-Reduction Method Value	¥8,800,000,000
Net Operating Income	Not disclosed*
Effective Gross Income	Not disclosed*
Loss from Vacancy, etc.	Not disclosed*
Operational Cost	Not disclosed*
Maintenance and Management Fee	Not disclosed*
Utility Cost	Not disclosed*
Repair Cost	Not disclosed*
Property Management Fee	Not disclosed*
Leasing Cost, etc.	Not disclosed*
Taxes and Public Dues	Not disclosed*
Insurance Premium	Not disclosed*
Other Expenses	Not disclosed*
Net Operating Income	¥347,187,000
Operating Profit on Lump-Sum Payments	Not disclosed*
Capital Expenditure	Not disclosed*
Net Income	¥351,943,000
Cap Rate	4.0%
DCF Value	¥8,430,000,000
Discount Rate	3.8%
Terminal Cap Rate	4.2%
Indicated Value by Cost Approach	
Land Ratio	96.9%
Building Ratio	3.1%

Other Matters of Consideration	The real estate concerned has sufficient market competitiveness with high commercial potential as it is located along Midosuji, and expects stable profits in the long term from excellent tenants. Given these points, the value assessed by using both the direct-reduction and DCF methods was employed and the indicated value by cost approach used as reference to determine the appraisal value.
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*These figures are undisclosed as they include information for which obligation of confidentiality for lessees are born and information that would enable calculation of such, and because the Asset Management Company has deemed that the disclosure of the information would lead to the disadvantage of the Investment Corporation such as through conflict of obligations of confidentiality, and eventually to harming the interest of unitholders and investors.

1. Map Indicating Location of the Property / Photographs of the Property
2. Overview of the Investment Portfolio following the Acquisition of the Property

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/>

Attachment 1: Map Indicating Location of the Property / Photographs of the Property

■ Surrounding Area



■ Wide Area



■ Photographs of the Property



Attachment 2: Overview of the Investment Portfolio following the Acquisition of the Property

Property Name	Location	(Planned) Acquisition Date	(Planned) Acquisition Price (Millions of yen)*	Percentage of Portfolio (%)**
AEON Shinagawa Seaside Shopping Center	Shinagawa-ku, TOKYO	August 9, 2004	20,100	7.3
AEON Ibaraki Shopping Center	Ibaraki City, OSAKA	August 9, 2004	18,100	6.6
Joyfultown Okayama	Okayama City, OKAYAMA	August 9, 2004	11,000	4.0
Papillon Plaza	Fukuoka City, FUKUOKA	August 9, 2004	4,810	1.8
Kamiikedai Tokyu Store	Ota-ku, TOKYO	August 9, 2004	1,490	0.5
Belltown Tambaguchi Eki-mae Store	Kyoto City, KYOTO	August 29, 2005	2,130	0.8
AEON Mall NAGOYADOME-mae	Nagoya City, AICHI	March 23, 2006	24,800	9.0
Summit Store Takinogawa Momiji-bashi	Kita-ku, TOKYO	September 29, 2006	3,100	1.1
Sports Club Renaissance Hiroshima	Hiroshima City, HIROSHIMA	April 13, 2007	1,940	0.7
Frespo Tosu (land interest)	Tosu City, SAGA	November 8, 2007	3,178	1.2
You Me Town Hiroshima	Hiroshima City, HIROSHIMA	February 19, 2008	23,200	8.4
Queen's Isetan Suginami-momoi	Suginami-ku, TOKYO	July 4, 2008	3,560	1.3
Mitsui Outlet Park Iruma	Iruma City, SAITAMA	July 10, 2008	19,900	7.2
Costco Wholesale Warehouse Iruma (land interest)	Iruma City, SAITAMA	July 10, 2008	2,600	0.9
Desigual Harajuku	Shibuya-ku, TOKYO	October 15, 2008	3,100	1.1
Ito-Yokado Higashi-yamato	Higashi-yamato City, TOKYO	January 13, 2009	11,600	4.2
AEON Town Tanashi-shibakubo	Nishi-tokyo City, TOKYO	February 18, 2009	3,100	1.1
TSUTAYA BOOK STORE TENJIN	Fukuoka City, FUKUOKA	December 16, 2009	3,700	1.3
Mitsui Shopping Park LaLaport Iwata	Iwata City, SHIZUOKA	July 2, 2010	15,200	5.5
GINZA GLASSE	Chuo-ku, TOKYO	July 2, 2010	13,600	5.0
Shimura Shopping Center	Itabashi-ku, TOKYO	January 18, 2011	4,430	1.6
Mitsui Shopping Park LaLagarden Kasukabe	Kasukabe City, SAITAMA	February 16, 2011	10,000	3.6
Summit Store Yokohama Okano (land interest)	Yokohama City, KANAGAWA	February 24, 2012	5,700	2.1
VIORO	Fukuoka City, FUKUOKA	February 28, 2012	10,100	3.7
QANAT Rakuoku	Kyoto City, KYOTO	July 4, 2012	8,800	3.2
Ikebukuro Square	Toshima-ku, TOKYO	February 1, 2013	20,400	7.4
Mitsui Shopping Park Alpark (East Building)	Hiroshima City, HIROSHIMA	February 19, 2013	5,400	2.0
Kohnan Kawasaki-Odasakae Mall (Land interest)	Kawasaki City, Kanagawa	January 31, 2014	7,000	2.5
Mitsui Shopping Park LaLaport SHIN-MISATO Annex	Misato City, Saitama	March 25, 2014	3,930	1.4
Shinsaibashi Square	Osaka City, Osaka	March 2, 2015	8,620	3.1
Total			274,588	100.0

* Acquisition Price amounts are rounded down to the nearest millions in yen.

** Percentage of Portfolio figures are based on acquisition (planned) prices and are rounded up or down to the nearest second decimal place.