

January 25, 2016

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

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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’s asset management company (the “Asset Management Company”), on the acquisition of KOJIMA × BIC CAMERA Naha Store on January 25, 2016 as described below.

1. Acquisition Details

- (1) Type of Acquired Asset: Real estate
- (2) Property Name: KOJIMA × BIC CAMERA Naha Store
- (3) Acquisition Price: ¥1,850 million (Land: ¥1,404 million; Building: ¥445 million)*
- (4) Contract Date: January 25, 2016
- (5) Acquisition Date: January 25, 2016 (Delivery and clearance date)
- (6) Seller: Chemical Building Co., Ltd.**
- (7) Acquisition Financing: Self-financing and borrowings
- (8) Payment Method: Single payment at the time of delivery***

* 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.

*** After acquiring the Property with cash on hand as of today, the Investment Corporation plans to execute new borrowings to cover the decreased amount in cash on hand due to utilization, etc. and allocate the entire amount of the borrowings to cash on hand. Matters concerning the new borrowings shall be promptly announced when the details have been decided.

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) Assessment of Land

Located in Naha City, the capital of Okinawa Prefecture, the Property boasts excellent visibility and accessibility facing the Aja intersection which is a transport node of Route 58 running north-south and Loop 2 running west-east Okinawa Island. The location is also considered excellent for roadside retail facilities. Furthermore, the population of Okinawa Prefecture is on the rise indicating the future potential of the market. The trade area population enjoys superior market volume of 148,000 within a 3km radius and 354,000 within a 5km radius.

(2) Features of the Property

The Property opened as KOJIMA NEW Naha Store in 2006 as its first store in the Okinawa area. It was renovated by Kojima Co., Ltd., the lessee, in June 2014 and reopened as KOJIMA × BIC CAMERA Naha Store after the renewal. The Property has the largest store floor space (4,000 m²) among its stores in Okinawa Prefecture. Its store space is arranged following community-based and experience-proposing themes, and it even houses an official Apple Store. In addition, the fourth floor of the Property is used as logistics and warehouse space serving as the company's hub in the Okinawa area for deliveries within Okinawa Island as well as to remote islands. As there is an adjacent retail facility on the eastside of the Property having a food supermarket as its core, the location can also expect to attract customers who come to shop at that facility.

3. Property Details

(1) Real Estate Details

Type of Acquisition Asset		Real Estate
Location (registered indication)		664-5, 664-9 Aza-Aja, Yamakushibaru, Naha City, Okinawa
Land	Lot Area	6,161.29m ² (registered)
	Use	Neighborhood commercial district, second type medium and high-rise exclusive residential area
	Plot Ratio	300%,200%
	Building to Land Ratio	80%,60%
	Ownership	Proprietary ownership
Building	Structure / Number of Floors	Steel-framed with galvanized steel sheet roofing/ Four above-ground floors (registered)
	Construction Completed	March 10, 2006
	Gross Floor Area	7,301.89m ² (registered)
	Use	Retail
	Ownership	Proprietary ownership
Architect		Kai Comprehensive Design Co., Ltd.
Builders		Shoken Co., Ltd.
Inspection Agency		Japan ERI Co., Ltd.
Acquisition Price		¥1,850 million
Appraisal NOI		7.5%*
Appraisal Value		¥2,290 million
Appraiser		Morii Appraisal & Investment Consulting, Inc.
Probable Maximum Loss (PML)		6%
Collateral		None
Note		None

* Appraisal NOI is calculated by dividing NOI (used by the appraiser in determining direct capitalization) by

Acquisition Price.

(2) Lease Details (upon acquisition of asset to be acquired)

Lessor	Frontier Real Estate Investment Corporation
Lessee	Kojima Co., Ltd.
Type of Contract	Not disclosed*
Contract Term	Not disclosed*
Annual Rent	Not disclosed*
Termination during the Contract Term	Not disclosed*
Rent revision	Not disclosed*
Security Deposit	Not disclosed*
Guarantee Deposit	Not disclosed*
Number of Tenants	1
Total Leasable Floor Space	7,301.89m ²
Total Leased Floor Space	7,301.89m ²
Occupancy Rate	100% (Total Leased Space/Total Leasable Space)

* Undisclosed as the Investment Corporation did not obtain the 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. This will be the Investment Corporation's first acquisition of a property in the Okinawa area. The acquisition of the Property will contribute to maintaining and improving the quality and stability of the existing portfolio by further spreading out and diversifying the portfolio in addition to expanding the asset size.

5. Seller Profile

Company Name	Chemical Building Co., Ltd.	
Address of Head Office	3-15-12 Nishi-shinbashi, Minato-ku, Tokyo	
Representative	President and Representative Director Masaya Haryu	
Share Capital	¥93 million	
Established	April 11, 1966	
Total assets	Not disclosed*	
Net assets	Not disclosed*	
Major Shareholder	Not disclosed*	
Principle Business	Selling, buying and leasing of real estate	
Relationship with the Investment Corporation and/or the Asset Management Company	Capital Relationship	There are no capital relationships to be described between the seller and the Investment Corporation or the Asset Management Company. Also, there are no noteworthy capital relationships between affiliated persons or affiliated companies of the seller and the affiliated persons or affiliated companies of the Investment Corporation or the Asset Management Company.
	Personnel Relationship	There are no personnel relationships to be described between the seller and the Investment Corporation or the Asset Management Company. Also, there are no noteworthy personnel relationships between affiliated persons or affiliated companies of the seller and the affiliated persons or affiliated companies of the Investment

		Corporation or the Asset Management Company.
	Business Relationship	There are no business relationships to be described between the seller and the Investment Corporation or the Asset Management Company. Also, there are no noteworthy business relationships between affiliated persons or affiliated companies of the seller and the affiliated persons or affiliated companies of the Investment Corporation or the Asset Management Company.
	Status of Classification as Related Party	The seller does not constitute a related party of the Investment Corporation or the Asset Management Company. Also, affiliated persons or affiliated companies of the seller do not constitute a related party of the Investment Corporation or the Asset Management Company.

* Undisclosed as the Investment Corporation did not obtain the seller's consent.

6. Status of Property Owner

The acquisition of the Property is not from a related party of the Investment Corporation or the Asset Management Company with capital, personnel and/or business relationships, etc.

7. Broker Profile

Company Name	Soubi Inc.	
Address of Head Office	5-27-8 Toyo, Koto-ku, Tokyo	
Representative	President and Representative Director Masato Sugiyama	
Capital	¥10 million	
Established	December 1, 1994	
Principle Business	Building maintenance	
Brokerage fee	Not disclosed*	
Relationship with the Investment Corporation and/or the Asset Management Company	Capital Relationship	There are no capital relationships to be described between the broker and the Investment Corporation or the Asset Management Company. Also, there are no noteworthy capital relationships between affiliated persons or affiliated companies of the broker and the affiliated persons or affiliated companies of the Investment Corporation or the Asset Management Company.
	Personnel Relationship	There are no personnel relationships to be described between the broker and the Investment Corporation or the Asset Management Company. Also, there are no noteworthy personnel relationships between affiliated persons or affiliated companies of the broker and the affiliated persons or affiliated companies of the Investment Corporation or the Asset Management Company.
	Business	There are no business relationships to be

	Relationship	described between the broker and the Investment Corporation or the Asset Management Company. Also, there are no noteworthy business relationships between affiliated persons or affiliated companies of the broker and the affiliated persons or affiliated companies of the Investment Corporation or the Asset Management Company.
	Status of Classification as Related Party	The broker does not constitute a related party of the Investment Corporation or the Asset Management Company. Also, affiliated persons or affiliated companies of the broker do not constitute a related party of the Investment Corporation or the Asset Management Company.

* Brokerage fee is undisclosed as the Investment Corporation did not obtain the broker's consent.

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

Regarding the execution of the SC management agreement stated in the previous section 8., since Mitsui Fudosan Co., Ltd. falls under the category of the "Interested Parties" set forth in the Interested-Party Transaction Regulations of the Asset Management Company, the conclusion of the agreement was resolved by the Asset Management Company at the Board of Directors meeting following the deliberation and resolution of the Compliance Committee meeting, pursuant to the Interested-Party Transaction Regulations.

10. Outlook

Since the impact of the acquisition of the Property on the status of management of the Investment Corporation is minimal, there is no change in the Investment Corporation's operating forecasts for the period ending June 30, 2016.

11. Summary of Property Appraisal

Property Name	KOJIMA × BIC CAMERA Naha Store
Appraisal Value	¥2,290,000,000
Appraiser	Morii Appraisal & Investment Consulting, Inc.
Date of Appraisal	September 1, 2015

Item	Content	Description, etc.
Indicated Value by Income Approach	¥2,290,000,000	Estimated by correlating the DCF Value and the Direct-Reduction Method Value
Direct-Reduction Method Value	¥2,310,000,000	
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	¥138,878,000	
Operating Profit on Lump-Sum Payments	Not disclosed*	
Capital Expenditure	Not disclosed*	
Net Income	¥138,765,000	
Cap Rate	6.0%	Assessed by reflecting fluctuation risks of income and principal to the discount rate
DCF Value	¥2,260,000,000	
Discount Rate	5.8%	Assessed by comprehensively taking into account the market trend, etc. after considering risk factors associated with regional/individual features of the subject property
Terminal Cap Rate	6.2%	Assessed based on cap rate with consideration to uncertainties of net income fluctuation forecast, deterioration of the building and sales risks
Indicated Value by Cost Approach	¥2,470,000,000	
Land Ratio	75.9%	
Building Ratio	24.1%	

Other Matters of Consideration	None
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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 thus 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.

Attachments

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	Acquisition Date	Acquisition Price (Millions of yen)*	Percentage of Portfolio (%)**
AEON Shinagawa Seaside Shopping Center	Shinagawa-City, TOKYO	August 9, 2004	20,100	7.1
AEON Mall Ibaraki	Ibaraki City, OSAKA	August 9, 2004	18,100	6.4
Joyfultown Okayama	Okayama City, OKAYAMA	August 9, 2004	11,000	3.9
Papillon Plaza	Fukuoka City, FUKUOKA	August 9, 2004	4,810	1.7
Kamiikedai Tokyu Store	Ota-City, 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	8.7
Summit Store Takinogawa Momiji-bashi	Kita-City, 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	1.1
You Me Town Hiroshima	Hiroshima City, HIROSHIMA	February 19, 2008	23,200	8.1
Queen's Isetan Suginami-Momoi	Suginami-City, TOKYO	July 4, 2008	3,560	1.2
Mitsui Outlet Park IRUMA	Iruma City, SAITAMA	July 10, 2008	19,900	7.0
Costco Wholesale Warehouse Iruma (land interest)	Iruma City, SAITAMA	July 10, 2008	2,600	0.9
Desigual Harajuku	Shibuya-City, TOKYO	October 15, 2008	3,100	1.1
Ito-Yokado Higashi-Yamato	Higashi-Yamato City, TOKYO	January 13, 2009	11,600	4.1
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	5.3
GINZA GLASSE	Chuo-City, TOKYO	July 2, 2010	13,600	4.8
Shimura Shopping Center	Itabashi-City, TOKYO	January 18, 2011	4,430	1.6
Mitsui Shopping Park LaLagarden KASUKABE	Kasukabe City, SAITAMA	February 16, 2011	10,000	3.5
Summit Store Yokohama Okano (land interest)	Yokohama City, KANAGAWA	February 24, 2012	5,700	2.0
VIORO	Fukuoka City, FUKUOKA	February 28, 2012	10,100	3.5
QANAT Rakuhoku	Kyoto City, KYOTO	July 4, 2012	8,800	3.1
Ikebukuro Square	Toshima-City, TOKYO	February 1, 2013	20,400	7.2
Mitsui Shopping Park ALPARK (East Building)	Hiroshima City, HIROSHIMA	February 19, 2013	5,400	1.9
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	3.0
Mitsui Shopping Park LaLaport SHIN-MISATO***	Misato City, SAITAMA	April 1, 2015	4,740	1.7
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
Total			284,988	100.0

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

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

*** This is for trust beneficiary interest with a trust asset of 16% co-ownership of Mitsui Shopping Park LaLaport SHIN-MISATO.