

March 18, 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 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))

Frontier Real Estate Investment Corporation (the "Investment Corporation") hereby announces the decision reached on March 18, 2019 by Mitsui Fudosan Frontier REIT Management Inc., the Investment Corporation's asset management company (the "Asset Management Company"), to acquire a 50% co-ownership stake in Ikebukuro GLOBE, a 40% quasi co-ownership of the real estate trust beneficiary rights to SAKAE GLOBE, and a 60% co-ownership stake in Shinsaibashi MG Building (collectively, the "Acquisition;" the three aforementioned properties are hereinafter collectively the "Assets to Be Acquired"). With the Acquisition, FRI will own 100% of the real estate trust beneficiary rights to SAKAE GLOBE. As the seller of this property is a related party of the Asset Management Company as defined by the latter's internal rules regarding transactions with related parties, in line with said rules, the Asset Management Company obtained authorization from the Investment Corporation based on the approval granted by the Investment Corporation's Board of Directors meeting held on March 14, 2019.

1. Details of Assets to Be Acquired

Property name	Ikebukuro GLOBE	SAKAE GLOBE	Shinsaibashi MG Building
Type of Asset to be acquired	50% co-ownership stake in real estate	40% quasi co-ownership stake in trust beneficiary rights to real estate	60% co-ownership stake in real estate
Planned acquisition price *1	¥10,300 million (Land: ¥8,950 million, Building: ¥1,349 million)	¥6,350 million (Land: ¥5,924 million, Building: ¥425 million)	¥5,840 million (Land: ¥5,425 million, Building: ¥414 million)
Contract date	March 18, 2019	March 18, 2019	March 18, 2019
Planned acquisition date	March 22, 2019 (Delivery and clearance date)	March 22, 2019 (Delivery and clearance date)	March 22, 2019 (Delivery and clearance date)
Seller *2	Mitsui Fudosan Co., Ltd.	Mitsui Fudosan Co., Ltd.	Mitsui Fudosan Co., Ltd.
Acquisition financing *3	Self-financing and loans	Self-financing and loans	Self-financing and loans
Payment method	Single payment at the time	Single payment at the time	Single payment at the time

	of delivery	of delivery	of delivery
--	-------------	-------------	-------------

- \*1 The amount noted here excludes miscellaneous acquisition costs, real property taxes, city planning taxes, consumption taxes, etc.
- \*2 Please refer to “5. Seller Profile,” below.
- \*3 For details on loans taken out for the Acquisition, see the press release titled “Notice Concerning Execution of Short-term Borrowings,” dated March 18, 2019.

## 2. Rationale

The proposed acquisitions are in line with the Investment Corporation’s “Basic Policy of Asset Management” and “Investment Stance” as stipulated in its Articles of Incorporation. The Acquisition is being conducted as part of asset replacement measures in conjunction with the sale of Mitsui Shopping Park ALPARK (East Building), as detailed in the March 18, 2019 press release “Notice Concerning Sale of Real Estate Property in Japan.” As a result of these asset replacement measures, the Asset Management Company expects the portfolio’s overall asset size to expand and its average building age to decrease. In its decision to acquire these assets, the Asset Management Company also considered, *inter alia*, the following factors:

### (1) Evaluation of the Sites

#### Ikebukuro GLOBE

Ikebukuro GLOBE is located on the central portion of Sunshine 60 Street, which connects the east entrance of Ikebukuro Station— one of Tokyo’s busiest transport stations—with Sunshine City—a large-scale multi-use facility that sees 30,000,000 visitors per year. Sunshine 60 Street boasts the highest level of foot traffic among the thoroughfares in the commercial district surrounding Ikebukuro Station and is lined with large electronics stores, restaurants, movie theaters, and other amusement facilities that bustle with a wide-ranging customer base day and night. Furthermore, in the Ikebukuro Station east entrance area, multiple large-scale redevelopment projects, including Hareza Ikebukuro (to open in Summer 2020) on the site of the former Toshima Ward Office, etc., are currently moving forward. As such, the number of visitors to the area in which the property is located is expected to grow even larger.

#### SAKAE GLOBE

SAKAE GLOBE is located on Otsu Avenue in Nagoya’s Sakae area, one of the largest concentrated retail areas in the Chubu Region. Otsu Avenue is home to numerous name-brand retailers and is lined with department stores, such as Mitsukoshi, Matsuzakaya, LACHIC, and PARCO, as well as large buildings housing fashion retailers and street-level high-end brand stores, such as those of Gucci, Harry Winston, and Apple. The property’s site at the intersection of Otsu Avenue and Mitsukura Avenue gives it, like the Gucci store across Mitsukura Avenue to the south from it, excellent visibility, with its street-level, corner location making it a valuable urban retail facility with significant potential.

#### Shinsaibashi MG Building

Shinsaibashi MG Building is located on Shinsaibashi-Suji, a high-end shopping street boasting the greatest foot traffic in Osaka's Shinsaibashi area, one of the leading concentrated retail areas in the Kansai region. Today a favorite shopping zone for a rapidly increasing volume of overseas visitors to Japan, this street's bustling character dates back to the Edo period, and has only been growing livelier in recent years.

This area, centered on Daimaru Shinsaibashi, is home to a wide variety of businesses vying for attention, from overseas casual wear brands to drug stores and restaurants. Among these, Shinsaibashi MG Building offers excellent potential, as its location on the intersection with Unagidani-Minami Avenue lends it high visibility. Furthermore, several retail facility development projects are under way in the nearby area, including the reconstruction of the Daimaru Shinsaibashi main building, scheduled to open in autumn 2019. As such, the area is expected to see even more visitors going forward.

## (2) Features and Evaluation of the Properties

### Ikebukuro GLOBE

Ikebukuro GLOBE is an urban retail facility developed by Mitsui Fudosan Co., Ltd. and completed in January 2014. In March 2014, Uniqlo Co., Ltd., the property's main tenant (occupying floors 1–6), opened UNIQLO IKEBUKURO Sunshine Street 60 Store, a large-scale store inspired by UNIQLO's popular flagship locations. In addition, the property's B1 floor is home to the Japanese pub chains WARAWARA and SHIROKIYA.

Leveraging its corner-lot location on Sunshine 60 Street, the corner of the building features a glass curtain wall that leaves a strong impression on visitors and makes the retail facility highly recognizable.

### SAKAE GLOBE

SAKAE GLOBE is an urban retail facility developed by Mitsui Fudosan Co., Ltd. and completed in July 2017. In August 2017, the property's lessee, Zara Japan Co., Ltd., opened the building as ZARA Nagoya. An example of the newest type of store for the globally popular fashion brand ZARA, the building features a bright, open design with high ceilings that is primarily white both inside and outside. Furthermore, the building's unique façade fully leverages the lot's location, with approximately 26 meters of frontage on Otsu Avenue and 48 meters on Mitsukura Avenue, providing excellent visibility in Nagoya's Sakae area and helping to attract patrons shopping at retail facilities in the area.

### Shinsaibashi MG Building

Shinsaibashi MG Building is an urban retail facility jointly developed by MIKIGAKKI Co., Ltd. and Mitsui Fudosan Co., Ltd. and completed in October 2018. In November 2018, MIKIGAKKI Shinsaibashi Piano and Electone Shop & School (on floors 1 and 3–5) and Gap Store Shinsaibashi (occupying floors B1–2) opened at the property.

The property's highly recognizable façade, which leverages its approximately 22 meters of frontage on Shinsaibashi-Suji, among the greatest along this famous shopping street, and its location on the intersection with Unagidani-Minami Avenue will provide a competitive edge well into the future.

### 3. Details of the Assets to Be Acquired

#### (1) Real Estate Details

##### Ikebukuro GLOBE

Type of asset	Real estate (co-ownership stake in proprietary ownership of land and building)	
Location (residence indication)	1-21-4, Ikebukuro, Toshima City, Tokyo	
Land	Lot area	918.51 m <sup>2</sup> (registered)
	Use	Commercial district
	Plot ratio	800%
	Building to land ratio	80%
	Ownership	Proprietary co-ownership (50% co-ownership stake)
Building	Structure / Number of floors	Steel frame and reinforced concrete, flat roof construction, three floors below ground and six floors above ground (registered)
	Construction completed	January 10, 2014
	Gross floor area	6,116.22 m <sup>2</sup> (registered)
	Use	Stores, parking lot
	Ownership	Proprietary co-ownership (50% co-ownership stake)
Architect	First-class registered architect office, Kajima Corporation	
Builders	Kajima Corporation	
Inspection agency	Bureau Veritas Japan Co., Ltd.	
Planned acquisition price	¥10,300 million	
Master lessee	Mitsui Fudosan Co., Ltd.	
Type of master lease	Pass-through master lease	
Appraisal value	¥10,500 million	
Appraiser	Japan Real Estate Institute	
PML in earthquake	8%	
Collateral	None	
Note	<p>The Investment Corporation has exchanged a letter of agreement (the "Letter of Agreement between the Co-Owners") with Mitsui Fudosan Co., Ltd., the property's other co-owner. According to this Letter of Agreement between the Co-Owners, if either co-owner decides to transfer its co-ownership in whole or in part, they are to inform the other co-owner before all other parties, and if the other co-owner wishes to acquire the co-ownership being transferred, they are to negotiate preferentially with said other co-owner. Even when the co-owners are unable to reach an agreement regarding such transfer through such preferential negotiation, if one co-owner seeks to transfer ownership to a third party, they are obligated to obtain the other co-owner's written approval in advance. If the other co-owner wishes to acquire the ownership being transferred for more than the planned price of the transfer to the third party, the two co-owners are to deliberate on conditions other than the transfer price, and, if they reach an agreement, preferentially transfer the ownership to the other co-owner. In addition, neither co-owner may request the division of the co-owned assets for five years from the effective date of the Letter of Agreement between the Co-Owners (March 22, 2019) (however, this agreement is not registered).</p>	

##### SAKAE GLOBE

Type of asset	Real estate trust beneficiary rights (40% quasi co-ownership stake)
Trust formation date	October 25, 2013
Trustee	Mitsubishi UFJ Trust and Banking Corporation
Trust contract period	March 31, 2028

Location (residence indication)		3-7-17 Sakae, Naka Ward, Nagoya City, Aichi
Land	Lot area	1,288.50 m <sup>2</sup> (registered)
	Use	Commercial district
	Plot ratio	800%
	Building to land ratio	80%
	Ownership	Proprietary ownership
Building	Structure / Number of floors	Steel frame and steel-framed reinforced concrete, flat roof construction, one floor below ground and four floors above ground (registered)
	Construction completed	July 12, 2017
	Gross floor area	4,595.52 m <sup>2</sup> (registered)
	Use	Stores, parking lot
	Ownership	Proprietary ownership
Architect		First-class registered architect office, Chubu Branch, Sumitomo Mitsui Construction Co., Ltd.
Builders		Chubu Branch, Sumitomo Mitsui Construction Co., Ltd.
Inspection agency		Kakunin Service Inc.
Planned acquisition price		¥6,350 million
Master lessee		None
Type of master lease		—
Appraisal value		¥6,360 million
Appraiser		Japan Real Estate Institute
PML in earthquake		9%
Collateral		None
Note		The trustee has signed a memorandum of understanding with the owner of a property adjoining this property on part of its north side and has installed a corridor for joint use.

#### Shinsaibashi MG Building

Type of asset		Real estate (proprietary co-ownership of land and building)
Location (residence indication)		1-9-6, Shinsaibashi-Suji, Chuo Ward, Osaka City, Osaka
Land	Lot area	446.01 m <sup>2</sup> (registered)
	Use	Commercial district
	Plot ratio	1,000%
	Building to land ratio	80%
	Ownership	Proprietary co-ownership (60% co-ownership stake)
Building	Structure / Number of floors	Steel frame and steel-framed reinforced concrete, flat roof construction, two floors below ground and five floors above ground (registered)
	Construction completed	October 4, 2018
	Gross floor area	1,968.21 m <sup>2</sup> (registered)
	Use	Stores, educational facilities
	Ownership	Proprietary co-ownership (60% co-ownership stake)
Architect		First-class registered architect office, Kansai, Kumagai Gumi Co., Ltd.
Builders		Kansai Branch, Kumagai Gumi Co., Ltd.
Inspection agency		Japan ERI Co., Ltd.
Planned acquisition price		¥5,840 million
Master lessee		None
Type of master lease		—
Appraisal value		¥5,920 million

Appraiser	Japan Real Estate Institute
PML in earthquake	8%
Collateral	None
Note	<ul style="list-style-type: none"> <li>• Upon the acquisition of this property, the Investment Corporation plans to exchange an amended letter of agreement (the "Letter of Agreement between the Co-Owners") with Mitsui Fudosan Co., Ltd., the seller of the property, and MIKIGAKKI Co., Ltd., the property's other co-owner. According to this Letter of Agreement between the Co-Owners, in principle, if either co-owner decides to transfer its co-ownership in whole or in part, they are to grant preferential negotiation rights to the other co-owner. In addition, neither co-owner is to request the division of the co-owned assets for five years from March 23, 2017 (however, this agreement is not registered).</li> <li>• MIKIGAKKI Co., Ltd. has set up a revolving mortgage on the co-ownership stake that it owns in this property.</li> </ul>

## (2) Lease Details

### Ikebukuro GLOBE

#### Master Lease Contract

Lessors *1	The Investment Corporation (planned), Mitsui Fudosan Co., Ltd.
Lessee	Mitsui Fudosan Co., Ltd.
Type of contract	Fixed-term building lease agreement
Contract term	20 years (ending March 21, 2039)
Annual rent	Not disclosed *2
Termination during the contract term	Not disclosed *2
Rent revision	Not disclosed *2
Leasehold deposit	100% of sublease leasehold deposit in lease (sublease) contract
Security deposit	None
Number of tenants	1
Total leasable floor space *1	6,116.22 m <sup>2</sup>
Total leased floor space *1	6,116.22 m <sup>2</sup>
Occupancy rate	100% (total leased floor space / total leasable floor space)

\*1 The Investment Corporation plans to acquire a 50% co-ownership stake in the property, but the lessors, the total leasable floor space and total leased floor space given above reflect the data for the entire property (100%).

\*2 These items include information that the lessee is obliged to the sublessee to keep confidential and information that could be used to calculate such information. Because the lessee has not obtained the sublessee's permission to disclose this information, the lessee cannot grant permission to disclose it. Accordingly, these items are not disclosed

### SAKAE GLOBE

Lessor	Mitsubishi UFJ Trust and Banking Corporation
Lessee	Zara Japan Co., Ltd.
Type of contract	Fixed-term building lease agreement
Contract term	Not disclosed *2
Annual rent	Not disclosed *2
Termination during the contract term	Not disclosed *2
Rent revision	Not disclosed *2
Leasehold deposit	Not disclosed *2

Security deposit	Not disclosed *2
Number of tenants	1
Total leasable floor space *1	4,574.33 m <sup>2</sup>
Total leased floor space *1	4,574.33 m <sup>2</sup>
Occupancy rate	100% (total leased floor space / total leasable floor space)

\*1 The Investment Corporation plans to acquire a 40% quasi co-ownership of the trust beneficiary rights to the property, but the total leasable floor space and total leased floor space given above reflect the data for the entire property (100%).

\*2 Not disclosed, as the Investment Corporation has not obtained the lessee's permission.

#### Shinsaibashi MG Building

Lessor	The Investment Corporation (planned)
Lessee	a. MIKIGAKKI Co., Ltd. b. GAP JAPAN K.K.
Type of contract	Fixed-term building lease agreement
Contract term	a. 20 years (ending October 30, 2038) b. 10 years (ending October 30, 2028)
Annual rent	Not disclosed *2
Termination during the contract term	Not disclosed *2
Rent revision	Not disclosed *2
Leasehold deposit	Not disclosed *2
Security deposit	a. None b. Not disclosed *2
Number of tenants	2
Total leasable floor space *1	1,509.47 m <sup>2</sup>
Total leased floor space *1	1,509.47 m <sup>2</sup>
Occupancy rate	100% (total leased floor space / total leasable floor space)

\*1 The Investment Corporation plans to acquire a 60% co-ownership stake in the property, but the total leasable floor space and total leased floor space given above reflect the data for the entire property (100%).

\*2 Not disclosed, as the Investment Corporation has not obtained the lessee's permission.

#### 4. Significance of the Acquisition

The Acquisition is based on the Investment Corporation's investment policy, the objective of which is to secure stable revenue over the medium to long term. The Acquisition is aimed at expanding the Investment Corporation's asset size and helping maintain and improve the quality, profitability, and stability of its portfolio by diversifying and distributing the tenants of its properties under management.

#### 5. Seller Profile

Company name	Mitsui Fudosan Co., Ltd.
Address of head office	2-1-1 Nihonbashi-Muromachi, Chuo-ku, Tokyo
Representative	Masanobu Komoda, President and CEO
Capital	¥339,766 million (as of December 31, 2018)
Established	July 15, 1941

Net assets	¥2,322,980 million (as of December 31, 2018)
Total assets	¥6,622,360 million (as of December 31, 2018)
Major shareholders and ownership ratio	The Master Trust Bank of Japan, Ltd. (trust account) (8.76%) (as of September 30, 2018)
Business	Acquisition, ownership, disposal, rental, sale, and management of real estate
Relationship with the Investment Corporation and/or the Asset Management Company	
Capital relationship	As of December 31, 2018, the seller held 5.89% of the Investment Corporation's outstanding investment units. Moreover, the seller holds all of the outstanding shares in the Asset Management Company.
Personal relationship	As of December 31, 2018, eight of the Asset Management Company's officers and employees (excluding non-executive directors) had been sent from the seller.
Business relationship	The seller is the contractor for the Investment Corporation's SC management services, provider of new tenant mediation services, brokerage for real estate transactions, seller of some of the Investment Corporation's real estate holdings, and lessee of the Investment Corporation's real estate holdings.
Status of classification as related parties	The seller is not considered a related party of the Investment Corporation. The seller is the parent company of the Asset Management Company.

## 6. Status of Previous Property Owners

### Ikebukuro GLOBE

Property name (Location)	Ikebukuro GLOBE 1-21-4, Ikebukuro, Toshima City, Tokyo	
Status of Property owner	Previous owner	Owner before the previous
Name	Mitsui Fudosan Co., Ltd.	Other than a party with a special interest
Relationship with party with a special interest	100% parent company of the Asset Management Company	—
Background and purpose of acquisition	For the purpose of development	—
Acquisition price*	—	—
Acquisition date	January 10, 2014 (newly built building) September 1, 2010 (land)	—

\* This information is omitted because the previous owner held the land for over one year and developed the building.

### SAKAE GLOBE

Property name (Location)	SAKAE GLOBE 3-7-17 Sakae, Naka Ward, Nagoya City, Aichi	
Status of property owner	Previous owner/ trust beneficiary	Owner/ trust beneficiary before the previous
Name	Mitsui Fudosan Co., Ltd.	Other than a party with a special

		interest
Relationship with party with a special interest	100% parent company of the Asset Management Company	—
Background and purpose of acquisition	For the purpose of development	—
Acquisition price*	—	—
Acquisition date	July 12, 2017 (newly built building) October 25, 2013 (land)	—

\* This information is omitted because the previous owner held the land for over one year and developed the building.

#### Shinsaibashi MG Building

Property name (Location)	Shinsaibashi MG Building 1-9-6, Shinsaibashi-Suji, Chuo Ward, Osaka City, Osaka	
Status of property owner	Previous owner	Owner before the previous
Name	Mitsui Fudosan Co., Ltd.	Other than a party with a special interest
Relationship with party with a special interest	100% parent company of the Asset Management Company	—
Background and purpose of acquisition	For the purpose of development	—
Acquisition price*	—	—
Acquisition date	October 4, 2018 (newly built building) December 25, 2015 (land)	—

\* This information is omitted because the previous owner held the land for over one year and developed the building.

#### 7. Broker Profile

Not applicable.

#### 8. SC Management Agreement

The Investment Corporation has concluded a Basic Agreement Concerning Shopping Center Management for the operation and management of its retail facilities with Mitsui Fudosan Co., Ltd., the parent company of the Asset Management Company, with the aim of utilizing Mitsui Fudosan's expertise. Based on the stipulations of the basic agreement, an SC management agreement laying out the precise scope of the operations for the Assets to Be Acquired (including property management operations) will be concluded following the Acquisition.

## 9. Transactions with Related Parties, etc.

Since the seller of the Assets to Be Acquired and lessee of Ikebukuro GLOBE (part of the Assets to Be Acquired) falls under the category of related parties set forth in the Asset Management Company's internal rules regarding transactions with related parties, in line with said rules, the Asset Management Company obtained authorization from the Investment Corporation, based on the approval granted by the Investment Corporation's Board of Directors meeting held on March 14, 2019, following a resolution of the Compliance Committee on March 14, 2019. The Asset Management Company's Board of Directors then resolved to conclude the contract on March 18, 2019.

## 10. Outlook

The effect of the Acquisition on the results for the 30th fiscal period, ending June 30th, 2019, is expected to be modest. As such, there is no change to 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.

## 11. Summary of Property Appraisal

### Ikebukuro GLOBE

Property name	Ikebukuro GLOBE (50% co-ownership stake)
Appraisal value	¥10,500,000,000
Appraiser	Japan Real Estate Institute
Date of appraisal	December 31, 2018

Item	Content	Remarks
Indicated value by income approach	¥10,500,000,000 *1	Calculated using the capitalization method, with reference to both the value indicated by the income approach obtained by the DCF method and the value indicated by the income approach obtained by the direct reduction method.
Direct-reduction method value	¥10,700,000,000 *1	
Operating income	Not disclosed *2	
Effective gross income	Not disclosed *2	
Loss from vacancy, etc.	Not disclosed *2	
Operating costs	Not disclosed *2	
Maintenance and management fees	Not disclosed *2	
Utility costs	Not disclosed *2	
Repair costs	Not disclosed *2	
Property management fees	Not disclosed *2	
Tenant advertising costs	Not disclosed *2	
Taxes and public dues	Not disclosed *2	
Insurance premium	Not disclosed *2	
Other expenses	Not disclosed *2	

Item	Content	Remarks	
	Net operating income	¥407,338,000 *1	
	Operating profit on lump-sum payments	Not disclosed *2	
	Capital expenditure	Not disclosed *2	
	Net income	¥405,765,000 *1	
	Cap rate	3.8%	
	DCF value	¥10,300,000,000 *1	
	Discount rate	3.6%	Assessed taking into account the individual characteristics, etc., of the target property comprehensively, with reference to investment yields, etc., of similar real estate.
	Terminal cap rate	4.0%	Assessed taking into account the future trends of investment yields, risks of the target property as an investment target, general outlook for future economic growth rate, trends of real estate prices and rents, etc., comprehensively, with reference to investment yields, etc., of similar real estate.
	Indicated value by cost approach	¥7,200,000,000 *1	
	Land ratio	86.9%	
Building ratio	13.1%		

Other matters considered by appraiser in carrying out appraisal	<p>Due to the site characteristics, building use, and other attributes of the real estate property in question, demand would primarily come from corporate investors with the ability to raise capital and who, in general, tend to prioritize revenue potential in their transactions.</p> <p>Given this, the appraisal value was determined through a combination of the direct reduction method and the DCF method, with the cost approach value as a reference.</p>
---	---

- \*1 The Investment Corporation plans to acquire co-ownership in the property (50% stake), but the information above reflects the data for the entire property (100%), with the exception of these values.
- \*2 As these items include information about the lessee that the lessee is obliged to the sublessee to keep confidential and information that could be used to calculate such information, the Asset Management Company has deemed that disclosing such items could result in the infringement of the lessee's confidentiality requirements and thus prove disadvantageous to the lessee, which could then attempt to hold the Investment Corporation responsible. This would, in turn, prove disadvantageous to the Investment Corporation and ultimately harm the interests of unitholders and investors. Accordingly, these items are not disclosed.

#### SAKAE GLOBE

Property name	SAKAE GLOBE (40% quasi co-ownership stake)
Appraisal value	¥6,360,000,000
Appraiser	Japan Real Estate Institute
Date of appraisal	December 31, 2018

Item	Content	Remarks
Indicated value by income approach (40% stake, after taking into account the quasi co-ownership)	¥6,360,000,000 *1	
Indicated value by income approach (before taking into account the quasi co-ownership)	¥15,900,000,000	Calculated using the capitalization method before taking into account the quasi co-ownership, with reference to both the value indicated by the income approach obtained by the DCF method and the value indicated by the income approach obtained by the direct reduction method.
Direct-reduction method value	¥16,200,000,000	
Operating income	Not disclosed *2	
Effective gross income	Not disclosed *2	
Loss from vacancy, etc.	Not disclosed *2	
Operating costs	Not disclosed *2	
Maintenance and management fees	Not disclosed *2	
Utility costs	Not disclosed *2	
Repair costs	Not disclosed *2	
Property management fees	Not disclosed *2	
Tenant advertising costs	Not disclosed *2	
Taxes and public dues	Not disclosed *2	
Insurance premium	Not disclosed *2	
Other expenses	Not disclosed *2	
Net operating income	¥577,300,000	
Operating profit on lump-sum payments	Not disclosed *2	
Capital expenditure	Not disclosed *2	
Net income	¥581,750,000	
Cap rate	3.6%	
DCF value	¥15,500,000,000	
Discount rate	3.4%	Assessed taking into account the individual characteristics, etc., of the target property comprehensively, with reference to investment yields, etc., of similar real estate.
Terminal cap rate	3.8%	Assessed taking into account the future trends of investment yields, risks of the target property as an investment target, general outlook for future economic growth rate, trends of real estate prices and rents, etc., comprehensively, with reference to investment yields, etc., of similar real estate.
Indicated value by cost approach (before taking into account the	¥15,300,000,000	

Item	Content	Remarks
quasi co-ownership)		
Land ratio	93.3%	
Building ratio	6.7%	

Other matters considered by appraiser in carrying out appraisal	<p>Due to the site characteristics, building use, and other attributes of the real estate property in question, demand would primarily come from corporate investors with the ability to raise capital and who, in general, tend to prioritize revenue potential in their transactions.</p> <p>Given this, the appraisal value was determined through a combination of the direct reduction method and the DCF method, with the cost approach value as a reference.</p>
---	---

- \*1 The Investment Corporation plans to acquire quasi co-ownership of a trust beneficiary rights (40% stake), but the information above reflects the data for the entire property (100%), with the exception of this value.
- \*2 As these items include information about the lessee that the Investment Corporation is obliged to keep confidential and information that could be used to calculate such information, the Asset Management Company has deemed that disclosing such items could result in the infringement of confidentiality requirements and thus prove disadvantageous to the Investment Corporation and ultimately harm the interests of unitholders and investors. Accordingly, these items are not disclosed.

#### Shinsaibashi MG Building

Property name	Shinsaibashi MG Building (60% co-ownership stake)
Appraisal value	¥5,920,000,000
Appraiser	Japan Real Estate Institute
Date of appraisal	December 31, 2018

Item	Content	Remarks
Indicated value by income approach	¥5,920,000,000 *1	Calculated using the capitalization method, with reference to both the value indicated by the income approach obtained by the DCF method and the value indicated by the income approach obtained by the direct reduction method.
Direct-reduction method value	¥6,030,000,000 *1	
Operating income	Not disclosed *2	
Effective gross income	Not disclosed *2	
Loss from vacancy, etc.	Not disclosed *2	
Operating costs	Not disclosed *2	
Maintenance and management fees	Not disclosed *2	
Utility costs	Not disclosed *2	
Repair costs	Not disclosed *2	
Property management fees	Not disclosed *2	

Item	Content	Remarks	
	Tenant advertising costs	Not disclosed *2	
	Taxes and public dues	Not disclosed *2	
	Insurance premium	Not disclosed *2	
	Other expenses	Not disclosed *2	
	Net operating income	¥198,180,000 *1	
	Operating profit on lump-sum payments	Not disclosed *2	
	Capital expenditure	Not disclosed *2	
	Net income	¥198,966,000 *1	
	Cap rate	3.3%	
	DCF value	¥5,810,000,000 *1	
	Discount rate	3.0%	Assessed taking into account the individual characteristics, etc., of the target property comprehensively, with reference to investment yields, etc., of similar real estate.
	Terminal cap rate	3.5%	Assessed taking into account the future trends of investment yields, risks of the target property as an investment target, general outlook for future economic growth rate, trends of real estate prices and rents, etc., comprehensively, with reference to investment yields, etc., of similar real estate.
	Indicated value by cost approach	¥5,740,000,000 *1	
	Land ratio	92.9%	
	Building ratio	7.1%	

Other matters considered by appraiser in carrying out appraisal	<p>Due to the site characteristics, building use, and other attributes of the real estate property in question, demand would primarily come from corporate investors with the ability to raise capital and who, in general, tend to prioritize revenue potential in their transactions.</p> <p>Given this, the appraisal value was determined through a combination of the direct reduction method and the DCF method, with the cost approach value as a reference.</p>
---	---

- \*1 The Investment Corporation plans to acquire co-ownership in the property (60% stake), but the information above reflects the data for the entire property (100%), with the exception of these values.
- \*2 As these items include information about the lessee that the Investment Corporation is obliged to keep confidential and information that could be used to calculate such information, the Asset Management Company has deemed that disclosing such items could result in the infringement of confidentiality requirements and thus prove disadvantageous to the Investment Corporation and ultimately harm the interests of unitholders and investors. Accordingly, these items are not disclosed.

## Attachments

1. Maps of the surrounding areas of the Assets to Be Acquired and exterior photographs of the assets
2. Overview of the investment portfolio after the Acquisition

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: <https://www.frontier-reit.co.jp/eng/>

1. Maps of the surrounding areas of the Assets to Be Acquired and exterior photographs of the assets

**Ikebukuro GLOBE**

■Surrounding area

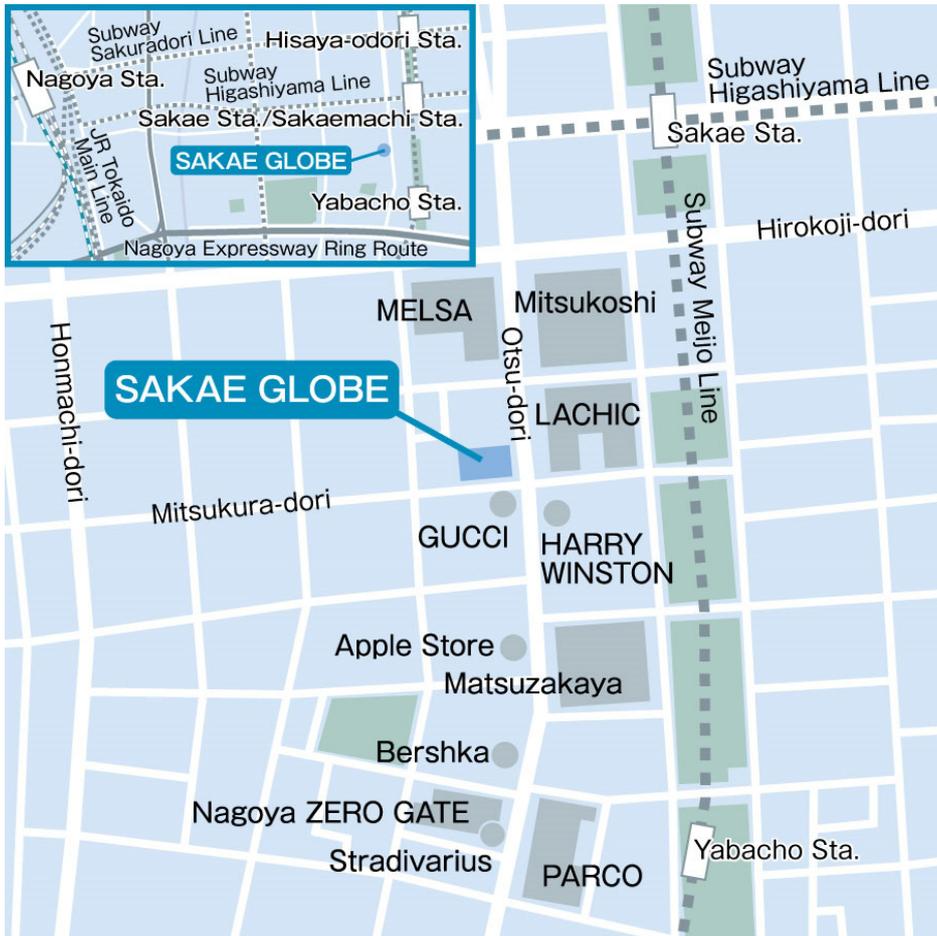


■Property exterior



## SAKAE GLOBE

### ■Surrounding area

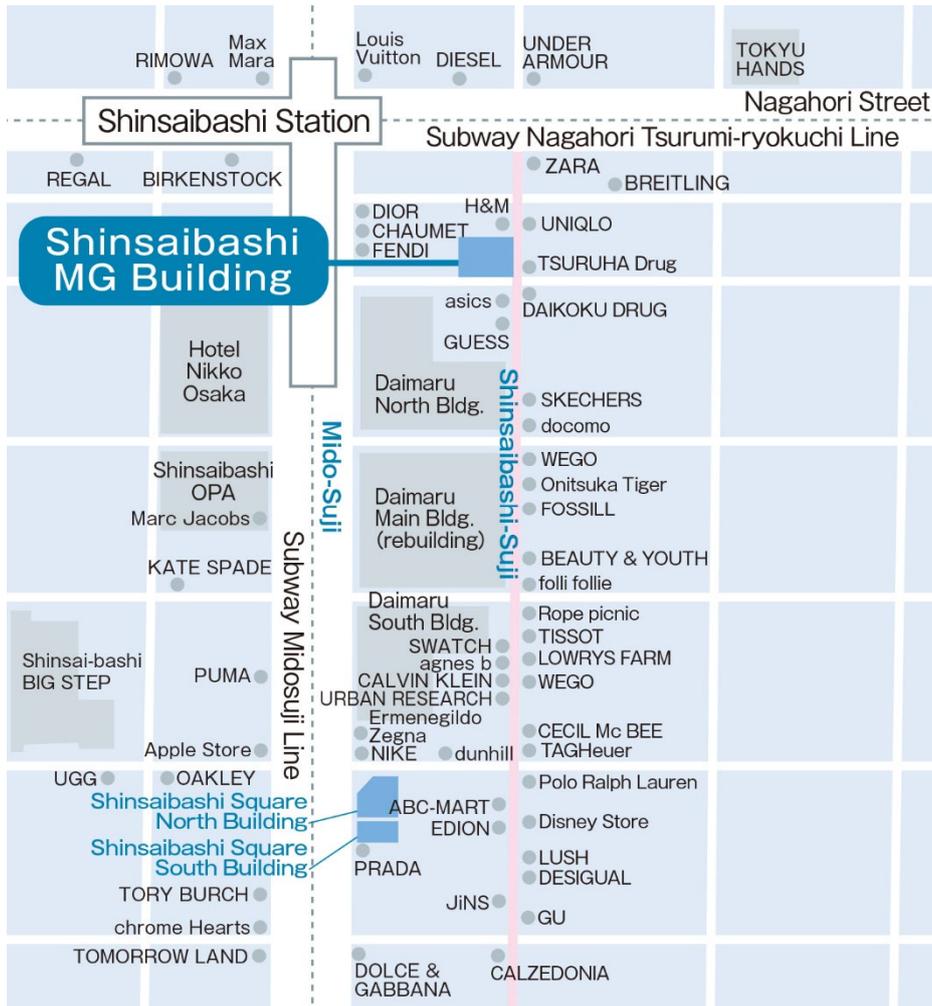


### ■Property exterior



## Shinsaibashi MG Building

### ■Surrounding area



### ■Property exterior



## 2. Overview of the investment portfolio after the Acquisition

Property name	Location	(Planned) acquisition date	(Planned) acquisition price (Millions of yen) *1	Perce ntage of portfoli o *2
AEON STYLE Shinagawa Seaside	Shinagawa, Tokyo	August 9, 2004	20,100	6.1%
AEON MALL Ibaraki	Ibaraki City, Osaka	August 9, 2004	18,100	5.5%
Papillon Plaza	Fukuoka City, Fukuoka	August 9, 2004	4,810	1.5%
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	3.5%
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	4.6%
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)	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 *3	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	3.1%
Shinsaibashi MG Building	Osaka City, Osaka	March 22, 2019	5,840	1.8%
Total			327,220	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 nearest decimal place.

\*3 With this additional acquisition, The Investment Corporation will own 100% of the real estate trust beneficiary interests in the property.