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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 the Acquisition of Real Estate Property in Japan (Papillon Plaza)

Frontier Real Estate Investment Corporation (the "Investment Corporation") hereby announces the decision of Mitsui Fudosan Frontier REIT Management Inc., the Investment Corporation's asset management company (the "Asset Management Company"), reached today, to acquire the new buildings of Papillon Plaza (the "Asset to Be Acquired," the "Acquisition"). This decision follows the Investment Corporation's efforts to advance the renovation project announced in the October 22, 2018 press release titled "Notice Concerning Execution of Basic Agreement on Renovation of Papillon Plaza" and the April 3, 2019 press release titled "Notice Concerning Partial Sale of Trust Beneficiary Rights to Real Estate Property in Japan (Papillon Plaza)" (the "Renovation Project").

1. Details of Asset to Be Acquired

(1)	Property name:	Papillon Plaza
(2)	Type of asset to be acquired:	Real estate *1
(3)	Planned acquisition price *2:	¥3,915,548,000
(4)	Contract date:	March 9, 2020
(5)	Planned acquisition date:	March 13, 2020 (Delivery and clearance date)
(6)	Seller *3:	Daiwa Lease Co., Ltd.
(7)	Broker:	None
(8)	Acquisition financing:	Self-financing and loans (planned)
(9)	Payment method:	Lump sum at the time of delivery

*1 The Asset to Be Acquired consists of the buildings constructed under the Renovation Project. On the date of the acquisition, after acquiring the Asset to Be Acquired as real estate, the Investment Corporation plans to entrust said asset, adding the rights to it to the trust in which the land interest and the building of Papillon Plaza that the Investment Corporation continues to hold are entrusted. Thereafter, the Investment Corporation's operation of the entirety of Papillon Plaza will be as a single exercise of trust beneficiary rights.

*2 The amount noted here excludes miscellaneous acquisition costs, real property taxes, city

planning taxes, consumption taxes, etc. Note that the planned acquisition price is that of only the Asset to Be Acquired, namely, the buildings constructed under the Renovation Project.

*3 Please refer to “4. Seller Profile,” below.

2. Rationale

The proposed acquisition is in line with the Investment Corporation’s “Basic Policy of Asset Management” and “Investment Stance” as stipulated in its Articles of Incorporation. Specifically, the Investment Corporation expects the Acquisition to help expand its asset size while enhancing the diversity of its properties in terms of geographical location and type of tenant. By doing so, the Investment Corporation aims to maintain and improve the quality, profitability and stability of its portfolio. In its decision to acquire this asset, the Asset Management Company also considered, *inter alia*, the following factors:

(1) Evaluation of the Site

The Asset to Be Acquired is located approximately 1 km to the north of Hakata Station, which serves as a gateway to Kyushu with six train lines, including the Sanyo Shinkansen, Kyushu Shinkansen, other JR lines, and a subway line. It is also approximately 500 m to the south of Yoshizuka Station, which is one station away from Hakata Station on the JR Kagoshima Main Line. Based on the 2018 Basic Resident Register, the retail trading area population within a radius of 1 km is estimated at 34,000 and that within a radius of 3 km at 222,000. As such, the Asset Management Company believes the Asset to Be Acquired to be situated in an area with a population dense enough to support a neighborhood shopping center. Moreover, the Asset to Be Acquired is near central Fukuoka City. In light of this area’s ongoing brisk development of condominiums and other housing, it is expected to see strong population growth going forward. In addition, the property is bordered by roads on three sides, offering excellent accessibility by car.

(2) Features of the Property

The Asset to Be Acquired consists of the buildings constructed under the Renovation Project, which together comprise BRANCH Hakata Papillon Garden, a retail facility scheduled to open on March 13, 2020 that was constructed by Daiwa Lease Co., Ltd. on land owned by the Investment Corporation.

Before the Renovation Project, the property comprised one-story retail facilities surrounding a central parking lot. By replacing these facilities with a two-story indoor mall (boasting a floor area approximately 1.2 times larger) and an outdoor courtyard, the property has been transformed into a retail facility that offers a sense of community and encourages customer circulation among retailers. With such retailers as a HalloDay supermarket, Matsumoto Kiyoshi and Daiso as well as restaurants and service outlets, the facility’s tenant mix closely matches the characteristic needs of the local area. Furthermore, leveraging its favorable road access,

restaurants have been situated along the outer façade to draw in customers.

3. Details of the Asset to Be Acquired

Name of asset		Papillon Plaza
Type of asset		Real estate *1
Location (residence indication)		1-2-1 Chiyo, Hakata Ward, Fukuoka City, Fukuoka
Land	Lot area	—
	Use	—
	Plot ratio	—
	Building to land ratio	—
	Ownership	—
Building	Structure / Number of floors	Steel frame, alloy plate flat roof, two floors; others (registered)
	Construction completed	February 14, 2020
	Gross floor area	19,545.24 m^2 (registered)
	Use	Department store, stores, warehouse
	Ownership	Proprietary ownership
Planned acquisition price		¥3,915,548,000
Appraisal value		¥3,957,600,000
Appraiser		Japan Real Estate Institute
PML in earthquake *2		1%
Collateral		None
Lease details *3		
	Lessor	Sumitomo Mitsui Trust Bank, Limited
	Lessee	Daiwa Lease Co., Ltd.
	Type of contract	Fixed-term building lease contract (fixed-rent master lease contract)
	Contract term	April 4, 2019 to March 3, 2040
	Annual rent	Not disclosed *4
	Termination during the contract term	Not allowed in principle
	Rent revision	Not allowed in principle
	Leasehold deposit	Not disclosed *4
	Security deposit	None
	Number of tenants	1
	Total leasable floor space	19,894.65 m^2
	Total leased floor space	19,894.65 m^2
	Occupancy rate	100% (total leased floor space / total leasable floor space)
Note		The Asset to Be Acquired and the building that the Investment Corporation continues to hold constitute a large-scale consumer facility and a specified large-scale building as defined in the City Planning Act, and the land they occupy is located in two use districts, namely a commercial district and a category 2 residential district, with the majority located in the category 2 residential district. As such, per the November 2007 amendment of the City Planning Act, the property is a preexisting non-compliant building under the Building Standards Act.

*1 On the date of the acquisition, after acquiring the Asset to Be Acquired as real estate, the Investment Corporation plans to entrust said asset, adding the rights to it to the trust in which the land interest and the building of Papillon Plaza that the Investment Corporation continues to

hold are entrusted. Thereafter, the Investment Corporation's operation of the entirety of Papillon Plaza will be as a single exercise of trust beneficiary rights.

*2 The assets used to calculate PML in earthquake include the building that the Investment Corporation continues to hold as of the date of this release.

*3 Based on the lease agreement valid after the additional entrustment described in note *1, above. The scope of said lease agreement includes the building that the Investment Corporation continues to hold as of the date of this release.

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

4. Seller Profile

Company name		Daiwa Lease Co., Ltd.
Address		2-1-36, Noninbashi, Chuo Ward, Osaka City, Osaka
Name and title of representative		Shunsaku Morita, Representative Director and President
Capital		¥21,768,382,519 (as of September 1, 2019)
Established		July 29, 1947
Net assets		¥154,920 million (as of March 31, 2019)
Total assets		¥478,804 million (as of March 31, 2019)
Major shareholders and ownership ratio		Daiwa House Industry Co., Ltd. (100%) (as of March 31, 2019)
Business		Prefabricated industrial buildings, retail facility leasing, leasing solutions, environmental greening, other businesses
Relationship with the Investment Corporation and/or the Asset Management Company		
	Capital relationship	There are no notable capital relationships between the seller and the Investment Corporation or the Asset Management Company. Also, there are no noteworthy capital relationships between the seller and any affiliated persons or affiliated companies of the Investment Corporation or the Asset Management Company.
	Personal relationship	There are no notable personal relationships between the seller and the Investment Corporation or the Asset Management Company. Also, there are no noteworthy personal relationships between the seller and any affiliated persons or affiliated companies of the Investment Corporation or the Asset Management Company.
	Business relationship	The seller is the land tenant of Frespo Tosu (land interest), an asset owned by the Investment Corporation, and the Investment Corporation has formed a business-use land lease contract with the seller regarding said asset. Furthermore, the seller has formed a basic agreement with the Investment Corporation related to the Renovation Project.
	Status of classification as related parties	The seller is not considered a related party of the Investment Corporation.

5. Status of Previous Property Owners

The Asset to Be Acquired is not being acquired from a seller that has a capital relationship, personal relationship, business relationship or other relationship of interest with the Investment Corporation or Asset Management Company.

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6. 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 amended SC management agreement laying out the precise scope of the operations (including property management operations) for the Assets to Be Acquired will be concluded following the Acquisition.

7. Outlook

The Acquisition is expected to have only a minor impact on the Investment Corporation's operating forecast for the 32nd and 33rd fiscal periods ending June 30 and December 31, 2020, respectively. As such, there is no change to the forecast.

8. Other

Upon the opening of the Asset to Be Acquired, the Investment Corporation plans to change the asset name as follows.

New name	Former name	Date of change
BRANCH Hakata Papillon Garden	Papillon Plaza	March 13, 2020

9. Summary of Property Appraisal of Entire Property (the Asset to Be Acquired, the building that the Investment Corporation continues to hold and the land interest together)

Property name	Papillon Plaza (entire real estate property)
Appraisal value	¥10,400,000,000
Appraiser	Japan Real Estate Institute
Date of appraisal	February 19, 2020

Item	Content	Remarks
Indicated value by income approach	¥10,400,000,000	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	¥10,500,000,000	
Operating income	Not disclosed*	
Underlying gross income	Not disclosed*	
Loss from vacancy, etc.	Not disclosed*	
Operating costs	Not disclosed*	
Maintenance and management fees	Not disclosed*	
Utility costs	Not disclosed*	
Repair costs	Not disclosed*	
Property	Not disclosed*	

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Item	Content	Remarks
management fees		
Tenant advertising costs	Not disclosed*	
Taxes and public dues	Not disclosed*	
Insurance premium	Not disclosed*	
Other expenses	Not disclosed*	
Net operating income	¥442,100,000	
Operating profit on lump-sum payments	Not disclosed*	
Capital expenditure	Not disclosed*	
Net income	¥442,894,000	
Cap rate	4.2%	Assessed with reference to the cap rate for real estate with minimal investment risk, adjusted by a spread attributable to a comprehensive review of the target property's location, building conditions (age, gross floor area, facilities, etc.), other factors affecting store competitiveness, contract terms and other related conditions (land and building rights, etc.). Due consideration was also given to future uncertainties, transactional yields, etc., of similar real estate and the results of hearings with investors.
DCF value	¥10,300,000,000	
Discount rate	4.0%	Assessed by comprehensively taking into account the individual characteristics, etc., of the target property, with reference to investment yields, etc., of similar real estate.
Terminal cap rate	4.4%	Assessed by comprehensively taking into account the future trends of investment yields, risks associated with the target property as an investment target, the general outlook for future economic growth and trends in real estate prices and rents, etc., with reference to transactional yields, etc., of similar real estate.
Indicated value by cost approach	¥10,900,000,000	
Land ratio	61.8%	
Building ratio	38.2%	

Other matters considered by the appraiser in carrying out the appraisal	Due to the site characteristics, building use, and other attributes of the entire property, 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. Given this, the appraisal value was determined through a combination of the direct reduction method and the DCF method, with the cost approach value used as a reference.

* 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.

Reference: Summary of Property Appraisal of the Asset to Be Acquired

Property name	Papillon Plaza (the Asset to Be Acquired)
Appraisal value	¥3,957,600,000
Appraiser	Japan Real Estate Institute
Date of appraisal	February 19, 2020

Matters considered by the appraiser in carrying out the appraisal	The broken out appraisal value of the Asset to Be Acquired was determined by proportionately allocating the difference between the value of buildings and their grounds and the total indicated value by cost approach of land and buildings according to ratio of the indicated value by cost approach of the land to that of the buildings and then further proportionally allocating the portion thus allocated to the buildings according to the ratio of the indicated value by cost approach of the new buildings to that of the existing building.

Attachments

1. Map of the area around the Asset to Be Acquired and artist's rendering of the site with the completed building
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/

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1. Map of the area around the Asset to Be Acquired and artist's rendering of the site with the completed building

■ Surrounding area



■ Artist's rendering of the site with the completed building



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2. Overview of the investment portfolio after the Acquisition

Property name	Location	(Planned) acquisition date	(Planned) acquisition price (Millions of yen) *1	Percentage of portfolio *2
AEON STYLE Shinagawa Seaside	Shinagawa, Tokyo	August 9, 2004	20,100	5.9%
AEON MALL Ibaraki	Ibaraki City, Osaka	August 9, 2004	18,100	5.3%
BRANCH Hakata Papillon Garden *3	Fukuoka City, Fukuoka	August 9, 2004 (initial acquisition) March 13, 2020 (additional acquisition)	3,990 (initial acquisition *3) 3,915 (additional acquisition)	2.3%
Kamiikedai Tokyu Store	Ota, Tokyo	August 9, 2004	1,490	0.4%
Belltown Tambaguchi Eki-Mae Store	Kyoto City, Kyoto	August 29, 2005	2,130	0.6%
AEON MALL NAGOYADOME-Mae	Nagoya City, Aichi	March 23, 2006	24,800	7.3%
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	0.9%
You Me Town Hiroshima	Hiroshima City, Hiroshima	February 19, 2008	23,200	6.8%
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	5.9%
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	3.4%
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	4.5%
GINZA GLASSE	Chuo, Tokyo	July 2, 2010	13,600	4.0%
Shimura Shopping Center	Itabashi, Tokyo	January 18, 2011	4,430	1.3%
Mitsui Shopping Park LaLagarden KASUKABE	Kasukabe City, Saitama	February 16, 2011	10,000	2.9%
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	3.0%
Rakuhoku HANKYU SQUARE	Kyoto City, Kyoto	July 4, 2012	8,800	2.6%
Ikebukuro Square	Toshima, Tokyo	February 1, 2013	20,400	6.0%
Kohnan Kawasaki-Odasakae Mall (land interest)	Kawasaki City, Kanagawa	January 31, 2014	7,000	2.1%

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Property name	Location	(Planned) acquisition date	(Planned) acquisition price (Millions of yen) *1	Percentage of portfolio *2
Mitsui Shopping Park LaLaport SHIN-MISATO	Misato City, Saitama	Annex Building: March 25, 2014 Main Building: April 1, 2015 August 10, 2016 (additional acquisition)	23,770	7.0%
Shinsaibashi Square	Osaka City, Osaka	March 2, 2015	8,620	2.5%
Costco Wholesale Warehouse Shin-Misato (land interest)	Misato City, Saitama	April 1, 2015	3,810	1.1%
KOJIMA × BIC CAMERA Naha Store	Naha City, Okinawa	January 25, 2016	1,850	0.5%
Super Viva Home Zama and Super Sanwa Zama Higashihara (land interest)	Zama City, Kanagawa	July 31, 2017	4,320	1.3%
SAKAE GLOBE	Nagoya City, Aichi	March 28, 2018 March 22, 2019 (additional acquisition)	15,650	4.6%
Summit Store Higashi-Nagasaki (land interest)	Toshima, Tokyo	June 8, 2018	2,022	0.6%
Ikebukuro GLOBE	Toshima, Tokyo	March 22, 2019 September 5, 2019 (additional acquisition)	20,800	6.1%
Shinsaibashi MG Building	Osaka City, Osaka	March 22, 2019	5,840	1.7%
TENJIN216	Fukuoka City, Fukuoka	March 4, 2020	2,550	0.8%
La La Chance HIROSHIMA Geihinkan (land interest)	Hiroshima City, Hiroshima	March 13, 2020	1,040	0.3%
Total			339,006	100.0%

*1 (Planned) acquisition price amounts are rounded down to the nearest million yen.

*2 Percentage of portfolio figures are based on (planned) acquisition price and are rounded to the nearest first decimal place.

*3 On April 4, 2019, the Investment Corporation sold the existing buildings of Papillon Plaza (excluding the land interest and a building that FRI continues to hold). Following the sale, the Investment Corporation owns the trust beneficiary rights to the land interest and building that it continues to hold. However, the building that the Investment Corporation continues to hold is small and its value is judged to account for an insignificant part of the value of the all the buildings of Papillon Plaza, which include the abovementioned existing buildings sold. As such, the initial acquisition price given above is only that paid for the land of Papillon Plaza.