

Frontier Real Estate Investment Corporation

# Supplementary materials for the press release issued today

- Notice Concerning Sale of Trust Beneficiary Rights to a Real Estate Property in Japan (Queen's Isetan Suginami-Momoi)
- Notice Concerning Acquisition of Real Estate Properties in Japan (Yaoko Sagamihara Hikarigaoka Store and Yaoko Nishiomiya Store)
- Notice Concerning the Revision of Operating Forecasts for the Fiscal Period Ending June 30, 2024 and the Fiscal Period Ending December 31, 2024

March 15, 2024

Mitsui Fudosan Frontier REIT Management Inc.



# Overview of acquisition and transfer (asset replacement)

## Key points of the initiative

The asset replacement will be broken up over the course of two fiscal periods to maintain stable distributions

We plan to realize gains (approx. ¥1.25 billion) and expand internal reserves through use of reduction entry for part of this amount (approx. ¥1.0 billion)

Increased asset scale  
+¥0.94 billion

Reduction in age of buildings  
19.1 years→  
7.0 years

Increase in annual NOI  
+¥5 million

### Property to be transferred

Medium-scale SCs

#### Queen's Isetan Suginami-Momoi



Planned transfer price <sup>1</sup>	¥4,700 million ① ¥2,086 million Quasi co-ownership: 44.4% ② ¥2,613 million Quasi co-ownership: 55.6%
Planned transfer date	① May 1, 2024 ② July 1, 2024
Book value <sup>2</sup>	¥3,266 million (as of Dec. 31, 2023)
Appraisal value <sup>2</sup>	¥4,470 million (as of Dec. 31, 2023)
Total profit on sale <sup>3</sup>	Approx. ¥1,252 million
Location	Suginami-ku, Tokyo
Completed	December 2004
Appraisal NOI yield <sup>4</sup>	4.4%

- The amount noted here excludes real property taxes, city planning taxes, consumption taxes, etc.
- Figures are taken from the "Notice Concerning Sale of Trust Beneficiary Rights to a Real Estate Property in Japan (Queen's Isetan Suginami-Momoi)" press release issued on March 15, 2024.
- The figures indicated are the results of tentative calculations as of the current date.
- Total NOI for the fiscal periods ended June 30, 2023 and December 31, 2023 divided by the appraisal value.

### Properties to be acquired

Medium-scale SCs

#### Yaoko Sagamihara Hikarigaoka Store



Medium-scale SCs

#### Yaoko Nishiomiya Store



Location	Sagamihara City, Kanagawa	Saitama City, Saitama
Planned acquisition price <sup>1</sup>	¥2,000 million	¥2,500 million
Appraisal value <sup>2</sup>	¥2,140 million	¥2,660 million
Planned acquisition date	May 1, 2024	July 1, 2024
Completed	June 2014	January 2019
Appraisal NOI yield <sup>3</sup>	4.6%	4.5%

- The amount noted here excludes real property taxes, city planning taxes, consumption taxes, etc.
- Figures are taken from the "Notice Concerning Acquisition of Real Estate Properties in Japan (Yaoko Sagamihara Hikarigaoka Store and Yaoko Nishiomiya Store)" press release issued on March 15, 2024.
- This is calculated by dividing the annual NOI that serves as the basis of the revenue figure obtained using the direct reduction approach indicated in the real estate appraisal by the acquisition price. The real estate appraisal is indicated in the March 15, 2024 press release titled "Notice Concerning Acquisition of Real Estate Properties in Japan (Yaoko Sagamihara Hikarigaoka Store and Yaoko Nishiomiya Store)."

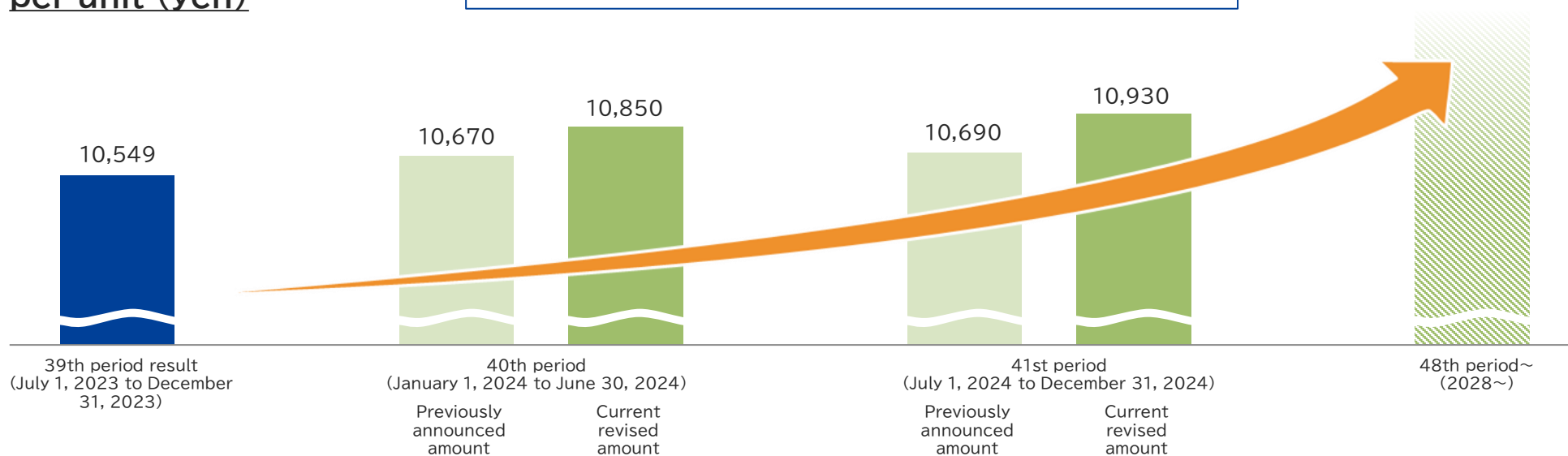
# Initiatives for achieving further growth

## Recently announced initiatives

<p><b>Internal growth</b></p> <p><b>AEON MALL NAGOYADOME-Mae</b></p>  <p><b>40<sup>th</sup> period</b> (After March 2024)          + ¥129 million/year          8% increase in rent</p>	<p><b>Internal growth</b></p> <p><b>You Me Town Hiroshima</b></p>  <p><b>40<sup>th</sup> period</b> (After March 2024)          + ¥44 million/year          3% increase in rent</p>	<p><b>Asset replacement</b></p>  <p><b>40<sup>th</sup> period/41<sup>st</sup> period</b>          Return part of gain on sale          We plan to increase internal reserves</p>	<p><b>Internal growth from 2025 onward</b></p> <p><b>Belltown Tambaguchi Eki-Mae Store</b></p>  <p><b>43<sup>rd</sup> period</b>          (After August 2025)          + ¥208 million/year          123% increase in rent</p> <hr/> <p><b>Shinsaibashi Square</b></p>  <p><b>48<sup>th</sup> period ~</b>          (2028~)          Annual NOI + ¥1,110 million/year          347% increase</p>
--	--	---	---

## Impact on distributions per unit (yen)

Revised upwards due to return to investors of part of gain on sale from asset replacement



# (Reference) Recently announced internal growth initiatives

Large-scale SCs

## You Me Town Hiroshima

- Reached agreement to terminate existing agreement four years ahead of schedule and to increase rent from March 2024
- Added new terms stipulating that rent revisions would be deliberated every five years in order to deal with inflation
- Increased rent by 44.7 million yen/year (impact on distributions per unit: approx. 41 yen/fiscal period)

### Overview of contract

	Existing contract	New contract
Agreement period	February 20, 2008, to February 19, 2028 (agreement reached to terminate contract in February 29, 2024)	March 1, 2024, to February 29, 2048
Annual rent	¥1,490,000 thousand	¥1,534,700 thousand
Rent revision	None	Revision negotiable in March 2029, March 2034, and March 2039

### Overview of property



A large-scale Izumi shopping center located in the heart of Hiroshima City



Location	Minami-ku, Hiroshima City, Hiroshima
Completed	February 2008
Lot area/ Floor area	50,135.95㎡/ 111,387.12㎡

Medium-scale SCs

## Belltown Tambaguchi Eki-Mae Store

- The current agreement with Matsumoto Co., Ltd. will end in August 2025, so a new agreement was concluded in March 2024 to increase rent by 123% starting from the new agreement period beginning in August 2025
- New terms have been added stipulating that rent would be revised every three years
- Increased rent by 208.2 million yen/year (impact on distributions per unit: approx. 192 yen/fiscal period)

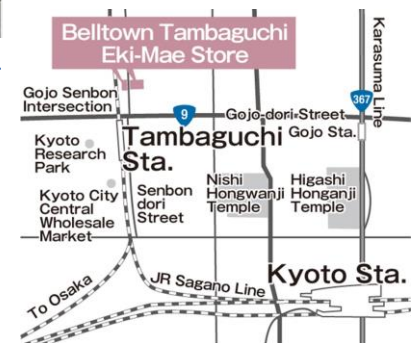
### Overview of contract

	Existing contract	New contract
Agreement period	August 30, 2005, to August 29, 2025	August 30, 2025, to August 29, 2045
Annual rent	¥169,800 thousand	¥378,000 thousand
Rent revision	None	Every three years (linked to Kyoto City consumer price index)

### Overview of property



Made up of a supermarket and drugstore with close ties to the local community, situated in a residential area in the heart of Kyoto City



Location	Shimogyo-ku, Kyoto City, Kyoto
Completed	August 2005
Lot area/ Floor area	Supermarket: 4,468.42㎡ Drugstore: 2,699.32㎡/ Supermarket: 10,184.00㎡ Drugstore: 933.00㎡



# (Reference) Recently announced internal growth initiatives

Urban retail facility

## Shinsaibashi Square

Leverage the development and leasing strengths of the Mitsui Fudosan Group to achieve internal growth that surpasses recent increases in interest rates

### Key points of the initiative

#### ◆ Increase building height through rebuilding

Improve annual NOI significantly, from 320 million yen (NOI yield: 3.8%) to 1,430 million yen (estimated NOI yield: approx. 17.2%)\*

#### ◆ Switch to land ownership

Avoid risks associated with real estate development and secure long-term cash flow

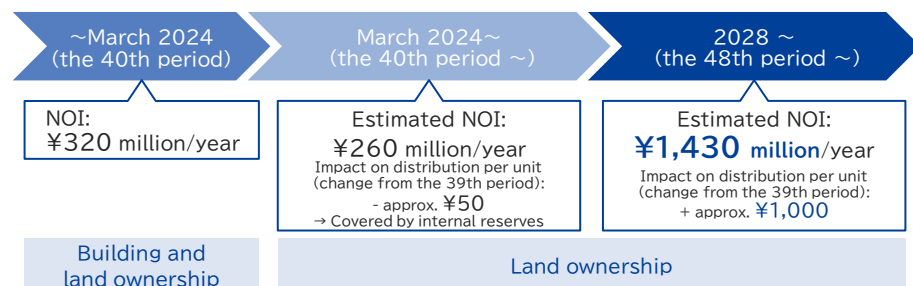
#### ◆ Maintain level of after depreciation income during building teardown and rebuilding stages

Use ground rent and internal reserves during new building construction to cover impact of downtime

- \* The indicated figures are the total NOI (annual NOI) for the fiscal period ended June 30, 2023 and the fiscal period ended December 31, 2023, and the NOI calculated by the Asset Management Company after the rent increase. The post-rent increase NOI is not guaranteed, and actual NOI may differ due to changes in taxes and public dues or other factors. The NOI yield figure is the 2023 annual NOI divided by the acquisition price of the property (land and building). The estimated NOI yield figure is the annual NOI following the rent increase divided by the acquisition price of the land portion of the property. Both figures are rounded to the first decimal place.

### Overall schedule (planned)

Transfer building but continuing to hold the land interest



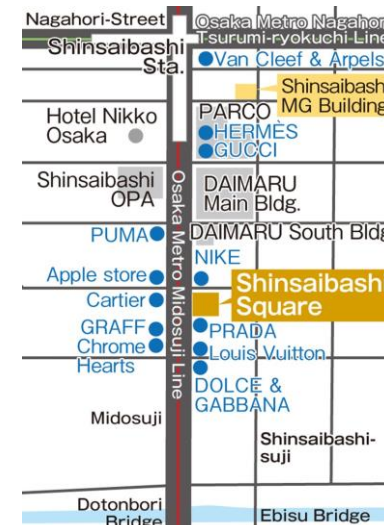
- \* The diagram presented above is designed to provide readers with an easy-to-understand illustration of the time frame pertaining to changes in rent income from the leasing of the Property, pre-change NOI and estimated post-change NOI from the Property, and the provisionally calculated impact of these changes on distribution per unit. All of the above figures are provisionally calculated based on certain assumptions formulated as of today. The actual amount of NOI and the impact on distribution per unit could differ from the figures presented above. In addition, the above presented timing of changes in rent income merely reflects a schedule formulated for the purposes of illustration as of today and, therefore, may be subject to change going forward. The diagram is in no way intended to provide guarantee or promise with regard to a future rise in NOI from the Property or distribution per unit.

### Overview of property



Location	2 Shinsaibashisuji, Chuo-ku, Osaka City, Osaka
Completed	Sep. 2014
Lot area*	1,002.66㎡
Floor area*	1,632.75㎡

\* Values are total values for North and South buildings.



### Overview of the building transfer

Planned transfer price <sup>1</sup>	¥217 million
Book value <sup>2</sup>	¥172 million (as of Dec. 31, 2023)
Difference between planned transfer price and book value <sup>3</sup>	¥44 million
Planned transfer date	Mar. 29, 2024
Transferee	Mitsui Fudosan Co., Ltd.

### Overview of the land lease agreement

Type of agreement	Fixed-term business-use land lease contract
Lot area	1,002.66㎡
Lessee	Mitsui Fudosan Co., Ltd.
Contract term	Approx. 25 years (Mar. 29, 2024, to Nov. 30, 2048)
Annual rent	Undisclosed <sup>4</sup>

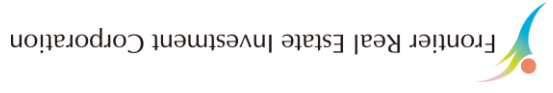
- The amount noted here excludes real property taxes, city planning taxes, consumption taxes, etc.
- Figures are rounded down to the nearest million yen.
- A reference figure calculated based on difference between the planned transfer price and the book value as of December 31, 2023. This may differ from actual gains or losses on the transfer of the Property.
- These items include information for which the lessee bears secrecy obligations to its business partners as well as a figure that could be used to calculate said information. If this information were to be disclosed by the Investment Corporation, the lessee would be in the violation of said secrecy obligations or otherwise inflict detrimental consequences to itself. Similarly, the disclosure of these items could cause the lessee to hold the Investment Corporation accountable to these consequences and, therefore, be detrimental to the Investment Corporation. It was thus concluded by the Asset Management Company that the annual rent and leasehold deposit must not be disclosed as the disclosure may damage the interests of unitholders and other investors.



# Disclaimer

- All content in this document is provided solely for informational purposes and is not intended to serve as an inducement or solicitation to trade in any product offered by FRI. Investment decisions are made at the investors' discretion and risk. FRI disclaims any responsibility or liability for the consequences of investing in FRI.
- Investment units issued by FRI are subject to price fluctuations due to various factors, including: (1) volatility in the J-REIT market, interest rates and the real estate market; (2) fluctuations in rental revenues from properties; and (3) the occurrence of unexpected losses due to natural disasters. Accordingly, investment in FRI entails the risk of incurring a loss. For more details, please also refer to a section titled "Investment Risk" presented in the Securities Registration Statement (Prospectus) and the Securities Report issued by FRI.
- Information provided in this document contains such forward-looking statements as business forecasts, which should not be construed as commitment to or guarantee of future performance.
- The information provided in this document was originally published in Japanese language form and has been translated for reference purposes only. FRI guarantees neither the completeness nor the accuracy of this English translation. Please be advised that all information provided herein may be subject to change without prior notice.
- Duplication or reproduction of any content presented herein without the prior consent of FRI or its authorized representative is strictly prohibited.

Asset management company:  
Mitsui Fudosan Frontier REIT Management Inc.  
(Financial Instruments Business Registration No. 395; issued by Director-General of  
the Kanto Finance Bureau based on the Financial Instruments and Exchange Law)



Asset management company

MITSUI FUDOSAN FRONTIER REIT MANAGEMENT