

SEMI-ANNUAL REPORT

39th period

For the fiscal period ended December 31, 2023



Frontier Real Estate Investment Corporation

Steadily Growing Dividends While Strengthening the Earnings Structure

Frontier Real Estate Investment Corporation (“FRI”) is a REIT specializing in retail facilities and was listed on the Real Estate Investment Trust Market (the J-REIT market) of the Tokyo Stock Exchange in August 2004. Mitsui Fudosan has served as the sponsor of FRI since March 2008, when it replaced the previous sponsor, Japan Tobacco. FRI invests in diverse retail facilities in cities throughout Japan. Since FRI’s listing, we have steadily built a solid management track record, aiming to secure stable earnings over the medium to long term.



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Specialized investment
in retail facilities in
cities throughout Japan

**FRI's
Three
Hallmarks**

Stable medium-
to long-term
revenue structure

Growth strategy
that leverages the
support of Mitsui Fudosan

Disclaimer

All content presented in this semi-annual report is provided solely for informational purposes with regard to Frontier Real Estate Investment Corporation (FRI) and is not intended to serve as an inducement or solicitation to trade in any product offered by FRI. Investment units issued by FRI are subject to price fluctuations due to various factors, including: (1) volatile conditions 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. Investment decisions are made at the investors' discretion and are their responsibility as well as at their own risk. FRI disclaims any responsibility or liability for the consequences of investing in FRI.

Forward-Looking Statements

Except for historical information, matters discussed in this report are forward-looking statements and are based on management's estimates, assumptions, and projections. Forward-looking statements, such as business forecasts, should not be construed as commitments to or guarantees of future performance. They are based on judgments made using information obtained at the time of publication, and thus contain risks and uncertainties.

Please be advised that forward-looking statements provided herein may be subject to change without prior notice. Furthermore, FRI assumes no obligation to update any forward-looking statements in this semi-annual report as a result of new information or future events.

39th Period (July 1 to December 31, 2023) Financial Highlights

The distribution per unit for the 39th fiscal period was ¥10,549. During the 39th fiscal period, we acquired two properties developed by the sponsor, Mitsui Fudosan, thereby expanding the size of our asset holdings while promoting initiatives aimed at reinforcing our portfolio of existing properties. To ensure financial soundness, we maintained prudent financial operations through careful LTV control and continued to receive high ratings.

We forecast distributions per unit of ¥10,850 and ¥10,930, respectively, for the 40th and 41st fiscal periods.*

Loan-to-value (LTV) ratio

45.1%

Appraisal-based LTV

36.3%

Average interest rate on borrowings

0.49%

Average remaining maturity of borrowings

4.61 years

Net asset value per unit

¥467,644

Ratings

AA- / Stable

Rating and Investment Information, Inc.
Issuer rating

AA / Stable

Japan Credit Rating Agency, Ltd.
Long-term issuer rating

A+ / Stable ; A-1 / Stable

S&P Global Ratings Japan Inc.
Long-term corporate credit;
Short-term corporate credit

For the six month periods ended	June 30, 2023 (38th Period)	December 31, 2023 (39th Period)	June 30, 2024 (40th Period) Forecast*	December 31, 2024 (41st Period) Forecast*
Operating revenue	¥11,530 million	¥11,032 million	¥12,116 million	¥12,214 million
Net income	¥6,146 million	¥5,703 million	¥6,315 million	¥6,445 million
Distribution per unit	¥11,109	¥10,549	¥10,850**	¥10,930***

* On March 15, 2024, we decided on the transfer and acquisition of certain assets. In conjunction with this decision, the forecast value announced in the "Summary of Financial Results for the 39th Fiscal Period," dated February 15, 2024, has been revised.

** Distribution per unit for the fiscal period ending June 30, 2024 is calculated based on the assumption that we distribute an amount equivalent to net income for the period less ¥440 million (difference between reserve for reduction entry and the reversal of reserve for reduction entry).

*** Distribution per unit for the fiscal period ending December 31, 2024 is calculated based on the assumption that we distribute an amount equivalent to net income for the period less ¥530 million (difference between reserve for reduction entry and the reversal of reserve for reduction entry).

39th Period Portfolio Highlights

Asset size

¥364.1 billion
(Total acquisition price)

Number of properties

40 properties

Appraisal value

¥396.2 billion

Unrealized gain

¥78.6 billion

Occupancy rate

100.0%

Green Building certified

79.4%
(Floor area basis)



To our stakeholders

The Investment Corporation's basic policy for property management is to secure stable revenue over the medium to long term. During the 39th fiscal period, we completed the acquisition of an 18.5% quasi co-ownership stake in LaLaport IZUMI—the third LaLaport facility included in the Investment Corporation's portfolio—as well as Shin-Kawasaki Square. The latter is a neighborhood shopping center situated in the vicinity of a large-scale condominium complex that is presently under construction on a site located alongside a train station. Both properties were developed by Mitsui Fudosan, our sponsor.

Furthermore, in February 2024 (during the 40th fiscal period), we entered into new fixed-term building lease contracts with tenants of You Me Town Hiroshima, a large-scale shopping center, after securing their consent regarding the cancellation of the existing contracts four years ahead of the initial termination date. The new contracts for this flagship property involve upward revisions in rent.

In addition, we have decided to allow Shinsaibashi Square, an urban retail facility, to be refashioned into a high-rise retail complex to ensure that this property is able to fully leverage the distinctive strengths arising from its favorable location within the Shinsaibashi area. Specifically, we will transfer ownership for the existing building portion of this property to

Topics: Strengthening the portfolio

Properties Acquired in the 39th Period

Large-scale
SC

Mitsui Shopping Park LaLaport IZUMI [Izumi City, Osaka]

(18.5% quasi co-ownership stake)



FRI's third LaLaport property

Lot area ¹ / Floor space ¹	113,617m ² / 151,947m ²
Acquisition price ²	¥5,198 million
Appraisal value ³	¥5,235 million
Lessee	Mitsui Fudosan Co., Ltd.
Type of contract	Master lease contracts
Contract term	20 years (until March 23, 2040)
Annual rent ⁴ (Appraisal NOI yield ⁴)	¥1,902 million (5.3%)

Overview of property

- With the Hanwa Expressway running north-south and the Osaka Outer Loop Line (National Route 170) crossing the site from east to west, the site is well suited for attracting customers from a wide area.
- Roughly 57,000 people live within 3 km of the location and roughly 184,000 live within 5 km. Roughly 790,000 people live within a 30-minute driving range, providing it with an expansive business zone.



- Lot area, floor space, and annual rent figures are for the entire property.
- The amount noted here excludes real property taxes, city planning taxes, consumption taxes, etc.
- Figures are taken from the "Notice Concerning the Acquisition of Trust Beneficiary Interests in Real Estate in Japan and Real Estate in Japan press release issued on August 15, 2023.
- Appraisal NOI yield: This is calculated by dividing the annual NOI that serves at the time of acquisition as the basis of the revenue figure obtained using the direct reduction approach indicated in the real estate appraisal by the acquisition price.

Medium-scale
SC

Shin-Kawasaki Square [Kawasaki City, Kanagawa]

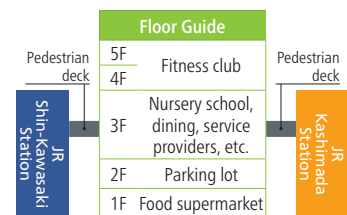


A medium-scale shopping center located extremely close to an urban train station

Lot area / Floor space	5,763m ² / 17,398m ²
Acquisition price ²	¥9,400 million
Appraisal value ³	¥9,600 million
Lessee	Mitsui Fudosan Co., Ltd.
Type of contract	Pass-through master lease contracts
Contract term	20 years (until December 21, 2043)
Annual rent (Appraisal NOI yield ⁴)	¥575 million (4.5%)

Overview of property

- There are about 17,000 people living within 500 m of the site and 55,000 people living within 1 km. These are very high numbers, and there is an especially large amount of condominium development being conducted within a 500m radius of the site, so the facility's potential is expected to grow as the population increases.



Other Topics in the 40th Period

Large-scale
SC

You Me Town Hiroshima Concluded a new fixed term building lease contract with an increased rent amount



Key points of the initiative

- 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 property

Location	Hiroshima City, Hiroshima
Completed	February 2008
Lot area / Floor area	50,135.95m ² / 111,387.12m ²

Mitsui Fudosan in March 2024 so that we may shift our ownership status to a land interest ownership with a fixed-term land lease contract. Moreover, the initiative described above is expected to yield substantially higher NOI from Shinsaibashi Square in 2028 and later, with the volume of distribution per unit expected to expand by approximately ¥1,000 compared with distribution per unit for the 39th fiscal period due to higher rent to be available in the future. Thus, the rebuilding of this property is likely to significantly contribute to the stable payment of ever higher distribution per unit going forward.

The Investment Corporation and the Asset Management Company are working in unison to strengthen initiatives for sustainability. For example, in 2023 we maintained our “4 Stars” rating under the GRESB Assessment, an annual benchmark of the environmental, social and governance (ESG) performance of real estate companies and firms. Looking ahead, we will strive for the realization of a sustainable society by working hand in hand with all stakeholders, including investors.



Shintaro Ono
Shintaro Ono

CEO and Representative Director
Mitsui Fudosan Frontier REIT
Management Inc.

Other Topics in the 40th Period

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 post-depreciation income during building teardown and rebuilding stages**
Use ground rent and internal reserves during new building construction to cover impact of downtime

* The post-rent increase NOI (annual NOI) is not guaranteed and actual NOI may differ from the estimate.

Overview of the building transfer

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

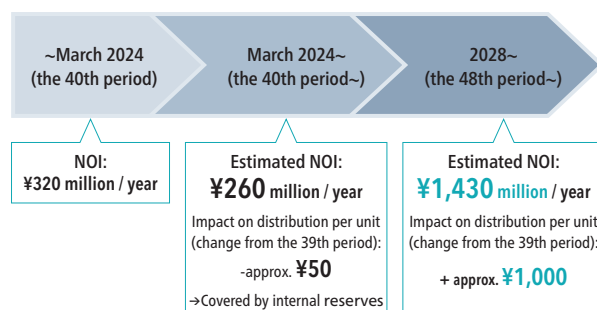
Overview of the land lease agreement

Type of agreement	Fixed-term business-use land lease contract
Lot area	1,002.66m ²
Lessee	Mitsui Fudosan Co., Ltd.
Contract term	Approx. 25 years (Mar. 29, 2024, to Nov. 30, 2048)
Annual rent	Undisclosed ⁴

1. The amount noted here excludes real property taxes, city planning taxes, consumption taxes, etc.
2. Figures are rounded down to the nearest million yen.
3. 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.
4. Undisclosed as 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.

Overall schedule (planned)

Transfer building but continuing to hold the land interest



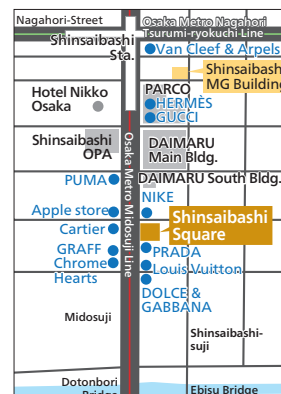
* The diagram presented above is designed to provide readers with an easy-to-understand illustration of the time frame pertaining to changes in rent income from the leasing of the Property, pre-change NOI and estimated post-change NOI from the Property, and the provisionally calculated impact of these changes on distribution per unit.



Overview of property

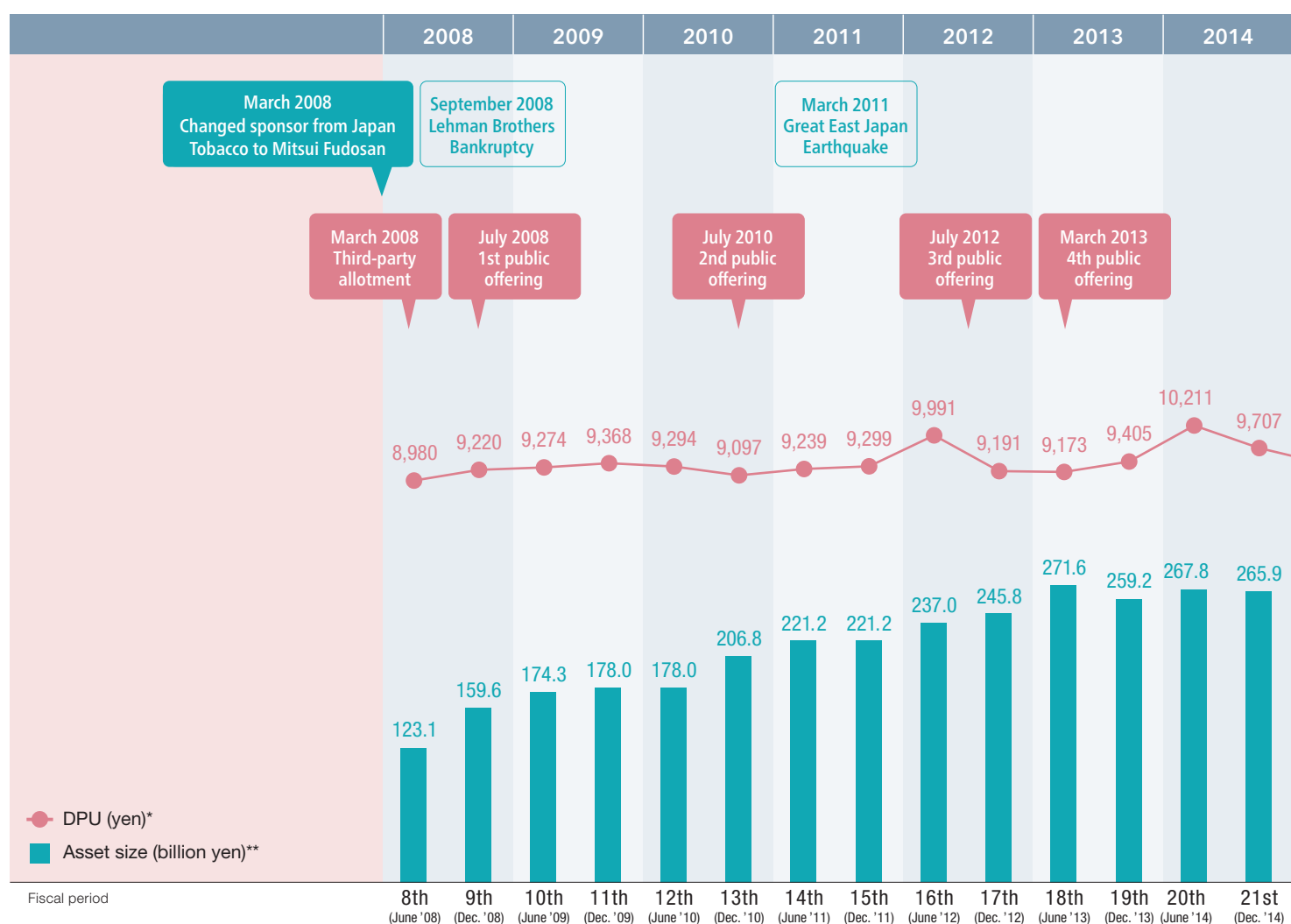
Location	2 Shinsaibashisuji, Chuo-ku, Osaka City, Osaka
Completed	Sep. 2014
Lot area*	1,002.66m ²
Floor area*	1,632.75m ²

* Values are total values for North and South buildings.





Asset Size and Distributions



Properties

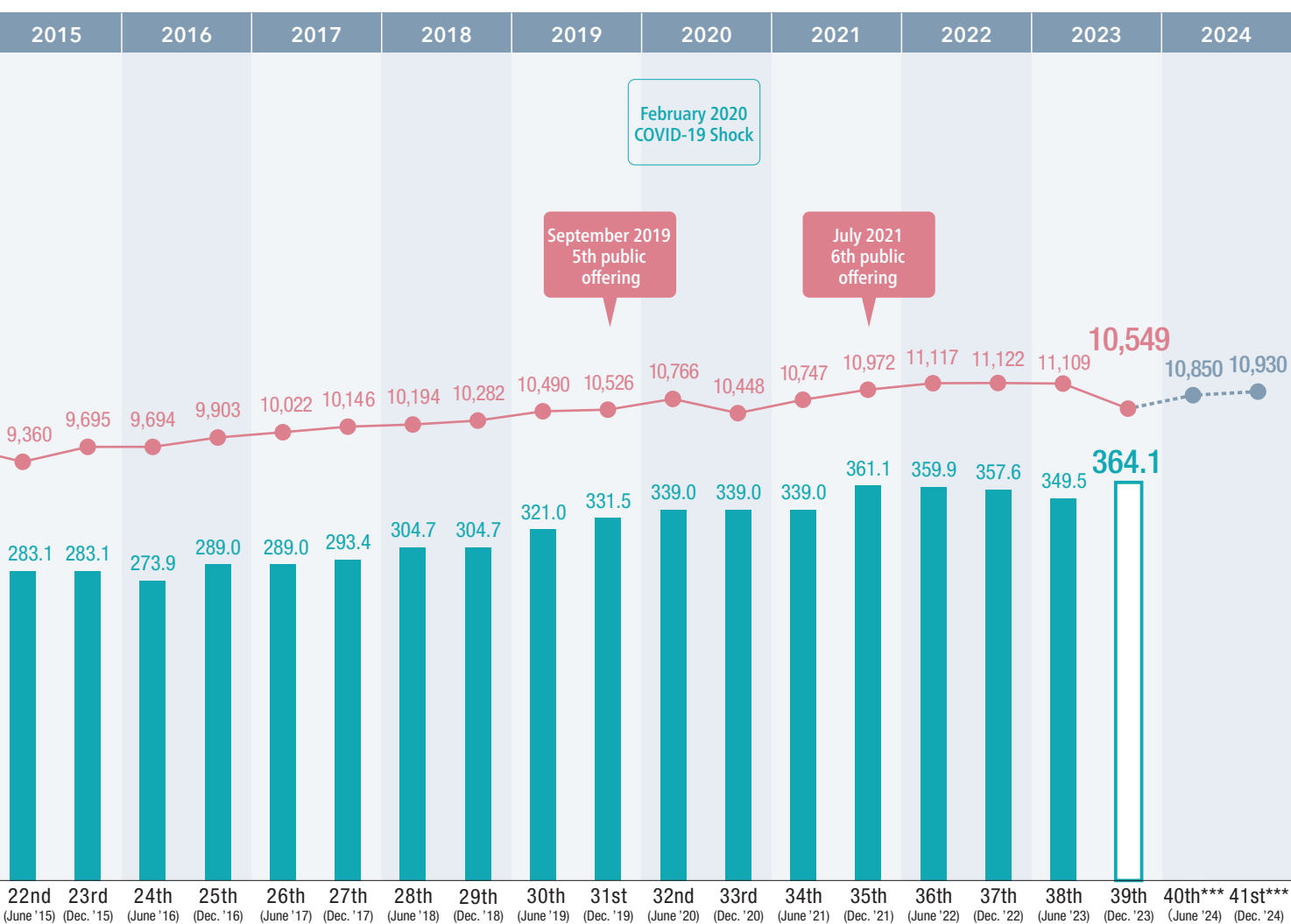
Properties		12	17	19	20	20	22	24	24	26	27	29	28	30	29
AEON STYLE Shinagawa Seaside: ¥20.1 billion	Summit Store Takinogawa Momiji-Bashi: ¥3.1 billion			AEON TOWN Tanashi-Shibakubo: ¥3.1 billion			Mitsui Shopping Park LaLaport IWATA: ¥15.2 billion				Rakuhoku HANKYU SQUARE: ¥8.8 billion			Mitsui Shopping Park LaLaport SHIN-MISATO Annex building: ¥3.9 billion	
AEON MALL Ibaraki : ¥18.1 billion	Home Center Kohnan Hiroshima						GINZA GLASSE: ¥13.6 billion								
BRANCH Hakata Papillon Garden: ¥7.9 billion	Minami-Machi (land interest): ¥1.9 billion		Queen's Isetan Suginami-Momoi: ¥3.5 billion				Mitsui Shopping Park LaLagarden KASUKABE: ¥10.0 billion					Ikebukuro Square: ¥20.4 billion			
Kamiikedai Tokyu Store: ¥1.4 billion	Frespo Tosu (land interest): ¥3.1 billion		Mitsui Outlet Park IRUMA: ¥19.9 billion							Summit Store Yokohama Okano (land interest): ¥5.7 billion					
Belltown Tambaguchi Eki-Mae Store: ¥2.1 billion	You Me Town Hiroshima: ¥23.2 billion		Costco Wholesale Warehouse Iruma (land interest): ¥2.6 billion							VIORO: ¥10.1 billion					
AEON MALL NAGOYADOME-Mae: ¥24.8 billion			Desigual Harajuku: ¥3.1 billion			Don Quijote Fukuoka Tenjin: ¥3.7 billion		Shimura Shopping Center: ¥4.4 billion						Kohnan Kawasaki- Odasakae Mall (land interest): ¥7.0 billion	

Sponsors

Japan Tobacco Inc.

* FRI implemented a two-for-one split of its investment units effective January 1, 2014. Distributions before the split have been divided by two.

** Asset sizes (presented after each property name) reflect acquisition prices. The acquisition price of AEON MALL Ibaraki includes that for a portion of the property's land (area of 118.86 m² and book value of ¥15 million) sold to Ibaraki City for ¥19 million on October 12, 2010. The acquisition price of Desigual Harajuku includes that for a portion of the property's land (area of 26.86 m² and book value of ¥259 million) sold to the Tokyo Metropolitan Government for ¥333 million on July 30, 2012. The acquisition price of Home Center Kohnan Hiroshima Minami-Machi (land interest) includes that for the property's former building (acquisition price of ¥208 million) demolished as announced on December 2, 2016. Furthermore, all asset size figures are truncated after the first decimal place.



32	32	32	32	32	33	35	35	36	35****	37	37	37	39	39	39	38	40		
Shinsaibashi Square: ¥8.6 billion		Mitsui Shopping Park LaLaport SHIN-MISATO (50% co-ownership): ¥15.1 billion		SAKAE GLOBE (60% quasi co-ownership): ¥9.3 billion		Ikebukuro GLOBE (50% co-ownership): ¥10.3 billion		TENJIN216: ¥2.5 billion		Mitsui Shopping Park LaLaport SHIN-MISATO (34% co-ownership): ¥10.3 billion		Mitsui Shopping Park LaLaport IZUMI (18.5% co-ownership): ¥5.1 billion		Shin-Kawasaki Square: ¥9.4 billion					
Mitsui Shopping Park LaLaport SHIN-MISATO (16% co-ownership): ¥4.7 billion						SAKAE GLOBE (40% quasi co-ownership): ¥6.3 billion		La La Chance HIROSHIMA Geihinkan (land interest): ¥1.0 billion		Ginza 5-chome GLOBE: ¥5.6 billion		Takeshita-dori Square: ¥6.1 billion							
Costco Wholesale Warehouse Shin-Misato (land interest): ¥3.8 billion						Shinsaibashi MG Building (60% co-ownership): ¥5.8 billion													
		KOJIMA x BIC CAMERA Naha Store: ¥1.8 billion		Super Viva Home Zama and Super Sanwa Zama Higashihara (land interest): ¥4.3 billion		Summit Store Higashi-Nagasaki (land interest): ¥2.0 billion		Ikebukuro GLOBE (50% co-ownership): ¥10.5 billion											

Mitsui Fudosan Co., Ltd.

*** Forecasts of distribution are as of March 15, 2024.

**** FRI has formed an agreement with the trustee and the lessee of Mitsui Shopping Park LaLaport SHIN-MISATO and Mitsui Shopping Park LaLaport SHIN-MISATO Annex to manage the two properties as one. Accordingly, from the 31st period, these properties are counted as one.

We strive to build a high-quality portfolio that is balanced and diversified in terms of area, property type, and tenants.

Large-scale SC	Regional SC	A large-scale shopping center (SC) that houses multiple specialty stores
	Outlet mall	A large-scale shopping center (SC) in which multiple outlet stores are concentrated
Medium-scale SC	Neighborhood SC	A medium-scale shopping center (SC) where the main tenants are a supermarket and specialty shops
	Supermarket/other	A medium-scale shopping center (SC) where the main tenant is a retail outlet that sells mainly food products or other medium-scale shopping center
	Urban retail facility	A store that faces onto a main street or specialty store building located in a prime urban location
	Land interest	Land interest in retail facilities

Note: Numbers indicate order of acquisition.

Portfolio Assets

40 properties

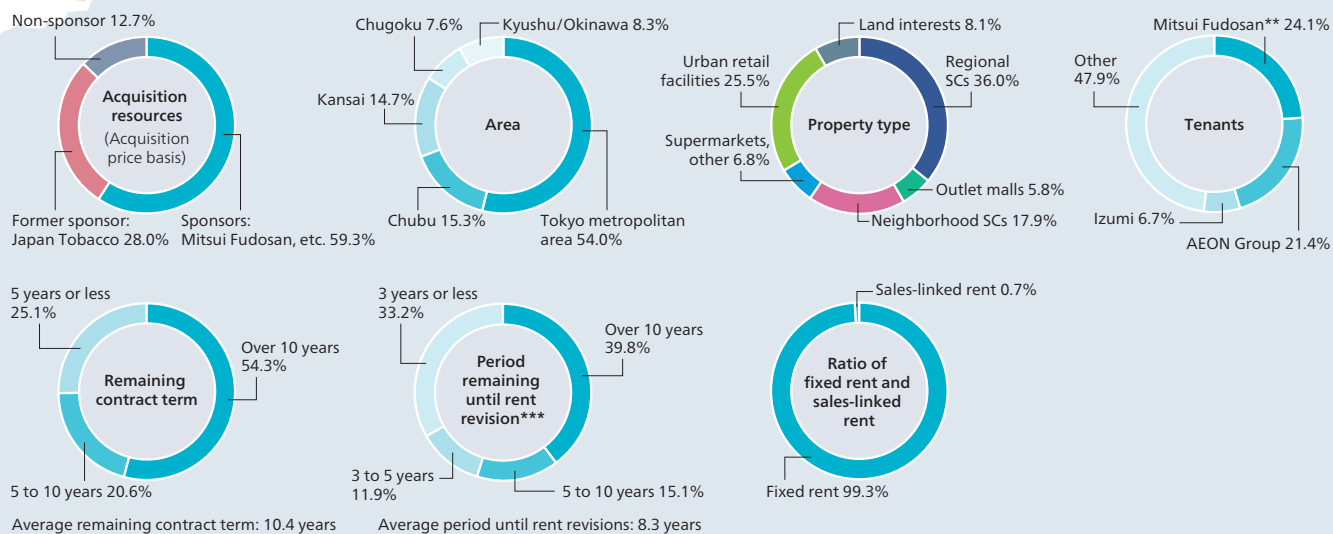
Total acquisition price

¥364.1 billion

Dec. 31, 2023



Portfolio Data



* All figures are calculated based on the annualized fixed rent (excluding common area maintenance charges) of the lease contracts valid as of December 31, 2023, for FRI's 40 properties. Variable rent is not taken into account. The ratio of fixed rent and sales-linked rent is that of the 39th fiscal period.

** Excluding tenants under pass-through master lease contracts.

*** Figures reflect the distribution of the periods remaining until the next rent revision date or contract maturity date, whichever is earlier.

TOKYO METROPOLITAN AREA



1
AEON STYLE
Shinagawa Seaside



4
Kamiikedai Tokyu Store



7
Summit Store
Takingawa Momiji-Bashi



11
Queen's Isetan
Suginami-Momoi



12
Mitsui Outlet Park IRUMA



13
Costco Wholesale Warehouse
Iruma (land interest)



14
Desigual Harajuku



15
AEON TOWN
Tanashi-Shibakubo



18
GINZA GLASSE



19
Shimura Shopping Center



20
Mitsui Shopping Park
LaLagarden KASUKABE



21
Summit Store Yokohama
Okano (land interest)



24
Ikebukuro Square



25
Kohnan Kawasaki-Odasaka
Mall (land interest)



26
Mitsui Shopping Park
LaLaport SHIN-MISATO



28
Costco Wholesale
Warehouse Shin-Misato
(land interest)



30
Super Viva Home Zama
and Super Sanwa Zama
Higashihara (land interest)



32
Summit Store
Higashi-Nagasaki
(land interest)



33
Ikebukuro GLOBE



37
Ginza 5-chome GLOBE



38
Takeshita-dori Square



40
Shin-Kawasaki Square



Approach to sustainability



Frontier Real Estate Investment Corporation



MITSUI FUDOSAN FRONTIER REIT MANAGEMENT

Sustainability Policy

We have established the Sustainability Policy as a pillar of our efforts to realize management that takes into account environmental, social, and governance factors.

Mitsui Fudosan Group Vision

&EARTH

Reference: Initiatives at the Mitsui Fudosan Group

Joined
the United Nations
Global Compact

Joined RE100

Endorsed the TCFD

GHG emissions
reduction targets
validated by
the SBT initiative

As part of the Mitsui Fudosan Group, the Asset Management Company strives to implement the Mitsui Fudosan Group's policy for addressing ESG issues.

Identifying material issues

We identified priority issues in light of the interests and expectations of our stakeholders and the 17 goals and 169 targets of the SDGs.

- ① CO₂ emission reduction through energy savings
- ② Conservation of water and other resources and reduction of waste
- ③ Reduction of hazardous substances and ensuring health and safety
- ④ Cooperation and coexistence with local communities
- ⑤ Collaboration with the Mitsui Fudosan Group and tenants
- ⑥ Engaging with our employees
- ⑦ Building relationships of trust with unitholders
- ⑧ Clearly defining corporate governance mechanisms
- ⑨ Reinforcing corporate governance

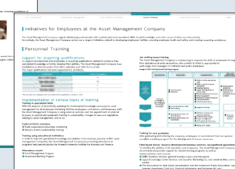


Set specific KPIs to measure achievement

Carrying out sustainability initiatives

Sustainability data disclosure

- We publish the ESG Report annually with the aim of providing an overall report of sustainability related information.



Targets for reducing environmental burden



GHG emissions reduction target

Greenhouse gas (GHG) emissions reduction target **-30%** by 2030 (vs. 2019)
(Scope 1 to 3 total, basic unit basis)

- Initiatives for reducing emissions
 - Investment in energy-saving technologies (switchover to LED use, etc.)
 - Improved tenant engagement



VIORO, after switchover to LED use

External recognition



GRESB Assessment



Rating: **4 Stars**
Status: **Green Star** (9 years running)
Disclosure assessment: **A**

GRESB

GRESB is an annual benchmark of the environmental, social, and governance (ESG) performance of real estate companies and firms and the name of the organization that operates said benchmark.

Initiatives for employees



Please refer to pp. 12-14 for information about corporate governance.

Diversity, Equity, and Inclusion (DEI) initiatives



- January 2024: Formulated DEI Promotion Policy
We will appropriately assess our DEI status and implement efforts to promote DEI.

Green Building certification



Green Building certification status

Certification percentage **79.4%** As of Dec. 31, 2023*

	DBJ Green Building certified properties	CASBEE certified properties
★★★★★	—	1
★★★★	5	1
★★★	7	—
★★	—	—
★	—	—
Total certified properties	12	2

* Properties certified or evaluated under the DBJ Green Building or CASBEE programs, calculated on a floor area basis (excluding land interest properties)

Responding to climate change



Endorsed the TCFD

- The Asset Management Company declared its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in January 2022 and decided to join the TCFD Consortium.



Initiatives for local communities



- Mitsui Shopping Park LaLaport IWATA: Signed an agreement with Iwata City regarding assistance to be provided at times of major disaster.



The agreement makes the property's parking lot available for use in the provision of aid activities at times of major disaster.

- &EARTH Clothing Support Project
The project, which is organized by the Mitsui Fudosan Group, is held at Asset Management Company portfolio properties, with participation from Asset Management Company employees.



&EARTH Clothing Support Project
An event in which the public is invited to donate unneeded clothing for distribution to people in need through the NPO Japan Relief Clothing Center.



Directors



Frontier Real Estate Investment Corporation

(From left to right)

Noriko Suzuki, Supervisory Director

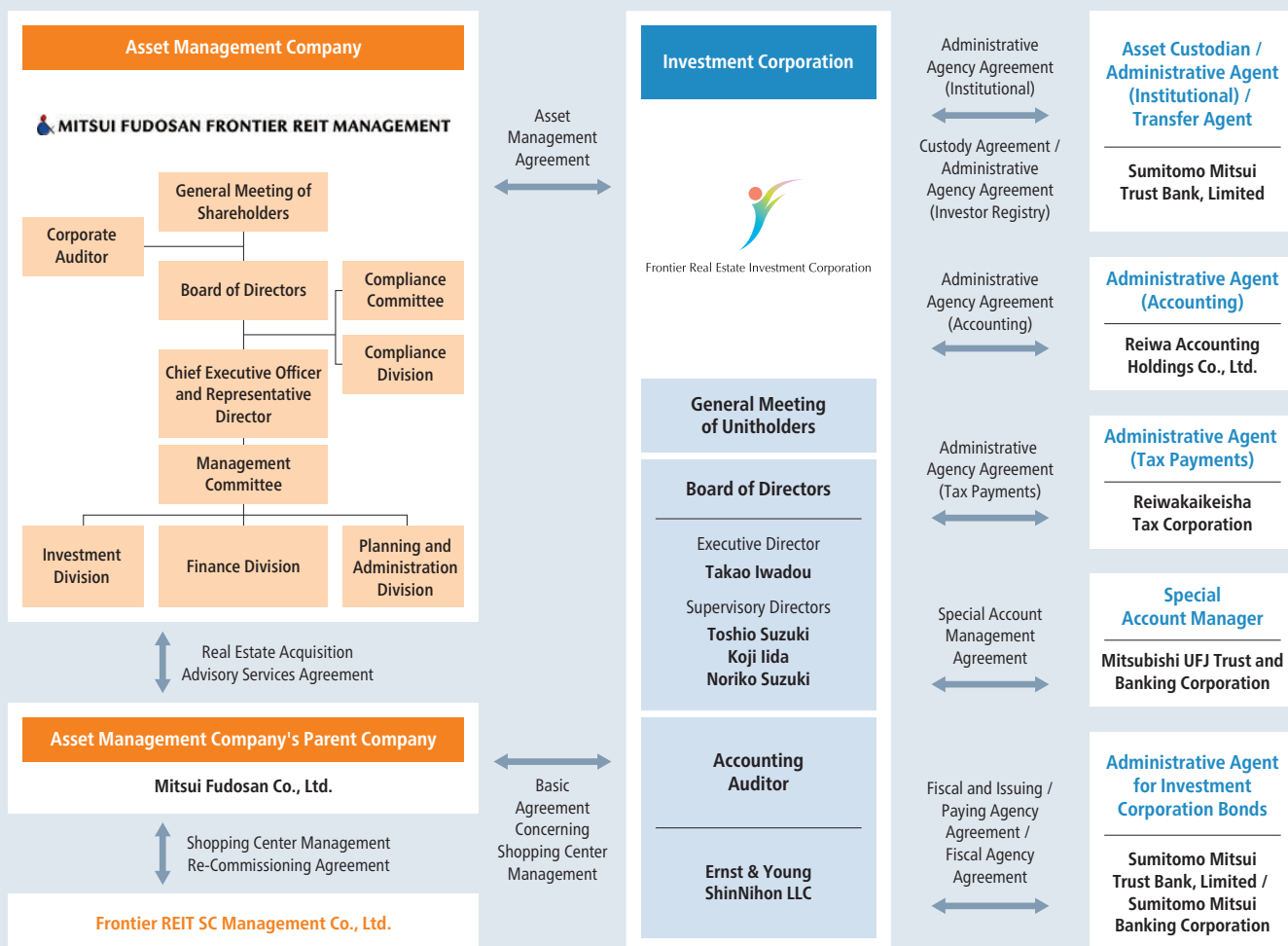
Toshio Suzuki, Supervisory Director

Takao Iwadou, Executive Director

Koji Iida, Supervisory Director

Management Framework

Frontier Real Estate Investment Corporation ("FRI") commissions the management of its assets to Mitsui Fudosan Frontier REIT Management Inc. (the "Asset Management Company").



Operational Framework and Policy for Addressing Conflicts of Interest

The Asset Management Company strives to ensure that transactions involving potential conflicts of interest are handled appropriately. To this end, the Asset Management Company has established and enforces strict compliance with internal rules regarding transactions with related parties, including criteria to identify related parties, standards for handling transactions with such parties, and protocols governing decision making in such transactions. Furthermore, the Asset Management Company has adopted a system that involves the FRI's Board of Directors in the execution of any sale or purchase of properties to or from a related party.

The following are related parties.

a. The related parties of the Asset Management Company as defined in the Enforcement Order for the Investment Trust Act.

b. Other related parties are as defined below

- i. The shareholder of the Asset Management Company and the subsidiaries and affiliated companies of said shareholder laid out in the Regulation for Terminology, Forms, and Preparation of Consolidated Financial Statements (hereinafter, the "Consolidated Accounting Standards").
- ii. Special purpose companies (including specified purpose companies, special limited liability companies, corporations, and others as laid out in the Law on Securitization of Assets; hereinafter "SPCs") that meet certain conditions. Specifically, if the Asset Management Company's shareholder and said shareholder's subsidiaries and affiliated companies (as defined in the Consolidated Accounting Standards) have invested a total of 15% or more of an SPC's invested capital (including investments made by silent partnership and preferred equity investments), the SPC in question is a related party.

Investment Management Decision-Making Process

Decision-making process for establishing and changing management guidelines and asset management plans



1. Relevant divisions: Proposals

Divisions draft proposals according to their areas of responsibility. The Finance Division and Investment Division each draft the portions of management guidelines and asset management plans related to their respective areas of responsibility.

2. Compliance Division General Manager: Screening

The Compliance Division General Manager screens proposals in light of management-related laws and other factors.

3. Management Committee: Consideration, approval

After screening by the Compliance Division General Manager, management guideline and asset management plan proposals are taken up by the Management Committee for consideration and approval.

The Compliance Division General Manager may attend the

Management Committee's meetings. Should the Compliance Division General Manager recognize compliance-related concerns during the committee's consideration or approval of a proposal, said manager has the authority to suspend the committee's consideration or approval of said proposal and return it to the division that proposed it.

4. Board of Directors: Consideration, approval

After approval by the Management Committee, proposals are considered by the Board of Directors. Proposals must receive the approval of at least two thirds of the directors to pass. However, matters concerning the establishment or amendment of the Rules Concerning Conflicts of Interest must be approved by FRI's Board of Directors before being taken up by the Asset Management Company's Board of Directors.



Asset acquisition / disposition decision-making process



* This approval constitutes permission from FRI.

1. Relevant divisions: Selection, proposal

The Investment Division conducts examinations (hereinafter, collectively, “due diligence”) of each property in accordance with established guidelines. Due diligence includes economic investigations of such factors as the projected earnings and the potential of the area where the property is located; physical investigations of such factors as building conditions and earthquake resistance; and legal investigations of such factors as rights issues. Based on the outcome of these investigations, the Investment Division selects properties that are suited for investment.

2. Compliance Division General Manager: Screening

The Compliance Division General Manager screens proposals in light of relevant laws and other factors.

3. Management Committee: Consideration, approval

After screening by the Compliance Division General Manager, proposals are taken up by the Management Committee for consideration and approval.

The Compliance Division General Manager may attend the Management Committee’s meetings. Should the Compliance Division General Manager recognize compliance-related concerns during the committee’s consideration or approval of a proposal, said manager has the authority to suspend the committee’s consideration or approval of said proposal and return it to the divisions that proposed it.

4. Compliance Committee: Consideration, approval

After approval by the Management Committee, proposals are taken up by the Compliance Committee for consideration and approval. If approved, they are presented to the Board of Directors for consideration and approval.

Proposals being considered by the Compliance Committee must obtain the approval of at least one external expert committee member as well as at least two thirds of the committee members present to be approved. However, asset acquisitions or dispositions involving related parties require the approval of all the members of the committee in principle.

5. Approval from FRI’s Board of Directors

Asset acquisitions or dispositions involving related parties must be approved by FRI’s Board of Directors before being considered by the Asset Management Company’s Board of Directors. However, the approval of the Board of Directors of FRI is not necessary for acquisitions or dispositions of marketable securities that fall under the transactions laid out in Article 245-2 of the Enforcement Order for the Investment Trust Act.

6. Board of Directors: Consideration, approval

Asset acquisitions or dispositions must receive the approval of at least two thirds of all directors to pass.



I. FRI's Investment Policy

1. Basic Policy

With the aim of securing stable earnings over the medium to long term, Frontier Real Estate Investment Corporation ("FRI") shall primarily invest in real estate and other specified assets (the asset types described under "II. Investment Targets 1. Types of Assets That Fall under Investment Targets").

2. Investment Stance

FRI adheres to the following investment stance in undertaking asset management.

(1) Primary investment target

The real estate and underlying assets of the securities backed by real estate that FRI invests in shall primarily be those used as suburban retail facilities and urban retail buildings.

(2) Geographic diversity

In order to reduce risks related to rent revenue associated with regional economic deterioration that may result from concentrating investment properties in specific areas as well as risks related to earthquakes and other disasters, FRI shall conduct geographically diverse investment in an aim to stabilize cash flow. In other words, FRI will invest in real estate in various areas of Japan as well as in trust beneficiary interests in such types of real estate.

(3) Investment in development properties

In principle, investment target real estate and real estate associated with trust beneficiary interests are occupied leasing properties as of the time of purchase, and unoccupied properties shall not be considered as investment targets. However, investment may be carried out in unoccupied properties, properties planned for construction, or properties under construction when stable earnings can be projected after the property is occupied or the building construction is completed.

(4) Investment criteria

In principle, FRI shall consider as investment targets real estate that actually produces or that is projected to produce leasing business revenues or other similar revenues as well as trust beneficiary interests in such real estate. Furthermore, in selecting properties for investment, FRI shall conduct a comprehensive evaluation of current and future profitability, the potential and stability of the area where the property is located, the current state of physical repair, upgrades, and other measures taken against obsolescence, tenant characteristics (composition of finances, business conditions, future prospects

of the relevant industry, etc.), content of leasing contracts, and other factors. After thus having determined its investment value, FRI will decide whether to make an investment.

(5) Acquisition prices

Acquisition prices are determined based on appraisal value as well as consideration of each property's characteristics and impact on the profitability of the overall portfolio. FRI shall not acquire properties at prices in excess of appraisal value from related parties.

3. Management Policy

In an aim to secure stable earnings over the medium to long term, FRI shall manage its assets with the goal of constructing a portfolio primarily composed of real estate that has a medium-to long-term leasing period and whose major tenants have a generally high creditworthiness as well as trust beneficiary interests in such types of real estate (hereinafter, "assets producing stable earnings"). Furthermore, FRI will, in principle, manage assets producing stable earnings, but may include as investment targets real estate whose earnings and asset value can be raised by replacing tenants or through good operations, and trust beneficiary interests in such types of real estate.

The aforementioned portfolio shall be constructed by adhering to the following:

(1) Acquisition criteria

In selecting individual real estate and real estate associated with trust beneficiary interests, FRI shall place a high priority on properties that demonstrate superiority and stable profitability over the medium to long term after sufficient consideration of planned acquisition price, projected earnings, characteristics of the property's area, the environment, future potential, scale of facilities, condition of the building and facilities, earthquake resistance, rights issues, creditworthiness of tenants, performance of shops, content of leasing contracts, and status of building management, among other factors. In principle, the minimum investment amount (excluding taxes, acquisition costs, etc.) shall be ¥1 billion per investment property. However, this shall not apply to cases of investing in properties which come as incidental to other investment properties.

(2) Selection procedure of investment properties

When selecting real estate and real estate associated with trust beneficiary interests, FRI shall exercise detailed due diligence for each individual property. After thus having determined the value of said property, FRI shall conduct a comprehensive



evaluation of its impact on the entire portfolio and degree of contribution to increasing the portfolio's value and decide whether to make an investment.

With regard to due diligence, FRI shall ask lawyers, certified public accountants, real estate appraisers, first-class architects, professionals at trade area research companies, and other specialists to conduct investigations. By doing so, FRI will conduct detailed investigations from multiple perspectives.

(3) Holding period

FRI shall, in principle, acquire real estate and trust beneficiary interests in real estate on the assumption that these will be held for medium- to long-term periods and shall not acquire assets with the initial goal of selling them after a short while. Medium term means approximately five to ten years, and long term means more than ten years. Moreover, even after acquiring real estate or trust beneficiary interests in real estate, FRI will monitor the creditworthiness of tenants by executing credit checks and other measures, as needed.

(4) Structure of support from Mitsui Fudosan

Mitsui Fudosan Frontier REIT Management Inc. (the "Asset Management Company") helps FRI maximize unitholder value by entering into advisory contracts related to real estate and other matters with Mitsui Fudosan and by providing the Mitsui Fudosan Group's expertise on the operation and management of retail facilities.

In addition, to build a portfolio with ample consideration given to both stability and growth potential, FRI shall actively utilize the Mitsui Fudosan Group's property acquisition expertise and network via such means as advisory contracts regarding real estate when further expanding its asset size.

In order to leverage the Mitsui Fudosan Group's expertise in operating and managing retail facilities, FRI enters into shopping center management contracts* for properties it owns, with the exception of such properties as those in which it owns only the land interest.

* Mitsui Fudosan re-commissions certain shopping center management business operations to Frontier REIT SC Management Co., Ltd., a Mitsui Fudosan Group company that specializes in shopping center management.

(5) Insurance policy for protection against damage

a. Property insurance

In order to cover damage to buildings and other property as well as compensation for damages paid to third parties due to disasters, accidents, or other reasons, FRI shall obtain fire insurance and liability insurance for owned real estate and real estate in trust associated with trust beneficiary interests. Moreover, in order to avoid a loss of income arising from disasters, accidents, or similar events, FRI shall obtain income protection insurance.

Overview of Mitsui Fudosan's retail facilities business

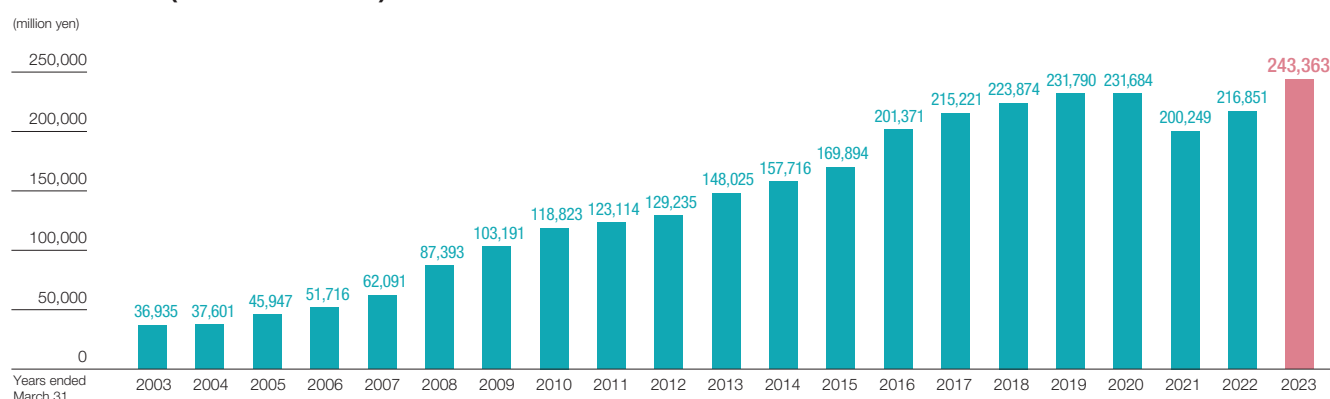
Scale of retail facilities business

Number of facilities	137 facilities (including overseas properties)
Total floor space	Approx. 7,000,000 m ²
Leased floor space	Approx. 3,400,000 m ²
Tenant stores	Approx. 10,300
Tenant companies	Approx. 2,500

Source: Mitsui Fudosan.

* As of October 1, 2023, Mitsui Fudosan handles the operation and management of some of the properties covered in the above figures on a consignment basis.

Rent revenue (non-consolidated) of Mitsui Fudosan's retail facilities



Source: Fact books for the years ended March 31, 2003-2023, Mitsui Fudosan

b. Earthquake insurance

FRI shall determine whether to obtain earthquake insurance by comparing and considering the impact from a disaster, the property insurance premium, and related variables based on the PML* for the entire portfolio due to an earthquake.

Moreover, if there is a property whose PML exceeds 20 percent, FRI will consider obtaining earthquake insurance for the individual property.

* Probable maximum loss (PML) is the maximum loss expected due to an earthquake. PML is calculated for each property individually and for the portfolio as a whole. While there is no widely recognized standard definition of PML, in this report, PML indicates the expected damage from the assumed greatest earthquake that could occur (a major earthquake that occurs once in 475 years, with an approximately 10% chance of occurring in a given 50-year period) during a property's assumed period of use (50 years, a typical length of use for a building), expressed as the repair costs expected to be incurred due to said earthquake as a percentage of the property's replacement cost.

(6) Disposition policy

In principle, FRI shall hold real estate and trust beneficiary interests in real estate on a medium- to long-term basis and shall not sell them in the short term. However, if FRI judges that the property must be sold based on a comprehensive perspective encompassing a property's projected revenue and expenditure going forward, the increase of expenditures caused by the building's deterioration, or its impact on the entire portfolio, FRI may consider selling real estate or trust beneficiary interests in real estate in the short term.

(7) Financing policy

a. Loans and issuance of investment corporation bonds

- i. FRI may procure loans and issue investment corporation bonds with the aim of ensuring stable earnings and achieving steady growth of assets under management. Moreover, it shall only procure loans from qualified institutional investors prescribed by Article 2-3-1 of the Financial Instruments and Exchange Law. These will further be limited to institutional investors prescribed by Article 67-15 of the Special Taxation Measures Law (hereinafter, "qualified institutional investors") (Articles of Incorporation, Article 35-1).
- ii. Cash procured from loans and investment corporation bonds pursuant to i., above, will be used for the acquisition of assets, repairs, payment of distributions, FRI's operational funds, debt repayment (including refunds of leasehold and security deposits as well as the repayment of loans and investment corporation bonds), and similar purposes. Funds procured by issuing short-term investment corporation bonds may only be used for purposes permitted by law (Articles of Incorporation, Article 35-2).
- iii. In the event of procuring loans pursuant to i., above, FRI may at times pledge assets under management as collateral (Articles of Incorporation, Article 35-3).

iv. The maximum amount of loans and issuance of investment corporation bonds shall be ¥1 trillion each and their total shall not exceed ¥1 trillion (Articles of Incorporation, Article 35-4).

v. In the event of procuring loans pursuant to i., above, FRI shall determine the various conditions, including the terms of the loans (long term or short term) and fixed or floating interest, after giving comprehensive consideration to their impact on the composition of FRI's capital and on investors while keeping an eye on the market environment, including interest rate trends.

vi. In an aim to flexibly procure funds necessary for additionally acquiring specified assets or for refunding leasehold and security deposits, FRI may establish preliminary loan frameworks such as agreements for established lines of credit or commitment line agreements, or it may conclude preliminary contracts for loans, as needed.

vii. The total amount of loans, investment corporation bonds issued and outstanding, leasehold and security deposits that FRI has received from tenants and other such liabilities shall not comprise more than 60 percent of FRI's total assets (hereinafter, "LTV ratio"). However, the LTV ratio may temporarily exceed 60 percent in accordance with the acquisition of new specified assets and other developments.

b. Additional issuance of investment units

- i. For financing purposes, FRI may solicit investment unit recipients upon the approval of the Board of Directors.
- ii. In the event of a solicitation of investment unit recipients, FRI shall give due consideration to the dilution of investment units.

(8) Operation and management policy

FRI shall carry out the real estate operation and management business by adhering to the following policy:

a. Asset maintenance and management business

In an effort to carry out stable management over the medium to long term, FRI shall implement regular repairs and renovations of real estate it owns and real estate associated with trust beneficiary interests it owns and implement initiatives to renew said real estate, such as changing the construction to improve or expand the facilities. By doing so, FRI shall work to maintain or expand its asset value, competitiveness, and earnings, aiming to increase its asset value over the medium to long term. When implementing said repairs or renovations, FRI shall strive to reduce not only initial expenses, but also expenses from a long-term and comprehensive perspective, giving due consideration to energy conservation measures, useful life, and other aspects.

**b. Tenant management business**

When revising rents with a lessee (excluding cases in which rent is fixed by a fixed-term lease contract), FRI shall strive to conduct negotiations with the lessee so that rents after the revision may be maintained or increased, taking into consideration such factors as the market rent for other properties of similar type and scale and for properties in the same area, the tenant's sales, the lessee's ability to bear additional rent, and the economic climate to determine a suitable level of rent. When renewing contracts, FRI shall conduct negotiations on the terms and conditions of the contract (contract period, rent, etc.) based on comprehensive consideration of the appropriate level of rent it has determined as well as the sustainability of the retail facility. Furthermore, FRI shall monitor the creditworthiness of lessees by executing credit checks and other measures as needed.

c. Real estate operation and management business

Where permitted by law, real estate operation and management shall be conducted by the Asset Management Company or outsourced to another real estate operation and management company selected by FRI (hereinafter, "property management company").

d. Real estate operation and management contractor selection policy

When selecting a property management company or other operation and management contractor, FRI will target professional companies with a proven track record in the market and with high creditworthiness, giving due consideration to track record and outsourcing fees. When outsourcing comprehensive management (encompassing asset maintenance/management and tenant management in addition to real estate operation and management), the contractor's business execution capabilities shall be comprehensively taken into account in addition to the abovementioned factors.

FRI shall periodically evaluate the quality of services provided and cost effectiveness of the real estate operation and management contractor and shall not renew contracts with contractors that receive poor evaluations.

(9) Disclosure policy**a. Asset management**

With regard to asset management, FRI shall strive to make expedient and accurate information disclosure in order to gain understanding from unitholders and investors.

b. Information disclosure

Information disclosure shall be conducted in accordance with the Investment Trust and Investment Corporation Act (the "Investment Trust Act") and Financial Instruments and Exchange Law as well as the respective content and format requirements prescribed by the Tokyo Stock Exchange, the Investment Trusts Association, Japan, and similar bodies. At the same time, besides legally stipulated disclosure items, FRI shall strive to disclose other material and useful information to unitholders and investors.

c. Transparency

In order to ensure the transparency of transactions involving related parties, FRI shall disclose transactions conducted with related parties.

(10) Green Finance Framework**a. Green Finance Framework formulation and third-party evaluation**

FRI formulated the Green Finance Framework for the purpose of carrying out green financing, including the issuance of green bonds. The Green Finance Framework is aligned with the Green Bond Principles 2021, Green Bond Guidelines (2020 version), Green Loan Principles 2021, and Green Loan and Sustainability Linked Loan Guidelines (2020 version). FRI obtained a third-party evaluation from Japan Credit Rating Agency, Ltd. (JCR), namely, a Green 1 (F) rating, the highest rating, in the JCR Green Finance Framework Evaluation.

b. Criteria for eligibility

Funds raised with green bonds or green loans are used to acquire green buildings that meet the following eligibility criteria, make qualifying renovations, or refinance loans taken for such acquisitions or renovations.

i. Green buildings

Properties that have acquired or plan to acquire any of the certifications i. to iv., below, from third-party institutions

- (i) 3 to 5 stars in the DBJ Green Building Certification
- (ii) B+ to S rank in the Certification for Comprehensive Assessment System for Built Environment Efficiency (CASBEE) for Real Estate
- (iii) 3 to 5 stars in the Building-Housing Energy-efficiency Labeling System (BELS) Evaluation
- (iv) Silver to Platinum in the Leadership in Energy and Environmental Design (LEED) Rating System

ii. Renovations

Any of the following renovations

- Renovations carried out to improve by one rank or more under any of the above certifications i. to iv., or to renew or acquire environmental certification

- Renovations aimed at making improvements that benefit the environment, such as improving energy efficiency or water consumption (resulting in a 30% or greater improvement)

II. Investment Targets

1. Types of Assets That Fall under Investment Targets

(1) Frontier Real Estate Investment Corporation ("FRI") shall primarily invest in the following types of real estate and other specified assets (Articles of Incorporation, Articles 28 and 30).

- Real estate
- Leasehold rights of real estate
- Surface rights
- Trust beneficiary interests in real estate, or solely in leasehold rights or surface rights of real estate

(2) In addition to real estate, FRI may also invest in the specified assets listed below. Real estate and the assets listed under a. through c., below, shall collectively be referred to as "real estate equivalents." Assets listed below under d. through g. shall collectively be referred to as "securities backed by real estate"; these shall be limited to securities that are set up to invest more than half of their underlying assets in real estate equivalents.

- Trust beneficiary interests for cash in trust set apart for management conducted by primarily investing in real estate, leasehold rights to real estate, or surface rights as trust assets
- Equity interests in an investment pertaining to an agreement where one party makes a capital contribution for the management of real estate or assets mentioned under a., above, by a counterparty, and where the counterparty manages said contribution primarily by investing it in said assets with a promise of distributing any profits earned by said management (hereinafter, "silent partnership interests pertaining to real estate")
- Trust beneficiary interests in cash set apart for management of trust assets as investments primarily in silent partnership interests pertaining to real estate
- Preferred securities (as defined in Article 2-9 of the Law on Securitization of Assets [Act No. 105 of 1998, including subsequent amendments; hereinafter, the "Asset Securitization Law"])
- Beneficiary securities (as defined in Article 2-7 of the Investment Trust Act)
- Investment securities (as defined in Article 2-15 of the Investment Trust Act)
- Beneficiary securities in a special purpose trust (as defined in Article 2-15 of the Asset Securitization Law, excluding assets that fall under (1) d., (2) a., or c., above)

(3) In addition to the specified assets listed under (1) and (2), above, FRI may invest in the following specified assets.

- Deposits
- Call loans
- Certificates of deposit
- Marketable securities as defined in Article 3-1 of the Enforcement Order for the Investment Trust and Investment Corporation Act (Cabinet Order No. 480 of 2000, including subsequent amendments; hereinafter, the "Investment Trust Enforcement Order"), excluding assets listed separately under (1), (2), and (3)
- Monetary claims (as defined in Article 3-7 of the Investment Trust Enforcement Order, excluding assets listed in a. through c., above)
- Renewable energy power generation facilities (as defined in Article 3-11 of the Investment Trust Enforcement Order)
- Trust beneficiary interests in cash set apart for management of trust assets as investments primarily in any of the assets raised under a. through f., above
- Rights pertaining to derivative transactions (as defined in Article 3-2 of the Investment Trust Enforcement Order)

(4) FRI may invest in the following assets if need be (assets other than those listed in e. and f. below shall be limited to assets accompanying investment in real estate and equivalents, and assets listed in e. and f., below, shall be limited to assets necessary for FRI to undertake borrowing).

- Trademark rights prescribed by Article 18-1 of the Trademark Act (Law No. 127 of 1959, including subsequent amendments), or their rights of exclusive use (as defined in Article 30-1 of the Trademark Act), or rights of ordinary use (as defined in Article 31-1 of the Trademark Act)
- Rights to use the source of a hot spring and facilities associated with said hot spring stipulated by Article 2-1 of the Hot Springs Law (Law No. 125 of 1948, including subsequent amendments)
- Carbon dioxide equivalent quotas based on the Act on Promotion of Global Warming Countermeasures (Law No. 117 of 1998, including subsequent amendments) and other similar items or emissions credits (including greenhouse gas emissions credits)



- d. Trust beneficiary interests in cash set apart for management of trust assets as investments primarily in assets raised under a. through c., above
- e. Contributions defined under the Small and Medium-Sized Enterprise Cooperatives Act (Law No. 181 of 1949; including subsequent amendments)
- f. Contributions defined under the Shinkin Bank Act (Law No. 238 of 1951; including subsequent amendments)
- g. Other assets that must be acquired incidental to the investment in real estate equivalents

III. Distribution Policy

Frontier Real Estate Investment Corporation ("FRI") shall, in principle, make distributions based on the following policy (Articles of Incorporation, Article 37).

1. Profit Distribution

(1) Of the total cash distributions to be made to unitholders, the amount of profit stipulated by the Investment Trust Act shall be the balance sheet value of net assets less total unitholders' capital. This is calculated in accordance with generally accepted corporate accounting practices in Japan.

(2) The distribution amount shall, in principle, be an amount determined by FRI that is greater than 90 percent of the distributable profit as prescribed by Article 67-15-1 of the Special Taxation Measures Law. (In cases where the calculation of this amount changes as a result of revisions to the law or other factors, the amount after the change is used. The same applies throughout the remainder of "III. Distribution Policy.")

Moreover, as necessary, FRI may accumulate, reserve, or otherwise dispose of funds as needed for such purposes as long-term repairs deemed necessary by FRI for maintaining or improving the value of assets under management, payment reserves, reserves for distributions, and other similar reserves or allowances.

IV. Investment Restrictions

1. Investment Restrictions Based on the Articles of Incorporation

Restrictions on investment based on the Articles of Incorporation Frontier Real Estate Investment Corporation ("FRI") are as follows.

(5) When physical certificates indicating the rights of the security holder specified in Article 2-2 of the Financial Instruments and Exchange Law have not been issued, said rights are deemed to be securities and are subject to the provisions of (1) through (4), above.

2. Investment Criteria

Please refer to "I. FRI's Investment Policy 3. Management Policy."

2. Cash Distribution Exceeding Profit

Should FRI deem it appropriate, including cases in which doing so will allow FRI to reduce its income tax burden or other expenses, FRI may distribute an amount it decides upon as cash exceeding profit.

3. Distribution Method

Distributions shall be made in cash and, in principle, distributed within three months from the end of the applicable fiscal period. Distributions shall be made to unitholders who are recorded in the final unitholders' register of the applicable fiscal period or to registered investment unit pledgees in accordance with the number of investment units held or pledged.

4. Expiration Period for Distributions

If a unitholder fails to collect a distribution within three years following the date that payments commenced, FRI shall no longer be held responsible for paying said distribution. Moreover, no interest will be added to unpaid distributions.

5. Other

FRI shall comply with the regulations stipulated by the Investment Trusts Association, Japan, and other relevant rules when making cash distributions.

(1) Restrictions on marketable securities and monetary claims

Investments in marketable securities and monetary claims (as listed under "II. Investment Targets 1. Types of Assets That Fall under Investment Targets (3)") shall be conducted with emphasis on security and liquidity and shall not be conducted solely for the purpose of actively acquiring gains (Articles of Incorporation, Article 31-1).

(2) Restrictions on derivative transactions

Investment in rights pertaining to derivative transactions (as listed under “II. Investment Targets 1. Types of Assets That Fall under Investment Targets (3) h.”) shall be undertaken only to hedge interest rate fluctuation risks and other risks arising from FRI’s liabilities (Articles of Incorporation, Article 31-2).

(3) Restrictions on overseas real estate and assets denominated in foreign currencies

FRI shall not invest in real estate or real estate equivalents (as listed under “II. Investment Targets 1. Types of Assets That Fall under Investment Targets (1)” located outside Japan or in securities backed by real estate located outside Japan (Articles of Incorporation, Article 31-3). Furthermore, FRI shall not invest in assets denominated in foreign currencies (Articles of Incorporation, Article 31-4).

(4) Restrictions on loans and issuance of investment corporation bonds

a. Purpose of borrowings

FRI may procure loans and issue investment corporation bonds with the aim of ensuring stable earnings and achieving the steady growth of assets under management. Moreover, it shall only procure loans from qualified institutional investors (Articles of Incorporation, Article 35-1).

b. Use of borrowings

Cash procured from loans and investment corporation bonds may be used for the acquisition of assets, repairs, payment of distributions, FRI’s operational funds, debt repayment (including refunds of leasehold and security deposits as well as the repayment of loans and investment corporation bonds), and similar purposes. Funds procured by issuing short-term investment corporation bonds may be used only for purposes permitted by law (Articles of Incorporation, Article 35-2).

c. Pledging of collateral

In the event of procuring loans pursuant to a., above, FRI may pledge assets under management as collateral (Articles of Incorporation, Article 35-3).

d. Maximum amount of borrowings

The maximum amount of loans and issuance of investment corporation bonds shall be ¥1 trillion each and their total shall not exceed ¥1 trillion (Articles of Incorporation, Article 35-4).

2. Other Investment Restrictions

(1) Acceptance of marketable securities and margin trading

FRI does not accept marketable securities or engage in margin trading.

(2) Concentrated investment

There are no restrictions related to concentrated investment. FRI’s policy regarding investment diversification by means of real estate location is described under “I. FRI’s Investment Policy 2. Investment Stance (2) Geographic diversity.”

(3) Restrictions on acquisition of the investment corporation’s investment units and receipt thereof as subject of pledge

An investment corporation may not acquire or receive as the subject of a pledge its own investment units. However, this does not apply if it acquires the investment units in one of the following cases (as defined in Investment Trust Act, Article 80-1). Note that the Investment Corporation has provided in its Articles of Incorporation the provisions described in a., below (Articles of Incorporation, Article 8-2).

- a. An investment corporation established for the purpose of investing its assets mainly in specified assets has provided in its articles of incorporation that it may acquire its own investment units for compensation based on an agreement with its investors.
- b. An investment corporation succeeds to the investment units of another investment corporation disappearing as a result of a merger.
- c. An investment corporation purchases its own investment units pursuant to the provisions of the Investment Trust Act.
- d. Other cases pursuant to the provisions of the Ordinance for Enforcement of the Investment Trust Act.
Cases pursuant to the Ordinance for Enforcement of the Investment Trust Act are the following (Ordinance for Enforcement of the Investment Trust Law, Article 129).
 - i. An investment corporation acquires its own investment units without consideration.
 - ii. An investment corporation receives the delivery of its own investment units as a result of the distribution of dividends of surplus, distribution of residual assets, or merger of another corporation, etc., involving its shares held by the investment corporation (including equity and equivalents thereto).
 - iii. It is necessary and indispensable for an investment corporation to acquire its own investment units to achieve a purpose by exercising its rights.

Financial Section

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I. Overview of Asset Management

1. Performance Highlights

[mn yen: millions of yen; PoP: period-on-period change]

Fiscal period		35th	36th	37th	38th	39th
Settlement of accounts		Dec. 2021	June 2022	Dec. 2022	June 2023	Dec. 2023
Operating revenue	mn yen	11,401	11,523	11,432	11,530	11,032
Of which, real estate rent revenue	mn yen	11,401	11,514	11,398	11,394	11,032
Operating expenses	mn yen	5,145	5,222	5,088	5,114	5,022
Of which, expenses related to rent business	mn yen	4,435	4,471	4,333	4,371	4,280
Operating income	mn yen	6,255	6,300	6,343	6,416	6,010
Ordinary income	mn yen	5,936	6,023	6,050	6,147	5,704
Net income	mn yen	5,935	6,022	6,049	6,146	5,703
Total assets	mn yen	330,060 [PoP: 7.3%]	330,351 [PoP: 0.1%]	329,731 [PoP: -0.2%]	327,026 [PoP: -0.8%]	336,333 [PoP: 2.8%]
Total net assets	mn yen	174,446 [PoP: 9.6%]	174,533 [PoP: 0.0%]	174,568 [PoP: 0.0%]	174,698 [PoP: 0.1%]	174,391 [PoP: -0.2%]
Unitholders' capital, net ^(Note 1)	mn yen	168,510	168,510	168,510	168,510	168,510
Total number of investment units issued and outstanding	units	541,000	541,000	541,000	541,000	541,000
Net assets per unit	yen	322,452	322,612	322,678	322,917	322,350
Total amount of distributions	mn yen	5,935	6,014	6,017	6,009	5,707
Distribution per unit	yen	10,972	11,117	11,122	11,109	10,549
Of which, distribution of earnings per unit	yen	10,972	11,117	11,122	11,109	10,549
Of which, distribution in excess of earnings per unit	yen	—	—	—	—	—
Ratio of ordinary income to total assets ^(Note 2)	%	1.9 [Annualized: 3.7]	1.8 [Annualized: 3.7]	1.8 [Annualized: 3.6]	1.9 [Annualized: 3.8]	1.7 [Annualized: 3.4]
ROE ^(Note 3)	%	3.6 [Annualized: 7.1]	3.5 [Annualized: 7.0]	3.5 [Annualized: 6.9]	3.5 [Annualized: 7.1]	3.3 [Annualized: 6.5]
Equity ratio at end of period ^(Note 4)	%	52.9 [PoP: 1.2]	52.8 [PoP: -0.1]	52.9 [PoP: 0.1]	53.4 [PoP: 0.5]	51.9 [PoP: -1.5]
Days in period	days	184	181	184	181	184
Payout ratio ^(Note 5)	%	99.9	99.8	99.4	97.7	100.0
Number of investment properties at end of period	properties	39	39	39	38	40
Total leasable floor space at end of period ^(Note 6)	m ²	(1,394,443.31)	(1,394,443.31)	(1,394,443.31)	(1,341,068.59)	(1,520,443.11)
Number of tenants at end of period ^(Note 7)	contracts	48 (112)	48 (105)	49 (106)	48 (105)	50 (128)
Occupancy rate at end of period ^(Note 8)	%	100.0 (100.0)	100.0 (99.9)	100.0 (99.9)	100.0 (99.8)	100.0 (100.0)
Depreciation and amortization	mn yen	2,122	2,044	1,955	1,895	1,902
Capital expenditures	mn yen	178	409	393	554	1,443
Property leasing NOI ^(Note 9)	mn yen	9,088	9,087	9,021	8,917	8,654
FFO ^(Note 10)	mn yen	8,058	8,067	8,005	8,041	7,606
FFO per unit ^(Note 11)	yen	14,895	14,913	14,798	14,864	14,060

Note 1: "Unitholders' capital, net," is unitholders' capital less deduction from unitholders' capital, truncated to the nearest million yen. The same applies hereinafter.

Note 2: Ratio of ordinary income to total assets = Ordinary income ÷ [(Total assets at beginning of period + Total assets at end of period) ÷ 2] × 100 (rounded to the first decimal place)

Note 3: ROE = Net income ÷ [(Total net assets at beginning of period + Total net assets at end of period) ÷ 2] × 100 (rounded to the first decimal place)

Note 4: Equity ratio at end of period = Total net assets at end of period ÷ Total assets at end of period × 100 (rounded to the first decimal place)

Note 5: "Payout ratio" is truncated at the first decimal place.

Note 6: "Total leasable floor space at end of period" is the area leasable to tenants. However, for period-ends at which pass-through type master lease contracts were in effect, the figure is calculated using the area leasable to end tenants at the properties subject to such contracts and presented in parentheses.

Note 7: "Number of tenants at end of period" is the number of tenants based on lease contracts. For period-ends at which pass-through type master lease contracts were in effect, the figure shown separately in parentheses is calculated using the number of tenants based on lease contracts between master lessees and end tenants.

Note 8: "Occupancy rate at end of period" is the leased floor space expressed as a percentage of leasable floor space, rounded to the first decimal place. For period-ends at which pass-through type master lease contracts were in effect, the figure shown separately in parentheses is calculated using the area leasable to end tenants as leasable floor space and using the area based on lease contracts with end tenants as leased floor space.

Note 9: Property leasing NOI (net operating income) = Real estate rent revenue – Expenses related to rent business + Depreciation

Note 10: FFO (funds from operations) = Net income + Depreciation

Note 11: FFO per unit = FFO ÷ Total number of investment units issued and outstanding (rounded to the nearest whole number)



2. Profile and Performance

Frontier Real Estate Investment Corporation (the "Investment Corporation") was established pursuant to the Investment Trust and Investment Corporation Act of Japan (Act No. 198 of 1951, including subsequent amendments; the "Investment Trust Act") by Mitsui Fudosan Frontier REIT Management Inc. (formerly Frontier REIT Management Inc.; the "Asset Management Company") on May 12, 2004. The Investment Corporation's investment units were listed on the Real Estate Investment Trust (J-REIT) Market of the Tokyo Stock Exchange on August 9, 2004 (Securities Code: 8964).^(Note 1)

The Investment Corporation is a "REIT specializing in retail facilities" investing primarily in real estate properties (including real estate in trust) used as retail facilities in Japan with the aim of securing stable earnings over the medium to long term. As a result of steadily building up a track record in management over the 19 and a half years since its establishment, as of December 31, 2023, the Investment Corporation managed a total of 40 real estate properties (total acquisition price: ¥364,115 million).^(Note 2)

Note 1: The Investment Corporation issues only book-entry investment units (the meaning as provided in Article 226, Paragraph 1 of the Act on Book-Entry Transfer of Company Bonds, Shares, etc. (Act No. 75 of 2001, including subsequent amendments; the "New Book-Entry Transfer Act")). The Investment Corporation is unable to issue physical investment certificates. Ownership is as stated or recorded in the transfer account book (Article 226 and Article 227 of the New Book-Entry Transfer Act). Accordingly, unless otherwise noted, reference hereinafter to the Investment Corporation's investment securities shall include the Investment Corporation's book-entry investment units.

In addition, the investment corporation bonds of the Investment Corporation are book-entry investment corporation bonds (the meaning as provided in Article 116 of the New Book-Entry Transfer Act). Accordingly, unless otherwise noted, reference hereinafter to investment corporation bonds issued by the Investment Corporation shall include the Investment Corporation's book-entry investment corporation bonds. Unless otherwise noted, all investment corporation bonds are unsecured.

Note 2: "Total acquisition price" does not include all the miscellaneous expenses (brokerage fees, property taxes, etc.) required to acquire the properties held by the Investment Corporation and is truncated to the nearest hundred million yen. Furthermore, "total acquisition price" is based on acquisition prices at the time of each acquisition and therefore includes amounts that correspond to portions of properties that were subsequently partially sold or demolished.

Note 3: Unless otherwise stated, monetary amounts are truncated and percentage figures are rounded to the nearest specified unit hereinafter in this report.

(1) Investment Environment and Management Performance

During the 39th fiscal period (July 1 to December 31, 2023), the Japanese economy remained on a modest recovery track due primarily to an upturn in personal consumption. In addition, there were constant improvements in employment and incomes, due to such factors as a tightening labor supply and the expansion of wage increases.

The personal consumption and retail environment surrounding retail facilities improved, despite the impact of inflation. This improvement reflected the normalization of consumption activities as the worldwide COVID-19 pandemic drew to a close and was supported by recovery in demand from inbound visitors to Japan spurred on by the depreciation of the yen.

In the real estate investment market, demand from investors to acquire properties remained robust despite a lingering sense of vigilance against future developments in Japan's monetary easing policies, and the property acquisition environment continued to be challenging.

Amid these conditions, the Investment Corporation acquired an 18.5% quasi co-ownership stake in Mitsui Shopping Park LaLaport IZUMI in October 2023. The Investment Corporation also acquired Shin-Kawasaki Square in December of the same year. Both properties were developed by Mitsui Fudosan Co., Ltd., our sponsor.

In terms of overall portfolio leasing status, as of the end of the 39th fiscal period, the portfolio remained highly stable, centered on long fixed-term leasing contracts with highly creditworthy tenants. The occupancy rate stood at 100.0%.^(Note)

Note: "Occupancy rate" is the leased floor space expressed as a percentage of leasable floor space, rounded to the first decimal place. The same applies hereinafter.

(2) Summary of Fund Procurement

The Investment Corporation's basic policy is to pay stable distributions over the medium and long terms. In the 39th fiscal period, the Investment Corporation worked to enhance its financial stability by diversifying its funding sources and means as well the distribution of the maturity dates of its loans and bonds and by prioritizing long-term, fixed-rate instruments.

As a result, the balance of loans and investment corporation bonds as of the end of the 39th fiscal period totaled ¥130,100 million, comprising long-term loans of ¥116,600 million and investment corporation bonds of ¥13,500 million.

In order to keep fund procurement diversified and flexible, the Investment Corporation has obtained issuer ratings from S&P Global Ratings Japan Inc. (S&P) since December 26, 2006, from Rating and Investment Information, Inc. (R&I) since June 30, 2009, and from Japan Credit Rating Agency, Ltd. (JCR) since December 22, 2015.

The following summarizes the ratings as of the end of the period under review.

Credit rating agency	Subject of rating	Rating	Outlook
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer	AA	Stable
Rating and Investment Information, Inc. (R&I)	Issuer	AA-	Stable
S&P Global Ratings Japan Inc. (S&P)	Long-term	A+	Stable
	Short-term	A-1	Stable

(3) Summary of Business Performance and Distributions

In the 39th fiscal period, operating revenue came to ¥11,032 million, with operating income of ¥6,010 million and ordinary income of ¥5,704 million. As a result, net income came to ¥5,703 million.

The Investment Corporation plans to distribute the maximum amount of earnings and, based on the application of special tax exemptions for investment corporations (Article 67-15 of the Special Taxation Measures Law (Act No. 26 of 1957, including subsequent amendments; hereinafter the "Special Taxation Measures Law")), to include this amount in deductible expenses. Accordingly, the Investment Corporation decided to distribute almost the entire amount obtained by adding ¥3 million arising from the reversal of reserve for reduction entry to unappropriated retained earnings, which amounted to ¥5,703 million at the end of the fiscal period under review. As a result, the Investment Corporation declared a distribution per unit of ¥10,549.

3. Equity Finance

The following shows the changes in unitholders' capital and the total number of investment units issued and outstanding over the past five years.

Date	Description	Unitholders' capital, net (Millions of yen)		Total number of investment units issued and outstanding		Notes
		Change	Balance	Change	Balance	
September 4, 2019	Capital increase by public offering	9,396	155,987	21,900	517,900	(Note 1)
September 10, 2019	Distributions in excess of earnings (return of capital)	(347)	155,640	—	517,900	(Note 2)
September 25, 2019	Capital increase by third-party allotment	471	156,112	1,100	519,000	(Note 3)
June 24, 2020	Cancellation	(2,499)	153,612	(8,232)	510,768	(Note 4)
July 1, 2021	Capital increase by public offering	14,188	167,800	28,792	539,560	(Note 5)
July 27, 2021	Capital increase by third-party allotment	709	168,510	1,440	541,000	(Note 6)

Note 1: New investment units were issued at an issue price of ¥443,625 (issue value of ¥429,065) per unit to fund a new property acquisition, repay loans for new property acquisitions, and repay other loans.

Note 2: At its August 15, 2019 meeting, the Investment Corporation's Board of Directors resolved to pay a distribution in excess of earnings of ¥700 per unit for the 30th fiscal period (for tax purposes, this is a return of capital that constitutes a reduction in unitholders' capital). The payment of said distribution began on September 10, 2019.

Note 3: New investment units were issued by third-party allotment at an issue value of ¥429,065 per unit to fund a new property acquisition, repay loans for new property acquisitions and repay other loans.

Note 4: From April 1, 2020 to May 12, 2020, the Investment Corporation acquired its investment units on the market of the Tokyo Stock Exchange via a discretionary transaction contract with a securities broker. Based on a resolution of the June 16, 2020 meeting of the Investment Corporation's Board of Directors, all of the units thus acquired (8,232 units) were cancelled, effective June 24, 2020.

Note 5: New investment units were issued at an issue price of ¥509,242 (issue value of ¥492,789) per unit to partially fund new property acquisitions.

Note 6: New investment units were issued by third-party allotment at an issue value of ¥492,789 per unit to fund specified future property acquisitions and repay loans.

Historical Unit Price

The following are each fiscal period's high and low marks (trading prices) on the Tokyo Stock Exchange's Real Estate Investment Trust Market, where the investment securities issued by the Investment Corporation are listed.

(Yen)

Fiscal period	35th	36th	37th	38th	39th
Settlement of accounts	Dec. 2021	June 2022	Dec. 2022	June 2023	Dec. 2023
High	523,000	538,000	546,000	515,000	478,500
Low	467,500	444,000	494,500	458,000	427,000



4. Distribution Information

For the period under review, the Investment Corporation planned to distribute the maximum amount of earnings and that this amount, based on the application of special tax exemptions for investment corporations (Article 67-15 of the Special Taxation Measures Law), would be included in deductible expenses. Accordingly, the Investment Corporation decided to distribute almost the entire amount obtained by adding ¥3 million from the reversal of reserve for reduction entry to unappropriated retained earnings, which thus amounted to ¥5,703 million at the end of the fiscal period under review. As a result, the Investment Corporation declared a distribution per unit of ¥10,549.

(Thousands of yen, except per unit information, which is given in yen)

Fiscal period	35th	36th	37th	38th	39th
	July 1 to Dec. 31, 2021	Jan. 1 to June 30, 2022	July 1 to Dec. 31, 2022	Jan. 1 to June 30, 2023	July 1 to Dec. 31, 2023
Total unappropriated retained earnings	5,936,177	6,023,223	6,049,863	6,146,394	5,703,857
Retained earnings carried forward	325	8,926	32,996	137,076	233
Total cash distributions	5,935,852	6,014,297	6,017,002	6,009,969	5,707,009
Distribution per unit	10,972	11,117	11,122	11,109	10,549
Of which, distributions of earnings	5,935,852	6,014,297	6,017,002	6,009,969	5,707,009
Distribution of earnings per unit	10,972	11,117	11,122	11,109	10,549
Of which, return of invested capital	—	—	—	—	—
Return of invested capital per unit	—	—	—	—	—
Of return of invested capital, distributions from allowance for temporary difference adjustment	—	—	—	—	—
Of return of invested capital, distributions from allowance for temporary difference adjustment per unit	—	—	—	—	—
Of return of invested capital, distributions to reduce capital in line with tax law	—	—	—	—	—
Of return of invested capital, distributions to reduce capital in line with tax law per unit	—	—	—	—	—

5. Outlook, Policy, and Anticipated Challenges

Japan's economy is expected to gradually improve, due in part to recovery in personal consumption arising from improvement in employment and incomes centered on rising wages. However, the impact of inflation and the effects of movements in monetary policies as well as fluctuations in financial and capital markets require careful attention.

In light of this operating environment, the Investment Corporation will continue to work to maintain the soundness of its financial base while enhancing the size and quality of its portfolio with an emphasis on balance. Furthermore, leveraging the retail facility operation and management expertise of the sponsor, the Investment Corporation will maintain relationships with its diverse range of stakeholders. By doing so, the Investment Corporation aims to maintain and grow steady distributions.

6. Significant Subsequent Events

On March 15, 2024, the Investment Corporation entered into a sale contract regarding the sale of the asset below, with delivery scheduled for May 1, 2024 and July 1, 2024. The sale contract is categorized as a forward commitment on the part of the Investment Corporation as set forth in the Financial Services Agency's Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, Etc. The summary as of the contract date is as follows.

- (1) Property name: Queen's Isetan Suginami-Momoi
- (2) Type of asset: Trust beneficiary rights to real estate
- (3) Planned sale price: ¥4,700 million ^(Note 1)
 - a. ¥2,086 million (a 44.4% quasi co-ownership stake in trust beneficiary rights to real estate)
 - b. ¥2,613 million (a 55.6% quasi co-ownership stake in trust beneficiary rights to real estate)
- (4) Book value: ¥3,266 million (as of December 31, 2023) ^(Note 2)
- (5) Difference between planned sale price and book value: ¥1,433 million ^(Note 3)
- (6) Contract date: March 15, 2024
- (7) Delivery date:
 - a. May 1, 2024: (a 44.4% quasi co-ownership stake in trust beneficiary rights to real estate)
 - b. July 1, 2024: (a 55.6% quasi co-ownership stake in trust beneficiary rights to real estate)
- (8) Buyer: Not disclosed ^(Note 4)

- (9) Broker's involvement: Yes
- (10) Method of settlement: Payment on each delivery date
- (11) Quasi co-ownership agreement: The Investment Corporation will enter into a quasi co-ownership agreement with the buyer and the trustee in conjunction with the sale of the assets listed above in order to ensure that all the parties will be in agreement regarding the rights of each co-owner to other parties as well as their obligations to one another. Matters stipulated in this agreement will include decision-making methods employed by beneficiaries to the assets to be sold and transfer restrictions placed on these assets.

Note 1: The amount noted excludes real property taxes, city planning taxes, consumption taxes, etc.

Note 2: Rounded down to the nearest million yen.

Note 3: This figure is calculated as the difference between the planned sale price and the book value as of December 31, 2023, and is provided for reference purposes only; it differs from the gain/loss on sale.

Note 4: Not disclosed as the Investment Corporation has not obtained the buyer's permission to do so. The buyer has no capital relationship, personal relationship, business relationship or other relationship of interest with the Investment Corporation or Asset Management Company.

Note 5: Matters Related to Forward Commitment; The Sale falls under the category of forward commitments, etc. (contracts for forward and future transactions in which settlement and delivery take place one or more months after their signing) (the "Forward Commitment").

The Forward Commitment may be cancelled under certain circumstances, including the violation of legal obligations or when a serious obstacle to the execution of the contract arises. If the Forward Commitment is cancelled, the party responsible for the cancellation is to pay a penalty to the other party in an amount equivalent to the purchase price of trust beneficiary rights to real estate properties in question in the percentages specified below.

a. Cancellation prior to delivery date a: 20% of the sum of the planned sale price

b. Cancellation on or after delivery date a until delivery date b: 20% of the planned sale price b

II. Status of Assets under Management of the Investment Corporation

1. Composition of Assets of the Investment Corporation

Type of asset	Region	38th Fiscal Period (As of June 30, 2023)		39th Fiscal Period (As of December 31, 2023)	
		Total amount held (Millions of yen) (Note 1)	Percentage of total amount of assets (%) (Note 2)	Total amount held (Millions of yen) (Note 1)	Percentage of total amount of assets (%) (Note 2)
Real estate (Note 3)	Tokyo metropolitan area (Note 4)	74,924	22.9	84,088	25.0
	Other regional cities	65,084	19.9	65,490	19.5
Real estate in trust	Tokyo metropolitan area (Note 4)	98,128	30.0	97,824	29.1
	Other regional cities	65,293	20.0	70,289	20.9
Subtotal		303,431	92.8	317,692	94.5
Deposits and other assets		23,595	7.2	18,640	5.5
Total amount of assets		327,026	100.0	336,333	100.0

Note 1: "Total amount held" is based on carrying amount (for real estate and real estate associated with trust beneficiary rights ("real estate in trust"), the book value less depreciation) at the end of the fiscal period, truncated to the nearest million yen.

Note 2: "Percentage of total amount of assets" is rounded to the first decimal place.

Note 3: The figures shown in the real estate row are the sums of figures for land leasehold rights held in conjunction with buildings, etc., and those for the respective buildings, etc.

Note 4: "Tokyo metropolitan area" refers to Tokyo, Kanagawa Prefecture, Saitama Prefecture, and Chiba Prefecture.

2. Major Assets Held

The following summarizes the major assets held by the Investment Corporation as of December 31, 2023.

Name of real estate	Book value (Millions of yen) (Note 1)	Leasable floor space (m ²) (Note 2)	Leased floor space (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Percentage of total rent revenue (%) (Note 4)	Primary use
AEON STYLE Shinagawa Seaside	13,905	77,547.22	77,547.22	100.0	6.7	Retail facility
AEON MALL Ibaraki	13,105	151,092.04	151,092.04	100.0	7.0	Retail facility
BRANCH Hakata Papillon Garden	7,525	19,894.65	19,894.65	100.0	(Note 5)	Retail facility
Kamiikedai Tokyu Store	1,152	6,640.60	6,640.60	100.0	0.8	Retail facility
Belltown Tambaguchi Eki-Mae Store	1,753	11,176.34	11,176.34	100.0	0.8	Retail facility
AEON MALL NAGOYADOME-Mae	20,436	154,766.57	154,766.57	100.0	7.0	Retail facility
Summit Store Takinogawa Momiji-Bashi	2,701	6,455.43	6,455.43	100.0	0.9	Retail facility
Home Center Kohnan Hiroshima Minami-Machi (land interest)	1,754	6,055.14	6,055.14	100.0	(Note 5)	Land interest
Frespo Tosu (land interest)	3,272	79,447.76	79,447.76	100.0	1.1	Land interest
You Me Town Hiroshima	18,421	122,169.26	122,169.26	100.0	6.8	Retail facility
Queen's Isetan Suginami-Momoi	3,266	5,212.70	5,212.70	100.0	1.0	Retail facility
Mitsui Outlet Park IRUMA	14,042	98,714.90	98,714.90	100.0	6.2	Retail facility



Name of real estate	Book value (Millions of yen) (Note 1)	Leasable floor space (m ²) (Note 2)	Leased floor space (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Percentage of total rent revenue (%) (Note 4)	Primary use
Costco Wholesale Warehouse Iruma (land interest)	2,629	24,019.93	24,019.93	100.0	0.7	Land interest
Desigual Harajuku	2,860	1,149.12	1,149.12	100.0	0.6	Retail facility
AEON TOWN Tanashi-Shibakubo	2,777	8,785.30	8,785.30	100.0	1.0	Retail facility
Don Quijote Fukuoka Tenjin	3,057	4,532.38	4,532.38	100.0	(Note 5)	Retail facility
Mitsui Shopping Park LaLaport IWATA	8,533	136,136.15	136,136.15	100.0	5.4	Retail facility
GINZA GLASSE	12,392	(5,174.62)	(5,174.62)	100.0 (100.0)	2.2	Retail facility
Shimura Shopping Center	3,982	17,126.40	17,126.40	100.0	1.6	Retail facility
Mitsui Shopping Park LaLagarden KASUKABE	7,526	63,415.76	63,415.76	100.0	3.4	Retail facility
Summit Store Yokohama Okano (land interest)	5,945	14,394.09	14,394.09	100.0	1.4	Land interest
VIORO	9,305	(5,831.86)	(5,119.19)	100.0 (87.8)	3.5	Retail facility
Rakuhoku HANKYU SQUARE	7,966	46,750.90	46,750.90	100.0	2.8	Retail facility
Ikebukuro Square	18,033	8,863.86	8,863.86	100.0	6.4	Retail facility
Kohnan Kawasaki-Odasakae Mall (land interest)	7,069	23,393.02	23,393.02	100.0	1.9	Land interest
Mitsui Shopping Park LaLaport SHIN-MISATO	31,439	(149,030.16)	(149,030.16)	100.0 (100.0)	8.8	Retail facility
Shinsaibashi Square	8,589	1,750.53	1,750.53	100.0	(Note 5)	Retail facility
Costco Wholesale Warehouse Shin-Misato (land interest)	3,854	30,292.76	30,292.76	100.0	(Note 5)	Land interest
KOJIMA x BIC CAMERA Naha Store	1,868	7,301.89	7,301.89	100.0	(Note 5)	Retail facility
Super Viva Home Zama and Super Sanwa Zama Higashihara (land interest)	4,385	28,926.76	28,926.76	100.0	(Note 5)	Land interest
SAKAE GLOBE	15,527	4,574.33	4,574.33	100.0	(Note 5)	Retail facility
Summit Store Higashi-Nagasaki (land interest)	2,137	3,952.10	3,952.10	100.0	(Note 5)	Land interest
Ikebukuro GLOBE	20,388	(4,411.98)	(4,411.98)	100.0 (100.0)	(Note 5)	Retail facility
Shinsaibashi MG Building (Note 6)	5,844	1,509.47	1,509.47	100.0	(Note 5)	Retail facility
TENJIN216	2,522	1,041.21	1,041.21	100.0	0.6	Retail facility
La La Chance HIROSHIMA Geihinkan (land interest)	1,081	7,467.58	7,467.58	100.0	(Note 5)	Land interest
Ginza 5-chome GLOBE	5,675	568.49	568.49	100.0	(Note 5)	Retail facility
Takeshita-dori Square	6,284	1,488.11	1,488.11	100.0	(Note 5)	Retail facility
Mitsui Shopping Park LaLaport IZUMI (Note 7)	5,212	168,552.13	168,552.13	100.0	0.8	Retail facility
Shin-Kawasaki Square	9,461	(10,829.61)	(10,829.61)	100.0 (100.0)	0.2	Retail facility
Total	317,692	(1,520,443.11)	(1,519,730.44)	100.0 (100.0)	100.0	

Note 1: "Book value" is truncated at the nearest million yen.

Note 2: "Leasable floor space" is the area leasable to tenants and "Leased floor space" is, in principle, based on lease contracts with tenants. However, for properties for which pass-through type master lease contracts are concluded, leasable floor space is the area leasable to end tenants and leased floor space is based on lease contracts with end tenants; these figures are shown in parentheses. The figure arrived at using these figures for leasable floor space and leased floor space is given in the "Total" row, shown in parentheses. Note that a portion of the land of Costco Wholesale Warehouse Shin-Misato (land interest) may be leased, as evidenced by a land use lease contract formed regarding said portion. As such, "Leasable floor space" given for the property includes the area of said portion, and "Leased floor space" given for the property includes the area of the land subject to said land use lease contract. The same applies hereinafter.

Note 3: "Occupancy rate" is the leased floor space expressed as a percentage of leasable floor space, rounded to the first decimal place. For properties for which pass-through type master lease contracts are concluded, the figure arrived at when leasable floor space is the area leasable to end tenants and leased floor space is based on lease contracts with end tenants is additionally given, shown in parentheses.

Note 4: "Percentage of total real estate rent revenue" is rounded to the first decimal place.

Note 5: Undisclosed, as the Investment Corporation has not received permission from the tenant.

Note 6: Although the Investment Corporation owned a 60% co-ownership stake of this property as of December 31, 2023, the figures shown for "Leasable floor space" and "Leased floor space" pertain to the entire property.

Note 7: Although the Investment Corporation owned an 18.5% quasi co-ownership stake of trust beneficiary rights to this property as of December 31, 2023, the figures shown for "Leasable floor space" and "Leased floor space" pertain to the entire property.

3. Schedule of Real Estate Portfolio Assets

The following is a schedule of the assets held by the Investment Corporation as of December 31, 2023.

Name of real estate	Location	Ownership	Book value (Millions of yen) (Note 2)	Appraisal value at end of period (Millions of yen) (Note 3)
AEON STYLE Shinagawa Seaside	4-12-5 Higashi Shinagawa, Shinagawa City, Tokyo	Proprietary	13,905	19,000
AEON MALL Ibaraki	Retail and parking buildings: 8-30 Matsugamoto-cho, Ibaraki City, Osaka Sports building: 1-7-5 Shimohozumi, Ibaraki City, Osaka	Proprietary	13,105	24,000
BRANCH Hakata Papillon Garden	1-2-1 Chiyo, Hakata Ward, Fukuoka City, Fukuoka	Proprietary	7,525	10,700
Kamiikedai Tokyu Store	5-23-5 Kamiikedai, Ota City, Tokyo	Proprietary	1,152	3,750
Belltown Tambaguchi Eki-Mae Store	(Site A) 60 and 61 Chudoji-Bojo-cho, Shimogyo Ward, Kyoto City, Kyoto (Site B) 70 Chudoji-Kita-cho, Shimogyo Ward, Kyoto City, Kyoto (Note 1)	Proprietary	1,753	3,090
AEON MALL NAGOYADOME-Mae	4-1-19 Yada-Minami, Higashi Ward, Nagoya City, Aichi	Proprietary	20,436	26,700
Summit Store Takinogawa Momiji-Bashi	4-1-18 Takinogawa, Kita City, Tokyo	Proprietary	2,701	4,230
Home Center Kohnan Hiroshima Minami-Machi (land interest)	2-224-12 Minami-machi, Minami Ward, Hiroshima City, Hiroshima (Note 1)	Proprietary	1,754	2,660
Frespo Tosu (land interest)	537-1 Aza-Shimotosu, Hontosu-machi, Tosu City, Saga, etc. (Note 1)	Proprietary	3,272	3,420
You Me Town Hiroshima	2-8-17 Minami-machi, Minami Ward, Hiroshima City, Hiroshima	Proprietary	18,421	20,800
Queen's Isetan Suginami-Momoi	3-5-1 Momoi, Suginami City, Tokyo	Proprietary	3,266	4,470
Mitsui Outlet Park IRUMA	3169-1 Aza-Kaihatsu, Miyadera, Iruma City, Saitama, etc. (Note 1)	Proprietary	14,042	23,200
Costco Wholesale Warehouse Iruma (land interest)	3169-2 Aza-Kaihatsu, Miyadera, Iruma City, Saitama, etc. (Note 1)	Proprietary	2,629	2,910
Desigual Harajuku	6-10-8 Jingumae, Shibuya City, Tokyo	Proprietary	2,860	3,310
AEON TOWN Tanashi-Shibakubo	1-12-5 Shibakubo-cho, Nishi-Tokyo City, Tokyo	Proprietary	2,777	3,620
Don Quijote Fukuoka Tenjin	1-20-17 Imaizumi, Chuo Ward, Fukuoka City, Fukuoka	Proprietary	3,057	4,650
Mitsui Shopping Park LaLaport IWATA	1200 Takamioka, Iwata City, Shizuoka, etc. (Note 1)	Proprietary	8,533	14,400
GINZA GLASSE	3-2-15 Ginza, Chuo City, Tokyo	Proprietary	12,392	12,000
Shimura Shopping Center	3-26-4 Shimura, Itabashi City, Tokyo	Proprietary	3,982	6,580
Mitsui Shopping Park LaLagarden KASUKABE	1-1-1 Minami, Kasukabe City, Saitama	Proprietary	7,526	11,700
Summit Store Yokohama Okano (land interest)	2-5-1 Okano, Nishi Ward, Yokohama City, Kanagawa, etc. (Note 1)	Proprietary	5,945	7,340
VIORO	2-10-3 Tenjin, Chuo Ward, Fukuoka City, Fukuoka	Proprietary	9,305	9,890
Rakuhoku HANKYU SQUARE	36-1 Takano Nishibiraki-cho, Sakyo Ward, Kyoto City, Kyoto, etc. (Note 1)	Proprietary	7,966	10,200
Ikebukuro Square	1-14-1 Higashi Ikebukuro, Toshima City, Tokyo	Proprietary	18,033	26,400
Kohnan Kawasaki-Odasakae Mall (land interest)	2-1-1 Odasakae, Kawasaki Ward, Kawasaki City, Kanagawa, etc. (Note 1)	Proprietary	7,069	9,690
Mitsui Shopping Park LaLaport SHIN-MISATO	Annex building: 2-1-1 Shin-Misato LaLaCity, Misato City, Saitama Main building: 3-1-1 Shin-Misato LaLaCity, Misato City, Saitama	Proprietary	31,439	33,300
Shinsaibashi Square	2-8-20 and -21 Shinsaibashisuji, Chuo Ward, Osaka City, Osaka	Proprietary	8,589	10,900
Costco Wholesale Warehouse Shin-Misato (land interest)	3-1-7 Shin-Misato LaLaCity, Misato City, Saitama, etc. (Note 1)	Proprietary	3,854	5,160
KOJIMA x BIC CAMERA Naha Store	664-5 and -9 Aza-Aja, Naha City, Okinawa (Note 1)	Proprietary	1,868	2,600
Super Viva Home Zama and Super Sanwa Zama Higashihara (land interest)	1-6000-1 Higashihara, Zama City, Kanagawa (Note 1)	Proprietary	4,385	4,990
SAKAE GLOBE	3-7-17 Sakae, Naka Ward, Nagoya City, Aichi	Proprietary	15,527	16,300
Summit Store Higashi-Nagasaki (land interest)	5-32-9 Nagasaki, Toshima City, Tokyo, etc. (Note 1)	Proprietary	2,137	2,840
Ikebukuro GLOBE	1-21-4 Higashi Ikebukuro, Toshima City, Tokyo	Proprietary	20,388	14,300
Shinsaibashi MG Building	1-9-6 Shinsaibashisuji, Chuo Ward, Osaka City, Osaka	Proprietary	5,844	6,110



Name of real estate	Location	Ownership	Book value (Millions of yen) (Note 2)	Appraisal value at end of period (Millions of yen) (Note 3)
TENJIN216	2-5-16 Tenjin, Chuo Ward, Fukuoka City, Fukuoka	Proprietary	2,522	2,640
La La Chance HIROSHIMA Geihinkan (land interest)	3-410-14, 3-329-25 Nishikaniya, Minami ward, Hiroshima City, Hiroshima (Note 1)	Proprietary	1,081	1,420
Ginza 5-chome GLOBE	5-6-10 Ginza, Chuo City, Tokyo	Proprietary	5,675	5,790
Takeshita-dori Square	1-16-4 Jingumae, Shibuya City, Tokyo	Proprietary	6,284	6,410
Mitsui Shopping Park LaLaport IZUMI	4-4-7 Ayumino, Izumi City, Osaka	Proprietary	5,212	5,217
Shin-Kawasaki Square	1-1-3 Kashimada, Saiwai Ward, Kawasaki City, Kanagawa	Proprietary	9,461	9,610
Total			317,692	396,297

Note 1: The location (location and lot number for land interests) stated on the real estate registry is given for properties with this note.

Note 2: "Book value" is truncated at the nearest million yen.

Note 3: "Appraisal value at end of period" is the real estate appraisal value or surveyed value estimated by a real estate appraiser as of the valuation date, which is the account closing date. Said appraisal or survey is based on the asset valuation methods and standards set forth in the Investment Corporation's Articles of Incorporation as well as the rules set forth by the Investment Trusts Association, Japan.

The following shows the status of leasing of real estate held by the Investment Corporation.

Name of real estate	38th Fiscal Period (From Jan. 1 to June 30, 2023)				39th Fiscal Period (From July 1 to Dec. 31, 2023)			
	Total number of tenants at end of period (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate rent revenue during period (Millions of yen) (Note 3)	Percentage of total rent revenue (%) (Note 4)	Total number of tenants at end of period (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate rent revenue during period (Millions of yen) (Note 3)	Percentage of total rent revenue (%) (Note 4)
AEON STYLE Shinagawa Seaside	1	100.0	742	6.5	1	100.0	742	6.7
AEON MALL Ibaraki	1	100.0	768	6.7	1	100.0	770	7.0
BRANCH Hakata Papillon Garden	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
Kamiikedai Tokyu Store	1	100.0	93	0.8	1	100.0	93	0.8
Belltown Tambaguchi Eki-Mae Store	1	100.0	84	0.7	1	100.0	84	0.8
AEON MALL NAGOYADOME-Mae	1	100.0	773	6.8	1	100.0	774	7.0
Summit Store Takinogawa Momiji-Bashi	1	100.0	99	0.9	1	100.0	99	0.9
Home Center Kohnan Hiroshima Minami-Machi (land interest)	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
Frespo Tosu (land interest)	1	100.0	118	1.0	1	100.0	118	1.1
You Me Town Hiroshima	1	100.0	745	6.5	1	100.0	745	6.8
Queen's Isetan Suginami-Momoi	1	100.0	112	1.0	1	100.0	112	1.0
Mitsui Outlet Park IRUMA	1	100.0	692	6.1	1	100.0	678	6.2
Costco Wholesale Warehouse Iruma (land interest)	1	100.0	80	0.7	1	100.0	81	0.7
Desigual Harajuku	1	100.0	66	0.6	1	100.0	66	0.6
Ito-Yokado Higashi-Yamato	—	—	254 (Note 6)	2.2	—	—	—	—
AEON TOWN Tanashi-Shibakubo	1	100.0	114	1.0	1	100.0	114	1.0
Don Quijote Fukuoka Tenjin	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
Mitsui Shopping Park LaLaport IWATA	1	100.0	600	5.3	1	100.0	600	5.4
GINZA GLASSE	1 (12)	100.0 (72.8)	472	4.1	1 (14)	100.0 (100.0)	240	2.2
Shimura Shopping Center	1	100.0	173	1.5	1	100.0	173	1.6
Mitsui Shopping Park LaLagarden KASUKABE	1	100.0	370	3.3	1	100.0	370	3.4
Summit Store Yokohama Okano (land interest)	1	100.0	156	1.4	1	100.0	156	1.4
VIORO	1 (44)	100.0 (85.9)	368	3.2	1 (44)	100.0 (87.8)	388	3.5
Rakuhoku HANKYU SQUARE	1	100.0	311	2.7	1	100.0	311	2.8
Ikebukuro Square	4	100.0	707	6.2	4	100.0	711	6.4

Name of real estate	38th Fiscal Period (From Jan. 1 to June 30, 2023)				39th Fiscal Period (From July 1 to Dec. 31, 2023)			
	Total number of tenants at end of period (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate rent revenue during period (Millions of yen) (Note 3)	Percentage of total rent revenue (%) (Note 4)	Total number of tenants at end of period (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate rent revenue during period (Millions of yen) (Note 3)	Percentage of total rent revenue (%) (Note 4)
Kohnan Kawasaki-Odasakae Mall (land interest)	1	100.0	208	1.8	1	100.0	208	1.9
Mitsui Shopping Park LaLaport SHIN-MISATO	1 (3)	100.0 (100.0)	975	8.6	1 (3)	100.0 (100.0)	975	8.8
Shinsaibashi Square	2	100.0	(Note 5)	(Note 5)	2	100.0	(Note 5)	(Note 5)
Costco Wholesale Warehouse Shin-Misato (land interest)	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
KOJIMA x BIC CAMERA Naha Store	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
Super Viva Home Zama and Super Sanwa Zama Higashihara (land interest)	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
SAKAE GLOBE	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
Summit Store Higashi-Nagasaki (land interest)	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
Ikebukuro GLOBE	1 (2)	100.0 (100.0)	(Note 5)	(Note 5)	1 (2)	100.0 (100.0)	(Note 5)	(Note 5)
Shinsaibashi MG Building	2	100.0	(Note 5)	(Note 5)	2	100.0	(Note 5)	(Note 5)
TENJIN216	5	100.0	63	0.6	5	100.0	65	0.6
La La Chance HIROSHIMA Geihinkan (land interest)	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
Ginza 5-chome GLOBE	2	100.0	(Note 5)	(Note 5)	2	100.0	(Note 5)	(Note 5)
Takeshita-dori Square	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
Mitsui Shopping Park LaLaport IZUMI	—	—	—	—	1	100.0	87	0.8
Shin-Kawasaki Square	—	—	—	—	1 (20)	100.0 (100.0)	17	0.2
Total	48 (105)	100.0 (99.8)	11,394	100.0	50 (128)	100.0 (100.0)	11,032	100.0

Note 1: "Total number of tenants" is the number of tenants based on lease contracts. For properties for which pass-through type master lease contracts are concluded, the number of tenants arrived at by adding up the number of tenants based on lease contracts between master lessees and end tenants is additionally given, shown in parentheses.

Note 2: "Occupancy rate" is the leased floor space expressed as a percentage of leasable floor space, rounded to the first decimal place. For properties for which pass-through type master lease contracts are concluded, the figure arrived at when leasable floor space is the area leasable to end tenants and leased floor space is based on lease contracts with end tenants is additionally given, shown in parentheses.

Note 3: "Real estate rent revenue" is truncated at the nearest million yen.

Note 4: "Percentage of total real estate rent revenue" is rounded to the first decimal place.

Note 5: Undisclosed, as the Investment Corporation has not received permission from the tenant.

Note 6: For this property, the Investment Corporation sold its 70% quasi co-ownership stake of the trust beneficiary rights to real estate on June 23, 2023.

4. Status of Contract Amount and Fair Value of Specific Transactions

The contract amount and fair value of specific transactions conducted by the Investment Corporation as of December 31, 2023 are as follows.

Category	Type	Notional amount (Thousands of yen)		Fair value ^(Note)
			Due after 1 year	
Transactions other than market transactions	Interest-rate swaps: Receive floating / Pay fixed	6,000,000	5,000,000	—
Total		6,000,000	5,000,000	—

Note: Fair value is omitted as it satisfies requirements for special treatment under accounting standards for financial instruments. For details, see Note 14, "FINANCIAL INSTRUMENTS" in the Notes to Financial Statements.

5. Status of Other Assets

There are no other major specified assets that the Investment Corporation includes in its main investment target as of December 31, 2023.



III. Assets, Liabilities and Net Assets

Total assets at the end of the period under review stood at ¥336,333 million, up ¥9,306 million from the end of the previous period. Current assets decreased ¥5,003 million to ¥18,488 million. Property, plant and equipment stood at ¥316,034 million.

Current liabilities increased ¥2,821 million from the previous period-end to ¥18,808 million. Total loans and investment corporation bonds at the end of the period under review amounted to ¥130,100 million, and tenant leasehold and security deposits, including those in trust, stood at ¥27,932 million.

Total net assets stood at ¥174,391 million, a decrease of ¥306 million, while unitholders' capital remained unchanged at ¥168,510 million.

For details regarding loans by financial institutions and investment corporation bonds as of December 31, 2023, see the Notes to Financial Statements (Note 8, "LONG-TERM LOANS PAYABLE" and Note 9, "INVESTMENT CORPORATION BONDS").

IV. Capital Expenditures

1. Schedule of Capital Expenditures

The following is the schedule of capital expenditures planned as of the end of the fiscal period under review for real estate held by the Investment Corporation. The planned construction amount includes the expensed portion to be accounted for as repairs and maintenance.

Name of real estate	Location	Purpose	Scheduled period	Planned construction amount (Millions of yen)		
				Total amount	Amount paid during period	Cumulative amount paid
AEON MALL NAGOYADOME-Mae	Nagoya City, Aichi	EHP/FCU air conditioner replacement (3rd stage)	From: Dec. 2023 To: Mar. 2024	308	—	—
AEON MALL Ibaraki	Ibaraki City, Osaka	Retail building LED replacement (2nd stage)	From: Mar. 2024 To: May 2024	52	—	—
AEON MALL NAGOYADOME-Mae	Nagoya City, Aichi	Central monitoring panel replacement	From: Sep. 2023 To: May 2024	35	—	—
Other capital expenditures				418	—	—
Total				814	—	—

2. Capital Expenditures during the Period

The following summarizes construction that falls under the category of capital expenditures conducted for real estate during the fiscal period under review by the Investment Corporation. Capital expenditures amounted to ¥1,443 million and, when combined with the ¥345 million in repairs and maintenance charged to expenses in the fiscal period under review, a total of ¥1,788 million in construction was conducted.

Name of real estate	Location	Purpose	Period	Construction amount (Millions of yen)
AEON MALL NAGOYADOME-Mae	Nagoya City, Aichi	Renovations for revitalization (1st stage)	From: July 2023 To: Dec. 2023	664
AEON MALL NAGOYADOME-Mae	Nagoya City, Aichi	EHP/FCU air conditioner replacement (2nd stage)	From: Oct. 2023 To: Dec. 2023	170
AEON MALL Ibaraki	Ibaraki City, Osaka	Replacement of air conditioners, hygiene equipment and foam fire extinguishers of the sports building	From: July 2023 To: Dec. 2023	82
Other capital expenditures				525
Total				1,443

3. Cash Reserves for Long-Term Repair Plans (Reserve for Repairs)

The status of cash reserves that have been set aside by the Investment Corporation based on long-term repair plans compiled for each property is as follows. These cash reserves were secured from cash flows during each fiscal period in order to provide for capital expenditures and repairs over the medium to long term. (See note.)

(Millions of yen)

Fiscal period	35th July 1 to Dec. 31, 2021	36th Jan. 1 to June 30, 2022	37th July 1 to Dec. 31, 2022	38th Jan. 1 to June 30, 2023	39th July 1 to Dec. 31, 2023
Balance of reserves at beginning of period	700	700	700	700	700
Reserves during the period	—	—	—	—	—
Reversal of reserves during the period	—	—	—	—	700 (Note)
Amount carried forward to next period	700	700	700	700	— (Note)

Note: Cash reserves related to long-term repair plans for real estate and other assets will no longer be accumulated because, on July 1, 2023, the Investment Corporation amended its previous policy for such reserves in light of the expansion of its asset portfolio size and resulting growth in internal reserves, which, in turn, reduced the importance of setting aside reserves for repairs. Accordingly, the Investment Corporation simultaneously decided to carry out a reversal of reserves for repairs that had been set aside up to June 30, 2023.

V. Asset Management Expenses

Itemization of Administrative Expenses

(Thousands of yen)

	38th Fiscal Period Jan. 1 to June 30, 2023	39th Fiscal Period July 1 to Dec. 31, 2023
(a) Asset management fee (Note 1)	586,742	582,052
Breakdown Management fee 1 (Note 2)	408,776	412,143
Management fee 2 (Note 3)	177,966	169,908
(b) Asset custody fee	16,486	16,351
(c) Administrative service fees	24,768	25,171
(d) Directors' compensation	8,400	8,400
(e) Other operating expenses	106,372	109,257
Total	742,770	741,232

Note 1: In addition to the amounts shown above for "Asset management fee," property sale fees of ¥33,250 thousand and property acquisition fees of ¥49,492 thousand were accounted for as sale and acquisition costs in the 38th and 39th fiscal periods, respectively.

Note 2: The maximum amount of Management fee 1 is calculated at an annualized rate of 0.3% of total assets, prorated using the actual number of days in the period and 365 days per year (truncated at the nearest yen). "Total assets" here refers to the amount of total assets stated on the Investment Corporation's balance sheet at the end of the immediately preceding fiscal period (said balance sheet must be approved as specified in Article 131-2 of the Investment Trust Act). Management fee 1 for each period is to be paid to the Asset Management Company within said period.

Note 3: The maximum amount of Management fee 2 is calculated as 2% of operating income before amortization. "Operating income before amortization" here refers to the Investment Corporation's operating revenue minus operating expenses (excluding depreciation and amortization, Management fee 1, and Management fee 2) for the fiscal period in question. Management fee 2 for each period is to be paid to the Asset Management Company within three months of said period's account closing date.

VI. Status of Purchases and Sales during the Period

1. Status of Purchases and Sales of Real Estate, Asset-Backed Securities and Related Assets

Type of asset	Name of real estate	Acquisition		Sale			
		Acquisition date	Acquisition price (Millions of yen) (Note)	Sale date	Sale price (Millions of yen)	Book value (Millions of yen)	Gain (loss) on sales (Millions of yen)
Trust beneficiary rights to real estate	Mitsui Shopping Park LaLaport IZUMI (18.5% quasi co-ownership stake)	Oct. 2, 2023	5,198	—	—	—	—
Real estate	Shin-Kawasaki Square	Dec. 22, 2023	9,400	—	—	—	—
Total			14,598		—	—	—

Note: "Acquisition price" is the value stated on the sale agreement and does not include the various other expenses (brokerage fees, property taxes, etc.) required to acquire the property.

2. Status of Acquisitions and Sales of Other Assets

Main other assets (besides the real estate, asset-backed securities, and related assets shown above) are mostly monetary claims, such as bank deposits, or deposits in trust.



3. Assessment of Value of Specified Assets

No assessments of the value of specified assets based on Article 201, Paragraph 2 of the Investment Trust Act were performed in the 39th fiscal period. However, the Investment Corporation received property appraisals from real estate appraisers regarding real estate and other assets.

Type of asset	Name of real estate	Acquisition date	Acquisition price (Millions of yen) ^(Note)	Appraisal value (Millions of yen)	Real estate appraiser	Valuation date
Trust beneficiary rights to real estate	Mitsui Shopping Park LaLaport IZUMI (18.5% quasi co-ownership stake)	Oct. 2, 2023	5,198	5,235	Japan Real Estate Institute	July 31, 2023
Real estate	Shin-Kawasaki Square	Dec. 22, 2023	9,400	9,600	Japan Real Estate Institute	July 31, 2023

Note: "Acquisition price" is the value stated on the sale agreement and does not include the various other expenses (brokerage fees, property taxes, etc.) required to acquire the property.

4. Transactions with Related Parties

(1) Status of Transactions

Purchase and sale transactions with related parties are as follows.

	Amount of purchase	Amount of sale
Total amount	¥14,598 million	—
Breakdown of status of transactions with related parties ^(Note)		
Mitsui Fudosan Co., Ltd.	¥ 9,400 million (64.4%)	— (— %)
Total	¥ 9,400 million (64.4%)	— (— %)

Note: "Related parties" refers to related parties of the Asset Management Company, with which the Investment Corporation has concluded an asset management agreement, as provided in Article 201, Paragraph 1 of the Investment Trust Act, Article 123 of the Enforcement Order for the Investment Trust and Investment Corporation Act (Cabinet Order No. 480 of 2000, including subsequent amendments) and Article 26, Paragraph 1, Item 27 of the Investment Trusts Association, Japan's Rules on Management Reports, etc. of Investment Trusts and Investment Corporations. Shown are the details for Mitsui Fudosan Co., Ltd., with which transactions were made or payments of commissions and fees were made in the fiscal period under review.

(2) Commissions and Fees

The following are the commissions and fees paid to related parties for the 39th fiscal period.

	Total amount [A]	Breakdown of transactions with related parties ^(Note 1)		As a percentage of total amount ^(Note 3) [B] ÷ [A]
		Payee	Amount paid [B]	
Property management expenses ^(Note 2)	¥613,311 thousand	Mitsui Fudosan Co., Ltd.	¥379,662 thousand	61.9%

Note 1: "Related parties" refers to related parties of the Asset Management Company, with which the Investment Corporation has concluded an asset management agreement, as provided in Article 201, Paragraph 1 of the Investment Trust Act, Article 123 of the Enforcement Order for the Investment Trust and Investment Corporation Act (Cabinet Order No. 480 of 2000, including subsequent amendments) and Article 26, Paragraph 1, Item 27 of the Investment Trusts Association, Japan's Rules on Management Reports, etc. of Investment Trusts and Investment Corporations. Shown are the details for Mitsui Fudosan Co., Ltd., with which transactions were made or payments of commissions and fees were made in the fiscal period under review.

Note 2: The total amount and amount paid of property management expenses includes a construction management fee of ¥42,713 thousand for asset construction paid to Mitsui Fudosan Co., Ltd.

Note 3: Rounded to the first decimal place.

5. Status of Transactions with the Asset Management Company Pertaining to Ancillary Businesses Operated by the Asset Management Company

Not applicable because the Asset Management Company does not engage in any ancillary business that is a type I financial instruments business, type II financial instruments business, property and building trading business, or specified real estate joint enterprise as provided in the Financial Instruments and Exchange Act (Act No. 25 of 1948, including subsequent amendments).

VII. Information Required under Article 22 (2)(d) of the EU Alternative Investment Fund Managers Directive (AIFMD)

Article 22 (2)(d) of the EU AIFMD requires the reporting of material changes in the information listed in Article 23 of the AIFMD during the financial period covered by the report. There are no material changes in the information listed in Article 23.

VIII. Risk Factors

• Techniques FRI may employ and all associated risks

FRI primarily considers as investment targets real estate used as suburban retail facilities and buildings for retail shops in urban centers and other places and trust beneficiary interests in such types of real estate. In order to reduce risks related to rent revenue associated with regional economic deterioration attributable to focusing investment properties in specific areas as well as risks related to earthquakes and other disasters, FRI strives to conduct geographically diverse investment in an aim to stabilize cash flow. In other words, although almost half of FRI's properties are in Tokyo and the surrounding prefectures that comprise the metropolitan Tokyo area, FRI invests in real estate in all areas of Japan as well as in trust beneficiary interests in such types of real estate. FRI generally does not consider unoccupied properties as investment targets. However, FRI may invest in unoccupied properties, properties planned for construction, or properties under development in the event that tenants and leasing rates have been determined and stable earnings can be projected after the property is occupied or the building construction is completed.

The principal risks with respect to investment in FRI are as follows:

- (1) Risks related to the marketability of FRI's investment units and investment corporation bonds
 - (a) Risks concerning market price fluctuations of the investment units or investment corporation bonds
 - (b) Risks concerning FRI's ability to make cash distributions
 - (c) Risks concerning fluctuations in revenues and expenditures
 - (d) Risks concerning the rights of unitholders and shareholders not necessarily being identical
 - (e) Risks concerning the dilution of per-unit value through the issuance of new investment units
 - (f) Risks concerning transactions involving the investment units in the market
 - (g) Risks concerning redemption and interest payments for investment corporation bonds
- (2) Risks related to the management policies of FRI
 - (a) Risks concerning specialized investment in retail facilities
 - (b) Risks concerning dependency on a limited number of tenants
 - (c) Risks concerning single-tenant properties
 - (d) Risks concerning FRI's ability to make real estate acquisitions or dispositions
 - (e) Risks concerning fund procurement through borrowings and issuance of investment corporation bonds and new investment units
 - (f) Risks concerning investment unit buybacks
- (3) Risks related to affiliates and the structure of FRI
 - (a) Risks concerning dependency on the Mitsui Fudosan Group and conflicts of interest
 - (b) Risks concerning dependency on FRI's affiliates and conflicts of interest
 - (c) Risks concerning dependency on FRI's executive director and the personnel of the asset management company
 - (d) Risks concerning changes to FRI's investment policy
 - (e) Risks of FRI going bankrupt or its registration being cancelled
 - (f) Risks concerning tenant leasehold and security deposits
- (4) Legal risks related to real estate and trust beneficiary rights
 - (a) Risks concerning defects and failures of real estate, including defective titles and limited or invalid ownership rights
 - (b) Risks concerning lease contracts
 - (c) Risks concerning building damage, loss and deterioration due to disasters, etc.
 - (d) Risks concerning ownership liabilities, repair and maintenance costs, etc., related to real estate
 - (e) Risks concerning administrative rules and regulations and prefectural or municipal ordinances for real estate
 - (f) Risks concerning the establishment of new or revisions of existing laws and regulations
 - (g) Risks arising from the bankruptcy of the seller of properties
 - (h) Risks concerning subleases
 - (i) Risks concerning the status of use of real estate by tenants, etc.
 - (j) Risks concerning co-owned properties
 - (k) Risks concerning the compartmentalized ownership of buildings
 - (l) Risks concerning properties on leased lands
 - (m) Risks concerning leased properties
 - (n) Risks concerning properties, including land with leasehold interest for which use a permit has been obtained
 - (o) Risks concerning properties under development
 - (p) Risks concerning hazardous materials and environmental liabilities



- (q) Risks specific to real estate owned through trust beneficiary rights
- (r) Risks concerning the conclusion of post-dated sale agreements (forward commitment contracts), etc.
- (s) Risks concerning properties having multiple buildings constructed as a single architectural structure
- (t) Risks concerning the establishment of leasehold interests
- (u) Risks concerning the co-ownership of trust beneficiary rights, etc.
- (5) Risks related to taxation
 - (a) Risks concerning conduit requirements
 - (b) Risks of becoming unable to satisfy conduit requirements due to correction orders as a result of taxation investigations, etc.
 - (c) Risks that preferential tax measures associated with real estate acquisitions cannot be applied
 - (d) Risks concerning revisions of the general tax system
- (6) Other risks
 - (a) Risks concerning reliance on professional opinions as well as industry and market data
 - (b) Risks that tax burdens will increase due to discrepancies between accounting treatment and tax treatment
 - (c) Risks concerning the impact of infectious diseases
 - (d) Risks related to the concentration of properties in Tokyo and the metropolitan Tokyo area
 - (e) Risks related to natural and man-made disasters
 - (f) Risks related to holding interests in properties through preferred shares of special purpose companies
 - (g) Risks related to holding Japanese anonymous association interests
 - (h) Risks related to the restrictive covenants under debt financing arrangement

• **Applicable investment restrictions**

FRI is subject to investment restrictions under Japanese laws and regulations (e.g., the Act on Investment Trusts and Investment Corporations (the "ITA"), the Financial Instruments and Exchange Act) as well as its articles of incorporation.

FRI must invest primarily in specified assets as defined in the ITA. Specified assets include, but are not limited to, securities; real estate; leaseholds of real estate; surface rights (*chijo-ken*, i.e., the right to use land for the purpose of having a structure on it); and trust beneficiary interests for securities or real estate, leaseholds of real estate, or surface rights. A listed J-REIT must invest substantially all of its assets in real estate, real estate-related assets, and liquid assets as provided by the listing requirements. Real estate in this context includes, but is not limited to, real estate, leaseholds of real estate, surface rights, and trust beneficiary interests to these assets, and real estate-related assets in this context include, but are not limited to, anonymous association (*tokumei kumiai*) interests in real estate investments. Pursuant to the ITA, investment corporations may not independently develop land for housing or to construct buildings, but may outsource such activities in certain circumstances.

• **Circumstances in which the Alternative Investment Fund (AIF) may use leverage**

FRI may take out loans or issue long- or short-term investment corporation bonds for the purpose of investing in properties, conducting repairs, and paying distributions as well as for operating capital and repaying debt (including security deposits, other debt and bonds).

• **Types and sources of leverage permitted and associated risks**

Loans or investment corporation bonds. Currently, all of FRI's outstanding long- and short-term loans as well as outstanding bonds are unsecured and unguaranteed.

Loan agreements or investment corporation bonds that FRI, respectively, enters into or issues may be subject to restrictive covenants in connection with any future indebtedness that may restrict operations and limit its ability to make cash distributions to unitholders, to dispose of properties, or to acquire additional properties. Furthermore, if FRI were to violate such restrictive covenants, such as with regard to loan-to-value ratios, lenders may be entitled to require FRI to collateralize portfolio properties or demand that the entire outstanding balance be paid.

In the event of an increase in interest rates, to the extent that FRI has any debt with unhedged floating rates of interest or FRI incurs new debt, interest payments may increase, which, in turn, could reduce the amount of cash available for distributions to unitholders. Higher interest rates may also limit the capacity for short- and long-term loans, which would, in turn, limit FRI's ability to acquire properties, and could cause the market price of the units to decline.

- **Restrictions on leverage**

The maximum amount of each loan and investment corporation bond issuance will be ¥1 trillion, and the aggregate amount of all such debt will not exceed ¥1 trillion.

- **Restrictions on collateral and asset reuse arrangements**

No applicable arrangements.

- **Maximum level of leverage which the AIF Manager (AIFM) is entitled to employ on behalf of the AIF**

As a general rule, FRI maintains a conservative loan-to-value, or LTV, ratio, which is the ratio of (x) the aggregate principal amount of loans, investment corporation bonds, and leasehold and security deposits to (y) the total assets of FRI's portfolio, and which FRI discloses with its fiscal period results. FRI has set 60% as its maximum LTV ratio; however, FRI's LTV ratio may fluctuate as a result of property acquisitions or other events.

- **Procedure by which the AIF may change its investment strategy / investment policy**

Amendment of the articles of incorporation. An amendment requires a quorum of a majority of the total issued units and at least a two-thirds vote of the voting rights represented at the meeting. Unitholders should note, however, that under the ITA and our articles of incorporation, unitholders who do not attend and exercise their voting rights at a general meeting of unitholders are deemed to be in agreement with proposals submitted at the meeting, except in cases where contrary proposals are also being submitted.

Additionally, the guidelines of the AIFM, which provide more detailed policies within FRI's overall investment strategy and policy, can be modified without such formal amendment of the articles of incorporation.

- **Description of the AIF's liquidity risk management, including redemption rights in normal and exceptional circumstances and existing redemption arrangements with investors**

FRI seeks to manage capital resources and liquidity sources to provide adequate funds for current and future financial obligations and other cash needs and acquisitions. FRI has entered into credit lines in the amount of ¥17.5 billion as of December 31, 2023, and has entered into loans and has issued investment corporation bonds in the past. While loans and bonds are exposed to liquidity risk, such risk is managed by keeping the ratio of interest-bearing liabilities to total assets at a low level as well as by diversifying fund procurement means, spreading out lending financial institutions and repayment dates, establishing commitment lines and securing liquidity on hand, and also by controlling risks by preparing monthly fund management plans.

FRI is a closed-end investment corporation, and unitholders are not entitled to request the redemption of their investment.

- **Current risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks**

The appropriateness and effectiveness of the risk management structure are regularly evaluated and enhanced by the AIFM.

Deposits are exposed to the risks of failure of the financial institutions holding the deposits and other credit risks, but FRI manages credit risk by restricting the terms of the deposits to relatively short periods and setting a minimum credit rating requirement for the deposit-taking financial institutions, along with taking heed of security by depositing amounts that are no more than the total amount of borrowings from each of the financial institutions that are holding the deposits.

Funds from debt and investment corporation bonds are mainly used for asset acquisition or debt repayment, etc. While floating-rate short- and long-term loans are exposed to the risk of interest rate hike, the impact that interest rate rises have on operations is limited by maintaining the proportion of debt that is long-term fixed-rate debt at high levels, and setting a procurement limit depending on the economic and financial environment and other factors.

Furthermore, derivative transactions (interest rate swap transactions) are available as hedging instruments to mitigate the risks of rises in floating interest rates.

Tenant security deposits are exposed to liquidity risk arising from the vacating of properties by tenants due to the termination of contracts.

FRI limits liquidity risks by keeping the ratio of liabilities to total assets, including tenant and security deposits, at a low level as well as, similarly with borrowings and other risks mentioned above, diversifying fund procurement means, establishing commitment lines and securing liquidity on hand. FRI also controls risks by preparing monthly fund management plans.



Balance Sheet

	Thousands of yen	
	As of December 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	¥ 13,528,279	¥ 18,735,432
Cash and deposits in trust	4,088,656	4,523,351
Operating accounts receivable	118,119	96,887
Accounts receivable	—	118,148
Prepaid expenses	51,271	18,113
Other	702,584	—
Total current assets	18,488,910	23,491,933
Non-current assets		
Property, plant and equipment		
Buildings	60,899,332	57,126,011
Accumulated depreciation	(29,565,261)	(28,652,909)
Buildings, net	31,334,071	28,473,101
Structures	1,251,352	1,192,479
Accumulated depreciation	(1,090,169)	(1,077,015)
Structures, net	161,182	115,464
Machinery and equipment	121,699	121,699
Accumulated depreciation	(108,838)	(96,882)
Machinery and equipment, net	12,861	24,817
Tools, furniture and fixtures	154,133	149,991
Accumulated depreciation	(99,814)	(90,912)
Tools, furniture and fixtures, net	54,318	59,079
Land	116,357,460	109,678,147
Buildings in trust	57,353,140	54,779,296
Accumulated depreciation	(25,480,718)	(24,558,549)
Buildings in trust, net	31,872,421	30,220,747
Structures in trust	831,157	749,508
Accumulated depreciation	(605,493)	(584,972)
Structures in trust, net	225,663	164,536
Machinery and equipment in trust	772,908	772,908
Accumulated depreciation	(708,824)	(703,315)
Machinery and equipment in trust, net	64,084	69,593
Tools, furniture and fixtures in trust	136,869	134,852
Accumulated depreciation	(96,831)	(89,086)
Tools, furniture and fixtures in trust, net	40,037	45,765
Land in trust	135,912,357	132,921,819
Total property, plant and equipment	316,034,459	301,773,073
Intangible assets		
Leasehold interest in land	1,658,315	1,658,315
Other	2,838	3,042
Total intangible assets	1,661,153	1,661,357
Investments and other assets		
Long-term prepaid expenses	52,967	462
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	20,980	20,980
Deferred tax assets	10	16
Other	18	18
Total investments and other assets	83,975	31,476
Total non-current assets	317,779,589	303,465,908
Deferred assets		
Investment corporation bonds issuance costs	64,947	69,108
Total deferred assets	64,947	69,108
Total assets	¥336,333,447	¥327,026,950

Thousands of yen

	As of December 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Operating accounts payable	¥ 2,149,016	¥ 1,558,288
Current portion of long-term loans payable	14,900,000	12,400,000
Accounts payable – other	68,813	65,766
Accrued expenses	290,916	284,453
Income taxes payable	815	950
Accrued consumption taxes	170,744	448,637
Advances received	1,191,748	1,192,379
Deposits received	3,767	3,443
Other	33,000	33,000
Total current liabilities	18,808,822	15,986,918
Non-current liabilities		
Investment corporation bonds	13,500,000	13,500,000
Long-term loans payable	101,700,000	95,300,000
Tenant leasehold and security deposits	13,662,955	13,483,517
Tenant leasehold and security deposits in trust	14,269,666	14,057,598
Other	305	749
Total non-current liabilities	143,132,928	136,341,865
Total liabilities	161,941,750	152,328,783
Net assets		
Unitholders' equity		
Unitholders' capital	171,357,423	171,357,423
Deduction from unitholders' capital	(2,847,059)	(2,847,059)
Unitholders' capital, net	168,510,364	168,510,364
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	177,475	41,407
Total voluntary retained earnings	177,475	41,407
Unappropriated retained earnings	5,703,857	6,146,394
Total surplus	5,881,332	6,187,802
Total unitholders' equity	174,391,696	174,698,166
Total net assets	174,391,696	174,698,166
Total liabilities and net assets	¥336,333,447	¥327,026,950

The accompanying notes to financial statements are an integral part of these statements.



Statement of Income and Retained Earnings

	Thousands of yen	
	For the period from July 1, 2023 to December 31, 2023	For the period from January 1, 2023 to June 30, 2023
Operating revenue		
Rent revenue – real estate	¥11,005,397	¥11,188,728
Rent revenue – other	27,321	205,428
Gain on sales of real estate properties	—	136,718
Total operating revenue	11,032,718	11,530,874
Operating expenses		
Expenses related to rent business	4,280,896	4,371,566
Asset management fee	582,052	586,742
Asset custody fee	16,351	16,486
Administrative service fees	25,171	24,768
Directors' compensations	8,400	8,400
Other operating expenses	109,257	106,372
Total operating expenses	5,022,129	5,114,336
Operating income	6,010,588	6,416,537
Non-operating income		
Interest income	19	30
Reversal of distribution payable	1,450	629
Insurance income	227	26,385
Other	—	200
Total non-operating income	1,698	27,244
Non-operating expenses		
Interest expenses	246,843	220,378
Interest expenses on investment corporation bonds	41,256	40,583
Amortization of investment corporation bond issuance costs	4,161	4,161
Other	15,701	31,517
Total non-operating expenses	307,962	296,640
Ordinary income	5,704,324	6,147,141
Income before income taxes	5,704,324	6,147,141
Income taxes – current	817	954
Income taxes – deferred	6	(2)
Total income taxes	824	952
Net income	5,703,499	6,146,189
Retained earnings brought forward	358	205
Unappropriated retained earnings	¥ 5,703,857	¥ 6,146,394

The accompanying notes to financial statements are an integral part of these statements.

Statement of Changes in Net Assets

For the period from July 1, 2023 to December 31, 2023

Thousands of yen

	Number of units	Unitholders' capital	Unitholders' equity	
			Unitholders' capital	Deduction from unitholders' capital
				Unitholders' capital, net
Balance as of July 1, 2023	541,000	¥171,357,423	¥(2,847,059)	¥168,510,364
Changes of items during the period				
Provision of reserve for special account for tax purpose reduction entry of non-current assets				
Reversal of reserve for special account for tax purpose reduction entry of non-current assets				
Provision of reserve for reduction entry	—			
Reversal of reserve for reduction entry	—			
Dividends of surplus	—			
Net income	—			
Total changes of items during the period	—	—	—	—
Balance as of December 31, 2023	541,000	¥171,357,423	¥(2,847,059)	¥168,510,364

Thousands of yen

	Unitholders' equity						Total net assets
	Surplus						
	Voluntary retained earnings				Total surplus		
	Reserve for reduction entry	Reserve for special account for tax purpose reduction entry of non-current assets	Total voluntary retained earnings	Unappropriated retained earnings			
Balance as of July 1, 2023	¥ 41,407	¥ —	¥ 41,407	¥6,146,394	¥6,187,802	¥174,698,166	¥174,698,166
Changes of items during the period							
Provision of reserve for special account for tax purpose reduction entry of non-current assets		136,718	136,718	(136,718)	—	—	—
Reversal of reserve for special account for tax purpose reduction entry of non-current assets		(136,718)	(136,718)	136,718	—	—	—
Provision of reserve for reduction entry	136,718		136,718	(136,718)	—	—	—
Reversal of reserve for reduction entry	(650)		(650)	650	—	—	—
Dividends of surplus				(6,009,969)	(6,009,969)	(6,009,969)	(6,009,969)
Net income				5,703,499	5,703,499	5,703,499	5,703,499
Total changes of items during the period	136,067	—	136,067	(442,537)	(306,469)	(306,469)	(306,469)
Balance as of December 31, 2023	¥177,475	¥ —	¥177,475	¥5,703,857	¥5,881,332	¥174,391,696	¥174,391,696

The accompanying notes to financial statements are an integral part of these statements.

For the period from January 1, 2023 to June 30, 2023

Thousands of yen

	Number of units	Unitholders' capital	Unitholders' equity	
			Unitholders' capital	Deduction from unitholders' capital
				Unitholders' capital, net
Balance as of January 1, 2023	541,000	¥171,357,423	¥(2,847,059)	¥168,510,364
Changes of items during the period				
Provision of reserve for reduction entry	—			
Reversal of reserve for reduction entry	—			
Dividends of surplus	—			
Net income	—			
Total changes of items during the period	—	—	—	—
Balance as of June 30, 2023	541,000	¥171,357,423	¥(2,847,059)	¥168,510,364

Thousands of yen

	Unitholders' equity					Total net assets
	Surplus					
	Voluntary retained earnings	Unappropriated retained earnings	Total surplus	Total unitholders' equity		
	Reserve for reduction entry					
Balance as of January 1, 2023	¥ 8,751	¥6,049,863	¥6,058,614	¥174,568,978	¥174,568,978	
Changes of items during the period						
Provision of reserve for reduction entry	32,791	(32,791)	—	—	—	
Reversal of reserve for reduction entry	(135)	135	—	—	—	
Dividends of surplus		(6,017,002)	(6,017,002)	(6,017,002)	(6,017,002)	
Net income		6,146,189	6,146,189	6,146,189	6,146,189	
Total changes of items during the period	32,656	96,531	129,187	129,187	129,187	
Balance as of June 30, 2023	¥41,407	¥6,146,394	¥6,187,802	¥174,698,166	¥174,698,166	

The accompanying notes to financial statements are an integral part of these statements.



Statement of Cash Flows

	Thousands of yen	
	For the period from July 1, 2023 to December 31, 2023	For the period from January 1, 2023 to June 30, 2023
Cash flows from operating activities		
Income before income taxes	¥5,704,324	¥ 6,147,141
Depreciation and amortization	1,902,798	1,895,019
Amortization of investment corporation bonds issuance costs	4,161	4,161
Interest income	(19)	(30)
Interest expenses	288,099	260,961
Decrease (increase) in operating accounts receivable	(17,268)	12,776
Decrease (increase) in accounts receivable	118,148	(118,148)
Decrease (increase) in prepaid expenses	(85,663)	23,199
Increase (decrease) in operating accounts payable	(183,186)	187,658
Increase (decrease) in accrued expenses	(5,003)	952
Increase (decrease) in accrued consumption taxes	(277,892)	135,169
Decrease (increase) in consumption taxes receivable	(702,584)	—
Increase (decrease) in advances received	(1,105)	(46,242)
Decrease in property, plant and equipment in trust due to sales	—	6,478,786
Other, net	(36,919)	13,110
Subtotal	6,707,888	14,994,517
Interest income received	19	30
Interest expenses paid	(287,561)	(260,428)
Income taxes paid	(953)	(901)
Net cash provided by (used in) operating activities	6,419,393	14,733,217
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,767,058)	(152,983)
Purchase of property, plant and equipment in trust	(5,577,630)	(287,267)
Purchase of intangible assets	(497)	—
Repayments of tenant leasehold and security deposits	(446,336)	(446,336)
Proceeds from tenant leasehold and security deposits	633,274	—
Repayments of tenant leasehold and security deposits in trust	(400)	(966,222)
Proceeds from tenant leasehold and security deposits in trust	208,505	173,950
Payments for restricted bank deposits in trust	(5,560)	(10,365)
Proceeds from reversal of restricted bank deposits in trust	400	281,097
Net cash provided by (used in) investing activities	(14,955,302)	(1,408,126)
Cash flows from financing activities		
Proceeds from long-term loans payable	14,400,000	4,000,000
Repayment of long-term loans payable	(5,500,000)	(6,000,000)
Distributions of earnings paid	(6,011,099)	(6,014,221)
Net cash provided by (used in) financing activities	2,888,900	(8,014,221)
Net increase (decrease) in cash and cash equivalents	(5,647,008)	5,310,869
Cash and cash equivalents at beginning of period	22,852,566	17,541,696
Cash and cash equivalents at end of period	¥17,205,558	¥22,852,566

The accompanying notes to financial statements are an integral part of these statements.

Notes to Financial Statements

1. ORGANIZATION

Frontier Real Estate Investment Corporation (the “Investment Corporation”) was established pursuant to the Investment Trust and Investment Corporation Act of Japan (Act No. 198 of 1951, including subsequent amendments; the “Investment Trust Act”) by Mitsui Fudosan Frontier REIT Management Inc. (formerly Frontier REIT Management Inc.) on May 12, 2004. The Investment Corporation issued 102,000 investment units and was listed on the Real Estate Investment Trust (J-REIT) Market of the Tokyo Stock Exchange on August 9, 2004 (Securities Code: 8964).

The Investment Corporation is a “REIT specializing in retail facilities” investing primarily in real estate properties (including real estate in trust) used as retail facilities in Japan with the aim of securing stable earnings over the medium to long term. As a result of steadily building up a track record in management over the 19 and a half years since its establishment, as of December 31, 2023, the Investment Corporation managed a total of 40 real estate properties (total acquisition price: ¥364,115 million).

2. BASIS OF PRESENTATION

The Investment Corporation maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the Investment Trust Act of Japan, the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan and related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements are basically a translation of the audited financial statements of the Investment Corporation, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of the Company filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan. In addition, the notes to financial statements include certain information that might not be required under Japanese GAAP but is presented herein as additional information.

The Investment Corporation’s fiscal period is a six-month period which ends at the end of June or December. The Investment Corporation does not prepare consolidated financial statements because it has no subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash in trust, deposits and deposits in trust placed with banks and short-term investments that are highly liquid, readily convertible to cash, with an insignificant risk of market value fluctuation, and with a maturity of three months or less when purchased.

Property, plant and equipment

Property, plant and equipment (including those in trust) are stated at cost, which includes the purchase price and related acquisition costs, less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the fixed assets as outlined below:

Buildings	3 - 39 years
Structures	2 - 47 years
Machinery and equipment	5 - 14 years
Tools, furniture and fixtures	3 - 15 years

Intangible assets

Intangible assets are amortized by the straight-line method.

Long-term prepaid expenses

Long-term prepaid expenses are amortized by the straight-line method.



Investment corporation bond issuance costs

Investment corporation bond issuance costs are amortized by the straight-line method over the respective terms of the bonds.

Accounting treatment of trust beneficiary interests in real estate

All assets and liabilities held in trust, for which the real estate in the possession of the Investment Corporation was entrusted, and all related earnings and expenses incurred are reflected in the accompanying balance sheet and statement of income and retained earnings, respectively.

Revenue recognition

The content of the main performance obligations regarding the revenue arising from contracts with the customers of the Investment Corporation and the normal point in time when satisfying such performance obligations (normal point in time when recognizing revenues) are as follows:

Revenue from sale of real estate properties

The Investment Corporation recognizes revenue from sales of real estate properties when the purchaser, which is a customer, acquires control of the real estate properties by fulfilling the delivery obligations stipulated in the contract for the sale of real estate properties.

Utilities revenue

The Investment Corporation recognizes utilities revenue based on the supply of electricity, water, etc., to the lessee, which is a customer, in accordance with the terms of the lease agreement of real estate properties and accompanying agreements. Of utilities revenue, when the Investment Corporation is deemed to be an agent in the transaction, the net amount obtained by deducting the amount paid to other related parties supplying electricity, gas, etc., from the amount received as the charges for electricity, gas, etc., is recognized as revenue.

Operating revenue consists of rent revenue including base rents and common area charges, utility charge reimbursements, parking space rent revenue and other income. Rent revenue is generally recognized on an accrual basis over the life of each lease. Utility charge reimbursements are recognized when earned.

Property-related taxes

Property in Japan is subject to property taxes, urban planning taxes and depreciable property taxes on a calendar year basis. The taxes related to property are generally imposed based on the value of the relevant property and incurred for the fiscal period.

The seller of a property is liable for property-related taxes for the period from the purchase date through to the end of that calendar year because taxes are imposed on the owner registered in the record as of January 1 for the entire year based on the assessment made by the local government. The amount applicable to the buyer of a property is usually settled between each party and capitalized as part of the acquisition cost of the property.

Income taxes

Deferred tax assets and liabilities are computed based on the differences between the financial statements and income tax bases of assets and liabilities using the applicable statutory tax rates.

Derivative financial instruments

The Investment Corporation utilizes interest-rate swap contracts as derivative financial instruments solely for the purpose of hedging its exposure to interest rate risk.

The Investment Corporation applies special treatment to interest-rate swap contracts that meet the criteria for such special treatment. Under the special treatment, interest-rate swaps are not remeasured at fair value; instead, the net amount paid or received under the interest-rate swap contract is recognized and included in interest expense or income. An assessment of hedge effectiveness is not performed when the transactions meet the requirements for the special treatment.

Rounding of amounts presented

Unless otherwise stated, monetary amounts are truncated and percentages are rounded to the nearest specified unit in the accompanying financial statements.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2023 and June 30, 2023 consist of the following:

	As of December 31, 2023	As of June 30, 2023
Cash and deposits	¥13,528,279	¥18,735,432
Cash and deposits in trust	4,088,656	4,523,351
Restricted deposits in trust ^(Note)	(411,377)	(406,217)
Cash and cash equivalents	¥17,205,558	¥22,852,566

Note: These are tenant leasehold deposits and are deposits that are retained in trust accounts for repayment when tenants vacate the properties.

5. SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT, ETC.

Property, plant and equipment, etc. as of December 31, 2023 and June 30, 2023 consist of the following:

		As of December 31, 2023		As of June 30, 2023	
		Acquisition cost	Book value	Acquisition cost	Book value
Property, plant and equipment	Land	¥116,357,460	¥116,357,460	¥109,678,147	¥109,678,147
	Buildings	60,899,332	31,334,071	57,126,011	28,473,101
	Accumulated depreciation	(29,565,261)		(28,652,909)	
	Structures	1,251,352	161,182	1,192,479	115,464
	Accumulated depreciation	(1,090,169)		(1,077,015)	
	Machinery and equipment	121,699	12,861	121,699	24,817
	Accumulated depreciation	(108,838)		(96,882)	
	Tools, furniture and fixtures	154,133	54,318	149,991	59,079
	Accumulated depreciation	(99,814)		(90,912)	
	Land in trust	135,912,357	135,912,357	132,921,819	132,921,819
	Buildings in trust	57,353,140	31,872,421	54,779,296	30,220,747
	Accumulated depreciation	(25,480,718)		(24,558,549)	
	Structures in trust	831,157	225,663	749,508	164,536
	Accumulated depreciation	(605,493)		(584,972)	
	Machinery and equipment in trust	772,908	64,084	772,908	69,593
	Accumulated depreciation	(708,824)		(703,315)	
	Tools, furniture and fixtures in trust	136,869	40,037	134,852	45,765
	Accumulated depreciation	(96,831)		(89,086)	
	Total property, plant and equipment	¥373,790,411	¥316,034,459	¥357,626,716	¥301,773,073
Intangible assets	Leasehold interests in land	¥ 1,658,315	¥ 1,658,315	¥ 1,658,315	¥ 1,658,315
	Total intangible assets	¥ 1,658,315	¥ 1,658,315	¥ 1,658,315	¥ 1,658,315
	Total	¥375,448,726	¥317,692,775	¥359,285,031	¥303,431,388



6. PLEDGED ASSETS AND SECURED LIABILITIES

Assets pledged as collateral as of December 31, 2023 and June 30, 2023 consist of the following:

	As of December 31, 2023	As of June 30, 2023
Cash and deposits in trust	¥ 380,427	¥ 380,427
Buildings	6,013,003	5,232,665
Structures	29,716	30,833
Tools, furniture and fixtures	918	931
Land	16,146,401	16,146,401
Buildings in trust	10,138,539	10,135,970
Structures in trust	40,429	45,836
Machinery and equipment in trust	9,562	9,595
Tools, furniture and fixtures in trust	2,927	2,615
Land in trust	16,819,449	16,819,449
Total	¥49,581,377	¥48,804,727

Liabilities secured by pledged assets as of December 31, 2023 and June 30, 2023 consist of the following:

	As of December 31, 2023	As of June 30, 2023
Tenant leasehold and security deposits	¥ 2,897,631	¥ 3,103,219
Tenant leasehold and security deposits in trust	7,893,500	7,893,500
Total	¥10,791,132	¥10,996,719

7. STATUS OF CANCELLATION OF TREASURY INVESTMENT UNITS

Status of cancellation of treasury investment units as of December 31, 2023 and June 30, 2023 consist of the following:

	As of December 31, 2023	As of June 30, 2023
Total number of treasury investment units cancelled	8,232 units	8,232 units
Total amount of cancellation	¥2,499,859 thousand	¥2,499,859 thousand

8. LONG-TERM LOANS PAYABLE

Long-term loans payable as of December 31, 2023 and June 30, 2023 consist of the following:

Lender	Drawdown date	Amount (Thousands of yen)		Average interest rate (Note 1)	Maturity date	Repayment method	Use	Remarks
		As of December 31, 2023	As of June 30, 2023					
Sumitomo Mitsui Banking Corporation	July 2, 2019	¥ —	¥2,000,000	0.16000%	July 3, 2023	(Note 2)	(Note 3)	(Note 11)
	February 20, 2020	3,000,000	3,000,000	0.20000%	August 20, 2024	(Note 2)	(Note 3)	(Note 11)
	August 20, 2020	1,000,000	1,000,000	0.18000%	August 20, 2024	(Note 2)	(Note 3)	(Note 11)
	August 30, 2021	1,000,000	1,000,000	0.18000%	August 29, 2025	(Note 2)	(Note 3)	(Note 11)
	September 4, 2019	1,000,000	1,000,000	0.23000%	September 4, 2025	(Note 2)	(Note 4)	(Note 11)
	November 19, 2020	1,500,000	1,500,000	0.30000%	November 19, 2027	(Note 2)	(Note 3)	(Note 11)
	September 4, 2019	2,000,000	2,000,000	0.36000%	September 4, 2028	(Note 2)	(Note 4)	(Note 11)
	June 21, 2021	2,000,000	2,000,000	0.35500%	December 21, 2028	(Note 2)	(Note 3)	(Note 11)
	July 1, 2021	2,000,000	2,000,000	0.35500%	January 4, 2029	(Note 2)	(Note 4)	(Note 11)
	June 20, 2022	2,000,000	2,000,000	0.30500% (Note 9)	June 20, 2030	(Note 2)	(Note 3)	(Note 11)
	July 3, 2023	1,000,000	—	0.61750%	July 3, 2030	(Note 2)	(Note 10)	(Note 11) (Green loan)
	February 1, 2023	3,000,000	3,000,000	0.90250% (Note 7)	February 3, 2031	(Note 2)	(Note 3)	(Note 11)
	July 1, 2021	1,000,000	1,000,000	0.47000%	July 1, 2031	(Note 2)	(Note 4)	(Note 11)
	July 3, 2023	1,000,000	—	0.90125%	July 4, 2033	(Note 2)	(Note 10)	(Note 11) (Green loan)

Lender	Drawdown date	Amount (Thousands of yen)		Average interest rate (Note 1)	Maturity date	Repayment method	Use	Remarks
		As of December 31, 2023	As of June 30, 2023					
MUFG Bank, Ltd.	March 2, 2015	1,500,000	1,500,000	0.54400%	March 4, 2024	(Note 2)	(Note 4)	(Note 11)
	February 19, 2015	2,000,000	2,000,000	0.68500%	February 19, 2025	(Note 2)	(Note 3)	(Note 11)
	March 2, 2015	1,500,000	1,500,000	0.62000%	March 3, 2025	(Note 2)	(Note 4)	(Note 11)
	February 1, 2021	1,000,000	1,000,000	0.26000%	February 1, 2027	(Note 2)	(Note 3)	(Note 11)
	July 2, 2015	1,000,000	1,000,000	0.88600% (Note 7)	July 2, 2027	(Note 2)	(Note 3)	(Note 11)
	March 9, 2016	1,000,000	1,000,000	0.46130% (Note 8)	March 9, 2028	(Note 2)	(Note 5)	(Note 11)
	February 1, 2021	1,000,000	1,000,000	0.34000%	February 1, 2029	(Note 2)	(Note 3)	(Note 11)
	July 20, 2022	1,500,000	1,500,000	0.59250%	July 19, 2030	(Note 2)	(Note 3)	(Note 11)
Development Bank of Japan Inc.	August 19, 2013	—	2,000,000	1.20875%	August 21, 2023	(Note 2)	(Note 3)	(Note 11)
	March 17, 2014	1,500,000	1,500,000	1.17000%	May 19, 2025	(Note 2)	(Note 3)	(Note 11)
	March 9, 2016	2,000,000	2,000,000	0.35880%	March 9, 2027	(Note 2)	(Note 5)	(Note 11)
	April 19, 2016	1,000,000	1,000,000	0.37190%	July 20, 2027	(Note 2)	(Note 3)	(Note 11)
	August 9, 2016	4,000,000	4,000,000	0.33415%	February 9, 2028	(Note 2)	(Note 4)	(Note 11)
	August 21, 2023	1,500,000	—	0.84875%	August 21, 2030	(Note 2)	(Note 3)	(Note 11)
Mizuho Bank, Ltd.	February 28, 2018	1,500,000	1,500,000	0.27119%	September 19, 2024	(Note 2)	(Note 3)	(Note 11)
	February 28, 2018	2,000,000	2,000,000	0.33130%	March 19, 2026	(Note 2)	(Note 3)	(Note 11)
	May 21, 2018	1,500,000	1,500,000	0.36856%	November 24, 2026	(Note 2)	(Note 3)	(Note 11)
	July 19, 2022	1,300,000	1,300,000	0.29500% (Note 9)	July 19, 2030	(Note 2)	(Note 3)	(Note 11)
	January 19, 2022	1,500,000	1,500,000	0.47000%	January 19, 2032	(Note 2)	(Note 3)	(Note 11)
	June 23, 2022	1,500,000	1,500,000	0.83250%	June 23, 2032	(Note 2)	(Note 10)	(Note 11) (Green loan)
The Norinchukin Bank	April 22, 2019	1,500,000	1,500,000	0.24000%	October 22, 2025	(Note 2)	(Note 3)	(Note 11)
	July 18, 2019	1,000,000	1,000,000	0.24000%	January 19, 2026	(Note 2)	(Note 3)	(Note 11)
	April 22, 2019	2,000,000	2,000,000	0.29000%	October 22, 2026	(Note 2)	(Note 3)	(Note 11)
	July 18, 2019	1,000,000	1,000,000	0.31500%	July 20, 2027	(Note 2)	(Note 3)	(Note 11)
	April 22, 2019	2,000,000	2,000,000	0.34000%	October 22, 2027	(Note 2)	(Note 3)	(Note 11)
	July 1, 2021	1,500,000	1,500,000	0.37500%	January 4, 2030	(Note 2)	(Note 4)	(Note 11)
The Bank of Fukuoka, Ltd.	February 1, 2018	1,000,000	1,000,000	0.35630%	February 19, 2026	(Note 2)	(Note 3)	(Note 11)
	November 21, 2016	1,000,000	1,000,000	0.33500%	November 24, 2026	(Note 2)	(Note 3)	(Note 11)
	February 24, 2017	2,000,000	2,000,000	0.42500%	February 24, 2027	(Note 2)	(Note 3)	(Note 11)
	March 12, 2020	2,000,000	2,000,000	0.42000%	March 12, 2030	(Note 2)	(Note 4)	(Note 11)
	May 20, 2019	2,000,000	2,000,000	0.48750%	May 20, 2031	(Note 2)	(Note 3)	(Note 11)
Shinkin Central Bank	December 21, 2023	1,000,000	—	1.15250%	December 21, 2032	(Note 2)	(Note 4)	(Note 11)
	March 27, 2018	2,500,000	2,500,000	0.22500%	March 27, 2024	(Note 2)	(Note 4)	(Note 11)
	March 27, 2018	2,500,000	2,500,000	0.34721%	February 19, 2027	(Note 2)	(Note 4)	(Note 11)
	September 29, 2023	2,000,000	—	1.15125%	September 29, 2032	(Note 2)	(Note 4)	(Note 11)
Mizuho Trust & Banking Co., Ltd.	March 9, 2016	1,900,000	1,900,000	0.15380%	March 11, 2024	(Note 2)	(Note 6)	(Note 11)
	June 20, 2019	1,500,000	1,500,000	0.22000%	December 20, 2024	(Note 2)	(Note 3)	(Note 11)
	February 3, 2020	1,500,000	1,500,000	0.22000%	August 4, 2025	(Note 2)	(Note 3)	(Note 11)
	February 3, 2020	1,000,000	1,000,000	0.31500%	February 3, 2028	(Note 2)	(Note 3)	(Note 11)
Sumitomo Mitsui Trust Bank, Limited	July 2, 2019	—	1,500,000	0.16000%	July 3, 2023	(Note 2)	(Note 3)	(Note 11)
	December 14, 2022	1,500,000	1,500,000	0.45500%	December 14, 2026	(Note 2)	(Note 3)	(Note 11)
	December 14, 2022	500,000	500,000	0.52125%	December 14, 2027	(Note 2)	(Note 3)	(Note 11)
	July 3, 2023	1,500,000	—	0.40625%	July 3, 2028	(Note 2)	(Note 3)	(Note 11)
The Yamaguchi Bank, Ltd.	November 30, 2021	2,000,000	2,000,000	0.34000%	November 30, 2028	(Note 2)	(Note 3)	(Note 11)
	August 18, 2014	1,000,000	1,000,000	0.81125%	August 19, 2024	(Note 2)	(Note 3)	(Note 11)
	April 22, 2019	1,000,000	1,000,000	0.42000%	April 23, 2029	(Note 2)	(Note 3)	(Note 11)
	June 19, 2017	1,000,000	1,000,000	0.56000%	June 19, 2029	(Note 2)	(Note 3)	(Note 11)
	March 12, 2020	1,000,000	1,000,000	0.42000%	March 12, 2030	(Note 2)	(Note 4)	(Note 11)
	September 29, 2023	1,400,000	—	1.19625%	September 29, 2033	(Note 2)	(Note 4)	(Note 11)



Lender	Drawdown date	Amount (Thousands of yen)		Average interest rate (Note 1)	Maturity date	Repayment method	Use	Remarks
		As of December 31, 2023	As of June 30, 2023					
The 77 Bank, Ltd.	December 22, 2016	1,000,000	1,000,000	0.41130%	December 22, 2026	(Note 2)	(Note 3)	(Note 11)
	June 20, 2019	1,000,000	1,000,000	0.42000%	June 20, 2029	(Note 2)	(Note 3)	(Note 11)
	March 3, 2020	1,000,000	1,000,000	0.42000%	March 4, 2030	(Note 2)	(Note 4)	(Note 11)
	July 1, 2021	1,000,000	1,000,000	0.47000%	July 1, 2031	(Note 2)	(Note 4)	(Note 11)
Daishi Hokuetsu Bank, Ltd.	August 1, 2017	1,000,000	1,000,000	0.29785%	February 19, 2025	(Note 2)	(Note 3)	(Note 11)
	February 10, 2023	1,000,000	1,000,000	0.86375%	February 10, 2031	(Note 2)	(Note 3)	(Note 11)
The Iyo Bank, Ltd.	April 1, 2015	1,000,000	1,000,000	0.61150% (Note 7)	May 14, 2025	(Note 2)	(Note 4)	(Note 11)
	November 22, 2021	1,000,000	1,000,000	0.47000%	November 21, 2031	(Note 2)	(Note 3)	(Note 11)
Mitsui Sumitomo Insurance Company, Limited	June 20, 2019	1,000,000	1,000,000	0.27200%	June 22, 2026	(Note 2)	(Note 3)	(Note 11)
	March 3, 2020	1,000,000	1,000,000	0.24000%	September 3, 2026	(Note 2)	(Note 4)	(Note 11)
SUMITOMO LIFE INSURANCE COMPANY	May 21, 2018	1,000,000	1,000,000	0.44130%	May 22, 2028	(Note 2)	(Note 3)	(Note 11)
	July 20, 2022	500,000	500,000	0.73875%	July 20, 2032	(Note 2)	(Note 3)	(Note 11)
Resona Bank, Limited	March 2, 2015	1,000,000	1,000,000	0.46490% (Note 7)	March 4, 2024	(Note 2)	(Note 4)	(Note 11)
The Hiroshima Bank, Ltd.	November 25, 2021	1,000,000	1,000,000	0.34000%	November 24, 2028	(Note 2)	(Note 3)	(Note 11)
THE HACHIJUNI BANK, LTD.	May 19, 2022	1,000,000	1,000,000	0.38517%	November 19, 2029	(Note 2)	(Note 3)	(Note 11)
The Musashino Bank, Ltd.	May 27, 2019	1,000,000	1,000,000	0.42000%	May 28, 2029	(Note 2)	(Note 3)	(Note 11)
The Yamanashi Chuo Bank, Ltd.	June 19, 2018	1,000,000	1,000,000	0.40574%	December 20, 2027	(Note 2)	(Note 3)	(Note 11)
The Chiba Bank, Ltd.	June 20, 2019	1,000,000	1,000,000	0.27200%	June 22, 2026	(Note 2)	(Note 3)	(Note 11)
The Chugoku Bank, Limited	March 12, 2020	1,000,000	1,000,000	0.22000%	September 12, 2025	(Note 2)	(Note 4)	(Note 11)
The Gunma Bank, Ltd.	September 29, 2023	1,000,000	—	0.87625%	September 30, 2030	(Note 2)	(Note 4)	(Note 11)
The Joyo Bank, Ltd.	September 29, 2023	1,000,000	—	0.87625%	September 30, 2030	(Note 2)	(Note 4)	(Note 11)
The Keiyo Bank, Ltd.	December 21, 2023	1,000,000	—	0.93095%	June 20, 2031	(Note 2)	(Note 4)	(Note 11)
The Minato Bank, Ltd.	December 21, 2023	1,000,000	—	1.10366%	June 21, 2033	(Note 2)	(Note 4)	(Note 11)
Kansai Mirai Bank, Limited	December 21, 2023	1,000,000	—	1.14500%	December 21, 2033	(Note 2)	(Note 4)	(Note 11)
Total	—	¥116,600,000	¥107,700,000	—	—	—	—	—

Note 1: "Average interest rate" is the rate for each borrowing from each lender.

Note 2: Lump-sum repayment at maturity.

Note 3: For the refinancing of existing loans.

Note 4: For the acquisition of real estate.

Note 5: For the redemption of investment corporation bonds.

Note 6: For the acquisition of real estate and the redemption of investment corporation bonds.

Note 7: Interest rate swap transactions, which effectively fix interest rates, are conducted for the purpose of avoiding interest rate fluctuation risks. The stated interest rate is the rate calculated on the date of the interest rate swap agreements.

Note 8: The stated interest rate is the rate applied from May 9, 2016 until March 9, 2028.

Note 9: This loan has a variable interest rate.

Note 10: The proceeds from this loan were put toward the refinancing of borrowings taken for the acquisition of a property that meets the green eligibility criteria.

Note 11: Unsecured / Unguaranteed.

The Investment Corporation has entered into credit facilities amounting to ¥17,500 million in the form of commitment lines in order to secure flexible and stable financing. The total amount of such credit facilities was unused as of December 31, 2023 and June 30, 2023, respectively.

The scheduled repayment amounts of long-term loans payable for each of the five years after the balance sheet date (excluding the current portion of long-term loans payable) are as follows:

	Thousands of yen			
	1-2 years	2-3 years	3-4 years	4-5 years
Long-term loans payable	¥13,000,000	¥14,000,000	¥15,500,000	¥15,500,000

9. INVESTMENT CORPORATION BONDS

Investment corporation bonds outstanding are summarized as follows:

	As of December 31, 2023		As of June 30, 2023	
	Amount (Thousands of yen)	Interest rate	Amount (Thousands of yen)	Interest rate
Second series of unsecured investment corporation bonds due on November 25, 2031	¥ 3,000,000	0.708%	¥ 3,000,000	0.708%
Third series of unsecured investment corporation bonds due on July 10, 2030	1,000,000	0.680%	1,000,000	0.680%
Fourth series of unsecured investment corporation bonds due on July 9, 2038	1,000,000	1.000%	1,000,000	1.000%
Fifth series of unsecured investment corporation bonds due on December 7, 2029	6,000,000	0.520%	6,000,000	0.520%
Sixth series of unsecured investment corporation bonds due on October 29, 2031 (Green Bonds)	1,500,000	0.400%	1,500,000	0.400%
Seventh series of unsecured investment corporation bonds due on October 29, 2036 (Green Bonds)	1,000,000	0.660%	1,000,000	0.660%
Total	¥13,500,000	—	¥13,500,000	—

10. UNITHOLDERS' EQUITY

The Investment Corporation issues only non-par value investment units in accordance with the Investment Trust Act. The entire amount of the issue price of new units is designated as stated capital. The Investment Corporation is required to maintain net assets of at least ¥50 million as set forth in the Investment Trust Act.

11. PER UNIT INFORMATION

Net assets per unit and net income per unit as of December 31, 2023 and June 30, 2023 and for the six-month periods then ended were as follows:

	For the period from July 1, 2023 to December 31, 2023	For the period from January 1, 2023 to June 30, 2023
Net assets per unit	¥322,350	¥322,917
Net income per unit	¥ 10,542	¥ 11,360

Net income per unit is calculated by dividing net income by the weighted-average number of units outstanding during the period.

Note: The basis for calculating net income per unit is as follows:

	For the period from July 1, 2023 to December 31, 2023	For the period from January 1, 2023 to June 30, 2023
Net income (Thousands of yen)	¥5,703,499	¥6,146,189
Amount not available to ordinary unitholders (Thousands of yen)	—	—
Net income available to ordinary unitholders (Thousands of yen)	¥5,703,499	¥6,146,189
Average number of units during the period (Units)	541,000	541,000



12. RELATED PARTY TRANSACTIONS

For the periods from July 1, 2023 to December 31, 2023 and from January 1, 2023 to June 30, 2023

Parent company and major corporate unitholders

Not applicable

Subsidiaries and affiliates

Not applicable

Fellow subsidiary companies

Not applicable

Directors and major individual unitholders

Not applicable

13. INCOME TAXES

The Investment Corporation is subject to Japanese corporate income taxes on its taxable income. The tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities as of December 31, 2023 and June 30, 2023 are as follows.

	Thousands of yen	
	For the period from July 1, 2023 to December 31, 2023	For the period from January 1, 2023 to June 30, 2023
Deferred tax assets:		
Enterprise tax payable	¥10	¥16
Total deferred tax assets	10	16
Net deferred tax assets	¥10	¥16

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	For the period from July 1, 2023 to December 31, 2023	For the period from January 1, 2023 to June 30, 2023
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(31.47)%	(30.76)%
Other	0.02%	(0.68)%
Effective tax rate	0.01%	0.02%

14. FINANCIAL INSTRUMENTS

Overview

1. Policy for Financial Instruments

The Investment Corporation adopts a basic policy of managing its assets by investing primarily in real estate properties with the aim of securing stable earnings over the medium to long term. In conducting management based on this basic policy, the Investment Corporation procures funds for acquisition of real estate properties, payments of repair expenses, payments of dividends, repayments of interest-bearing liabilities and other uses by borrowing from financial institutions, issuing investment corporation bonds and new investment units.

In managing surplus funds, the Investment Corporation adopts a policy of placing an emphasis on security and liquidity and not engaging in transactions whose sole purpose is to actively acquire gains on investments. Based on that policy, investments in securities and monetary claims to manage surplus funds are managed, in principle, in deposits.

For derivatives, the Investment Corporation adopts a policy of only entering into derivative transactions for the purpose of hedging interest rate risk and other risks arising from the Investment Corporation's liabilities.

2. Type and Risk of Financial Instruments and Related Risk Management

Deposits are used to manage the Investment Corporation's surplus funds and are exposed to credit risk such as failure of the financial institutions holding the deposits. Therefore, the Investment Corporation limits the credit risk by restricting the deposit periods to the short term and selecting financial institutions that have a high credit rating, along with depositing an amount that is no more than the total amount of loans from each of the financial institutions holding the deposits.

Funds from loans and investment corporation bonds are primarily used for the acquisition of real estate properties, repayment of existing loans and other purposes and are exposed to liquidity risk at the time of repayment/redemption. Therefore, the Investment Corporation limits its liquidity risk by maintaining the ratio of interest-bearing liabilities to total assets at a low level, as well as diversifying its methods of fund procurement, lending financial institutions and repayment dates, establishing commitment lines and securing liquidity on hand and also controls liquidity risk by preparing monthly fund management plans.

In addition, as for loans, short-term loans payable and long-term loans payable with variable interest rates are exposed to the risk of interest rate increases. Therefore, the Investment Corporation limits interest rate risk by keeping the ratio of interest-bearing liabilities to total assets at a low level and maintaining the ratio of fixed rate long-term loans at a high level. Furthermore, interest rate risk is mitigated by fixing interest payments using derivative transactions (interest rate swap transactions) as hedging instruments for some floating-rate long-term loans payable. For information on hedge accounting method, hedging instruments, hedged items, hedging policy and evaluation of hedge effectiveness, please refer to Note 21, "DERIVATIVES AND HEDGE ACCOUNTING."

Tenant leasehold and security deposits are deposits from tenants, and tenant deposits are exposed to liquidity risk at the time the tenants vacate the properties and security deposits are exposed to liquidity risk at the time of repayment. Therefore, the Investment Corporation limits the liquidity risk by maintaining the ratio of liabilities to total assets, including tenant and security deposits, at a low level as well as by diversifying fund procurement, establishing commitment lines and securing liquidity on hand, and also controls liquidity risk by preparing monthly fund management plans.

3. Supplementary Explanation on Estimated Fair Value of Financial Instruments

Certain assumptions are used for the estimation of fair value of financial instruments. Accordingly, the result of such estimation may change if different assumptions are used.

Fair Value of Financial Instruments

For the period from July 1, 2023 to December 31, 2023

The following table summarizes the carrying value and the estimated fair value of financial instruments as of December 31, 2023. As "cash and deposits" and "cash and deposits in trust" are cash or items to be settled within a short-term period, and the fair value of those items approximates the book value, the following table does not include these items.

	Thousands of yen		
	Carrying value	Fair value	Difference
(i) Current portion of long-term loans payable	¥ 14,900,000	¥ 14,911,987	¥ 11,987
(ii) Investment corporation bonds	13,500,000	12,882,735	(617,265)
(iii) Long-term loans payable	101,700,000	100,403,598	(1,296,401)
(iv) Tenant leasehold and security deposits	13,662,955	12,252,581	(1,410,374)
(v) Tenant leasehold and security deposits in trust	14,269,666	11,630,797	(2,638,869)
Total financial liabilities	¥158,032,622	¥152,081,699	¥(5,950,923)
Derivative transactions	—	—	—
Total derivative transactions	—	—	—



For the period from January 1, 2023 to June 30, 2023

The following table summarizes the carrying value and the estimated fair value of financial instruments as of June 30, 2023. As "cash and deposits" and "cash and deposits in trust" are cash or items to be settled within a short-term period, and the fair value of those items approximates the book value, the following table does not include these items.

	Thousands of yen		
	Carrying value	Fair value	Difference
(i) Current portion of long-term loans payable	¥ 12,400,000	¥ 12,422,670	¥ 22,670
(ii) Investment corporation bonds	13,500,000	13,012,720	(487,280)
(iii) Long-term loans payable	95,300,000	94,779,685	(520,314)
(iv) Tenant leasehold and security deposits	13,483,517	12,327,208	(1,156,308)
(v) Tenant leasehold and security deposits in trust	14,057,598	11,758,844	(2,298,754)
Total financial liabilities	¥148,741,116	¥144,301,128	¥(4,439,987)
Derivative transactions	—	—	—
Total derivative transactions	—	—	—

Note 1: Method for determining the fair value of financial instruments and derivative transactions

Liabilities

(i) Current portion of long-term loans payable and (iii) Long-term loans payable

For floating-rate long-term loans payable, the carrying value is reported as the fair value as it is considered to approximate the fair value because such loans reflect the market interest rates within a short period of time. For floating-rate long-term loans payable hedged by interest-rate swaps that qualify for the special treatment (please refer to Note 21, "DERIVATIVES AND HEDGE ACCOUNTING"), and fixed-rate long-term loans payable, the fair values are calculated based on present value of the future cash flows, discounted by the interest rate that takes into account the period remaining until the repayment date and the Investment Corporation's credit risk.

(ii) Investment corporation bonds

The fair value of the investment corporation bonds is calculated based on market price.

(iv) Tenant leasehold and security deposits and (v) Tenant leasehold and security deposits in trust

The fair value of security deposits and security deposits in trust is calculated based on present value of the future cash flows, discounted by the interest rate that takes into account the period remaining until the repayment date and the Investment Corporation's credit risk.

Derivative transactions

Please refer to Note 21, "DERIVATIVES AND HEDGE ACCOUNTING."

Note 2: Redemption schedule for debt as of December 31, 2023

	Thousands of yen					
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years
Current portion of long-term loans payable	¥14,900,000	—	—	—	—	—
Investment corporation bonds	—	—	—	—	—	¥13,500,000
Long-term loans payable	—	¥13,000,000	¥14,000,000	¥15,500,000	¥15,500,000	43,700,000
Total	¥14,900,000	¥13,000,000	¥14,000,000	¥15,500,000	¥15,500,000	¥57,200,000

Redemption schedule for debt as of June 30, 2023

	Thousands of yen					
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years
Current portion of long-term loans payable	¥12,400,000	—	—	—	—	—
Investment corporation bonds	—	—	—	—	—	¥13,500,000
Long-term loans payable	—	¥15,000,000	¥12,000,000	¥15,500,000	¥15,000,000	37,800,000
Total	¥12,400,000	¥15,000,000	¥12,000,000	¥15,500,000	¥15,000,000	¥51,300,000

15. INVESTMENT AND RENTAL PROPERTIES

The Investment Corporation owns rental retail facilities (including land) and land interests in major cities and other areas. The following table summarizes the carrying value and the estimated fair value of these properties.

	Thousands of yen	
	For the period from July 1, 2023 to December 31, 2023	For the period from January 1, 2023 to June 30, 2023
Carrying value		
Balance at beginning of the period	¥303,431,388	¥311,250,348
Amount of increase (decrease) during the period	14,261,386	(7,818,959)
Balance at end of the period	317,692,775	303,431,388
Fair value at end of the period	¥396,297,000	¥381,630,000

Note 1: The carrying value represents the acquisition cost less accumulated depreciation.

Note 2: The increase in the carrying value during the period ended June 30, 2023 was mainly due to capital expenditures, and the decrease in the carrying value during the period ended June 30, 2023 was mainly due to depreciation and the partial sale of Ito-Yokado Higashi-Yamato. The increase in the carrying value during the period ended December 31, 2023 was mainly due to the acquisition of Mitsui Shopping Park LaLaport IZUMI (an 18.5% quasi co-ownership stake) and Shin-Kawasaki Square, while the decrease in the carrying value during the period ended December 31, 2023 was mainly due to depreciation.

Note 3: The fair value as of December 31, 2023 and June 30, 2023 represents the sum of the appraisal values or surveyed values estimated by external real estate appraisers.

The real estate rental revenues and expenses for the fiscal periods ended December 31, 2023 and June 30, 2023 are presented in Note 18, "BREAKDOWN OF REAL ESTATE RENT REVENUE AND EXPENSES."

16. REVENUE RECOGNITION

Information on the breakdown of revenue from contracts with customers

For the period from July 1, 2023 to December 31, 2023

	Thousands of yen	
	Revenue from contracts with customers ^(Note)	Net sales to external customers
Revenue from sale of real estate properties	—	—
Utility revenues	¥185,730	¥ 185,730
Other revenues	—	10,846,987
Total	¥185,730	¥11,032,718

Note: The rental revenues, etc. subject to the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) are not included in the revenue from contracts with customers because they are not subject to the "Revenue Recognition Accounting Standard." Moreover, the revenues arising from contracts with customers are mainly revenue from sale of real estate properties and utility revenues.

For the period from January 1, 2023 to June 30, 2023

	Thousands of yen	
	Revenue from contracts with customers ^(Note 1)	Net sales to external customers
Revenue from sale of real estate properties ^(Note 2)	¥6,650,000	¥ 136,718
Utility revenues	169,903	169,903
Other revenues	—	11,224,253
Total	¥6,819,903	¥11,530,874

Note 1: The rental revenues, etc. subject to the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) are not included in the revenue from contracts with customers because they are not subject to the "Revenue Recognition Accounting Standard". Moreover, the revenues arising from contracts with customers are mainly revenue from sale of real estate properties and utility revenues.

Note 2: Based on Article 48-2 of the Ordinance on Accountings of Investment Corporations (Ordinance No. 47 of 2006, including subsequent amendments), gain on sales of real estate properties as recorded on the Statement of Income and Retained Earnings is calculated by deducting cost of sales of real estate properties and direct sales expenses from proceeds from sales of real estate properties.

**Basic information for understanding revenues arising from contracts with customers**

The information is as described in Note 3, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

Information on relationship between satisfaction of performance obligations based on contracts with customers and cash flow generated from said contracts and amount and timing of revenue expected to be recognized in the next fiscal period or thereafter from contracts with customers existing at the end of the current fiscal period

1. Balance of contract assets and contract liabilities, etc.

	Thousands of yen	
	For the period from July 1, 2023 to December 31, 2023	For the period from January 1, 2023 to June 30, 2023
Receivables arising from contracts with customers (balance at the beginning of the fiscal period)	¥26,954	¥30,394
Receivables arising from contracts with customers (balance at the end of the fiscal period)	¥24,096	¥26,954
Contract assets (balance at the beginning of the fiscal period)	—	—
Contract assets (balance at the end of the fiscal period)	—	—
Contract liabilities (balance at the beginning of the fiscal period)	—	—
Contract liabilities (balance at the end of the fiscal period)	—	—

2. Transaction price allocated to remaining performance obligations

For the period from July 1, 2023 to December 31, 2023

As of December 31, 2023, there was no total transaction price allocated to remaining performance obligations related to sales of real estate properties.

With regard to utility revenues, as the Investment Corporation has the right to receive from customers an amount directly corresponding to the value for the lessees, who are customers, of sections for which performance was completed by the end of the fiscal period, the amount it has the right to receive is recognized as revenue in accordance with Paragraph 19 of the Implementation Guidance on "Accounting Standard for Revenue Recognition." Accordingly, it is not included in the note on transaction price allocated to remaining performance obligations through application of the provisions of Paragraph 80-22 (2) of the "Accounting Standard for Revenue Recognition."

For the period from January 1, 2023 to June 30, 2023

As of June 30, 2023, there was no total transaction price allocated to remaining performance obligations related to sales of real estate properties.

With regard to utility revenues, as the Investment Corporation has the right to receive from customers an amount directly corresponding to the value for the lessees, who are customers, of sections for which performance was completed by the end of the fiscal period, the amount it has the right to receive is recognized as revenue in accordance with Paragraph 19 of the Implementation Guidance on "Accounting Standard for Revenue Recognition." Accordingly, it is not included in the note on transaction price allocated to remaining performance obligations through application of the provisions of Paragraph 80-22 (2) of the "Accounting Standard for Revenue Recognition."

17. SEGMENT INFORMATION

Segment Information

For the periods from July 1, 2023 to December 31, 2023 and from January 1, 2023 to June 30, 2023

Since the Investment Corporation has been engaged in the real estate leasing business as a single segment, segment information has been omitted.

Related Information

For the periods from July 1, 2023 to December 31, 2023 and from January 1, 2023 to June 30, 2023

1. Information about products and services

Since revenues from external customers of products and services within a single segment are more than 90% of total operating revenues, information about products and services has been omitted.

2. Information about geographical areas

(1) Revenues

Since more than 90% of the total operating revenues were generated from external customers in Japan, a geographical breakdown of revenues has been omitted.

(2) Property and equipment

Since more than 90% of the total amount of property and equipment on the balance sheet was located in Japan, a geographical breakdown of property and equipment has been omitted.

3. Information about major tenants

Tenant name	For the period from July 1, 2023 to December 31, 2023		For the period from January 1, 2023 to June 30, 2023	
	Operating revenue (Thousands of yen)	Related segment	Operating revenue (Thousands of yen)	Related segment
Mitsui Fudosan Co., Ltd.	¥3,484,663	Real estate leasing business	¥3,620,396	Real estate leasing business
Aeon Group ^(Note)	¥2,402,968	Real estate leasing business	¥2,400,461	Real estate leasing business

Note: Aeon Group includes Aeon Retail Co., Ltd. and Aeon Town Co., Ltd.

18. BREAKDOWN OF REAL ESTATE RENT REVENUE AND EXPENSES

Real estate rent revenue and expenses for the fiscal periods ended December 31, 2023 and June 30, 2023 consist of the following:

	Thousands of yen	
	For the period from July 1, 2023 to December 31, 2023	For the period from January 1, 2023 to June 30, 2023
Real estate rent revenue	¥11,032,718	¥11,394,156
Rent revenue — real estate	11,005,397	11,188,728
Rent revenue — other	27,321	205,428
Expenses related to rent business	4,280,896	4,371,566
Property management expenses	570,598	569,200
Property and other taxes	1,210,928	1,242,038
Casualty insurance	16,948	10,614
Repairs and maintenance	345,360	397,571
Depreciation and amortization	1,902,798	1,895,019
Other expenses	234,261	257,122
Property leasing operating income	¥ 6,751,821	¥ 7,022,589



19. BREAKDOWN OF GAIN ON SALES OF REAL ESTATE PROPERTIES

For the period from July 1, 2023 to December 31, 2023

Not applicable

For the period from January 1, 2023 to June 30, 2023

Ito-Yokado Higashi-Yamato (sale of 70% quasi co-ownership stake of the trust beneficiary rights)

	Thousands of yen
Proceeds from sales of real estate properties	¥6,650,000
Cost of sales of real estate properties	6,478,786
Other sales expenses	34,495
Gain on sales of real estate properties	¥ 136,718

20. LEASES

The future minimum rental revenues from tenants under non-cancelable operating lease agreements as of December 31, 2023 and June 30, 2023 are summarized as follows:

	Thousands of yen	
	As of December 31, 2023	As of June 30, 2023
Due within 1 year	¥33,971,886	¥26,357,088
Due after 1 year	46,324,067	50,006,445
Total	¥80,295,953	¥76,363,533

21. DERIVATIVES AND HEDGE ACCOUNTING

Derivative transactions as of December 31, 2023

(1) There were no derivative financial instruments not subject to hedge accounting.

(2) Derivative financial instruments subject to hedge accounting were as follows:

Hedge accounting method	Type of derivative instruments	Main hedged item	Notional amount		Fair value	Method used for determining fair value
				Due after 1 year		
Special treatment of interest-rate swaps	Interest-rate swaps: Receive floating / Pay fixed	Long-term loans payable	¥6,000,000	¥5,000,000	(Note)	—

Note: Since the derivative financial instruments qualifying for the special treatment of interest-rate swaps are accounted for together with the underlying hedged item, the long-term loans payable, the fair value of these derivatives is included in that of the related long-term loans payable (please refer to Note 14, "FINANCIAL INSTRUMENTS" (Note 1) (i) "Current portion of long-term loans payable" and (iii) "Long-term loans payable").

Derivative transactions as of June 30, 2023

(1) There were no derivative financial instruments not subject to hedge accounting.

(2) Derivative financial instruments subject to hedge accounting were as follows:

Hedge accounting method	Type of derivative instruments	Main hedged item	Notional amount		Fair value	Method used for determining fair value
				Due after 1 year		
Special treatment of interest-rate swaps	Interest-rate swaps: Receive floating / Pay fixed	Long-term loans payable	¥6,000,000	¥5,000,000	(Note)	—

Note: Since the derivative financial instruments qualifying for the special treatment of interest-rate swaps are accounted for together with the underlying hedged item, the long-term loans payable, the fair value of these derivatives is included in that of the related long-term loans payable (please refer to Note 14, "FINANCIAL INSTRUMENTS" (Note 1) (i) "Current portion of long-term loans payable" and (iii) "Long-term loans payable").

22. SIGNIFICANT SUBSEQUENT EVENTS

On March 15, 2024, the Investment Corporation entered into a sale contract regarding the sale of the asset below, with delivery scheduled for May 1, 2024 and July 1, 2024. The sale contract is categorized as a forward commitment on the part of the Investment Corporation as set forth in the Financial Services Agency's Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, Etc. The summary as of the contract date is as follows.

- (1) Property name: Queen's Isetan Suginami-Momoi
- (2) Type of asset: Trust beneficiary rights to real estate
- (3) Planned sale price: ¥4,700 million ^(Note 1)
 - a. ¥2,086 million (a 44.4% quasi co-ownership stake in trust beneficiary rights to real estate)
 - b. ¥2,613 million (a 55.6% quasi co-ownership stake in trust beneficiary rights to real estate)
- (4) Book value: ¥3,266 million (as of December 31, 2023) ^(Note 2)
- (5) Difference between planned sale price and book value: ¥1,433 million ^(Note 3)
- (6) Contract date: March 15, 2024
- (7) Delivery date:
 - a. May 1, 2024: (a 44.4% quasi co-ownership stake in trust beneficiary rights to real estate)
 - b. July 1, 2024: (a 55.6% quasi co-ownership stake in trust beneficiary rights to real estate)
- (8) Buyer: Not disclosed ^(Note 4)
- (9) Broker's involvement: Yes
- (10) Method of settlement: Payment on each delivery date
- (11) Quasi co-ownership agreement: The Investment Corporation will enter into a quasi co-ownership agreement with the buyer and the trustee in conjunction with the sale of the assets listed above in order to ensure that all the parties will be in agreement regarding the rights of each co-owner to other parties as well as their obligations to one another. Matters stipulated in this agreement will include decision-making methods employed by beneficiaries to the assets to be sold and transfer restrictions placed on these assets.

Note 1: The amount noted excludes real property taxes, city planning taxes, consumption taxes, etc.

Note 2: Rounded down to the nearest million yen.

Note 3: This figure is calculated as the difference between the planned sale price and the book value as of December 31, 2023, and is provided for reference purposes only; it differs from the gain/loss on sale.

Note 4: Not disclosed as the Investment Corporation has not obtained the buyer's permission to do so. The buyer has no capital relationship, personal relationship, business relationship or other relationship of interest with the Investment Corporation or Asset Management Company.

Note 5: Matters Related to Forward Commitment; The Sale falls under the category of forward commitments, etc. (contracts for forward and future transactions in which settlement and delivery take place one or more months after their signing) (the "Forward Commitment").

The Forward Commitment may be cancelled under certain circumstances, including the violation of legal obligations or when a serious obstacle to the execution of the contract arises. If the Forward Commitment is cancelled, the party responsible for the cancellation is to pay a penalty to the other party in an amount equivalent to the purchase price of trust beneficiary rights to real estate properties in question in the percentages specified below.

- a. Cancellation prior to delivery date a: 20% of the sum of the planned sale price
- b. Cancellation on or after delivery date a until delivery date b: 20% of the planned sale price b



Independent Auditor's Report

The Board of Directors
Frontier Real Estate Investment Corporation

The Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Frontier Real Estate Investment Corporation (the Company), which comprise the balance sheet as at December 31, 2023, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Semi-Annual Report that contains audited financial statements, but does not include the financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Supervisory Director is responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Supervisory Director for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Supervisory Director is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Executive Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the Executive Director with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

Fee-related Information

The fees for the audits of the financial statements of the Company and other services provided by us and other EY member firms for the six-month period ended December 31, 2023 are 12 million yen and 3 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

March 27, 2024

柴 田 憲 一

Kenichi Shibata
Designated Engagement Partner
Certified Public Accountant

守 屋 貴 浩

Takahiro Moriya
Designated Engagement Partner
Certified Public Accountant



Frontier Real Estate Investment Corporation

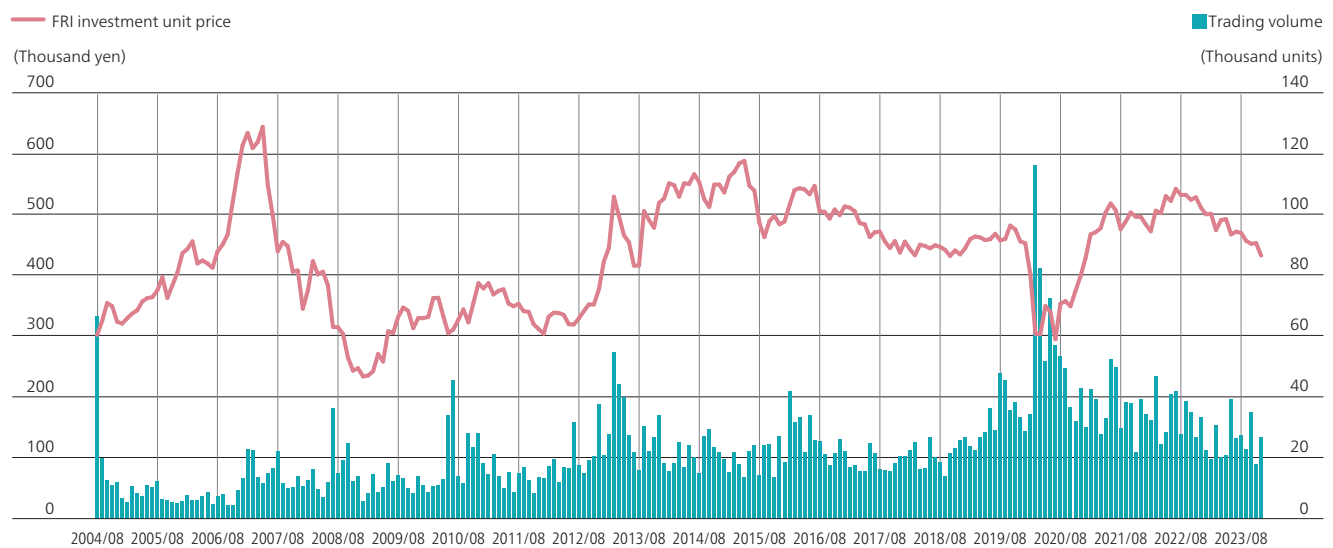
Head office	Kojun Building, 6th Floor 6-8-7 Ginza, Chuo City, Tokyo
Representative	Takao Iwadou, Executive Director
Fiscal period ends	Ends of June and December
Listed securities exchange	Real Estate Investment Trust Market of the Tokyo Stock Exchange (Securities Code: 8964)
Listing date	August 9, 2004
Total number of issuable units	4,000,000
Total number of investment units issued and outstanding	541,000 (As of December 31, 2023)
Transfer agent	Sumitomo Mitsui Trust Bank, Limited
Special account manager	Mitsubishi UFJ Trust and Banking Corporation
General Meeting of Unitholders	Held at least once per two years* <small>* Unitholder record date for voting eligibility For General Meetings of Unitholders held within three months following the end of a fiscal period, the date is, in principle, set at the end of the relevant fiscal period. Otherwise, the date is set as needed and announced ahead of time.</small>

Overview of the Asset Management Company

Name	Mitsui Fudosan Frontier REIT Management Inc.
Representative	Shintaro Ono
Capital	¥450 million
Shareholder	Mitsui Fudosan Co., Ltd. 100%



Investment Unit Price (August 9, 2004 – December 31, 2023)

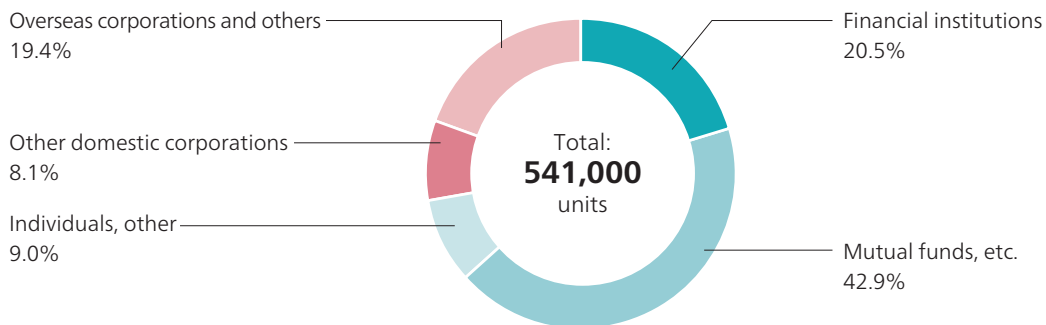


Source: QUICK

Note: FRI implemented a two-for-one split of its investment units effective January 1, 2014. Accordingly, unit prices before December 25, 2013, have been divided by two.

Investors (As of December 31, 2023)

Units Held by Unitholder Type



Unitholders by Type

