

**Translation for Reference Purposes Only**

December 26, 2017

**To All Concerned Parties**

6-8-7 Ginza, Chuo-ku, Tokyo  
Frontier Real Estate Investment Corporation  
Kazuichi Nagata, Executive Director  
(Securities Code : 8964)

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**Notice Concerning Operating Forecasts for the Fiscal Period ending June 30, 2018**

Frontier Real Estate Investment Corporation (the "Investment Corporation") hereby today announces details of its operating forecasts for the fiscal period ending June 30, 2018 (from January 1, 2018 through June 30, 2018).

**1. Reasons for Announcement**

As pre-conditions and assumptions for the fiscal period ending June 30, 2018 was largely set, the Investment Corporation has decided to make an announcement of operating forecasts for the indicated period.

Operating forecasts for the fiscal period ending June 30, 2018 are based on certain pre-conditions and assumptions set forth in exhibit "Pre-Conditions and Assumptions for Operating Forecasts for the Fiscal Period ending June 30, 2018" attached hereto.

**2. Operating Forecasts for the Fiscal Period ending June 30, 2018  
(from January 1, 2018 through June 30, 2018)**

Operating Revenues	Operating Income	Ordinary Income	Net Income	Distribution per Unit	Distribution in Excess of Earnings per Unit
¥ 10,111 Million	¥ 5,288 Million	¥ 5,005 Million	¥ 5,004 Million	¥ 10,080	—

Notes:

1. The expected number of units outstanding as of June 30, 2018: 496,000 units
2. All amounts except Distribution per unit are rounded down to the nearest 1 million yen.
3. Distribution per unit is rounded down to the nearest 10 yen.
4. The figures above are based on certain pre-conditions and assumptions as of today. Actual figures may differ significantly from forecasts due to the future acquisitions and/or sales of properties, real estate market trends and/or changes in environment surrounding the Investment Corporation. The Investment Corporation does not guarantee the amount of the expected cash distribution per unit in this forecast.

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**Exhibit**

**Pre-Conditions and Assumptions for Operating Forecasts**  
**for the Fiscal Period ending June 30, 2018**

	<b>Pre-Conditions &amp; Assumptions</b>
<b>Investment Assets</b>	<ul style="list-style-type: none"><li>• The Investment Corporation owns total 33 properties as of December 26, 2017.</li><li>• It is assumed that there will be no change in the number of the investment assets, due to acquisitions and/or disposals, until the end of the indicated fiscal period (June 30, 2018).</li><li>• Actual numbers may change due to the future acquisitions and/or disposals of existing properties, if any.</li></ul>
<b>Investment Units Issued</b>	The number of the outstanding investment units is based on the number as of December 26, 2017, which are 496,000 units.
<b>Liabilities</b>	<ul style="list-style-type: none"><li>• The balance of borrowings, etc. as of December 26, 2017 is ¥ 85,400 million.</li><li>• It is assumed that refinancing and partial self-financing will be executed for the repayment of borrowings due by June 30, 2018.</li><li>• The loan to value ratio (LTV*) as of June 30, 2018 is expected to be approximately 42%. * LTV = (Borrowings, etc. + Security deposits – Unrestricted cash and deposits) / (Total assets – Unrestricted cash and deposits)</li></ul>
<b>Operating Revenues</b>	The pre-condition assumes lease business revenue from the aforementioned investment assets of 33 properties. It is calculated based on the individual lease contracts, which is valid as of December 26, 2017, and estimated fluctuating factors.

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	<b>Pre-Conditions &amp; Assumptions</b>
<b>Operating Expenses</b>	<ul style="list-style-type: none"><li>• The leasing business expenses (subcontracting expenses, etc.), which are major operating expenses, is calculated based on actual figures and estimated fluctuating factors.</li><li>• Regarding repair expenses, the amount estimated based on planned construction projects during the fiscal period ending June 30, 2018 is budgeted as expenses.</li><li>• Regarding property tax, city planning tax and other imposts relating to the properties owned by the Investment Corporation, the portion allocated to the fiscal period ending June 30, 2018, which is ¥ 1,055 million, will be posted to leasing business expenses.</li><li>• Depreciation expenses are calculated using the straight-line method. It includes ancillary expenses and additional future capital expenses (¥ 2,068 million for the fiscal period ending June 30, 2018).</li></ul>
<b>Non-operating Expenses</b>	<ul style="list-style-type: none"><li>• It is assumed that non-operating expenses, which include interests charged on borrowings, security deposits, investment corporation bonds and so on, will be ¥ 284 million for the fiscal period ending June 30, 2018.</li></ul>
<b>Distribution per Unit</b>	<ul style="list-style-type: none"><li>• Cash dividends (distribution per unit) are calculated according to the Investment Corporation's distribution policy described in its Articles of Incorporation.</li><li>• Cash distribution per unit may change for a variety of reasons including changes in the Investment Corporation's investment assets, changes in leasing revenues due to tenant movements, etc. and/or the incidence of unforeseen repairs and maintenance.</li><li>• It is assumed that there will be neither additional nor withdraw of reserve for reduction.</li></ul>
<b>Distribution in Excess of Earnings per Unit</b>	<ul style="list-style-type: none"><li>• The Investment Corporation does not currently anticipate cash distributions in excess of earnings per unit.</li></ul>

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	<b>Pre-Conditions &amp; Assumptions</b>
<b>Others</b>	<ul style="list-style-type: none"><li>• Calculations and operating forecasts are based on the assumption that there will be no changes in legislation, taxation, accounting standards, regulations applying to publicly listed companies, rules and requirements imposed by the Investment Trusts Association, Japan, which would impact the aforementioned forecasts.</li><li>• Calculations and operating forecasts are also based on the assumption that there will be no material changes in general economic and real estate market conditions in Japan.</li></ul>

- This document is released to media organizations through the “Kabuto Club” (the press club of the Tokyo Stock Exchange), the Ministry of Land, Infrastructure and Transport Press Club, and the Press Club for the Ministry of Land, Infrastructure and Transport Construction Paper.
- Frontier Real Estate Investment website : <http://www.frontier-reit.co.jp/eng/>

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