

December 25, 2014

**To All Concerned Parties**

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Frontier Real Estate Investment Corporation  
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(Securities Code : 8964)

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**Notice Concerning Operating Forecasts for the 22th Fiscal Period ending June 30, 2015**

Frontier Real Estate Investment Corporation (the "Investment Corporation") hereby today announces details of its operating forecasts for the 22th fiscal period ending June 30, 2015.

**1. Reasons for Announcement**

As pre-conditions and assumptions for the 22th fiscal period ending June 30, 2015 was largely set, the Investment Corporation has decided to make an announcement of operating forecasts for the 22th fiscal period commencing from January 1, 2015 through June 30, 2015.

Operating forecasts for the 22th fiscal period are based on certain pre-conditions and assumptions set forth in exhibit "Pre-Conditions and Assumptions for Operating Forecasts for the 22th Fiscal Period ending June 30, 2015" attached hereto.

After thorough review, there is no change in the operating forecast for the 21th fiscal period ending December 31, 2014 (from July 1, 2014 through December 31, 2014) which was released on June 25, 2014.

**2. Operating Forecasts for the 22th Fiscal Period ending June 30, 2015  
(from January 1, 2015 through June 30, 2015)**

Operating Revenues	Operating Income	Ordinary Income	Net Income	Distribution per Unit	Distribution in Excess of Earnings per Unit
¥ 9,717 Million	¥ 4,913 Million	¥ 4,485 Million	¥ 4,484 Million	¥ 9,000	—

## **Translation for Reference Purposes Only**

### Notes:

1. The expected number of units outstanding at the end of the 22th fiscal period: 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 100 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.

**Translation for Reference Purposes Only**

**Exhibit**

**Pre-Conditions and Assumptions for Operating Forecasts**  
**for the 22th Fiscal Period ending June 30, 2015**

	<b>Pre-Conditions &amp; Assumptions</b>
<b>Investment Assets</b>	<ul style="list-style-type: none"> <li>• The pre-condition assumes a total of 30 properties including Shinsaibashi Square is to be acquired on March 2, 2015 ("New Property") in addition to the properties the Investment Corporation owns as of December 25, 2014 (total of 29 properties, "Existing Properties").</li> <li>• It is assumed that there will be no change in the number of the investment assets, due to acquisitions and/or disposals excluding above-mentioned acquisition and disposal, until the end of the 22th fiscal period (June 30, 2015).</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 25, 2014, which are 496,000 units.
<b>Liabilities</b>	<ul style="list-style-type: none"> <li>• The balance of borrowings, etc. as of December 25, 2014 is ¥ 70,300 million.</li> <li>• It is assumed that refinancing and self-financing (partial) will be executed for the repayment of borrowings due by June 30, 2015.</li> <li>• The loan to value ratio (LTV*) as of June 30, 2015 is expected to be approximately 40%.  <math display="block">\text{* LTV} = \frac{(\text{Borrowings, etc.} + \text{Security deposits} - \text{Unrestricted cash and deposits})}{(\text{Total assets} - \text{Unrestricted cash and deposits})}</math> </li> </ul>
<b>Operating Revenues</b>	This assumes lease business revenue from the total of 30 properties, adding New Property to the Existing Properties. For Existing Properties, it is calculated based on the individual lease contracts which is valid as of December 25, 2014 and estimated fluctuating factors. For New Property, it is calculated based on the individual lease contract that is expected to be valid on New Property acquisition date and information provided by the current owner of the New Property.

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	Pre-Conditions & Assumptions
Operating Expenses	<ul style="list-style-type: none"> <li>• The leasing business expenses (subcontracting expenses, etc.) are major operating expenses. For Existing Properties, it is calculated based on actual figures and estimated fluctuating factors. For New Property, it is calculated based on the individual lease contract that is expected to be valid on New Property acquisition date and information provided by the current owner of the New Property.</li> <li>• Regarding repair expenses, the amount estimated based on planned construction projects during the 22th fiscal period 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 22th fiscal period, which is ¥ 1,040 million, will be posted to leasing business expenses. However, should properties be newly acquired during the 22th fiscal period and municipal property tax and other monies for settlement occur between the Investment Corporation and the seller, the aforementioned monies will be included in its acquisition cost. For new Properties, municipal property tax and other monies for settlement are not calculated as operating expenses but are included in their acquisition cost.</li> <li>• Depreciation expenses are calculated using the straight-line method. It includes ancillary expenses and additional future capital expenses (¥ 2,145 million for the 22th fiscal period).</li> </ul>
Non-operating Expenses	<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 ¥ 431 million for the 22th period.</li> </ul>
Distribution per Unit	<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>
Distribution in Excess of Earnings per Unit	<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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