

February 23, 2006

**Financial Report for the Third Fiscal Period (July 1, 2005 to December 31, 2005)**

Frontier Real Estate Investment Corporation is listed on the Tokyo Stock Exchange with the securities code number 8964. (URL: <http://www.frontier-reit.co.jp/>)

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Board of Directors' Meeting  
 for the Approval of Financial Results: February 23, 2006  
 Planned Commencement of Cash  
 Distribution Payment: March 10, 2006

**PERFORMANCE FOR THE THIRD FISCAL PERIOD (July 1, 2005 to December 31, 2005)**

**(1) Business Results** Millions of yen rounded down, unless otherwise stated

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
Third Fiscal Period	2,610	3.9%	1,333	7.6%	1,335	7.5%	1,334	7.5%
Second Fiscal Period	2,511	26.5%	1,240	(2.1)%	1,242	17.8%	1,241	17.8%

	Net Income per Unit (Yen)	Return on Unitholders' Equity (ROE) (Reference) Annualized	Ordinary Income to Total Assets (Reference) Annualized	Ordinary Income to Operating Revenue
Third Fiscal Period	12,090	2.2%	1.6%	51.2%
Second Fiscal Period	11,244	2.1%	1.5%	49.5%

Notes:

- For accounting purposes, the third fiscal period is from July 1, 2005 through December 31, 2005, a period of 184 days. The second fiscal period is from January 1, 2005 through June 30, 2005, a period of 181 days.
- Net income per unit is calculated utilizing the average number of investment units for the period. The average number of investment units for the third fiscal period was 110,400 units. The average number of investment units for the second fiscal period was 110,400 units.
- Changes in accounting policies: No
- Percentages for operating revenue, operating income, ordinary income and net income represent the percentage increase or decrease from the previous fiscal period.
- Annualized percentage figures for the third fiscal period = Percentage figures for the third fiscal period / Actual number of asset management days (184 days) x 365 days. Annualized percentage figures for the second fiscal period = Percentage figures for the second fiscal period / Actual number of asset management days (181 days) x 365 days
- Return on unitholders' equity and ordinary income to total assets are calculated using unitholders' equity and total assets as of the end of the fiscal period.

**(2) Distributions** Millions of yen rounded down, unless otherwise stated

	Distribution per Unit (Yen)	Total Distributions	Distribution in Excess of Earnings per Unit (Yen)	Total Distributions in Excess of Earnings	Payout Ratio	Distribution Ratio to Unitholders' Equity
Third Fiscal Period	12,090	1,334	0		99.9%	2.2%
Second Fiscal Period	11,244	1,241	0		99.9%	2.0%

Note: The payout ratio and distribution ratio to unitholders' equity are rounded down to the first decimal place.

**(3) Financial Position**

Millions of yen rounded down, unless otherwise stated

	Total Assets	Total Unitholders' Equity	Unitholders' Equity to Total Assets	Unitholders' Equity per Investment Unit (Yen)
As of Dec. 31, 2005	82,347	59,917	72.8%	542,730
As of Jun. 30, 2005	81,761	59,824	73.2%	541,887

Note: The number of investment units outstanding as of December 31, 2005 totaled 110,400 units. The number of investment units outstanding as of June 30, 2005 totaled 110,400 units.

**FORECAST OF RESULTS FOR THE FOURTH FISCAL PERIOD****(January 1, 2006 to June 30, 2006)**

Millions of yen rounded down, unless otherwise stated

	Operating Revenue	Ordinary Income	Net Income	Distribution per Unit (Yen)	Distribution in Excess of Earnings per Unit (Yen)
Fourth Fiscal Period	2,647	1,271	1,270	11,503	0

(Reference) Estimated net income per unit for the fourth fiscal period: ¥11,503

Note: Forecasts presented in this document are based on "Pre-Conditions and Assumptions that Support Operating Forecasts for the Fourth Fiscal Period Ending June 30, 2006," attached. Forecasts for net income, distribution per unit and other financial indicators may differ significantly from actual results due to changes in operating conditions and a variety of factors. Accordingly, the Investment Corporation does not guarantee the payment of the forecast distribution amount.

**(Supplementary Material)**

**Outlook**

For the fourth fiscal period (January 1, 2006 to June 30, 2006) the Investment Corporation is forecasting operating revenues of ¥2,647 million, ordinary income of ¥ 1,271million, net income of ¥1,270 million and a cash distribution per unit of ¥11,503.

Note: The aforementioned operating forecasts are based on certain pre-conditions and assumptions identified below as of the date of this report. As a result, actual net income and distribution per unit may change due to changes in the operating environment. In addition, the aforementioned operating forecasts do not guarantee the payment of the forecast distribution amount.

**Pre-Conditions and Assumptions that Support Operating Forecasts  
for the Fourth Fiscal Period Ending June 30, 2006**

	Assumptions
Investment Assets	<p>Operating forecasts are based on investment assets comprising seven properties held as of December 31, 2005, and the assumption no new properties will be added and no existing properties will be removed up to the end of the fourth fiscal period (June 30, 2006). The planned acquisition of AEON Ozone Shopping Center in March 2006 has not been included in pre-conditions and assumptions for investment assets because procedures for its opening have not been completed in accordance with the Large-Scale Retail Stores Location Law.</p> <p>Actual numbers may change due to the acquisition or sale of properties.</p>
Investment Units Issued	<p>Calculations and operating forecasts assume 110,400 investment units issued and outstanding as of December 31, 2005.</p>
Liabilities	<p>As of December 31, 2005, the Investment Corporation maintains no debt financing. Calculations and operating forecasts are based on the assumption that no debt financing will be undertaken during the fourth fiscal period. The Investment Corporation intends to procure debt financing to assist in the planned acquisition of AEON Ozone Shopping Center. This intended debt financing is not included in pre-conditions and assumptions that support operating forecasts for the fourth fiscal period.</p>
Operating Revenue	<p>Real estate leasing business revenues are based on effective lease agreements as of December 31, 2005.</p>
Operating Expenses	<p>Principal operating expense, which comprises real estate leasing expense, is calculated on historic levels accounting for variable factors.</p> <p>Property tax, city planning tax and other imposts relating to the Investment Corporation's property holdings will be posted to real estate leasing expenses for the fiscal period under review.</p>
Distribution per Unit	<p>Cash distributions per unit are calculated according to the Investment Corporation's distribution policy described in its Articles of Incorporation.</p> <p>Cash distribution per unit may change for a variety of reasons including changes in the Investment Corporation's investment assets, tenant movements, changes in leasing revenues and the incidence of unforeseen repairs and maintenance.</p>
Distribution in Excess of Earnings per Unit	<p>The Investment Corporation does not currently anticipate cash distributions in excess of earnings per unit.</p>
Other	<p>Calculations and operating forecasts are based on the assumption 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, that would impact the aforementioned forecasts.</p> <p>Calculations and operating forecasts are also based on the assumption there will be no material changes in general economic and real estate market conditions in Japan.</p>

Note: Procedures for the opening of AEON Ozone Shopping Center are currently under deliberation with

Nagoya City in accordance with the Large-Scale Retail Stores Location Law. The real estate purchase agreement relating to AEON Ozone Shopping Center is subject to conditions precedent, including the completion of all necessary procedures and approvals required for use as a retail facility, and approvals relating to the Building Standards Law and the Fire Defense Law. As these conditions are yet to be met, an acquisition date is yet to be determined. Accordingly, the planned acquisition of AEON Ozone Shopping Center has not been included in the pre-conditions and assumptions that support operating forecasts.

Revisions to operating forecasts shall be undertaken shortly following the completion of procedures relating to AEON Ozone Shopping Center and the determination of the acquisition date.