

August 17, 2006

Financial Report for the Fourth Fiscal Period (January 1, 2006 to June 30, 2006)

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: August 17, 2006
 Planned Commencement of Cash
 Distribution Payment: September 12, 2006

PERFORMANCE FOR THE FOURTH FISCAL PERIOD (January 1, 2006 to June 30, 2006)

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

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
Fourth Fiscal Period	3,067	17.5%	1,597	19.7%	1,594	19.4%	1,593	19.4%
Third Fiscal Period	2,610	3.9%	1,333	7.6%	1,335	7.5%	1,334	7.5%

	Net Income per Unit (Yen)	Return on Unitholders' Equity (ROE)	(Reference) Annualized	Ordinary Income to Total Assets	(Reference) Annualized	Ordinary Income to Operating Revenue
Fourth Fiscal Period	14,437	2.7%	5.4%	1.8%	3.6%	52.0%
Third Fiscal Period	12,090	2.2%	4.4%	1.6%	3.2%	51.2%

Notes:

- For accounting purposes, the fourth fiscal period is from January 1, 2006 through June 30, 2006, a period of 181 days. The third fiscal period is from July 1, 2005 through December 31, 2005, a period of 184 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 fourth fiscal period was 110,400 units. The average number of investment units for the third fiscal period was 110,400 units.
- Changes in accounting policies: None
- 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 fourth fiscal period = Percentage figures for the fourth fiscal period / Actual number of asset management days (181 days) x 365 days. 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.

(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
Fourth Fiscal Period	14,437	1,593	0	—	100.0%	2.6%
Third Fiscal Period	12,090	1,334	0	—	99.9%	2.2%

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 Jun. 30, 2006	94,301	60,176	63.8%	545,076
As of Dec. 31, 2005	82,347	59,917	72.8%	542,730

Note: The number of investment units outstanding as of June 30, 2006 totaled 110,400 units. The number of investment units outstanding as of December 31, 2005 totaled 110,400 units.

FORECAST OF RESULTS FOR THE FIFTH FISCAL PERIOD**(July 1, 2006 to December 31, 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)
Fifth Fiscal Period	3,470	1,864	1,862	16,865	0

(Reference) Estimated net income per unit for the fifth fiscal period: ¥16,865

Note: Forecasts presented in this document are based on "Pre-Conditions and Assumptions that Support Operating Forecasts for the Fifth Fiscal Period Ending December 31, 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 fifth fiscal period (July 1, 2006 to December 31, 2006) the Investment Corporation is forecasting operating revenues of ¥3,470 million, ordinary income of ¥ 1,864 million, net income of ¥1,862 million and a cash distribution per unit of ¥16,865.

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 Fifth Fiscal Period Ending December 31, 2006**

	Assumptions
Investment Assets	Operating forecasts are based on investment assets comprising nine properties, including eight properties held as of June 30, 2006, and the planned acquisition of (Provisional name) Summit Shin Takinogawa Store in September 2006 on the assumption that no other new properties will be added or no existing properties will be removed up to the end of the fifth fiscal period (December 31, 2006). Actual numbers may change due to the acquisition or sale of properties.
Investment Units Issued	Calculations and operating forecasts assume 110,400 investment units issued and outstanding as of June 30, 2006.
Debt Ratio	The debt ratio is expected to be approximately 37% at the end of the Fifth fiscal period (December 31, 2006). Debt Ratio=(amount of borrowings + Security Deposit and Guarantee Deposit) / amount of total assets
Operating Revenue	Real estate leasing business revenues are based on effective lease agreements as of June 30, 2006. *(Provisional name) Summit ShinTakinogawa Store is based on provisional lease agreement which would be inherited from the assignor.
Operating Expenses	Principal operating expense, which comprises real estate leasing expense, is calculated on historic levels accounting for variable factors. Fixed assets 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. Fixed assets (land, bulding etc.) are subject to fixed assets tax and city planning tax on a calendar year basis and the tax payers are those who are registered in the fixed assets tax register as owners of fixed assets as of January 1. The investment Corporation pays equivalent amount of these taxes for the period from acquisition date to the end of the year to the assigner in consideration of a purchase and sales agreement. That amount is capitalized as part of acquisition cost. Depreciation expenses which arise in transaction in real estate or trust beneficiary interests in properties are calculated by month.
Distribution per Unit	Cash distributions per unit are calculated according to the Investment Corporation's distribution policy described in its Articles of Incorporation. 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.
Distribution in Excess of Earnings per Unit	The Investment Corporation does not currently anticipate cash distributions in excess of earnings per unit.
Other	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.

	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.
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