

August 9, 2007

## Financial Report for the Sixth Fiscal Period (January 1, 2007 to June 30, 2007)

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/eng/>)

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Board of Directors' Meeting for the Approval of Financial Results : August 9, 2007  
Planned Commencement of Cash Distribution Payment : September 10, 2007

### 1. PERFORMANCE FOR THE SIXTH FISCAL PERIOD (January 1, 2007 to June 30, 2007)

#### (1) Business Results

(Millions of yen rounded down, unless otherwise stated)

	Operating Revenues		Operating Income		Income before Income Taxes		Net Income	
6th Fiscal Period	3,587	3.4%	1,968	1.9%	1,954	2.3%	1,953	2.3%
5th Fiscal Period	3,470	13.2%	1,932	21.0%	1,910	19.8%	1,909	19.8%

	Net Income per Unit	ROE (Note5)	Income before Income Taxes to Total Asset	Income before Income Taxes to Operating Revenues
6th Fiscal Period	¥17,692	3.2%	2.0%	54.5%
5th Fiscal Period	¥17,296	3.2%	2.0%	55.0%

Notes:

1. For accounting purposes, the sixth fiscal period is from January 1, 2007 through June 30, 2007, a period of 181 days. The fifth fiscal period is from July 1, 2006 through December 31, 2006, a period of 184 days.
2. Net income per unit is calculated utilizing the average number of investment units for the period. The average number of investment units for the sixth fiscal period was 110,400 units. The average number of investment units for the fifth fiscal period was 110,400 units.
3. Changes in accounting policies: None
4. Percentages for operating revenues, operating income, income before income taxes and net income represent the percentage increase or decrease from the previous fiscal period.
5. ROE = Net income / (Net asset at the beginning of the period + Net asset at the end of the period)

## (2) Distributions

(Millions of yen rounded down, unless otherwise stated)

	Distribution per Unit	Total Distributions	Distribution in Excess of Earnings per Unit	Total Distributions in Excess of Earnings	Payout Ratio	Distribution Ratio to Net Assets
6th Fiscal Period	¥17,693	1,953	¥0		100.0%	3.2%
5th Fiscal Period	¥17,296	1,909	¥0		99.9%	3.1%

Note : The payout ratio and distribution ratio to net assets are rounded down to the first decimal place.

## (3) Financial Position

(Millions of yen rounded down, unless otherwise stated)

	Total Assets	Total Net Assets	Equity Ratio (Note2)	Net Assets per Unit
As of Jun 30, 2007	97,648	60,535	62.0%	¥548,331
As of Dec 31, 2006	95,914	60,492	63.1%	¥547,936

Notes:

1. The number of investment units outstanding as of June 30, 2007 totaled 110,400 units. The number of investment units outstanding as of December 31, 2006 totaled 110,400 units.
2. Equity Ratio = Net assets / Total assets. The equity ratio is rounded down to the first decimal place.

## (4) Cash Flows

(Millions of yen rounded down, unless otherwise stated)

	Net Cash Provided by Operating Activities	Net Cash Used in Investing Activities	Net Cash (Used in) Provided by Financing Activities	Cash and Cash Equivalents at the End of Periods
As of Jun 30, 2007	2,936	2,330	108	3,418
As of Dec 31, 2006	3,150	2,786	593	2,920

## 2. FORECAST OF RESULTS FOR THE SEVENTH FISCAL PERIOD

(July 1, 2007 to December 31, 2007)

### Outlook

For the seventh fiscal period (July 1, 2007 to December 31, 2007) the Investment Corporation is forecasting operating revenues of ¥3,632 million, Operating Income of ¥ 1,957 million, income before income taxes of ¥ 1,934 million, net income of ¥1,933 million and a cash distribution per unit of ¥17,500.

(Millions of yen rounded down, unless otherwise stated)

	Operating Revenue	Operating Income	Income before Income Taxes	Net Income	Distribution per Unit	Distribution in Excess of Earnings per Unit
7th Fiscal Period	3,632 (1.3%)	1,957 ( 0.6%)	1,934 ( 1.0)	1,933 ( 1.0)	¥17,500	¥0

(Reference) Estimated net income per unit for the seventh fiscal period: ¥17,500

Notes:

1. The aforementioned forecasts is based on the "Pre-Conditions and Assumptions that Support Operating Forecasts for the Seventh Fiscal Period Ending December 31, 2007" on Page4. These pre-conditions and assumptions have not changed from the press release as of June 21, 2007, except for the relevant dates.
2. Percentages for operating revenues, operating income, income before income taxes and net income represent the percentage increase or decrease from the previous fiscal period.
3. Forecasts for the seventh fiscal period 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.

**Pre-Conditions and Assumptions that Support Operating Forecasts  
for the Seventh Fiscal Period Ending December 31, 2007**

	Assumptions
Investment Assets	<p>Operating forecasts are based on premise that investment assets comprising ten properties held as of June 30, 2007 will remain unchanged throughout the seventh fiscal period.</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 June 30, 2007.</p>
Liabilities	<p>The balance of short-term debt financing as of June 30, 2007 is ¥4,800 million.</p> <p>Operating forecasts are based on the assumption that the balance of debt financing shall remain unchanged through to the end of the seventh fiscal period (December 31, 2007).</p> <p>The loan to value ratio (debt financing plus security and guarantee deposits received from tenants as a percentage of total assets) as of December 31, 2007 is prospected approximately 36%.</p>
Operating Revenues	<p>Real estate leasing business revenues are based on effective leasing agreements as of June 30, 2007.</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 (hereinafter called "Property Taxes") will be posted to real estate leasing expenses for the fiscal period under review (490 million yen for the seventh fiscal period). Please note that adjustments for Property Taxes paid to the assignor in respect of Sports Club Renaissance Hiroshima, which was acquired during the sixth period, are included in the acquisition price and not recorded as operating expenses.</p> <p>Depreciation expenses are calculated using the straight-line method, including ancillary expenses and additional future capital expenditure (854 million yen for the seventh fiscal period).</p>
Distribution per Unit	<p>Cash dividends (distribution 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>
Others	<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>

## Balance Sheets &lt;Consistent with Japanese GAAP&gt;

Frontier Real Estate Investment Corporation as of December 31, 2006 and as of June 30, 2007

	(Millions of Yen rounded down)		
	5th Fiscal Period	6th Fiscal Period	Change
	As of December 31, 2006	As of June 30, 2007	
<b>ASSETS</b>			
Current assets:			
Cash and deposits including trust accounts	3,382	3,880	
Other current assets	26	20	
<b>Total current assets</b>	<b>3,409</b>	<b>3,901</b>	<b>492</b>
Investment properties (including trust accounts):			
Buildings	43,588	43,888	
Structures	1,099	1,117	
Machinery and equipment	185	185	
Tools, furniture and fixtures	15	15	
Land	50,940	52,717	
Less: accumulated depreciation	3,372	4,219	
<b>Total investment properties</b>	<b>92,457</b>	<b>93,706</b>	<b>1,248</b>
Other assets:			
Intangible assets	0	0	
Other assets	47	40	
<b>Total other assets</b>	<b>47</b>	<b>40</b>	<b>7</b>
<b>TOTAL ASSETS</b>	<b>95,914</b>	<b>97,648</b>	<b>1,733</b>
<b>LIABILITIES</b>			
Current liabilities:			
Short-term borrowings	3,000	4,800	
Accounts payable	155	273	
Rents received in advance	555	574	
Accrued expenses and other current liabilities	169	163	
<b>Total current liabilities</b>	<b>3,881</b>	<b>5,810</b>	<b>1,929</b>
Non-current liabilities:			
Tenant security and guarantee deposits (including trust accounts)	31,461	31,224	
Other non-current liabilities	80	76	
<b>Total non-current liabilities</b>	<b>31,541</b>	<b>31,301</b>	<b>239</b>
<b>TOTAL LIABILITIES</b>	<b>35,422</b>	<b>37,112</b>	<b>1,689</b>
<b>NET ASSETS</b>			
Unitholders' equity:			
Unitholders' equity	58,582	58,582	-
Units authorized : 2,000,000 units			
Units issued and outstanding : 110,400 units			
Retained earnings	1,909	1,953	43
<b>Total unitholder's equity</b>	<b>60,492</b>	<b>60,535</b>	<b>43</b>
Net unrealized gains on investment security	0	-	0
<b>TOTAL NET ASSETS</b>	<b>60,492</b>	<b>60,535</b>	<b>43</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>95,914</b>	<b>97,648</b>	<b>1,733</b>

## Statements of Income &lt;Consistent with Japanese GAAP&gt;

Frontier Real Estate Investment Corporation for the six-month ended December 31, 2006 and June 30, 2007

	(Millions of Yen rounded down)		
	<For the six months ended>		
	5th Fiscal Period	6th Fiscal Period	Change
	December 31,2006	June 30,2007	
Operating revenues:			
Revenues from property leasing	3,470	3,587	
Total operating revenues	3,470	3,587	116
Operating expenses:			
Rental expenses	1,291	1,394	
Asset management fees	177	154	
Asset custodian fees	4	4	
General administration fees	22	21	
Other operating expenses	41	43	
Total operating expenses	1,538	1,618	80
<b>OPERATING INCOME</b>	<b>1,932</b>	<b>1,968</b>	<b>35</b>
Non-operating revenues:			
Interest income	0	3	
Other non-operating revenues	4	2	
Total non-operating revenues	4	5	1
Non-operating expenses:			
Interest expense	9	17	
Other non-operating expenses	18	2	
Total Non-Operating Expenses	27	20	6
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,910</b>	<b>1,954</b>	<b>43</b>
Current and deferred income taxes	1	0	0
<b>NET INCOME</b>	<b>1,909</b>	<b>1,953</b>	<b>43</b>
<b>NET INCOME AVAILABLE TO UNITHOLDERS</b>	<b>1,909</b>	<b>1,953</b>	<b>43</b>

## Statements of Cash Flows &lt;Consistent with Japanese GAAP&gt;

Frontier Real Estate Investment Corporation for the six-month ended December 31, 2006 and June 30, 2007

	(Millions of Yen rounded down)	
	<For the six months ended>	
	5th Fiscal Period	6th Fiscal Period
	December 31, 2006	June 30, 2007
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	1,910	1,954
Depreciation and amortization	836	847
Interest income	0	3
Interest expense	9	17
Increase (Decrease) in account payable	80	115
Increase (Decrease) in rents received in advance	17	18
Cash receipts of interest income	0	3
Cash payment of interest expense	3	16
Other, net	461	0
<b>Net Cash Provided by Operating Activities</b>	<b>3,150</b>	<b>2,936</b>
<b>Cash Flows from Investing Activities:</b>		
Payments for purchases of investment properties	3,128	2,094
Proceeds from tenant security and guarantee deposits	609	34
Payments for tenant security and guarantee deposits (including trust accounts)	267	271
<b>Net Cash Used in Investing Activities</b>	<b>2,786</b>	<b>2,330</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term borrowings	3,000	1,800
Repayment for short-term borrowings	2,000	-
Payment of dividends	1,593	1,908
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>593</b>	<b>108</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>228</b>	<b>497</b>
Cash and cash equivalents at the beginning of period	3,149	2,920
<b>Cash and cash equivalents at the Ending of period</b> (Note)	<b>2,920</b>	<b>3,418</b>

Note: In addition, there is restricted cash ¥ 462 million, including reserve for renovation.