

February 22, 2007

**Financial Report for the Fifth Fiscal Period**  
(July 1, 2006 to December 31, 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/eng/>)

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Board of Directors' Meeting for the Approval of Financial Results : February 22, 2007  
 Planned Commencement of Cash Distribution Payment : March 12, 2007

**1. PERFORMANCE FOR THE FIFTH FISCAL PERIOD** (July 1, 2006 to December 31, 2006)

**(1) Business Results**

(Millions of yen rounded down, unless otherwise stated)

	Operating Revenues		Operating Income		Income before Income Taxes		Net Income	
5th Fiscal Period	3,470	13.2%	1,932	21.0%	1,910	19.8%	1,909	19.8%
4th Fiscal Period	3,067	17.5%	1,597	19.7%	1,594	19.4%	1,593	19.4%

	Net Income per Unit	ROE (Reference) (Note 6)	(Reference) Annual Rate	Income before Income Taxes to Total Asset	(Reference) Annual Rate	Income before Income Taxes to Operating Revenues
5th Fiscal Period	¥17,296	3.2%	6.3%	2.0%	4.0%	55.0%
4th Fiscal Period	¥14,437	2.7%	5.4%	1.8%	3.6%	52.0%

Notes:

- For accounting purposes, the fifth fiscal period is from July 1, 2006 through December 31, 2006, a period of 184 days. The fourth fiscal period is from January 1, 2006 through June 30, 2006, 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 fifth fiscal period was 110,400 units. The average number of investment units for the fourth fiscal period was 110,400 units.
- Changes in accounting policies: None
- Percentages for operating revenues, operating income, income before income taxes and net income represent the percentage increase or decrease from the previous fiscal period.
- Annualized percentage figures for the fifth fiscal period = Percentage figures for the fifth fiscal period / Actual number of asset management days (184 days) x 365 days. 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.
- 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
5th Fiscal Period	¥17,296	1,909	¥0		99.9%	3.1%
4th Fiscal Period	¥14,437	1,593	¥0		100.0%	2.6%

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 (Note 2)	Net Assets per Unit
As of Dec 31, 2006	95,914	60,492	63.1%	¥547,936
As of Jun. 30, 2006	94,301	60,176	63.8%	¥545,076

Notes :

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

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

(January 1, 2007 to June 30, 2007)

(Millions of yen rounded down, unless otherwise stated)

	Operating Revenue	Income before Income Taxes	Net Income	Distribution per Unit	Distribution in Excess of Earnings per Unit
6th Fiscal Period	3,556	1,900	1,898	¥17,200	¥0

(Reference) Estimated net income per unit for the sixth fiscal period: ¥17,200

Note : Forecasts presented in this document are based on "Pre-Conditions and Assumptions for Operating Forecasts in the Sixth Fiscal Period " 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.

### Outlook

For the sixth fiscal period (January 1, 2007 to June 30, 2007) the Investment Corporation is forecasting operating revenues of ¥3,556 million, income before income taxes of ¥ 1,900 million, net income of ¥1,898 million and a cash distribution per unit of ¥17,200.

Note: The aforementioned forecast is based on the pre-conditions and assumptions identified on Page 3. These pre-conditions and assumptions have not changed from the press release as of December 21, 2006, except for the relevant dates. 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 for Operating Forecasts  
in the Sixth Fiscal Period

	Assumptions
Investment Assets	<p>Operating forecasts are based on premise that investment assets comprising nine properties held as of December 31, 2006 will remain unchanged throughout the sixth 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 December 31, 2006.</p>
Liabilities	<p>The balance of short-term debt financing as of December 31, 2006 is ¥3,000 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 sixth fiscal period (June 30, 2007).</p> <p>The liability ratio (debt financing plus security and guarantee deposits received from tenants as a percentage of total assets) as of June 30, 2007 is prospected approximately 35%.</p>
Operating Revenues	<p>Real estate leasing business revenues are based on effective leasing agreements as of December 31, 2006.</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 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, 2006

	(Millions of Yen rounded down)		
	5th Fiscal Period	4th Fiscal Period	
	As of	As of	Change
	December 31, 2006	June 30, 2006	
<b>ASSETS</b>			
Current assets:			
Cash and deposits including trust accounts	3,382	3,611	
Other current assets	26	473	
Total current assets	3,409	4,084	675
Investment properties (including trust accounts):			
Buildings	43,588	42,690	
Structures	1,099	1,089	
Machinery and equipment	185	185	
Tools, furniture and fixtures	15	15	
Land	50,940	48,718	
Less: accumulated depreciation	3,372	2,535	
Total investment properties	92,457	90,163	2,294
Other assets:			
Intangible assets	0	0	
Other assets	47	53	
Total other assets	47	53	5
<b>TOTAL ASSETS</b>	<b>95,914</b>	<b>94,301</b>	<b>1,612</b>
<b>LIABILITIES</b>			
Current liabilities:			
Short-term borrowings	3,000	2,000	
Accounts payable	155	233	
Rents received in advance	555	538	
Accrued expenses and other liabilities	169	151	
Total current liabilities	3,881	2,922	958
Non-current liabilities:			
Tenant security and guarantee deposits (including trust accounts)	31,461	31,119	
Other liabilities	80	83	
Total non-current liabilities	31,541	31,202	338
<b>TOTAL LIABILITIES</b>	<b>35,422</b>	<b>34,125</b>	<b>1,296</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	1,593	315
Total unitholder's equity	60,492	60,176	315
Net unrealized gains on investment security	0	-	0
<b>TOTAL NET ASSETS</b>	<b>60,492</b>	<b>60,176</b>	<b>315</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>95,914</b>	<b>94,301</b>	<b>1,612</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, 2006

	(Millions of Yen rounded down)		
	<For the six months ended>		
	5th Fiscal Period	4th Fiscal Period	Change
	December 31, 2006	June 30, 2006	
Operating revenues:			
Revenues from property leasing	3,470	3,067	
Total operating revenues	3,470	3,067	403
Operating expenses:			
Rental expenses	1,291	1,225	
Asset management fees	177	152	
Asset custodian fees	4	4	
General administration fees	22	22	
Other operating expenses	41	65	
Total operating expenses	1,538	1,470	67
OPERATING INCOME	1,932	1,597	335
Non-operating revenues:			
Interest income	0	0	
Other non-operating revenues	4	3	
Total non-operating revenues	4	4	0
Non-operating expenses:			
Interest expenses	9	3	
Other non-operating expenses	18	2	
Total Non-Operating Expenses	27	6	20
INCOME BEFORE INCOME TAXES	1,910	1,594	315
Current and deferred income taxes	1	0	0
NET INCOME	1,909	1,593	315
NET INCOME AVAILABLE TO UNITHOLDERS	1,909	1,593	315