

August 11, 2008

Financial Report for the Eighth Fiscal Period (January 1, 2008 to June 30, 2008)

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/>)

Representative : Makoto Takahashi, Executive Director
Head Office : Tokyo
Inquiries : Mitsui Fudosan Frontier REIT Management Inc.
(Asset Management Company)
Tatsu Makino, Vice President, Finance Division and Director
TEL: +81-3-3588-1440

Board of Directors' Meeting for the Approval of Financial Results : August 11, 2008
Planned Commencement of Cash Distribution Payment : September 10, 2008

1. PERFORMANCE FOR THE EIGHTH FISCAL PERIOD (January 1, 2008 to June 30, 2008)

(1) Business Results

(Millions of yen rounded down, unless otherwise stated)

| | Operating Revenues | | Operating Income | | Income before Income Taxes | | Net Income | |
|-------------------|--------------------|-------|------------------|-------|----------------------------|-------|------------|-------|
| 8th Fiscal Period | 4,303 | 17.4% | 2,333 | 17.1% | 2,246 | 13.9% | 2,245 | 14.0% |
| 7th Fiscal Period | 3,667 | 2.2% | 1,993 | 1.3% | 1,971 | 0.9% | 1,970 | 0.9% |

| | Net Income per Unit | ROE (Note5) | Income before Income Taxes to Total Asset | Income before Income Taxes to Operating Revenues |
|-------------------|---------------------|-------------|---|--|
| 8th Fiscal Period | ¥18,970 | 3.4% | 2.0% | 52.2% |
| 7th Fiscal Period | ¥17,845 | 3.3% | 2.0% | 53.8% |

Notes:

- For accounting purposes, the eighth fiscal period is from January 1, 2008 through June 30, 2008, a period of 182 days. The seventh fiscal period is from July 1, 2007 through December 31, 2007, 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 eighth fiscal period was 118,342 units. The average number of investment units for the seventh 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.
- 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 |
|-------------------|-----------------------|---------------------|---|---|--------------|----------------------------------|
| 8th Fiscal Period | ¥17,960 | 2,245 | ¥0 | — | 99.9% | 3.1% |
| 7th Fiscal Period | ¥17,845 | 1,970 | ¥0 | — | 99.9% | 3.2% |

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, 2008 | 123,605 | 70,478 | 57.0% | ¥563,826 |
| As of Dec 31, 2007 | 99,694 | 60,552 | 60.7% | ¥548,486 |

Notes:

1. The number of investment units outstanding as of June 30, 2008 totaled 125,000 units. The number of investment units outstanding as of December 31, 2007 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, 2008 | 3,133 | △16,026 | 13,982 | 4,141 |
| As of Dec 31, 2007 | 2,788 | △3,001 | △152 | 3,052 |

3. FORECAST OF RESULTS FOR THE NINTH FISCAL PERIOD

(July 1, 2008 to December 31, 2008)

Outlook

For the ninth fiscal period (July 1, 2008 to December 31, 2008) the Investment Corporation is forecasting operating revenues of ¥5,498 million, Operating Income of ¥ 3,074 million, income before income taxes of ¥ 2,875 million, net income of ¥2,874 million and a cash distribution per unit of ¥17,900.

(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 |
|-------------------|-------------------|------------------|----------------------------|------------------|-----------------------|---|
| 9th Fiscal Period | 5,498 (27.8%) | 3,074 (31.8%) | 2,875 (28.0%) | 2,874 (28.1%) | 17,900 | ¥0 |

(Reference) Estimated net income per unit for the ninth fiscal period: ¥18,472

Notes:

1. The aforementioned forecasts is based on the "Pre-Conditions and Assumptions that Support Operating Forecasts for the Ninth Fiscal Period Ending December 31, 2008" on Page4.
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 ninth 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.
4. Regarding estimated net income per unit for the ninth fiscal period ¥18,472 is calculated utilizing estimated average number of investment units, 155,625 units.

Preconditions and Assumptions That Support Operating Forecasts
for the Ninth Fiscal Period Ending December 31, 2008

| | Assumption |
|--|---|
| Investment Assets | <ul style="list-style-type: none"> • Operating forecasts are based on premise that investment assets comprising 16 properties held as of August 11, 2008 will remain unchanged throughout the ninth fiscal period. • Actual numbers may change due to the acquisition or sale of properties. |
| Investment Units Issued | <ul style="list-style-type: none"> • Calculations and operating forecasts assume 160,000 investment units issued and outstanding as of August 11, 2008. |
| Liabilities | <ul style="list-style-type: none"> • The balance of short-term debt financing as of August 11, 2008 is ¥25,400 million. • 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, 2008 is expected to be approximately 40%. |
| Operating Revenues | <ul style="list-style-type: none"> • Real estate leasing business revenues are based on effective leasing agreements as of August 11, 2008. |
| Operating Expenses | <ul style="list-style-type: none"> • Principal operating expense, which comprises real estate leasing expense, is calculated on historic levels accounting for variable factors. • 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 (¥ 520 million for the ninth fiscal period). • Please note that adjustments for Property Taxes paid to the assignor in respect of "You-Me Town Hiroshima", which was acquired during the eighth period, and "WV SAKAE", "Queen's Isetan, Suginami-momoi", "Mitsui Outlet Park Iruma" and "Costco Wholesale, Warehouse Iruma (sokochi)", which were acquired during the ninth period, are included in the acquisition price and not recorded as operating expenses. • Depreciation expenses are calculated using the straight-line method, including ancillary expenses and additional future capital expenditure (¥ 1,275 million for the ninth fiscal period). |
| Distribution per Unit | <ul style="list-style-type: none"> • Cash dividends (distribution per unit) are calculated according to the Investment Corporation's distribution policy, as 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 | <ul style="list-style-type: none"> • The Investment Corporation does not currently anticipate cash distributions in excess of earnings per unit. |
| Others | <ul style="list-style-type: none"> • Calculations and operating forecasts are based on the assumption there will be no changes in legislation, taxation, accounting standards and/or regulations applying to publicly listed companies, rules and requirements imposed by the Investment Trusts Association, Japan that would impact the aforementioned forecasts. • Calculations and operating forecasts are also based on the assumption there will be no material changes in the general economic and real estate market conditions in Japan. |

Balance Sheets <Consistent with Japanese GAAP>

Frontier Real Estate Investment Corporation as of as of December 31, 2007 and as of June 30, 2008.

| | (Millions of Yen rounded down) | | |
|--|--------------------------------|------------------|---------------|
| | 7th Fiscal Period | 8h Fiscal Period | |
| | As of | As of | Change |
| | December 31, 2007 | June 30, 2008 | |
| ASSETS | | | |
| Current assets: | | | |
| Cash and deposits including trust accounts | 3,514 | 4,604 | |
| Other current assets | 25 | 415 | |
| Total current assets | 3,540 | 5,019 | 1,478 |
| Investment properties (including trust accounts): | | | |
| Buildings | 43,917 | 52,746 | |
| Structures | 1,117 | 1,358 | |
| Machinery and equipment | 185 | 185 | |
| Tools, furniture and fixtures | 15 | 21 | |
| Land | 55,955 | 70,325 | |
| Less: accumulated depreciation | △5,071 | △6,079 | |
| Total investment properties | 96,120 | 118,557 | 22,437 |
| Other assets: | | | |
| Intangible assets, net of amortization | 0 | 0 | |
| Other assets | 33 | 28 | |
| Total other assets | 33 | 28 | △5 |
| TOTAL ASSETS | 99,694 | 123,605 | 23,910 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Short-term borrowings | 6,600 | 12,900 | |
| Accounts payable | 239 | 411 | |
| Rents received in advance | 595 | 715 | |
| Accrued expenses and other current liabilities | 167 | 152 | |
| Total current liabilities | 7,602 | 14,180 | 6,577 |
| Non-current liabilities: | | | |
| Tenant security and guarantee deposits (including trust accounts) | 31,465 | 38,876 | |
| Other non-current liabilities | 73 | 70 | |
| Total non-current liabilities | 31,539 | 38,947 | 7,407 |
| TOTAL LIABILITIES | 39,141 | 53,127 | 13,985 |
| NET ASSETS | | | |
| Unitholders' equity: | | | |
| Unitholders' equity | 58,582 | 68,233 | 9,650 |
| Units authorized : 2,000,000 units | | | |
| Units issued and outstanding : 125,000 units | | | |
| Retained earnings | 1,970 | 2,245 | 274 |
| Total unitholder's equity | 60,552 | 70,478 | 9,925 |
| Net unrealized gains on investment security | 0 | 0 | 0 |
| TOTAL NET ASSETS | 60,552 | 70,478 | 9,925 |
| TOTAL LIABILITIES AND NET ASSETS | 99,694 | 123,605 | 23,910 |

Statements of Income <Consistent with Japanese GAAP>

Frontier Real Estate Investment Corporation for the six-month ended December 31, 2007 and June 30, 2008.

(Millions of Yen rounded down)

| | <For the six months ended> | | |
|--|----------------------------|------------------|------------|
| | 7h Fiscal Period | 8h Fiscal Period | Change |
| | Decembre31,2007 | June 30, 2008 | |
| Operating revenues: | | | |
| Revenues from property leasing | 3,667 | 4,303 | |
| Total operating revenues | 3,667 | 4,303 | 636 |
| Operating expenses: | | | |
| Rental expenses | 1,438 | 1,706 | |
| Asset management fees | 158 | 169 | |
| Asset custodian fees | 4 | 5 | |
| General administration fees | 22 | 29 | |
| Other operating expenses | 49 | 58 | |
| Total operating expenses | 1,673 | 1,969 | 296 |
| OPERATING INCOME | 1,993 | 2,333 | 340 |
| Non-operating revenues: | | | |
| Interest income | 5 | 5 | |
| Other non-operating revenues | 0 | 1 | |
| Total non-operating revenues | 6 | 6 | 0 |
| Non-operating expenses: | | | |
| Interest expense | 27 | 67 | |
| Other non-operating expenses | 0 | 27 | |
| Total Non-Operating Expenses | 28 | 94 | 65 |
| COME BEFORE INCOME TAXES | 1,971 | 2,246 | 274 |
| Current and deferred income taxes | 1 | 1 | 0 |
| NET INCOME | 1,970 | 2,245 | 274 |
| NET INCOME AVAILABLE TO UNITHOLDERS | 1,970 | 2,245 | 274 |

Statements of Cash Flows <Consistent with Japanese GAAP>

Frontier Real Estate Investment Corporation for the six-month ended December 31, 2007 and June 30, 2008.

(Millions of Yen rounded down)

| | <For the six months ended> | |
|---|----------------------------|-------------------|
| | 7th Fiscal Period | 8th Fiscal Period |
| | December 31, 2007 | June 30, 2008 |
| Cash Flows from Operating Activities: | | |
| Income before income taxes | 1,971 | 2,246 |
| Depreciation and amortization | 852 | 1,008 |
| Interest income | △5 | △5 |
| Interest expense | 27 | 67 |
| Increase (Decrease) in account payable | △59 | 162 |
| Increase (Decrease) in rents received in advance | 21 | 120 |
| Cash receipts of interest income | 5 | 5 |
| Cash payment of interest expense | △31 | △67 |
| Other, net | 5 | △403 |
| Net Cash Provided by Operating Activities | 2,788 | 3,133 |
| Cash Flows from Investing Activities: | | |
| Payments for purchases of investment properties | △3,242 | △23,437 |
| Payments for purchases of intangible assets | 0 | - |
| Proceeds from tenant security and guarantee deposits | 512 | 7,682 |
| Payments for tenant security and guarantee deposits (including trust accounts) | △271 | △271 |
| Net Cash Used in Investing Activities | △3,001 | △16,026 |
| Cash Flows from Financing Activities: | | |
| Proceeds from short-term borrowings | 8,400 | 22,200 |
| Repayment for short-term borrowings | △6,600 | △15,900 |
| Proceeds from a third party allocation of new investment units | - | 9,650 |
| Payment of dividends | △1,952 | △1,968 |
| Net Cash (Used in) Provided by Financing Activities | △152 | 13,982 |
| Net Change in Cash and Cash Equivalents | △366 | 1,089 |
| Cash and cash equivalents at the beginning of period | 3,418 | 3,052 |
| Cash and cash equivalents at the Ending of period (Note) | 3,052 | 4,141 |

Note: Please note that there is restricted cash ¥ 462 million, including reserve for renovation.