

February 16, 2009

Financial Report for the Ninth Fiscal Period (July 1, 2008 to December 31, 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/>)

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Board of Directors' Meeting for the Approval of Financial Results : February 16, 2009
Planned Commencement of Cash Distribution Payment : March 12, 2009

1. PERFORMANCE FOR THE NINTH FISCAL PERIOD

(July 1, 2008 to December 31, 2008)

(1) Business Results

(Millions of yen rounded down, unless otherwise stated)

	Operating Revenues		Operating Income		Income before Income Taxes		Net Income	
9th Fiscal Period	5,658	31.5%	3,154	35.1%	2,951	31.4%	2,950	31.4%
8th Fiscal Period	4,303	17.4%	2,333	17.1%	2,246	13.9%	2,245	14.0%

	Net Income per Unit	ROE (Note5)	Income before Income Taxes to Total Asset	Income before Income Taxes to Operating Revenues
9th Fiscal Period	¥18,959	3.6%	2.0%	52.2%
8th Fiscal Period	¥18,970	3.4%	2.0%	52.2%

Notes:

1. For accounting purposes, the ninth fiscal period is from July 1, 2008 through December 31, 2008, a period of 184 days. The eighth fiscal period is from January 1, 2008 through June 30, 2008, a period of 182 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 ninth fiscal period was 155,625 units. The average number of investment units for the eighth fiscal period was 118,342 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 (Note1)	Total Distributions	Distribution in Excess of Earnings per Unit	Total Distributions in Excess of Earnings	Payout Ratio (Note2)	Distribution Ratio to Net Assets
9th Fiscal Period	¥18,441	2,950	¥0	—	100.0%	3.1%
8th Fiscal Period	¥17,960	2,245	¥0	—	99.9%	3.1%

Notes:

1. The number of investment units outstanding as of December 31, 2008 totaled 160,000 units. The number of investment units outstanding as of June 30, 2008 totaled 125,000 units.
2. 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 (Note1)	Net Assets per Unit (Note2)
As of Dec 31, 2008	173,615	92,330	53.2%	¥577,066
As of Jun 30, 2008	123,605	70,478	57.0%	¥563,826

Notes:

1. Equity Ratio = Net assets / Total assets.
The equity ratio is rounded down to the first decimal place.
2. The number of investment units outstanding as of December 31, 2008 totaled 160,000 units. The number of investment units outstanding as of June 30, 2008 totaled 125,000 units.

(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 Dec 31, 2008	4,072	△36,711	46,499	18,003
As of Jun 30, 2008	3,133	△16,026	13,982	4,141

2. FORECAST OF RESULTS FOR THE TENTH FISCAL PERIOD

(January 1, 2009 to June 30, 2009)

Outlook

For the tenth fiscal period (January 1, 2009 to June 30, 2009) the Investment Corporation is forecasting operating revenues of ¥6,067 million, Operating Income of ¥ 3,211 million, income before income taxes of ¥ 2,889 million, net income of ¥2,888 million and a cash distribution per unit of ¥18,000.

(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
10th Fiscal Period	6,067 (7.2%)	3,211 (1.8%)	2,889 (△2.1%)	2,888 (△2.1%)	¥18,000	¥0

(Reference) Estimated net income per unit for the tenth fiscal period: ¥18,000

Notes:

1. The aforementioned forecasts is based on the "Pre-Conditions and Assumptions that Support Operating Forecasts for the Tenth Fiscal Period Ending June 30, 2009" 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 tenth 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 tenth fiscal period ¥18,000 is calculated utilizing estimated average number of investment units, 160,000 units.

**Pre-Conditions and Assumptions that Support Operating Forecasts
for the Tenth Fiscal Period Ending June 30, 2009**

	Assumptions
Investment Assets	<ul style="list-style-type: none"> It is assumed that there will be no change in the investment assets (18 properties including "IY Higashi-Yamato" acquired in January 2009) before June 30, 2009 (the end of the tenth fiscal period). Actual numbers may change due to the acquisition of new properties or sale of existing properties.
Investment Units Issued	<ul style="list-style-type: none"> The issued and outstanding investment units are based on the number as of today, which are 160,000 units.
Liabilities	<ul style="list-style-type: none"> The balance of short-term debt financing as of today is ¥40,500 million. And it is assumed that the balance as of the end of tenth period, June 30, 2009 will remain at the same level. The loan to value ratio (debt financing plus security and guarantee deposits received from tenants as a percentage of total assets) as of today is expected to be approximately 46%.
Operating Revenues	<ul style="list-style-type: none"> It is calculated based on the individual lease contracts effective as of today and estimated fluctuating factors.
Operating Expenses	<ul style="list-style-type: none"> The calculation of its leasing business expenses, which are major operating expenses, is based on previous data and estimated fluctuating factors. Regarding property tax, city planning tax and other imposts relating to the properties owned by the Investment Corporation (hereinafter called "Property Taxes"), the portion allocated to the tenth fiscal period, which is ¥ 715 million, will be posted to real estate leasing expenses. However, should real estate, etc. be newly acquired during the period appertaining to the fiscal period and municipal property tax and other monies for settlement occur between the Investment Corporation and the seller, the aforementioned monies will be included in its acquisition cost. Depreciation expenses are calculated using the straight-line method. It includes ancillary expenses and additional future capital expenditure (¥ 1,410 million for the tenth fiscal period).
Other Operating Expense	<ul style="list-style-type: none"> It is assumed that there will be ¥334 million as interest expense.
Distribution per Unit	<ul style="list-style-type: none"> Cash dividends (distribution 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	<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, 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 general economic and real estate market conditions in Japan.

Balance Sheets <Consistent with Japanese GAAP>

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

(Millions of Yen rounded down)

	8th Fiscal Period	9th Fiscal Period	Change
	As of June 30, 2008	As of December 31, 2008	
ASSETS			
Current assets:			
Cash and deposits including trust accounts	4,604	18,900	
Other current assets	415	482	
Total current assets	5,019	19,383	14,364
Investment properties (including trust accounts):			
Buildings	52,746	65,106	
Structures	1,358	1,738	
Machinery and equipment	185	253	
Tools, furniture and fixtures	21	35	
Land	70,325	94,447	
Construction in progress in trust	-	4	
Less: accumulated depreciation	△6,079	△7,377	
Total investment properties	118,557	154,209	35,651
Other assets:			
Intangible assets, net of amortization	0	0	
Other assets	28	22	
Total other assets	28	22	△6
TOTAL ASSETS	123,605	173,615	50,009
LIABILITIES			
Current liabilities:			
Short-term borrowings	12,900	40,500	
Accounts payable	411	300	
Rents received in advance	715	725	
Accrued expenses and other current liabilities	152	144	
Total current liabilities	14,180	41,670	27,490
Non-current liabilities:			
Tenant security and guarantee deposits (including trust accounts)	38,876	39,546	
Other non-current liabilities	70	67	
Total non-current liabilities	38,947	39,614	666
TOTAL LIABILITIES	53,127	81,284	28,157
NET ASSETS			
Unitholders' equity:			
Unitholders' equity	68,233	89,379	21,146
Units authorized : 2,000,000 units			
Units issued and outstanding : 160,000 units			
Retained earnings	2,245	2,950	705
Total unitholder's equity	70,478	92,330	21,852
Net unrealized gains on investment security	0	0	0
TOTAL NET ASSETS	70,478	92,330	21,852
TOTAL LIABILITIES AND NET ASSETS	123,605	173,615	50,009

Statements of Income <Consistent with Japanese GAAP>

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

(Millions of Yen rounded down)

	<For the six months ended>		
	8th Fiscal Period	9th Fiscal Period	Change
	June 30, 2008	December 31, 2008	
Operating revenues:			
Revenues from property leasing	4,303	5,658	
Total operating revenues	4,303	5,658	1,354
Operating expenses:			
Rental expenses	1,706	2,189	
Asset management fees	169	218	
Asset custodian fees	5	7	
General administration fees	29	35	
Other operating expenses	58	53	
Total operating expenses	1,969	2,504	534
OPERATING INCOME	2,333	3,154	820
Non-operating revenues:			
Interest income	5	7	
Other non-operating revenues	1	8	
Total non-operating revenues	6	16	9
Non-operating expenses:			
Interest expense	67	162	
Other non-operating expenses	27	56	
Total Non-Operating Expenses	94	218	123
COME BEFORE INCOME TAXES	2,246	2,951	705
Current and deferred income taxes	1	0	0
NET INCOME	2,245	2,950	705
NET INCOME AVAILABLE TO UNITHOLDERS	2,245	2,950	705

Statements of Cash Flows <Consistent with Japanese GAAP>

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

(Millions of Yen rounded down)

	<For the six months ended>	
	8th Fiscal Period	9th Fiscal Period
	June 30, 2008	December 31, 2008
Cash Flows from Operating Activities:		
Income before income taxes	2,246	2,951
Depreciation and amortization	1,008	1,297
Interest income	△5	△7
Interest expense	67	162
Increase (Decrease) in account payable	162	△106
Increase (Decrease) in rents received in advance	120	9
Cash receipts of interest income	5	7
Cash payment of interest expense	△67	△144
Other, net	△403	△96
Net Cash Provided by Operating Activities	3,133	4,073
Cash Flows from Investing Activities:		
Payments for purchases of investment properties	△23,437	△36,946
Proceeds from tenant security and guarantee deposits (including trust accounts)	7,682	2,140
Payments for tenant security and guarantee deposits (including trust accounts)	△271	△1,470
Deposit for repayments of tenant leasehold and security deposits in trust	-	△897
Proceeds from release of restricted fund in trust	-	462
Net Cash Used in Investing Activities	△16,026	△36,711
Cash Flows from Financing Activities:		
Proceeds from short-term borrowings	22,200	118,300
Repayment for short-term borrowings	△15,900	△90,700
Proceeds from a third party allocation of new investment units	9,650	-
Proceeds from issuance of investment units	-	21,146
Payment of dividends	△1,968	△2,246
Net Cash (Used in) Provided by Financing Activities	13,982	46,499
Net Change in Cash and Cash Equivalents	1,089	13,862
Cash and cash equivalents at the beginning of period	3,052	4,141
Cash and cash equivalents at the Ending of period (Note)	4,141	18,003

Note: Please note that there is restricted cash ¥ 897 million for repayments of lease and guarantee deposits received.