

August 13, 2009

## Financial Report for the Tenth Fiscal Period (January 1, 2009 to June 30, 2009)

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 13, 2009  
Planned Commencement of Cash Distribution Payment : September 14, 2009

### 1. PERFORMANCE FOR THE TENTH FISCAL PERIOD

(January 1, 2009 to June 30, 2009)

#### (1) Business Results

(Millions of yen rounded down, unless otherwise stated)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
10th Fiscal Period	6,168	9.0%	3,259	3.3%	2,968	0.6%	2,967	0.6%
9th Fiscal Period	5,658	31.5%	3,154	35.1%	2,951	31.4%	2,950	31.4%

	Net Income per Unit	ROE (Note5)	Ordinary Income to Total Assets	Ordinary income to Operating Revenues
10th Fiscal Period	¥18,547	3.2%	1.7%	48.1%
9th Fiscal Period	¥18,959	3.6%	2.0%	52.2%

Notes:

1. For accounting purposes, the tenth fiscal period is from January 1, 2009 through June 30, 2009, a period of 181 days. The ninth fiscal period is from July 1, 2008 through December 31, 2008, 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 tenth fiscal period was 160,000 units. The average number of investment units for the ninth fiscal period was 155,625 units.
3. Changes in accounting policies: None
4. Percentages for operating revenues, operating income, ordinary income and net income represent the percentage increase or decrease from the previous fiscal period.
5.  $ROE = \text{Net income} / ((\text{Net assets at the beginning of the period} + \text{Net assets at the end of the period})/2)$

## (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
10th Fiscal Period	¥18,548	2,967	¥0	¥0	100.0%	3.2%
9th Fiscal Period	¥18,441	2,950	¥0	¥0	100.0%	3.1%

Notes:

1. The number of investment units outstanding as of June 30, 2009 totaled 160,000 units. The number of investment units outstanding as of December 31, 2008 totaled 160,000 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	Net Assets	Equity Ratio (Note1)	Net Assets per Unit (Note2)
As of the end of 10th Fiscal Period (June 30, 2009)	177,317	92,347	52.1%	¥577,172
As of the end of 9th Fiscal Period (December 31, 2008)	173,615	92,330	53.2%	¥577,066

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 June 30, 2009 totaled 160,000 units. The number of investment units outstanding as of December 31, 2008 totaled 160,000 units.

## (4) Cash Flows

(Millions of yen rounded down, unless otherwise stated)

	Net Cash Provided by (used in) Operating Activities	Net Cash Provided by (used in) Investment Activities	Net Cash Provided by (used in) Financing Activities	Cash and Cash Equivalents at the End of Period
As of the end of 10th Fiscal Period (June 30, 2009)	5,129	△15,636	263	7,760
As of the end of 9th Fiscal Period (December 31, 2008)	4,073	△36,711	46,499	18,003

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

(July 1, 2009 to December 31, 2009)

### Outlook

For the eleventh fiscal period (July 1, 2009 to December 31, 2009) the Investment Corporation is forecasting operating revenues of ¥6,222 million, operating income of ¥ 3,322 million, ordinary income of ¥ 2,966 million, net income of ¥2,965 million and a cash distribution per unit of ¥18,500.

(Millions of yen rounded down, unless otherwise stated)

	Operating Revenues	Operating Income	Ordinary Income	Net Income	Distribution per Unit	Distribution in Excess of Earnings per Unit
11th Fiscal Period	6,222 (0.9%)	3,322 (2.0%)	2,966 (△0.1%)	2,965 (△0.1%)	¥18,500	¥0

(Reference) Estimated net income per unit for the eleventh fiscal period: ¥18,500

Notes:

1. The aforementioned forecasts is based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 11th Fiscal Period ending December 31, 2009" on Page4.
2. Percentages for operating revenues, operating income, ordinary income and net income represent the percentage increase or decrease from the previous fiscal period.
3. Forecasts for the eleventh 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 eleventh fiscal period ¥18,500 is calculated utilizing estimated average number of investment units, 160,000 units.

**Pre-Conditions and Assumptions for Operating Forecasts**  
**for 11th Fiscal Period ending December 31, 2009**

	<b>Pre-Conditions &amp; Assumptions</b>
<b>Investment Assets</b>	<ul style="list-style-type: none"> <li>• The Investment Corporation owns total 19 properties as of today.</li> <li>• It is assumed that there will be no change in the number of the investment assets, due to acquisitions and/or disposals, until the end of the 11th fiscal period (December 31, 2009).</li> <li>• Actual numbers may change due to the future acquisitions and/or disposals of existing properties, if any.</li> </ul>
<b>Investment Units Issued</b>	<ul style="list-style-type: none"> <li>• The number of the outstanding investment units is based on the number as of today, which are 160,000 units.</li> </ul>
<b>Liabilities</b>	<ul style="list-style-type: none"> <li>• The balance of borrowings as of today is ¥ 43,700 million.</li> <li>• The loan to value ratio (LTV) as of December 31, 2009 is expected to be approximately 45%.  * LTV = (Borrowings + Security deposits – Unrestricted cash and deposits)  / (Total assets – Unrestricted cash and deposits)</li> </ul>
<b>Operating Revenues</b>	<ul style="list-style-type: none"> <li>• This assumes lease business revenue from existing portfolio assets of 19 properties. It is calculated based on the individual lease contracts which is valid as of today and estimated fluctuating factors.</li> </ul>
<b>Operating Expenses</b>	<ul style="list-style-type: none"> <li>• The leasing business expenses, which are major operating expenses, is calculated based on actual figures and estimated fluctuating factors.</li> <li>• 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 11th fiscal period, which is ¥ 712 million, will be posted to leasing business expenses.</li> <li>• However, should properties be newly acquired during the 11th 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.</li> <li>• Depreciation expenses are calculated using the straight-line method. It includes ancillary expenses and additional future capital expenses (¥ 1,432 million for the 11th fiscal period).</li> </ul>
<b>Other Expenses</b>	<ul style="list-style-type: none"> <li>• It is assumed that leasing business expenses, which are interests charged on borrowings and security deposits, will be ¥365 million for the 11th period.</li> </ul>
<b>Distribution Per Unit</b>	<ul style="list-style-type: none"> <li>• Cash dividends (distribution per unit) are calculated according to the Investment Corporation's distribution policy described in its Articles of Incorporation.</li> <li>• 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.</li> </ul>
<b>Distribution in Excess of Earnings per Unit</b>	<ul style="list-style-type: none"> <li>• The Investment Corporation does not currently anticipate cash distributions in excess of earnings per unit.</li> </ul>
<b>Others</b>	<ul style="list-style-type: none"> <li>• 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, which would impact the aforementioned forecasts.</li> <li>• 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.</li> </ul>

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

Frontier Real Estate Investment Corporation as of December 31, 2008 and June 30, 2009.

(Millions of Yen rounded down)

	9th Fiscal Period As of December 31, 2008	10th Fiscal Period As of June 30, 2009	Change
<b>ASSETS</b>			
Current assets:			
Cash and deposits (including those in trust accounts)	18,900	9,201	
Operating accounts receivable	42	11	
Prepaid expenses	31	31	
Deferred tax assets	0	0	
Other	409	33	
Total current assets	19,383	9,279	△10,103
Noncurrent assets:			
Property, plant and equipment (including those in trust accounts)			
Buildings	65,106	70,846	
Structures	1,738	1,819	
Machinery and equipment	253	253	
Tools, furniture and fixtures	35	36	
Land	94,447	103,876	
Construction in progress	4	-	
Less: accumulated depreciation	△7,377	△8,807	
Total property, plant and equipment	154,209	168,025	13,815
Intangible assets			
Intangible assets, net of amortization	0	0	
Total intangible assets	0	0	0
Investments and other assets			
Securities deposited	10	10	
Long-term prepaid expenses	11	2	
Total investments and other assets	22	12	△9
Total noncurrent assets	154,232	168,038	13,805
<b>TOTAL ASSETS</b>	<b>173,615</b>	<b>177,317</b>	<b>3,701</b>

(Millions of Yen rounded down)

	9th Fiscal Period	10th Fiscal Period	Change
	As of December 31, 2008	As of June 30, 2009	
<b>LIABILITIES</b>			
Current liabilities:			
Operating accounts payable	290	631	
Short-term loans payable	40,500	29,300	
Current portion of long-term loans payable	-	80	
Accounts payable	10	38	
Accrued expenses	136	165	
Income taxes payable	0	0	
Advances received	725	835	
Deposits received	7	2	
<b>Total current liabilities</b>	<b>41,670</b>	<b>31,054</b>	<b>△10,616</b>
Noncurrent liabilities:			
Long-term loans payable	-	14,320	
Deferred tax liabilities	-	0	
Tenant leasehold and security deposits (including those in trust accounts)	39,546	39,530	
Other	67	64	
<b>Total noncurrent liabilities</b>	<b>39,614</b>	<b>53,915</b>	<b>14,301</b>
<b>TOTAL LIABILITIES</b>	<b>81,284</b>	<b>84,969</b>	<b>3,685</b>
<b>NET ASSETS</b>			
Unitholders' equity:			
Unitholders' capital	89,379	89,379	
Units authorized : 2,000,000 units			
Units issued and outstanding : 160,000 units			
Surplus			
Unappropriated retained earnings	2,950	2,967	
<b>Total surplus</b>	<b>2,950</b>	<b>2,967</b>	<b>17</b>
<b>Total unitholders' equity</b>	<b>92,330</b>	<b>92,347</b>	<b>17</b>
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	0	0	
<b>Total valuation and translation adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL NET ASSETS</b>	<b>92,330</b>	<b>92,347</b>	<b>16</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>173,615</b>	<b>177,317</b>	<b>3,701</b>

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

Frontier Real Estate Investment Corporation for the six-month ended December 31, 2008 and June 30, 2009.

(Millions of Yen rounded down)

	<For the six months ended>		
	9th Fiscal Period	10th Fiscal Period	Change
	December 31, 2008	June 30, 2009	
Operating revenues:			
Lease business revenue	5,636	6,139	
Other lease business revenue	21	29	
Total operating revenues	5,658	6,168	510
Operating expenses:			
Expenses related to rent business	2,189	2,528	
Asset management fee	218	271	
Asset custody fee	7	8	
Administrative service fees	35	18	
Directors' compensations	6	6	
Other operating expenses	46	75	
Total operating expenses	2,504	2,909	405
<b>OPERATING INCOME</b>	<b>3,154</b>	<b>3,259</b>	<b>105</b>
Non-operating income:			
Interest income	7	7	
Other	8	3	
Total non-operating income	16	10	△5
Non-operating expenses:			
Interest expenses	162	301	
Other	56	-	
Total non-operating expenses	218	301	82
<b>ORDINARY INCOME</b>	<b>2,951</b>	<b>2,968</b>	<b>17</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,951</b>	<b>2,968</b>	<b>17</b>
Current and deferred income taxes	0	0	0
<b>NET INCOME</b>	<b>2,950</b>	<b>2,967</b>	<b>17</b>
<b>UNAPPROPRIATED RETAINED EARNINGS</b>	<b>2,950</b>	<b>2,967</b>	<b>17</b>

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

Frontier Real Estate Investment Corporation for the six-month ended December 31, 2008 and June 30, 2009.

(Millions of Yen rounded down)

	<For the six months ended>	
	9th Fiscal Period	10th Fiscal Period
	December 31, 2008	June 30, 2009
<b>Net Cash Provided by (used in) Operating Activities:</b>		
Income before income taxes	2,951	2,968
Depreciation	1,297	1,430
Interest income	△7	△7
Interest expense	162	301
Decrease (Increase) in operating accounts receivable	△42	30
Decrease (Increase) in prepaid expenses	△6	8
Increase (Decrease) in operating accounts payable	△106	171
Increase (Decrease) in accrued expenses	7	12
Increase (Decrease) in advances received	9	106
Other	△53	385
Subtotal	4,212	5,407
Interest income received	7	7
Interest expenses paid	△144	△284
Income taxes paid	△1	△1
<b>Net Cash Provided by (used in) Operating Activities</b>	<b>4,073</b>	<b>5,129</b>
<b>Net Cash Provided by (used in) Investment Activities:</b>		
Purchases of property, plant and equipment (including those in trust)	△36,946	△15,076
Repayments of lease and guarantee deposits received (including those in trust)	△1,470	△560
Proceeds from lease and guarantee deposits received (including those in trust)	2,140	544
Deposit for repayments of tenant leasehold and security deposits in trust	△897	△544
Proceeds from release of restricted fund in trust	462	-
<b>Net Cash Provided by (used in) Investment Activities</b>	<b>△36,711</b>	<b>△15,636</b>
<b>Net Cash Provided by (used in) Financing Activities:</b>		
Increase in short-term loans payable	118,300	22,500
Decrease in short-term loans payable	△90,700	△33,700
Proceeds from long-term loans payable	-	14,400
Proceeds from issuance of investment units	21,146	-
Dividends paid	△2,246	△2,936
<b>Net Cash Provided by (used in) Financing Activities</b>	<b>46,499</b>	<b>263</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>13,862</b>	<b>△10,243</b>
Cash and cash equivalents at the beginning of period	4,141	18,003
<b>Cash and cash equivalents at the Ending of period (Note)</b>	<b>18,003</b>	<b>7,760</b>

Note: Please note that there is restricted cash ¥ 1,441million for repayments of lease and guarantee deposits received.