

February 15, 2010

Financial Report for the Eleventh Fiscal Period (July 1, 2009 to December 31, 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/>)

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 : February 15, 2010
Planned Commencement of Cash Distribution Payment : March 11, 2010

1. PERFORMANCE FOR THE ELEVENTH FISCAL PERIOD

(July 1, 2009 to December 31, 2009)

(1) Business Results

(Millions of yen rounded down, unless otherwise stated)

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
11th Fiscal Period	6,233	1.1%	3,336	2.4%	2,998	1.0%	2,997	1.0%
10th Fiscal Period	6,168	9.0%	3,259	3.3%	2,968	0.6%	2,967	0.6%

	Net Income per Unit	ROE (Note5)	Ordinary Income to Total Assets	Ordinary income to Operating Revenue
11th Fiscal Period	¥18,736	3.2%	1.7%	48.1%
10th Fiscal Period	¥18,547	3.2%	1.7%	48.1%

Notes:

1. For accounting purposes, the eleventh fiscal period is from July 1, 2009 through December 31, 2009, a period of 184 days. The tenth fiscal period is from January 1, 2009 through June 30, 2009, a period of 181 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 eleventh fiscal period was 160,000 units. The average number of investment units for the tenth fiscal period was 160,000 units.
3. Changes in accounting policies: None
4. Percentages for operating revenue, 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
11th Fiscal Period	¥18,737	2,997	¥0	¥0	100.0%	3.2%
10th Fiscal Period	¥18,548	2,967	¥0	¥0	100.0%	3.2%

Notes:

1. The number of investment units outstanding as of December 31, 2009 totaled 160,000 units. The number of investment units outstanding as of June 30, 2009 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 11th Fiscal Period (December 31, 2009)	177,951	92,377	51.9%	¥577,361
As of the end of 10th Fiscal Period (June 30, 2009)	177,317	92,347	52.1%	¥577,172

Notes:

1. Equity Ratio = Net assets / Total assets
Equity ratio is rounded down to the first decimal place.
2. The number of investment units outstanding as of December 31, 2009 totaled 160,000 units. The number of investment units outstanding as of June 30, 2009 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 11th Fiscal Period (December 31, 2009)	4,567	△4,213	△2,103	6,010
As of the end of 10th Fiscal Period (June 30, 2009)	5,129	△15,636	263	7,760

2. FORECAST OF RESULTS FOR THE TWELFTH FISCAL PERIOD

(January 1, 2010 to June 30, 2010)

Outlook

For the twelfth fiscal period (January 1, 2010 to June 30, 2010) the Investment Corporation is forecasting operating revenue of ¥6,355 million, operating Income of ¥3,313 million, ordinary income of ¥2,969 million, net income of ¥2,968 million and a cash distribution per unit of ¥18,500.

(Millions of yen rounded down, unless otherwise stated)

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Distribution per Unit	Distribution in Excess of Earnings per Unit
12th Fiscal Period	6,355 (2.0%)	3,313 (△0.7%)	2,969 (△1.0%)	2,968 (△1.0%)	¥18,500	¥0

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

Notes:

1. The aforementioned forecasts is based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 12th Fiscal Period ending June 30, 2010" on Page 4.
2. Percentages for operating revenue, operating income, ordinary income and net income represent the percentage increase or decrease from the previous fiscal period.
3. Forecasts for the twelfth 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 twelfth fiscal period, ¥18,500 is calculated utilizing estimated average number of investment units, which is 160,000 units.

Pre-Conditions and Assumptions for Operating Forecasts
for 12th Fiscal Period ending June 30, 2010

	Pre-Conditions & Assumptions
Investment Assets	<ul style="list-style-type: none"> • The Investment Corporation owns total 20 properties as of February 15, 2010. • 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 12th fiscal period (June 30, 2010). • Actual numbers may change due to the future acquisitions and/or disposals of existing properties, if any.
Investment Units Issued	<ul style="list-style-type: none"> • The number of the outstanding investment units is based on the number as of February 15, 2010, which are 160,000 units.
Liabilities	<ul style="list-style-type: none"> • The balance of borrowings as of February 15, 2010 is ¥ 44,560 million. • It is assumed that refinancing and self-financing (partial) will be executed for the repayment of borrowings due by June 30, 2010. • The loan to value ratio (LTV) as of June 30, 2010 is expected to be approximately 46%. * LTV = (Borrowings + Security deposits – Unrestricted cash and deposits) / (Total assets – Unrestricted cash and deposits)
Operating Revenues	<ul style="list-style-type: none"> • This assumes lease business revenue from existing portfolio assets of 20 properties. It is calculated based on the individual lease contracts which is valid as of February 15, 2010 and estimated fluctuating factors.
Operating Expenses	<ul style="list-style-type: none"> • The leasing business expenses (subcontracting expenses, etc.), which are major operating expenses, is calculated based on actual figures and estimated fluctuating factors. • Regarding repair expenses, the amount estimated based on planned construction projects during the 12th fiscal period is budgeted as expenses. • Regarding property tax, city planning tax and other imposts relating to the properties owned by the Investment Corporation, the portion allocated to the 12th fiscal period, which is ¥ 780 million, will be posted to leasing business expenses. • However, should properties be newly acquired during the 12th 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 expenses (¥ 1,466 million for the 12th fiscal period).
Non-operating Expenses	<ul style="list-style-type: none"> • It is assumed that non-operating expenses, which include interests charged on borrowings, security deposits and so on, will be ¥346 million for the 12th period.

	Pre-Conditions & Assumptions
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, changes in leasing revenues due to tenant movements, etc. and/or 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 that 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. • Calculations and operating forecasts are also based on the assumption that 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, 2009 and December 31, 2009.

(Millions of Yen rounded down)

	10th Fiscal Period	11th Fiscal Period	Change
	As of June 30, 2009	As of December 31, 2009	
ASSETS			
Current assets:			
Cash and deposits (including those in trust accounts)	9,201	7,456	
Operating accounts receivable	11	11	
Prepaid expenses	31	25	
Deferred tax assets	0	0	
Other	33	0	
Total current assets	9,279	7,493	△1,785
Noncurrent assets:			
Property, plant and equipment (including those in trust accounts)			
Buildings	70,846	72,152	
Structures	1,819	1,824	
Machinery and equipment	253	319	
Tools, furniture and fixtures	36	42	
Land	103,876	106,353	
Less: accumulated depreciation	△8,807	△10,246	
Total property, plant and equipment	168,025	170,446	2,421
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	2	0	
Total investments and other assets	12	11	△1
Total noncurrent assets	168,038	170,457	2,419
TOTAL ASSETS	177,317	177,951	634

(Millions of Yen rounded down)

	10th Fiscal Period	11th Fiscal Period	Change
	As of June 30, 2009	As of December 31, 2009	
LIABILITIES			
Current liabilities:			
Operating accounts payable	631	374	
Short-term loans payable	29,300	20,200	
Current portion of long-term loans payable	80	320	
Accounts payable	38	51	
Accrued expenses	165	184	
Income taxes payable	0	0	
Accrued consumption taxes	—	192	
Advances received	835	861	
Deposits received	2	1	
Total current liabilities	31,054	22,185	△8,868
Noncurrent liabilities:			
Long-term loans payable	14,320	24,040	
Deferred tax liabilities	0	0	
Tenant leasehold and security deposits (including those in trust accounts)	39,530	39,286	
Other	64	61	
Total noncurrent liabilities	53,915	63,388	9,472
TOTAL LIABILITIES	84,969	85,573	603
NET ASSETS			
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	2,967	2,997	
Total surplus	2,967	2,997	30
Total unitholders' equity	92,347	92,377	30
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	0	0	
Total valuation and translation adjustments	0	0	0
TOTAL NET ASSETS	92,347	92,377	30
TOTAL LIABILITIES AND NET ASSETS	177,317	177,951	634

Statements of Income <Consistent with Japanese GAAP>

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

(Millions of Yen rounded down)

	<For the six months ended>		Change
	10th Fiscal Period	11th Fiscal Period	
	June 30, 2009	December 31, 2009	
Operating revenue:			
Lease business revenue	6,139	6,229	
Other lease business revenue	29	4	
Total operating revenue	6,168	6,233	64
Operating expenses:			
Expenses related to rent business	2,528	2,530	
Asset management fee	271	279	
Asset custody fee	8	8	
Administrative service fees	18	18	
Directors' compensations	6	6	
Other operating expenses	75	53	
Total operating expenses	2,909	2,897	△12
OPERATING INCOME	3,259	3,336	77
Non-operating income:			
Interest income	7	3	
Other	3	0	
Total non-operating income	10	3	△6
Non-operating expenses:			
Interest expenses	301	338	
Other	-	2	
Total non-operating expenses	301	341	40
ORDINARY INCOME	2,968	2,998	30
INCOME BEFORE INCOME TAXES	2,968	2,998	30
Current and deferred income taxes	0	0	0
NET INCOME	2,967	2,997	30
UNAPPROPRIATED RETAINED EARNINGS	2,967	2,997	30

Statements of Cash Flows <Consistent with Japanese GAAP>

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

(Millions of Yen rounded down)

	<For the six months ended>	
	10th Fiscal Period	11th Fiscal Period
	June 30, 2009	December 31, 2009
Net Cash Provided by (used in) Operating Activities:		
Income before income taxes	2,968	2,998
Depreciation	1,430	1,438
Interest income	△7	△3
Interest expense	301	338
Decrease (Increase) in operating accounts receivable	30	0
Decrease (Increase) in prepaid expenses	8	7
Increase (Decrease) in operating accounts payable	171	△129
Increase (Decrease) in accrued expenses	12	5
Increase (Decrease) in accrued consumption taxes	-	192
Increase (Decrease) in advances received	106	23
Other	385	16
Subtotal	5,407	4,890
Interest income received	7	3
Interest expenses paid	△284	△325
Income taxes paid	△1	0
Net Cash Provided by (used in) Operating Activities	5,129	4,567
Net Cash Provided by (used in) Investment Activities:		
Purchases of property, plant and equipment (including those in trust)	△15,076	△3,965
Repayments of lease and guarantee deposits received (including those in trust)	△560	△456
Proceeds from lease and guarantee deposits received (including those in trust)	544	212
Deposit for repayments of tenant leasehold and security deposits in trust	△544	△4
Net Cash Provided by (used in) Investment Activities	△15,636	△4,213
Net Cash Provided by (used in) Financing Activities:		
Increase in short-term loans payable	22,500	19,400
Decrease in short-term loans payable	△33,700	△28,500
Proceeds from long-term loans payable	14,400	10,000
Repayment of long-term loans payable	-	△40
Dividends paid	△2,936	△2,963
Net Cash Provided by (used in) Financing Activities	263	△2,103
Net Increase (Decrease) in Cash and Cash Equivalents	△10,243	△1,749
Cash and cash equivalents at the beginning of period	18,003	7,760
Cash and cash equivalents at the Ending of period (Note)	7,760	6,010

Note: Please note that there is restricted cash ¥ 1,445 million for repayments of lease and guarantee deposits received.