

August 16, 2010

Financial Report for the Twelfth Fiscal Period (January 1, 2010 to June 30, 2010)

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 16, 2010
Planned Commencement of Cash Distribution Payment : September 13, 2010

1. PERFORMANCE FOR THE TWELFTH FISCAL PERIOD

(January 1, 2010 to June 30, 2010)

(1) Business Results

(Millions of yen rounded down, unless otherwise stated)

| | Operating Revenue | | Operating Income | | Ordinary Income | | Net Income | |
|--------------------|-------------------|------|------------------|-------|-----------------|-------|------------|-------|
| 12th Fiscal Period | 6,364 | 2.1% | 3,332 | △0.1% | 2,975 | △0.8% | 2,974 | △0.8% |
| 11th Fiscal Period | 6,233 | 1.1% | 3,336 | 2.4% | 2,998 | 1.0% | 2,997 | 1.0% |

| | Net Income per Unit | ROE (Note5) | Ordinary Income to Total Assets | Ordinary income to Operating Revenue |
|--------------------|---------------------|-------------|---------------------------------|--------------------------------------|
| 12th Fiscal Period | ¥18,588 | 3.2% | 1.7% | 46.7% |
| 11th Fiscal Period | ¥18,736 | 3.2% | 1.7% | 48.1% |

Notes:

1. For accounting purposes, the twelfth fiscal period is from January 1, 2010 through June 30, 2010, a period of 181 days. The eleventh fiscal period is from July 1, 2009 through December 31, 2009, 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 twelfth fiscal period was 160,000 units. The average number of investment units for the eleventh 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 = Net income / ((Net assets at the beginning of the period + 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 |
|--------------------|----------------------------------|---------------------|---|---|-------------------------|----------------------------------|
| 12th Fiscal Period | ¥18,588 | 2,974 | ¥0 | ¥0 | 99.9% | 3.2% |
| 11th Fiscal Period | ¥18,737 | 2,997 | ¥0 | ¥0 | 100.0% | 3.2% |

Notes:

1. The number of investment units outstanding as of June 30, 2010 totaled 160,000 units. The number of investment units outstanding as of December 31, 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 12th Fiscal Period (June 30, 2010) | 177,390 | 92,354 | 52.1% | ¥577,212 |
| As of the end of 11th Fiscal Period (December 31, 2009) | 177,951 | 92,377 | 51.9% | ¥577,361 |

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 June 30, 2010 totaled 160,000 units. The number of investment units outstanding as of December 31, 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 12th Fiscal Period (June 30, 2010) | 4,586 | △481 | △3,155 | 6,959 |
| As of the end of 11th Fiscal Period (December 31, 2009) | 4,567 | △4,213 | △2,103 | 6,010 |

2. FORECAST OF RESULTS FOR THE THIRTEENTH FISCAL PERIOD

(July 1, 2010 to December 31, 2010)

Outlook

For the thirteenth fiscal period (July 1, 2010 to December 31, 2010) the Investment Corporation is forecasting operating revenue of ¥7,400 million, operating Income of ¥3,885 million, ordinary income of ¥3,479 million, net income of ¥3,478 million and a cash distribution per unit of ¥17,900.

(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 |
|--------------------|-------------------|------------------|------------------|------------------|-----------------------|---|
| 13th Fiscal Period | 7,400 (16.3%) | 3,885 (16.6%) | 3,479 (17.0%) | 3,478 (17.0%) | ¥17,900 | ¥0 |

(Reference) Estimated net income per unit for the thirteenth fiscal period: ¥17,900

Notes:

1. The aforementioned forecasts is based on the "Pre-Conditions and Assumptions for Operating Forecasts for 13th Fiscal Period ending December 31, 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 thirteenth 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 thirteenth fiscal period, ¥17,900 is calculated utilizing estimated average number of investment units, which is 194,000 units.

Pre-Conditions and Assumptions for Operating Forecasts
for 13th Fiscal Period ending December 31, 2010

| | Pre-Conditions & Assumptions |
|--------------------------------|--|
| Investment Assets | <ul style="list-style-type: none"> • The pre-condition assumes the total of 22 properties held as of August 16, 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 13th fiscal period (December 31, 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 pre-condition assumes that the number of units issued and outstanding is 194,000 total as of August 16, 2010. |
| Liabilities | <ul style="list-style-type: none"> • The balance of borrowings as of August 16, 2010 is ¥ 54,400 million. • It is assumed that refinancing and self-financing (partial) will be executed for the repayment of borrowings due by December 31, 2010. • The loan to value ratio (LTV) as of December 31, 2010 is expected to be approximately 43%. * 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 the total of 22 properties. It is calculated based on the individual lease contracts which is valid as of August 16, 2010 and estimated fluctuating factors. |
| Operating Expenses | <ul style="list-style-type: none"> • The leasing business expenses (subcontracting expenses, etc.) are major operating expenses. It is calculated based on actual figures and estimated fluctuating factors. • Regarding repair expenses, the amount estimated based on planned construction projects during the 13th 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 13th fiscal period, which is ¥ 776 million, will be posted to leasing business expenses. However, should properties be newly acquired during the 13th 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. For New Properties, municipal property tax and other monies for settlement are not calculated as operating expenses but are included in their acquisition cost. • Depreciation expenses are calculated using the straight-line method. It includes ancillary expenses and additional future capital expenses (¥ 1,785 million for the 13th 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 ¥391 million for the 13th period. • It is assumed that there will be ¥18 million temporary expenses as part of expenses associated with the issuance of new units resolved in Board of Directors meeting held on June 14, 2010. |

| | 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 December 31, 2009 and June 30, 2010.

(Millions of Yen rounded down)

| | 11th Fiscal Period As of December 31, 2009 | 12th Fiscal Period As of June 30, 2010 | Change |
|--|---|---|-------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and deposits (including those in trust accounts) | 7,456 | 8,340 | |
| Operating accounts receivable | 11 | 9 | |
| Prepaid expenses | 25 | 12 | |
| Deferred tax assets | 0 | 0 | |
| Other | 0 | 0 | |
| Total current assets | 7,493 | 8,362 | 868 |
| Noncurrent assets: | | | |
| Property, plant and equipment (including those in trust accounts) | | | |
| Buildings | 72,152 | 72,166 | |
| Structures | 1,824 | 1,824 | |
| Machinery and equipment | 319 | 319 | |
| Tools, furniture and fixtures | 42 | 43 | |
| Land | 106,353 | 106,353 | |
| Construction in progress | - | 20 | |
| Less: accumulated depreciation | △10,246 | △11,711 | |
| Total property, plant and equipment | 170,446 | 169,016 | △1,430 |
| 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 | 0 | 0 | |
| Total investments and other assets | 11 | 10 | △0 |
| Total noncurrent assets | 170,457 | 169,027 | △1,430 |
| TOTAL ASSETS | 177,951 | 177,390 | △561 |

(Millions of Yen rounded down)

| | 11th Fiscal Period | 12th Fiscal Period | Change |
|---|-------------------------|---------------------|-------------|
| | As of December 31, 2009 | As of June 30, 2010 | |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Operating accounts payable | 374 | 476 | |
| Short-term loans payable | 20,200 | 20,200 | |
| Current portion of long-term loans payable | 320 | 320 | |
| Accounts payable | 51 | 82 | |
| Accrued expenses | 184 | 186 | |
| Income taxes payable | 0 | 0 | |
| Accrued consumption taxes | 192 | 138 | |
| Advances received | 861 | 865 | |
| Deposits received | 1 | 4 | |
| Total current liabilities | 22,185 | 22,273 | 88 |
| Noncurrent liabilities: | | | |
| Long-term loans payable | 24,040 | 23,880 | |
| Deferred tax liabilities | 0 | 0 | |
| Tenant leasehold and security deposits (including those in trust accounts) | 39,286 | 38,823 | |
| Other | 61 | 58 | |
| Total noncurrent liabilities | 63,388 | 62,762 | △626 |
| TOTAL LIABILITIES | 85,573 | 85,036 | △537 |
| 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 | 2,997 | 2,974 | |
| Total surplus | 2,997 | 2,974 | △23 |
| Total unitholders' equity | 92,377 | 92,353 | △23 |
| Valuation and translation adjustments | | | |
| Valuation difference on available-for-sale securities | 0 | 0 | |
| Total valuation and translation adjustments | 0 | 0 | 0 |
| TOTAL NET ASSETS | 92,377 | 92,354 | △23 |
| TOTAL LIABILITIES AND NET ASSETS | 177,951 | 177,390 | △561 |

Statements of Income <Consistent with Japanese GAAP>

Frontier Real Estate Investment Corporation for the six-month ended December 31, 2009 and June 30, 2010

(Millions of Yen rounded down)

| | <For the six months ended> | | |
|---|----------------------------|--------------------|------------|
| | 11th Fiscal Period | 12th Fiscal Period | Change |
| | December 31, 2009 | June 30, 2010 | |
| Operating revenue: | | | |
| Lease business revenue | 6,229 | 6,356 | |
| Other lease business revenue | 4 | 7 | |
| Total operating revenue | 6,233 | 6,364 | 130 |
| Operating expenses: | | | |
| Expenses related to rent business | 2,530 | 2,646 | |
| Asset management fee | 279 | 278 | |
| Asset custody fee | 8 | 8 | |
| Administrative service fees | 18 | 19 | |
| Directors' compensations | 6 | 6 | |
| Other operating expenses | 53 | 72 | |
| Total operating expenses | 2,897 | 3,031 | 134 |
| OPERATING INCOME | 3,336 | 3,332 | Δ4 |
| Non-operating income: | | | |
| Interest income | 3 | 3 | |
| Other | 0 | 0 | |
| Total non-operating income | 3 | 4 | 0 |
| Non-operating expenses: | | | |
| Interest expenses | 338 | 328 | |
| Other | 2 | 33 | |
| Total non-operating expenses | 341 | 361 | 20 |
| ORDINARY INCOME | 2,998 | 2,975 | Δ23 |
| INCOME BEFORE INCOME TAXES | 2,998 | 2,975 | Δ23 |
| Current and deferred income taxes | 0 | 1 | 0 |
| NET INCOME | 2,997 | 2,974 | Δ23 |
| UNAPPROPRIATED RETAINED EARNINGS | 2,997 | 2,974 | Δ23 |

Statements of Cash Flows <Consistent with Japanese GAAP>

Frontier Real Estate Investment Corporation for the six-month ended December 31, 2009 and June 30, 2010.

(Millions of Yen rounded down)

| | <For the six months ended> | |
|---|----------------------------|--------------------|
| | 11th Fiscal Period | 12th Fiscal Period |
| | December 31, 2009 | June 30, 2010 |
| Net Cash Provided by (used in) Operating Activities: | | |
| Income before income taxes | 2,998 | 2,975 |
| Depreciation | 1,438 | 1,465 |
| Interest income | △3 | △3 |
| Interest expense | 338 | 328 |
| Decrease (Increase) in operating accounts receivable | 0 | 1 |
| Decrease (Increase) in prepaid expenses | 7 | 13 |
| Increase (Decrease) in operating accounts payable | △129 | 139 |
| Increase (Decrease) in accrued expenses | 5 | 6 |
| Increase (Decrease) in accrued consumption taxes | 192 | △53 |
| Increase (Decrease) in advances received | 23 | 0 |
| Other | 16 | 42 |
| Subtotal | 4,890 | 4,917 |
| Interest income received | 3 | 3 |
| Interest expenses paid | △325 | △333 |
| Income taxes paid | 0 | △1 |
| Net Cash Provided by (used in) Operating Activities | 4,567 | 4,586 |
| Net Cash Provided by (used in) Investment Activities: | | |
| Purchases of property, plant and equipment (including those in trust) | △3,965 | △82 |
| Repayments of lease and guarantee deposits received (including those in trust) | △456 | △463 |
| Proceeds from lease and guarantee deposits received (including those in trust) | 212 | - |
| Deposit for repayments of tenant leasehold and security deposits in trust | △4 | - |
| Proceeds from repayments of tenant leasehold and security deposits in trust | - | 64 |
| Net Cash Provided by (used in) Investment Activities | △4,213 | △481 |
| Net Cash Provided by (used in) Financing Activities: | | |
| Increase in short-term loans payable | 19,400 | 22,400 |
| Decrease in short-term loans payable | △28,500 | △22,400 |
| Proceeds from long-term loans payable | 10,000 | - |
| Repayment of long-term loans payable | △40 | △160 |
| Dividends paid | △2,963 | △2,995 |
| Net Cash Provided by (used in) Financing Activities | △2,103 | △3,155 |
| Net Increase (Decrease) in Cash and Cash Equivalents | △1,749 | 949 |
| Cash and cash equivalents at the beginning of period | 7,760 | 6,010 |
| Cash and cash equivalents at the Ending of period (Note) | 6,010 | 6,959 |

Note: Please note that there is restricted cash ¥ 1,381 million for repayments of lease and guarantee deposits received.