

Summary of Financial Results for the 24th Fiscal Period
(January 1, 2016 to June 30, 2016)
<Under Japanese GAAP>

Name of REIT Issuer	:	Frontier Real Estate Investment Corporation
Stock Exchange Listing	:	Tokyo Stock Exchange
Securities Code	:	8964
Website	:	http://www.frontier-reit.co.jp/eng/
Representative	:	Kazuichi Nagata, Executive Director
Name of Asset Manager	:	Mitsui Fudosan Frontier REIT Management Inc.
Representative	:	Hiroshi Tanaka, Chief Executive Officer and Representative Director
Contact	:	Akiko Kaito, Chief Finance Officer and Director TEL: +81-3-3289-0440
Scheduled date to file securities report	:	September 28, 2016
Scheduled date to commence distribution payments	:	September 6, 2016

(Amounts of less than one million yen are rounded down, ratios are rounded off, unless otherwise stated)

1. Performance for the 24th Fiscal Period (January 1, 2016 to June 30, 2016)

(1) Business Results

(% show period-on-period changes)

Period ended,	Operating Revenue		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2016	10,051	0.1	4,864	(6.8)	4,468	(7.1)	4,467	(7.1)
December 31, 2015	10,037	1.9	5,220	3.0	4,809	3.6	4,808	3.6

Period ended,	Net Income per Unit	Return on Equity (Note)	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	yen	%	%	%
June 30, 2016	9,007	2.9	1.7	44.5
December 31, 2015	9,694	3.2	1.8	47.9

Note: Return on Equity = Net income / ((Net assets at beginning of period + Net assets at end of period)/2) × 100

(2) Distributions

(Ratios are rounded down)

Period ended,	Distribution per Unit (Note1)	Total Distributions	Distribution in Excess of Earnings per Unit	Total Distributions in Excess of Earnings	Payout Ratio (Note2)	Distribution to Net Assets
	yen	Millions of yen	yen	Millions of yen	%	%
June 30, 2016	9,694	4,808	0	0	107.6	3.1
December 31, 2015	9,695	4,808	0	0	100.0	3.1

Notes:

- Distribution per unit of the fiscal period ending June 30, 2016 is calculated by adding ¥340 million of reversal of reserve for reduction entry to unappropriated retained earnings, and dividing the amount by the total number of outstanding investment units.
- Payout ratio = Total Distributions / Net Income × 100

(3) Financial Position

	Total Assets	Net Assets	Equity Ratio (Note)	Net Assets per Unit
Period ended,	Millions of yen	Millions of yen	%	yen
June 30, 2016	267,353	151,587	56.7	305,620
December 31, 2015	268,098	151,928	56.7	306,307

Note: Equity Ratio = Net assets / Total assets×100

(4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
Period ended,	Millions of yen	Millions of yen	Millions of yen	Millions of yen
June 30, 2016	15,898	(4,238)	(3,029)	18,958
December 31, 2015	7,302	(235)	(4,762)	10,328

2. Forecast of Results for the 25th Fiscal Period (July 1, 2016 to December 31, 2016)

(Percentages show period-on-period changes)

	Operating Revenue		Operating Income		Ordinary Income		Net Income		Distribution per Unit (Note3)	Distribution in Excess of Earnings per Unit
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen	yen
Period ended, December 31, 2016	9,988	(0.6)	5,209	7.1	4,720	5.6	4,719	5.6	9,500	0

Notes:

1. The aforementioned forecast is based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 25th Fiscal Period (July 1, 2016 to December 31, 2016)" on Page 3.
2. Forecast for the 25th 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.
3. Amount of less than one hundred yen is rounded down.

**Pre-Conditions and Assumptions for Operating Forecasts
for the 25th Fiscal Period (July 1, 2016 to December 31, 2016)**

	Pre-Conditions & Assumptions
Investment Assets	<ul style="list-style-type: none"> • The Investment Corporation owns total 32 properties as of August 15, 2016. • 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 25th fiscal period (December 31, 2016). • For Sports Club Renaissance Hiroshima, a lease contract with the former tenant, RENAISSANCE INC., terminated on July 31, 2016, and the fixed-term land lease contract for business purposes has been concluded with a new tenant, Kohnan Shoji Co., Ltd., on July 15, 2016. The property is managed as a land interest on and after August 1, 2016. • Actual numbers may change due to the future acquisitions and/or disposals of existing properties, if any.
Investment Units Issued	The number of the outstanding investment units is based on the number as of August 15, 2016, which are 496,000 units.
Liabilities	<ul style="list-style-type: none"> • The balance of borrowings, etc. as of August 15, 2016 is ¥ 87,400 million. • It is assumed that refinancing and partial self-financing will be executed for the repayment of borrowings due by December 31, 2016. • The loan to value ratio (LTV*) as of December 31, 2016 is expected to be approximately 42%. * LTV = (Borrowings, etc. + Security deposits – Unrestricted cash and deposits) / (Total assets – Unrestricted cash and deposits)
Operating Revenue	The pre-condition assumes lease business revenue from the aforementioned investment assets of 32 properties. It is calculated based on the individual lease contracts, which is valid as of August 15, 2016, 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 25th 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 25th fiscal period, which is ¥ 997 million, will be posted to leasing business expenses. • Depreciation expenses are calculated using the straight-line method. It includes ancillary expenses and additional future capital expenses (¥ 2,174 million for the 25th 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 ¥ 345 million for the 25th fiscal period. • It is assumed that loss on retirement of Sports Club Renaissance Hiroshima will be ¥ 134 million.

	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. • It is assumed that there will be neither additional nor withdraw of reserve for reduction.
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 Sheet

(Thousands of Yen)

	The 24th Period As of June 30, 2016	The 23rd Period As of December 31, 2015
Assets		
Current assets		
Cash and deposits	¥ 13,602,559	¥ 7,350,495
Cash and deposits in trust	5,782,932	3,430,561
Operating accounts receivable	130,962	179,287
Prepaid expenses	32,995	37,833
Deferred tax assets	18	12
Other	5,051	1,588
Total current assets	19,554,519	10,999,779
Non-current assets		
Property, plant and equipment		
Buildings	55,951,243	55,477,956
Accumulated depreciation	(15,789,650)	(14,746,173)
Buildings, net	40,161,592	40,731,783
Structures	1,152,082	1,148,777
Accumulated depreciation	(685,387)	(644,680)
Structures, net	466,694	504,096
Tools, furniture and fixtures	33,105	33,105
Accumulated depreciation	(22,891)	(21,393)
Tools, furniture and fixtures, net	10,213	11,711
Land	72,921,941	71,448,200
Buildings in trust	45,396,095	49,827,758
Accumulated depreciation	(14,615,237)	(15,667,383)
Buildings in trust, net	30,780,858	34,160,374
Structures in trust	756,268	949,974
Accumulated depreciation	(407,102)	(484,547)
Structures in trust, net	349,165	465,427
Machinery and equipment in trust	669,558	669,558
Accumulated depreciation	(379,123)	(345,132)
Machinery and equipment in trust, net	290,435	324,425
Tools, furniture and fixtures in trust	51,978	73,823
Accumulated depreciation	(19,563)	(32,225)
Tools, furniture and fixtures in trust, net	32,415	41,597
Land in trust	102,727,034	109,338,522
Total property, plant and equipment	247,740,351	257,026,139
Intangible assets		
Other	1,933	2,335
Total intangible assets	1,933	2,335
Investments and other assets		
Long-term prepaid expenses	26,122	38,549
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	20,400	20,400
Total investments and other assets	56,522	68,949
Total non-current assets	247,798,807	257,097,424
Deferred assets		
Investment corporation bonds issuance costs	-	1,024
Total deferred assets	-	1,024
Total assets	¥ 267,353,326	¥ 268,098,229

(Thousands of Yen)

	The 24th Period As of June 30, 2016	The 23rd Period As of December 31, 2015
Liabilities		
Current liabilities		
Operating accounts payable	¥ 760,884	¥ 716,748
Short-term loans payable	3,000,000	3,000,000
Current portion of long-term loans payable	7,440,000	4,560,000
Current portion of investment corporation bonds	-	5,000,000
Accounts payable—other	80,870	36,757
Accrued expenses	272,355	274,881
Income taxes payable	907	712
Accrued consumption taxes	305,025	331,771
Advances received	1,099,339	1,103,459
Deposits received	37,967	38,876
Other	32,400	33,830
Total current liabilities	13,029,749	15,097,036
Non-current liabilities		
Long-term loans payable	68,400,000	64,500,000
Tenant leasehold and security deposits	18,176,024	18,301,534
Tenant leasehold and security deposits in trust	16,137,245	18,245,026
Other	22,530	26,034
Total non-current liabilities	102,735,800	101,072,594
Total liabilities	115,765,550	116,169,631
Net assets		
Unitholders' equity		
Unitholders' capital	146,590,931	146,590,931
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	528,821	528,821
Total voluntary retained earnings	528,821	528,821
Unappropriated retained earnings	4,468,024	4,808,844
Total surplus	4,996,845	5,337,665
Total unitholders' equity	151,587,776	151,928,597
Total net assets	151,587,776	151,928,597
Total liabilities and net assets	¥ 267,353,326	¥ 268,098,229

Statement of Income and Retained Earnings

(Thousands of Yen)

	For the 24th Period from January 1, 2016 to June 30, 2016	For the 23rd Period from July 1, 2015 to December 31, 2015
Operating revenue		
Rent revenue – real estate	¥ 9,989,956	¥ 9,991,186
Rent revenue – other	61,574	45,934
Total operating revenue	10,051,530	10,037,121
Operating expenses		
Expenses related to rent business	4,152,255	4,238,795
Loss on sales of real estate properties	469,963	-
Asset management fee	416,121	428,149
Asset custody fee	13,404	13,450
Administrative service fees	24,485	21,895
Directors' compensations	6,600	6,600
Other operating expenses	104,614	107,616
Total operating expenses	5,187,445	4,816,508
Operating income	4,864,085	5,220,612
Non-operating income		
Interest income	401	645
Interest on securities	136	140
Reversal of distribution payable	2,609	1,888
Other	519	477
Total non-operating income	3,667	3,152
Non-operating expenses		
Interest expenses	358,792	365,440
Interest expenses on investment corporation bonds	9,967	26,969
Amortization of investment corporation bonds issuance costs	1,024	3,074
Other	29,091	18,745
Total non-operating expenses	398,876	414,230
Ordinary income	4,468,876	4,809,535
Income before income taxes	4,468,876	4,809,535
Income taxes – current	982	870
Income taxes – deferred	(5)	(2)
Total income taxes	977	867
Net income	4,467,899	4,808,667
Retained earnings brought forward	124	177
Unappropriated retained earnings	¥ 4,468,024	¥ 4,808,844

Statement of Cash Flows

(Thousands of Yen)

	For the 24th Period from January 1, 2016 to June 30, 2016	For the 23rd Period from July 1, 2015 to December 31, 2015
Cash flows from operating activities		
Income before income taxes	¥ 4,468,876	¥ 4,809,535
Depreciation and amortization	2,157,685	2,197,451
Amortization of investment corporation bonds issuance costs	1,024	3,074
Interest income	(538)	(786)
Interest expenses	368,759	392,410
Decrease (increase) in operating accounts receivable	43,315	(22,793)
Decrease (increase) in prepaid expenses	17,264	2,642
Increase (decrease) in operating accounts payable	96,352	(72,730)
Increase (decrease) in accrued expenses	(1,246)	5,702
Increase (decrease) in accrued consumption taxes	(26,746)	230,417
Decrease (increase) in consumption taxes receivable	-	148,375
Increase (decrease) in advances received	(7,624)	(35,660)
Decrease in property, plant and equipment in trust due to sale	9,108,414	-
Other, net	43,184	52,838
Subtotal	16,268,723	7,710,476
Interest income received	572	757
Interest expenses paid	(370,038)	(408,479)
Income taxes paid	(776)	(350)
Net cash provided by (used in) operating activities	15,898,481	7,302,402
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	-	1,000,000
Purchase of short-term investment securities	(400,000)	(400,000)
Proceeds from redemption of short-term investment securities	400,000	400,000
Purchase of property, plant and equipment	(2,000,114)	(70,424)
Purchase of property, plant and equipment in trust	(30,988)	(151,672)
Purchase of intangible assets	-	(2,103)
Repayments of tenant leasehold and security deposits	(278,959)	(263,076)
Proceeds from tenant leasehold and security deposits	153,450	-
Repayments of tenant leasehold and security deposits in trust	(2,162,726)	(755,843)
Proceeds from tenant leasehold and security deposits in trust	54,945	5,930
Proceeds from bank deposits in trust accounts corresponding to tenant leasehold and security deposits in trust	25,895	1,718
Net cash provided by (used in) investing activities	(4,238,497)	(235,472)
Cash flows from financing activities		
Proceeds from short-term loans payable	13,000,000	20,000,000
Repayment of short-term loans payable	(13,000,000)	(20,500,000)
Proceeds from long-term loans payable	6,900,000	7,500,000
Repayment of long-term loans payable	(120,000)	(7,120,000)
Redemption of investment corporation bonds	(5,000,000)	-
Dividends paid	(4,809,653)	(4,642,269)
Net cash provided by (used in) financing activities	(3,029,653)	(4,762,269)
Net increase (decrease) in cash and cash equivalents	8,630,330	2,304,660
Cash and cash equivalents at beginning of period	10,328,083	8,023,423
Cash and cash equivalents at end of period (Note)	¥ 18,958,414	¥ 10,328,083

Note: There are restricted cash ¥452 million (23th) and ¥427 million (24th) for repayments of lease and guarantee deposits received.