

**Summary of Financial Results for the 27th Fiscal Period**  
**(July 1, 2017 to December 31, 2017)**  
**<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	:	Goro Toyama, Chief Executive Officer and Representative Director
Contact	:	Takashi Iwamoto, Chief Finance Officer and Director TEL: +81-3-3289-0440
Scheduled date to file securities report	:	March 28, 2018
Scheduled date to commence distribution payments	:	March 13, 2018

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

**1. Performance for the 27th Fiscal Period ( July 1, 2017 to December 31, 2017 )**

**(1) Business Results**

(% show period-on-period changes)

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Period ended, December 31, 2017	10,135	1.2	5,331	0.6	5,033	1.2	5,032	1.2
June 30, 2017	10,011	(0.1)	5,300	(1.5)	4,971	(1.6)	4,970	1.2

	Net Income per Unit	Return on Equity (Note)	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	yen	%	%	%
Period ended, December 31, 2017	10,146	3.3	1.8	49.7
June 30, 2017	10,021	3.3	1.8	49.7

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)

	Distribution per Unit	Total Distributions	Distribution in Excess of Earnings per Unit	Total Distributions in Excess of Earnings	Payout Ratio (Note)	Distribution to Net Assets
	yen	Millions of yen	yen	Millions of yen	%	%
Period ended, December 31, 2017	10,146	5,032	0	0	99.9	3.3
June 30, 2017	10,022	4,970	0	0	100.0	3.2

Note: 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
December 31, 2017	272,792	151,811	55.7	306,072
June 30, 2017	274,826	151,750	55.2	305,948

Note: Equity Ratio = Net assets / Total assetsx100

### (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
December 31, 2017	6,788	(5,179)	(5,968)	10,834
June 30, 2017	8,069	(424)	(4,911)	15,194

## 2. Forecast of Results for the 28th Fiscal Period (January 1, 2018 to June 30, 2018)

(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, June 30, 2018	10,111	(0.2)	5,288	(0.8)	5,005	(0.5)	5,004	(0.6)	10,080	0

Notes:

1. The aforementioned forecast is based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 28th Fiscal Period (January 1, 2018 to June 30, 2018)" on Page 3.
2. Forecast for the 28th 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 ten yen is rounded down.

**Pre-Conditions and Assumptions for Operating Forecasts  
for the 28th Fiscal Period (January 1, 2018 to June 30, 2018)**

	<b>Pre-Conditions &amp; Assumptions</b>
<b>Investment Assets</b>	<ul style="list-style-type: none"> <li>• The Investment Corporation owns total 33 properties as of February 15, 2018.</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 28th fiscal period (June 30, 2018).</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>	The number of the outstanding investment units is based on the number as of February 15, 2018, which are 496,000 units.
<b>Liabilities</b>	<ul style="list-style-type: none"> <li>• The balance of borrowings, etc. as of February 15, 2018 is ¥ 84,400 million.</li> <li>• It is assumed that refinancing and partial self-financing will be executed for the repayment of borrowings due by June 30, 2018.</li> <li>• The loan to value ratio (LTV*) as of June 30, 2018 is expected to be approximately 42%. * LTV = (Borrowings, etc. + Security deposits – Unrestricted cash and deposits) / (Total assets – Unrestricted cash and deposits)</li> </ul>
<b>Operating Revenue</b>	The pre-condition assumes lease business revenue from the aforementioned investment assets of 33 properties. It is calculated based on the individual lease contracts, which is valid as of February 15, 2018, and estimated fluctuating factors.
<b>Operating Expenses</b>	<ul style="list-style-type: none"> <li>• The leasing business expenses (subcontracting expenses, etc.), which are major operating expenses, is calculated based on actual figures and estimated fluctuating factors.</li> <li>• Regarding repair expenses, the amount estimated based on planned construction projects during the 28th fiscal period is budgeted as expenses (¥ 334 million for the 28th fiscal period). However, actual repair expenses may be substantially different from the expected amount because increased or additional repair expenses may arise due to certain unanticipated factors.</li> <li>• Regarding property tax, city planning tax and other imposts relating to the properties owned by the Investment Corporation, the portion allocated to the 28th fiscal period, which is ¥ 1,055 million, will be posted to leasing business expenses. However, should properties be newly acquired during the 28th fiscal period and municipal property taxes 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 (¥ 2,068 million for the 28th fiscal period).</li> </ul>

	<b>Pre-Conditions &amp; Assumptions</b>
<b>Non-operating Expenses</b>	<ul style="list-style-type: none"> <li>• It is assumed that non-operating expenses, which include interests charged on borrowings, security deposits, investment corporation bonds and so on, will be ¥ 284 million for the 28th fiscal 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, changes in leasing revenues due to tenant movements, etc. and/or the incidence of unforeseen repairs and maintenance.</li> <li>• It is assumed that there will be neither additional nor withdraw of reserve for reduction.</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 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.</li> <li>• 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.</li> </ul>

## Balance Sheet

(Thousands of Yen)

	The 27th Period As of December 31, 2017	The 26th Period As of June 30, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	¥ 7,623,664	¥ 11,800,831
Cash and deposits in trust	3,683,544	4,031,553
Operating accounts receivable	146,433	131,216
Prepaid expenses	29,896	34,557
Deferred tax assets	13	13
<b>Total current assets</b>	<b>11,483,552</b>	<b>15,998,172</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings	55,789,773	55,775,870
Accumulated depreciation	(18,801,923)	(17,780,044)
Buildings, net	36,987,849	37,995,825
Structures	1,128,567	1,128,567
Accumulated depreciation	(770,207)	(734,797)
Structures, net	358,359	393,769
Tools, furniture and fixtures	60,834	59,712
Accumulated depreciation	(30,371)	(27,310)
Tools, furniture and fixtures, net	30,463	32,402
Land	72,924,783	72,924,783
Buildings in trust	50,168,212	50,028,057
Accumulated depreciation	(17,572,992)	(16,622,622)
Buildings in trust, net	32,595,220	33,405,434
Structures in trust	844,607	844,607
Accumulated depreciation	(485,129)	(461,026)
Structures in trust, net	359,478	383,581
Machinery and equipment in trust	680,741	669,558
Accumulated depreciation	(480,143)	(447,104)
Machinery and equipment in trust, net	200,598	222,453
Tools, furniture and fixtures in trust	72,619	67,598
Accumulated depreciation	(30,934)	(26,405)
Tools, furniture and fixtures in trust, net	41,684	41,193
Land in trust	117,744,997	113,359,080
Construction in progress in trust	12,033	12,033
Total property, plant and equipment	261,255,468	258,770,556
Intangible assets		
Other	1,371	1,271
Total intangible assets	1,371	1,271
Investments and other assets		
Long-term prepaid expenses	-	3,837
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	20,400	20,400
Total investments and other assets	30,400	34,237
<b>Total non-current assets</b>	<b>261,287,240</b>	<b>258,806,066</b>
<b>Deferred assets</b>		
Investment corporation bonds issuance costs	21,269	22,033
<b>Total deferred assets</b>	<b>21,269</b>	<b>22,033</b>
<b>Total assets</b>	<b>¥ 272,792,061</b>	<b>¥ 274,826,272</b>

(Thousands of Yen)

	The 27th Period As of December 31, 2017	The 26th Period As of June 30, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	¥ 895,197	¥ 870,002
Short-term loans payable	4,500,000	3,000,000
Current portion of long-term loans payable	11,700,000	15,500,000
Accounts payable –other	25,656	15,127
Accrued expenses	244,848	257,688
Income taxes payable	888	863
Accrued consumption taxes	187,191	431,826
Advances received	1,073,320	1,098,572
Deposits received	2,748	2,329
Other	32,400	32,400
<b>Total current liabilities</b>	<b>18,662,252</b>	<b>21,208,810</b>
<b>Non-current liabilities</b>		
Investment corporation bonds	3,000,000	3,000,000
Long-term loans payable	66,200,000	64,900,000
Tenant leasehold and security deposits	17,491,798	17,672,625
Tenant leasehold and security deposits in trust	15,613,479	16,278,832
Other	12,599	15,586
<b>Total non-current liabilities</b>	<b>102,317,877</b>	<b>101,867,044</b>
<b>Total liabilities</b>	<b>120,980,129</b>	<b>123,075,854</b>
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	146,590,931	146,590,931
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	188,321	188,321
Total voluntary retained earnings	188,321	188,321
Unappropriated retained earnings	5,032,679	4,971,165
Total surplus	5,221,000	5,159,486
<b>Total unitholders' equity</b>	<b>151,811,931</b>	<b>151,750,418</b>
<b>Total net assets</b>	<b>151,811,931</b>	<b>151,750,418</b>
<b>Total liabilities and net assets</b>	<b>¥ 272,792,061</b>	<b>¥ 274,826,272</b>

## Statement of Income and Retained Earnings

(Thousands of Yen)

	For the 27th Period from July 1, 2017 to December 31, 2017	For the 26th Period from January 1, 2017 to June 30, 2017
<b>Operating revenue</b>		
Rent revenue – real estate	¥ 10,110,805	¥ 9,947,686
Rent revenue – other	24,731	63,712
Total operating revenue	10,135,537	10,011,398
<b>Operating expenses</b>		
Expenses related to rent business	4,163,616	4,091,364
Asset management fee	504,528	498,324
Asset custody fee	13,741	13,713
Administrative service fees	21,503	21,418
Directors' compensations	6,600	6,600
Other operating expenses	94,101	79,937
Total operating expenses	4,804,091	4,711,358
<b>Operating income</b>	5,331,445	5,300,040
<b>Non-operating income</b>		
Interest income	15	150
Reversal of distribution payable	1,074	1,184
Interest on refund	-	1,085
Insurance income	-	3,665
Other	-	100
Total non-operating income	1,089	6,185
<b>Non-operating expenses</b>		
Interest expenses	275,153	311,444
Interest expenses on investment corporation bonds	10,707	10,532
Amortization of investment corporation bonds issuance costs	764	764
Other	12,594	11,688
Total non-operating expenses	299,219	334,430
<b>Ordinary income</b>	5,033,315	4,971,795
<b>Income before income taxes</b>	5,033,315	4,971,795
Income taxes – current	890	886
Income taxes – deferred	(0)	(1)
Total income taxes	890	884
<b>Net income</b>	5,032,425	4,970,910
<b>Retained earnings brought forward</b>	253	254
<b>Unappropriated retained earnings</b>	¥ 5,032,679	¥ 4,971,165

## Statement of Cash Flows

(Thousands of Yen)

	For the 27th Period from July 1, 2017 to December 31, 2017	For the 26th Period from January 1, 2017 to June 30, 2017
<b>Cash flows from operating activities</b>		
Income before income taxes	¥ 5,033,315	¥ 4,971,795
Depreciation and amortization	2,072,619	2,117,278
Amortization of investment corporation bonds issuance costs	764	764
Interest income	(15)	(150)
Interest expenses	285,860	321,977
Decrease (increase) in operating accounts receivable	(15,216)	8,599
Decrease (increase) in prepaid expenses	8,498	15,635
Increase (decrease) in operating accounts payable	(23,682)	228,770
Increase (decrease) in accrued expenses	(185)	2,765
Increase (decrease) in accrued consumption taxes	(244,635)	317,115
Decrease (increase) in consumption taxes receivable	-	364,517
Increase (decrease) in advances received	(28,253)	46,834
Other, net	898	(12,451)
Subtotal	7,089,967	8,383,452
Interest income received	15	150
Interest expenses paid	(300,693)	(313,587)
Income taxes paid	(865)	(871)
Net cash provided by (used in) operating activities	6,788,424	8,069,143
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(8,710)	(39,094)
Purchase of property, plant and equipment in trust	(4,497,862)	(103,388)
Repayments of tenant leasehold and security deposits	(255,576)	(278,959)
Proceeds from tenant leasehold and security deposits	82,249	1,534
Repayments of tenant leasehold and security deposits in trust	(728,367)	(43,515)
Proceeds from tenant leasehold and security deposits in trust	63,014	239,793
Payments for restricted bank deposits in trust	(50,629)	(216,000)
Proceeds from reversal of restricted bank deposits in trust	216,000	14,741
Net cash provided by (used in) investing activities	(5,179,881)	(424,889)
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans payable	31,500,000	25,000,000
Repayment of short-term loans payable	(30,000,000)	(27,000,000)
Proceeds from long-term loans payable	3,500,000	5,000,000
Repayment of long-term loans payable	(6,000,000)	(3,000,000)
Payments for investment corporation bond issuance costs	-	(611)
Dividends paid	(4,968,348)	(4,911,308)
Net cash provided by (used in) financing activities	(5,968,348)	(4,911,920)
<b>Net increase (decrease) in cash and cash equivalents</b>	(4,359,805)	2,732,333
<b>Cash and cash equivalents at beginning of period</b>	15,194,757	12,462,423
<b>Cash and cash equivalents at end of period (Note)</b>	¥ 10,834,951	¥ 15,194,757

Note: There are restricted cash ¥637 million (26th) and ¥472 million (27th) for repayments of lease and guarantee deposits received.