

**Summary of Financial Results for the 26th Fiscal Period**  
**(January 1, 2017 to June 30, 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 : September 27, 2017  
 Scheduled date to commence distribution payments : September 12, 2017

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

**1. Performance for the 26th Fiscal Period ( January 1, 2017 to June 30, 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, June 30, 2017	10,011	(0.1)	5,300	(1.5)	4,971	(1.6)	4,970	1.2
December 31, 2016	10,022	(0.3)	5,379	10.6	5,050	13.0	4,911	9.9

	Net Income per Unit	Return on Equity (Note)	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	yen	%	%	%
Period ended, June 30, 2017	10,021	3.3	1.8	49.7
December 31, 2016	9,902	3.2	1.9	50.4

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, June 30, 2017	10,022	4,970	0	0	100.0	3.2
December 31, 2016	9,903	4,911	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
June 30, 2017	274,826	151,750	55.2	305,948
December 31, 2016	274,263	151,691	55.3	305,829

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
June 30, 2017	8,069	(424)	(4,911)	15,194
December 31, 2016	6,311	(15,537)	2,729	12,462

## 2. Forecast of Results for the 27th Fiscal Period (July 1, 2017 to December 31, 2017)

(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, 2017	10,107	1.0	5,313	0.3	5,004	0.7	5,003	0.7	10,080	0

Notes:

1. The aforementioned forecast is based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 27th Fiscal Period (July 1, 2017 to December 31, 2017)" on Page 3, which has been changed after the announcement of the forecast of results for the same period on June 27, 2017.
2. Forecast for the 27th 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 27th Fiscal Period (July 1, 2017 to December 31, 2017)**

	<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 August 15, 2017.</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 27th fiscal period (December 31, 2017).</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 August 15, 2017, which are 496,000 units.
<b>Liabilities</b>	<ul style="list-style-type: none"> <li>• The balance of borrowings, etc. as of August 15, 2017 is ¥ 86,400 million.</li> <li>• It is assumed that refinancing and partial self-financing will be executed for the repayment of borrowings due by December 31, 2017.</li> <li>• The loan to value ratio (LTV*) as of December 31, 2017 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 August 15, 2017, 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 27th fiscal period is budgeted as expenses.</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 27th fiscal period, which is ¥ 1,043 million, will be posted to leasing business expenses.</li> <li>• Depreciation expenses are calculated using the straight-line method. It includes ancillary expenses and additional future capital expenses (¥ 2,066 million for the 27th fiscal period).</li> </ul>
<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 ¥ 310 million for the 27th fiscal period.</li> </ul>

	<b>Pre-Conditions &amp; Assumptions</b>
<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 26th Period As of June 30, 2017	The 25th Period As of December 31, 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	¥ 11,800,831	¥ 9,411,665
Cash and deposits in trust	4,031,553	3,487,126
Operating accounts receivable	131,216	139,815
Prepaid expenses	34,557	37,928
Deferred tax assets	13	12
Other	-	364,517
<b>Total current assets</b>	<b>15,998,172</b>	<b>13,441,066</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings	55,775,870	55,768,092
Accumulated depreciation	(17,780,044)	(16,758,376)
Buildings, net	37,995,825	39,009,716
Structures	1,128,567	1,125,399
Accumulated depreciation	(734,797)	(699,460)
Structures, net	393,769	425,939
Tools, furniture and fixtures	59,712	57,578
Accumulated depreciation	(27,310)	(24,358)
Tools, furniture and fixtures, net	32,402	33,219
Land	72,924,783	72,924,783
Buildings in trust	50,028,057	49,924,442
Accumulated depreciation	(16,622,622)	(15,629,400)
Buildings in trust, net	33,405,434	34,295,042
Structures in trust	844,607	844,607
Accumulated depreciation	(461,026)	(434,874)
Structures in trust, net	383,581	409,732
Machinery and equipment in trust	669,558	669,558
Accumulated depreciation	(447,104)	(413,113)
Machinery and equipment in trust, net	222,453	256,444
Tools, furniture and fixtures in trust	67,598	58,358
Accumulated depreciation	(26,405)	(22,709)
Tools, furniture and fixtures in trust, net	41,193	35,649
Land in trust	113,359,080	113,359,080
Construction in progress in trust	12,033	1,764
Total property, plant and equipment	258,770,556	260,751,373
Intangible assets		
Other	1,271	1,531
Total intangible assets	1,271	1,531
Investments and other assets		
Long-term prepaid expenses	3,837	16,102
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	20,400	20,400
Total investments and other assets	34,237	46,502
<b>Total non-current assets</b>	<b>258,806,066</b>	<b>260,799,407</b>
<b>Deferred assets</b>		
Investment corporation bonds issuance costs	22,033	22,797
<b>Total deferred assets</b>	<b>22,033</b>	<b>22,797</b>
<b>Total assets</b>	<b>¥ 274,826,272</b>	<b>¥ 274,263,271</b>

(Thousands of Yen)

	The 26th Period As of June 30, 2017	The 25th Period As of December 31, 2016
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	¥ 870,002	¥ 646,462
Short-term loans payable	3,000,000	5,000,000
Current portion of long-term loans payable	15,500,000	9,000,000
Accounts payable –other	15,127	25,886
Accrued expenses	257,688	248,194
Income taxes payable	863	848
Accrued consumption taxes	431,826	114,710
Advances received	1,098,572	1,048,221
Deposits received	2,329	3,500
Other	32,400	32,400
<b>Total current liabilities</b>	<b>21,208,810</b>	<b>16,120,224</b>
<b>Non-current liabilities</b>		
Investment corporation bond	3,000,000	3,000,000
Long-term loans payable	64,900,000	69,400,000
Tenant leasehold and security deposits	17,672,625	17,950,050
Tenant leasehold and security deposits in trust	16,278,832	16,082,554
Other	15,586	19,046
<b>Total non-current liabilities</b>	<b>101,867,044</b>	<b>106,451,652</b>
<b>Total liabilities</b>	<b>123,075,854</b>	<b>122,571,876</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	4,971,165	4,912,142
Total surplus	5,159,486	5,100,463
<b>Total unitholders' equity</b>	<b>151,750,418</b>	<b>151,691,395</b>
<b>Total net assets</b>	<b>151,750,418</b>	<b>151,691,395</b>
<b>Total liabilities and net assets</b>	<b>¥ 274,826,272</b>	<b>¥ 274,263,271</b>

## Statement of Income and Retained Earnings

(Thousands of Yen)

	For the 26th Period from January 1, 2017 to June 30, 2017	For the 25th Period from July 1, 2016 to December 31, 2016
<b>Operating revenue</b>		
Rent revenue – real estate	¥ 9,947,686	¥ 9,893,299
Rent revenue – other	63,712	129,547
Total operating revenue	10,011,398	10,022,847
<b>Operating expenses</b>		
Expenses related to rent business	4,091,364	4,083,732
Asset management fee	498,324	428,837
Asset custody fee	13,713	13,367
Administrative service fees	21,418	22,042
Directors' compensations	6,600	6,600
Other operating expenses	79,937	89,185
Total operating expenses	4,711,358	4,643,766
<b>Operating income</b>	5,300,040	5,379,081
<b>Non-operating income</b>		
Interest income	150	17
Interest on securities	-	6
Reversal of distribution payable	1,184	2,423
Interest on refund	1,085	-
Insurance income	3,665	1,091
Other	100	300
Total non-operating income	6,185	3,839
<b>Non-operating expenses</b>		
Interest expenses	311,444	317,905
Interest expenses on investment corporation bonds	10,532	2,153
Amortization of investment corporation bonds issuance costs	764	127
Other	11,688	12,573
Total non-operating expenses	334,430	332,759
<b>Ordinary income</b>	4,971,795	5,050,160
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	-	137,453
Total extraordinary losses	-	137,453
<b>Income before income taxes</b>	4,971,795	4,912,707
Income taxes – current	886	858
Income taxes – deferred	(1)	5
Total income taxes	884	864
<b>Net income</b>	4,970,910	4,911,842
<b>Retained earnings brought forward</b>	254	300
<b>Unappropriated retained earnings</b>	¥ 4,971,165	¥ 4,912,142

## Statement of Cash Flows

(Thousands of Yen)

	For the 26th Period from January 1, 2017 to June 30, 2017	For the 25th Period from July 1, 2016 to December 31, 2016
<b>Cash flows from operating activities</b>		
Income before income taxes	¥ 4,971,795	¥ 4,912,707
Depreciation and amortization	2,117,278	2,156,414
Amortization of investment corporation bonds issuance costs	764	127
Interest income	(150)	(23)
Interest expenses	321,977	320,058
Loss on retirement of non-current assets	-	137,453
Decrease (increase) in operating accounts receivable	8,599	(3,844)
Decrease (increase) in prepaid expenses	15,635	5,086
Increase (decrease) in operating accounts payable	228,770	(171,546)
Increase (decrease) in accrued expenses	2,765	3,249
Increase (decrease) in accrued consumption taxes	317,115	(190,314)
Decrease (increase) in consumption taxes receivable	364,517	(364,517)
Increase (decrease) in advances received	46,834	(54,620)
Other, net	(12,451)	(88,316)
Subtotal	8,383,452	6,661,914
Interest income received	150	66
Interest expenses paid	(313,587)	(349,131)
Income taxes paid	(871)	(917)
Net cash provided by (used in) operating activities	8,069,143	6,311,931
<b>Cash flows from investing activities</b>		
Purchase of short-term investment securities	-	(400,000)
Proceeds from redemption of short-term investment securities	-	400,000
Purchase of property, plant and equipment	(39,094)	(17,719)
Purchase of property, plant and equipment in trust	(103,388)	(15,229,616)
Repayments of tenant leasehold and security deposits	(278,959)	(297,408)
Proceeds from tenant leasehold and security deposits	1,534	71,435
Repayments of tenant leasehold and security deposits in trust	(43,515)	(517,017)
Proceeds from tenant leasehold and security deposits in trust	239,793	462,326
Payments for restricted bank deposits in trust	(201,258)	(9,290)
Net cash provided by (used in) investing activities	(424,889)	(15,537,291)
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans payable	25,000,000	65,000,000
Repayment of short-term loans payable	(27,000,000)	(63,000,000)
Proceeds from long-term loans payable	5,000,000	7,000,000
Repayment of long-term loans payable	(3,000,000)	(4,440,000)
Proceeds from issuance of investment corporation bonds	-	3,000,000
Payments for investment corporation bond issuance costs	(611)	(22,313)
Dividends paid	(4,911,308)	(4,808,317)
Net cash provided by (used in) financing activities	(4,911,920)	2,729,369
<b>Net increase (decrease) in cash and cash equivalents</b>	2,732,333	(6,495,990)
<b>Cash and cash equivalents at beginning of period</b>	12,462,423	18,958,414
<b>Cash and cash equivalents at end of period (Note)</b>	¥ 15,194,757	¥ 12,462,423

Note: There are restricted cash ¥436 million (25th) and ¥637 million (26th) for repayments of lease and guarantee deposits received.