

August 12, 2011

Financial Report for the Fourteenth Fiscal Period (January 1, 2011 to June 30, 2011)

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 15, 2011
Planned Commencement of Cash Distribution Payment : September 12, 2011

1. PERFORMANCE FOR THE FOURTEENTH FISCAL PERIOD

(January 1, 2011 to June 30, 2011)

(1) Business Results

(Millions of yen rounded down, unless otherwise stated)

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
14th Fiscal Period	7,801	5.3%	4,053	3.1%	3,624	2.6%	3,584	1.5%
13th Fiscal Period	7,407	16.4%	3,931	18.0%	3,533	18.8%	3,532	18.8%

	Net Income per Unit	ROE (Note5)	Ordinary Income to Total Assets	Ordinary income to Operating Revenue
14th Fiscal Period	¥18,478	3.2%	1.7%	46.5%
13th Fiscal Period	¥18,233	3.5%	1.8%	47.7%

Notes:

1. For accounting purposes, the fourteenth fiscal period is from January 1, 2011 through June 30, 2011, a period of 181 days. The thirteenth fiscal period is from July 1, 2010 through December 31, 2010, 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 fourteenth fiscal period was 194,000 units. The average number of investment units for the thirteenth fiscal period was 194,000 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
14th Fiscal Period	¥18,478	3,584	¥0	¥0	100.0%	3.1%
13th Fiscal Period	¥18,195	3,529	¥0	¥0	99.9%	3.1%

Notes:

- The number of investment units outstanding as of June 30, 2011 totaled 194,000 units. The number of investment units outstanding as of December 31, 2010 totaled 194,000 units.
- The payout ratio and distribution ratio to net assets are rounded down to the first decimal place. The payout ratio of the 13th fiscal period is calculated based on the following formula: Payout ratio = Total dividend / Net asset x 100. For the 13th fiscal period, unappropriated retained earnings for the period are partially booked as internal reserve.

(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 14th Fiscal Period (June 30, 2011)	221,201	112,444	50.8%	¥579,610
As of the end of 13th Fiscal Period (December 31, 2010)	207,973	112,389	54.0%	¥579,327

Notes:

- Equity Ratio = Net assets / Total assets
Equity ratio is rounded down to the first decimal place.
- The number of investment units outstanding as of June 30, 2011 totaled 194,000 units. The number of investment units outstanding as of December 31, 2010 totaled 194,000 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 14th Fiscal Period (June 30, 2011)	6,335	△13,849	8,285	10,211
As of the end of 13th Fiscal Period (December 31, 2010)	4,475	△28,290	26,296	9,440

FORECAST OF RESULTS FOR THE FIFTEENTH FISCAL PERIOD

(July 1, 2011 to December 31, 2011)

Outlook

For the fifteenth fiscal period (July 1, 2011 to December 31, 2011) the Investment Corporation is forecasting operating revenue of ¥8,028 million, operating income of ¥4,065 million, ordinary income of ¥3,591 million, net income of ¥3,590 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
15th Fiscal Period	8,028 (2.9%)	4,065 (0.3%)	3,591 (△0.9%)	3,590 (0.1%)	¥18,500	¥0

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

Notes:

1. The aforementioned forecasts is based on the "Pre-Conditions and Assumptions for Operating Forecasts for 15th Fiscal Period ending December 31, 2011" 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 fifteenth 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 fifteenth fiscal period, ¥18,500 is calculated utilizing estimated average number of investment units, which is 194,000 units.

Pre-Conditions and Assumptions for Operating Forecasts
for 15th Fiscal Period ending December 31, 2011

	Pre-Conditions & Assumptions
Investment Assets	<ul style="list-style-type: none"> • The Investment Corporation owns total 24 properties as of August 12, 2011. • 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 15th fiscal period (December 31, 2011). • 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 August 12, 2011, which are 194,000 units.
Liabilities	<ul style="list-style-type: none"> • The balance of borrowings, etc. as of August 12, 2011 is ¥ 66,080 million. • It is assumed that refinancing will be executed for the repayment of borrowings due by December 31, 2011. • The loan to value ratio (LTV*) as of December 31, 2011 is expected to be approximately 46%. * LTV = (Borrowings, etc. + 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 24 properties. It is calculated based on the individual lease contracts which is valid as of August 12, 2011 and estimated fluctuating factors. • A lump-sum payment of \$47million to be received from AEON Retail Co., Ltd. concerning renewal construction of AEON Hadano Shopping Center is included.
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 15th 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 15th fiscal period, which is ¥ 896 million, will be posted to leasing business expenses. However, should properties be newly acquired during the 15th 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 (¥ 1,960 million for the 15th fiscal period).

	Pre-Conditions & Assumptions
Non-operating Expenses	<ul style="list-style-type: none"> • It is assumed that non-operating expenses, which include interests charged on borrowings, security deposits, investment corporation bonds and so on, will be ¥477 million for the 15th period.
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, 2010 and June 30, 2011.

	(Millions of Yen rounded down)		
	13th Fiscal Period	14th Fiscal Period	Change
	As of December 31, 2010	As of June 30, 2011	
ASSETS			
Current assets:			
Cash and deposits (including those in trust accounts)	10,821	11,592	
Operating accounts receivable	29	40	
Prepaid expenses	32	31	
Deferred tax assets	0	0	
Other	662	5	
Total current assets	11,547	11,671	124
Noncurrent assets:			
Property, plant and equipment (including those in trust accounts)			
Buildings	87,092	93,674	
Structures	2,013	2,057	
Machinery and equipment	376	376	
Tools, furniture and fixtures	46	47	
Land	120,354	128,540	
Construction in progress	2	189	
Less: accumulated depreciation	△13,495	△15,412	
Total property, plant and equipment	196,389	209,472	13,082
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	25	19	
Total investments and other assets	35	29	△6
Total noncurrent assets	196,426	209,501	13,075
Deferred assets:			
Investment corporation bond issuance costs	—	28	
Total deferred assets	—	28	28
TOTAL ASSETS	207,973	221,201	13,228

(Millions of Yen rounded down)

	13th Fiscal Period	14th Fiscal Period	Change
	As of December 31, 2010	As of June 30, 2011	
LIABILITIES			
Current liabilities:			
Operating accounts payable	413	579	
Short-term loans payable	21,200	14,700	
Current portion of long-term loans payable	2,520	10,520	
Accounts payable	52	42	
Accrued expenses	206	227	
Income taxes payable	0	0	
Accrued consumption taxes	44	—	
Advances received	862	892	
Deposits received	9	1	
Other	—	11	
Total current liabilities	25,309	26,976	1,667
Noncurrent liabilities:			
Investment corporation bond	—	5,000	
Long-term loans payable	30,520	35,860	
Deferred tax liabilities	0	0	
Tenant leasehold and security deposits (including those in trust accounts)	39,698	40,868	
Other	55	52	
Total noncurrent liabilities	70,274	81,780	11,506
TOTAL LIABILITIES	95,583	108,757	13,173
NET ASSETS			
Unitholders' equity:			
Unitholders' capital	108,857	108,857	—
Units authorized : 2,000,000 units			
Units issued and outstanding : 194,000 units			
Surplus			
Reserve for reduction entry	—	2	
Total voluntary reserve	—	2	
Unappropriated retained earnings	3,532	3,584	
Total surplus	3,532	3,587	54
Total unitholders' equity	112,389	112,444	54
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	0	0	
Total valuation and translation adjustments	0	0	△0
TOTAL NET ASSETS	112,389	112,444	54
TOTAL LIABILITIES AND NET ASSETS	207,973	221,201	13,228

Statements of Income <Consistent with Japanese GAAP>

Frontier Real Estate Investment Corporation for the six-month ended December 31, 2010 and June 30, 2011

(Millions of Yen rounded down)

	<For the six months ended>		
	13th Fiscal Period	14th Fiscal Period	Change
	December 31, 2010	June 30, 2011	
Operating revenue:			
Lease business revenue	7,392	7,792	
Other lease business revenue	11	8	
Gain on sale of investment properties	2	—	
Total operating revenue	7,407	7,801	394
Operating expenses:			
Expenses related to rent business	3,071	3,313	
Asset management fee	299	332	
Asset custody fee	8	10	
Administrative service fees	19	19	
Directors' compensations	6	6	
Other operating expenses	70	65	
Total operating expenses	3,475	3,748	273
OPERATING INCOME	3,931	4,053	121
Non-operating income:			
Interest income	2	3	
Other	2	8	
Total non-operating income	4	11	6
Non-operating expenses:			
Interest expenses	377	429	
Other	26	11	
Total non-operating expenses	403	440	36
ORDINARY INCOME	3,533	3,624	91
Extraordinary loss			
Loss due to disaster	—	26	
Provision for loss disaster	—	11	
Total extraordinary loss	—	38	38
INCOME BEFORE INCOME TAXES	3,533	3,585	52
Current and deferred income taxes	1	1	0
NET INCOME	3,532	3,584	52
UNAPPROPRIATED RETAINED EARNINGS	3,532	3,584	52

Statements of Cash Flows <Consistent with Japanese GAAP>

Frontier Real Estate Investment Corporation for the six-month ended December 31, 2010 and June 30, 2011.

(Millions of Yen rounded down)

	<For the six months ended>	
	13th Fiscal Period	14th Fiscal Period
	December 31, 2010	June 30, 2011
Net Cash Provided by (used in) Operating Activities:		
Income before income taxes	3,533	3,585
Depreciation	1,783	1,917
Amortization of bond issue costs	—	2
New investment unit issue costs	19	—
Provision for loss disaster	—	11
Interest income	△2	△3
Interest expense	377	429
Decrease (Increase) in operating accounts receivable	△20	△11
Decrease (Increase) in prepaid expenses	△45	7
Increase (Decrease) in operating accounts payable	△78	189
Increase (Decrease) in accrued expenses	16	9
Increase (Decrease) in accrued consumption taxes	△94	△44
Increase (Decrease) in advances received	△5	27
Decrease in investment properties due to sale	15	—
Other	△649	628
Subtotal	4,848	6,751
Interest income received	1	3
Interest expenses paid	△373	△417
Income taxes paid	△0	△1
Net Cash Provided by (used in) Operating Activities	4,475	6,335
Net Cash Provided by (used in) Investment Activities:		
Purchases of property, plant and equipment (including those in trust)	△29,166	△15,019
Repayments of lease and guarantee deposits received (including those in trust)	△456	△503
Proceeds from lease and guarantee deposits received (including those in trust)	1,331	1,673
Net Cash Provided by (used in) Investment Activities	△28,290	△13,849
Net Cash Provided by (used in) Financing Activities:		
Increase in short-term loans payable	26,900	39,200
Decrease in short-term loans payable	△25,900	△45,700
Proceeds from long-term loans payable	9,000	13,500
Repayment of long-term loans payable	△160	△160
Proceeds from issuance of investment corporation bonds	—	5,000
Payments for investment corporation bond issuance costs	—	△28
Proceeds from issuance of investment units	19,428	—
Dividends paid	△2,971	△3,526
Net Cash Provided by (used in) Financing Activities	26,296	8,285
Net Increase (Decrease) in Cash and Cash Equivalents	2,481	770
Cash and cash equivalents at the beginning of period	6,959	9,440
Cash and cash equivalents at the Ending of period (Note)	9,440	10,211

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