

Summary of Financial Results for the 23rd Fiscal Period
(July 1, 2015 to December 31, 2015)
<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	:	March 29, 2016
Scheduled date to commence distribution payments	:	March 10, 2016

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

1. Performance for the 23rd Fiscal Period (July 1, 2015 to December 31, 2015)

(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, 2015	10,037	1.9	5,220	3.0	4,809	3.6	4,808	3.6
June 30, 2015	9,853	(5.2)	5,067	(7.0)	4,643	(7.3)	4,642	(7.3)

	Net Income per Unit	Return on Equity (Note)	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	yen	%	%	%
Period ended, December 31, 2015	9,694	3.2	1.8	47.9
June 30, 2015	9,359	3.1	1.7	47.1

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, 2015	9,695	4,808	0	0	100.0	3.1
June 30, 2015	9,360	4,642	0	0	100.0	3.0

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, 2015	268,098	151,928	56.7	306,307
June 30, 2015	269,014	151,762	56.4	305,972

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
December 31, 2015	7,302	(235)	(4,762)	10,328
June 30, 2015	6,739	(19,838)	2,066	8,023

2. Forecast of Results for the 24th Fiscal Period (January 1, 2016 to June 30, 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, June 30, 2016	10,035	(0.0)	5,209	(0.2)	4,809	(0.0)	4,808	(0.0)	9,600	0

Notes:

1. The aforementioned forecast is based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 24th Fiscal Period (January 1, 2016 to June 30, 2016)" on Page 3.
2. Forecast for the 24th 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 24th Fiscal Period (January 1, 2016 to June 30, 2016)**

	Pre-Conditions & Assumptions
Investment Assets	<ul style="list-style-type: none"> • The Investment Corporation owns total 33 properties as of February 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 24th fiscal period (June 30, 2016). • 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 February 15, 2016, which are 496,000 units.
Liabilities	<ul style="list-style-type: none"> • The balance of borrowings, etc. as of February 15, 2016 is ¥ 78,060 million. • It is assumed that refinancing will be executed for the repayment of borrowings due by June 30, 2016. • The loan to value ratio (LTV*) as of June 30, 2016 is expected to be approximately 41%. * LTV = (Borrowings, etc. + Security deposits – Unrestricted cash and deposits) / (Total assets – Unrestricted cash and deposits)
Operating Revenue	<ul style="list-style-type: none"> • This assumes lease business revenue from existing portfolio assets of 33 properties. It is calculated based on the individual lease contracts which is valid as of February 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 24th 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 24th fiscal period, which is ¥ 1,081 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 (¥ 2,153 million for the 24th 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, investment corporation bonds and so on, will be ¥ 402 million for the 24th period.

	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 entry.
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 23rd Period As of December 31, 2015	The 22nd Period As of June 30, 2015
Assets		
Current assets		
Cash and deposits	¥ 7,350,495	¥ 5,795,666
Cash and deposits in trust	3,430,561	3,682,448
Operating accounts receivable	179,287	156,493
Prepaid expenses	37,833	40,541
Deferred tax assets	12	10
Other	1,588	162,604
Total current assets	10,999,779	9,837,765
Non-current assets		
Property, plant and equipment		
Buildings	55,477,956	55,425,217
Accumulated depreciation	(14,746,173)	(13,670,935)
Buildings, net	40,731,783	41,754,282
Structures	1,148,777	1,148,777
Accumulated depreciation	(644,680)	(603,290)
Structures, net	504,096	545,486
Tools, furniture and fixtures	33,105	31,804
Accumulated depreciation	(21,393)	(19,613)
Tools, furniture and fixtures, net	11,711	12,190
Land	71,448,200	71,448,200
Buildings in trust	49,827,758	49,764,858
Accumulated depreciation	(15,667,383)	(14,655,747)
Buildings in trust, net	34,160,374	35,109,111
Structures in trust	949,974	945,297
Accumulated depreciation	(484,547)	(456,207)
Structures in trust, net	465,427	489,090
Machinery and equipment in trust	669,558	669,558
Accumulated depreciation	(345,132)	(311,141)
Machinery and equipment in trust, net	324,425	358,416
Tools, furniture and fixtures in trust	73,823	73,085
Accumulated depreciation	(32,225)	(27,547)
Tools, furniture and fixtures in trust, net	41,597	45,538
Land in trust	109,338,522	109,338,522
Total property, plant and equipment	257,026,139	259,100,839
Intangible assets		
Other	2,335	2,582
Total intangible assets	2,335	2,582
Investments and other assets		
Long-term prepaid expenses	38,549	38,483
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	20,400	20,400
Total investments and other assets	68,949	68,883
Total non-current assets	257,097,424	259,172,305
Deferred assets		
Investment corporation bonds issuance costs	1,024	4,099
Total deferred assets	1,024	4,099
Total assets	¥ 268,098,229	¥ 269,014,169

(Thousands of Yen)

	The 23rd Period As of December 31, 2015	The 22nd Period As of June 30, 2015
Liabilities		
Current liabilities		
Operating accounts payable	¥ 716,748	¥ 889,221
Short-term loans payable	3,000,000	3,500,000
Current portion of long-term loans payable	4,560,000	7,240,000
Current portion of investment corporation bonds	5,000,000	5,000,000
Accounts payable—other	36,757	47,342
Accrued expenses	274,881	285,248
Income taxes payable	712	645
Accrued consumption taxes	331,771	101,353
Advances received	1,103,459	1,137,437
Deposits received	38,876	1,862
Other	33,830	21,302
Total current liabilities	15,097,036	18,224,412
Non-current liabilities		
Long-term loans payable	64,500,000	61,440,000
Tenant leasehold and security deposits	18,301,534	18,564,611
Tenant leasehold and security deposits in trust	18,245,026	18,994,939
Other	26,034	27,717
Total non-current liabilities	101,072,594	99,027,267
Total liabilities	116,169,631	117,251,679
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	4,808,844	4,642,737
Total surplus	5,337,665	5,171,558
Total unitholders' equity	151,928,597	151,762,490
Total net assets	151,928,597	151,762,490
Total liabilities and net assets	¥ 268,098,229	¥ 269,014,169

Statement of Income and Retained Earnings

(Thousands of Yen)

	For the 23rd Period from July 1, 2015 to December 31, 2015	For the 22nd Period from January 1, 2015 to June 30, 2015
Operating revenue		
Rent revenue – real estate	¥ 9,991,186	¥ 9,763,448
Rent revenue – other	45,934	89,922
Total operating revenue	10,037,121	9,853,371
Operating expenses		
Expenses related to rent business	4,238,795	4,244,625
Asset management fee	428,149	413,853
Asset custody fee	13,450	13,151
Administrative service fees	21,895	22,181
Directors' compensations	6,600	6,600
Other operating expenses	107,616	85,043
Total operating expenses	4,816,508	4,785,456
Operating income	5,220,612	5,067,914
Non-operating income		
Interest income	645	1,843
Interest on securities	140	915
Reversal of distribution payable	1,888	1,573
Other	477	-
Total non-operating income	3,152	4,332
Non-operating expenses		
Interest expenses	365,440	380,689
Interest expenses on investment corporation bonds	26,969	26,530
Amortization of investment corporation bonds issuance costs	3,074	3,074
Other	18,745	18,684
Total non-operating expenses	414,230	428,978
Ordinary income	4,809,535	4,643,268
Income before income taxes	4,809,535	4,643,268
Income taxes – current	870	836
Income taxes – deferred	(2)	11
Total income taxes	867	847
Net income	4,808,667	4,642,421
Retained earnings brought forward	177	316
Unappropriated retained earnings	¥ 4,808,844	¥ 4,642,737

Statement of Cash Flows

(Thousands of Yen)

	For the 23rd Period from July 1, 2015 to December 31, 2015	For the 22nd Period from January 1, 2015 to June 30, 2015
Cash flows from operating activities		
Income before income taxes	¥ 4,809,535	¥ 4,643,268
Depreciation and amortization	2,197,451	2,167,209
Amortization of investment corporation bonds issuance costs	3,074	3,074
Interest income	(786)	(2,759)
Interest expenses	392,410	407,220
Decrease (increase) in operating accounts receivable	(22,793)	4,898
Decrease (increase) in prepaid expenses	2,642	9,008
Increase (decrease) in operating accounts payable	(72,730)	98,642
Increase (decrease) in accrued expenses	5,702	(6,931)
Increase (decrease) in accrued consumption taxes	230,417	(169,311)
Decrease (increase) in consumption taxes receivable	148,375	(148,375)
Increase (decrease) in advances received	(35,660)	88,062
Other, net	52,838	35,343
Subtotal	7,710,476	7,129,351
Interest income received	757	3,224
Interest expenses paid	(408,479)	(392,098)
Income taxes paid	(350)	(1,000)
Net cash provided by (used in) operating activities	7,302,402	6,739,476
Cash flows from investing activities		
Payments into time deposits	-	(1,000,000)
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	(70,424)	(30,352)
Purchase of property, plant and equipment in trust	(151,672)	(17,893,681)
Purchase of intangible assets	(2,103)	-
Repayments of tenant leasehold and security deposits	(263,076)	(278,959)
Repayments of tenant leasehold and security deposits in trust	(755,843)	(1,272,416)
Proceeds from tenant leasehold and security deposits in trust	5,930	623,900
Proceeds from bank deposits in trust accounts corresponding to tenant leasehold and security deposits in trust	1,718	12,848
Net cash provided by (used in) investing activities	(235,472)	(19,838,660)
Cash flows from financing activities		
Proceeds from short-term loans payable	20,000,000	11,000,000
Repayment of short-term loans payable	(20,500,000)	(10,000,000)
Proceeds from long-term loans payable	7,500,000	9,000,000
Repayment of long-term loans payable	(7,120,000)	(3,120,000)
Dividends paid	(4,642,269)	(4,813,827)
Net cash provided by (used in) financing activities	(4,762,269)	2,066,172
Net increase (decrease) in cash and cash equivalents	2,304,660	(11,033,011)
Cash and cash equivalents at beginning of period	8,023,423	19,056,434
Cash and cash equivalents at end of period (Note)	¥ 10,328,083	¥ 8,023,423

Note: There are restricted cash ¥454million for repayments of lease and guarantee deposits received and time deposits ¥1,000million (22nd), and restricted cash ¥452million for repayments of lease and guarantee deposits received (23rd).