

February 13, 2012

## Financial Report for the Fifteenth Fiscal Period (July 1, 2011 to December 31, 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 : February 14, 2012  
Planned Commencement of Cash Distribution Payment : March 9, 2012

### 1. PERFORMANCE FOR THE FIFTEENTH FISCAL PERIOD

(July 1, 2011 to December 31, 2011)

#### (1) Business Results

(Millions of yen rounded down, unless otherwise stated)

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
15th Fiscal Period	8,023	2.8%	4,079	0.6%	3,609	△0.4%	3,608	0.7%
14th Fiscal Period	7,801	5.3%	4,053	3.1%	3,624	2.6%	3,584	1.5%

	Net Income per Unit	ROE (Note5)	Ordinary Income to Total Assets	Ordinary income to Operating Revenue
15th Fiscal Period	¥18,598	3.2%	1.6%	45.0%
14th Fiscal Period	¥18,478	3.2%	1.7%	46.5%

Notes:

1. For accounting purposes, the fifteenth fiscal period is from July 1, 2011 through December 31, 2011, a period of 184 days. The fourteenth fiscal period is from January 1, 2011 through June 30, 2011, a period of 181 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 fifteenth fiscal period was 194,000 units. The average number of investment units for the fourteenth 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 = Net income / ((Net assets at the beginning of the period + 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
15th Fiscal Period	¥18,599	3,608	¥0	¥0	100.0%	3.2%
14th Fiscal Period	¥18,478	3,584	¥0	¥0	100.0%	3.1%

Notes:

1. The number of investment units outstanding as of December 31, 2011 totaled 194,000 units. The number of investment units outstanding as of June 30, 2011 totaled 194,000 units.
2. The payout ratio and distribution ratio to net assets are rounded down to the first decimal place.

## (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 15th Fiscal Period (December 31, 2011)	221,209	112,467	50.8%	¥579,731
As of the end of 14th Fiscal Period (June 30, 2011)	221,201	112,444	50.8%	¥579,610

Notes:

1. Equity Ratio = Net assets / Total assets  
Equity ratio is rounded down to the first decimal place.
2. The number of investment units outstanding as of December 31, 2011 totaled 194,000 units. The number of investment units outstanding as of June 30, 2011 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 15th Fiscal Period (December 31, 2011)	5,742	△5,061	△3,247	7,645
As of the end of 14th Fiscal Period (June 30, 2011)	6,335	△13,849	8,285	10,211

## FORECAST OF RESULTS FOR THE SIXTEENTH FISCAL PERIOD

(January 1, 2012 to June 30, 2012)

### Outlook

For the sixteenth fiscal period (January 1, 2012 to June 30, 2012) the Investment Corporation is forecasting operating revenue of ¥8,000 million, operating income of ¥4,018 million, ordinary income of ¥3,571 million, net income of ¥3,570 million and a cash distribution per unit of ¥18,400.

(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
16th Fiscal Period	8,000 (△0.3%)	4,018 (△1.5%)	3,571 (△1.0%)	3,570 (△1.0%)	¥18,400	¥0

(Reference) Estimated net income per unit for the sixteenth fiscal period: ¥18,400

Notes:

1. The aforementioned forecasts is based on the "Pre-Conditions and Assumptions for Operating Forecasts for 16th Fiscal Period ending June 30, 2012" 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 sixteenth 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 sixteenth fiscal period, ¥18,400 is calculated utilizing estimated average number of investment units, which is 194,000 units.

**Pre-Conditions and Assumptions for Operating Forecasts**  
**for 16th Fiscal Period ending June 30, 2012**

	<b>Pre-Conditions &amp; Assumptions</b>
<b>Investment Assets</b>	<ul style="list-style-type: none"> <li>• The Investment Corporation owns total 24 properties as of February 13, 2012.</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 16th fiscal period (June 30, 2012).</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>	<ul style="list-style-type: none"> <li>• The number of the outstanding investment units is based on the number as of February 13, 2012, which are 194,000 units.</li> </ul>
<b>Liabilities</b>	<ul style="list-style-type: none"> <li>• The balance of borrowings, etc. as of February 13, 2012 is ¥66,420 million.</li> <li>• It is assumed that refinancing will be executed for the repayment of borrowings due by June 30, 2012.</li> <li>• The loan to value ratio (LTV*) as of June 30, 2012 is expected to be approximately 46%.  * LTV = (Borrowings, etc. + Security deposits – Unrestricted cash and deposits)  / (Total assets – Unrestricted cash and deposits)</li> </ul>
<b>Operating Revenues</b>	<ul style="list-style-type: none"> <li>• 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 February 13, 2012 and estimated fluctuating factors.</li> </ul>
<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 16th 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 16th fiscal period, which is ¥975 million, will be posted to leasing business expenses. However, should properties be newly acquired during the 16th 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.</li> <li>• Depreciation expenses are calculated using the straight-line method. It includes ancillary expenses and additional future capital expenses (¥1,957 million for the 16th 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 ¥450 million for the 16th 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> </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 Sheets &lt;Consistent with Japanese GAAP&gt;

Frontier Real Estate Investment Corporation as of June 30, 2011 and December 31, 2011.

	(Millions of Yen rounded down)		
	14th Fiscal Period	15th Fiscal Period	Change
	As of June 30, 2011	As of December 31, 2011	
<b>ASSETS</b>			
Current assets:			
Cash and deposits (including those in trust accounts)	11,592	13,026	
Operating accounts receivable	40	26	
Prepaid expenses	31	40	
Deferred tax assets	0	0	
Other	5	1	
<b>Total current assets</b>	<b>11,671</b>	<b>13,094</b>	<b>1,423</b>
Noncurrent assets:			
Property, plant and equipment (including those in trust accounts)			
Buildings	93,674	94,389	
Structures	2,057	2,066	
Machinery and equipment	376	376	
Tools, furniture and fixtures	47	49	
Land	128,540	128,558	
Construction in progress	189	-	
Less: accumulated depreciation	△15,412	△17,372	
<b>Total property, plant and equipment</b>	<b>209,472</b>	<b>208,068</b>	<b>△1,403</b>
Intangible assets			
Intangible assets, net of amortization	0	0	
<b>Total intangible assets</b>	<b>0</b>	<b>0</b>	<b>△0</b>
Investments and other assets			
Securities deposited	10	10	
Long-term prepaid expenses	19	10	
<b>Total investments and other assets</b>	<b>29</b>	<b>20</b>	<b>△8</b>
<b>Total noncurrent assets</b>	<b>209,501</b>	<b>208,089</b>	<b>△1,412</b>
Deferred assets:			
Investment corporation bond issuance costs	28	25	
<b>Total deferred assets</b>	<b>28</b>	<b>25</b>	<b>△3</b>
<b>TOTAL ASSETS</b>	<b>221,201</b>	<b>221,209</b>	<b>7</b>

(Millions of Yen rounded down)

	14th Fiscal Period	15th Fiscal Period	Change
	As of June 30, 2011	As of December 31, 2011	
<b>LIABILITIES</b>			
Current liabilities:			
Operating accounts payable	579	434	
Short-term loans payable	14,700	14,200	
Current portion of long-term loans payable	10,520	9,820	
Accounts payable	42	29	
Accrued expenses	227	227	
Income taxes payable	0	0	
Accrued consumption taxes	—	303	
Advances received	892	900	
Deposits received	1	3	
Other	11	-	
<b>Total current liabilities</b>	<b>26,976</b>	<b>25,919</b>	<b>△1,056</b>
Noncurrent liabilities:			
Investment corporation bond	5,000	5,000	
Long-term loans payable	35,860	37,400	
Deferred tax liabilities	0	0	
Tenant leasehold and security deposits (including those in trust accounts)	40,868	40,372	
Other	52	49	
<b>Total noncurrent liabilities</b>	<b>81,780</b>	<b>82,821</b>	<b>1,041</b>
<b>TOTAL LIABILITIES</b>	<b>108,757</b>	<b>108,741</b>	<b>△15</b>
<b>NET ASSETS</b>			
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	2	
Total voluntary reserve	2	2	
Unappropriated retained earnings	3,584	3,608	
<b>Total surplus</b>	<b>3,587</b>	<b>3,610</b>	<b>23</b>
<b>Total unitholders' equity</b>	<b>112,444</b>	<b>112,467</b>	<b>23</b>
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	0	0	
<b>Total valuation and translation adjustments</b>	<b>0</b>	<b>0</b>	<b>△0</b>
<b>TOTAL NET ASSETS</b>	<b>112,444</b>	<b>112,467</b>	<b>23</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>221,201</b>	<b>221,209</b>	<b>7</b>

## Statements of Income &lt;Consistent with Japanese GAAP&gt;

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

(Millions of Yen rounded down)

	<For the six months ended>		
	14th Fiscal Period	15th Fiscal Period	Change
	June 30, 2011	December 31, 2011	
Operating revenue:			
Lease business revenue	7,792	7,967	
Other lease business revenue	8	56	
Total operating revenue	7,801	8,023	221
Operating expenses:			
Expenses related to rent business	3,313	3,490	
Asset management fee	332	350	
Asset custody fee	10	11	
Administrative service fees	19	19	
Directors' compensations	6	6	
Other operating expenses	65	66	
Total operating expenses	3,748	3,943	195
<b>OPERATING INCOME</b>	<b>4,053</b>	<b>4,079</b>	<b>26</b>
Non-operating income:			
Interest income	3	3	
Other	8	2	
Total non-operating income	11	6	△4
Non-operating expenses:			
Interest expenses	429	462	
Other	11	14	
Total non-operating expenses	440	477	36
<b>ORDINARY INCOME</b>	<b>3,624</b>	<b>3,609</b>	<b>△15</b>
Extraordinary loss:			
Loss due to disaster	26	—	
Provision for loss disaster	11	—	
Total extraordinary loss	38	—	△38
<b>INCOME BEFORE INCOME TAXES</b>	<b>3,585</b>	<b>3,609</b>	<b>23</b>
Current and deferred income taxes	1	0	△0
<b>NET INCOME</b>	<b>3,584</b>	<b>3,608</b>	<b>23</b>
<b>UNAPPROPRIATED RETAINED EARNINGS</b>	<b>3,584</b>	<b>3,608</b>	<b>23</b>



## Statements of Cash Flows &lt;Consistent with Japanese GAAP&gt;

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

(Millions of Yen rounded down)

	<For the six months ended>	
	14th Fiscal Period	15th Fiscal Period
	June 30, 2011	December 31, 2011
<b>Net Cash Provided by (used in) Operating Activities:</b>		
Income before income taxes	3,585	3,609
Depreciation	1,917	1,959
Amortization of bond issue costs	2	3
Provision for loss disaster	11	△11
Interest income	△3	△3
Interest expense	429	462
Decrease (Increase) in operating accounts receivable	△11	14
Decrease (Increase) in prepaid expenses	7	0
Increase (Decrease) in operating accounts payable	189	△141
Increase (Decrease) in accrued expenses	9	△1
Increase (Decrease) in accrued consumption taxes	△44	303
Increase (Decrease) in advances received	27	4
Other	628	3
Subtotal	6,751	6,200
Interest income received	3	3
Interest expenses paid	△417	△461
Income taxes paid	△1	△0
<b>Net Cash Provided by (used in) Operating Activities</b>	<b>6,335</b>	<b>5,742</b>
<b>Net Cash Provided by (used in) Investment Activities:</b>		
Payments into time deposits	—	△4,000
Purchases of short-term investment securities	—	△1,300
Proceeds from redemption of securities	—	1,300
Purchases of property, plant and equipment (including those in trust)	△15,019	△565
Repayments of lease and guarantee deposits received (including those in trust)	△503	△497
Proceeds from lease and guarantee deposits received (including those in trust)	1,673	1
<b>Net Cash Provided by (used in) Investment Activities</b>	<b>△13,849</b>	<b>△5,061</b>
<b>Net Cash Provided by (used in) Financing Activities:</b>		
Increase in short-term loans payable	39,200	34,100
Decrease in short-term loans payable	△45,700	△34,600
Proceeds from long-term loans payable	13,500	3,200
Repayment of long-term loans payable	△160	△2,360
Proceeds from issuance of investment corporation bonds	5,000	—
Payments for investment corporation bond issuance costs	△28	△2
Dividends paid	△3,526	△3,585
<b>Net Cash Provided by (used in) Financing Activities</b>	<b>8,285</b>	<b>△3,247</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>770</b>	<b>△2,566</b>
Cash and cash equivalents at the beginning of period	9,440	10,211
<b>Cash and cash equivalents at the Ending of period (Note)</b>	<b>10,211</b>	<b>7,645</b>

Note: Please note that there are restricted cash ¥ 1,381 million as of the end of 14th and 15th fiscal period for repayments of lease and guarantee deposits received, and time deposits ¥ 4,000 million as of the end of 15th fiscal period.