

February 18, 2008

Financial Report for the Seventh Fiscal Period (July 1, 2007 to December 31, 2007)

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/>)

Representative : Shunpei Nishikata, Executive Director
Head Office : Tokyo
Inquiries : Frontier REIT Management Inc. (Asset Management Company)
Izumi Maeda, Chief Financial Officer, Finance Div.
TEL: +81-3-3588-1440

Board of Directors' Meeting for the Approval of Financial Results : February 18, 2008
Planned Commencement of Cash Distribution Payment : March 11, 2008

1. PERFORMANCE FOR THE SEVENTH FISCAL PERIOD

(July 1, 2007 to December 31, 2007)

(1) Business Results

(Millions of yen rounded down, unless otherwise stated)

	Operating Revenues		Operating Income		Income before Income Taxes		Net Income	
7th Fiscal Period	3,667	2.2%	1,993	1.3%	1,971	0.9%	1,970	0.9%
6th Fiscal Period	3,587	3.4%	1,968	1.9%	1,954	2.3%	1,953	2.3%

	Net Income per Unit	ROE (Note5)	Income before Income Taxes to Total Asset	Income before Income Taxes to Operating Revenues
7th Fiscal Period	¥17,845	3.3%	2.0%	53.8%
6th Fiscal Period	¥17,692	3.2%	2.0%	54.5%

Notes:

1. For accounting purposes, the seventh fiscal period is from July 1, 2007 through December 31, 2007, a period of 184 days. The sixth fiscal period is from January 1, 2007 through June 30, 2007, 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 seventh fiscal period was 110,400 units. The average number of investment units for the sixth fiscal period was 110,400 units.
3. Changes in accounting policies: None
4. Percentages for operating revenues, operating income, income before income taxes and net income represent the percentage increase or decrease from the previous fiscal period.
5. ROE = Net income / (Net asset at the beginning of the period + Net asset at the end of the period)

(2) Distributions

(Millions of yen rounded down, unless otherwise stated)

	Distribution per Unit	Total Distributions	Distribution in Excess of Earnings per Unit	Total Distributions in Excess of Earnings	Payout Ratio	Distribution Ratio to Net Assets
7th Fiscal Period	¥17,845	1,970	¥0		99.9%	3.2%
6th Fiscal Period	¥17,693	1,953	¥0		100.0%	3.2%

Note : 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	Total Net Assets	Equity Ratio (Note2)	Net Assets per Unit
As of Dec31, 2007	99,694	60,552	60.7%	¥548,486
As of Jun 30, 2007	97,648	60,535	62.0%	¥548,331

Notes:

1. The number of investment units outstanding as of December 31, 2007 totaled 110,400 units. The number of investment units outstanding as of June30, 2007 totaled 110,400 units.
2. Equity Ratio = Net assets / Total assets. The equity ratio is rounded down to the first decimal place.

(4) Cash Flows

(Millions of yen rounded down, unless otherwise stated)

	Net Cash Provided by Operating Activities	Net Cash Used in Investing Activities	Net Cash (Used in) Provided by Financing Activities	Cash and Cash Equivalents at the End of Perids
As of Dec 31, 2007	2,788	3,001	152	3,052
As of Jun 30, 2007	2,936	2,330	108	3,418

3. FORECAST OF RESULTS FOR THE EIGHTH FISCAL PERIOD

(January 1, 2008 to June 30, 2008)

Outlook

For the eighth fiscal period (January 1, 2008 to June 30, 2008) the Investment Corporation is forecasting operating revenues of ¥4,298 million, Operating Income of ¥ 2,328 million, income before income taxes of ¥ 2,240 million, net income of ¥2,239 million and a cash distribution per unit of ¥17,900.

(Millions of yen rounded down, unless otherwise stated)

	Operating Revenue	Operating Income	Income before Income Taxes	Net Income	Distribution per Unit	Distribution in Excess of Earnings per Unit
8th Fiscal Period	4,298 (17.2%)	2,328 (16.8%)	2,240 (13.7%)	2,239 (13.7%)	17,900	¥0

(Reference) Estimated net income per unit for the eighth fiscal period: ¥17,900

Notes:

1. The aforementioned forecasts is based on the "Pre-Conditions and Assumptions that Support Operating Forecasts for the Seventh Fiscal Period Ending June 30, 2008" on Page4.
2. Percentages for operating revenues, operating income, income before income taxes and net income represent the percentage increase or decrease from the previous fiscal period.
3. Forecasts for the eighth 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.

**Preconditions and Assumptions That Support Operating Forecasts
for the Eighth Fiscal Period Ending June 30, 2008**

	Assumption
Investment Assets	<p>It is assumed that there will be no changes in the investment assets (12 property) before the end of the eighth fiscal period on June 30, 2008. A 12th property, You Me Town Hiroshima, is planned to be added in February 19, 2008 to the investment assets (11 properties) currently held as of February 18, 2008.</p> <p>Actual numbers may change due to the acquisition or sale of properties.</p>
Investment Units Issued	<p>It is assumed that the additional issue of 14,600 investment units, planned for March 24, 2008, will be added to the 110,400 investment units outstanding as of February 18, 2008. Total number of investment units after additional issue is 125,000 units.</p>
Liabilities	<p>The balance of short-term debt financing as of February 18, 2008 is ¥225 million.</p> <p>By increasing the total equity investment through the additional issue of new investment units, the loan to value ratio (debt financing plus security and guarantee deposits received from tenants as a percentage of total assets) as of June 30, 2008 is expected to be approximately 42%.</p>
Operating Revenues	<p>Real estate leasing business revenues are based on effective leasing agreements as of February 18, 2008.</p>
Operating Expenses	<p>Principal operating expenses, which comprise real estate leasing expenses, are calculated on historic levels and take into account variable factors.</p> <p>Property, city planning and other taxes relating to the Investment Corporation's property holdings (hereinafter called "Property Taxes") will be posted to real estate leasing expenses for the fiscal period under review (522 million yen for the eighth fiscal period).</p> <p>In connection with the planned acquisition of You Me Town Hiroshima in February 19, 2008, the property tax adjustments to be paid to the seller are not recorded as expenses, but included in the property's acquisition cost.</p> <p>Depreciation expenses are calculated using the straight-line method, including ancillary expenses and additional future capital expenditure (1,002 million yen for the eighth fiscal period).</p>
Distribution per Unit	<p>Cash dividends (distribution per unit) are calculated according to the Investment Corporation's distribution policy, as described in its Articles of Incorporation.</p> <p>Cash distribution per unit may change for a variety of reasons, including changes in the Investment Corporation's investment assets, tenant movements, changes in leasing revenues and the incidence of unforeseen repairs and maintenance.</p>
Distribution in Excess of Earnings per Unit	<p>The Investment Corporation does not currently anticipate cash distributions in excess of earnings per unit.</p>

	Assumption
Others	<p>Calculations and operating forecasts are based on the assumption there will be no changes in legislation, taxation, accounting standards and/or regulations applying to publicly listed companies, rules and requirements imposed by the Investment Trusts Association, Japan that would impact the aforementioned forecasts.</p> <p>Calculations and operating forecasts are also based on the assumption there will be no material changes in the general economic and real estate market conditions in Japan.</p>

Balance Sheets <Consistent with Japanese GAAP>

Frontier Real Estate Investment Corporation as of June 30, 2007 and as of December 31, 2007

(Millions of Yen rounded down)

	6th Fiscal Period		7th Fiscal Period		Change
	As of		As of		
	June 30, 2007		December 31, 2007		
ASSETS					
Current assets:					
Cash and deposits including trust accounts	3,880		3,514		
Other current assets	20		25		
Total current assets	3,901		3,540		360
Investment properties (including trust accounts):					
Buildings	43,888		43,917		
Structures	1,117		1,117		
Machinery and equipment	185		185		
Tools, furniture and fixtures	15		15		
Land	52,717		55,955		
Less: accumulated depreciation	4,219		5,071		
Total investment properties	93,706		96,120		2,414
Other assets:					
Intangible assets, net of amortization	0		0		
Other assets	40		33		
Total other assets	40		33		6
TOTAL ASSETS	97,648		99,694		2,046
LIABILITIES					
Current liabilities:					
Short-term borrowings	4,800		6,600		
Accounts payable	273		239		
Rents received in advance	574		595		
Accrued expenses and other current liabilities	163		167		
Total current liabilities	5,810		7,602		1,791
Non-current liabilities:					
Tenant security and guarantee deposits (including trust accounts)	31,224		31,465		
Other non-current liabilities	76		73		
Total non-current liabilities	31,301		31,539		237
TOTAL LIABILITIES	37,112		39,141		2,029
NET ASSETS					
Unitholders' equity:					
Unitholders' equity	58,582		58,582		-
Units authorized : 2,000,000 units					
Units issued and outstanding : 110,400 units					
Retained earnings	1,953		1,970		16
Total unitholder's equity	60,535		60,552		16
Net unrealized gains on investment security	-		0		0
TOTAL NET ASSETS	60,535		60,552		17
TOTAL LIABILITIES AND NET ASSETS	97,648		99,694		2,046

Statements of Income <Consistent with Japanese GAAP>

Frontier Real Estate Investment Corporation for the six-month ended June 30, 2007 and December 31, 2007.

(Millions of Yen rounded down)

	<For the six months ended>		
	6th Fiscal Period	7th Fiscal Period	Change
	June 30, 2007	December 31, 2007	
Operating revenues:			
Revenues from property leasing	3,587	3,667	
Total operating revenues	3,587	3,667	79
Operating expenses:			
Rental expenses	1,394	1,438	
Asset management fees	154	158	
Asset custodian fees	4	4	
General administration fees	21	22	
Other operating expenses	43	49	
Total operating expenses	1,618	1,673	55
OPERATING INCOME	1,968	1,993	24
Non-operating revenues:			
Interest income	3	5	
Other non-operating revenues	2	0	
Total non-operating revenues	5	6	0
Non-operating expenses:			
Interest expense	17	27	
Other non-operating expenses	2	0	
Total Non-Operating Expenses	20	28	8
COME BEFORE INCOME TAXES	1,954	1,971	16
Current and deferred income taxes	0	1	0
NET INCOME	1,953	1,970	16
NET INCOME AVAILABLE TO UNITHOLDERS	1,953	1,970	16

Statements of Cash Flows <Consistent with Japanese GAAP>

Frontier Real Estate Investment Corporation for the six-month ended June 30, 2007 and December 31, 2007.

	(Millions of Yen rounded down)	
	<For the six months ended>	
	6th Fiscal Period	7th Fiscal Period
	June 30, 2007	December 31, 2007
Cash Flows from Operating Activities:		
Income before income taxes	1,954	1,971
Depreciation and amortization	847	852
Interest income	3	5
Interest expense	17	27
Increase (Decrease) in account payable	115	59
Increase (Decrease) in rents received in advance	18	21
Cash receipts of interest income	3	5
Cash payment of interest expense	16	31
Other, net	0	5
Net Cash Provided by Operating Activities	2,936	2,788
Cash Flows from Investing Activities:		
Payments for purchases of investment properties	2,094	3,242
Payments for purchases of intangible assets	-	0
Proceeds from tenant security and guarantee deposits	34	512
Payments for tenant security and guarantee deposits (including trust accounts)	271	271
Net Cash Used in Investing Activities	2,330	3,001
Cash Flows from Financing Activities:		
Proceeds from short-term borrowings	1,800	8,400
Repayment for short-term borrowings	-	6,600
Payment of dividends	1,908	1,952
Net Cash (Used in) Provided by Financing Activities	108	152
Net Change in Cash and Cash Equivalents	497	366
Cash and cash equivalents at the beginning of period	2,920	3,418
Cash and cash equivalents at the Ending of period (Note)	3,418	3,052

Note: In addition, there is restricted cash ¥ 462 million, including reserve for renovation.