

February 14, 2011

## Financial Report for the Thirteenth Fiscal Period (July 1, 2010 to December 31, 2010)

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 : Hirohiko Kamei, Executive Director  
Head Office : Tokyo  
Inquiries : Mitsui Fudosan Frontier REIT Management Inc.  
(Asset Management Company)  
Tatsu Makino, Vice President, Finance Division and Director  
TEL: +81-3-3289-0440

Board of Directors' Meeting for the Approval of Financial Results : February 14, 2011  
Planned Commencement of Cash Distribution Payment : March 14, 2011

### 1. PERFORMANCE FOR THE THIRTEENTH FISCAL PERIOD

( July 1, 2010 to December 31, 2010 )

#### (1) Business Results

(Millions of yen rounded down, unless otherwise stated)

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
13th Fiscal Period	7,407	16.4%	3,931	18.0%	3,533	18.8%	3,532	18.8%
12th Fiscal Period	6,364	2.1%	3,332	△0.1%	2,975	△0.8%	2,974	△0.8%

	Net Income per Unit	ROE (Note5)	Ordinary Income to Total Assets	Ordinary income to Operating Revenue
13th Fiscal Period	¥18,233	3.5%	1.8%	47.7%
12th Fiscal Period	¥18,588	3.2%	1.7%	46.7%

Notes:

1. For accounting purposes, the thirteenth fiscal period is from July 1, 2010 through December 31, 2010, a period of 184 days. The twelfth fiscal period is from January 1, 2010 through June 30, 2010, 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 thirteenth fiscal period was 194,000 units. The average number of investment units for the twelfth fiscal period was 160,000 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
13th Fiscal Period	¥18,195	3,529	¥0	¥0	99.9%	3.1%
12th Fiscal Period	¥18,588	2,974	¥0	¥0	99.9%	3.2%

Notes:

1. The number of investment units outstanding as of December 31, 2010 totaled 194,000 units. The number of investment units outstanding as of June 30, 2010 totaled 160,000 units.
2. The payout ratio and distribution ratio to net assets are rounded down to the first decimal place. The payout ratio of the 13<sup>th</sup> fiscal period is calculated based on the following formula: Payout ratio = Total dividend / Net asset x 100. For the 13<sup>th</sup> 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 13th Fiscal Period (December 31, 2010)	207,973	112,389	54.0%	¥579,327
As of the end of 12th Fiscal Period (June 30, 2010)	177,390	92,354	52.1%	¥577,212

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, 2010 totaled 194,000 units. The number of investment units outstanding as of June 30, 2010 totaled 160,000 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 13th Fiscal Period (December 31, 2010)	4,475	△28,290	26,296	9,440
As of the end of 12th Fiscal Period (June 30, 2010)	4,586	△481	△3,155	6,959

## FORECAST OF RESULTS FOR THE FOURTEENTH FISCAL PERIOD

(January 1, 2011 to June 30, 2011)

### Outlook

For the fourteenth fiscal period (July 1, 2011 to June 30, 2011) the Investment Corporation is forecasting operating revenue of ¥7,821 million, operating income of ¥4,044 million, ordinary income of ¥3,574 million, net income of ¥3,573 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
14th Fiscal Period	7,821 (5.6%)	4,044 (2.9%)	3,574 (1.2%)	3,573 (1.2%)	¥18,400	¥0

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

Notes:

1. The aforementioned forecasts is based on the "Pre-Conditions and Assumptions for Operating Forecasts for 14th Fiscal Period ending June 30, 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 fourteenth 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 fourteenth 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 14th Fiscal Period ending June 30, 2011**

	<b>Pre-Conditions &amp; Assumptions</b>
<b>Investment Assets</b>	<ul style="list-style-type: none"> <li>• The pre-condition assumes the total of 24 properties including Mitsui Shopping Center LaLa garden KASUKABE that is to be acquired on February 16, 2011 (“New Property”) in addition to the properties the Investment Corporation owns as of February 14, 2011 (total of 23 properties, “Existing Properties”). It is assumed that there will be no change in the number of the investment assets, due to acquisitions excluding the New Property and/or disposals of Existing Properties, until the end of the 14th fiscal period (June 30, 2011).</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 14, 2011, which are 194,000 units.</li> </ul>
<b>Liabilities</b>	<ul style="list-style-type: none"> <li>• The balance of borrowings as of February 14, 2011 is ¥ 57,240 million. The pre-condition assumes that new borrowings will be executed for payment of the acquisition cost of new properties.</li> <li>• It is assumed that refinancing will be executed for the repayment of borrowings due by June 30, 2011.</li> <li>• The loan to value ratio (LTV) as of June 30, 2011 is expected to be approximately 47%.  * 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 the total of 24 properties, adding New Property to the Existing Properties. For Existing Properties, it is calculated based on the individual lease contracts which is valid as of February 14, 2011 and estimated fluctuating factors. For New Property, it is calculated based on the individual lease contract that is expected to be valid on New Property acquisition date and information provided by the current owner of the New Property.</li> </ul>
<b>Operating Expenses</b>	<ul style="list-style-type: none"> <li>• The leasing business expenses (subcontracting expenses, etc.) are major operating expenses. For Existing Properties, it is calculated based on actual figures and estimated fluctuating factors. For New Property, it is calculated based on the individual lease contract that is expected to be valid on New Property acquisition date and information provided by the current owner of the New Property.</li> <li>• Regarding repair expenses, the amount estimated based on planned construction projects during the 14th 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 14th fiscal period, which is ¥ 900 million, will be posted to leasing business expenses. However, should properties be newly acquired during the 14th 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 (¥ 1,919 million for the 14th fiscal period).</li> </ul>

	<b>Pre-Conditions &amp; Assumptions</b>
<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 and so on, will be ¥479 million for the 14th period.</li> </ul>
<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, 2010 and December 31, 2010.

	(Millions of Yen rounded down)		
	12th Fiscal Period	13th Fiscal Period	Change
	As of June 30, 2010	As of December 31, 2010	
<b>ASSETS</b>			
Current assets:			
Cash and deposits (including those in trust accounts)	8,340	10,821	
Operating accounts receivable	9	29	
Prepaid expenses	12	32	
Deferred tax assets	0	0	
Other	0	662	
<b>Total current assets</b>	<b>8,362</b>	<b>11,547</b>	<b>3,184</b>
Noncurrent assets:			
Property, plant and equipment (including those in trust accounts)			
Buildings	72,166	87,092	
Structures	1,824	2,013	
Machinery and equipment	319	376	
Tools, furniture and fixtures	43	46	
Land	106,353	120,354	
Construction in progress	20	2	
Less: accumulated depreciation	△11,711	△13,495	
<b>Total property, plant and equipment</b>	<b>169,016</b>	<b>196,389</b>	<b>27,373</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	0	25	
<b>Total investments and other assets</b>	<b>10</b>	<b>35</b>	<b>25</b>
<b>Total noncurrent assets</b>	<b>169,027</b>	<b>196,426</b>	<b>27,398</b>
<b>TOTAL ASSETS</b>	<b>177,390</b>	<b>207,973</b>	<b>30,582</b>

(Millions of Yen rounded down)

	12th Fiscal Period	13th Fiscal Period	Change
	As of June 30, 2010	As of December 31, 2010	
<b>LIABILITIES</b>			
Current liabilities:			
Operating accounts payable	476	413	
Short-term loans payable	20,200	21,200	
Current portion of long-term loans payable	320	2,520	
Accounts payable	82	52	
Accrued expenses	186	206	
Income taxes payable	0	0	
Accrued consumption taxes	138	44	
Advances received	865	862	
Deposits received	4	9	
Total current liabilities	22,273	25,309	3,035
Noncurrent liabilities:			
Long-term loans payable	23,880	30,520	
Deferred tax liabilities	0	0	
Tenant leasehold and security deposits (including those in trust accounts)	38,823	39,698	
Other	58	55	
Total noncurrent liabilities	62,762	70,274	7,512
<b>TOTAL LIABILITIES</b>	<b>85,036</b>	<b>95,583</b>	<b>10,547</b>
<b>NET ASSETS</b>			
Unitholders' equity:			
Unitholders' capital	89,379	108,857	19,477
Units authorized : 2,000,000 units			
Units issued and outstanding : 160,000 units(12th)			
Units issued and outstanding : 194,000 units(13th)			
Surplus			
Unappropriated retained earnings	2,974	3,532	
Total surplus	2,974	3,532	557
Total unitholders' equity	92,353	112,389	20,035
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	0	0	
Total valuation and translation adjustments	0	0	0
<b>TOTAL NET ASSETS</b>	<b>92,354</b>	<b>112,389</b>	<b>20,035</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>177,390</b>	<b>207,973</b>	<b>30,582</b>

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

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

(Millions of Yen rounded down)

	<For the six months ended>		
	12th Fiscal Period	13th Fiscal Period	Change
	June 30, 2010	December 31, 2010	
Operating revenue:			
Lease business revenue	6,356	7,392	
Other lease business revenue	7	11	
Gain on sale of investment properties	—	2	
Total operating revenue	6,364	7,407	1,042
Operating expenses:			
Expenses related to rent business	2,646	3,071	
Asset management fee	278	299	
Asset custody fee	8	8	
Administrative service fees	19	19	
Directors' compensations	6	6	
Other operating expenses	72	70	
Total operating expenses	3,031	3,475	443
<b>OPERATING INCOME</b>	<b>3,332</b>	<b>3,931</b>	<b>599</b>
Non-operating income:			
Interest income	3	2	
Other	0	2	
Total non-operating income	4	4	0
Non-operating expenses:			
Interest expenses	328	377	
Other	33	26	
Total non-operating expenses	361	403	42
<b>ORDINARY INCOME</b>	<b>2,975</b>	<b>3,533</b>	<b>557</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,975</b>	<b>3,533</b>	<b>557</b>
Current and deferred income taxes	1	1	△0
<b>NET INCOME</b>	<b>2,974</b>	<b>3,532</b>	<b>557</b>
<b>UNAPPROPRIATED RETAINED EARNINGS</b>	<b>2,974</b>	<b>3,532</b>	<b>557</b>



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

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

(Millions of Yen rounded down)

	<For the six months ended>	
	12th Fiscal Period	13th Fiscal Period
	June 30, 2010	December 31, 2010
<b>Net Cash Provided by (used in) Operating Activities:</b>		
Income before income taxes	2,975	3,533
Depreciation	1,465	1,783
New investment unit issue costs	—	19
Interest income	△3	△2
Interest expense	328	377
Decrease (Increase) in operating accounts receivable	1	△20
Decrease (Increase) in prepaid expenses	13	△45
Increase (Decrease) in operating accounts payable	139	△78
Increase (Decrease) in accrued expenses	6	16
Increase (Decrease) in accrued consumption taxes	△53	△94
Increase (Decrease) in advances received	0	△5
Decrease in investment properties due to sale	—	15
Other	42	△649
Subtotal	4,917	4,848
Interest income received	3	1
Interest expenses paid	△333	△373
Income taxes paid	△1	△0
<b>Net Cash Provided by (used in) Operating Activities</b>	<b>4,586</b>	<b>4,475</b>
<b>Net Cash Provided by (used in) Investment Activities:</b>		
Purchases of property, plant and equipment (including those in trust)	△82	△29,166
Repayments of lease and guarantee deposits received (including those in trust)	△463	△456
Proceeds from lease and guarantee deposits received (including those in trust)	—	1,331
Proceeds from repayments of tenant leasehold and security deposits in trust	64	—
<b>Net Cash Provided by (used in) Investment Activities</b>	<b>△481</b>	<b>△28,290</b>
<b>Net Cash Provided by (used in) Financing Activities:</b>		
Increase in short-term loans payable	22,400	26,900
Decrease in short-term loans payable	△22,400	△25,900
Proceeds from long-term loans payable	—	9,000
Repayment of long-term loans payable	△160	△160
Proceeds from issuance of investment units	—	19,428
Dividends paid	△2,995	△2,971
<b>Net Cash Provided by (used in) Financing Activities</b>	<b>△3,155</b>	<b>26,296</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>949</b>	<b>2,481</b>
Cash and cash equivalents at the beginning of period	6,010	6,959
<b>Cash and cash equivalents at the Ending of period (Note)</b>	<b>6,959</b>	<b>9,440</b>

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