August 14, 2014

Financial Report for the Twentieth Fiscal Period
(January 1, 2014 to June 30, 2014)

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 14, 2014
Planned Commencement of Cash Distribution Payment : September 9, 2014

(Millions of yen rounded down, Ratios rounded off to the first decimal place, unless otherwise stated)

1. PERFORMANCE FOR THE TWENTIETH FISCAL PERIOD
(January 1, 2014 to June 30, 2014)

(1) Business Results

(Percentages 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	%
20th Fiscal Period	10,633	6.8	5,748	12.3	5,308	13.8	5,307	13.8
19th Fiscal Period	9,960	2.9	5,118	1.3	4,665	2.5	4,664	2.5

	Net Income per Unit (Note1)	Return on Equity (Note2)	Ordinary Income to Total Assets	Ordinary income to Operating Revenue
	yen	%	%	%
20th Fiscal Period	10,700	3.5	2.0	49.9
19th Fiscal Period	9,405	3.1	1.8	46.8

Notes:
1. A two for one split of investment units has been implemented with January 1, 2014 as the effective date.
Net income per unit is calculated based on the assumption that the investment unit had been split at the beginning of the previous fiscal period.
2. Return on Equity = Net income / ((Net assets at the beginning of the period + Net assets at the end of the period)/2)×100

(2) Distributions

(Ratios rounded down to the first decimal place)

	Distribution per Unit (Note2)	Total Distributions	Distribution in Excess of Earnings per Unit	Total Distributions in Excess of Earnings	Payout Ratio (Note3)	Distribution Ratio to Net Assets
	yen	Millions of yen	yen	yen	%	%
20th Fiscal Period	10,211	5,064	0	0	95.4	3.3
19th Fiscal Period	18,810	4,664	0	0	99.9	3.0

Notes:

1. Part of unappropriated retained earnings (242million yen) is internally reserved for the 20th fiscal period.
2. Distribution per unit calculated with the assumption that the investment unit had been split at the beginning of the previous fiscal period is 9,405 yen.
3. Payout ratio = Total Distributions / Net Income × 100

(3) Financial Position

	Total Assets	Net Assets	Equity Ratio (Note1)	Net Assets per Unit (Note2)
	Millions of yen	Millions of yen	%	yen
As of the end of 20th Fiscal Period (June 30, 2014)	264,946	151,991	57.4	306,435
As of the end of 19th Fiscal Period (December 31, 2013)	264,073	151,349	57.3	305,139

Notes:

1. Equity Ratio = Net assets / Total assets × 100
2. Net assets per unit is calculated based on the assumption that the investment unit had been split at the beginning of the previous fiscal period.

(4) Cash Flows

	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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of the end of 20th Fiscal Period (June 30, 2014)	9,192	(11,416)	(3,924)	15,854
As of the end of 19th Fiscal Period (December 31, 2013)	18,842	(1,762)	(6,406)	22,002

FORECAST OF RESULTS FOR THE TWENTY-FIRST FISCAL PERIOD

(July 1, 2014 to December 31, 2014)

(Percentages show period-on-period changes)

	Operating Revenue		Operating Income		Ordinary Income		Net Income		Distribution per Unit	Distribution in Excess of Earnings per Unit
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen	yen
21th Fiscal Period	10,375	(2.4)	5,343	(7.0)	4,900	(7.7)	4,899	(7.7)	9,400	0

(Reference) Estimated net income per unit for the twenty-first fiscal period: 9,877yen

Notes:

1. The aforementioned forecast is based on the “Pre-Conditions and Assumptions for Operating Forecasts for 21th Fiscal Period ending December 31, 2014” on Page 4.
2. Forecast for the twenty-first 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.

Pre-Conditions and Assumptions for Operating Forecasts
for 21th Fiscal Period ending December 31, 2014

	Pre-Conditions & Assumptions
Investment Assets	・ The Investment Corporation owns total 30 properties as of August 14, 2014. As for AEON Hadano Shopping Center, 20% of quasi-trust beneficiary right in real estate property, all the remaining trust beneficiary right, is to be disposed on November 28, 2014. After this disposal, it is assumed that the Investment Corporation owns total 29 properties. ・ It is assumed that there will be no change in the number of the investment assets, due to acquisitions and/or disposals excluding the aforementioned disposal of AEON Hadano Shopping Center, until the end of the 21th fiscal period (December 31, 2014). ・ Actual numbers may change due to the future acquisitions and/or disposals of existing properties, if any.
Investment Units Issued	The number of the outstanding investment units is based on the number as of August 14, 2014, which are 496,000 units.
Liabilities	・ The balance of borrowings, etc. as of August 14, 2014 is 70,920 million yen. ・ It is assumed that refinancing and self-financing (partial) will be executed for the repayment of borrowings due by December 31, 2014. ・ The loan to value ratio (LTV*) as of December 31, 2014 is expected to be approximately 39%. * LTV = (Borrowings, etc. + Security deposits – Unrestricted cash and deposits) / (Total assets – Unrestricted cash and deposits)
Operating Revenues	・ This assumes lease business revenue from existing portfolio assets of 30 properties. As for AEON Hadano Shopping Center, 20% of quasi-trust beneficiary right in real estate property, all the remaining trust beneficiary right, is to be disposed on November 28, 2014. After this disposal, it is assumed that the number of investment assets is to be 29 properties. ・ It is calculated based on the individual lease contracts which is valid as of August 14, 2014 and estimated fluctuating factors.

	Pre-Conditions & Assumptions
Operating Expenses	・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 21th 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 21th fiscal period, which is 1,024 million yen, will be posted to leasing business expenses. However, should properties be newly acquired during the 21th 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 (2,163 million yen for the 21th fiscal period).
Non-operating Expenses	・It is assumed that non-operating expenses, which include interests charged on borrowings, security deposits, investment corporation bonds and so on, will be 451 million yen for the 21th period.
Distribution per Unit	・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. ・As profits from sale of "AEON Hadano Shopping Center" is expected to be the amount of 812 million yen(anticipated), the Investment Corporation intends to retain 192 million yen (anticipated) as reserve for reduction by applying the "Special Provisions on Taxation in the case of advance acquisition of land and such in 2009" in the Article 66-2 of the Act on Special Measures Law and the "Special Provisions of Taxation for Investment Corporations" in the Article 67-15 of the Act on Special Measures Law. Actual numbers of retained profits may change. ・It is assumed that there will be neither additional nor withdraw of reserve for reduction.
Distribution in Excess of Earnings per Unit	・The Investment Corporation does not currently anticipate cash distributions in excess of earnings per unit.
Others	・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, 2013 and June 30, 2014.

(Unit: Millions of Yen)

	19th Fiscal Period As of December 31, 2013	20th Fiscal Period As of June 30, 2014
ASSETS		
Current assets:		
Cash and deposits (including those in trust)	24,234	17,904
Operating accounts receivable	164	157
Prepaid expenses	43	45
Deferred tax assets	0	0
Other	9	59
Total current assets	24,453	18,166
Noncurrent assets:		
Property, plant and equipment (including those in trust)		
Buildings	103,195	103,481
Structures	2,092	2,079
Machinery and equipment	669	669
Tools, furniture and fixtures	76	85
Land	157,777	166,031
Less: accumulated depreciation	(24,335)	(25,929)
Construction in progress (including those in trust)	24	259
Total property, plant and equipment	239,501	246,676
Intangible assets		
Intangible assets, net of amortization	1	1
Total intangible assets	1	1
Investments and other assets		
Securities deposited, Tenant leasehold and security deposits	30	30
Long-term prepaid expenses	73	60
Total investments and other assets	104	91
Total noncurrent assets	239,607	246,768
Deferred assets:		
Investment corporation bond issuance costs	13	10
Total deferred assets	13	10
TOTAL ASSETS	**264,073**	**264,946**

(Unit: Millions of Yen)

	19th Fiscal Period As of December 31, 2013	20th Fiscal Period As of June 30, 2014
LIABILITIES		
Current liabilities:		
Operating accounts payable	728	864
Short-term loans payable	3,500	2,000
Current portion of long-term loans payable	8,180	9,540
Accounts payable	29	39
Accrued expenses	275	308
Income taxes payable	0	0
Accrued consumption taxes	635	105
Advances received	1,011	1,075
Deposits received	5	2
Other	7	1
Total current liabilities	14,374	13,939
Noncurrent liabilities:		
Investment corporation bond	5,000	5,000
Long-term loans payable	53,500	54,380
Deferred tax liabilities	0	—
Tenant leasehold and security deposits (including those in trust)	39,812	39,601
Other	37	33
Total noncurrent liabilities	98,350	99,015
TOTAL LIABILITIES	**112,724**	**112,954**
NET ASSETS		
Unitholders' equity:		
Unitholders' capital	146,590	146,590
Surplus		
Reserve for reduction entry	93	93
Total voluntary reserve	93	93
Unappropriated retained earnings	4,665	5,307
Total surplus	4,758	5,400
Total unitholders' equity	151,349	151,991
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	—
Total valuation and translation adjustments	0	—
TOTAL NET ASSETS	**151,349**	**151,991**
TOTAL LIABILITIES AND NET ASSETS	**264,073**	**264,946**

Statements of Income <Consistent with Japanese GAAP>

Frontier Real Estate Investment Corporation for the six-month ended December 31, 2013 and June 30, 2014

(Unit: Millions of Yen)

	<For the six months ended>	
	19th Fiscal Period	20th Fiscal Period
	December 31, 2013	June 30, 2014
Operating revenue:		
Lease business revenue	9,777	9,500
Other lease business revenue	96	167
Gain on sale of investment properties	86	965
Total operating revenue	9,960	10,633
Operating expenses:		
Expenses related to rent business	4,291	4,315
Asset management fee	425	429
Asset custody fee	13	13
Administrative service fees	23	26
Directors' compensations	6	6
Other operating expenses	81	93
Total operating expenses	4,841	4,884
OPERATING INCOME	**5,118**	**5,748**
Non-operating income:		
Interest income	2	3
Other	16	5
Total non-operating income	19	8
Non-operating expenses:		
Interest expenses	435	421
Other	36	27
Total non-operating expenses	471	449
ORDINARY INCOME	**4,665**	**5,308**
INCOME BEFORE INCOME TAXES	**4,665**	**5,308**
Current and deferred income taxes	0	0
NET INCOME	**4,664**	**5,307**
UNAPPROPRIATED RETAINED EARNINGS	**4,665**	**5,307**

Statements of Cash Flows <Consistent with Japanese GAAP>

Frontier Real Estate Investment Corporation for the six-month ended December 31, 2013 and June 30, 2014.

(Unit: Millions of Yen)

	<For the six months ended>	
	19th Fiscal Period	20th Fiscal Period
	December 31, 2013	June 30, 2014
Net Cash Provided by (used in) Operating Activities:		
Income before income taxes	4,665	5,308
Depreciation	2,265	2,208
Amortization of bond issue costs	3	3
Interest income	(2)	(3)
Interest expense	435	421
Decrease (Increase) in operating accounts receivable	7	7
Decrease (Increase) in prepaid expenses	(67)	11
Increase (Decrease) in operating accounts payable	(78)	170
Increase (Decrease) in accrued expenses	5	19
Increase (Decrease) in accrued consumption taxes	605	(529)
Increase (Decrease) in advances received	(72)	60
Decrease in investment properties in trust due to sale	11,356	1,969
Other	173	(49)
Subtotal	19,297	9,597
Interest income received	2	4
Interest expenses paid	(456)	(407)
Income taxes paid	(0)	(1)
Net Cash Provided by (used in) Operating Activities	**18,842**	**9,192**
Net Cash Provided by (used in) Investment Activities:		
Payments for purchases of short-term investment securities	(400)	(400)
Proceeds from redemption of securities	400	400
Payments for purchases of property, plant and equipment (including those in trust)	(281)	(11,387)
Repayments of lease and guarantee deposits received (including those in trust)	(1,872)	(827)
Proceeds from lease and guarantee deposits received (including those in trust)	112	616
Proceeds from repayments of tenant leasehold and security deposits in trust	300	181
Payments of lease deposits in trust	(20)	—
Proceeds from redemption of investment securities	—	10
Payments for lease and guarantee deposits	—	(10)
Net Cash Provided by (used in) Investment Activities	**(1,762)**	**(11,416)**
Net Cash Provided by (used in) Financing Activities:		
Increase in short-term loans payable	24,700	13,500
Decrease in short-term loans payable	(27,900)	(15,000)
Proceeds from long-term loans payable	5,000	4,000
Repayment of long-term loans payable	(3,660)	(1,760)
Dividends paid	(4,546)	(4,664)
Net Cash Provided by (used in) Financing Activities	**(6,406)**	**(3,924)**
Net Increase (Decrease) in Cash and Cash Equivalents	**10,673**	**(6,147)**
Cash and cash equivalents at the beginning of period	11,328	22,002
Cash and cash equivalents at the Ending of period (Note)	**22,002**	**15,854**

Note: Please note that there are restricted cash 2,232 million yen (19th) and 2,050 million yen (20th) for repayments of lease and guarantee deposits received.