

August 15, 2024

Summary of Financial Results for the 40th Fiscal Period
(January 1, 2024 to June 30, 2024)
<Under Japanese GAAP>

Name of REIT Issuer : Frontier Real Estate Investment Corporation
 Stock Exchange Listing : Tokyo Stock Exchange
 Securities Code : 8964
 Website : <https://www.frontier-reit.co.jp/en/>
 Representative : Toshihide Ichikawa, Executive Director
 Name of Asset Manager : Mitsui Fudosan Frontier REIT Management Inc.
 Representative : Shigekazu Yokochi,
 Chief Executive Officer and Representative Director
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 Scheduled date to file securities report : September 27, 2024
 Scheduled date to commence distribution payments : September 10, 2024

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

1. Performance for the 40th Fiscal Period (January 1, 2024 to June 30, 2024)

(1) Business Results

(% show period-on-period changes)

	Operating Revenue		Operating Income		Ordinary Income		Net Income	
Period ended,	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	12,162	10.2	6,785	12.9	6,431	12.8	6,430	12.8
December 31, 2023	11,032	(4.3)	6,010	(6.3)	5,704	(7.2)	5,703	(7.2)

	Net Income per Unit	Return on Equity (Note)	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
Period ended,	yen	%	%	%
June 30, 2024	11,886	3.7	1.9	52.9
December 31, 2023	10,542	3.3	1.7	51.7

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 (excluding distribution in excess of earnings)	Total Distributions (excluding distributions in excess of earnings)	Distribution in Excess of Earnings per Unit	Total Distributions in Excess of Earnings	Payout Ratio (Note)	Distribution to Net Assets
Period ended,	yen	Millions of yen	yen	Millions of yen	%	%
June 30, 2024	11,030	5,967	-	-	92.7	3.4
December 31, 2023	10,549	5,707	-	-	100.0	3.2

Note: Payout ratio = Total Distributions (excluding distributions in excess of earnings) / 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
June 30, 2024	333,976	175,115	52.4	323,688
December 31, 2023	336,333	174,391	51.9	322,350

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
June 30, 2024	11,443	(4,062)	(8,106)	16,480
December 31, 2023	6,419	(14,955)	2,888	17,205

2. Forecasts of Results for the 41st Fiscal Period (July 1, 2024 to December 31, 2024) and for the 42nd Fiscal Period (January 1, 2025 to June 30, 2025)

(% show period-on-period changes)

	Operating Revenue		Operating Income		Ordinary Income		Net Income		Distribution per Unit (excluding distribution in excess of earnings) (Note 2, 3, 4)	Distribution in Excess of Earnings per Unit
Period ended,	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen	yen
December 31, 2024	12,268	0.9	6,832	0.7	6,448	0.3	6,447	0.3	10,930	-
June 30, 2025	11,476	(6.5)	6,103	(10.7)	5,712	(11.4)	5,711	(11.4)	10,600	-

Notes:

- The aforementioned forecasts are based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 41st Fiscal Period (July 1, 2024 to December 31, 2024) and for the 42nd Fiscal Period(January 1, 2025 to June 30, 2025)" on Page 3.
- Amount of less than ten yen is rounded down.
- The forecast distribution per unit for the 41st fiscal period is calculated based on the assumption that net income less ¥533 million (the difference between the reserve for reduction entry and the reversal of the reserve for reduction entry) will be distributed.
- The forecast distribution per unit for the 42nd fiscal period is calculated based on the assumption that net income plus ¥26 million (the reversal of the reserve for reduction entry) will be distributed.

Pre-Conditions and Assumptions for Operating Forecasts
for the 41st Fiscal Period (July 1, 2024 to December 31, 2024)
and for the 42nd Fiscal Period (January 1, 2025 to June 30, 2025)

	Pre-Conditions & Assumptions
Calculation Period	- The 41st fiscal period ending December 31, 2024 (July 1, 2024 to December 31, 2024) (184 days) - The 42nd fiscal period ending June 30, 2025 (January 1, 2025 to June 30, 2025) (181 days)
Investment Assets	- The Investment Corporation owns total 41 properties as of August 15, 2024. - 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 42nd fiscal period (June 30, 2025) - Actual numbers may change due to the future acquisitions and/or disposals of existing properties, if any.
Loan to Value Ratio	- The balance of borrowings, etc. as of August 15, 2024 is ¥ 127,700 million. - It is assumed that refinancing and partial self-financing will be executed for the repayment of borrowings due by June 30, 2025. - The loan to value ratio (LTV*) as of December 31, 2024 and June 30, 2025 are expected to be approximately 44% and 44%, respectively. * LTV = (Borrowings, etc. + Security deposits – Unrestricted cash and deposits**) / (Total assets – Unrestricted cash and deposits) ** Unrestricted cash and deposits is calculated by subtracting planned distributions for the next fiscal period and deposits in trust account such as tenant leaseholds, etc. from cash and deposits on the balance sheet of each fiscal periods.
Operating Revenue	The pre-conditions assumes lease business revenue from the aforementioned investment assets of 41 properties. It is calculated based on the individual lease contracts valid as of August 15, 2024 and estimated fluctuating factors.
Operating Expenses	- Property taxes, city planning taxes, etc. are expected to be ¥ 1,296 million for the 41st fiscal period and ¥ 1,345 million for the 42nd fiscal period. However, should properties be newly acquired during the 41st and the 42nd fiscal period and municipal property taxes and other monies for settlement occur between the Investment Corporation and the seller, the aforementioned monies will be included in its acquisition cost. - Repairs and maintenance are expected to be ¥ 385 million for the 41st fiscal period and ¥ 375 million for the 42nd fiscal period. However, actual repairs and maintenance may be substantially different from the expected amount due to outlay date or certain unanticipated factors. - Depreciation and amortization are expected to be ¥ 1,938 million for the 41st fiscal period and ¥ 1,937 million for the 42nd fiscal period. - Other expenses related to rent business (property management expenses, etc.) are calculated based on actual figures and estimated fluctuating factors.

	Pre-Conditions & Assumptions
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 ¥ 384 million for the 41st fiscal period and ¥ 390 million for the 42nd fiscal period.
Distribution per Unit (excluding distribution in excess of earnings)	- Cash dividends (distribution per unit) are calculated according to the Investment Corporation's distribution policy described in its Articles of Incorporation. - The forecast distribution per unit for the 41st fiscal period is calculated based on the assumption that net income less ¥ 533 million (the difference between the reserve for reduction entry and the reversal of the reserve for reduction entry) will be distributed. - The forecast distribution per unit for the 42nd fiscal period is calculated based on the assumption that net income plus ¥ 26 million (the reversal of the reserve for reduction entry) will be distributed. - The number of the outstanding investment units is based on the number as of August 15, 2024, which are 541,000 units. - It is assumed that the Investment Corporation will not engage in the issuance of additional investment units or the buyback and cancellation of investment units until the end of the 42nd fiscal period (June 30, 2025). - Cash distribution per unit may change for a variety of reasons including changes in the Investment Corporation's investment assets, changes in rent revenues due to tenant movements, etc. and/or the incidence of unforeseen repairs and maintenance.
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, that 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 40th Period As of June 30, 2024	The 39th Period As of December 31, 2023
Assets		
Current assets		
Cash and deposits	¥ 12,771,686	¥ 13,528,279
Cash and deposits in trust	3,996,529	4,088,656
Operating accounts receivable	113,335	118,119
Prepaid expenses	48,529	51,271
Other	187	702,584
Total current assets	16,930,268	18,488,910
Non-current assets		
Property, plant and equipment		
Buildings	61,800,945	60,899,332
Accumulated depreciation	(30,539,947)	(29,565,261)
Buildings, net	31,260,998	31,334,071
Structures	1,252,080	1,251,352
Accumulated depreciation	(1,104,964)	(1,090,169)
Structures, net	147,115	161,182
Machinery and equipment	121,699	121,699
Accumulated depreciation	(116,672)	(108,838)
Machinery and equipment, net	5,027	12,861
Tools, furniture and fixtures	154,892	154,133
Accumulated depreciation	(109,011)	(99,814)
Tools, furniture and fixtures, net	45,880	54,318
Land	118,049,021	116,357,460
Construction in progress	21,328	-
Buildings in trust	57,087,617	57,353,140
Accumulated depreciation	(26,198,694)	(25,480,718)
Buildings in trust, net	30,888,923	31,872,421
Structures in trust	803,021	831,157
Accumulated depreciation	(616,439)	(605,493)
Structures in trust, net	186,582	225,663
Machinery and equipment in trust	772,908	772,908
Accumulated depreciation	(714,333)	(708,824)
Machinery and equipment in trust, net	58,575	64,084
Tools, furniture and fixtures in trust	145,128	136,869
Accumulated depreciation	(103,468)	(96,831)
Tools, furniture and fixtures in trust, net	41,659	40,037
Land in trust	134,551,806	135,912,357
Total property, plant and equipment	315,256,919	316,034,459
Intangible assets		
Leasehold interests in land	1,658,315	1,658,315
Other	2,325	2,838
Total intangible assets	1,660,640	1,661,153
Investments and other assets		
Long-term prepaid expenses	36,382	52,967
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	20,980	20,980
Deferred tax assets	15	10
Other	18	18
Total investments and other assets	67,396	83,975
Total non-current assets	316,984,956	317,779,589

Deferred assets		
Investment corporation bonds issuance costs	60,786	64,947
Total deferred assets	60,786	64,947
Total assets	¥ 333,976,011	¥336,333,447

(Thousands of Yen)

	The 40th Period As of June 30, 2024	The 39th Period As of December 31, 2023
Liabilities		
Current liabilities		
Operating accounts payable	¥ 1,663,320	¥ 2,149,016
Current portion of long-term loans payable	15,000,000	14,900,000
Accounts payable – other	82,852	68,813
Accrued expenses	305,690	290,916
Income taxes payable	928	815
Accrued consumption taxes	659,365	170,744
Advances received	1,191,234	1,191,748
Deposits received	6,450	3,767
Other	33,255	33,000
Total current liabilities	18,943,096	18,808,822
Non-current liabilities		
Investment corporation bonds	13,500,000	13,500,000
Long-term loans payable	99,200,000	101,700,000
Tenant leasehold and security deposits	13,265,699	13,662,955
Tenant leasehold and security deposits in trust	13,951,715	14,269,666
Other	50	305
Total non-current liabilities	139,917,466	143,132,928
Total liabilities	158,860,563	161,941,750
Net assets		
Unitholders' equity		
Unitholders' capital	171,357,423	171,357,423
Deduction from unitholders' capital	(2,847,059)	(2,847,059)
Unitholders' capital, net	168,510,364	168,510,364
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	174,090	177,475
Total voluntary retained earnings	174,090	177,475
Unappropriated retained earnings	6,430,993	5,703,857
Total surplus	6,605,083	5,881,332
Total unitholders' equity	175,115,447	174,391,696
Total net assets	175,115,447	174,391,696
Total liabilities and net assets	¥ 333,976,011	¥336,333,447

Statement of Income and Retained Earnings

(Thousands of Yen)

	For the 40th Period from January 1, 2024 to June 30, 2024	For the 39th Period from July 1, 2023 to December 31, 2023
Operating revenue		
Rent revenue – real estate	¥ 11,512,115	¥11,005,397
Rent revenue – other	25,648	27,321
Gain on sales of real estate properties	624,376	-
Total operating revenue	12,162,140	11,032,718
Operating expenses		
Expenses related to rent business	4,602,699	4,280,896
Asset management fee	607,080	582,052
Asset custody fee	16,816	16,351
Administrative service fees	27,305	25,171
Directors' compensations	8,400	8,400
Other operating expenses	114,190	109,257
Total operating expenses	5,376,493	5,022,129
Operating income	6,785,646	6,010,588
Non-operating income		
Interest income	23	19
Reversal of distribution payable	660	1,450
Interest on tax refund	3,560	-
Insurance income	-	227
Total non-operating income	4,244	1,698
Non-operating expenses		
Interest expenses	283,750	246,843
Interest expenses on investment corporation bonds	40,807	41,256
Amortization of investment corporation bond issuance costs	4,161	4,161
Other	29,485	15,701
Total non-operating expenses	358,204	307,962
Ordinary income	6,431,686	5,704,324
Income before income taxes	6,431,686	5,704,324
Income taxes – current	932	817
Income taxes – deferred	(5)	6
Total income taxes	926	824
Net income	6,430,759	5,703,499
Retained earnings brought forward	233	358
Unappropriated retained earnings	¥ 6,430,993	¥5,703,857

Statement of Cash Flows

(Thousands of Yen)

	For the 40th Period from January 1, 2024 to June 30, 2024	For the 39th Period from July 1, 2023 to December 31, 2023
Cash flows from operating activities		
Income before income taxes	¥ 6,431,686	¥ 5,704,324
Depreciation and amortization	1,998,068	1,902,798
Amortization of investment corporation bond issuance costs	4,161	4,161
Interest income	(23)	(19)
Interest expenses	324,557	288,099
Decrease (increase) in operating accounts receivable	820	(17,268)
Decrease (increase) in accounts receivable - other	-	118,148
Decrease (increase) in prepaid expenses	19,327	(85,663)
Increase (decrease) in operating accounts payable	122,623	(183,186)
Increase (decrease) in accrued expenses	23,881	(5,003)
Increase (decrease) in accrued consumption taxes	488,621	(277,892)
Decrease (increase) in consumption taxes receivable	702,584	(702,584)
Increase (decrease) in advances received	(768)	(1,105)
Decrease in property, plant and equipment in trust due to sale	1,618,021	-
Other, net	35,523	(36,919)
Subtotal	11,769,085	6,707,888
Interest income received	23	19
Interest expenses paid	(324,507)	(287,561)
Income taxes paid	(818)	(953)
Net cash provided by (used in) operating activities	11,443,782	6,419,393
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,233,840)	(9,767,058)
Purchase of property, plant and equipment in trust	(248,168)	(5,577,630)
Purchase of intangible assets	(285)	(497)
Repayments of tenant leasehold and security deposits	(446,336)	(446,336)
Proceeds from tenant leasehold and security deposits	56,580	633,274
Repayments of tenant leasehold and security deposits in trust	(403,130)	(400)
Proceeds from tenant leasehold and security deposits in trust	89,143	208,505
Payments for restricted bank deposits in trust	(9,143)	(5,560)
Proceeds from reversal of restricted bank deposits in trust	133,130	400
Net cash provided by (used in) investing activities	(4,062,050)	(14,955,302)
Cash flows from financing activities		
Proceeds from long-term loans payable	4,500,000	14,400,000
Repayment of long-term loans payable	(6,900,000)	(5,500,000)
Distributions of earnings paid	(5,706,463)	(6,011,099)
Net cash provided by (used in) financing activities	(8,106,463)	2,888,900
Net increase (decrease) in cash and cash equivalents	(724,731)	(5,647,008)
Cash and cash equivalents at beginning of period	17,205,558	22,852,566
Cash and cash equivalents at end of period (Note)	¥16,480,826	¥17,205,558

Note: There are restricted cash ¥411 million (39th) and ¥287 million (40th) for repayments of lease and guarantee deposits received.