

Summary of Financial Results for the 25th Fiscal Period
(July 1, 2016 to December 31, 2016)
<Under Japanese GAAP>

Name of REIT Issuer : Frontier Real Estate Investment Corporation
 Stock Exchange Listing : Tokyo Stock Exchange
 Securities Code : 8964
 Website : <http://www.frontier-reit.co.jp/eng/>
 Representative : Kazuichi Nagata, Executive Director
 Name of Asset Manager : Mitsui Fudosan Frontier REIT Management Inc.
 Representative : Hiroshi Tanaka,
 Chief Executive Officer and Representative Director
 Contact : Akiko Kaito, Chief Finance Officer and Director
 TEL: +81-3-3289-0440
 Scheduled date to file securities report : March 29, 2017
 Scheduled date to commence distribution payments : March 7, 2017

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

1. Performance for the 25th Fiscal Period (July 1, 2016 to December 31, 2016)

(1) Business Results

(% 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	%
Period ended, December 31, 2016	10,022	(0.3)	5,379	10.6	5,050	13.0	4,911	9.9
June 30, 2016	10,051	0.1	4,864	(6.8)	4,468	(7.1)	4,467	(7.1)

	Net Income per Unit	Return on Equity (Note)	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	yen	%	%	%
Period ended, December 31, 2016	9,902	3.2	1.9	50.4
June 30, 2016	9,007	2.9	1.7	44.5

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 (Note1)	Total Distributions	Distribution in Excess of Earnings per Unit	Total Distributions in Excess of Earnings	Payout Ratio (Note2)	Distribution to Net Assets
	yen	Millions of yen	yen	Millions of yen	%	%
Period ended, December 31, 2016	9,903	4,911	0	0	100.0	3.2
June 30, 2016	9,694	4,808	0	0	107.6	3.1

Notes:

- Distribution per unit of the fiscal period ending June 30, 2016 is calculated by adding ¥340 million of reversal of reserve for reduction entry to unappropriated retained earnings, and dividing the amount by the total number of outstanding investment units.
- Payout ratio = Total Distributions / 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
December 31, 2016	274,263	151,691	55.3	305,829
June 30, 2016	267,353	151,587	56.7	305,620

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
December 31, 2016	6,311	(15,537)	2,729	12,462
June 30, 2016	15,898	(4,238)	(3,029)	18,958

2. Forecast of Results for the 26th Fiscal Period (January 1, 2017 to June 30, 2017)

(Percentages show period-on-period changes)

	Operating Revenue		Operating Income		Ordinary Income		Net Income		Distribution per Unit (Note3)	Distribution in Excess of Earnings per Unit
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen	yen
Period ended, June 30, 2017	9,958	(0.6)	5,203	(3.3)	4,870	(3.6)	4,869	(0.9)	9,800	0

Notes:

1. The aforementioned forecast is based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 26th Fiscal Period (January 1, 2017 to June 30, 2017)" on Page 3.
2. Forecast for the 26th 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.
3. Amount of less than one hundred yen is rounded down.

**Pre-Conditions and Assumptions for Operating Forecasts
for the 26th Fiscal Period (January 1, 2017 to June 30, 2017)**

	Pre-Conditions & Assumptions
Investment Assets	<ul style="list-style-type: none"> • The Investment Corporation owns total 32 properties as of February 15, 2017. • 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 26th fiscal period (June 30, 2017). • 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 February 15, 2017, which are 496,000 units.
Liabilities	<ul style="list-style-type: none"> • The balance of borrowings, etc. as of February 15, 2017 is ¥ 86,400 million. • It is assumed that refinancing and partial self-financing will be executed for the repayment of borrowings due by June 30, 2017. • The loan to value ratio (LTV*) as of June 30, 2017 is expected to be approximately 42%. * LTV = (Borrowings, etc. + Security deposits – Unrestricted cash and deposits) / (Total assets – Unrestricted cash and deposits)
Operating Revenue	The pre-condition assumes lease business revenue from the aforementioned investment assets of 32 properties. It is calculated based on the individual lease contracts, which is valid as of February 15, 2017, and estimated fluctuating factors.
Operating Expenses	<ul style="list-style-type: none"> • 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 26th 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 26th fiscal period, which is ¥ 1,046 million, will be posted to leasing business expenses. • Depreciation expenses are calculated using the straight-line method. It includes ancillary expenses and additional future capital expenses (¥ 2,120 million for the 26th fiscal period).
Non-operating Expenses	<ul style="list-style-type: none"> • It is assumed that non-operating expenses, which include interests charged on borrowings, security deposits, investment corporation bonds and so on, will be ¥ 333 million for the 26th fiscal period.

	Pre-Conditions & Assumptions
Distribution per Unit	<ul style="list-style-type: none"> • 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. • It is assumed that there will be neither additional nor withdraw of reserve for reduction.
Distribution in Excess of Earnings per Unit	<ul style="list-style-type: none"> • The Investment Corporation does not currently anticipate cash distributions in excess of earnings per unit.
Others	<ul style="list-style-type: none"> • 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 Sheet

(Thousands of Yen)

	The 25th Period As of December 31, 2016	The 24th Period As of June 30, 2016
Assets		
Current assets		
Cash and deposits	¥ 9,411,665	¥ 13,602,559
Cash and deposits in trust	3,487,126	5,782,932
Operating accounts receivable	139,815	130,962
Prepaid expenses	37,928	32,995
Deferred tax assets	12	18
Other	364,517	5,051
Total current assets	13,441,066	19,554,519
Non-current assets		
Property, plant and equipment		
Buildings	55,768,092	55,951,243
Accumulated depreciation	(16,758,376)	(15,789,650)
Buildings, net	39,009,716	40,161,592
Structures	1,125,399	1,152,082
Accumulated depreciation	(699,460)	(685,387)
Structures, net	425,939	466,694
Tools, furniture and fixtures	57,578	33,105
Accumulated depreciation	(24,358)	(22,891)
Tools, furniture and fixtures, net	33,219	10,213
Land	72,924,783	72,921,941
Buildings in trust	49,924,442	45,396,095
Accumulated depreciation	(15,629,400)	(14,615,237)
Buildings in trust, net	34,295,042	30,780,858
Structures in trust	844,607	756,268
Accumulated depreciation	(434,874)	(407,102)
Structures in trust, net	409,732	349,165
Machinery and equipment in trust	669,558	669,558
Accumulated depreciation	(413,113)	(379,123)
Machinery and equipment in trust, net	256,444	290,435
Tools, furniture and fixtures in trust	58,358	51,978
Accumulated depreciation	(22,709)	(19,563)
Tools, furniture and fixtures in trust, net	35,649	32,415
Land in trust	113,359,080	102,727,034
Construction in progress in trust	1,764	-
Total property, plant and equipment	260,751,373	247,740,351
Intangible assets		
Other	1,531	1,933
Total intangible assets	1,531	1,933
Investments and other assets		
Long-term prepaid expenses	16,102	26,122
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	20,400	20,400
Total investments and other assets	46,502	56,522
Total non-current assets	260,799,407	247,798,807
Deferred assets		
Investment corporation bonds issuance costs	22,797	-
Total deferred assets	22,797	-
Total assets	¥ 274,263,271	¥ 267,353,326

(Thousands of Yen)

	The 25th Period As of December 31, 2016	The 24th Period As of June 30, 2016
Liabilities		
Current liabilities		
Operating accounts payable	¥ 646,462	¥ 760,884
Short-term loans payable	5,000,000	3,000,000
Current portion of long-term loans payable	9,000,000	7,440,000
Accounts payable –other	25,886	80,870
Accrued expenses	248,194	272,355
Income taxes payable	848	907
Accrued consumption taxes	114,710	305,025
Advances received	1,048,221	1,099,339
Deposits received	3,500	37,967
Other	32,400	32,400
Total current liabilities	16,120,224	13,029,749
Non-current liabilities		
Investment corporation bond	3,000,000	-
Long-term loans payable	69,400,000	68,400,000
Tenant leasehold and security deposits	17,950,050	18,176,024
Tenant leasehold and security deposits in trust	16,082,554	16,137,245
Other	19,046	22,530
Total non-current liabilities	106,451,652	102,735,800
Total liabilities	122,571,876	115,765,550
Net assets		
Unitholders' equity		
Unitholders' capital	146,590,931	146,590,931
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	188,321	528,821
Total voluntary retained earnings	188,321	528,821
Unappropriated retained earnings	4,912,142	4,468,024
Total surplus	5,100,463	4,996,845
Total unitholders' equity	151,691,395	151,587,776
Total net assets	151,691,395	151,587,776
Total liabilities and net assets	¥ 274,263,271	¥ 267,353,326

Statement of Income and Retained Earnings

	(Thousands of Yen)	
	For the 25th Period from July 1, 2016 to December 31, 2016	For the 24th Period from January 1, 2016 to June 30, 2016
Operating revenue		
Rent revenue – real estate	¥ 9,893,299	¥ 9,989,956
Rent revenue – other	129,547	61,574
Total operating revenue	10,022,847	10,051,530
Operating expenses		
Expenses related to rent business	4,083,732	4,152,255
Loss on sales of real estate properties	-	469,963
Asset management fee	428,837	416,121
Asset custody fee	13,367	13,404
Administrative service fees	22,042	24,485
Directors' compensations	6,600	6,600
Other operating expenses	89,185	104,614
Total operating expenses	4,643,766	5,187,445
Operating income	5,379,081	4,864,085
Non-operating income		
Interest income	17	401
Interest on securities	6	136
Reversal of distribution payable	2,423	2,609
Other	1,391	519
Total non-operating income	3,839	3,667
Non-operating expenses		
Interest expenses	317,905	358,792
Interest expenses on investment corporation bonds	2,153	9,967
Amortization of investment corporation bonds issuance costs	127	1,024
Other	12,573	29,091
Total non-operating expenses	332,759	398,876
Ordinary income	5,050,160	4,468,876
Extraordinary losses		
Loss on retirement of non-current assets	137,453	-
Total extraordinary losses	137,453	-
Income before income taxes	4,912,707	4,468,876
Income taxes – current	858	982
Income taxes – deferred	5	(5)
Total income taxes	864	977
Net income	4,911,842	4,467,899
Retained earnings brought forward	300	124
Unappropriated retained earnings	¥ 4,912,142	¥ 4,468,024

Statement of Cash Flows

(Thousands of Yen)

	For the 25th Period from July 1, 2016 to December 31, 2016	For the 24th Period from January 1, 2016 to June 30, 2016
Cash flows from operating activities		
Income before income taxes	¥ 4,912,707	¥ 4,468,876
Depreciation and amortization	2,156,414	2,157,685
Amortization of investment corporation bonds issuance costs	127	1,024
Interest income	(23)	(538)
Interest expenses	320,058	368,759
Loss on retirement of non-current assets	137,453	-
Decrease (increase) in operating accounts receivable	(3,844)	43,315
Decrease (increase) in prepaid expenses	5,086	17,264
Increase (decrease) in operating accounts payable	(171,546)	96,352
Increase (decrease) in accrued expenses	3,249	(1,246)
Increase (decrease) in accrued consumption taxes	(190,314)	(26,746)
Decrease (increase) in consumption taxes receivable	(364,517)	-
Increase (decrease) in advances received	(54,620)	(7,624)
Decrease in property, plant and equipment in trust due to sale	-	9,108,414
Other, net	(88,316)	43,184
Subtotal	6,661,914	16,268,723
Interest income received	66	572
Interest expenses paid	(349,131)	(370,038)
Income taxes paid	(917)	(776)
Net cash provided by (used in) operating activities	6,311,931	15,898,481
Cash flows from investing activities		
Purchase of short-term investment securities	(400,000)	(400,000)
Proceeds from redemption of short-term investment securities	400,000	400,000
Purchase of property, plant and equipment	(17,719)	(2,000,114)
Purchase of property, plant and equipment in trust	(15,229,616)	(30,988)
Repayments of tenant leasehold and security deposits	(297,408)	(278,959)
Proceeds from tenant leasehold and security deposits	71,435	153,450
Repayments of tenant leasehold and security deposits in trust	(517,017)	(2,162,726)
Proceeds from tenant leasehold and security deposits in trust	462,326	54,945
Proceeds from bank deposits in trust accounts corresponding to tenant leasehold and security deposits in trust	(9,290)	25,895
Net cash provided by (used in) investing activities	(15,537,291)	(4,238,497)
Cash flows from financing activities		
Proceeds from short-term loans payable	65,000,000	13,000,000
Repayment of short-term loans payable	(63,000,000)	(13,000,000)
Proceeds from long-term loans payable	7,000,000	6,900,000
Repayment of long-term loans payable	(4,440,000)	(120,000)
Proceeds from issuance of investment corporation bonds	3,000,000	-
Redemption of investment corporation bonds	-	(5,000,000)
Payments for investment corporation bond issuance costs	(22,313)	-
Dividends paid	(4,808,317)	(4,809,653)
Net cash provided by (used in) financing activities	2,729,369	(3,029,653)
Net increase (decrease) in cash and cash equivalents	(6,495,990)	8,630,330
Cash and cash equivalents at beginning of period	18,958,414	10,328,083
Cash and cash equivalents at end of period (Note)	¥ 12,462,423	¥ 18,958,414

Note: There are restricted cash ¥427 million (24th) and ¥436 million (25th) for repayments of lease and guarantee deposits received.