

Summary of Financial Results for the 28th Fiscal Period
(January 1, 2018 to June 30, 2018)
<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	:	Takao Iwadou, Executive Director
Name of Asset Manager	:	Mitsui Fudosan Frontier REIT Management Inc.
Representative	:	Goro Toyama, Chief Executive Officer and Representative Director
Contact	:	Takashi Iwamoto, Chief Finance Officer and Director TEL: +81-3-3289-0440
Scheduled date to file securities report	:	September 26, 2018
Scheduled date to commence distribution payments	:	September 11, 2018

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

1. Performance for the 28th Fiscal Period (January 1, 2018 to June 30, 2018)

(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, June 30, 2018	10,240	1.0	5,411	1.5	5,131	1.9	5,056	0.5
December 31, 2017	10,135	1.2	5,331	0.6	5,033	1.2	5,032	1.2

	Net Income per Unit	Return on Equity (Note)	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	yen	%	%	%
Period ended, June 30, 2018	10,193	3.3	1.9	50.1
December 31, 2017	10,146	3.3	1.8	49.7

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	Total Distributions	Distribution in Excess of Earnings per Unit	Total Distributions in Excess of Earnings	Payout Ratio (Note)	Distribution to Net Assets
	yen	Millions of yen	yen	Millions of yen	%	%
Period ended, June 30, 2018	10,194	5,056	0	0	100.0	3.3
December 31, 2017	10,146	5,032	0	0	99.9	3.3

Note: 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
June 30, 2018	280,956	151,835	54.0	306,120
December 31, 2017	272,792	151,811	55.7	306,072

Note: Equity Ratio = Net assets / Total assetsx100

(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, 2018	7,430	(11,716)	2,972	9,521
December 31, 2017	6,788	(5,179)	(5,968)	10,834

2. Forecast of Results for the 29th Fiscal Period (July 1, 2018 to December 31, 2018)

(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, December 31, 2018	10,359	1.2	5,337	(1.4)	5,051	(1.6)	5,050	(0.1)	10,180	0

Notes:

1. The aforementioned forecast is based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 29th Fiscal Period (July 1, 2018 to December 31, 2018)" on Page 3.
2. Forecast for the 29th 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 ten yen is rounded down.

**Pre-Conditions and Assumptions for Operating Forecasts
for the 29th Fiscal Period (July 1, 2018 to December 31, 2018)**

	Pre-Conditions & Assumptions
Investment Assets	<ul style="list-style-type: none"> • The Investment Corporation owns total 35 properties as of August 15, 2018. • 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 29th fiscal period (December 31, 2018). • Actual numbers may change due to the future acquisitions and/or disposals of existing properties, if any.
Liabilities	<ul style="list-style-type: none"> • The balance of borrowings, etc. as of August 15, 2018 is ¥ 93,400 million. • It is assumed that refinancing and partial self-financing will be executed for the repayment of borrowings due by December 31, 2018. • On the assumption that there will be no change in the number of the investment assets, the loan to value ratio (LTV*) as of December 31, 2018 is expected to be approximately 44%. * LTV = (Borrowings, etc. + Security deposits – Unrestricted cash and deposits**) / (Total assets – Unrestricted cash and deposits) ** Unrestricted cash and deposits = Cash and cash equivalents at the end of the period – distributions for the period
Operating Revenue	<ul style="list-style-type: none"> • The pre-condition assumes lease business revenue from the aforementioned investment assets of 35 properties. It is calculated based on the individual lease contracts, which is valid as of August 15, 2018, and estimated fluctuating factors.
Operating Expenses	<ul style="list-style-type: none"> • Regarding real estate taxes, city planning taxes and other imposts relating to the aforementioned investment assets of 35 properties, the portion allocated to the 29th fiscal period, which is ¥ 1,062 million, will be posted to leasing business expenses. However, should properties be newly acquired during the 29th 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. • Regarding repair expenses, the amount estimated based on planned construction projects during the 29th fiscal period is budgeted as expenses (¥ 435 million for the 29th fiscal period). However, actual repair expenses may be substantially different from the expected amount due to outlay date or certain unanticipated factors. • Depreciation expenses are calculated using the straight-line method. It includes ancillary expenses regarding the future acquisitions and additional future capital expenses estimated based on planned construction projects during the 29th fiscal period (¥ 2,081 million for the 29th fiscal period). • Other expenses related to rent business (property management expenses, etc.) is calculated based on actual figures and estimated fluctuating factors.

	Pre-Conditions & Assumptions
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 ¥ 286 million for the 29th fiscal period.
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. • The number of the outstanding investment units is based on the number as of August 15, 2018, which are 496,000 units. • It is assumed that there will be neither additional nor withdraw of reserve for reduction. • 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.
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 28th Period As of June 30, 2018	The 27th Period As of December 31, 2017
Assets		
Current assets		
Cash and deposits	¥ 5,975,247	¥ 7,623,664
Cash and deposits in trust	4,043,830	3,683,544
Operating accounts receivable	134,962	146,433
Prepaid expenses	14,027	29,896
Deferred tax assets	8	13
Total current assets	10,168,077	11,483,552
Non-current assets		
Property, plant and equipment		
Buildings	55,807,044	55,789,773
Accumulated depreciation	(19,824,108)	(18,801,923)
Buildings, net	35,982,935	36,987,849
Structures	1,128,567	1,128,567
Accumulated depreciation	(801,481)	(770,207)
Structures, net	327,085	358,359
Tools, furniture and fixtures	60,834	60,834
Accumulated depreciation	(33,454)	(30,371)
Tools, furniture and fixtures, net	27,380	30,463
Land	75,054,834	72,924,783
Buildings in trust	50,817,840	50,168,212
Accumulated depreciation	(18,534,888)	(17,572,992)
Buildings in trust, net	32,282,951	32,595,220
Structures in trust	848,562	844,607
Accumulated depreciation	(509,327)	(485,129)
Structures in trust, net	339,235	359,478
Machinery and equipment in trust	715,519	680,741
Accumulated depreciation	(511,384)	(480,143)
Machinery and equipment in trust, net	204,134	200,598
Tools, furniture and fixtures in trust	72,974	72,619
Accumulated depreciation	(35,552)	(30,934)
Tools, furniture and fixtures in trust, net	37,422	41,684
Land in trust	126,449,450	117,744,997
Construction in progress in trust	30,669	12,033
Total property, plant and equipment	270,736,099	261,255,468
Intangible assets		
Other	1,143	1,371
Total intangible assets	1,143	1,371
Investments and other assets		
Long-term prepaid expenses	30	-
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	20,400	20,400
Total investments and other assets	30,430	30,400
Total non-current assets	270,767,674	261,287,240
Deferred assets		
Investment corporation bonds issuance costs	20,972	21,269
Total deferred assets	20,972	21,269
Total assets	¥280,956,724	¥272,792,061

(Thousands of Yen)

	The 28th Period As of June 30, 2018	The 27th Period As of December 31, 2017
Liabilities		
Current liabilities		
Operating accounts payable	¥ 986,294	¥ 895,197
Short-term loans payable	6,000,000	4,500,000
Current portion of long-term loans payable	4,700,000	11,700,000
Accounts payable –other	35,124	25,656
Accrued expenses	270,497	244,848
Income taxes payable	779	888
Accrued consumption taxes	165,354	187,191
Advances received	1,115,997	1,073,320
Deposits received	3,071	2,748
Provision for loss on disaster	74,545	-
Other	32,400	32,400
Total current liabilities	13,384,064	18,662,252
Non-current liabilities		
Investment corporation bonds	3,000,000	3,000,000
Long-term loans payable	79,700,000	66,200,000
Tenant leasehold and security deposits	17,063,725	17,491,798
Tenant leasehold and security deposits in trust	15,964,114	15,613,479
Other	9,280	12,599
Total non-current liabilities	115,737,120	102,317,877
Total liabilities	129,121,184	120,980,129
Net assets		
Unitholders' equity		
Unitholders' capital	146,590,931	146,590,931
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	188,321	188,321
Total voluntary retained earnings	188,321	188,321
Unappropriated retained earnings	5,056,287	5,032,679
Total surplus	5,244,608	5,221,000
Total unitholders' equity	151,835,539	151,811,931
Total net assets	151,835,539	151,811,931
Total liabilities and net assets	¥280,956,724	¥272,792,061

Statement of Income and Retained Earnings

(Thousands of Yen)

	For the 28th Period from January 1, 2018 to June 30, 2018	For the 27th Period from July 1, 2017 to December 31, 2017
Operating revenue		
Rent revenue – real estate	¥10,185,495	¥10,110,805
Rent revenue – other	55,034	24,731
Total operating revenue	10,240,530	10,135,537
Operating expenses		
Expenses related to rent business	4,185,468	4,163,616
Asset management fee	497,956	504,528
Asset custody fee	13,639	13,741
Administrative service fees	23,895	21,503
Directors' compensations	6,600	6,600
Other operating expenses	101,215	94,101
Total operating expenses	4,828,774	4,804,091
Operating income	5,411,755	5,331,445
Non-operating income		
Interest income	54	15
Reversal of distribution payable	1,531	1,074
Insurance income	4,793	-
Other	15	-
Total non-operating income	6,394	1,089
Non-operating expenses		
Interest expenses	262,523	275,153
Interest expenses on investment corporation bonds	10,532	10,707
Amortization of investment corporation bond issuance costs	764	764
Other	12,967	12,594
Total non-operating expenses	286,787	299,219
Ordinary income	5,131,361	5,033,315
Extraordinary losses		
Provision for loss on disaster	74,545	-
Total extraordinary losses	74,545	-
Income before income taxes	5,056,816	5,033,315
Income taxes – current	787	890
Income taxes – deferred	5	(0)
Total income taxes	792	890
Net income	5,056,023	5,032,425
Retained earnings brought forward	263	253
Unappropriated retained earnings	¥ 5,056,287	¥ 5,032,679

Statement of Cash Flows

(Thousands of Yen)

	For the 28th Period from January 1, 2018 to June 30, 2018	For the 27th Period from July 1, 2017 to December 31, 2017
Cash flows from operating activities		
Income before income taxes	¥5,056,816	¥ 5,033,315
Depreciation and amortization	2,078,725	2,072,619
Amortization of investment corporation bond issuance costs	764	764
Increase (decrease) in provision for loss on disaster	74,545	-
Interest income	(54)	(15)
Interest expenses	273,055	285,860
Decrease (increase) in operating accounts receivable	11,470	(15,216)
Decrease (increase) in prepaid expenses	15,884	8,498
Increase (decrease) in operating accounts payable	163,950	(23,682)
Increase (decrease) in accrued expenses	6,899	(185)
Increase (decrease) in accrued consumption taxes	(21,840)	(244,635)
Increase (decrease) in advances received	39,358	(28,253)
Other, net	(3,210)	898
Subtotal	7,696,364	7,089,967
Interest income received	54	15
Interest expenses paid	(264,679)	(300,693)
Income taxes paid	(896)	(865)
Net cash provided by (used in) operating activities	7,430,842	6,788,424
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,137,385)	(8,710)
Purchase of property, plant and equipment in trust	(9,483,512)	(4,497,862)
Purchase of intangible assets	(329)	-
Repayments of tenant leasehold and security deposits	(455,573)	(255,576)
Proceeds from tenant leasehold and security deposits	35,000	82,249
Repayments of tenant leasehold and security deposits in trust	(253,781)	(728,367)
Proceeds from tenant leasehold and security deposits in trust	604,416	63,014
Payments for restricted bank deposits in trust	(25,616)	(50,629)
Proceeds from reversal of restricted bank deposits in trust	-	216,000
Net cash provided by (used in) investing activities	(11,716,781)	(5,179,881)
Cash flows from financing activities		
Proceeds from short-term loans payable	30,000,000	31,500,000
Repayment of short-term loans payable	(28,500,000)	(30,000,000)
Proceeds from long-term loans payable	16,000,000	3,500,000
Repayment of long-term loans payable	(9,500,000)	(6,000,000)
Dividends paid	(5,027,807)	(4,968,348)
Net cash provided by (used in) financing activities	2,972,192	(5,968,348)
Net increase (decrease) in cash and cash equivalents	(1,313,746)	(4,359,805)
Cash and cash equivalents at beginning of period	10,834,951	15,194,757
Cash and cash equivalents at end of period (Note)	¥9,521,205	¥10,834,951

Note: There are restricted cash ¥472 million (27th) and ¥497 million (28th) for repayments of lease and guarantee deposits received.