

Summary of Financial Results for the 30th Fiscal Period
(January 1, 2019 to June 30, 2019)
<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/eng/>
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Scheduled date to file securities report : September 26, 2019
Scheduled date to commence distribution payments : September 10, 2019

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

1. Performance for the 30th Fiscal Period (January 1, 2019 to June 30, 2019)

(1) Business Results

(% show period-on-period changes)

Period ended,	Operating Revenue		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2019	10,548	1.9	4,914	(9.9)	4,668	(9.8)	4,667	(8.5)
December 31, 2018	10,349	1.1	5,451	0.7	5,177	0.9	5,099	0.9

Period ended,	Net Income per Unit	Return on Equity (Note)	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	yen	%	%	%
June 30, 2019	9,410	3.1	1.6	44.3
December 31, 2018	10,281	3.4	1.8	50.0

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)

Period ended,	Distribution per Unit (excluding distributions in excess of earnings) (Note1)	Total Distributions (excluding distributions in excess of earnings)	Distribution in Excess of Earnings per Unit	Total Distributions in Excess of Earnings
	yen	Millions of yen	yen	Millions of yen
June 30, 2019	9,790	4,855	700	347
December 31, 2018	10,282	5,099	-	-

Note: This earning release is a document for making a public announcement concerning the financial results for the 30th fiscal period by the Frontier Real Estate Investment Corporation, and has not been prepared for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This earning release does not constitute an offer of securities in the United States of America or any other jurisdiction. The securities referred to above have not been, and will not be registered under the United States Securities Act of 1933, as amended (hereinafter referred to as the "Securities Act"). The securities may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. The securities referred to above will not be offered or sold, publicly or otherwise, in the United States.

	Distribution per Unit (including distributions in excess of earnings)	Total Distributions (including distributions in excess of earnings)	Payout Ratio (Note2)	Distribution to Net Assets
Period ended,	yen	Millions of yen	%	%
June 30, 2019	10,490	5,203	104.0	3.2
December 31, 2018	10,282	5,099	100.0	3.3

Note:

1. Distribution per unit (excluding distributions in excess of earnings) of the fiscal period ended June 30, 2019 is calculated by adding ¥188 million of reversal of reserve for reduction entry to unappropriated retained earnings, and dividing the amount by the total number of outstanding investment units.
2. Payout ratio = Total Distributions / Net Income × 100
3. The total amount of distributions in excess of earnings for the fiscal period ended June 30, 2019 is entirely return of capital applicable to distribution reducing unitholders' capital for tax purposes.
4. The ratio of decreasing surplus attributable to distributions in excess of earnings (return of capital applicable to distribution reducing unitholders' capital for tax purposes) for the fiscal period ended June 30, 2019 is 0.003. This calculation is based on Article 23, Paragraph 1, Item 4 of the Order for Enforcement of the Corporation Tax Act.

(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, 2019	299,935	151,446	50.5	305,336
December 31, 2018	280,006	151,879	54.2	306,207

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, 2019	11,691	(23,124)	15,399	14,205
December 31, 2018	7,008	(1,210)	(5,079)	10,239

2. Forecasts of Results for the 31st Fiscal Period (July 1, 2019 to December 31, 2019) and for the 32nd Fiscal Period (January 1, 2020 to June 30, 2020)

(Percentages show period-on-period changes)

Period ended,	Operating Revenue		Operating Income		Ordinary Income		Net Income		Distribution per Unit (excluding distributions in excess of earnings) (Note3)	Distribution in Excess of Earnings per Unit
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen	yen
December 31, 2019	10,531	(0.2)	5,746	16.9	5,462	17.0	5,461	17.0	10,520	-

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June 30, 2020	10,748	2.1	5,768	0.4	5,495	0.6	5,494	0.6	10,580	-
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Notes:

1. The aforementioned forecasts are based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 31st Fiscal Period (July 1, 2019 to December 31, 2019) and for the 32nd Fiscal Period (January 1, 2020 to June 30, 2020)" on Page 4.
2. Forecasts for the 31st fiscal period and for the 32nd 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.

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**Pre-Conditions and Assumptions for Operating Forecasts
for the 31st Fiscal Period (July 1, 2019 to December 31, 2019)
and for the 32nd Fiscal Period (January 1, 2020 to June 30, 2020)**

	Pre-Conditions & Assumptions
Calculation Period	<ul style="list-style-type: none"> • 31st Fiscal period ending December 31, 2019 (July 1, 2019 to December 31, 2019) (184 days) • 32nd Fiscal period ending June 30, 2020 (January 1, 2020 to June 30, 2020) (182 days)
Investment Assets	<ul style="list-style-type: none"> • The pre-conditions assumes a total of 36 properties including Ikebukuro GLOBE (50% co-ownership) (additional acquisition) (“New Property”) that is to be acquired on September 5, 2019 in addition to the properties the Investment Corporation owns as of August 15, 2019 (total of 36 properties, “Existing Properties”). 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 32nd fiscal period (June 30, 2020). • Actual numbers may change due to the future acquisitions and/or disposals of existing properties, if any.
Loan to Value Ratio	<ul style="list-style-type: none"> • The balance of borrowings, etc. as of August 15, 2019 is ¥ 113,900 million. In addition, the Investment Corporation will execute total of ¥ 3,000 million borrowings on September 4, 2019 to appropriate for a part of the payment of the acquisition of the New Property. • It is assumed that refinancing and partial self-financing will be executed, or partical funds by the new issuance of investment units will be appropriated, for the repayment of borrowings due by June 30, 2020. • The loan to value ratio (LTV*) as of December 31, 2019 and June 30, 2020 are expected to be approximately 45% and 45%, 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. • Actual LTV as of December 31, 2019 and June 30, 2020 may change depending on the issue price of new issuance of investment units, etc.
Operating Revenue	<ul style="list-style-type: none"> • The pre-conditions assumes lease business revenue from the total of 36 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 August 15, 2019 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.

	Pre-Conditions & Assumptions
Operating Expenses	<ul style="list-style-type: none"> Property taxes, city planning taxes, etc. are expected to be ¥ 1,015 million for the 31st fiscal period and ¥ 1,084 million for the 32nd fiscal period. However, should properties be newly acquired during the 31st and the 32nd 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. For the Ikebukuro GLOBE (50% co-ownership), SAKAE GLOBE (40% quasi co-ownership) and Shinsaibashi MG Building (60% co-ownership), which acquired on March 2019, and the New Property, municipal property tax and other monies for settlement are not calculated as operating expenses but are included in their acquisition cost, which will be booked from the 32nd fiscal period. Repairs and maintenance are expected to be ¥ 350 million for the 31st fiscal period and ¥ 425 million for the 32nd 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 ¥ 1,925 million for the 31st fiscal period and ¥ 1,954 million for the 32nd fiscal period. Other expenses related to rent business (property management expenses, etc.) 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.
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 ¥ 285 million for the 31st fiscal period and ¥ 273 million for the 32nd fiscal period.
Distribution per Unit (excluding distributions in excess of earnings)	<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 units issued and outstanding as of August 15, 2019 is 496,000 units. Following the Board of Directors meeting held on August 15, 2019, the Board of Directors has resolved a new issuance of 21,900 units and a third-party allotment (over-allotment) of maximum of 1,100 units. Accordingly, the pre-condition assumes that the number of units issued and outstanding is 519,000 total. In addition, the number of units by a third-party allotment is based on the assumption that all of maximum 1,100 units are issued. It is assumed that there will be no additional issuance of units, until the end of the 32nd fiscal period (June 30, 2020). 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.

	Pre-Conditions & Assumptions
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 30th Period As of June 30, 2019	The 29th Period As of December 31, 2018
Assets		
Current assets		
Cash and deposits	¥ 10,606,432	¥ 7,136,838
Cash and deposits in trust	4,088,946	3,602,749
Operating accounts receivable	166,954	149,260
Prepaid expenses	26,016	34,357
Other	6,573	-
Total current assets	14,894,923	10,923,206
Non-current assets		
Property, plant and equipment		
Buildings	54,192,539	55,864,345
Accumulated depreciation	(20,800,847)	(20,846,879)
Buildings, net	33,391,692	35,017,465
Structures	1,137,986	1,129,080
Accumulated depreciation	(862,650)	(831,930)
Structures, net	275,336	297,150
Machinery and equipment	61,825	-
Accumulated depreciation	(4,121)	-
Machinery and equipment, net	57,703	-
Tools, furniture and fixtures	63,076	61,762
Accumulated depreciation	(38,335)	(36,549)
Tools, furniture and fixtures, net	24,741	25,212
Land	87,219,704	75,062,270
Buildings in trust	50,616,757	51,024,745
Accumulated depreciation	(19,878,765)	(19,501,740)
Buildings in trust, net	30,737,991	31,523,005
Structures in trust	748,801	850,335
Accumulated depreciation	(466,761)	(533,588)
Structures in trust, net	282,040	316,747
Machinery and equipment in trust	736,596	715,519
Accumulated depreciation	(566,573)	(540,121)
Machinery and equipment in trust, net	170,022	175,397
Tools, furniture and fixtures in trust	78,609	74,810
Accumulated depreciation	(35,546)	(40,199)
Tools, furniture and fixtures in trust, net	43,063	34,610
Land in trust	132,411,601	126,449,450
Construction in progress in trust	308,908	44,506
Total property, plant and equipment	284,922,807	268,945,817
Intangible assets		
Other	687	915
Total intangible assets	687	915
Investments and other assets		
Long-term prepaid expenses	48,156	65,676
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	20,400	20,400
Deferred tax assets	13	12
Other	18	-
Total investments and other assets	78,588	96,089
Total non-current assets	¥ 285,002,083	¥ 269,042,823

Deferred assets		
Investment corporation bonds issuance costs	¥ 38,829	¥ 40,288
Total deferred assets	<u>38,829</u>	<u>40,288</u>
Total assets	<u>¥ 299,935,835</u>	<u>¥ 280,006,317</u>

(Thousands of Yen)

	The 30th Period As of June 30, 2019	The 29th Period As of December 31, 2018
Liabilities		
Current liabilities		
Operating accounts payable	¥ 999,403	¥ 1,050,085
Short-term loans payable	11,000,000	2,000,000
Current portion of long-term loans payable	12,000,000	9,000,000
Accounts payable –other	55,090	26,456
Accrued expenses	261,950	255,216
Income taxes payable	883	866
Accrued consumption taxes	237,895	205,271
Advances received	1,166,783	1,116,222
Deposits received	2,879	5,858
Other	32,400	32,414
Total current liabilities	25,757,286	13,692,390
Non-current liabilities		
Investment corporation bonds	5,000,000	5,000,000
Long-term loans payable	85,900,000	77,400,000
Tenant leasehold and security deposits	16,399,586	16,562,241
Tenant leasehold and security deposits in trust	15,427,875	15,464,678
Other	4,270	7,857
Total non-current liabilities	122,731,732	114,434,777
Total liabilities	148,489,019	128,127,167
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	4,667,563	5,099,897
Total surplus	4,855,884	5,288,218
Total unitholders' equity	151,446,816	151,879,150
Total net assets	151,446,816	151,879,150
Total liabilities and net assets	¥299,935,835	¥280,006,317

Statement of Income and Retained Earnings

	(Thousands of Yen)	
	For the 30th Period from January 1, 2019 to June 30, 2019	For the 29th Period from July 1, 2018 to December 31, 2018
Operating revenue		
Rent revenue – real estate	¥10,430,057	¥10,325,846
Rent revenue – other	118,596	23,169
Total operating revenue	10,548,654	10,349,016
Operating expenses		
Expenses related to rent business	4,095,825	4,243,196
Loss on sales of real estate properties	898,886	-
Asset management fee	495,399	515,037
Asset custody fee	14,000	14,047
Administrative service fees	23,489	22,609
Directors' compensations	6,600	6,600
Other operating expenses	100,073	95,854
Total operating expenses	5,634,274	4,897,345
Operating income	4,914,379	5,451,670
Non-operating income		
Interest income	55	18
Reversal of distribution payable	649	604
Insurance income	26,321	2,462
Other	326	604
Total non-operating income	27,353	3,690
Non-operating expenses		
Interest expenses	234,538	244,219
Interest expenses on investment corporation bonds	18,863	18,762
Amortization of investment corporation bond issuance costs	1,459	1,459
Other	18,442	13,061
Total non-operating expenses	273,304	277,502
Ordinary income	4,668,429	5,177,858
Extraordinary losses		
Loss on disaster	-	77,158
Total extraordinary losses	-	77,158
Income before income taxes	4,668,429	5,100,700
Income taxes – current	892	869
Income taxes – deferred	(1)	(4)
Total income taxes	891	865
Net income	4,667,537	5,099,834
Retained earnings brought forward	25	63
Unappropriated retained earnings	¥ 4,667,563	¥ 5,099,897

Statement of Cash Flows

(Thousands of Yen)

	For the 30th Period from January 1, 2019 to June 30, 2019	For the 29th Period from July 1, 2018 to December 31, 2018
Cash flows from operating activities		
Income before income taxes	¥ 4,668,429	¥ 5,100,700
Depreciation and amortization	2,003,654	2,081,038
Amortization of investment corporation bond issuance costs	1,459	1,459
Interest income	(55)	(18)
Interest expenses	253,402	262,981
Loss on disaster	-	77,158
Decrease (increase) in operating accounts receivable	(17,694)	(14,297)
Decrease (increase) in prepaid expenses	25,862	(85,976)
Increase (decrease) in operating accounts payable	(123,837)	(57,091)
Increase (decrease) in accrued expenses	(10,669)	(4,099)
Increase (decrease) in accrued consumption taxes	32,757	39,783
Increase (decrease) in advances received	46,955	(2,880)
Decrease in property, plant and equipment due to sale	4,669,913	-
Decrease in property, plant and equipment in trust due to sale	401,055	-
Other, net	18,496	(4,537)
Subtotal	11,969,728	7,394,220
Interest income received	55	18
Interest expenses paid	(246,552)	(263,721)
Payments for loss on disaster	(30,474)	(121,229)
Income taxes paid	(875)	(782)
Net cash provided by (used in) operating activities	11,691,882	7,008,505
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,346,734)	(31,953)
Purchase of property, plant and equipment in trust	(6,596,879)	(182,898)
Repayments of tenant leasehold and security deposits	(758,484)	(493,984)
Proceeds from tenant leasehold and security deposits	603,329	-
Repayments of tenant leasehold and security deposits in trust	(276,720)	(514,857)
Proceeds from tenant leasehold and security deposits in trust	239,917	15,421
Payments for restricted bank deposits in trust	(19,917)	(9,407)
Proceeds from reversal of restricted bank deposits in trust	30,782	6,876
Other, net	(18)	-
Net cash provided by (used in) investing activities	(23,124,725)	(1,210,803)
Cash flows from financing activities		
Proceeds from short-term loans payable	51,500,000	7,000,000
Repayment of short-term loans payable	(42,500,000)	(11,000,000)
Proceeds from long-term loans payable	14,000,000	4,200,000
Repayment of long-term loans payable	(2,500,000)	(2,200,000)
Proceeds from issuance of investment corporation bonds	-	2,000,000
Payments for investment corporation bond issuance costs	(133)	(21,106)
Dividends paid	(5,100,367)	(5,058,616)
Net cash provided by (used in) financing activities	15,399,498	(5,079,723)
Net increase (decrease) in cash and cash equivalents	3,966,655	717,979
Cash and cash equivalents at beginning of period	10,239,184	9,521,205
Cash and cash equivalents at end of period (Note)	¥14,205,840	¥10,239,184

Note: There are restricted cash ¥500 million (29th) and ¥489 million (30th) for repayments of lease and guarantee deposits received.