

Summary of Financial Results for the 31st Fiscal Period
(July 1, 2019 to December 31, 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 : March 30, 2020
 Scheduled date to commence distribution payments : March 10, 2020

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

1. Performance for the 31st Fiscal Period (July 1, 2019 to December 31, 2019)

(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, 2019	10,505	(0.4)	5,777	17.6	5,464	17.0	5,463	17.0
June 30, 2019	10,548	1.9	4,914	(9.9)	4,668	(9.8)	4,667	(8.5)

	Net Income per Unit	Return on Equity (Note)	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	yen	%	%	%
Period ended, December 31, 2019	10,696	3.5	1.8	52.0
June 30, 2019	9,410	3.1	1.6	44.3

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 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
Period ended, December 31, 2019	10,526	5,462	-	-
June 30, 2019	9,790	4,855	700	347

	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	%	%
December 31, 2019	10,526	5,462	99.9	3.4
June 30, 2019	10,490	5,203	104.0	3.2

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 (excluding distributions in excess of earnings) / 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
December 31, 2019	308,815	161,575	52.3	311,320
June 30, 2019	299,935	151,446	50.5	305,336

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, 2019	7,497	(11,686)	3,600	13,616
June 30, 2019	11,691	(23,124)	15,399	14,205

2. Forecasts of Results for the 32nd Fiscal Period (January 1, 2020 to June 30, 2020) and for the 33rd Fiscal Period (July 1, 2020 to December 31, 2020)

(Percentages show period-on-period changes)

	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	%	yen	yen						
Period ended,										
June 30, 2020	10,688	1.7	5,778	0.0	5,505	0.8	5,504	0.8	10,600	-
December 31, 2020	10,830	1.3	5,795	0.3	5,526	0.4	5,525	0.4	10,640	-

Notes:

1. The aforementioned forecasts are based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 32nd Fiscal Period (January 1, 2020 to June 30, 2020) and for the 33rd Fiscal Period (July 1, 2020 to December 31, 2020)" on Page 4.
2. Forecasts for the 32nd fiscal period and for the 33rd 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 32nd Fiscal Period (January 1, 2020 to June 30, 2020)
and for the 33rd Fiscal Period (July 1, 2020 to December 31, 2020)

	Pre-Conditions & Assumptions
Calculation Period	<ul style="list-style-type: none"> • 32nd Fiscal period ending June 30, 2020 (January 1, 2020 to June 30, 2020) (182 days) • 33rd Fiscal period ending December 31, 2020 (July 1, 2020 to December 31, 2020) (184 days)
Investment Assets	<ul style="list-style-type: none"> • The pre-conditions assumes a total of 37 properties including TENJIN216 and La La Chance HIROSHIMA Geihinkan (land interest) those are to be acquired on March 4, 2020 and March 13, 2020 respectively (collectively “New Properties”), in addition to the properties the Investment Corporation owns as of February 14, 2020 (total of 35 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 33rd fiscal period (December 31, 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 February 14, 2020 is ¥ 112,900 million. In addition, the Investment Corporation will execute borrowings to appropriate for a part of the payment of the acquisition of New Properties. • It is assumed that refinancing and partial self-financing will be executed for the repayment of borrowings due by December 31, 2020. • The loan to value ratio (LTV*) as of June 30, 2020 and December 31, 2020 are expected to be approximately 46% 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.
Operating Revenue	<ul style="list-style-type: none"> • The pre-conditions assumes lease business revenue from the total of 37 properties, adding New Properties to Existing Properties. For Existing Properties, it is calculated based on the individual lease contracts which is valid as of February 14, 2020 and estimated fluctuating factors. For New Properties, it is calculated based on the individual contracts those are expected to be valid on New Properties acquisition date and information provided by the current owners of New Properties.

	Pre-Conditions & Assumptions
Operating Expenses	<ul style="list-style-type: none"> • Property taxes, city planning taxes, etc. are expected to be ¥ 1,085 million for the 32nd fiscal period and ¥ 1,094 million for the 33rd fiscal period. However, should properties be newly acquired during the 32nd and the 33rd 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 New Properties, municipal property tax and other monies for settlement are not calculated as operating expenses but are included in their acquisition costs, which will be booked from the 34th fiscal period. • Repairs and maintenance are expected to be ¥ 365 million for the 32nd fiscal period and ¥ 413 million for the 33rd 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 ¥ 1,961 million for the 32nd fiscal period and ¥ 1,969 million for the 33rd 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 Properties, it is calculated based on the individual contracts those are expected to be valid on New Properties acquisition date and information provided by the current owners of New Properties.
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 ¥ 273 million for the 32nd fiscal period and ¥ 269 million for the 33rd 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 the outstanding investment units is based on the number as of February 14, 2020, which are 519,000 units. • 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 31st Period As of December 31, 2019	The 30th Period As of June 30, 2019
Assets		
Current assets		
Cash and deposits	¥ 10,231,095	¥ 10,606,432
Cash and deposits in trust	3,877,168	4,088,946
Operating accounts receivable	150,201	166,954
Prepaid expenses	31,286	26,016
Other	48,113	6,573
Total current assets	14,337,866	14,894,923
Non-current assets		
Property, plant and equipment		
Buildings	55,459,257	54,192,539
Accumulated depreciation	(21,794,707)	(20,800,847)
Buildings, net	33,664,550	33,391,692
Structures	1,143,429	1,137,986
Accumulated depreciation	(893,681)	(862,650)
Structures, net	249,747	275,336
Machinery and equipment	117,419	61,825
Accumulated depreciation	(14,010)	(4,121)
Machinery and equipment, net	103,409	57,703
Tools, furniture and fixtures	63,076	63,076
Accumulated depreciation	(41,670)	(38,335)
Tools, furniture and fixtures, net	21,405	24,741
Land	96,498,617	87,219,704
Buildings in trust	51,621,748	50,616,757
Accumulated depreciation	(20,715,393)	(19,878,765)
Buildings in trust, net	30,906,355	30,737,991
Structures in trust	749,737	748,801
Accumulated depreciation	(488,154)	(466,761)
Structures in trust, net	261,582	282,040
Machinery and equipment in trust	740,027	736,596
Accumulated depreciation	(590,552)	(566,573)
Machinery and equipment in trust, net	149,474	170,022
Tools, furniture and fixtures in trust	78,786	78,609
Accumulated depreciation	(41,008)	(35,546)
Tools, furniture and fixtures in trust, net	37,778	43,063
Land in trust	132,411,601	132,411,601
Construction in progress in trust	28,301	308,908
Total property, plant and equipment	294,332,824	284,922,807
Intangible assets		
Other	460	687
Total intangible assets	460	687
Investments and other assets		
Long-term prepaid expenses	41,267	48,156
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	20,980	20,400
Deferred tax assets	16	13
Other	18	18
Total investments and other assets	72,282	78,588
Total non-current assets	¥ 294,405,566	¥ 285,002,083

Deferred assets		
Investment corporation bonds issuance costs	¥ 71,638	¥ 38,829
Total deferred assets	<u>71,638</u>	<u>38,829</u>
Total assets	<u>¥ 308,815,071</u>	<u>¥ 299,935,835</u>

(Thousands of Yen)

	The 31st Period As of December 31, 2019	The 30th Period As of June 30, 2019
Liabilities		
Current liabilities		
Operating accounts payable	¥ 1,213,070	¥ 999,403
Short-term loans payable	2,000,000	11,000,000
Current portion of long-term loans payable	9,000,000	12,000,000
Accounts payable –other	30,236	55,090
Accrued expenses	274,682	261,950
Income taxes payable	936	883
Accrued consumption taxes	103,059	237,895
Advances received	1,184,937	1,166,783
Deposits received	5,323	2,879
Other	32,760	32,400
Total current liabilities	13,845,005	25,757,286
Non-current liabilities		
Investment corporation bonds	11,000,000	5,000,000
Long-term loans payable	90,900,000	85,900,000
Tenant leasehold and security deposits	16,380,823	16,399,586
Tenant leasehold and security deposits in trust	15,111,972	15,427,875
Other	1,886	4,270
Total non-current liabilities	133,394,682	122,731,732
Total liabilities	147,239,688	148,489,019
Net assets		
Unitholders' equity		
Unitholders' capital	156,459,426	146,590,931
Deduction from unitholders' capital	(347,200)	-
Unitholders' capital, net	156,112,226	146,590,931
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	-	188,321
Total voluntary retained earnings	-	188,321
Unappropriated retained earnings	5,463,156	4,667,563
Total surplus	5,463,156	4,855,884
Total unitholders' equity	161,575,383	151,446,816
Total net assets	161,575,383	151,446,816
Total liabilities and net assets	¥308,815,071	¥299,935,835

Statement of Income and Retained Earnings

	(Thousands of Yen)	
	For the 31st Period from July 1, 2019 to December 31, 2019	For the 30th Period from January 1, 2019 to June 30, 2019
Operating revenue		
Rent revenue – real estate	¥10,474,580	¥10,430,057
Rent revenue – other	31,058	118,596
Total operating revenue	10,505,638	10,548,654
Operating expenses		
Expenses related to rent business	4,028,581	4,095,825
Loss on sales of real estate properties	-	898,886
Asset management fee	542,926	495,399
Asset custody fee	14,996	14,000
Administrative service fees	23,453	23,489
Directors' compensations	6,600	6,600
Other operating expenses	111,560	100,073
Total operating expenses	4,728,118	5,634,274
Operating income	5,777,519	4,914,379
Non-operating income		
Interest income	17	55
Reversal of distribution payable	726	649
Insurance income	12,474	26,321
Other	39	326
Total non-operating income	13,257	27,353
Non-operating expenses		
Interest expenses	242,180	234,538
Interest expenses on investment corporation bonds	21,142	18,863
Amortization of investment corporation bond issuance costs	1,747	1,459
Investment unit issuance expenses	47,756	-
Other	13,901	18,442
Total non-operating expenses	326,728	273,304
Ordinary income	5,464,049	4,668,429
Income before income taxes	5,464,049	4,668,429
Income taxes – current	939	892
Income taxes – deferred	(2)	(1)
Total income taxes	936	891
Net income	5,463,112	4,667,537
Retained earnings brought forward	44	25
Unappropriated retained earnings	¥ 5,463,156	¥ 4,667,563

Statement of Cash Flows

(Thousands of Yen)

	For the 31st Period from July 1, 2019 to December 31, 2019	For the 30th Period from January 1, 2019 to June 30, 2019
Cash flows from operating activities		
Income before income taxes	¥ 5,464,049	¥ 4,668,429
Depreciation and amortization	1,925,805	2,003,654
Amortization of investment corporation bond issuance costs	1,747	1,459
Investment unit issuance expenses	47,756	-
Interest income	(17)	(55)
Interest expenses	263,323	253,402
Decrease (increase) in operating accounts receivable	16,752	(17,694)
Decrease (increase) in prepaid expenses	1,618	25,862
Increase (decrease) in operating accounts payable	156,368	(123,837)
Increase (decrease) in accrued expenses	13,008	(10,669)
Increase (decrease) in accrued consumption taxes	(134,835)	32,757
Increase (decrease) in advances received	14,563	46,955
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	(1,034)	18,496
Subtotal	7,769,104	11,969,728
Interest income received	17	55
Interest expenses paid	(271,106)	(246,552)
Payments for loss on disaster	-	(30,474)
Income taxes paid	(886)	(875)
Net cash provided by (used in) operating activities	7,497,128	11,691,882
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,615,655)	(16,346,734)
Purchase of property, plant and equipment in trust	(741,519)	(6,596,879)
Repayments of tenant leasehold and security deposits	(493,984)	(758,484)
Proceeds from tenant leasehold and security deposits	482,721	603,329
Repayments of tenant leasehold and security deposits in trust	(512,981)	(276,720)
Proceeds from tenant leasehold and security deposits in trust	197,078	239,917
Payments for restricted bank deposits in trust	(7,013)	(19,917)
Proceeds from reversal of restricted bank deposits in trust	5,000	30,782
Payments for lease and guarantee deposits in trust	(580)	-
Other, net	-	(18)
Net cash provided by (used in) investing activities	(11,686,934)	(23,124,725)
Cash flows from financing activities		
Proceeds from short-term loans payable	22,500,000	51,500,000
Repayment of short-term loans payable	(31,500,000)	(42,500,000)
Proceeds from long-term loans payable	8,500,000	14,000,000
Repayment of long-term loans payable	(6,500,000)	(2,500,000)
Proceeds from issuance of investment corporation bonds	6,000,000	-
Payments for investment corporation bond issuance costs	(33,599)	(133)
Proceeds from issuance of investment units	9,868,495	-
Payments of investment unit issuance expenses	(31,681)	-
Distributions of earnings paid	(4,855,336)	(5,100,367)
Distributions in excess of earnings paid	(347,200)	-
Net cash provided by (used in) financing activities	¥ 3,600,677	¥ 15,399,498

Net increase (decrease) in cash and cash equivalents	¥ (589,128)	¥ 3,966,655
Cash and cash equivalents at beginning of period	14,205,840	10,239,184
Cash and cash equivalents at end of period (Note)	¥13,616,712	¥14,205,840

Note: There are restricted cash ¥489 million (30th) and ¥491 million (31st) for repayments of lease and guarantee deposits received.