

Summary of Financial Results for the 34th Fiscal Period
(January 1, 2021 to June 30, 2021)
<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/>
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 Scheduled date to file securities report : September 29, 2021
 Scheduled date to commence distribution payments : September 7, 2021

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

1. Performance for the 34th Fiscal Period (January 1, 2021 to June 30, 2021)

(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, 2021	10,755	(0.9)	5,742	2.4	5,490	2.9	5,489	2.9
December 31, 2020	10,850	2.3	5,606	(2.9)	5,337	(3.0)	5,336	(3.0)

	Net Income per Unit	Return on Equity (Note)	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	yen	%	%	%
Period ended, June 30, 2021	10,747	3.5	1.8	51.0
December 31, 2020	10,447	3.4	1.7	49.2

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
	yen	Millions of yen	yen	Millions of yen	%	%
Period ended, June 30, 2021	10,747	5,489	-	-	99.9	3.4
December 31, 2020	10,448	5,336	-	-	100.0	3.3

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, 2021	307,510	159,101	51.7	311,495
December 31, 2020	309,407	158,948	51.4	311,195

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, 2021	7,442	(901)	(6,836)	9,885
December 31, 2020	8,015	(1,217)	(6,497)	10,181

2. Forecasts of Results for the 35th Fiscal Period (July 1, 2021 to December 31, 2021) and for the 36th Fiscal Period (January 1, 2022 to June 30, 2022)

(% show period-on-period changes)

Period ended,	Operating Revenue		Operating Income		Ordinary Income		Net Income		Distribution per Unit (excluding distribution 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, 2021	11,358	5.6	6,151	7.1	5,818	6.0	5,817	6.0	10,750	-
June 30, 2022	11,392	0.3	6,135	(0.3)	5,849	0.5	5,848	0.5	10,810	-

Notes:

- The aforementioned forecasts are based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 35th Fiscal Period (July 1, 2021 to December 31, 2021) and for the 36th Fiscal Period (January 1, 2022 to June 30, 2022)" on Page 3.
- Forecasts for the 35th fiscal period and for the 36th 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.
- Amount of less than ten yen is rounded down.

Pre-Conditions and Assumptions for Operating Forecasts
for the 35th Fiscal Period (July 1, 2021 to December 31, 2021)
and for the 36th Fiscal Period (January 1, 2022 to June 30, 2022)

	Pre-Conditions & Assumptions
Calculation Period	<ul style="list-style-type: none"> • 35th Fiscal period ending December 31, 2021 (July 1, 2021 to December 31, 2021) (184 days) • 36th Fiscal period ending June 30, 2022 (January 1, 2022 to June 30, 2022) (181 days)
Investment Assets	<ul style="list-style-type: none"> • The Investment Corporation owns total 39 properties as of August 16, 2021. • 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 36th fiscal period (June 30, 2022). • 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 16, 2021 is ¥ 123,900 million. • It is assumed that refinancing and partial self-financing will be executed for the repayment of borrowings due by June 30, 2022. • The loan to value ratio (LTV*) as of December 31, 2021 and June 30, 2022 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-condition assumes lease business revenue from the aforementioned investment assets of 39 properties. It is calculated based on the individual lease contracts valid as of August 16, 2021 and estimated fluctuating factors. • Considering the impact of new coronavirus infectious disease (COVID-19), the pre-condition assumes a risk of decreased lease business revenue totaling ¥ 145 million for the 35th fiscal period and ¥ 122 million for the 36th fiscal period.

	Pre-Conditions & Assumptions
Operating Expenses	<ul style="list-style-type: none"> • Property taxes, city planning taxes, etc. are expected to be ¥ 1,125 million for the 35th fiscal period and ¥ 1,243 million for the 36th fiscal period. However, should properties be newly acquired during the 35th and the 36th 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 ¥ 371 million for the 35th fiscal period and ¥ 376 million for the 36th 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 ¥ 2,124 million for the 35th fiscal period and ¥ 2,044 million for the 36th fiscal period. • Other expenses related to rent business (property management expenses, etc.) are calculated based on actual figures and estimated fluctuating factors.
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 35th fiscal period and ¥ 286 million for the 36th fiscal period.
Distribution per Unit (excluding distribution 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 August 16, 2021, 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 or the cancellation of investment units until the end of the 36th fiscal period (June 30, 2022). • 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	<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"> • Excluding above, it is assumed that fallout from the COVID-19 pandemic will not expand in a way that significantly exceeds current estimates. • 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 34th Period As of June 30, 2021	The 33rd Period As of December 31, 2020
Assets		
Current assets		
Cash and deposits	¥ 6,148,263	¥ 6,521,809
Cash and deposits in trust	4,191,878	4,120,605
Operating accounts receivable	150,402	212,431
Prepaid expenses	28,877	30,674
Other	3,850	-
Total current assets	10,523,270	10,885,521
Non-current assets		
Property, plant and equipment		
Buildings	55,967,188	55,897,924
Accumulated depreciation	(24,832,521)	(23,817,700)
Buildings, net	31,134,667	32,080,223
Structures	1,148,991	1,148,991
Accumulated depreciation	(987,605)	(956,204)
Structures, net	161,386	192,786
Machinery and equipment	117,419	117,419
Accumulated depreciation	(49,236)	(37,494)
Machinery and equipment, net	68,183	79,925
Tools, furniture and fixtures	123,995	71,395
Accumulated depreciation	(53,216)	(48,520)
Tools, furniture and fixtures, net	70,779	22,875
Land	99,902,412	99,896,587
Construction in progress	96,621	-
Buildings in trust	56,137,172	55,869,553
Accumulated depreciation	(23,469,087)	(22,539,688)
Buildings in trust, net	32,668,084	33,329,865
Structures in trust	754,448	749,737
Accumulated depreciation	(549,511)	(529,000)
Structures in trust, net	204,937	220,736
Machinery and equipment in trust	755,449	755,449
Accumulated depreciation	(663,746)	(638,874)
Machinery and equipment in trust, net	91,703	116,574
Tools, furniture and fixtures in trust	108,243	99,306
Accumulated depreciation	(58,513)	(51,734)
Tools, furniture and fixtures in trust, net	49,730	47,571
Land in trust	132,411,601	132,411,601
Construction in progress in trust	10,089	-
Total property, plant and equipment	296,870,198	298,398,749
Intangible assets		
Other	4,292	17
Total intangible assets	4,292	17
Investments and other assets		
Long-term prepaid expenses	19,362	26,603
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	20,980	20,980
Deferred tax assets	19	7
Other	18	18
Total investments and other assets	50,379	57,608
Total non-current assets	¥296,924,870	¥298,456,375

Deferred assets		
Investment corporation bonds issuance costs	¥ 62,077	¥ 65,264
Total deferred assets	<u>62,077</u>	<u>65,264</u>
Total assets	<u>¥307,510,217</u>	<u>¥309,407,161</u>

(Thousands of Yen)

	The 34th Period As of June 30, 2021	The 33rd Period As of December 31, 2020
Liabilities		
Current liabilities		
Operating accounts payable	¥ 1,407,807	¥ 1,281,551
Short-term loans payable	-	1,000,000
Current portion of long-term loans payable	11,000,000	9,500,000
Accounts payable – other	33,986	34,683
Accrued expenses	264,807	265,238
Income taxes payable	995	751
Accrued consumption taxes	251,267	507,343
Advances received	1,244,279	1,195,841
Deposits received	3,876	5,459
Other	33,000	33,000
Total current liabilities	14,240,020	13,823,870
Non-current liabilities		
Investment corporation bonds	11,000,000	11,000,000
Long-term loans payable	93,400,000	95,400,000
Tenant leasehold and security deposits	15,018,229	15,472,065
Tenant leasehold and security deposits in trust	14,749,271	14,760,745
Other	809	1,552
Total non-current liabilities	134,168,310	136,634,363
Total liabilities	148,408,331	150,458,233
Net assets		
Unitholders' equity		
Unitholders' capital	156,459,426	156,459,426
Deduction from unitholders' capital	(2,847,059)	(2,847,059)
Unitholders' capital, net	153,612,367	153,612,367
Surplus		
Unappropriated retained earnings	5,489,519	5,336,560
Total surplus	5,489,519	5,336,560
Total unitholders' equity	159,101,886	158,948,927
Total net assets	159,101,886	158,948,927
Total liabilities and net assets	¥307,510,217	¥309,407,161

Statement of Income and Retained Earnings

	(Thousands of Yen)	
	For the 34th Period from January 1, 2021 to June 30, 2021	For the 33rd Period from July 1, 2020 to December 31, 2020
Operating revenue		
Rent revenue – real estate	¥10,681,423	¥10,605,996
Rent revenue – other	73,719	244,360
Total operating revenue	10,755,142	10,850,356
Operating expenses		
Expenses related to rent business	4,311,465	4,529,897
Asset management fee	550,326	555,930
Asset custody fee	15,470	15,552
Administrative service fees	25,310	25,411
Directors' compensations	8,400	8,400
Other operating expenses	101,458	108,961
Total operating expenses	5,012,431	5,244,153
Operating income	5,742,711	5,606,202
Non-operating income		
Interest income	57	17
Reversal of distribution payable	654	623
Insurance income	5,667	4,132
Other	-	338
Total non-operating income	6,379	5,112
Non-operating expenses		
Interest expenses	205,971	220,974
Interest expenses on investment corporation bonds	34,335	34,904
Amortization of investment corporation bond issuance costs	3,187	3,187
Other	15,140	15,238
Total non-operating expenses	258,635	274,304
Ordinary income	5,490,455	5,337,010
Income before income taxes	5,490,455	5,337,010
Income taxes – current	1,004	754
Income taxes – deferred	(12)	9
Total income taxes	992	763
Net income	5,489,463	5,336,246
Retained earnings brought forward	56	313
Unappropriated retained earnings	¥ 5,489,519	¥ 5,336,560

Statement of Cash Flows

(Thousands of Yen)

	For the 34th Period from January 1, 2021 to June 30, 2021	For the 33rd Period from July 1, 2020 to December 31, 2020
Cash flows from operating activities		
Income before income taxes	¥ 5,490,455	¥ 5,337,010
Depreciation and amortization	2,044,291	2,033,887
Amortization of investment corporation bond issuance costs	3,187	3,187
Interest income	(57)	(17)
Interest expenses	240,307	255,878
Decrease (increase) in operating accounts receivable	61,929	24,923
Decrease (increase) in prepaid expenses	9,038	4,685
Increase (decrease) in operating accounts payable	60,848	199,251
Increase (decrease) in accrued expenses	(1,177)	(6,562)
Increase (decrease) in accrued consumption taxes	(256,076)	428,428
Increase (decrease) in advances received	47,684	7,753
Other, net	(17,977)	(11,697)
Subtotal	7,682,454	8,276,729
Interest income received	57	17
Interest expenses paid	(239,560)	(260,649)
Income taxes paid	(760)	(945)
Net cash provided by (used in) operating activities	7,442,189	8,015,151
Cash flows from investing activities		
Purchase of property, plant and equipment	(124,732)	(145,470)
Purchase of property, plant and equipment in trust	(325,804)	(34,815)
Repayments of tenant leasehold and security deposits	(446,336)	(501,287)
Repayments of tenant leasehold and security deposits in trust	(32,974)	(540,987)
Proceeds from tenant leasehold and security deposits in trust	21,876	10,043
Payments for restricted bank deposits in trust	(21,876)	(10,043)
Proceeds from reversal of restricted bank deposits in trust	27,993	4,678
Net cash provided by (used in) investing activities	(901,854)	(1,217,882)
Cash flows from financing activities		
Proceeds from short-term loans payable	3,000,000	2,000,000
Repayment of short-term loans payable	(4,000,000)	(2,000,000)
Proceeds from long-term loans payable	4,000,000	2,500,000
Repayment of long-term loans payable	(4,500,000)	(3,500,000)
Distributions of earnings paid	(5,336,492)	(5,497,135)
Net cash provided by (used in) financing activities	(6,836,492)	(6,497,135)
Net increase (decrease) in cash and cash equivalents	(296,157)	300,134
Cash and cash equivalents at beginning of period	10,181,254	9,881,120
Cash and cash equivalents at end of period (Note)	¥ 9,885,097	¥10,181,254

Note: There are restricted cash ¥461 million (33rd) and ¥455 million (34th) for repayments of lease and guarantee deposits received.