

Summary of Financial Results for the 35th Fiscal Period
(July 1, 2021 to December 31, 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/
Representative	:	Takao Iwadou, Executive Director
Name of Asset Manager	:	Mitsui Fudosan Frontier REIT Management Inc.
Representative	:	Shintaro Ono, Chief Executive Officer and Representative Director
Contact	:	Teruyuki Hayashi, Chief Finance Officer and Director TEL: +81-3-3289-0440
Scheduled date to file securities report	:	March 30, 2022
Scheduled date to commence distribution payments	:	March 8, 2022

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

1. Performance for the 35th Fiscal Period (July 1, 2021 to December 31, 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, December 31, 2021	11,401	6.0	6,255	8.9	5,936	8.1	5,935	8.1
June 30, 2021	10,755	(0.9)	5,742	2.4	5,490	2.9	5,489	2.9

	Net Income per Unit	Return on Equity (Note)	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	yen	%	%	%
Period ended, December 31, 2021	10,976	3.6	1.9	52.1
June 30, 2021	10,747	3.5	1.8	51.0

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)

	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, December 31, 2021	10,972	5,935	-	-	99.9	3.4
June 30, 2021	10,747	5,489	-	-	99.9	3.4

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
December 31, 2021	330,060	174,446	52.9	322,452
June 30, 2021	307,510	159,101	51.7	311,495

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, 2021	7,580	(22,877)	17,345	11,932
June 30, 2021	7,442	(901)	(6,836)	9,885

2. Forecasts of Results for the 36th Fiscal Period (January 1, 2022 to June 30, 2022) and for the 37th Fiscal Period (July 1, 2022 to December 31, 2022)

(% show period-on-period changes)

	Operating Revenue		Operating Income		Ordinary Income		Net Income		Distribution per Unit (excluding distribution in excess of earnings) (Note 2, 3)	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, 2022	11,490	0.8	6,228	(0.4)	5,948	0.2	5,947	0.2	10,970	-
December 31, 2022	11,518	0.2	6,273	0.7	5,980	0.5	5,979	0.5	10,990	-

Notes:

- The aforementioned forecasts are based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 36th Fiscal Period (January 1, 2022 to June 30, 2022) and for the 37th Fiscal Period(July 1, 2022 to December 31, 2022)" on Page 3.
- Amount of less than ten yen is rounded down.
- The forecast distribution per unit for the 36th fiscal period is calculated by deducting ¥10 million in reserve for reduction entry from net income. The forecast distribution per unit for the 37th fiscal period is calculated based on the assumption that net income less ¥33 million (the difference between reversal of reserve for reduction entry and reserve for reduction entry) will be distributed.
- Forecasts for the 36th fiscal period and for the 37th 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.

Pre-Conditions and Assumptions for Operating Forecasts
for the 36th Fiscal Period (January 1, 2022 to June 30, 2022)
and for the 37th Fiscal Period (July 1, 2022 to December 31, 2022)

	Pre-Conditions & Assumptions
Calculation Period	<ul style="list-style-type: none"> • The 36th fiscal period ending June 30, 2022 (January 1, 2022 to June 30, 2022) (181 days) • The 37th fiscal period ending December 31, 2022 (July 1, 2022 to December 31, 2022) (184 days)
Investment Assets	<ul style="list-style-type: none"> • The Investment Corporation owns total 39 properties as of February 15, 2022. • As for Ito-Yokado Higashi-Yamato, it is assumed that 10% quasi co-ownership stake of trust beneficiary rights to real estate is to be disposed on June 24, 2022 and 20% on December 23, 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 February 15, 2022 is ¥ 123,400 million. • It is assumed that refinancing and partial self-financing will be executed for the repayment of borrowings due by December 31, 2022. • The loan to value ratio (LTV*) as of June 30, 2022 and December 31, 2022 are expected to be approximately 45% and 44%, 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 February 15, 2022 and estimated fluctuating factors. • Due to the disposition of Ito-Yokado Higashi-Yamato, gains on sales of property are expected to be ¥ 10 million for the 36th fiscal period and ¥ 33 million for the 37th fiscal period. • Considering the impact of new coronavirus infectious disease (COVID-19), the pre-condition assumes a risk of decreased lease business revenue to a certain extent for the 36th and 37th fiscal period.

	Pre-Conditions & Assumptions
Operating Expenses	<ul style="list-style-type: none"> • Property taxes, city planning taxes, etc. are expected to be ¥ 1,212 million for the 36th fiscal period and ¥ 1,208 million for the 37th fiscal period. However, should properties be newly acquired during the 36th and the 37th 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 ¥ 390 million for the 36th fiscal period and ¥ 429 million for the 37th 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 ¥ 2,038 million for the 36th fiscal period and ¥ 1,955 million for the 37th 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 ¥ 280 million for the 36th fiscal period and ¥ 294 million for the 37th 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. • It is assumed that gains on property sales for the 36th and 37th fiscal period due to the disposition of Ito-Yokado Higashi-Yamato are to be set aside as reserve for reduction entry, applying the special case of taxation on replacement of specified assets system (Article 65-7 of the Special Taxation Measures Law.) • The number of the outstanding investment units is based on the number as of February 15, 2022, 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 37th fiscal period (December 31, 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.

	Pre-Conditions & Assumptions
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 35th Period As of December 31, 2021	The 34th Period As of June 30, 2021
Assets		
Current assets		
Cash and deposits	¥ 8,100,114	¥ 6,148,263
Cash and deposits in trust	4,278,907	4,191,878
Operating accounts receivable	126,348	150,402
Prepaid expenses	34,037	28,877
Other	172,540	3,850
Total current assets	12,711,947	10,523,270
Non-current assets		
Property, plant and equipment		
Buildings	56,602,768	55,967,188
Accumulated depreciation	(25,861,081)	(24,832,521)
Buildings, net	30,741,687	31,134,667
Structures	1,168,655	1,148,991
Accumulated depreciation	(1,019,690)	(987,605)
Structures, net	148,964	161,386
Machinery and equipment	121,699	117,419
Accumulated depreciation	(61,014)	(49,236)
Machinery and equipment, net	60,685	68,183
Tools, furniture and fixtures	124,811	123,995
Accumulated depreciation	(62,123)	(53,216)
Tools, furniture and fixtures, net	62,688	70,779
Land	109,634,761	99,902,412
Construction in progress	-	96,621
Buildings in trust	59,134,378	56,137,172
Accumulated depreciation	(24,455,838)	(23,469,087)
Buildings in trust, net	34,678,539	32,668,084
Structures in trust	795,183	754,448
Accumulated depreciation	(571,678)	(549,511)
Structures in trust, net	223,505	204,937
Machinery and equipment in trust	755,449	755,449
Accumulated depreciation	(688,617)	(663,746)
Machinery and equipment in trust, net	66,832	91,703
Tools, furniture and fixtures in trust	108,848	108,243
Accumulated depreciation	(65,472)	(58,513)
Tools, furniture and fixtures in trust, net	43,375	49,730
Land in trust	139,882,963	132,411,601
Construction in progress in trust	17,548	10,089
Total property, plant and equipment	315,561,552	296,870,198
Intangible assets		
Leasehold interests in land	1,658,315	-
Other	3,857	4,292
Total intangible assets	1,662,172	4,292
Investments and other assets		
Long-term prepaid expenses	11,748	19,362
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	20,980	20,980
Deferred tax assets	13	19
Other	18	18

Total investments and other assets	42,760	50,379
Total non-current assets	317,266,485	296,924,870
Deferred assets		
Investment corporation bonds issuance costs	81,591	62,077
Total deferred assets	81,591	62,077
Total assets	¥330,060,025	¥307,510,217

(Thousands of Yen)

	The 35th Period As of December 31, 2021	The 34th Period As of June 30, 2021
Liabilities		
Current liabilities		
Operating accounts payable	¥ 1,024,207	¥ 1,407,807
Current portion of long-term loans payable	11,500,000	11,000,000
Accounts payable – other	31,596	33,986
Accrued expenses	279,489	264,807
Income taxes payable	887	995
Accrued consumption taxes	121,622	251,267
Advances received	1,262,941	1,244,279
Deposits received	2,785	3,876
Other	33,000	33,000
Total current liabilities	14,256,531	14,240,020
Non-current liabilities		
Investment corporation bonds	13,500,000	11,000,000
Long-term loans payable	98,400,000	93,400,000
Tenant leasehold and security deposits	14,833,915	15,018,229
Tenant leasehold and security deposits in trust	14,622,757	14,749,271
Other	279	809
Total non-current liabilities	141,356,952	134,168,310
Total liabilities	155,613,483	148,408,331
Net assets		
Unitholders' equity		
Unitholders' capital	171,357,423	156,459,426
Deduction from unitholders' capital	(2,847,059)	(2,847,059)
Unitholders' capital, net	168,510,364	153,612,367
Surplus		
Unappropriated retained earnings	5,936,177	5,489,519
Total surplus	5,936,177	5,489,519
Total unitholders' equity	174,446,541	159,101,886
Total net assets	174,446,541	159,101,886
Total liabilities and net assets	¥330,060,025	¥307,510,217

Statement of Income and Retained Earnings

(Thousands of Yen)

	For the 35th Period from July 1, 2021 to December 31, 2021	For the 34th Period from January 1, 2021 to June 30, 2021
Operating revenue		
Rent revenue – real estate	¥11,355,485	¥10,681,423
Rent revenue – other	46,355	73,719
Total operating revenue	11,401,840	10,755,142
Operating expenses		
Expenses related to rent business	4,435,605	4,311,465
Asset management fee	566,445	550,326
Asset custody fee	15,375	15,470
Administrative service fees	26,142	25,310
Directors' compensations	8,400	8,400
Other operating expenses	93,932	101,458
Total operating expenses	5,145,900	5,012,431
Operating income	6,255,939	5,742,711
Non-operating income		
Interest income	17	57
Reversal of distribution payable	625	654
Insurance income	772	5,667
Total non-operating income	1,415	6,379
Non-operating expenses		
Interest expenses	221,066	205,971
Interest expenses on investment corporation bonds	37,113	34,335
Amortization of investment corporation bond issuance costs	3,511	3,187
Investment unit issuance expenses	43,418	-
Other	15,466	15,140
Total non-operating expenses	320,577	258,635
Ordinary income	5,936,777	5,490,455
Income before income taxes	5,936,777	5,490,455
Income taxes – current	890	1,004
Income taxes – deferred	5	(12)
Total income taxes	895	992
Net income	5,935,881	5,489,463
Retained earnings brought forward	295	56
Unappropriated retained earnings	¥ 5,936,177	¥ 5,489,519

Statement of Cash Flows

(Thousands of Yen)

	For the 35th Period from July 1, 2021 to December 31, 2021	For the 34th Period from January 1, 2021 to June 30, 2021
Cash flows from operating activities		
Income before income taxes	¥ 5,936,777	¥ 5,490,455
Depreciation and amortization	2,122,513	2,044,291
Amortization of investment corporation bond issuance costs	3,511	3,187
Investment unit issuance expenses	43,418	-
Interest income	(17)	(57)
Interest expenses	258,180	240,307
Decrease (increase) in operating accounts receivable	24,053	61,929
Decrease (increase) in prepaid expenses	2,453	9,038
Increase (decrease) in operating accounts payable	(276,519)	60,848
Increase (decrease) in accrued expenses	13,751	(1,177)
Increase (decrease) in accrued consumption taxes	(129,645)	(256,076)
Decrease (increase) in consumption taxes receivable	(168,690)	-
Increase (decrease) in advances received	18,132	47,684
Other, net	(8,679)	(17,977)
Subtotal	7,839,240	7,682,454
Interest income received	17	57
Interest expenses paid	(258,074)	(239,560)
Income taxes paid	(997)	(760)
Net cash provided by (used in) operating activities	7,580,185	7,442,189
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,361,909)	(124,732)
Purchase of property, plant and equipment in trust	(10,558,328)	(325,804)
Purchase of intangible assets	(1,662,662)	-
Repayments of tenant leasehold and security deposits	(446,336)	(446,336)
Proceeds from tenant leasehold and security deposits	351,772	-
Repayments of tenant leasehold and security deposits in trust	(531,782)	(32,974)
Proceeds from tenant leasehold and security deposits in trust	322,742	21,876
Payments for restricted bank deposits in trust	(15,238)	(21,876)
Proceeds from reversal of restricted bank deposits in trust	23,800	27,993
Net cash provided by (used in) investing activities	(22,877,942)	(901,854)
Cash flows from financing activities		
Proceeds from short-term loans payable	6,000,000	3,000,000
Repayment of short-term loans payable	(6,000,000)	(4,000,000)
Proceeds from long-term loans payable	10,500,000	4,000,000
Repayment of long-term loans payable	(5,000,000)	(4,500,000)
Proceeds from issuance of investment corporation bonds	2,500,000	-
Payments for investment corporation bond issuance costs	(22,174)	-
Proceeds from issuance of investment units	14,897,997	-
Payments of investment unit issuance expenses	(43,265)	-
Distributions of earnings paid	(5,487,357)	(5,336,492)
Net cash provided by (used in) financing activities	17,345,199	(6,836,492)
Net increase (decrease) in cash and cash equivalents	2,047,442	(296,157)
Cash and cash equivalents at beginning of period	9,885,097	10,181,254
Cash and cash equivalents at end of period (Note)	¥11,932,540	¥ 9,885,097

Note: There are restricted cash ¥ 455 million (34th) and ¥ 446 million (35th) for repayments of lease and guarantee deposits received.