

Summary of Financial Results for the 36th Fiscal Period
(January 1, 2022 to June 30, 2022)
<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	:	September 29, 2022
Scheduled date to commence distribution payments	:	September 6, 2022

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

1. Performance for the 36th Fiscal Period (January 1, 2022 to June 30, 2022)

(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, 2022	11,523	1.1	6,300	0.7	6,023	1.5	6,022	1.5
December 31, 2021	11,401	6.0	6,255	8.9	5,936	8.1	5,935	8.1

	Net Income per Unit	Return on Equity (Note)	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	yen	%	%	%
Period ended, June 30, 2022	11,132	3.5	1.8	52.3
December 31, 2021	10,976	3.6	1.9	52.1

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, 2022	11,117	6,014	-	-	99.8	3.4
December 31, 2021	10,972	5,935	-	-	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
June 30, 2022	330,351	174,533	52.8	322,612
December 31, 2021	330,060	174,446	52.9	322,452

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, 2022	9,858	(1,201)	(5,936)	14,653
December 31, 2021	7,580	(22,877)	17,345	11,932

2. Forecasts of Results for the 37th Fiscal Period (July 1, 2022 to December 31, 2022) and for the 38th Fiscal Period (January 1, 2023 to June 30, 2023)

(% show period-on-period changes)

Period ended,	Operating Revenue		Operating Income		Ordinary Income		Net Income		Distribution per Unit (excluding distribution in excess of earnings) (Note 2, 3, 4)	Distribution in Excess of Earnings per Unit
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen	yen
December 31, 2022	11,416	(0.9)	6,254	(0.7)	5,956	(1.1)	5,955	(1.1)	10,990	-
June 30, 2023	11,397	(0.2)	6,248	(0.1)	5,934	(0.4)	5,933	(0.4)	10,990	-

Notes:

- The aforementioned forecasts are based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 37th Fiscal Period (July 1, 2022 to December 31, 2022) and for the 38th Fiscal Period (January 1, 2023 to June 30, 2023)" on Page 3.
- Amount of less than ten yen is rounded down.
- The forecast distribution per unit for the 37th fiscal period is calculated based on the assumption that net income less ¥9 million (the difference between the reserve for reduction entry and the reversal of the reserve for reduction entry) will be distributed.
- The forecast distribution per unit for the 38th fiscal period is calculated based on the assumption that net income plus ¥12 million (the difference between the reversal of the reserve for reduction entry and the reserve for reduction entry) will be distributed.

Pre-Conditions and Assumptions for Operating Forecasts
for the 37th Fiscal Period (July 1, 2022 to December 31, 2022)
and for the 38th Fiscal Period (January 1, 2023 to June 30, 2023)

	Pre-Conditions & Assumptions
Calculation Period	<ul style="list-style-type: none"> • The 37th fiscal period ending December 31, 2022 (July 1, 2022 to December 31, 2022) (184 days) • The 38th fiscal period ending June 30, 2023 (January 1, 2023 to June 30, 2023) (181 days)
Investment Assets	<ul style="list-style-type: none"> • The Investment Corporation owns total 39 properties as of August 15, 2022. • As for Ito-Yokado Higashi-Yamato, it is assumed that 20% quasi co-ownership stake of trust beneficiary rights to real estate is to be disposed on December 23, 2022 and 70% on June 23, 2023. • 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, 2022 is ¥ 123,400 million. • It is assumed that refinancing and partial self-financing will be executed for the repayment of borrowings due by June 30, 2023. • The loan to value ratio (LTV*) as of December 31, 2022 and June 30, 2023 are expected to be approximately 44% and 43%, 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 15, 2022 and estimated fluctuating factors. • Due to the disposition of Ito-Yokado Higashi-Yamato, gains on sales of property are expected to be ¥ 32 million for the 37th fiscal period and ¥ 135 million for the 38th 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 37th and 38th fiscal period.

	Pre-Conditions & Assumptions
Operating Expenses	<ul style="list-style-type: none"> • Property taxes, city planning taxes, etc. are expected to be ¥ 1,205 million for the 37th fiscal period and ¥ 1,243 million for the 38th fiscal period. However, should properties be newly acquired during the 37th and the 38th 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 ¥ 309 million for the 37th fiscal period and ¥ 351 million for the 38th 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 ¥ 1,960 million for the 37th fiscal period and ¥ 1,906 million for the 38th 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 ¥ 298 million for the 37th fiscal period and ¥ 314 million for the 38th 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 forecast distribution per unit for the 37th fiscal period is calculated based on the assumption that net income less ¥9 million (the difference between the reserve for reduction entry and the reversal of the reserve for reduction entry) will be distributed. • The forecast distribution per unit for the 38th fiscal period is calculated based on the assumption that net income plus ¥12 million (the difference between the reversal of the reserve for reduction entry and the reserve for reduction entry) will be distributed. • The number of the outstanding investment units is based on the number as of August 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 and cancellation of investment units until the end of the 38th fiscal period (June 30, 2023). • 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 36th Period As of June 30, 2022	The 35th Period As of December 31, 2021
Assets		
Current assets		
Cash and deposits	¥ 10,790,358	¥ 8,100,114
Cash and deposits in trust	4,620,516	4,278,907
Operating accounts receivable	90,445	126,348
Prepaid expenses	36,380	34,037
Other	3,850	172,540
Total current assets	15,541,550	12,711,947
Non-current assets		
Property, plant and equipment		
Buildings	56,668,632	56,602,768
Accumulated depreciation	(26,846,974)	(25,861,081)
Buildings, net	29,821,657	30,741,687
Structures	1,189,416	1,168,655
Accumulated depreciation	(1,047,719)	(1,019,690)
Structures, net	141,696	148,964
Machinery and equipment	121,699	121,699
Accumulated depreciation	(72,970)	(61,014)
Machinery and equipment, net	48,729	60,685
Tools, furniture and fixtures	140,066	124,811
Accumulated depreciation	(72,187)	(62,123)
Tools, furniture and fixtures, net	67,879	62,688
Land	109,668,640	109,634,761
Buildings in trust	58,916,860	59,134,378
Accumulated depreciation	(25,161,271)	(24,455,838)
Buildings in trust, net	33,755,589	34,678,539
Structures in trust	790,533	795,183
Accumulated depreciation	(588,984)	(571,678)
Structures in trust, net	201,548	223,505
Machinery and equipment in trust	755,449	755,449
Accumulated depreciation	(693,735)	(688,617)
Machinery and equipment in trust, net	61,714	66,832
Tools, furniture and fixtures in trust	129,987	108,848
Accumulated depreciation	(73,550)	(65,472)
Tools, furniture and fixtures in trust, net	56,437	43,375
Land in trust	139,186,849	139,882,963
Construction in progress in trust	26,322	17,548
Total property, plant and equipment	313,037,063	315,561,552
Intangible assets		
Leasehold interests in land	1,658,315	1,658,315
Other	3,423	3,857
Total intangible assets	1,661,738	1,662,172
Investments and other assets		
Long-term prepaid expenses	2,646	11,748
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	20,980	20,980
Deferred tax assets	9	13
Other	18	18

Total investments and other assets	33,654	42,760
Total non-current assets	314,732,456	317,266,485
Deferred assets		
Investment corporation bonds issuance costs	77,430	81,591
Total deferred assets	77,430	81,591
Total assets	¥330,351,437	¥330,060,025

(Thousands of Yen)

	The 36th Period As of June 30, 2022	The 35th Period As of December 31, 2021
Liabilities		
Current liabilities		
Operating accounts payable	¥ 1,294,566	¥ 1,024,207
Current portion of long-term loans payable	11,500,000	11,500,000
Accounts payable – other	41,829	31,596
Accrued expenses	285,407	279,489
Income taxes payable	805	887
Accrued consumption taxes	525,756	121,622
Advances received	1,291,464	1,262,941
Deposits received	2,859	2,785
Other	33,000	33,000
Total current liabilities	14,975,689	14,256,531
Non-current liabilities		
Investment corporation bonds	13,500,000	13,500,000
Long-term loans payable	98,400,000	98,400,000
Tenant leasehold and security deposits	14,380,078	14,833,915
Tenant leasehold and security deposits in trust	14,560,507	14,622,757
Other	1,573	279
Total non-current liabilities	140,842,159	141,356,952
Total liabilities	155,817,849	155,613,483
Net assets		
Unitholders' equity		
Unitholders' capital	171,357,423	171,357,423
Deduction from unitholders' capital	(2,847,059)	(2,847,059)
Unitholders' capital, net	168,510,364	168,510,364
Surplus		
Unappropriated retained earnings	6,023,223	5,936,177
Total surplus	6,023,223	5,936,177
Total unitholders' equity	174,533,587	174,446,541
Total net assets	174,533,587	174,446,541
Total liabilities and net assets	¥330,351,437	¥330,060,025

Statement of Income and Retained Earnings

	(Thousands of Yen)	
	For the 36th Period from January 1, 2022 to June 30, 2022	For the 35th Period from July 1, 2021 to December 31, 2021
Operating revenue		
Rent revenue – real estate	¥11,345,278	¥11,355,485
Rent revenue – other	168,848	46,355
Gain on sales of real estate properties	8,886	-
Total operating revenue	11,523,014	11,401,840
Operating expenses		
Expenses related to rent business	4,471,406	4,435,605
Asset management fee	587,838	566,445
Asset custody fee	16,503	15,375
Administrative service fees	27,068	26,142
Directors' compensations	8,400	8,400
Other operating expenses	111,752	93,932
Total operating expenses	5,222,970	5,145,900
Operating income	6,300,044	6,255,939
Non-operating income		
Interest income	27	17
Reversal of distribution payable	942	625
Interest on refund	351	-
Insurance income	1,055	772
Other	498	-
Total non-operating income	2,874	1,415
Non-operating expenses		
Interest expenses	215,344	221,066
Interest expenses on investment corporation bonds	40,583	37,113
Amortization of investment corporation bond issuance costs	4,161	3,511
Investment unit issuance expenses	-	43,418
Other	19,116	15,466
Total non-operating expenses	279,206	320,577
Ordinary income	6,023,712	5,936,777
Income before income taxes	6,023,712	5,936,777
Income taxes – current	809	890
Income taxes – deferred	3	5
Total income taxes	813	895
Net income	6,022,898	5,935,881
Retained earnings brought forward	325	295
Unappropriated retained earnings	¥ 6,023,223	¥ 5,936,177

Statement of Cash Flows

(Thousands of Yen)

	For the 36th Period from January 1, 2022 to June 30, 2022	For the 35th Period from July 1, 2021 to December 31, 2021
Cash flows from operating activities		
Income before income taxes	¥ 6,023,712	¥ 5,936,777
Depreciation and amortization	2,044,848	2,122,513
Amortization of investment corporation bond issuance costs	4,161	3,511
Investment unit issuance expenses	-	43,418
Interest income	(27)	(17)
Interest expenses	255,928	258,180
Decrease (increase) in operating accounts receivable	36,102	24,053
Decrease (increase) in prepaid expenses	6,759	2,453
Increase (decrease) in operating accounts payable	209,004	(276,519)
Increase (decrease) in accrued expenses	8,433	13,751
Increase (decrease) in accrued consumption taxes	404,134	(129,645)
Decrease (increase) in consumption taxes receivable	168,690	(168,690)
Increase (decrease) in advances received	28,251	18,132
Decrease in property, plant and equipment in trust due to sale	931,140	-
Other, net	(3,885)	(8,679)
Subtotal	10,117,253	7,839,240
Interest income received	27	17
Interest expenses paid	(257,619)	(258,074)
Income taxes paid	(891)	(997)
Net cash provided by (used in) operating activities	9,858,768	7,580,185
Cash flows from investing activities		
Purchase of property, plant and equipment	(106,015)	(10,361,909)
Purchase of property, plant and equipment in trust	(276,068)	(10,558,328)
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	(158,324)	(531,782)
Proceeds from tenant leasehold and security deposits in trust	95,874	322,742
Payments for restricted bank deposits in trust	(406,774)	(15,238)
Proceeds from reversal of restricted bank deposits in trust	95,869	23,800
Net cash provided by (used in) investing activities	(1,201,775)	(22,877,942)
Cash flows from financing activities		
Proceeds from short-term loans payable	6,000,000	6,000,000
Repayment of short-term loans payable	(6,000,000)	(6,000,000)
Proceeds from long-term loans payable	6,000,000	10,500,000
Repayment of long-term loans payable	(6,000,000)	(5,000,000)
Proceeds from issuance of investment corporation bonds	-	2,500,000
Payments for investment corporation bond issuance costs	(851)	(22,174)
Proceeds from issuance of investment units	-	14,897,997
Payments of investment unit issuance expenses	(153)	(43,265)
Distributions of earnings paid	(5,935,040)	(5,487,357)
Net cash provided by (used in) financing activities	(5,936,045)	17,345,199
Net increase (decrease) in cash and cash equivalents	2,720,947	2,047,442
Cash and cash equivalents at beginning of period	11,932,540	9,885,097
Cash and cash equivalents at end of period (Note)	¥14,653,487	¥11,932,540

Note: There are restricted cash ¥446 million (35th) and ¥757 million (36th) for repayments of lease and guarantee deposits received.