

Summary of Financial Results for the 37th Fiscal Period
(July 1, 2022 to December 31, 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.
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 Scheduled date to file securities report : March 30, 2023
 Scheduled date to commence distribution payments : March 7, 2023

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

1. Performance for the 37th Fiscal Period (July 1, 2022 to December 31, 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, December 31, 2022	11,432	(0.8)	6,343	0.7	6,050	0.4	6,049	0.4
June 30, 2022	11,523	1.1	6,300	0.7	6,023	1.5	6,022	1.5

	Net Income per Unit	Return on Equity (Note)	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	yen	%	%	%
Period ended, December 31, 2022	11,182	3.5	1.8	52.9
June 30, 2022	11,132	3.5	1.8	52.3

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 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, 2022	11,122	6,017	-	-	99.4	3.4
June 30, 2022	11,117	6,014	-	-	99.8	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, 2022	329,731	174,568	52.9	322,678
June 30, 2022	330,351	174,533	52.8	322,612

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, 2022	9,422	(319)	(6,214)	17,541
June 30, 2022	9,858	(1,201)	(5,936)	14,653

2. Forecasts of Results for the 38th Fiscal Period (January 1, 2023 to June 30, 2023) and for the 39th Fiscal Period (July 1, 2023 to December 31, 2023)

(% 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, 4)	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, 2023	11,581	1.3	6,341	(0.0)	6,047	(0.0)	6,046	(0.0)	10,990	-
December 31, 2023	10,953	(5.4)	5,832	(8.0)	5,543	(8.3)	5,542	(8.3)	10,500	-

Notes:

- The aforementioned forecasts are based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 38th Fiscal Period (January 1, 2023 to June 30, 2023) and for the 39th Fiscal Period (July 1, 2023 to December 31, 2023)" on Page 3.
- Amount of less than ten yen is rounded down.
- The forecast distribution per unit for the 38th fiscal period is calculated based on the assumption that net income less ¥101 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 39th fiscal period is calculated based on the assumption that net income plus ¥142 million (the reversal of the reserve for reduction entry) will be distributed.

Pre-Conditions and Assumptions for Operating Forecasts
for the 38th Fiscal Period (January 1, 2023 to June 30, 2023)
and for the 39th Fiscal Period (July 1, 2023 to December 31, 2023)

	Pre-Conditions & Assumptions
Calculation Period	<ul style="list-style-type: none"> • The 38th fiscal period ending June 30, 2023 (January 1, 2023 to June 30, 2023) (181 days) • The 39th fiscal period ending December 31, 2023 (July 1, 2023 to December 31, 2023) (184 days)
Investment Assets	<ul style="list-style-type: none"> • The Investment Corporation owns total 39 properties as of February 15, 2023. • As for Ito-Yokado Higashi-Yamato, it is assumed that 70% quasi co-ownership stake of trust beneficiary rights to real estate is to be disposed 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 February 15, 2023 is ¥ 121,200 million. • It is assumed that refinancing and partial self-financing will be executed for the repayment of borrowings due by December 31, 2023. • The loan to value ratio (LTV*) as of June 30, 2023 and December 31, 2023 are expected to be approximately 43% 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 February 15, 2023 and estimated fluctuating factors. • Due to the disposition of Ito-Yokado Higashi-Yamato, gains on sales of property are expected to be ¥ 139 million for the 38th fiscal period.

	Pre-Conditions & Assumptions
Operating Expenses	<ul style="list-style-type: none"> • Property taxes, city planning taxes, etc. are expected to be ¥ 1,242 million for the 38th fiscal period and ¥ 1,215 million for the 39th fiscal period. However, should properties be newly acquired during the 38th and the 39th 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 ¥ 423 million for the 38th fiscal period and ¥ 329 million for the 39th 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 ¥ 1,913 million for the 38th fiscal period and ¥ 1,881 million for the 39th 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 ¥ 293 million for the 38th fiscal period and ¥ 289 million for the 39th 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 38th fiscal period is calculated based on the assumption that net income less ¥101 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 39th fiscal period is calculated based on the assumption that net income plus ¥142 million (the reversal of the reserve for reduction entry) will be distributed. • The number of the outstanding investment units is based on the number as of February 15, 2023, 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 39th fiscal period (December 31, 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 37th Period As of December 31, 2022	The 36th Period As of June 30, 2022
Assets		
Current assets		
Cash and deposits	¥ 13,167,939	¥ 10,790,358
Cash and deposits in trust	5,050,707	4,620,516
Operating accounts receivable	109,664	90,445
Prepaid expenses	41,180	36,380
Other	3,850	3,850
Total current assets	18,373,341	15,541,550
Non-current assets		
Property, plant and equipment		
Buildings	56,753,310	56,668,632
Accumulated depreciation	(27,766,528)	(26,846,974)
Buildings, net	28,986,781	29,821,657
Structures	1,192,479	1,189,416
Accumulated depreciation	(1,064,465)	(1,047,719)
Structures, net	128,014	141,696
Machinery and equipment	121,699	121,699
Accumulated depreciation	(84,926)	(72,970)
Machinery and equipment, net	36,773	48,729
Tools, furniture and fixtures	141,298	140,066
Accumulated depreciation	(82,113)	(72,187)
Tools, furniture and fixtures, net	59,184	67,879
Land	109,678,147	109,668,640
Buildings in trust	58,191,225	58,916,860
Accumulated depreciation	(25,577,669)	(25,161,271)
Buildings in trust, net	32,613,556	33,755,589
Structures in trust	782,062	790,533
Accumulated depreciation	(599,738)	(588,984)
Structures in trust, net	182,323	201,548
Machinery and equipment in trust	758,668	755,449
Accumulated depreciation	(698,398)	(693,735)
Machinery and equipment in trust, net	60,269	61,714
Tools, furniture and fixtures in trust	133,756	129,987
Accumulated depreciation	(81,394)	(73,550)
Tools, furniture and fixtures in trust, net	52,362	56,437
Land in trust	137,794,620	139,186,849
Construction in progress in trust	-	26,322
Total property, plant and equipment	309,592,033	313,037,063
Intangible assets		
Leasehold interests in land	1,658,315	1,658,315
Other	2,988	3,423
Total intangible assets	1,661,303	1,661,738
Investments and other assets		
Long-term prepaid expenses	594	2,646
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	20,980	20,980
Deferred tax assets	14	9
Other	18	18

Total investments and other assets	31,606	33,654
Total non-current assets	311,284,942	314,732,456
Deferred assets		
Investment corporation bonds issuance costs	73,269	77,430
Total deferred assets	73,269	77,430
Total assets	¥329,731,553	¥330,351,437

(Thousands of Yen)

	The 37th Period As of December 31, 2022	The 36th Period As of June 30, 2022
Liabilities		
Current liabilities		
Operating accounts payable	¥ 1,612,462	¥ 1,294,566
Current portion of long-term loans payable	11,500,000	11,500,000
Accounts payable – other	44,943	41,829
Accrued expenses	282,967	285,407
Income taxes payable	897	805
Accrued consumption taxes	313,467	525,756
Advances received	1,238,153	1,291,464
Deposits received	4,279	2,859
Other	33,000	33,000
Total current liabilities	15,030,170	14,975,689
Non-current liabilities		
Investment corporation bonds	13,500,000	13,500,000
Long-term loans payable	98,200,000	98,400,000
Tenant leasehold and security deposits	13,937,353	14,380,078
Tenant leasehold and security deposits in trust	14,493,883	14,560,507
Other	1,167	1,573
Total non-current liabilities	140,132,404	140,842,159
Total liabilities	155,162,575	155,817,849
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		
Voluntary retained earnings		
Reserve for reduction entry	8,751	-
Total voluntary retained earnings	8,751	-
Unappropriated retained earnings	6,049,863	6,023,223
Total surplus	6,058,614	6,023,223
Total unitholders' equity	174,568,978	174,533,587
Total net assets	174,568,978	174,533,587
Total liabilities and net assets	¥329,731,553	¥330,351,437

Statement of Income and Retained Earnings

	(Thousands of Yen)	
	For the 37th Period from July 1, 2022 to December 31, 2022	For the 36th Period from January 1, 2022 to June 30, 2022
Operating revenue		
Rent revenue – real estate	¥11,364,960	¥11,345,278
Rent revenue – other	33,976	168,848
Gain on sales of real estate properties	33,306	8,886
Total operating revenue	11,432,243	11,523,014
Operating expenses		
Expenses related to rent business	4,333,753	4,471,406
Asset management fee	594,199	587,838
Asset custody fee	16,517	16,503
Administrative service fees	24,954	27,068
Directors' compensations	8,400	8,400
Other operating expenses	111,129	111,752
Total operating expenses	5,088,954	5,222,970
Operating income	6,343,288	6,300,044
Non-operating income		
Interest income	19	27
Reversal of distribution payable	1,334	942
Interest on refund	-	351
Insurance income	-	1,055
Other	83	498
Total non-operating income	1,437	2,874
Non-operating expenses		
Interest expenses	226,077	215,344
Interest expenses on investment corporation bonds	41,256	40,583
Amortization of investment corporation bond issuance costs	4,161	4,161
Other	22,648	19,116
Total non-operating expenses	294,142	279,206
Ordinary income	6,050,583	6,023,712
Income before income taxes	6,050,583	6,023,712
Income taxes – current	900	809
Income taxes – deferred	(4)	3
Total income taxes	895	813
Net income	6,049,687	6,022,898
Retained earnings brought forward	175	325
Unappropriated retained earnings	¥ 6,049,863	¥ 6,023,223

Statement of Cash Flows

(Thousands of Yen)

	For the 37th Period from July 1, 2022 to December 31, 2022	For the 36th Period from January 1, 2022 to June 30, 2022
Cash flows from operating activities		
Income before income taxes	¥ 6,050,583	¥ 6,023,712
Depreciation and amortization	1,955,837	2,044,848
Amortization of investment corporation bond issuance costs	4,161	4,161
Interest income	(19)	(27)
Interest expenses	267,333	255,928
Decrease (increase) in operating accounts receivable	(19,418)	36,102
Decrease (increase) in prepaid expenses	(2,748)	6,759
Increase (decrease) in operating accounts payable	(163,501)	209,004
Increase (decrease) in accrued expenses	(4,545)	8,433
Increase (decrease) in accrued consumption taxes	(212,288)	404,134
Decrease (increase) in consumption taxes receivable	-	168,690
Increase (decrease) in advances received	(53,766)	28,251
Decrease in property, plant and equipment in trust due to sale	1,856,525	931,140
Other, net	10,204	(3,885)
Subtotal	9,688,356	10,117,253
Interest income received	19	27
Interest expenses paid	(265,226)	(257,619)
Income taxes paid	(808)	(891)
Net cash provided by (used in) operating activities	9,422,340	9,858,768
Cash flows from investing activities		
Purchase of property, plant and equipment	(83,137)	(106,015)
Purchase of property, plant and equipment in trust	(171,370)	(276,068)
Repayments of tenant leasehold and security deposits	(446,336)	(446,336)
Proceeds from tenant leasehold and security deposits	11,111	-
Repayments of tenant leasehold and security deposits in trust	(80,736)	(158,324)
Proceeds from tenant leasehold and security deposits in trust	370,300	95,874
Payments for restricted bank deposits in trust	(300)	(406,774)
Proceeds from reversal of restricted bank deposits in trust	80,736	95,869
Net cash provided by (used in) investing activities	(319,733)	(1,201,775)
Cash flows from financing activities		
Proceeds from short-term loans payable	-	6,000,000
Repayment of short-term loans payable	-	(6,000,000)
Proceeds from long-term loans payable	5,300,000	6,000,000
Repayment of long-term loans payable	(5,500,000)	(6,000,000)
Payments for investment corporation bond issuance costs	-	(851)
Payments of investment unit issuance expenses	-	(153)
Distributions of earnings paid	(6,014,398)	(5,935,040)
Net cash provided by (used in) financing activities	(6,214,398)	(5,936,045)
Net increase (decrease) in cash and cash equivalents	2,888,208	2,720,947
Cash and cash equivalents at beginning of period	14,653,487	11,932,540
Cash and cash equivalents at end of period (Note)	¥17,541,696	¥14,653,487

Note: There are restricted cash ¥757 million (36th) and ¥676 million (37th) for repayments of lease and guarantee deposits received.