

Summary of Financial Results for the 38th Fiscal Period
(January 1, 2023 to June 30, 2023)
<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 28, 2023
Scheduled date to commence distribution payments : September 5, 2023

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

1. Performance for the 38th Fiscal Period (January 1, 2023 to June 30, 2023)

(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, 2023	11,530	0.9	6,416	1.2	6,147	1.6	6,146	1.6
December 31, 2022	11,432	(0.8)	6,343	0.7	6,050	0.4	6,049	0.4

	Net Income per Unit	Return on Equity (Note)	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	yen	%	%	%
Period ended, June 30, 2023	11,360	3.5	1.9	53.3
December 31, 2022	11,182	3.5	1.8	52.9

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, 2023	11,109	6,009	-	-	97.7	3.4
December 31, 2022	11,122	6,017	-	-	99.4	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, 2023	327,026	174,698	53.4	322,917
December 31, 2022	329,731	174,568	52.9	322,678

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, 2023	14,733	(1,408)	(8,014)	22,852
December 31, 2022	9,422	(319)	(6,214)	17,541

2. Forecasts of Results for the 39th Fiscal Period (July 1, 2023 to December 31, 2023) and for the 40th Fiscal Period (January 1, 2024 to June 30, 2024)

(% 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,										
December 31, 2023	11,012	(4.5)	5,917	(7.8)	5,608	(8.8)	5,607	(8.8)	10,500	-
June 30, 2024	11,564	5.0	6,085	2.8	5,758	2.7	5,757	2.7	10,640	-

Notes:

- The aforementioned forecasts are based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 39th Fiscal Period (July 1, 2023 to December 31, 2023) and for the 40th Fiscal Period(January 1, 2024 to June 30, 2024)" on Page 3.
- Amount of less than ten yen is rounded down.
- The forecast distribution per unit for the 39th fiscal period is calculated based on the assumption that net income plus ¥72 million (the reversal of the reserve for reduction entry) will be distributed.
- The forecast distribution per unit for the 40th fiscal period is calculated based on the assumption that net income plus ¥2 million (the reversal of the reserve for reduction entry) will be distributed.

Pre-Conditions and Assumptions for Operating Forecasts
for the 39th Fiscal Period (July 1, 2023 to December 31, 2023)
and for the 40th Fiscal Period (January 1, 2024 to June 30, 2024)

	Pre-Conditions & Assumptions
Calculation Period	<ul style="list-style-type: none"> • The 39th fiscal period ending December 31, 2023 (July 1, 2023 to December 31, 2023) (184 days) • The 40th fiscal period ending June 30, 2024 (January 1, 2024 to June 30, 2024) (182 days)
Investment Assets	<ul style="list-style-type: none"> • The pre-conditions assumes a total of 40 properties including Mitsui Shopping Park LaLaport IZUMI(18.5% quasi co-ownership stake) and Shin-Kawasaki Square those are to be acquired on October 2, 2023 and December 22, 2023 respectively (collectively “New Properties”), in addition to the properties the Investment Corporation owns as of August 15, 2023 (total of 38 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 40th fiscal period (June 30, 2024) • 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, 2023 is ¥ 121,200 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 June 30, 2024. • The loan to value ratio (LTV*) as of December 31, 2023 and June 30, 2024 are expected to be approximately 45% 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 40 properties, adding New Properties to the Existing Properties. For Existing Properties, it is calculated based on the individual lease contracts which is valid as of August 15, 2023 and estimated fluctuating factors. For New Properties, it is calculated based on the individual lease contracts those are expected to be valid on New Properties acquisition date and information provided by the current owners of the New Properties.

	Pre-Conditions & Assumptions
Operating Expenses	<ul style="list-style-type: none"> Property taxes, city planning taxes, etc. are expected to be ¥ 1,214 million for the 39th fiscal period and ¥ 1,299 million for the 40th fiscal period. However, should properties be newly acquired during the 39th and the 40th 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. For New Properties, municipal property taxes and other monies for settlement are not calculated as operating expenses but are included in their acquisition cost, which will be booked from the 40th fiscal period. Repairs and maintenance are expected to be ¥ 340 million for the 39th fiscal period and ¥ 384 million for the 40th 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 ¥ 1,917 million for the 39th fiscal period and ¥ 2,009 million for the 40th 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 lease contracts those are expected to be valid on New Properties acquisition date and information provided by the current owners of the 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 ¥ 309 million for the 39th fiscal period and ¥ 327 million for the 40th 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 39th fiscal period is calculated based on the assumption that net income plus ¥72 million (the reversal of the reserve for reduction entry) will be distributed. The forecast distribution per unit for the 40th fiscal period is calculated based on the assumption that net income plus ¥2million (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 August 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 40th fiscal period (June 30, 2024). 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"> • 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 38th Period As of June 30, 2023	The 37th Period As of December 31, 2022
Assets		
Current assets		
Cash and deposits	¥ 18,735,432	¥ 13,167,939
Cash and deposits in trust	4,523,351	5,050,707
Operating accounts receivable	96,887	109,664
Accounts receivable - other	118,148	-
Prepaid expenses	18,113	41,180
Other	-	3,850
Total current assets	23,491,933	18,373,341
Non-current assets		
Property, plant and equipment		
Buildings	57,126,011	56,753,310
Accumulated depreciation	(28,652,909)	(27,766,528)
Buildings, net	28,473,101	28,986,781
Structures	1,192,479	1,192,479
Accumulated depreciation	(1,077,015)	(1,064,465)
Structures, net	115,464	128,014
Machinery and equipment	121,699	121,699
Accumulated depreciation	(96,882)	(84,926)
Machinery and equipment, net	24,817	36,773
Tools, furniture and fixtures	149,991	141,298
Accumulated depreciation	(90,912)	(82,113)
Tools, furniture and fixtures, net	59,079	59,184
Land	109,678,147	109,678,147
Buildings in trust	54,779,296	58,191,225
Accumulated depreciation	(24,558,549)	(25,577,669)
Buildings in trust, net	30,220,747	32,613,556
Structures in trust	749,508	782,062
Accumulated depreciation	(584,972)	(599,738)
Structures in trust, net	164,536	182,323
Machinery and equipment in trust	772,908	758,668
Accumulated depreciation	(703,315)	(698,398)
Machinery and equipment in trust, net	69,593	60,269
Tools, furniture and fixtures in trust	134,852	133,756
Accumulated depreciation	(89,086)	(81,394)
Tools, furniture and fixtures in trust, net	45,765	52,362
Land in trust	132,921,819	137,794,620
Total property, plant and equipment	301,773,073	309,592,033
Intangible assets		
Leasehold interests in land	1,658,315	1,658,315
Other	3,042	2,988
Total intangible assets	1,661,357	1,661,303
Investments and other assets		
Long-term prepaid expenses	462	594
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	20,980	20,980
Deferred tax assets	16	14
Other	18	18
Total investments and other assets	31,476	31,606
Total non-current assets	303,465,908	311,284,942

Deferred assets		
Investment corporation bonds issuance costs	69,108	73,269
Total deferred assets	69,108	73,269
Total assets	¥327,026,950	¥329,731,553

(Thousands of Yen)

	The 38th Period As of June 30, 2023	The 37th Period As of December 31, 2022
Liabilities		
Current liabilities		
Operating accounts payable	¥ 1,558,288	¥ 1,612,462
Current portion of long-term loans payable	12,400,000	11,500,000
Accounts payable – other	65,766	44,943
Accrued expenses	284,453	282,967
Income taxes payable	950	897
Accrued consumption taxes	448,637	313,467
Advances received	1,192,379	1,238,153
Deposits received	3,443	4,279
Other	33,000	33,000
Total current liabilities	15,986,918	15,030,170
Non-current liabilities		
Investment corporation bonds	13,500,000	13,500,000
Long-term loans payable	95,300,000	98,200,000
Tenant leasehold and security deposits	13,483,517	13,937,353
Tenant leasehold and security deposits in trust	14,057,598	14,493,883
Other	749	1,167
Total non-current liabilities	136,341,865	140,132,404
Total liabilities	152,328,783	155,162,575
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	41,407	8,751
Total voluntary retained earnings	41,407	8,751
Unappropriated retained earnings	6,146,394	6,049,863
Total surplus	6,187,802	6,058,614
Total unitholders' equity	174,698,166	174,568,978
Total net assets	174,698,166	174,568,978
Total liabilities and net assets	¥327,026,950	¥329,731,553

Statement of Income and Retained Earnings

	(Thousands of Yen)	
	For the 38th Period from January 1, 2023 to June 30, 2023	For the 37th Period from July 1, 2022 to December 31, 2022
Operating revenue		
Rent revenue – real estate	¥11,188,728	¥11,364,960
Rent revenue – other	205,428	33,976
Gain on sales of real estate properties	136,718	33,306
Total operating revenue	11,530,874	11,432,243
Operating expenses		
Expenses related to rent business	4,371,566	4,333,753
Asset management fee	586,742	594,199
Asset custody fee	16,486	16,517
Administrative service fees	24,768	24,954
Directors' compensations	8,400	8,400
Other operating expenses	106,372	111,129
Total operating expenses	5,114,336	5,088,954
Operating income	6,416,537	6,343,288
Non-operating income		
Interest income	30	19
Reversal of distribution payable	629	1,334
Insurance income	26,385	-
Other	200	83
Total non-operating income	27,244	1,437
Non-operating expenses		
Interest expenses	220,378	226,077
Interest expenses on investment corporation bonds	40,583	41,256
Amortization of investment corporation bond issuance costs	4,161	4,161
Other	31,517	22,648
Total non-operating expenses	296,640	294,142
Ordinary income	6,147,141	6,050,583
Income before income taxes	6,147,141	6,050,583
Income taxes – current	954	900
Income taxes – deferred	(2)	(4)
Total income taxes	952	895
Net income	6,146,189	6,049,687
Retained earnings brought forward	205	175
Unappropriated retained earnings	¥ 6,146,394	¥ 6,049,863

Statement of Cash Flows

(Thousands of Yen)

	For the 38th Period from January 1, 2023 to June 30, 2023	For the 37th Period from July 1, 2022 to December 31, 2022
Cash flows from operating activities		
Income before income taxes	¥ 6,147,141	¥ 6,050,583
Depreciation and amortization	1,895,019	1,955,837
Amortization of investment corporation bond issuance costs	4,161	4,161
Interest income	(30)	(19)
Interest expenses	260,961	267,333
Decrease (increase) in operating accounts receivable	12,776	(19,418)
Decrease (increase) in accounts receivable - other	(118,148)	-
Decrease (increase) in prepaid expenses	23,199	(2,748)
Increase (decrease) in operating accounts payable	187,658	(163,501)
Increase (decrease) in accrued expenses	952	(4,545)
Increase (decrease) in accrued consumption taxes	135,169	(212,288)
Increase (decrease) in advances received	(46,242)	(53,766)
Decrease in property, plant and equipment in trust due to sale	6,478,786	1,856,525
Other, net	13,110	10,204
Subtotal	14,994,517	9,688,356
Interest income received	30	19
Interest expenses paid	(260,428)	(265,226)
Income taxes paid	(901)	(808)
Net cash provided by (used in) operating activities	14,733,217	9,422,340
Cash flows from investing activities		
Purchase of property, plant and equipment	(152,983)	(83,137)
Purchase of property, plant and equipment in trust	(287,267)	(171,370)
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	(966,222)	(80,736)
Proceeds from tenant leasehold and security deposits in trust	173,950	370,300
Payments for restricted bank deposits in trust	(10,365)	(300)
Proceeds from reversal of restricted bank deposits in trust	281,097	80,736
Net cash provided by (used in) investing activities	(1,408,126)	(319,733)
Cash flows from financing activities		
Proceeds from long-term loans payable	4,000,000	5,300,000
Repayment of long-term loans payable	(6,000,000)	(5,500,000)
Distributions of earnings paid	(6,014,221)	(6,014,398)
Net cash provided by (used in) financing activities	(8,014,221)	(6,214,398)
Net increase (decrease) in cash and cash equivalents	5,310,869	2,888,208
Cash and cash equivalents at beginning of period	17,541,696	14,653,487
Cash and cash equivalents at end of period (Note)	¥22,852,566	¥17,541,696

Note: There are restricted cash ¥676 million (37th) and ¥406 million (38th) for repayments of lease and guarantee deposits received.