

February 15, 2024

Summary of Financial Results for the 39th Fiscal Period
(July 1, 2023 to December 31, 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 : March 28, 2024
 Scheduled date to commence distribution payments : March 12, 2024

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

1. Performance for the 39th Fiscal Period (July 1, 2023 to December 31, 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, December 31, 2023	11,032	(4.3)	6,010	(6.3)	5,704	(7.2)	5,703	(7.2)
June 30, 2023	11,530	0.9	6,416	1.2	6,147	1.6	6,146	1.6

	Net Income per Unit	Return on Equity (Note)	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
	yen	%	%	%
Period ended, December 31, 2023	10,542	3.3	1.7	51.7
June 30, 2023	11,360	3.5	1.9	53.3

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, 2023	10,549	5,707	-	-	100.0	3.2
June 30, 2023	11,109	6,009	-	-	97.7	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, 2023	336,333	174,391	51.9	322,350
June 30, 2023	327,026	174,698	53.4	322,917

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, 2023	6,419	(14,955)	2,888	17,205
June 30, 2023	14,733	(1,408)	(8,014)	22,852

2. Forecasts of Results for the 40th Fiscal Period (January 1, 2024 to June 30, 2024) and for the 41st Fiscal Period (July 1, 2024 to December 31, 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,										
June 30, 2024	11,555	4.7	6,122	1.9	5,771	1.2	5,770	1.2	10,670	-
December 31, 2024	11,511	(0.4)	6,130	0.1	5,759	(0.2)	5,758	(0.2)	10,690	-

Notes:

- The aforementioned forecasts are based on the "Pre-Conditions and Assumptions for Operating Forecasts for the 40th Fiscal Period (January 1, 2024 to June 30, 2024) and for the 41st Fiscal Period(July 1, 2024 to December 31, 2024)" on Page 3.
- Amount of less than ten yen is rounded down.
- The forecast distribution per unit for the 40th fiscal period is calculated based on the assumption that net income plus ¥3 million (the reversal of the reserve for reduction entry) will be distributed.
- The forecast distribution per unit for the 41st fiscal period is calculated based on the assumption that net income plus ¥26 million (the reversal of the reserve for reduction entry) will be distributed.

Pre-Conditions and Assumptions for Operating Forecasts
for the 40th Fiscal Period (January 1, 2024 to June 30, 2024)
and for the 41st Fiscal Period (July 1, 2024 to December 31, 2024)

	Pre-Conditions & Assumptions
Calculation Period	<ul style="list-style-type: none"> • The 40th fiscal period ending June 30, 2024 (January 1, 2024 to June 30, 2024) (182 days) • The 41st fiscal period ending December 31, 2024 (July 1, 2024 to December 31, 2024) (184 days)
Investment Assets	<ul style="list-style-type: none"> • Figures presented above are based on the following assumption. As of March 29, 2024, among assets under management as of February 15, 2024 (40 properties in total), the trust beneficiary rights to Shinsaibashi Square will be split into trust beneficiary rights to the land (the beneficiary rights to land interest) and trust beneficiary rights to the existing buildings (the beneficiary rights to the buildings), with the former being the sole subject of asset management from that day onward and the latter having been sold. It has been also assumed that there will be no other changes in assets under management as of the end of the fiscal period ending December 31, 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 February 15, 2024 is ¥ 130,100 million. • It is assumed that refinancing and partial self-financing will be executed for the repayment of borrowings due by December 31, 2024. • The loan to value ratio (LTV*) as of June 30, 2024 and December 31, 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 aforementioned investment assets of 40 properties. It is calculated based on the individual lease contracts valid as of February 15, 2024 and estimated fluctuating factors.

	Pre-Conditions & Assumptions
Operating Expenses	<ul style="list-style-type: none"> Property taxes, city planning taxes, etc. are expected to be ¥ 1,313 million for the 40th fiscal period and ¥ 1,313 million for the 41st fiscal period. However, should properties be newly acquired during the 40th and the 41st 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 ¥ 394 million for the 40th fiscal period and ¥ 383 million for the 41st 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 ¥ 2,004 million for the 40th fiscal period and ¥ 1,906 million for the 41st 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 ¥ 351 million for the 40th fiscal period and ¥ 371 million for the 41st 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 40th fiscal period is calculated based on the assumption that net income plus ¥ 3 million (the reversal of the reserve for reduction entry) will be distributed. The forecast distribution per unit for the 41st fiscal period is calculated based on the assumption that net income plus ¥ 26 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, 2024, 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 41st fiscal period (December 31, 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.
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 39th Period As of December 31, 2023	The 38th Period As of June 30, 2023
Assets		
Current assets		
Cash and deposits	¥ 13,528,279	¥ 18,735,432
Cash and deposits in trust	4,088,656	4,523,351
Operating accounts receivable	118,119	96,887
Accounts receivable - other	-	118,148
Prepaid expenses	51,271	18,113
Other	702,584	-
Total current assets	18,488,910	23,491,933
Non-current assets		
Property, plant and equipment		
Buildings	60,899,332	57,126,011
Accumulated depreciation	(29,565,261)	(28,652,909)
Buildings, net	31,334,071	28,473,101
Structures	1,251,352	1,192,479
Accumulated depreciation	(1,090,169)	(1,077,015)
Structures, net	161,182	115,464
Machinery and equipment	121,699	121,699
Accumulated depreciation	(108,838)	(96,882)
Machinery and equipment, net	12,861	24,817
Tools, furniture and fixtures	154,133	149,991
Accumulated depreciation	(99,814)	(90,912)
Tools, furniture and fixtures, net	54,318	59,079
Land	116,357,460	109,678,147
Buildings in trust	57,353,140	54,779,296
Accumulated depreciation	(25,480,718)	(24,558,549)
Buildings in trust, net	31,872,421	30,220,747
Structures in trust	831,157	749,508
Accumulated depreciation	(605,493)	(584,972)
Structures in trust, net	225,663	164,536
Machinery and equipment in trust	772,908	772,908
Accumulated depreciation	(708,824)	(703,315)
Machinery and equipment in trust, net	64,084	69,593
Tools, furniture and fixtures in trust	136,869	134,852
Accumulated depreciation	(96,831)	(89,086)
Tools, furniture and fixtures in trust, net	40,037	45,765
Land in trust	135,912,357	132,921,819
Total property, plant and equipment	316,034,459	301,773,073
Intangible assets		
Leasehold interests in land	1,658,315	1,658,315
Other	2,838	3,042
Total intangible assets	1,661,153	1,661,357
Investments and other assets		
Long-term prepaid expenses	52,967	462
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	20,980	20,980
Deferred tax assets	10	16
Other	18	18
Total investments and other assets	83,975	31,476
Total non-current assets	317,779,589	303,465,908

Deferred assets		
Investment corporation bonds issuance costs	64,947	69,108
Total deferred assets	<u>64,947</u>	<u>69,108</u>
Total assets	<u>¥336,333,447</u>	<u>¥327,026,950</u>

(Thousands of Yen)

	The 39th Period As of December 31, 2023	The 38th Period As of June 30, 2023
Liabilities		
Current liabilities		
Operating accounts payable	¥ 2,149,016	¥ 1,558,288
Current portion of long-term loans payable	14,900,000	12,400,000
Accounts payable – other	68,813	65,766
Accrued expenses	290,916	284,453
Income taxes payable	815	950
Accrued consumption taxes	170,744	448,637
Advances received	1,191,748	1,192,379
Deposits received	3,767	3,443
Other	33,000	33,000
Total current liabilities	18,808,822	15,986,918
Non-current liabilities		
Investment corporation bonds	13,500,000	13,500,000
Long-term loans payable	101,700,000	95,300,000
Tenant leasehold and security deposits	13,662,955	13,483,517
Tenant leasehold and security deposits in trust	14,269,666	14,057,598
Other	305	749
Total non-current liabilities	143,132,928	136,341,865
Total liabilities	161,941,750	152,328,783
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	177,475	41,407
Total voluntary retained earnings	177,475	41,407
Unappropriated retained earnings	5,703,857	6,146,394
Total surplus	5,881,332	6,187,802
Total unitholders' equity	174,391,696	174,698,166
Total net assets	174,391,696	174,698,166
Total liabilities and net assets	¥336,333,447	¥327,026,950

Statement of Income and Retained Earnings

	(Thousands of Yen)	
	For the 39th Period from July 1, 2023 to December 31, 2023	For the 38th Period from January 1, 2023 to June 30, 2023
Operating revenue		
Rent revenue – real estate	¥11,005,397	¥11,188,728
Rent revenue – other	27,321	205,428
Gain on sales of real estate properties	-	136,718
Total operating revenue	11,032,718	11,530,874
Operating expenses		
Expenses related to rent business	4,280,896	4,371,566
Asset management fee	582,052	586,742
Asset custody fee	16,351	16,486
Administrative service fees	25,171	24,768
Directors' compensations	8,400	8,400
Other operating expenses	109,257	106,372
Total operating expenses	5,022,129	5,114,336
Operating income	6,010,588	6,416,537
Non-operating income		
Interest income	19	30
Reversal of distribution payable	1,450	629
Insurance income	227	26,385
Other	-	200
Total non-operating income	1,698	27,244
Non-operating expenses		
Interest expenses	246,843	220,378
Interest expenses on investment corporation bonds	41,256	40,583
Amortization of investment corporation bond issuance costs	4,161	4,161
Other	15,701	31,517
Total non-operating expenses	307,962	296,640
Ordinary income	5,704,324	6,147,141
Income before income taxes	5,704,324	6,147,141
Income taxes – current	817	954
Income taxes – deferred	6	(2)
Total income taxes	824	952
Net income	5,703,499	6,146,189
Retained earnings brought forward	358	205
Unappropriated retained earnings	¥ 5,703,857	¥6,146,394

Statement of Cash Flows

(Thousands of Yen)

	For the 39th Period from July 1, 2023 to December 31, 2023	For the 38th Period from January 1, 2023 to June 30, 2023
Cash flows from operating activities		
Income before income taxes	¥ 5,704,324	¥ 6,147,141
Depreciation and amortization	1,902,798	1,895,019
Amortization of investment corporation bond issuance costs	4,161	4,161
Interest income	(19)	(30)
Interest expenses	288,099	260,961
Decrease (increase) in operating accounts receivable	(17,268)	12,776
Decrease (increase) in accounts receivable - other	118,148	(118,148)
Decrease (increase) in prepaid expenses	(85,663)	23,199
Increase (decrease) in operating accounts payable	(183,186)	187,658
Increase (decrease) in accrued expenses	(5,003)	952
Increase (decrease) in accrued consumption taxes	(277,892)	135,169
Decrease (increase) in consumption taxes receivable	(702,584)	-
Increase (decrease) in advances received	(1,105)	(46,242)
Decrease in property, plant and equipment in trust due to sale	-	6,478,786
Other, net	(36,919)	13,110
Subtotal	6,707,888	14,994,517
Interest income received	19	30
Interest expenses paid	(287,561)	(260,428)
Income taxes paid	(953)	(901)
Net cash provided by (used in) operating activities	6,419,393	14,733,217
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,767,058)	(152,983)
Purchase of property, plant and equipment in trust	(5,577,630)	(287,267)
Purchase of intangible assets	(497)	-
Repayments of tenant leasehold and security deposits	(446,336)	(446,336)
Proceeds from tenant leasehold and security deposits	633,274	-
Repayments of tenant leasehold and security deposits in trust	(400)	(966,222)
Proceeds from tenant leasehold and security deposits in trust	208,505	173,950
Payments for restricted bank deposits in trust	(5,560)	(10,365)
Proceeds from reversal of restricted bank deposits in trust	400	281,097
Net cash provided by (used in) investing activities	(14,955,302)	(1,408,126)
Cash flows from financing activities		
Proceeds from long-term loans payable	14,400,000	4,000,000
Repayment of long-term loans payable	(5,500,000)	(6,000,000)
Distributions of earnings paid	(6,011,099)	(6,014,221)
Net cash provided by (used in) financing activities	2,888,900	(8,014,221)
Net increase (decrease) in cash and cash equivalents	(5,647,008)	5,310,869
Cash and cash equivalents at beginning of period	22,852,566	17,541,696
Cash and cash equivalents at end of period (Note)	¥17,205,558	¥22,852,566

Note: There are restricted cash ¥406 million (38th) and ¥411 million (39th) for repayments of lease and guarantee deposits received.