

**19th Fiscal Period**  
**Report on Performance and**  
**Management Status** (Semiannual Report)  
September 1, 2013 to February 28, 2014



**Fukuoka REIT**  
**Corporation**

8968

**Fukuoka REIT Corporation**  
1-2-25 Sumiyoshi, Hakata Ward, Fukuoka City  
<http://www.fukuoka-reit.jp/eng/>

# I. Overview of Fukuoka REIT Corporation

## To Our Unitholders

We would like to express our sincere appreciation to all unitholders for their continued support of Fukuoka REIT Corporation (FRC).

I am Etsuo Matsuyuki, appointed as CEO & Representative Director of Fukuoka REIT Corporation (FRC) at its Sixth General Meeting of Unitholders.

I would like to express my sincere appreciation for your continued support as we pursue our mission of maximizing investor interests based on FRC's management philosophy of "Act Local, Think Global."

FRC started as Japan's first REIT specializing in regional properties. Its mission is to raise capital for the Fukuoka and Kyushu areas from Japanese and overseas prime investors by incorporating high quality properties into its portfolio, and thus contribute to the vitalization and enhancement of the attractiveness of the urban landscape of the areas. Since our listing in June 2005, we have exhibited steady growth and achieved stable performance through the support of our unitholders and sponsor companies.

This year marks the tenth anniversary since listing of FRC. Limiting its investments to Fukuoka and Kyushu areas geographically, FRC acts as a REIT with an integrated portfolio of properties, owning and managing 24 properties that include large-scale facilities, class A office buildings in downtown Fukuoka, residential properties and a hotel. Furthermore, high occupancy rates have been maintained at all 24 of FRC's owned properties.

FRC's assets under management, which totaled 73.5 billion yen upon listing in 2005, have expanded to 164.7 billion yen (based on acquisition price), more than double the initial size. Moreover, on March 28 this year, a logistics facility (located in Tosu, Saga Prefecture) was acquired for the first time in its portfolio for 1,250 million yen. FRC will hereafter continue to work on the diversification of its owned properties in terms of investment types.

With regard to financial operations, FRC issued investment corporation bonds, the first in its history, at the end of December 2013 totaling 2 billion yen with the redemption period of ten years. We will also work to reduce risks of rising interest rates and financing risks by pursuing diversification in financing methods.

In addition, FRC implemented a 5-for-1 split of its investment units in March aiming to expand its investor base and enhance the liquidity of the investment units in light of the introduction of the Japanese version of the Individual Saving Account (NISA) this year.

Going forward, FRC will continue to exert its strengths as a REIT specializing in regional properties and quickly respond to market changes, while receiving support and cooperation from powerful sponsors who are leaders in the Kyushu business world. As we do so, we will strive to achieve stable growth of our portfolio in the medium to long term and secure stable earnings through steady asset management.

We greatly appreciate your continued support and cooperation.



**Etsuo Matsuyuki**  
CEO & Representative Director  
Fukuoka REIT Corporation

### [Notice] A 5-for-1 Split of Investment Units Implemented

FRC implemented a 5-for-1 split of its investment units held by its unitholders stated or recorded on the final unitholder registry as of February 28, 2014, with March 1, 2014 as the effective date.

The split is intended to establish an environment where investors can invest with more ease as well as to further widen FRC's investors base and increase the liquidity of FRC's investment units by decreasing the per unit price of the investment units in light of the introduction of the Japanese version of the Individual Saving Account (NISA) on January 1, 2014.

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## Financial Summary

### Financial Highlights for 19th Fiscal Period (ended February 2014)

Dividend per unit came to 16,219 yen, surpassing the forecast by 19 yen.

Category	(unit)	15th fiscal period (September 1, 2011 to February 29, 2012)	16th fiscal period (March 1, 2012 to August 31, 2012)	17th fiscal period (September 1, 2012 to February 28, 2013)	18th fiscal period (March 1, 2013 to August 31, 2013)	19th fiscal period (September 1, 2013 to February 28, 2014)
Operating revenues	mm yen	6,931	7,094	7,200	7,565	7,574
Leasing NOI (Note 1)	mm yen	4,351	4,372	4,444	4,751	4,732
Depreciation and amortization expenses	mm yen	1,177	1,242	1,268	1,343	1,354
Operating income	mm yen	2,637	2,595	2,622	2,848	2,801
Ordinary income	mm yen	2,046	2,005	2,005	2,272	2,239
Net income	mm yen	2,045	1,992	2,004	2,271	2,238
Dividend per unit	yen	16,621	16,193	16,289	16,458	16,219
Total number of investment units outstanding (at end of period) (Note 2)	units	123,050	123,050	123,050	138,000	138,000
Total assets (at end of period)	mm yen	155,792	159,601	160,574	167,857	167,492
Total net assets (at end of period)	mm yen	71,222	71,170	71,182	81,712	81,679
Days in fiscal period	days	182	184	181	184	181
Number of investment properties at end of period	properties	17	19	20	23	23
Number of tenants (at end of period) (Note 3)		515	701	751	886	868
Total leasable floor space (at end of period)	m <sup>2</sup>	425,773.30	445,001.37	448,867.34	466,824.38	466,087.01
Occupancy rate (at end of period) (Note 4)	%	98.1	97.0	99.3	98.8	98.1

(Note 1) "Leasing NOI" is calculated using "Leasing business revenues - Expenses related to leasing business + Depreciation and amortization expenses".

(Note 2) Concerning the number of investment units, FRC implemented a 5-for-1 split of its investment units with March 1, 2014 as the effective date.

(Note 3) "Number of tenants" is based on the total number of sections stipulated in the tenancy agreements for properties owned. For the number of tenants in pass-through master leasing properties, the total number of sections stipulated in the tenancy agreements with end tenants is shown.

(Note 4) "Occupancy rate" refers to the percentage of total leased floor space at end of period to total leasable floor space at end of period.

### Business Forecasts for 20th and 21st Fiscal Periods

Category	(unit)	19th fiscal period (September 1, 2013 to February 28, 2014) Results	20th fiscal period (March 1, 2014 to August 31, 2014) Forecast	21st fiscal period (September 1, 2014 to February 28, 2015) Forecast
Operating revenues	mm yen	7,574	7,701	7,739
Leasing NOI (Note 1)	mm yen	4,732	4,775	4,771
Depreciation and amortization expenses	mm yen	1,354	1,391	1,405
Operating income	mm yen	2,801	2,792	2,781
Ordinary income	mm yen	2,239	2,222	2,236
Net income	mm yen	2,238	2,221	2,235
Dividend per unit	yen (1)	16,219	-	-
Latest dividend forecast per unit	yen (2)	16,200	3,220	3,240
Difference from forecast	yen (1)-(2)	+19	-	-
Total number of investment units outstanding (at end of period) (Note 2)	units	138,000	690,000	690,000

(Note 1) "Leasing NOI" is calculated using "Leasing business revenues - Expenses related to leasing business + Depreciation and amortization expenses".

(Note 2) Concerning the total number of investment units, FRC implemented a 5-for-1 split of its investment units with March 1, 2014 as the effective date.

## Profile

### Status of the Investment Corporation

FRC is Japan's first REIT specializing in regional properties. FRC manages a portfolio centering on retail facilities featuring excellent design and entertainment qualities and Class A office buildings throughout all of Kyushu, with a central focus on Fukuoka, and in Yamaguchi Prefecture and Okinawa Prefecture utilizing our strength of knowing the local characteristics of real estate, which is a very regional-specific business.

### Overview of the Investment Corporation

Name: Fukuoka REIT Corporation  
 Representative: Etsuo Matsuyuki, CEO & Representative Director  
 Asset manager: Fukuoka Realty Co., Ltd. (Fukuoka Local Finance Branch Bureau (financial instruments) No. 10)  
 Listed date: June 21, 2005 (Tokyo Stock Exchange, and Fukuoka Stock Exchange)

### Sponsors



(Note 1) Concluded MOU with Fukuoka REIT Corporation and Fukuoka Realty Co., Ltd. concerning pipeline support.

### Financial Highlights

Total assets	167.4 bn yen (as of February 28, 2014)	Credit ratings	S&P	A-	(Stable)
Total debt	71.0 bn yen (as of February 28, 2014)		R&I	A+	(Stable)
LTV (Total debt / Total assets)	42.4% (as of February 28, 2014)		JCR	AA-	(Stable)

### Investment Unit Price

Investment unit price (Note 2)	171,400 yen	(as of February 28, 2014)
Total number of investment units outstanding	138,000 units	(as of February 28, 2014)
Market capitalization	118.2 bn yen	(Unit price × Units outstanding × 5) (as of February 28, 2014)
Net assets per unit (Note 3)	118,376 yen	(as of February 28, 2014)
Market net assets per unit (Note 4)	131,618 yen	(as of February 28, 2014)

(Note 2) FRC implemented a 5-for-1 split of its investment units with March 1, 2014 as the effective date. Accordingly, the investment units are traded at the price after the 5-for-1 split, starting on February 26, 2014.

(Note 3) Net assets per unit = Net assets / Total number of investment units outstanding × 5

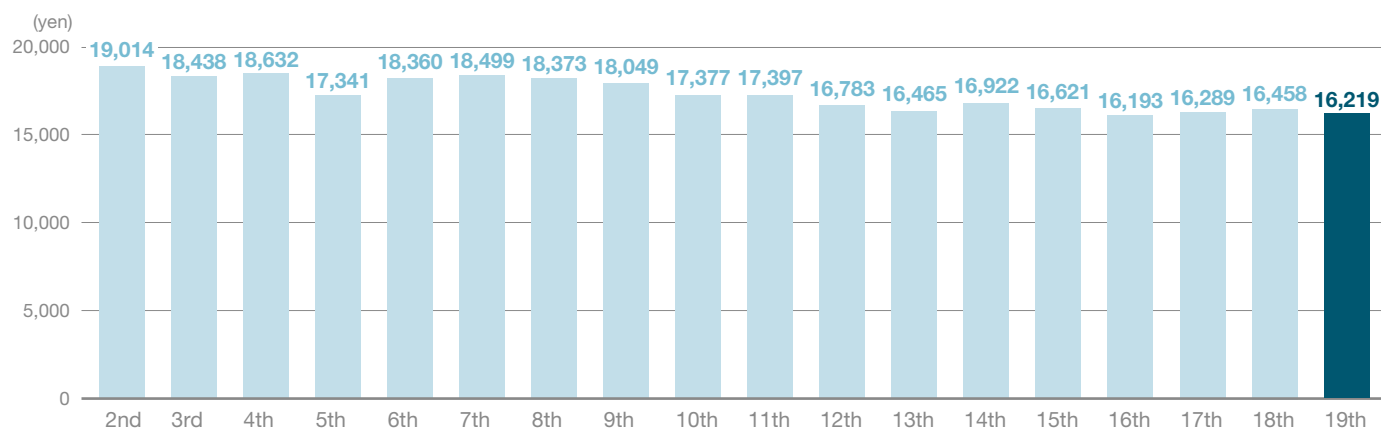
(Note 4) Market net assets per unit = ((Total appraisal value at end of period based on appraisal reports of real estate held at end of period – Total value on balance sheets of real estate held at end of period (excluding construction in progress in trust)) + (Net assets at end of period)) / Total number of investment units outstanding × 5

## Profile

### Dividend Performance

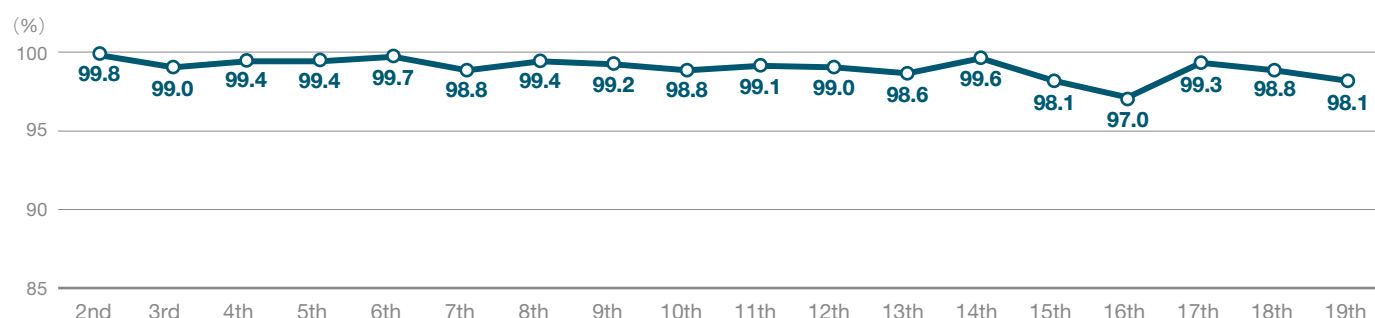
19th fiscal period end	February 28, 2014 (semiannual periods ending every February and August)	19th fiscal period days	181 days
19th fiscal period dividend	16,219 yen per unit	Dividend yield	3.8% $\{(Dividend / Days \times 365) / Unit\ price\ (as\ of\ February\ 28,\ 2014) / 5\}$

(Note) Unit price is as of February 28, 2014.



### Portfolio Property Occupancy Rate (at end of period)

FRC has maintained a portfolio property occupancy rate of 97% or higher since listing.



(Note) "Occupancy rate" refers to the percentage of total leased floor space at end of period to total leasable floor space at end of period.

### Overview of the Asset Manager

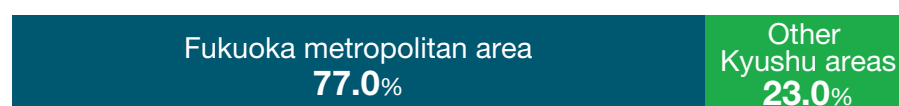
Name:	Fukuoka Realty Co., Ltd.
Representative:	Etsuo Matsuyuki CEO & Representative Director
Address:	1-2-25 Sumiyoshi, Hakata Ward, Fukuoka City
TEL:	+81-92-272-3900
Established:	December 26, 2003
Capital:	200,000,000 yen

### Portfolio (Note)

#### Investment type (based on acquisition price)



#### Investment area (based on acquisition price)



#### Total leasable floor space

466,087.01m<sup>2</sup>

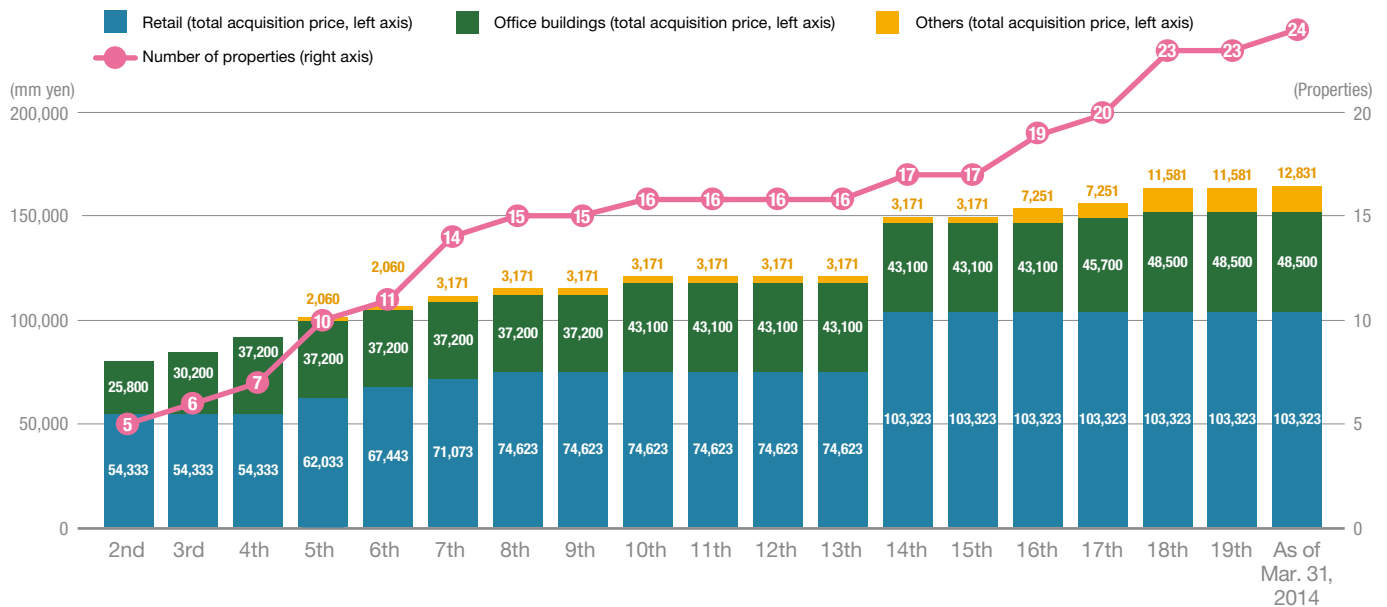
#### Occupancy rate at end of period

98.1%

(Note) Figures are based on properties owned as of February 28, 2014.

## Increase in the Size of Assets under Management

Assets have grown to more than double the size upon listing, and property types have become increasingly diversified.



(Note) Kominedai Community Mall, acquired in the 3rd fiscal period and sold in the 6th fiscal period, was omitted from the acquired assets presented above.

## Acquisition of Tosu Logistics Center

Let me explain the background of the acquisition of the first logistics property for FRC.

As FRC specializes in Fukuoka and Kyushu areas as its investment target areas, we are always investigating the possibility of expanding the types of investment properties, and have conducted research and surveys for logistics facilities as well. The acquisition of Tosu Logistics Center shows that such endeavors have finally borne results.

FRC invests primarily in retail facilities and Class A office buildings in the Fukuoka and Kyushu areas. For other properties, however, it is our policy to acquire them as part of the portfolio, as the latest acquisition shows, by taking advantage of our strengths of community-oriented operations as long as they allow us to secure stable earnings over the medium to long term. By doing so, we believe that we can improve risk diversification within the target areas.



**Etsuo Matsuyuki**  
CEO & Representative Director  
Fukuoka Realty Co., Ltd.



### Property Overview

Property name	Tosu Logistics Center
Location	Himekatamachi, Tosu City, Saga prefecture
Total leasable floor space	4,173.29m <sup>2</sup>
Acquisition price	1,250 mm yen
Appraisal value	1,250 mm yen
Acquisition cap at acquisition	5.9%
Acquisition date	March 28, 2014
Property manager company	Fukuoka Jisho

# II. Semiannual Report

## Overview of Asset Management

### 1. Changes in operating results and financial position

Fiscal Period		15th (September 1, 2011 to February 29, 2012)	16th (March 1, 2012 to August 31, 2012)	17th (September 1, 2012 to February 28, 2013)	18th (March 1, 2013 to August 31, 2013)	19th (September 1, 2013 to February 28, 2014)
Operating revenues	mm yen	6,931	7,094	7,200	7,565	7,574
[Leasing business revenues]	mm yen	[6,931]	[7,094]	[7,200]	[7,565]	[7,574]
Operating expenses	mm yen	4,294	4,498	4,578	4,716	4,773
[Expenses related to leasing business]	mm yen	[3,757]	[3,964]	[4,025]	[4,157]	[4,197]
Operating income	mm yen	2,637	2,595	2,622	2,848	2,801
Ordinary income	mm yen	2,046	2,005	2,005	2,272	2,239
Net income	(a) mm yen	2,045	1,992	2,004	2,271	2,238
Total assets	(b) mm yen	155,792	159,601	160,574	167,857	167,492
[Change from previous period]	%	[0.1]	[2.4]	[0.6]	[4.5]	[(0.2)]
Net assets	(c) mm yen	71,222	71,170	71,182	81,712	81,679
[Change from previous period]	%	[(0.1)]	[(0.1)]	[0.0]	[14.8]	[(0.0)]
Unitholders' equity	mm yen	69,177	69,177	69,177	79,441	79,441
Total number of investment units outstanding	(d) units	123,050	123,050	123,050	138,000	138,000
Net assets per unit	(Note 3) (c)/(d) yen	578,812	578,384	578,480	118,423	118,376
Total dividend	(e) mm yen	2,045	1,992	2,004	2,271	2,238
Dividend per unit	(e)/(d) yen	16,621	16,193	16,289	16,458	16,219
[Earnings dividend per unit]	yen	[16,621]	[16,193]	[16,289]	[16,458]	[16,219]
[Dividend in excess of earnings per unit]	yen	[-]	[-]	[-]	[-]	[-]
Ratio of ordinary income to total assets	(Note 4) %	1.3 [2.6]	1.3 [2.5]	1.3 [2.5]	1.4 [2.7]	1.3 [2.7]
Return on net assets	(Note 4) %	2.9 [5.8]	2.8 [5.6]	2.8 [5.7]	3.0 [5.9]	2.7 [5.5]
Ratio of net assets to total assets	(c)/(b) %	45.7	44.6	44.3	48.7	48.8
[Change from previous period]	%	[(0.1)]	[(1.1)]	[(0.3)]	[4.4]	[0.1]
Payout ratio	(e)/(a) %	100.0	100.0	100.0	100.0	100.0
<b>[Other reference information]</b>						
Number of investment properties at end of period	properties	17	19	20	23	23
Total leasable floor space at end of period	m <sup>2</sup>	425,773.30	445,001.37	448,867.34	466,824.38	466,087.01
Occupancy rate at end of period	%	98.1	97.0	99.3	98.8	98.1
Depreciation and amortization expenses	mm yen	1,177	1,242	1,268	1,343	1,354
Capital expenditures	mm yen	1,031	1,285	431	612	848
Leasing NOI	(Note 4) mm yen	4,351	4,372	4,444	4,751	4,732
Days in fiscal period	days	182	184	181	184	181

(Note 1) Consumption tax is not included in operating revenues, etc.

(Note 2) In the above table, monetary amounts are rounded down to the nearest specified unit and percentage figures are rounded off to one decimal place.

(Note 3) FRC implemented a 5-for-1 split of its investment units with March 1, 2014 as the effective date. Accordingly, net assets per unit have been calculated based on the assumption that the split of investment units was conducted at the beginning of the 18th fiscal period.

(Note 4) The indicators are calculated by using the following methods. Furthermore, the figures in square brackets represent annualized value based on the number of days in each fiscal period.

Ratio of ordinary income to total assets	Ordinary income / average total assets Average total assets = (Total assets at beginning of period + total assets at end of period) / 2
Return on net assets	Net income/average net assets Average net assets = (Net assets at beginning of period + net assets at end of period) / 2
Leasing NOI	Leasing business revenues — expenses related to leasing business + depreciation and amortization expenses

# Overview of Asset Management

## 2. Management situation

### (1) Brief history of the investment corporation

Fukuoka REIT Corporation (hereinafter “FRC”) was established on July 2, 2004 based on the “Act on Investment Trusts and Investment Corporations” (Act No. 198 in 1951 including later revisions, hereinafter the “Investment Trusts Act”) and listed on the Tokyo Stock Exchange Group Inc. and the Fukuoka Stock Exchange on June 21, 2005 as the nation’s first real estate investment trust specializing in regional properties (code number: 8968). FRC invests in real estate throughout Kyushu (including Okinawa Prefecture), with a central focus on Fukuoka City, and Yamaguchi Prefecture (hereinafter the “Fukuoka/Kyushu area”) by turning regional characteristics in the real estate industry into strength.

FRC started asset management activities on November 9, 2004 after acquisition of four properties including Retail in Canal City Hakata (excluding some areas of specialty shops, hotels, theaters, offices and common space), a commercial complex where specialty shops, cinema complex, theaters, amusement facilities, hotels and offices are integrally developed (hereinafter “Canal City Hakata”). As of the end of the 19th fiscal period (February 28, 2014), FRC manages a total of 23 properties comprising 10 Retail, 7 Office buildings and 6 Others.

### (2) Investment environment and portfolio performance

During the 19th fiscal period, the Japanese economy remained on course for a modest recovery, with capital investment picking up along with an increase in public investment and housing investment, given an improvement in corporate earnings as well as the employment and income environment. Looking ahead, the recovery trend of the economy is expected to continue, as household income and investment will increase bolstered by various political measures proving effective. The Fukuoka and Kyushu area, the core investment target area for FRC, is also recovering gradually as a whole, with consumer spending, capital investment and employment picking up while housing investment and public investment showing increasing trends.

As for the land price trend, a decrease in the national average was still underway but the rate of decrease continued to shrink over the past year from January 2013 according to the 2014 Land Price Survey. The three major urban areas of Tokyo, Osaka and Nagoya saw the average price take an upward turn both for residential land and commercial land. In Fukuoka City, the central area of FRC’s investment targets, the land prices continued rising for two consecutive years, recording a year-on-year increase of 2.9% for commercial land and 1.8% for residential land. With demand increasing primarily in the urban areas, real estate transactions have been activated in Fukuoka City.

Under such circumstances, FRC continued its efforts to reinforce its competitive advantages and ability to attract shoppers to Canal City Hakata and other major retail facilities, and focused on maintaining and increasing the occupancy rate of its owned properties. As a result of these endeavors, the average occupancy rate of all properties FRC owns was 98.1% at the end of the 19th fiscal period.

When analyzing FRC’s portfolio (on an acquisition price basis) by investment target area, the investment ratio in the Fukuoka urban area accounted for 77.0%; when analyzing by property type, Retail, Office buildings, and Others accounted for 63.2%, 29.7% and 7.1%, respectively.

### (3) Summary of fundraising

In the 19th fiscal period, FRC refinanced 2,000 mm yen in long-term debt that matured in December 2013 by issuing the First Series of Unsecured Bonds (with the redemption period of ten years), which marked the first issuance of investment corporation bonds for FRC and represented the longest procurement period. As a result, the balance of interest-bearing debt (including the investment corporation bonds) at the end of the 19th fiscal period totaled 71,025 mm yen, with the loan-to-value ratio (ratio of interest-bearing debt (including the investment corporation bonds) to total assets) at 42.4%. With regard to the commitment lines FRC has established as a backup of fund procurement, a commitment line expired in February 2014 and FRC renewed and expanded it with credit limit of 7,000 mm yen (an increase of 1,000 mm yen) and commitment period of two years. Going forward, FRC will continue its efforts to reduce refinancing risks by dispersing the debt maturities and increasing the duration, and to mitigate risks of rising interest rates by shifting to fixed-interest rate borrowings and through other measures.

Moreover, the credit ratings assigned to FRC as of the end of the 19th fiscal period are as follows.



## Overview of Asset Management

Credit Rating Agency	Rating Type	Rating	Rating Outlook
Standard & Poor's Ratings Japan K.K. (S&P)	Long-term Corporate Credit Rating	A-	Stable
	Short-term Corporate Credit Rating	A-2	
Rating and Investment Information, Inc. (R&I)	Issuer Rating	A+	Stable
Japan Credit Rating Agency, Ltd. (JCR)	Long-term Senior Debts Rating	AA-	Stable

### (4) Summary of performance and dividend

As a result of these management efforts, operating revenues totaled 7,574 mm yen and operating income after excluding operating expenses such as expenses related to leasing business and asset management fees totaled 2,801 mm yen. Ordinary income was 2,239 mm yen and net income was 2,238 mm yen.

Management declared a dividend of 16,219 yen per investment unit to meet the requirements of special tax measures for an investment corporation (as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation [Act No. 26 in 1957 including later revisions, hereinafter the "Special Taxation Measures Act"]). Under this law, an investment corporation is allowed to deduct the maximum amount of dividends paid to investors from its taxable income.

## 3. Change in the number of investment units issued

Changes in unitholders' capital from the incorporation of FRC to the end of the 19th fiscal period are as follows.

Date	Item	Number of investment units issued (units)		Unitholders' capital (millions of yen)		Remarks
		Increase	Balance	Increase	Balance	
July 2, 2004	Established through private placement	250	250	125	125	(Note 1)
November 8, 2004	Additional issue of investment units through private offering	82,800	83,050	41,400	41,525	(Note 2)
June 20, 2005	Additional issue of new investment units through public offering	7,000	90,050	5,944	47,469	(Note 3)
July 21, 2005	Additional issue of new investment units through third-party allotment	2,000	92,050	1,698	49,167	(Note 4)
September 7, 2006	Additional issue of new investment units through public offering	15,000	107,050	11,096	60,264	(Note 5)
March 1, 2011	Additional issue of new investment units through public offering	16,000	123,050	8,913	69,177	(Note 6)
March 1, 2013	Additional issue of new investment units through public offering	14,950	138,000	10,263	79,441	(Note 7)

(Note 1) FRC was established with an issue of investment units at 500,000 yen per unit.

(Note 2) New investment units were issued through private offering at the issue price of 500,000 yen per unit for the purpose of procuring funds for acquiring new properties, etc.

(Note 3) New investment units were issued through public offering at the issue price of 880,000 yen per unit (purchase price of 849,200 yen) for the purpose of procuring funds for acquiring new properties, etc.

(Note 4) New investment units were issued through third-party allotment at the issue price of 849,200 yen per unit.

(Note 5) New investment units were issued through public offering at the issue price of 766,360 yen per unit (purchase price of 739,772 yen) for the purpose of procuring funds for acquiring new properties, etc.

(Note 6) New investment units were issued through public offering at the issue price of 576,083 yen per unit (purchase price of 557,078 yen) for the purpose of procuring funds for acquiring new properties, etc.

(Note 7) New investment units were issued through public offering at the issue price of 710,580 yen per unit (purchase price of 686,529 yen) for the purpose of procuring funds for acquiring new properties, etc.

### [Changes in market price of investment certificates]

The highest and lowest (closing price) market prices on the Real Estate Investment Trust Section of the Tokyo Stock Exchange, on which FRC's investment certificates are listed, in each fiscal period are as follows:

Fiscal period	15th (September 1, 2011 to February 29, 2012)	16th (March 1, 2012 to August 31, 2012)	17th (September 1, 2012 to February 28, 2013)	18th (March 1, 2013 to August 31, 2013)	19th (before ex rights) (September 1, 2013 to February 28, 2014)	19th (after ex rights) (Note 2) (September 1, 2013 to February 28, 2014)
Highest	542,000 yen	599,000 yen	769,000 yen	893,000 yen	868,000 yen	171,400 yen
Lowest	465,500 yen	525,000 yen	536,000 yen	704,000 yen	708,000 yen	171,000 yen

(Note 1) The highest and lowest prices of the investment unit price are based on the closing prices on the Real Estate Investment Trust Section of the Tokyo Stock Exchange.

(Note 2) In accordance with the 5-for-1 split of FRC's investment units with March 1, 2014 as the effective date, the investment units are traded at the price after ex rights, starting on February 26, 2014.

## 4. Results of dividends

With respect to the dividend for the 19th fiscal period, FRC determined to distribute the whole unappropriated surplus (except for the fraction amount, which is the dividend per unit of less than 1 yen) to be eligible for special tax measures for an investment corporation (as stipulated in Article 67-15 of the Special Taxation Measures Act) that allow FRC to deduct the maximum amount of earnings dividend from its taxable income. Accordingly, dividend per unit for the fiscal period was 16,219 yen.

# Overview of Asset Management

(thousands of yen)

Fiscal period	15th (September 1, 2011 to February 29, 2012)	16th (March 1, 2012 to August 31, 2012)	17th (September 1, 2012 to February 28, 2013)	18th (March 1, 2013 to August 31, 2013)	19th (September 1, 2013 to February 28, 2014)
Unappropriated surplus	2,045,264	1,992,637	2,004,391	2,271,226	2,238,288
Undistributed earnings	50	89	29	22	66
Total dividends [Dividend per unit]	2,045,214 [16,621 yen]	1,992,548 [16,193 yen]	2,004,361 [16,289 yen]	2,271,204 [16,458 yen]	2,238,222 [16,219 yen]
Earnings dividends [Earnings dividend per unit]	2,045,214 [16,621 yen]	1,992,548 [16,193 yen]	2,004,361 [16,289 yen]	2,271,204 [16,458 yen]	2,238,222 [16,219 yen]
Contribution refund [Contribution refund per unit]	— [—]	— [—]	— [—]	— [—]	— [—]

## 5. Future portfolio management policy and vital issues

FRC will further reinforce management and leasing capabilities by cooperating with property management companies including sponsor companies even in a weak consumer spending environment, and secure and maintain the stable operation of the properties by making the most use of their advantages.

FRC will make investments based on the basic policy stipulated in its Articles of Incorporation and its basic philosophy: focusing on “specialized areas in which FRC can demonstrate its competitive edge” that are in “high growth potential markets.” By geographic location, of Fukuoka and Kyushu areas, FRC will invest 60% to 90% of its assets in the Fukuoka urban area, since the Fukuoka urban area is expected to have a high population growth rate in the future. In addition to the Fukuoka urban area, management has decided to actively acquire properties in major cities, if there are regions or properties where FRC can generate investment through its knowledge of the local land. FRC will acquire high quality properties with adequate use of its advantages, such as information gathering ability in the areas, good knowledge of regional properties and close relations with the local business community and governments, so that investors can continue to invest in FRC with assurance.

Meanwhile, FRC will build stronger relationships with financial institutions to realize stable fundraising and try to maintain a solid financial structure.

## 6. Significant events that have occurred after the end of the 19th fiscal period

FRC implemented a 5-for-1 split of its investment units with February 28, 2014 and March 1, 2014 as the record date and the effective date, respectively.

### (1) Purpose of split

FRC implemented the split of investment units in order to establish an environment where investors can invest with ease as well as to further widen FRC’s investors base and increase the liquidity of FRC’s investment units by decreasing the per price of investment units in light of the introduction of the Japanese Individual Saving Account (NISA) on January 1, 2014.

### (2) Method of split

FRC implemented a 5-for-1 split of its investment units held by its unitholders stated or recorded on that date’s final unitholder registry, with February 28, 2014 as the record date.

### (3) Increase in the number of investment units through split, etc.

- 1) Number of FRC investment units outstanding before split: 138,000 units
- 2) Increase in number of investment units through split: 552,000 units
- 3) Number of FRC investment units outstanding after split: 690,000 units
- 4) Total number of investment units authorized after split: 10,000,000 units

# Overview of the Investment Corporation

## 1. Summary of unitholders' capital

Fiscal period	15th as of February 29, 2012	16th as of August 31, 2012	17th as of February 28, 2013	18th as of August 31, 2013	19th as of February 28, 2014
Total number of authorized investment units	2,000,000 units	2,000,000 units	2,000,000 units	2,000,000 units	2,000,000 units
Total number of investment units outstanding	123,050 units	123,050 units	123,050 units	138,000 units	138,000 units
Number of unitholders	8,685	8,290	7,495	8,470	7,156

## 2. Matters related to investment units

The following table sets forth the Top 10 unitholders of FRC as of February 28, 2014.

Name	Investment units held (units)	Percentage of total number of investment units outstanding (%) (Note)
Japan Trustee Service Bank, Ltd. (Investment trust account)	41,354	29.96
Fukuoka Jisho Co., Ltd.	13,955	10.11
Trust & Custody Service Bank, Ltd. (Securities investment trust account)	7,706	5.58
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	7,054	5.11
The Master Trust Bank of Japan, Ltd. (Trust account)	6,840	4.95
MetLife Alico Insurance Company K. K. GA Company JPY	3,409	2.47
NOMURA BANK (LUXEMBOURG) S.A.	3,229	2.33
Kazuhiko Enomoto	2,567	1.86
The Fuji Fire and Marine Insurance Co., Ltd.	2,046	1.48
Shikoku Railway Company	1,826	1.32
<b>Total</b>	<b>89,986</b>	<b>65.20</b>

(Note) Percentage of total number of investment units outstanding is rounded down to the nearest specified unit.

## 3. Matters related to directors

(1) The names of FRC's directors, etc. and their fees for the 19th fiscal period are as follows.

Title	Name of directors, etc.	Major concurrent assignments	Total fee for each title for the 19th fiscal period (thousands of yen) (Note 2)
CEO and Representative Director	Masayasu Saki	Chairman, Fukuoka Realty Co., Ltd.	6,000
Supervisory Directors	Takashi Shinohara	Representative Partner, Shinohara CPA Office	3,600
	Hiroyasu Shindo	Representative Council, Shindo Law Firm	
Independent Auditor	PricewaterhouseCoopers Aarata	—	11,300

(Note 1) The CEO and Representative Director and Supervisory Directors do not possess investment units of FRC under their own name or under another person's name. Although there are cases where the Supervisory Directors may be directors of companies other than those stated above, none of the companies or those stated above have vested interest in FRC.

(Note 2) The fees for the CEO and Representative Director and Supervisory Directors are the amounts paid to them in the 19th fiscal period, and the fee to the Independent Auditor is the amount payable to it (estimate) for audits pertaining to the 19th fiscal period.

(Note 3) The total fee payable to PricewaterhouseCoopers Aarata includes fees for its services other than those stipulated in Article 2-1 of the Certified Public Accountants Act.

(2) Policy on deciding to dismiss and not to reappoint the Independent Auditor

FRC will review at its Board of Directors meetings regarding the dismissal of the Independent Auditor in accordance with the provisions of the Investment Trusts Act, and review decisions not to reappoint the Independent Auditor following the comprehensive consideration of the audit quality, audit fee and other various conditions.

## Overview of the Investment Corporation

### 4. Names of asset management company, asset custodian and general administrators as of the end of the 19th fiscal period

The following table sets forth the asset management company, asset custodian and general administrators of FRC as of February 28, 2014.

Category of entrustment	Name
Asset Management Company	Fukuoka Realty Co., Ltd.
Asset Custodian	Mitsubishi UFJ Trust and Banking Corporation
General Administrator (accounting matters, etc.)	Mitsubishi UFJ Trust and Banking Corporation
General Administrator (administration of unitholders' list)	Sumitomo Mitsui Trust Bank, Limited
General Administrator (administration of investment corporation bonds registry)	Sumitomo Mitsui Banking Corporation

## Status of FRC's Assets under Management

### 1. FRC's asset structure

Type of asset	Use	Area (Note 1)	18th fiscal period as of August 31, 2013		19th fiscal period as of February 28, 2014	
			Total value of properties held (mm of yen) (Note 2)	Percentage of total assets (%) (Note 3)	Total value of properties held (mm of yen) (Note 2)	Percentage of total assets (%) (Note 3)
Real estate in trust	Retail	Fukuoka urban area	66,404	39.6	66,150	39.5
		Other Kyushu areas	35,732	21.3	35,603	21.3
	Office buildings	Fukuoka urban area	45,363	27.0	44,986	26.9
		Other Kyushu areas	–	–	–	–
	Others	Fukuoka urban area	9,812	5.8	9,748	5.8
		Other Kyushu areas	1,537	0.9	1,518	0.9
Deposits and other assets			9,006	5.4	9,484	5.7
Total amount of assets (Note 4)			167,857 [159,043]	100.0 [94.7]	167,492 [158,491]	100.0 [94.6]

(Note 1) "Fukuoka urban area" refers to cities, towns and villages where 10% or more of the population commute to Fukuoka City for school and work, according to the 2010 census, which states "the number of workers and students aged 15 years or older (students including those aged 14 years or younger: particular reference) commuting between their homes and places of work or school" conducted by Fukuoka City and the Statistics Bureau of the Ministry of Internal Affairs and Communications.

"Other Kyushu area" refers to the Fukuoka and Kyushu area excluding the Fukuoka urban area.

(Note 2) "Total value of properties held" is based on the value on the balance sheet (the value of real estate in trust is the book value after depreciation).

(Note 3) Concerning the "Percentage of total assets," the numbers are rounded off to one decimal place. The total of individual percentages in the above table may not equal 100%.

(Note 4) Figures in square brackets for "Total amount of assets" refer to the value and percentage of real estate held in effect to the total amount of assets.

## Status of FRC's Assets under Management

### 2. Major assets owned by FRC

The following is an overview of the major assets owned by FRC as of February 28, 2014.

Real estate property name (Note 1)	Book value (mm of yen)	Total leasable floor space (m <sup>2</sup> )	Total leased floor space (m <sup>2</sup> )	Occupancy rate (%)(Note 2)	Percentage of total leasing business revenue (%)(Note 3)	Main use
Canal City Hakata	31,182	46,483.44	46,457.85	99.9	15.4	Retail
Canal City Hakata・B	28,549	68,813.13	67,791.66	98.5	21.2	Retail
Park Place Oita	16,982	104,181.76	101,577.20	97.5	14.9	Retail
SunLive City Kokura	6,101	61,450.22	61,450.22	100.0	3.7	Retail
Square Mall Kagoshima Usuki	4,802	14,602.59	14,602.59	100.0	3.3	Retail
Kumamoto Intercommunity SC	2,157	6,968.66	6,968.66	100.0	1.2	Retail
AEON Hara Shopping Center	5,360	27,313.53	27,313.53	100.0	2.8	Retail
Hanahata SC	1,057	2,801.15	2,801.15	100.0	0.5	Retail
Kurume Higashi Kushiwara SC	2,271	6,467.80	6,467.80	100.0	1.2	Retail
K's Denki Kagoshima	3,288	7,296.17	7,296.17	100.0	1.5	Retail
<b>Retail subtotal:</b>	<b>101,754</b>	<b>346,378.45</b>	<b>342,726.83</b>	<b>98.9</b>	<b>65.7</b>	
Canal City Business Center Building	13,765	23,022.21	22,158.16	96.2	8.1	Office building
Gofukumachi Business Center	9,754	19,906.33	17,940.47	90.1	6.5	Office building
Sanix Hakata Building	4,132	6,293.76	6,293.76	100.0	2.6	Office building
Taihaku Street Business Center	6,643	14,677.27	14,205.93	96.8	3.9	Office building
Higashi Hie Business Center	5,165	13,695.51	13,695.51	100.0	4.4	Office building
Tenjin Nishi-Dori Center Building	2,694	3,339.32	3,339.32	100.0	1.1	Office building
Tenjin North Front Building	2,830	5,233.98	5,233.98	100.0	1.7	Office building
<b>Office buildings subtotal:</b>	<b>44,986</b>	<b>86,168.38</b>	<b>82,867.13</b>	<b>96.2</b>	<b>28.4</b>	
Amex Akasakamon Tower	1,862	4,821.25	4,537.04	94.1	0.8	Others
City House Keyaki Dori	1,020	2,710.86	2,427.59	89.6	0.5	Others
Aqualia Kego	2,752	7,415.36	6,741.60	90.9	1.5	Others
Aqualia Chihaya	1,258	5,619.69	5,440.42	96.8	0.7	Others
D-Wing Tower	2,854	7,187.58	6,903.75	96.1	1.5	Others
Hotel FORZA Oita	1,518	5,785.44	5,785.44	100.0	0.8	Others
<b>Others subtotal:</b>	<b>11,266</b>	<b>33,540.18</b>	<b>31,835.84</b>	<b>94.9</b>	<b>5.9</b>	
<b>Total</b>	<b>158,007</b>	<b>466,087.01</b>	<b>457,429.80</b>	<b>98.1</b>	<b>100.0</b>	

(Note 1) The properties listed above are owned in the form of trust beneficiary interest.

(Note 2) "Occupancy rate" refers to the percentage of total leased floor space to total leasable floor space and the numbers are rounded off to one decimal place.

(Note 3) "Percentage of total leasing business revenue" is rounded off to one decimal place. The percentage of total leasing business revenue of respective properties in the above table may not equal 100%.

# Status of FRC's Assets under Management

## 3. Details of real estate properties in the portfolio

The following table provides details of the real estate properties owned by FRC as of February 28, 2014.

Real estate property name	Location	Form of ownership	Total leasable floor space (m <sup>2</sup> )	Period-end appraisal value (mm of yen) (Note)	Book value at end of period (mm of yen)	Real estate appraiser
Canal City Hakata	2-22, 1-Chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	46,483.44	32,200	31,182	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata・B	2-1, 1-Chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	68,813.13	28,900	28,549	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	1, 2-Chome, Koen Dori Nishi, Oita City	Trust beneficiary interest	104,181.76	16,735	16,982	Japan Real Estate Institute
SunLive City Kokura	14-1, 2-Chome, Kami Kuzuhara, Kokura Minami Ward, Kitakyushu City, Fukuoka	Trust beneficiary interest	61,450.22	7,410	6,101	Japan Real Estate Institute
Square Mall Kagoshima Usuki	2-18, 2-Chome, Usuki Kagoshima City	Trust beneficiary interest	14,602.59	4,920	4,802	Japan Real Estate Institute
Kumamoto Intercommunity SC	1-5, 1-Chome, Kozono Higashi-Ward, Kumamoto City	Trust beneficiary interest	6,968.66	2,450	2,157	Japan Real Estate Institute
AEON Hara Shopping Center	27-52, 6-Chome, Sawara Ward, Fukuoka City	Trust beneficiary interest	27,313.53	4,490	5,360	Japan Real Estate Institute
Hanahata SC	9-12, 4-Chome Hanahata, Minami Ward, Fukuoka City	Trust beneficiary interest	2,801.15	1,120	1,057	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	370-3 Higashi Kushiwara, Kurume City, Fukuoka	Trust beneficiary interest	6,467.80	2,550	2,271	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	4-12, Tokai-cho, Kagoshima City	Trust beneficiary interest	7,296.17	3,410	3,288	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:			346,378.45	104,185	101,754	
Canal City Business Center Building	2-25, 1-Chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	23,022.21	14,600	13,765	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	10-10, Kami Gofukumachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	19,906.33	12,800	9,754	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	1-23, 2-Chome, Hakataeki Higashi, Hakata Ward, Fukuoka City	Trust beneficiary interest	6,293.76	4,720	4,132	Japan Real Estate Institute
Taihaku Street Business Center	3-21 Gokushomachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	14,677.27	6,770	6,643	Japan Real Estate Institute
Higashi Hie Business Center	3-1-2 Higashi Hie, Hakata-ku, Fukuoka City,	Trust beneficiary interest	13,695.51	6,140	5,165	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	5-28, 2-chome, Chuo-ku, Fukuoka City	Trust beneficiary interest	3,339.32	2,750	2,694	Japan Real Estate Institute
Tenjin North Front Building	4-20, 4-chome Chuo-ku Fukuoka City	Trust beneficiary interest	5,233.98	2,950	2,830	Japan Real Estate Institute
Office buildings subtotal:			86,168.38	50,730	44,986	
Amex Akasakamon Tower	4-23, 2-Chome Maizuru, Chuo Ward, Fukuoka City	Trust beneficiary interest	4,821.25	1,730	1,862	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	16-21, Kego 2-chome, Chuo Ward, Fukuoka City	Trust beneficiary interest	2,710.86	1,050	1,020	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Kego	13-17, 2-Chome Chuo Ward, Fukuoka City	Trust beneficiary interest	7,415.36	3,370	2,752	Japan Real Estate Institute
Aqualia Chihaya	3-12, 4-Chome, Higashi Ward, Fukuoka City	Trust beneficiary interest	5,619.69	1,460	1,258	Japan Real Estate Institute
D-Wing Tower	10-38, 2-Chome Daimyo Chuo Ward, Fukuoka City	Trust beneficiary interest	7,187.58	3,060	2,854	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	1-5-18, Chuo-cho, Oita City	Trust beneficiary interest	5,785.44	1,560	1,518	Japan Real Estate Institute
Others subtotal:			33,540.18	12,230	11,266	
Total			466,087.01	167,145	158,007	

(Note) "Period-end appraisal value" refers to the evaluation value based on appraisals by a real estate appraiser in conformity with the method and standards for asset evaluation stipulated in FRC's Articles of Incorporation and rules stipulated by the Investment Trusts Association, Japan.

# Status of FRC's Assets under Management

Real estate property name	18th fiscal period March 1, 2013 to August 31, 2013				19th fiscal period September 1, 2013 to February 28, 2014			
	Number of tenants at end of period (Note 1)	Occupancy rate at end of period (%) (Note 3)	Total leasing business revenue during period (mm of yen)	Percentage of total leasing business revenue (%) (Note 4)	Number of tenants at end of period (Note 1)	Occupancy rate at end of period (%) (Note 3)	Total leasing business revenue during period (mm of yen)	Percentage of total leasing business revenue (%) (Note 4)
Canal City Hakata	1 [48]	99.7	1,177	15.6	1 [48]	99.9	1,167	15.4
Canal City Hakata・B	1 [51]	99.6	1,601	21.2	1 [47]	98.5	1,602	21.2
Park Place Oita	1 [104]	97.9	1,114	14.7	1 [93]	97.5	1,128	14.9
SunLive City Kokura	1	100.0	274	3.6	1	100.0	282	3.7
Square Mall Kagoshima Usuki	12	100.0	254	3.4	12	100.0	253	3.3
Kumamoto Intercommunity SC	2	100.0	89	1.2	2	100.0	90	1.2
AEON Hara Shopping Center	1	100.0	212	2.8	1	100.0	212	2.8
Hanahata SC	2	100.0	40	0.5	2	100.0	40	0.5
Kurume Higashi Kushiwara SC	1	100.0	88	1.2	1	100.0	88	1.2
K's Denki Kagoshima	1	100.0	111	1.5	1	100.0	111	1.5
<b>Retail subtotal:</b>	23 <sup>[223]</sup> <sub>(Note 2)</sub>	99.3	4,965	65.6	23 <sup>[208]</sup> <sub>(Note 2)</sub>	98.9	4,976	65.7
Canal City Business Center Building	1 [60]	100.0	620	8.2	1 [58]	96.2	613	8.1
Gofukumachi Business Center	29	97.0	502	6.6	31	90.1	489	6.5
Sanix Hakata Building	18	95.8	197	2.6	19	100.0	197	2.6
Taihaku Street Business Center	1 [65]	97.6	295	3.9	1 [63]	96.8	298	3.9
Higashi Hie Business Center	1 [21]	99.3	335	4.4	1 [22]	100.0	334	4.4
Tenjin Nishi-Dori Center Building	1	100.0	86	1.1	1	100.0	86	1.1
Tenjin North Front Building	11	100.0	111	1.5	11	100.0	129	1.7
<b>Office buildings subtotal:</b>	62 <sup>[205]</sup> <sub>(Note 2)</sub>	98.5	2,148	28.4	65 <sup>[205]</sup> <sub>(Note 2)</sub>	96.2	2,150	28.4
Amex Akasakamon Tower	1 [62]	93.9	66	0.9	1 [63]	94.1	63	0.8
City House Keyaki Dori	1 [39]	92.2	36	0.5	1 [38]	89.6	37	0.5
Aqualia Kego	1 [122]	91.6	116	1.5	1 [119]	90.9	115	1.5
Aqualia Chihaya	1 [104]	98.9	57	0.8	1 [102]	96.8	56	0.7
D-Wing Tower	1 [130]	94.0	110	1.5	1 [132]	96.1	112	1.5
Hotel FORZA Oita	1	100.0	63	0.8	1	100.0	63	0.8
<b>Others subtotal:</b>	6 <sup>[458]</sup> <sub>(Note 2)</sub>	95.2	450	6.0	6 <sup>[455]</sup> <sub>(Note 2)</sub>	94.9	447	5.9
<b>Total</b>	91 <sup>[886]</sup> <sub>(Note 2)</sub>	98.8	7,565	100.0	91 <sup>[868]</sup> <sub>(Note 2)</sub>	98.1	7,574	100.0

(Note 1) "Number of tenants" is based on the total number of sections stipulated in the tenancy agreements for retail and office buildings among relevant properties. For the number of tenants in pass-through master leasing properties, the number of sections stipulated in the tenancy agreements with end tenants is shown in square brackets. The Taihaku Street Business Center is an office building with a residential tower. Its number of tenants comprises 12 office buildings and 51 residences in the 19th fiscal period (12 office buildings and 53 residences in the 18th fiscal period).

(Note 2) The subtotal and total of all the tenants in other than pass-through master leasing properties and the number of sections stipulated in the tenancy agreements with end tenants for pass-through master leasing properties is shown in square brackets in the totals column for "Number of tenants."

(Note 3) "Occupancy rate" refers to the percentage of total leased floor space to total leasable floor space and the numbers are rounded off to one decimal place.

(Note 4) "Percentage of total leasing business revenue" is rounded off to one decimal place, and the total of individual percentages in the above table may not equal 100%.

## Status of FRC's Assets under Management

### 4. Securities incorporated in the portfolio

No relevant items

### 5. List of specific transaction contract amount and status of fair value

The following table provides the contract amount of specific transaction by FRC and the status of its fair value as of February 28, 2014.

Category	Type	Contract amount, etc. (mm of yen)		Fair value (mm of yen) (Note 2)
		(Note 1)	Of which, exceeding 1 year	
Off-market transaction	Interest rate swap transaction (Payable fixed; Receivable floating)	18,300	8,000	(38)
Total		18,300	8,000	(38)

(Note 1) The contract amount, etc. of the interest rate swap transaction is based on the notional principal amount.

(Note 2) The fair value is calculated by the counterparty of the transaction contract based on the actual interest rate on the market and other factors.

### 6. Status of other assets

All real estate trust beneficiary interests owned by FRC and described in note 3. "Details of real estate properties in the portfolio" above. There is no incorporation of other specified assets as of the end of the 19th fiscal period.



# Capital Expenditures for Owned Real Estate

## 1. Planned capital expenditures

The following table provides major items of capital expenditures associated with currently planned renovations for real estate properties owned by FRC as of the date of this Semiannual Report. Furthermore, the planned construction costs indicated below include portions that are classified as expenses in accounting. In addition, FRC will implement renewal construction work in order to maintain and improve the competitiveness of properties in the market as well as tenant satisfaction, on top of the construction, facilities and replacement work for which expenditures will be made regularly.

Real estate property name	Location	Purpose	Schedule	Planned construction cost (mm of yen)		
				Total	Amount paid during the period	Amount already paid
Canal City Hakata	Hakata Ward, Fukuoka City	Common area repairs and improvements	From May 2014 to November 2014	68	–	–
Canal City Hakata - B	Hakata Ward, Fukuoka City	Common area repairs and improvements	From May 2014 to February 2015	216	–	–
		Renovation work	March 2014	21	–	–
Park Place Oita	Oita City	Common area repairs and improvements	From March 2014 to February 2015	115	–	–
		Floor expansion at Magnolia Court	From August 2013 to April 2014	984	291	483
		Environmental beautification	November 2014	27	–	–
Canal City Business Center Building	Hakata Ward, Fukuoka City	Common area repairs and improvements	From April 2014 to November 2014	49	–	–
		Renovation work	April 2014	14	–	–
Gofukumachi Business Center	Hakata Ward, Fukuoka City	Common area repairs and improvements	From September 2014 to February 2015	43	–	–
Taihaku Street Business Center	Hakata Ward, Fukuoka City	Common area repairs and improvements	February 2015	74	–	–

## 2. Capital expenditures during the 19th fiscal period

The following table provides the overview of major construction work that was completed in the 19th fiscal period out of the capital expenditures totaling 848 million yen. Furthermore, FRC conducted construction of 1,013 million yen in total in the 19th fiscal period, combined with the 157 million yen in repair and maintenance expenses that were classified as expenses in accounting and 7 million yen in expenses for restoration to former state.

Real estate property name	Location	Purpose	Period	Construction cost (mm of yen)
Canal City Hakata	Hakata Ward, Fukuoka City	Environmental beautification	November 2013	18
		Replacement of air-conditioning equipment	December 2013	29
Canal City Hakata - B	Hakata Ward, Fukuoka City	Environmental beautification	November 2013	37
		Common area repairs and improvements	February 2014	61
Park Place Oita	Oita City	Common area repairs and improvements	From September 2013 to February 2014	83
		Renovation work	From October 2013 to February 2014	125
SunLive City Kokura	Kokura Minami Ward, Kitakyushu City	Common area repairs and improvements	January 2014	38
Taihaku Street Business Center	Hakata Ward, Fukuoka City	Common area repairs and improvements	September 2013	17
Aqualia Kego	Chuo Ward, Fukuoka City	Renovation work	September 2013	13

## Capital Expenditures for Owned Real Estate

### 3. Reserves for long-term repair and maintenance plans

FRC has deposited the following amounts from the cash flows generated during the 19th fiscal period in order to fund large-scale repair and maintenance work in the medium to long term future, based on long-term repairs and maintenance plans prepared for respective properties.

(mm of yen)

Fiscal period	15th fiscal period September 1, 2011 to February 29, 2012	16th fiscal period March 1, 2012 to August 31, 2012	17th fiscal period September 1, 2012 to February 28, 2013	18th fiscal period March 1, 2013 to August 31, 2013	19th fiscal period September 1, 2013 to February 28, 2014
Balance of deposits at beginning of period	769	1,116	838	350	700
Deposits during the period	347	351	350	350	–
Amounts used from deposits during the period	–	630	838	–	–
Deposits carried forward to the next period	1,116	838	350	700	700

## Expenses and Liabilities

### 1. Details of expenses related to asset management

(thousands of yen)

Item	18th fiscal period	19th fiscal period
(a) Asset management fees	445,912	446,921
(b) Asset custody fees	6,071	6,242
(c) Administrative service fees	47,022	48,863
(d) Directors' compensations	9,600	9,600
(e) Other operating expenses	50,627	64,188
<b>Total</b>	<b>559,233</b>	<b>575,817</b>

(Note) Aside from the amounts of the asset management fees shown above, a total of 31,825 thousand yen for the 18th fiscal period has been paid for asset management of D-Wing Tower, Hotel FORZA Oita and Tenjin North Front Building. The amount has been included in the acquisition cost of respective properties.

### 2. Status of debt

As of the end of the 19th fiscal period (February 28, 2014), FRC has the following debt from respective financial institutions.

Category	Lender	Drawdown date	Balance as of September 1, 2013	Balance as of February 28, 2014	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
			(mm of yen)	(mm of yen)					
Current maturities of long-term debt	Sumitomo Mitsui Banking Corporation	June 30, 2010	2,000	–	1.030	December 30, 2013	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	July 30, 2010	2,600	2,600	1.410	July 31, 2014	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Norinchukin Bank		4,000	4,000					
	The Hiroshima Bank		1,400	1,400					
	The Kitakyushu Bank		800	800					
	The Iyo Bank	500	500						
	The Bank of Saga	500	500						
	The Higo Bank	300	300						
	The Shinwa Bank	200	200						
	Development Bank of Japan	August 31, 2009	4,000	4,000	1.710	August 29, 2014	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Resona Bank	September 30, 2010	–	300	1.325	September 30, 2014	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	<b>Subtotal</b>			<b>16,300</b>	<b>14,600</b>				

# Expenses and Liabilities

Category	Lender	Drawdown date	Balance as of September 1, 2013 (mm of yen)	Balance as of February 28, 2014 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
Long-term debt	Development Bank of Japan	June 30, 2009	2,400	2,325	2.200	June 30, 2017	(Note 2)	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	August 31, 2009	4,000	4,000	1.950	August 31, 2015	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	August 31, 2009	4,000	4,000	2.170	August 31, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	June 30, 2010	1,200	1,200	1.127	June 30, 2015	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Resona Bank	September 30, 2010	300	–	1.325	September 30, 2014	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	December 30, 2010	1,500	1,500	0.677	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	March 1, 2011	2,000	2,000	0.675	February 29, 2016	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	March 1, 2011	2,000	2,000	0.774	February 29, 2016	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee
	Development Bank of Japan	March 1, 2011	2,000	2,000	0.825	February 29, 2016	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee
	The Bank of Fukuoka	July 29, 2011	2,000	2,000	1.305	July 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	July 29, 2011	2,000	2,000	1.305	July 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Dai-ichi Life Insurance Company	July 29, 2011	1,000	1,000	1.800	July 31, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Shinsei Bank	July 29, 2011	1,000	1,000	1.208	July 29, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	July 29, 2011	1,000	1,000	1.041	July 31, 2015	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	December 30, 2011	1,500	1,500	0.827	December 30, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Hiroshima Bank	December 30, 2011	500	500	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Oita Bank	December 30, 2011	500	500	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Eighteenth Bank	December 30, 2011	500	500	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Shinwa Bank	December 30, 2011	500	500	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Kitakyushu Bank	December 30, 2011	500	500	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Kagoshima Bank	January 31, 2012	100	100	1.168	January 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Resona Bank	January 31, 2012	400	400	1.218	January 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	January 31, 2012	500	500	1.338	January 31, 2019	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	February 29, 2012	500	500	1.117	February 29, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mitsubishi UFJ Trust and Banking Corporation	March 1, 2012	2,000	2,000	1.170	March 31, 2017	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	March 30, 2012	500	500	1.203	March 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
Resona Bank	March 30, 2012	600	600	1.253	March 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Higo Bank	March 30, 2012	300	300	1.203	March 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	

## Expenses and Liabilities

Category	Lender	Drawdown date	Balance as of September 1, 2013	Balance as of February 28, 2014	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
			(mm of yen)	(mm of yen)					
Long-term debt	The Bank of Fukuoka	June 29, 2012	1,000	1,000	0.858	June 30, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank		1,000	1,000					
	The Oita Bank		700	700					
	The Miyazaki Bank		700	700					
	The Shinwa Bank		600	600					
	The Iyo Bank		500	500					
	The Bank of Saga		500	500					
	The Eighteenth Bank		500	500					
	The Kitakyushu Bank		500	500					
	Sumitomo Mitsui Trust Bank	September 28, 2012	600	600	0.627	September 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Resona Bank	September 28, 2012	2,000	2,000	1.033	September 29, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	February 1, 2013	2,500	2,500	0.725	February 29, 2020	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	February 28, 2013	1,900	1,900	0.725	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	February 28, 2013	1,700	1,700	0.725	February 29, 2020	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	February 28, 2013	1,100	1,100	0.775	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mitsubishi UFJ Trust and Banking Corporation	February 28, 2013	1,500	1,500	0.575	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Aozora Bank	February 28, 2013	600	600	0.575	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mitsubishi UFJ Trust and Banking Corporation	March 29, 2013	600	600	0.577	March 30, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Aozora Bank	June 28, 2013	1,000	1,000	0.627	June 30, 2020	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Subtotal		54,800	54,425					
Total		71,100	69,025						

(Note 1) The average interest is a weighted-average figure during the fiscal period and is rounded to the third decimal place. Furthermore, the average interest of debt for which FRC conducted interest rate swap transactions is the weighted-average figure during the fiscal period taking into consideration the effect of interest rate swap.

(Note 2) The debt is subject to repayment of 75 million yen on the final day of every 6 months following the final day of December 2009 as the initial repayment date, with 1,875 million yen to be repaid on the final repayment date. Furthermore, as the 150 million yen scheduled for repayment within a year is included in Long-term debt for the convenience of comparison, the balances do not match the figures recorded in the balance sheets as Current maturities of long-term debt and Long term debt payable.

### 3. Status of investment corporation bonds

As of February 28, 2014, FRC has the following investment corporation bonds outstanding.

Issue	Issue date	Balance as of September 1, 2013 (mm of yen)	Decrease during the fiscal period (mm of yen)	Balance as of February 28, 2014 (mm of yen)	Coupon (%)	Maturity date	Maturity method	Use	Description
The first series of unsecured bonds	December 30, 2013	—	—	2,000	1.32	December 29, 2023	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)

(Note 1) The Bonds may be repurchased and cancelled by FRC at any time on and after the date following the payment date, unless otherwise determined by the book-entry transfer agent.

(Note 2) The bonds are subject to the limited pari passu clause among specified investment corporation bonds.

# Acquisitions and Sales during the 19th Fiscal Period

## 1. Acquisition and sale of real estate and asset-backed securities, etc.

No relevant items

## 2. Acquisition and sale of other assets

No relevant items

## 3. Survey on prices of specified assets, etc.

### (1) Real estate, etc.

No relevant items

### (2) Other

No relevant items

## 4. Transactions with interested parties and major unitholders

### (1) Transaction status

No relevant items

### (2) Amount of fees paid, etc.

FRC paid the following fees to the interested parties, etc. and major unitholders during the 19th fiscal period.

Category	Total paid fees (A) (thousand yen)	Breakdown of transactions with interested parties, etc. and major unitholders		(B)/(A) (%)
		Paid party	Paid amount (B) (thousand yen)	
Property leasing brokerage fees (Note 3)	21,463	Fukuoka Jisho Co., Ltd.	9,549	44.5
		Park Place Oita Co., Ltd.	3,725	17.4
Property management fees (Note 2)	276,505	Fukuoka Jisho Co., Ltd.	170,374	61.6
		Park Place Oita Co., Ltd.	95,048	34.4
Outsourcing fees (Note 3) (Note 5)	1,255,608	Fukuoka Jisho Co., Ltd.	898,349	71.5
		Park Place Oita Co., Ltd.	196,681	15.7
		Sunlife Co., Ltd.	56,426	4.5
Other operating expenses (Note 3)	1,103,015	Fukuoka Jisho Co., Ltd.	82,700	7.5
		Park Place Oita Co., Ltd.	180,954	16.4
		Sunlife Co., Ltd.	3,895	0.4

(Note 1) Interested parties, etc. and major unitholders refer to the interested parties, etc. of the asset management company who has concluded an asset management agreement with FRC, as designated in Article 123 of the Enforcement Order of the Act on Investment Trusts and Investment Corporations, and major unitholders of the asset management company as defined in Article 29-4-2 of the Financial Instruments and Exchange Act. Of these interested parties, etc. and major unitholders, the above table indicates the paid parties to which FRC paid fees during the 19th fiscal period. Fukuoka Jisho Co., Ltd. is an interested party, etc. as well as a major shareholder, while Park Place Oita Co., Ltd. and Sunlife Co., Ltd. are interested parties, etc.

(Note 2) The property management fees do not include the following construction supervision fees. In addition, of the fees below, the construction supervision fees paid upon acquiring real estate are included in the acquisition cost of the relevant real estate.

Fukuoka Jisho Co., Ltd.	7,508 thousand yen
Park Place Oita Co., Ltd.	10,504 thousand yen

(Note 3) The real estate leasing brokerage fees, outsourcing fees and other operating expenses include property leasing brokerage fees, etc. paid to third parties through interested parties, etc.

(Note 4) Aside from the paid fees shown above, FRC paid the following amounts for repairs, etc. that were ordered to interested parties, etc. during the 19th fiscal period. The amounts include construction work fees paid to third parties through interested parties, etc.

Fukuoka Jisho Co., Ltd.	261,371 thousand yen
Park Place Oita Co., Ltd.	334,014 thousand yen
Sunlife Co., Ltd.	30,308 thousand yen

(Note 5) The outsourcing fees shown above are paid fees, etc. regarding building management outsourcing fees, and do not coincide with the Outsourcing fees described in VI. Notes to financial statements (Notes to Statements of income) that include property management fees and others.

## Acquisitions and Sales during the 19th Fiscal Period

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### **5. Transactions with the asset management company regarding concurrent work conducted by the asset management company**

The asset management company (Fukuoka Realty Co., Ltd.) concurrently conducts land and building transaction business but there was no relevant transaction conducted in the 19th fiscal period. Moreover, the asset management company does not concurrently conduct any of the class 1 financial instruments transaction business, class 2 financial instruments transaction business or real estate syndication business, and has no such transactions with FRC.

## Overview of Accounting

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### **1. Assets, liabilities, principal and profits/loss**

Please refer to the IV. Balance Sheets, V. Statements of Income, VI. Statements of Changes in Net Assets, VII. Cash Flow Statements, and VIII. Notes to Financial Statements on later pages of this report.

### **2. Changes in calculation method of depreciation**

No relevant items

### **3. Changes in valuation method of real estate**

No relevant items

### **4. Overview of self-managed investment trust beneficiary certificates**

No relevant items

## Other

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### **Handling of fractions of monetary amounts and percentage figures**

Unless otherwise stated, the figures less than the specified unit are rounded down for monetary amounts and rounded off to one decimal place for percentage figures throughout this Semiannual Report.

# III. Independent Auditor's Report



## **Independent Auditor's Report**

To the Board of Directors of Fukuoka REIT Corporation:

We have audited the accompanying financial statements of Fukuoka REIT Corporation ("the Company"), which comprise the balance sheets as at February 28, 2014, and the statements of income, statements of changes in net assets, and cash flow statements for the six months then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2014, and its financial performance and cash flows for the six months then ended in accordance with accounting principles generally accepted in Japan.

*PricewaterhouseCoopers Aarata*

May 23, 2014

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#### **PricewaterhouseCoopers Aarata**

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# IV. Balance Sheets

(thousands of yen)

Account	18th fiscal period (as of August 31, 2013)		19th fiscal period (as of February 28, 2014)	
<b>Assets</b>				
<b>Current assets</b>				
Cash and deposits		2,986,790		3,687,020
Cash and deposits in trust		4,457,189		4,185,847
Operating accounts receivable		350,841		267,760
Prepaid expenses		333,377		259,075
Consumption taxes receivable		74,887		–
Deferred tax assets		17		43
Others		5,167		6,507
<b>Total current assets</b>		<b>8,208,271</b>		<b>8,406,255</b>
<b>Noncurrent assets</b>				
<b>Property, plant and equipment</b>				
Buildings in trust	*1	76,005,077	*1	76,360,548
Accumulated depreciation		(14,488,742)		(15,709,714)
<b>Structures in trust</b>		<b>1,158,771</b>		<b>1,187,244</b>
Accumulated depreciation		(380,913)		(413,896)
<b>Machinery and equipment in trust</b>		<b>546,092</b>		<b>565,696</b>
Accumulated depreciation		(179,676)		(199,688)
<b>Vehicles and transport equipment in trust</b>		<b>747</b>		<b>747</b>
Accumulated depreciation		(7)		(55)
<b>Tools and fixtures in trust</b>		<b>1,139,208</b>		<b>1,225,444</b>
Accumulated depreciation		(729,560)		(787,134)
<b>Lands in trust</b>		<b>*1 93,998,578</b>		<b>*1 93,998,578</b>
Construction in progress in trust		192,182		483,356
<b>Total property, plant and equipment</b>		<b>157,261,757</b>		<b>156,711,124</b>
<b>Intangible assets</b>				
Leasehold right in trust		1,765,318		1,765,318
Other intangible assets in trust		16,205		14,681
<b>Total intangible assets</b>		<b>1,781,523</b>		<b>1,779,999</b>
<b>Investment and other assets</b>				
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		100,000		100,000
Long-term prepaid expenses		463,384		443,574
<b>Total investment and other assets</b>		<b>573,384</b>		<b>553,574</b>
<b>Total noncurrent assets</b>		<b>159,616,665</b>		<b>159,044,698</b>
<b>Deferred assets</b>				
Investment corporation bond issuance expenses		–		19,322
Investment unit issuance expenses		32,190		22,169
<b>Total deferred assets</b>		<b>32,190</b>		<b>41,492</b>
<b>Total assets</b>		<b>167,857,128</b>		<b>167,492,446</b>



(thousands of yen)

Account	18th fiscal period as of August 31, 2013		19th fiscal period as of February 28, 2014	
<b>Liabilities</b>				
<b>Current liabilities</b>				
Operating accounts payable		592,753		497,966
Current maturities of long-term debt		16,450,000		14,750,000
Account payable-other		17,409		28,621
Accrued expenses		325,769		321,216
Income taxes payable		885		1,402
Accrued consumption taxes		-		159,101
Advances received		896,621		854,397
Deposits received		904,777		641,086
<b>Total current liabilities</b>		19,188,217		17,253,792
<b>Noncurrent liabilities</b>				
Investment corporation bonds		-		2,000,000
Long-term debt		54,650,000		54,275,000
Tenant leasehold and security deposits		321,369		325,105
Tenant leasehold and security deposits received in trust		*1 11,985,078		*1 11,959,023
<b>Total noncurrent liabilities</b>		66,956,447		68,559,128
<b>Total liabilities</b>		86,144,664		85,812,921
<b>Net Assets</b>				
<b>Unitholders' equity</b>				
Unitholders' capital		79,441,236		79,441,236
<b>Surplus</b>				
Unappropriated surplus		2,271,226		2,238,288
<b>Total surplus</b>		2,271,226		2,238,288
<b>Total unitholders' equity</b>		81,712,463		81,679,524
<b>Total net assets</b>		*3 81,712,463		*3 81,679,524
<b>Total liabilities and net assets</b>		167,857,128		167,492,446

# V. Statements of Income

(thousands of yen)

Account	18th fiscal period (March 1, 2013 to August 31, 2013)			19th fiscal period (September 1, 2013 to February 28, 2014)		
Operating revenues						
Leasing revenues - real estate	*1	7,095,131		*1	7,085,436	
Other leasing revenues - real estate	*1	470,254	7,565,385	*1	489,353	7,574,790
Operating expenses						
Expenses related to leasing business	*1, *2	4,157,501		*1, *2	4,197,450	
Asset management fees		445,912			446,921	
Asset custody fees		6,071			6,242	
Administrative service fees		47,022			48,863	
Director's compensations		9,600			9,600	
Other operating expenses		50,627	4,716,734		64,188	4,773,267
Operating income			2,848,650			2,801,522
Non-operating revenues						
Interest received		758			725	
Others		485	1,243		1,638	2,364
Non-operating expenses						
Interest payment		443,830			427,174	
Interest expenses on investment corporation bonds		—			4,412	
Amortization of investment corporation bond issuance expenses		—			327	
Amortization of investment unit issuance expenses		10,021			10,021	
Financing related expenses		123,802	577,654		122,163	564,098
Ordinary income			2,272,239			2,239,788
Net income before income taxes			2,272,239			2,239,788
Income taxes-current		1,038			1,548	
Income taxes-deferred		4	1,042		(25)	1,522
Net income			2,271,196			2,238,265
Surplus brought forward			29			22
Unappropriated surplus			2,271,226			2,238,288

## VI. Statements of Changes in Net Assets

18th fiscal period (March 1, 2013 to August 31, 2013)

(thousands of yen)

Item	Unitholders' equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus		
Balance as of March 1, 2013	69,177,628	2,004,391		71,182,019
Changes in the current fiscal period				
Issuance of new investment units	10,263,608			10,263,608
Dividends		(2,004,361)		(2,004,361)
Net income		2,271,196		2,271,196
Total of changes in the current fiscal period	10,263,608	266,835		10,530,444
Balance as of August 31, 2013	79,441,236	2,271,226		81,712,463

19th fiscal period (September 1, 2013 to February 28, 2014)

(thousands of yen)

Item	Unitholders' equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus		
Balance as of September 1, 2013	79,441,236	2,271,226		81,712,463
Changes in the current fiscal period				
Dividends		(2,271,204)		(2,271,204)
Net income		2,238,265		2,238,265
Total of changes in the current fiscal period	–	(32,938)		(32,938)
Balance as of February 28, 2014	79,441,236	2,238,288		81,679,524

# VII. Cash Flow Statements

(thousands of yen)

Account	18th fiscal period March 1, 2013 to August 31, 2013	19th fiscal period September 1, 2013 to February 28, 2014
<b>Net cash provided by (used in) operating activities</b>		
Net income before income taxes	2,272,239	2,239,788
Depreciation and amortization expenses	1,343,234	1,354,793
Amortization of investment corporation bond issuance expenses	—	327
Amortization of investment unit issuance expenses	10,021	10,021
Interest received	(758)	(725)
Interest payment	443,830	431,586
Decrease (increase) in operating account receivables	(72,305)	83,080
Decrease (increase) in consumption taxes receivable	(74,887)	74,887
Increase (decrease) in accrued consumption taxes	(157,514)	159,101
Increase (decrease) in operating account payable	23,264	(55,099)
Increase (decrease) in account payable-other	(15,345)	5,855
Increase (decrease) in accrued expenses	14,403	825
Increase (decrease) in advances received	49,131	(42,223)
Increase (decrease) in deposits expenses	319,125	(263,690)
Decrease (increase) in prepaid expenses	(97,364)	74,302
Decrease (increase) in long-term prepaid expenses	(13,955)	19,810
Others, net	10,264	44,169
Subtotal	4,053,386	4,136,811
Interest income received	758	725
Interest expenses paid	(443,951)	(436,965)
Income taxes paid	(1,136)	(1,031)
Net cash provided by (used in) operating activities	3,609,056	3,699,539
<b>Net cash provided by (used in) investment activities</b>		
Purchase of property, plant and equipment in trust	(7,858,163)	(887,097)
Purchase of intangible assets in trust	—	(1,280)
Proceeds from tenant leasehold and security deposits	4,410	3,765
Repayments of tenant leasehold and security deposits	—	(30)
Proceeds from tenant leasehold and security deposits in trust	359,717	121,652
Repayment of tenant leasehold and security deposits in trust	(375,748)	(147,707)
Proceeds from restricted trust deposits	4,119	6,373
Payments for restricted trust deposits	(32,165)	(11,907)
Net cash provided by (used in) investment activities	(7,897,830)	(916,231)
<b>Net cash provided by (used in) financial activities</b>		
Decrease in short-term debt	(2,700,000)	—
Proceeds from long-term debt	1,600,000	—
Repayment of long-term debt	(2,475,000)	(2,075,000)
Proceeds from issuance of investment corporation bonds	—	2,000,000
Proceeds from issuance of investment units	10,263,608	—
Dividends paid	(2,003,994)	(2,268,893)
Payment of investment corporation bond issuance expenses	—	(16,062)
Payment of investment unit issuance expenses	(33,254)	—
Net cash provided by (used in) financial activities	4,651,360	(2,359,955)
Net increase (decrease) in cash and cash equivalents	362,586	423,353
Balance of cash and cash equivalents at beginning of period	7,024,869	7,387,455
Balance of cash and cash equivalents at end of period	*1 7,387,455	*1 7,810,809

# VIII. Notes to Financial Statements

## (Significant accounting policies)

<p>1. Depreciation method for noncurrent assets</p>	<p>(1) Property, plant and equipment            Depreciation is calculated using the straight-line method.            The useful lives of major items of property, plant and equipment are as follows:</p> <table border="0"> <tr> <td>Buildings in trust:</td> <td>10–50 years</td> </tr> <tr> <td>Structures in trust:</td> <td>15–50 years</td> </tr> <tr> <td>Machinery and equipment in trust:</td> <td>15–17 years</td> </tr> <tr> <td>Vehicles and transport equipment in trust:</td> <td>7 years</td> </tr> <tr> <td>Tools and fixtures in trust:</td> <td>5–15 years</td> </tr> </table> <p>(2) Long-term prepaid expenses            Long-term prepaid expenses are amortized utilizing the straight-line method.</p>	Buildings in trust:	10–50 years	Structures in trust:	15–50 years	Machinery and equipment in trust:	15–17 years	Vehicles and transport equipment in trust:	7 years	Tools and fixtures in trust:	5–15 years
Buildings in trust:	10–50 years										
Structures in trust:	15–50 years										
Machinery and equipment in trust:	15–17 years										
Vehicles and transport equipment in trust:	7 years										
Tools and fixtures in trust:	5–15 years										
<p>2. Accounting for deferred assets</p>	<p>Investment unit issuance expenses            Investment unit issuance expenses are amortized utilizing the straight-line method over three years.            Investment corporation bond issuance expenses            Investment corporation bond issuance expenses are amortized utilizing the straight-line method over the period through redemption.</p>										
<p>3. Standards for recognition of revenues and expenses</p>	<p>Accounting treatment of property taxes, etc.            In connection with property taxes, city planning taxes and depreciated asset taxes, FRC uses the method of charging the corresponding amounts of assessed taxes to the current fiscal period as expenses related to leasing business.            Furthermore, FRC includes an amount equivalent to the property taxes, etc. paid to the sellers during the first fiscal year as an acquisition cost, not as expenses, in connection with the acquisition of real estate or entrusted beneficiary interests in real estate as entrusted property.</p>										
<p>4. Method of hedge accounting</p>	<p>(1) Method of hedge accounting            Deferred hedge accounting is applied for interest rate swap transactions. However, special treatment is applied for interest rate swap transactions that satisfy the requirement for special treatment.            (2) Hedging instruments and hedged items            Hedging instrument: interest rate swap transactions            Hedged items: interest rates of borrowings            (3) Hedging policy            FRC conducts derivative transactions to hedge interest rate fluctuation risks for floating-rate borrowings based on FRC's Articles of Incorporation.            (4) Method for assessing the effectiveness of hedging            Assessment of the effectiveness of hedging is omitted as requirements are satisfied for special treatment for interest rate swap transactions.</p>										
<p>5. Scope of funds (cash and cash equivalents) in Cash flows statements</p>	<p>The funds (cash and cash equivalents) in the cash flow statements consist of cash on hand and cash in trust; deposits that can be withdrawn at any time and deposits in trust; and short-term investments with a maturity of 3 months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of value fluctuation.</p>										
<p>6. Other significant items fundamental to preparing the financial statements</p>	<p>(1) Accounting methods for trust beneficiary interests in real estate as entrusted property            Regarding trust beneficiary interests in owned real estate as entrusted property, all asset and liability accounts of the entrusted properties as well as all revenue and expense accounts generated by the entrusted properties are recorded in relevant accounts on the balance sheets and statements of income.            Furthermore, the following material accounts are separately stated in the balance sheets for entrusted properties recorded in relevant accounts.</p> <ol style="list-style-type: none"> <li>① Cash and deposits in trust</li> <li>② Buildings in trust, structures in trust, machinery and equipment in trust, vehicles and transport equipment in trust, tools and fixtures in trust, lands in trust and construction in progress in trust</li> <li>③ Leasehold right in trust</li> <li>④ Other intangible assets in trust</li> <li>⑤ Lease and guarantee deposits in trust</li> <li>⑥ Tenant leasehold and security deposits received in trust</li> </ol> <p>(2) Accounting for consumption taxes            National and local consumption taxes are accounted with the consumption taxes excluded.</p>										

## (Notes to balance sheets)

18th fiscal period as of August 31, 2013	19th fiscal period as of February 28, 2014
*1. Assets pledged as collateral and secured liabilities Assets pledged as collateral are as follows:	*1. Assets pledged as collateral and secured liabilities Assets pledged as collateral are as follows:
(thousands of yen)	(thousands of yen)
Buildings in trust	Buildings in trust
5,734,249	5,714,468
Lands in trust	Lands in trust
11,618,595	11,618,595
Total	Total
17,352,844	17,333,064
Secured liabilities are as follows:	Secured liabilities are as follows:
(thousands of yen)	(thousands of yen)
Tenant leasehold and security deposits received in trust	Tenant leasehold and security deposits received in trust
2,130,751	2,107,231
2. Balance of unused committed line of credit FRC has executed committed line of credit agreements with its banks primarily to conduct efficient and dynamic cash management.	2. Balance of unused committed line of credit FRC has executed committed line of credit agreements with its banks primarily to conduct efficient and dynamic cash management.
Committed line of credit agreement 1	Committed line of credit agreement 1
(thousands of yen)	(thousands of yen)
Contract date	Contract date
July 29, 2013	July 29, 2013
Credit limit	Credit limit
6,000,000	6,000,000
Outstanding debt at end of period	Outstanding debt at end of period
-	-
Unused committed line of credit at end of period	Unused committed line of credit at end of period
6,000,000	6,000,000
Committed line of credit agreement 2	Committed line of credit agreement 2
(thousands of yen)	(thousands of yen)
Contract date	Contract date
February 27, 2012	February 26, 2014
Credit limit	Credit limit
6,000,000	7,000,000
Outstanding debt at end of period	Outstanding debt at end of period
-	-
Unused committed line of credit at end of period	Unused committed line of credit at end of period
6,000,000	7,000,000
*3. Minimum net assets designated in Article 67- 4 in the Act on Investment Trusts and Investment Corporations	*3. Minimum net assets designated in Article 67- 4 in the Act on Investment Trusts and Investment Corporations
(thousands of yen)	(thousands of yen)
50,000	50,000

**(Notes to statements of income)**

18th fiscal period (March 1, 2013 to August 31, 2013)		19th fiscal period (September 1, 2013 to February 28, 2014)	
*1. Breakdown of revenues and expenses related to real estate leasing business		*1. Breakdown of revenues and expenses related to real estate leasing business	
A. Real estate leasing business revenues	(thousands of yen)	A. Real estate leasing business revenues	(thousands of yen)
Leasing revenues - real estate		Leasing revenues - real estate	
Rents	5,625,804	Rents	5,621,912
Common charges	1,036,880	Common charges	1,036,864
Parking revenues	432,446	Parking revenues	426,660
Total	7,095,131	Total	7,085,436
Other leasing revenues - real estate		Other leasing revenues - real estate	
Incidental income	435,120	Incidental income	406,133
Other miscellaneous income	35,133	Other miscellaneous income	83,219
Total	470,254	Total	489,353
Total real estate leasing business revenues	7,565,385	Total real estate leasing business revenues	7,574,790
B. Expenses related to real estate leasing business	1,532,776	B. Expenses related to real estate leasing business	
Expenses related to leasing business		Expenses related to leasing business	
Outsourcing fees		Outsourcing fees	1,532,114
Repair and maintenance expenses	147,861	Repair and maintenance expenses	157,179
Taxes and other public charges	551,509	Taxes and other public charges	551,344
Insurance premiums and trust compensation	52,759	Insurance premiums and trust compensation	51,949
Utilities expenses	411,171	Utilities expenses	386,833
Depreciation and amortization expenses	1,343,234	Depreciation and amortization expenses	1,354,793
Other expenses related to real estate leasing business	118,189	Other expenses related to real estate leasing business	163,235
Total expenses related to real estate leasing business	4,157,501	Total expenses related to real estate leasing business	4,197,450
C. Revenues and expenses related to real estate leasing business (A - B)	3,407,883	C. Revenues and expenses related to real estate leasing business (A - B)	3,377,339
*2. Transactions with major unitholders	(thousands of yen)	*2. Transactions with major unitholders	(thousands of yen)
Expenses related to real estate leasing business	1,222,021	Expenses related to real estate leasing business	1,192,756

**(Notes to statements of changes in net assets)**

18th fiscal period as of August 31, 2013		19th fiscal period as of February 28, 2014	
Total number of authorized investment units and total number of investment units issued		Total number of authorized investment units and total number of investment units issued	
Total number of authorized investment units	2,000,000 units	Total number of authorized investment units	2,000,000 units
Total number of investment units issued	138,000 units	Total number of investment units issued	138,000 units

**(Notes to cash flow statements)**

(thousands of yen)

18th fiscal period (March 1, 2013 to August 31, 2013)	19th fiscal period (September 1, 2013 to February 28, 2014)
*1. Relationship between the balance of cash and cash equivalents at end of period and the amounts of the corresponding accounts on the balance sheets (as of August 31, 2013)	*1. Relationship between the balance of cash and cash equivalents at end of period and the amounts of the corresponding accounts on the balance sheets (as of February 28, 2014)
Cash and deposits	Cash and deposits
2,986,790	3,687,020
Cash and deposits in trust	Cash and deposits in trust
4,457,189	4,185,847
Restricted trust deposits (Note)	Restricted trust deposits (Note)
<u>(56,524)</u>	<u>(62,059)</u>
Cash and cash equivalents	Cash and cash equivalents
<u>7,387,455</u>	<u>7,810,809</u>
(Note) Restricted trust deposits are trust deposits reserved for refunding tenant leasehold and security deposits deposited by tenants and for other purposes.	(Note) Restricted trust deposits are trust deposits reserved for refunding tenant leasehold and security deposits deposited by tenants and for other purposes.

**(Notes to leases)**

(thousands of yen)

18th fiscal period as of August 31, 2013	19th fiscal period as of February 28, 2014
The future lease revenues under the non-cancellable operating leases were as follows. (as of August 31, 2013)	The future lease revenues under the non-cancellable operating leases were as follows. (as of February 28, 2014)
Due within 1 year	Due within 1 year
6,146,906	6,209,527
Due after 1 year	Due after 1 year
30,428,244	27,934,690
Total	Total
<u>36,575,150</u>	<u>34,144,218</u>

**(Notes to financial instruments)****1. Matters concerning status of financial instruments****(1) Policy on handling financial instruments**

In order to secure stable earnings and steady growth of assets under management, FRC procures funds primarily through borrowings from financial institutions, issuance of investment corporation bonds or issuance of investment units for property acquisitions, repair and maintenance work, repayment of interest-bearing debt and other purposes.

In procuring interest-bearing debt, FRC borrows funds primarily in long-term, fixed interest debt based on the policy of establishing a solid financial structure, and conducts conservative operations intended to secure financial stability and liquidity by dispersing debt maturity dates and utilizing committed lines of credit and through other measures.

With regard to surplus funds, FRC manages them as various deposits and savings, etc. to support efficient management while considering safety.

FRC may conduct derivative transactions only for the purpose of hedging the interest rate fluctuation risks in the future, and not conduct any speculative transactions.

**(2) Description of financial instruments and associated risks, and risk management structure**

Short-term debt, long-term debt and investment corporation bonds are funds procured primarily for acquiring real estate trust beneficiary interests and refinancing of borrowings. Borrowings and investment corporation bonds are exposed to liquidity risks upon debt maturity dates, but FRC works to mitigate the risks by such measures as appropriately controlling the ratio of interest-bearing debt to total assets while executing commitment line agreements with local financial institutions that are sponsors to secure liquidity at hand.

In addition, borrowings with floating interest rates are exposed to interest rate fluctuation risks. However, FRC works to reduce the risks by such measures as adjusting the ratio of the balance of borrowings with floating interest rates to total borrowings in accordance with the financial environment and other factors. FRC conducts derivative transactions (interest rate swap transactions) for part of the borrowings with floating interest rates in order to hedge the risk of fluctuations in the rates of interests to be paid. Furthermore, with regard to the method to access the effectiveness of hedging, assessment of the effectiveness is omitted as it has been judged that requirements are satisfied for special treatment for interest rate swap transactions. As for derivative transactions, FRC executes and manages them in accordance with its financial derivative



transaction management policies and, when conducting them, it does so only with financial institutions it judges to have certain creditworthiness in reference to their credit ratings so that the counterparty risks are reduced.

FRC manages surplus funds in large time deposits, etc. Such deposits have inherent risks of failure of the financial institutions holding the deposits and other credit risks. FRC mitigates the risks by limiting the financial institutions to those with certain creditworthiness in reference to their credit ratings and by setting the duration of deposits only at shorter periods.

As for tenant leasehold and security deposits received in trust, they are deposits from tenants and are exposed to liquidity risks where tenants may move out before the contracts expire. FRC mitigates the risks by such measures as securing liquidity on hand.

(3) Supplementary explanation on matters concerning fair value of financial instruments

The fair value of financial instruments, aside from values based on market price, may include values based on reasonable calculations when there is no market price. Certain assumptions are adopted in calculating those values, and there may be cases where the values will vary when different assumptions are adopted.

As for the contract value and other conditions of derivative transactions indicated in “2. Matters concerning fair value of financial instruments”, the value itself is not an indicator showing the market risks related to such transactions.

## 2. Matters concerning fair value of financial instruments

The following are the book values recorded on the balance sheets, fair values and the difference between these amounts as of August 31, 2013. Please note that the following table does not include those for which discerning of fair value is recognized to be extremely difficult (refer to (Note 2)).

(thousands of yen)

	Book value recorded on the balance sheets	Fair value (Note 1)	Difference
(1) Cash and deposits	2,986,790	2,986,790	—
(2) Cash and deposits in trust	4,457,189	4,457,189	—
Total of assets	7,443,980	7,443,980	—
(3) Short-term debt	—	—	—
(4) Current maturities of long-term debt	16,450,000	16,563,805	113,805
(5) Long-term debt	54,650,000	54,933,212	283,212
(6) Tenant leasehold and security deposits received in trust	1,526,511	1,481,530	(44,980)
Total of liabilities	72,626,511	72,978,547	352,036
(7) Derivative transactions	—	—	—
Total of derivative transactions	—	—	—

The following are the book values recorded on the balance sheets, fair values and the difference between these amounts as of February 28, 2014. Please note that the following table does not include those for which discerning of fair value is recognized to be extremely difficult (refer to (Note 2)).

(thousands of yen)

	Book value recorded on the Balance sheets	Fair value (Note 1)	Difference
(1) Cash and deposits	3,687,020	3,687,020	—
(2) Cash and deposits in trust	4,185,847	4,185,847	—
Total of assets	7,872,868	7,872,868	—
(3) Short-term debt	—	—	—
(4) Current maturities of long-term debt	14,750,000	14,865,713	115,713
(5) Investment corporation bonds	2,000,000	2,023,312	23,312
(6) Long-term debt	54,275,000	54,941,203	666,203
(7) Tenant leasehold and security deposits received in trust	1,494,657	1,467,867	(26,790)
Total of liabilities	72,519,657	73,298,095	778,438
(8) Derivative transactions	—	—	—
Total of derivative transactions	—	—	—

(Note 1) Calculation method for fair value of financial instruments

(1) Cash and deposits and (2) Cash and deposits in trust

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

- (4) Current maturities of long-term debt, (5) investment corporation bonds and (6) Long-term debt  
Of the fair value of these financial instruments, the fair value of long-term debt with fixed interest rates (including debt with practical fixed interest rates through interest rate swaps) and investment corporation bonds (the "debt, etc.") is based on the method of calculating by discounting the total amount of principal and interest by the rate assumed as being applicable in the event of a new drawdown of similar debt, etc.  
The fair value of long-term debt with floating interest rates is based on the book value, as the contract terms require the interest rates to be revised in a certain period of time (within 6 months) and thus is considered to be nearly equal to the book value.
- (7) Tenant leasehold and security deposits received in trust  
Tenant leasehold and security deposits received in trust, which are deposited by the lessees, are calculated using the method to discount the future cash flows of such by a reasonably estimated rate that takes into account the term remaining until the reimbursement deadline and credit risks.
- (8) Derivative transactions  
Please refer to (Notes to derivative transactions)

(Note 2) Financial instruments for which discerning of fair value is recognized to be extremely difficult.

(thousands of yen)

	18th fiscal period as of August 31, 2013	19th fiscal period as of February 28, 2014
Tenant leasehold and security deposits received in trust	10,458,566	10,464,365

Recorded on the balance sheets as tenant leasehold and security deposits received in trust is not subject to disclosure of fair value as it is recognized to be extremely difficult to discern the fair value. This is because future cash flows cannot be estimated since there is no market price and it is difficult to assume the reimbursement dates since there is a possibility of cancellation, renewal and re-execution of lease contracts by lessees even if the contract terms are fixed and since there is no telling of any tendency of tenants moving out of the properties owned by FRC from analyses of past results as they are too individually specific.

(Note 3) Amount of redemption of monetary claims scheduled to be due after closing of accounts (as of August 31, 2013)  
(thousands of yen)

	Due in 1 year or less
Cash and deposits	2,986,790
Cash and deposits in trust	4,457,189
Total	7,443,980

Amount of redemption of monetary claims scheduled to be due after closing of accounts (as of February 28, 2014)  
(thousands of yen)

	Due in 1 year or less
Cash and deposits	3,687,020
Cash and deposits in trust	4,185,847
Total	7,872,868

(Note 4) Amount of repayment of long-term debt scheduled to be due after closing of accounts (as of August 31, 2013)

(thousands of yen)

Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
16,450,000	6,650,000	11,650,000	20,450,000	10,200,000	5,700,000

Amount of repayment of long-term debt and investment corporation bonds scheduled to be due after closing of accounts (as of February 28, 2014)

(thousands of yen)

	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Long-term debt	14,750,000	12,850,000	10,250,000	23,875,000	2,100,000	5,200,000
Investment corporation bonds	—	—	—	—	—	2,000,000

## (Notes to derivative transactions)

The following is the contract amount or amount equivalent to the principal provided in the contract, etc. as of the closing of accounts for each method of hedge accounting. (as of August 31, 2013)

(thousands of yen)

Method of hedge accounting	Type of derivative transactions, etc.	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Of which, exceeding 1 year		
Special treatment for interest rate swaps	Interest rate swap transaction Payable fixed; Receivable floating	Long-term debt	18,300,000	8,000,000	(25,575) (Note 1)	(Note 2)

(Note 1) Transactions for which special treatment for interest rate swaps is applied are combined with long-term debt for accounting purposes. Accordingly, their fair value is included in the fair value of the relevant long-term debt (Please refer to "Notes to financial instruments" 2. Matters concerning fair value of financial instruments (Note 1) (6)).

(Note 2) The following is the contract amount or amount equivalent to the principal provided in the contract, etc. as of the closing of accounts for each method of hedge accounting. (February 28, 2014)

The following is the contract amount or amount equivalent to the principal provided in the contract, etc. as of the closing of accounts for each method of hedge accounting. (as of February 28, 2014)

(thousands of yen)

Method of hedge accounting	Type of derivative transactions, etc.	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Of which, exceeding 1 year		
Special treatment for interest rate swaps	Interest rate swap transaction Payable fixed; Receivable floating	Long-term debt	18,300,000	8,000,000	(38,297) (Note 1)	(Note 2)

(Note 1) Transactions for which special treatment for interest rate swaps is applied are combined with long-term debt for accounting purposes. Accordingly, their fair value is included in the fair value of the relevant long-term debt (Please refer to "Notes to financial instruments" 2. Matters concerning fair value of financial instruments (Note 1) (6)).

(Note 2) The fair value is calculated by the counterparty of the transaction contract based on the actual interest rate on the market and other factors.

## (Notes to tax effect accounting)

18th fiscal period as of August 31, 2013	19th fiscal period as of February 28, 2014
<p>1. Breakdown of primary causes for occurrence of deferred tax assets and deferred tax liabilities</p> <p>(Deferred tax assets) (thousands of yen)</p> <p>Amount of accrued business taxes not deductible from taxable income <u>17</u></p> <p>Total deferred tax assets <u>17</u></p> <p>(Deferred tax assets, net) <u>17</u></p>	<p>1. Breakdown of primary causes for occurrence of deferred tax assets and deferred tax liabilities</p> <p>(Deferred tax assets) (thousands of yen)</p> <p>Amount of accrued business taxes not deductible from taxable income <u>43</u></p> <p>Total deferred tax assets <u>43</u></p> <p>(Deferred tax assets, net) <u>43</u></p>
<p>2. Breakdown of significant components that caused difference between effective statutory income tax rate and effective income tax rate after application of tax effect accounting</p> <p>(%)</p> <p>Effective statutory income tax rate 36.38</p> <p>Deductible dividend amount (36.37)</p> <p>Other <u>0.03</u></p> <p>Effective income tax rate after application of tax effect accounting <u>0.05</u></p>	<p>2. Breakdown of significant components that caused difference between effective statutory income tax rate and effective income tax rate after application of tax effect accounting</p> <p>(%)</p> <p>Effective statutory income tax rate 36.38</p> <p>Deductible dividend amount (36.36)</p> <p>Other <u>0.04</u></p> <p>Effective income tax rate after application of tax effect accounting <u>0.07</u></p>
	<p>3. Tax rate change after closing of accounts</p> <p>The Act on Partial Revision for the Income Tax Act, etc. (Act No. 10 of 2014) was promulgated on March 31, 2014, which stipulates that special corporate tax for reconstruction will not be levied for the business year starting on April 1, 2014 and thereafter. Accordingly, with regard to the temporary differences that are anticipated to be cancelled in the business year starting on September 1, 2014, the effective statutory income tax rate used in the calculation of deferred tax assets and deferred tax liabilities will be changed from the previous 36.38% to 33.96%. The tax rate change will have only a minimum impact on FRC.</p>

**(Notes to transactions with related parties)****(1) Other affiliates and their parent companies and subsidiaries**

18th fiscal period (from March 1, 2013 to August 31, 2013)

(thousands of yen)

Classification	Name	Location	Capital	Business description or occupation	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Other affiliates	Fukuoka Jisho Co., Ltd. (Note 3)	Hakata Ward, Fukuoka City	4,000,000	General real estate business	Ownership in FRC Direct [10.11%] Indirect [0.39%]	Purchase of real estate, consignment of real estate management, etc.	Purchase of real estate (Note 1)	1,530,000 (Note 4)	—	—
							Consignment of real estate management, etc. (Note 2)	1,222,021 (Note 4)	Operating accounts payable	60,980 (Note 4)

(Note 1) Transaction terms and conditions are determined in reference to appraisal values by third parties and after negotiating on prices.

(Note 2) Transaction terms and conditions are determined in reference to market prices, etc. and by concluding business consignment agreements after negotiating on prices.

(Note 3) FRC has concluded a building lease and management consignment agreement with Fukuoka Jisho Co., Ltd. for Canal City Hakata, Canal City Hakata-B, Canal City Business Center and Taihaku Street Business Center. The lease contract is a master lease type with pass-through rent, in which rents and other proceeds from end tenants are directly related to an increase or decrease of FRC's revenues. For properties covered by the said type of agreements, the above table shows figures that regard end tenants as direct lessees.

(Note 4) Of the amounts in the table above, consumption taxes are not included in the transaction amount but included in the balance at end of period.

19th fiscal period (from September 1, 2013 to February 28, 2014)

(thousands of yen)

Classification	Name	Location	Capital	Business description or occupation	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Other affiliates	Fukuoka Jisho Co., Ltd. (Note 2)	Hakata Ward, Fukuoka City	4,000,000	General real estate business	Ownership in FRC Direct [10.11%] Indirect [0.39%]	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	1,192,756 (Note 3)	Operating accounts payable	36,997 (Note 3)

(Note 1) Transaction terms and conditions are determined in reference to market prices, etc. and by concluding business consignment agreements after negotiating on prices.

(Note 2) FRC has concluded a building lease and management consignment agreement with Fukuoka Jisho Co., Ltd. for Canal City Hakata, Canal City Hakata-B, Canal City Business Center and Taihaku Street Business Center. The lease contract is a master lease type with pass-through rent, in which rents and other proceeds from end tenants are directly related to an increase or decrease of FRC's revenues. For properties covered by the said type of agreements, the above table shows figures that regard end tenants as direct lessees.

(Note 3) Of the amounts in the table above, consumption taxes are not included in the transaction amount but included in the balance at end of period.

**(2) Affiliated companies, etc.****18th fiscal period (from March 1, 2013 to August 31, 2013)**

(thousands of yen)

Classification	Name	Location	Capital	Business description or occupation	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Subsidiaries of other affiliates	Park Place Oita Co., Ltd (Note 2)	Oita City, Oita	400,000	Real estate business	—	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	566,384 (Note 5)	Operating accounts payable	160,595 (Note 5)
Subsidiaries of other affiliates	Fukuoka Realty Co., Ltd.	Hakata Ward, Fukuoka City	200,000	Asset management of FRC and other businesses	—	Asset management of FRC, etc. and concurrent service of officer (Note 3)	Payment of asset management fees (Note 4)	445,912 (Note 5)	Accrued expenses	207,563 (Note 5)

(Note 1) Transaction terms and conditions are determined in reference to market prices, etc. and by concluding business consignment agreements after negotiating on prices.

(Note 2) FRC has concluded a real estate lease and management consignment agreement with Park Place Oita Co., Ltd. for Park Place Oita. The lease contract is a master lease type with pass-through rent, in which rents and other proceeds from end tenants are directly related to an increase or decrease of FRC's revenues. For the property covered by the said type of agreement, the above table shows figures that regard end tenants as direct lessees.

(Note 3) Masayasu Saki, CEO & Representative Director of FRC, concurrently serves as Director of Fukuoka Realty Co., Ltd.

(Note 4) The amount of the asset management fees is decided based on the asset management consignment agreement following discussion between the concerned parties.

(Note 5) Of the amounts in the table above, consumption taxes are not included in the transaction amount but included in the balance at end of period.

**19th fiscal period (from September 1, 2013 to February 28, 2014)**

(thousands of yen)

Classification	Name	Location	Capital	Business description or occupation	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Subsidiaries of other affiliates	Park Place Oita Co., Ltd (Note 2)	Oita City, Oita	400,000	Real estate business	—	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	569,649 (Note 5)	Operating accounts payable	166,359 (Note 5)
Subsidiaries of other affiliates	Fukuoka Realty Co., Ltd.	Hakata Ward, Fukuoka City	200,000	Asset management of FRC and other businesses	—	Asset management of FRC, etc. and concurrent service of officer (Note 3)	Payment of asset management fees (Note 4)	466,921 (Note 5)	Accrued expenses	207,066 (Note 5)

(Note 1) Transaction terms and conditions are determined in reference to market prices, etc. and by concluding business consignment agreements after negotiating on prices.

(Note 2) FRC has concluded a real estate lease and management consignment agreement with Park Place Oita Co., Ltd. for Park Place Oita. The lease contract is a master lease type with pass-through rent, in which rents and other proceeds from end tenants are directly related to an increase or decrease of FRC's revenues. For the property covered by the said type of agreement, the above table shows figures that regard end tenants as direct lessees.

(Note 3) Masayasu Saki, CEO & Representative Director of FRC, concurrently serves as a Director of Fukuoka Realty Co., Ltd. Furthermore, Etsuo Matsuyuki was appointed as CEO & Representative Director of FRC at the General Meeting of Unitholders held on May 22, 2014 and concurrently serves as a Director of Fukuoka Realty Co., Ltd. as of the date of this document.

(Note 4) The amount of the asset management fees is decided based on the asset management consignment agreement following discussion between the concerned parties.

(Note 5) Of the amounts in the table above, consumption taxes are not included in the transaction amount but included in the balance at end of period.

## (Notes to properties for lease)

FRC owns retail, office buildings and residential properties for lease in the Kyushu area centering on Fukuoka Prefecture. The following table provides the book value recorded on the balance sheets, amount of change during the period and fair value of these properties for lease.

(thousands of yen)

Use		18th fiscal period (March 1, 2013 to August 31, 2013)	19th fiscal period (September 1, 2013 to February 28, 2014)
Retail	Amount recorded on the balance sheets		
	Balance at beginning of period	102,565,767	102,329,978
	Amount of change during period	(235,789)	(92,207)
	Balance at end of period	102,329,978	102,237,770
	Fair value at end of period	104,255,000	104,185,000
Office buildings	Amount recorded on the balance sheets		
	Balance at beginning of period	42,840,110	45,363,618
	Amount of change during period	2,523,508	(376,737)
	Balance at end of period	45,363,618	44,986,880
	Fair value at end of period	50,800,000	50,730,000
Others	Amount recorded on the balance sheets		
	Balance at beginning of period	7,016,229	11,349,683
	Amount of change during period	4,333,454	(83,211)
	Balance at end of period	11,349,683	11,266,472
	Fair value at end of period	12,040,000	12,230,000
Total	Amount recorded on the balance sheets		
	Balance at beginning of period	152,422,107	159,043,280
	Amount of change during period	6,621,173	(552,156)
	Balance at end of period	159,043,280	158,491,123
	Fair value at end of period	167,095,000	167,145,000

(Note 1) Amount recorded on the balance sheets is the cost of acquisition less accumulated depreciation.

(Note 2) Of the amount of change during the 18th fiscal period, the amount of increase is primarily attributable to the new acquisition of properties (7,351 million yen in total) and capital expenditures (612 million yen), and the amount of decrease is primarily attributable to depreciation and amortization expenses (1,343 million yen). Of the amount of change during the 19th fiscal period, the amount of increase is primarily attributable to capital expenditures (848 million yen), and the amount of decrease is primarily attributable to depreciation and amortization expenses (1,354 million yen).

(Note 3) The fair value at end of period is the appraisal value provided by outside real estate appraisers.

The following table provides the income (loss) from properties for lease.

(thousands of yen)

Use		18th fiscal period (March 1, 2013 to August 31, 2013)	19th fiscal period (September 1, 2013 to February 28, 2014)
Retail	Amount recorded on the statements of income		
	Real estate leasing business revenues	4,965,784	4,976,604
	Expenses related to real estate leasing business	2,864,757	2,913,431
	Revenues and expenses related to real estate leasing business	2,101,026	2,063,172
Office buildings	Amount recorded on the statements of income		
	Real estate leasing business revenues	2,148,870	2,150,298
	Expenses related to real estate leasing business	1,106,894	1,097,542
	Revenues and expenses related to real estate leasing business	1,041,975	1,052,756
Others	Amount recorded on the statements of income		
	Real estate leasing business revenues	450,730	447,887
	Expenses related to real estate leasing business	185,849	186,475
	Revenues and expenses related to real estate leasing business	264,881	261,411
Total	Amount recorded on the statements of income		
	Real estate leasing business revenues	7,565,385	7,574,790
	Expenses related to real estate leasing business	4,157,501	4,197,450
	Revenues and expenses related to real estate leasing business	3,407,883	3,377,339

(Note) Real estate leasing business revenues and expenses related to real estate leasing business comprise leasing business revenues and accompanying expenses (outsourcing fees, depreciation and amortization expenses, taxes and other public charges, etc.), and are recorded as Leasing revenues - real estate, Other leasing revenues - real estate and Expenses related to leasing business, respectively.

## (Notes to segment information)

### [Segment information]

Descriptions omitted as FRC has a single business segment of real estate leasing business.

### [Related information]

#### 18th fiscal period (from March 1, 2013 to August 31, 2013)

##### (1) Information by product and service

Descriptions are omitted as FRC's operating revenues under single product/service classification for outside customers exceed 90% of operating revenues recorded in the statements of income.

##### (2) Information by region

###### (a) Operating revenue

Descriptions are omitted as FRC's operating revenues for outside customers in Japan exceed 90% of operating revenues recorded on the statements of income.

###### (b) Property, plant and equipment

Descriptions are omitted as the amount of FRC's property, plant and equipment located in Japan exceeds 90% of property, plant and equipment recorded in the balance sheet.

##### (3) Information by major customer

Descriptions are omitted as FRC's operating revenues for an individual outside customer are less than 10% of operating revenues recorded in the statements of income.

#### 19th fiscal period (from September 1, 2013 to February 28, 2014)

##### (1) Information by product and service

Descriptions are omitted as FRC's operating revenues under single product/service classification for outside customers exceed 90% of operating revenues recorded on the statements of income.

##### (2) Information by region

###### (a) Operating revenue

Descriptions are omitted as FRC's operating revenues for outside customers in Japan exceed 90% of operating revenues recorded in the statements of income.

###### (b) Property, plant and equipment

Descriptions are omitted as the amount of FRC's property, plant and equipment located in Japan exceeds 90% of property, plant and equipment recorded in the balance sheet.

##### (3) Information by major customer

Descriptions are omitted as FRC's operating revenues for an individual outside customer are less than 10% of operating revenues recorded in the statements of income.

## (Notes to per unit information)

18th fiscal period (March 1, 2013 to August 31, 2013)		19th fiscal period (September 1, 2013 to February 28, 2014)	
1. Net assets per unit	118,423 yen	1. Net assets per unit	118,376 yen
2. Net income per unit	3,291 yen	2. Net income per unit	3,243 yen
Net income per unit was calculated by dividing net income by the day-weighted average number of units issued during the fiscal period.		Net income per unit was calculated by dividing net income by the day-weighted average number of units issued during the fiscal period.	
Diluted net income per unit was not presented as there are no diluted units since no warrants and convertible bonds were outstanding.		Diluted net income per unit was not presented as there are no diluted units since no warrants and convertible bonds were outstanding.	

(Note) FRC implemented a 5-for-1 split of its investment units with March 1, 2014 as the effective date. Accordingly, net assets per unit and net income per unit have been calculated on the assumption that the split of investment units was conducted at the beginning of the 18th fiscal period.

(Note 2) Net income per unit was calculated based on the following data:

	18th fiscal period March 1, 2013 to August 31, 2013	19th fiscal period September 1, 2013 to February 28, 2014
Net income (thousands of yen)	2,271,196	2,238,265
Amounts not attributable to ordinary unitholders (thousands of yen)	—	—
Net income attributable to ordinary investment units (thousands of yen)	2,271,196	2,238,265
Average number of units during the fiscal period (units)	690,000	690,000

(Note) FRC implemented a 5-for-1 split of its investment units with March 1, 2014 as the effective date. Accordingly, the average number of units during the fiscal period has been calculated on the assumption that the split of investment units was conducted at the beginning of the 18th fiscal period.

## (Notes to distribution information)

(thousands of yen)

Account	18th fiscal period March 1, 2013 to August 31, 2013	19th fiscal period September 1, 2013 to February 28, 2014
I. Unappropriated surplus	2,271,226	2,238,288
II. Total dividend [Dividend per unit]	2,271,204 [16,458 yen]	2,238,222 [16,219 yen]
III. Surplus brought forward	22	66
Method for calculating dividends	<p>The amount of dividends shall be decided in accordance with the dividend policy stipulated in Article 38-1-1 of FRC's Articles of Incorporation and shall exceed 90% of FRC's distributable profits as stipulated in Article 67-15 of the Act on Special Taxation Measures.</p> <p>Following the above policy, FRC proposed to distribute 2,271,204 thousand yen, which is almost the entire amount of unappropriated surplus, as earnings dividends. Moreover, dividend in excess of earnings as stipulated in Article 38-2 of FRC's Articles of Incorporation will not be provided.</p>	<p>The amount of dividends shall be decided in accordance with the dividend policy stipulated in Article 38-1-1 of FRC's Articles of Incorporation and shall exceed 90% of FRC's distributable profits as stipulated in Article 67-15 of the Act on Special Taxation Measures.</p> <p>Following the above policy, FRC proposed to distribute 2,238,222 thousand yen, which is almost the entire amount of unappropriated surplus, as earnings dividends. Moreover, dividend in excess of earnings as stipulated in Article 38-2 of FRC's Articles of Incorporation will not be provided.</p>

(Note) Amounts other than the amounts of dividend per unit are rounded down to the nearest thousand yen.

## (Notes to significant subsequent events)

FRC implemented a 5-for-1 split of its investment units with February 28, 2014 and March 1, 2014 as the record date and the effective date, respectively.

### I. Purpose of split

FRC implemented the split of investment units in order to establish an environment where investors can invest with ease as well as to further widen FRC's investors base and increase the liquidity of FRC's investment units by decreasing the per price of investment units in light of the introduction of the Japanese version of the Individual Saving Account (NISA) on January 1, 2014.

### II. Method of split

FRC implemented a 5-for-1 split of its investment units held by its unitholders stated or recorded on that date's final unitholder registry, with February 28, 2014 as the record date.

### III. Increase in the number of investment units through split, etc.

- 1) Number of FRC investment units outstanding before split: 138,000 units
- 2) Increase in number of investment units through split: 552,000 units
- 3) Number of FRC investment units outstanding after split: 690,000 units
- 4) Total number of investment units authorized after split: 10,000,000 units



## (Schedule of property, plant and equipment, and intangible assets)

The following table provides the contract amount of specific transaction by FRC and the status of its fair value as of February 28, 2014.

(thousands of yen)

Type of asset		Balance as of September 1, 2013	Increase	Decrease	Balance as of February 28, 2014	Accumulated depreciation	Depreciation for the period	Net property and equipment	Description
Total property, plant and equipment	Buildings in trust	76,005,077	418,136	62,665	76,360,548	15,709,714	1,237,841	60,650,833	(Note)
	Structures in trust	1,158,771	28,472	–	1,187,244	413,896	32,982	773,347	(Note)
	Machinery and equipment in trust	546,092	19,603	–	565,696	199,688	20,012	366,007	(Note)
	Vehicles and transport equipment in trust	747	–	–	747	55	47	691	
	Tools and fixtures in trust	1,139,208	90,024	3,789	1,225,444	787,134	61,106	438,309	(Note)
	Land in trust	93,998,578	–	–	93,998,578	–	–	93,998,578	
	Construction in progress in trust	192,182	291,174	–	483,356	–	–	483,356	(Note)
	Subtotal	173,040,659	847,410	66,455	173,821,614	17,110,490	1,351,989	156,711,124	
Total intangible assets	Leasehold right in trust	1,765,318	–	–	1,765,318	–	–	1,765,318	
	Other intangible assets in trust	27,823	1,280	–	29,103	14,422	2,803	14,681	
	Subtotal	1,793,141	1,280	–	1,794,421	14,422	2,803	1,779,999	
Total		174,833,800	848,690	66,455	175,616,036	17,124,912	1,354,793	158,491,123	

(Note) The main increases are occurred by acquiring new properties for building in trust, structure in trust, machinery and equipment in trust, tools and fixtures in trust, land in trust.

## (Notes to status of debt)

Category	Lender	Drawdown date	Balance as of September 1, 2013	Increase	Decrease	Balance as of February 28, 2014	Average interest rate	Repayment date	Repayment method	Use of funds	Description
			(thousands of yen)	(thousands of yen)	(thousands of yen)	(thousands of yen)	(%) (Note 1)				
Current maturities of long-term debt	Sumitomo Mitsui Banking Corporation	June 30, 2010	2,000,000	–	2,000,000	–	1.030	December 30, 2013	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Mizuho Bank	July 30, 2010	2,600,000	–	–	2,600,000	1.410	July 31, 2014	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Norinchukin Bank		4,000,000	–	–	4,000,000					
	The Hiroshima Bank		1,400,000	–	–	1,400,000					
	The Kitakyushu Bank		800,000	–	–	800,000					
	The Iyo Bank		500,000	–	–	500,000					
	The Bank of Saga		500,000	–	–	500,000					
	The Higo Bank		300,000	–	–	300,000					
	The Shinwa Bank		200,000	–	–	200,000					
	Development Bank of Japan	August 31, 2009	4,000,000	–	–	4,000,000	1.710	August 29, 2014	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Resona Bank	September 30, 2010	–	300,000	–	300,000	1.325	September 30, 2014	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Subtotal		16,300,000	300,000	2,000,000	14,600,000					

Category	Lender	Drawdown date	Balance as of September 1, 2013 (thousands of yen)	Increase (thousands of yen)	Decrease (thousands of yen)	Balance as of February 28, 2014 (thousands of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
Development Bank of Japan	August 31, 2009	4,000,000	–	–	4,000,000	1.950	August 31, 2015	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Development Bank of Japan	August 31, 2009	4,000,000	–	–	4,000,000	2.170	August 31, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Sumitomo Mitsui Banking Corporation	June 30, 2010	1,200,000	–	–	1,200,000	1.127	June 30, 2015	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Resona Bank	September 30, 2010	300,000	–	3,000,000	–	1.325	September 30, 2014	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Bank of Fukuoka	December 30, 2010	1,500,000	–	–	1,500,000	0.677	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Bank of Fukuoka	March 1, 2011	2,000,000	–	–	2,000,000	0.675	February 29, 2016	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee	
The Nishi-Nippon City Bank	March 1, 2011	2,000,000	–	–	2,000,000	0.774	February 29, 2016	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee	
Development Bank of Japan	March 1, 2011	2,000,000	–	–	2,000,000	0.825	February 29, 2016	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee	
The Bank of Fukuoka	July 29, 2011	2,000,000	–	–	2,000,000	1.305	July 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Nishi-Nippon City Bank	July 29, 2011	2,000,000	–	–	2,000,000	1.305	July 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Dai-ichi Life Insurance Company	July 29, 2011	1,000,000	–	–	1,000,000	1.800	July 31, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Shinsei Bank	July 29, 2011	1,000,000	–	–	1,000,000	1.208	July 29, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Sumitomo Mitsui Trust Bank	July 29, 2011	1,000,000	–	–	1,000,000	1.041	July 31, 2015	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Bank of Fukuoka	December 30, 2011	1,500,000	–	–	1,500,000	0.827	December 30, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Hiroshima Bank	December 30, 2011	500,000	–	–	500,000	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Oita Bank	December 30, 2011	500,000	–	–	500,000	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Eighteenth Bank	December 30, 2011	500,000	–	–	500,000	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Shinwa Bank	December 30, 2011	500,000	–	–	500,000	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Kitakyushu Bank	December 30, 2011	500,000	–	–	500,000	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Kagoshima Bank	January 31, 2012	100,000	–	–	100,000	1.168	January 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Resona Bank	January 31, 2012	400,000	–	–	400,000	1.218	January 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Sumitomo Mitsui Banking Corporation	January 31, 2012	500,000	–	–	500,000	1.338	January 31, 2019	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Mizuho Bank	February 29, 2012	500,000	–	–	500,000	1.117	February 29, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Mitsubishi UFJ Trust and Banking Corporation	March 1, 2012	2,000,000	–	–	2,000,000	1.170	March 31, 2017	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee	
Sumitomo Mitsui Banking Corporation	March 30, 2012	500,000	–	–	500,000	1.203	March 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Resona Bank	March 30, 2012	600,000	–	–	600,000	1.253	March 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Higo Bank	March 30, 2012	300,000	–	–	300,000	1.203	March 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Bank of Fukuoka	June 29, 2012	1,000,000	–	–	1,000,000	0.858	June 30, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Nishi-Nippon City Bank		1,000,000	–	–	1,000,000						
The Oita Bank		700,000	–	–	700,000						
The Miyazaki Bank		700,000	–	–	700,000						
The Shinwa Bank		600,000	–	–	600,000						
The Iyo Bank		500,000	–	–	500,000						
The Bank of Saga		500,000	–	–	500,000						
The Kitakyushu Bank		500,000	–	–	500,000						

Category	Lender	Drawdown date	Balance as of September 1, 2013 (thousands of yen)	Increase (thousands of yen)	Decrease (thousands of yen)	Balance as of February 28, 2014 (thousands of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
Resona Bank	September 28, 2012	2,000,000	—	—	2,000,000	1.033	September 29, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Nishi-Nippon City Bank	February 1, 2013	2,500,000	—	—	2,500,000	0.725	February 29, 2020	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee	
The Nishi-Nippon City Bank	February 28, 2013	1,900,000	—	—	1,900,000	0.725	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Mizuho Bank	February 28, 2013	1,700,000	—	—	1,700,000	0.725	February 29, 2020	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Sumitomo Mitsui Trust Bank	February 28, 2013	1,100,000	—	—	1,100,000	0.775	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Mitsubishi UFJ Trust and Banking Corporation	February 28, 2013	1,500,000	—	—	1,500,000	0.575	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Aozora Bank	February 28, 2013	600,000	—	—	600,000	0.575	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Mitsubishi UFJ Trust and Banking Corporation	March 29, 2013	600,000	—	—	600,000	0.577	March 30, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Aozora Bank	June 28, 2013	1,000,000	—	—	1,000,000	0.627	June 30, 2020	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Subtotal			54,800,000	—	375,000	54,425,000					
<b>Total</b>			<b>71,100,000</b>	<b>300,000</b>	<b>2,375,000</b>	<b>69,025,000</b>					

(Note 1) The average interest is a weighted-average figure during the fiscal period and is rounded to the third decimal place. Furthermore, the average interest of debt for which FRC conducted interest rate swap transactions is the weighted-average figure during the fiscal period taking into consideration the effect of interest rate swap.

(Note 2) The debt is subject to repayment of 75 million yen on the final day of every 6 months following the final day of December 2009 as the initial repayment date, with 1,875 million yen to be repaid on the final repayment date. Furthermore, as the 150 million yen scheduled for repayment within a year is included in Long-term debt for the convenience of comparison, the balances do not match the figures recorded in the balance sheets as Current maturities of long-term debt and Long term debt.

(Note 3) Amount of repayment of long-term debt scheduled to be due within 5 years after closing of accounts.

(thousands of yen)

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term debt	12,850,000	10,250,000	23,875,000	2,100,000

## (Note to Status of investment corporation bonds)

As of February 28, 2014, FRC has the following investment corporation bonds outstanding.

Issue	Issue date	Balance as of September 1, 2013 (thousands of yen)	Decrease during the fiscal period (thousands of yen)	Balance as of February 28, 2014 (thousands of yen)	Coupon (%)	Maturity date	Maturity method	Use	Description
First Series of Unsecured Bonds	December 30, 2013	—	—	2,000,000	1.32	December 29, 2023	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)

(Note 1) The Bonds may be repurchased and cancelled by FRC at any time on and after the date following the payment date, unless otherwise determined by the book-entry transfer agent.

(Note 2) The bonds are subject to the limited pari passu clause among specified investment corporation bonds.



**Fukuoka REIT Corporation**