

21st Fiscal Period
Report on Performance and
Management Status (Semiannual Report)
September 1, 2014 to February 28, 2015



Fukuoka REIT
Corporation

8968

Fukuoka REIT Corporation
2-25, 1-Chome, 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 your continued support of Fukuoka REIT Corporation (FRC).

We are pleased to report on the performance results and management status of FRC for the 21st fiscal period (September 1, 2014 to February 28, 2015).

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 consistent growth and achieved stable performance through the support of our unitholders and sponsor companies.

During the fiscal period under review, the Japanese economy remained on course for a modest recovery despite weakness observed in consumer spending and other aspects. Looking ahead, with the employment and income environment continuing to improve, the economy is expected to keep recovering moderately thanks to a drop in crude oil prices as well as various political measures proving effective. In the Fukuoka and Kyushu area, the core investment target area for FRC, the economy was also on track for a modest recovery, with public investment kept at a high level and capital investment steadily picking up due to the consistently improving employment and income environment, although consumer spending remained somewhat weak in certain areas.

As for land price trends, the national average over the past year from January 2014 decreased at a slower pace for residential land and shifted from a decrease to a leveling-off for commercial land for the first time in seven years, according to the Land Price Survey announced in March 2015. In Fukuoka City, the central area of FRC's investment targets, land prices continued rising for the third consecutive year, recording a year-on-year increase of 3.8% for commercial land and 2.2% for residential land.

Under such circumstances, Canal City Hakata, FRC's flagship property, continued to generate sales surpassing the forecast, boosted by demand from inbound foreign tourists and other factors. Other existing properties also operated solidly under our management, leading to the average occupancy rate of all properties FRC owns to be 99.6% at the end of the 21st fiscal period. Moreover, in November 2014, we acquired a rental condominium located in the Yakuin/Hirao area, one of the most popular residential areas in Fukuoka City, for 1.1 billion yen, which expanded our assets under management to 165.7 billion yen (based on acquisition price).

As a result of these management endeavors, net income for the fiscal period surpassed the forecast, bringing the dividend per unit to 3,435 yen.

Going forward, FRC will continue to exert its strengths as a REIT specializing in regional properties and quickly respond to market changes, while receiving the 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 at FRC are also resolved to pursue our mission of maximizing investor interests based on our management philosophy of "Act Local, Think Global."

We greatly appreciate your continued support and cooperation.



Etsuo Matsuyuki
CEO & Representative Director
Fukuoka REIT Corporation

[Notice] New Property Acquisitions and Issuance of New Investment Units (Including Plans) ^(Note 1)

- On March 27, 2015, FRC acquired LOGIPOINT Island-city Hakata.
- On April 8, 2015, FRC announced "Fukuoka REIT Concludes Agreement to Purchase a New Retail Property" ^(Note 2) and "Notice on Issuance of New Investment Units."

The issuance of new investment units will mark the first capital increase for FRC since March 2013. FRC will continue its endeavors to expand the size of assets under management, which should contribute to maximizing investor interests.

(Note 1) This notice is based on the information available as of April 8, 2015.

(Note 2) This refers to the press release concerning acquisition of Marina City Fukuoka (Marina Side Building).

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Financial Summary

● Financial Highlights for 21st Fiscal Period (ended February 2015)

Dividend per unit came to 3,435 yen, surpassing the forecast by 85 yen.

Category	(unit)	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)	20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
Operating revenues	mm yen	7,200	7,565	7,574	7,779	7,789
Leasing NOI (Note 1)	mm yen	4,444	4,751	4,732	4,800	4,829
Depreciation and amortization expenses	mm yen	1,268	1,343	1,354	1,387	1,390
Operating income	mm yen	2,622	2,848	2,801	2,824	2,860
Ordinary income	mm yen	2,005	2,272	2,239	2,263	2,370
Net income	mm yen	2,004	2,271	2,238	2,262	2,369
Dividend per unit (Note 2)	yen	16,289	16,458	16,219	3,278	3,435
Total number of investment units outstanding (at end of period) (Note 2)	units	123,050	138,000	138,000	690,000	690,000
Total assets (at end of period)	mm yen	160,574	167,857	167,492	167,824	167,369
Total net assets (at end of period)	mm yen	71,182	81,712	81,679	81,703	81,811
Days in fiscal period	days	181	184	181	184	181
Number of investment properties at end of period	properties	20	23	23	24	25
Number of tenants (at end of period) (Note 3)		751	886	868	894	1,003
Total leasable floor space (at end of period)	m ²	448,867.34	466,824.38	466,087.01	475,682.05	478,197.10
Occupancy rate (at end of period) (Note 4)	%	99.3	98.8	98.1	99.3	99.6

(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 22nd and 23rd Fiscal Periods

FRC expects dividend per unit to grow even after the capital increase through issuance of new investment units.

Category	(unit)	21st fiscal period (September 1, 2014 to February 28, 2015) Results	22nd fiscal period (March 1, 2015 to August 31, 2015) Forecast	23rd fiscal period (September 1, 2015 to February 29, 2016) Forecast
Operating revenues	mm yen	7,789	8,163	8,204
Leasing NOI (Note)	mm yen	4,829	5,159	5,174
Depreciation and amortization expenses	mm yen	1,390	1,471	1,497
Operating income	mm yen	2,860	3,086	3,063
Ordinary income	mm yen	2,370	2,578	2,585
Net income	mm yen	2,369	2,577	2,584
Dividend per unit	yen (1)	3,435	–	–
Latest dividend forecast per unit	yen (2)	3,350	3,450	3,460
Difference from forecast	yen (1)-(2)	+85	–	–
Total number of investment units outstanding (at end of period)	units	690,000	747,000	747,000

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

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

● Financial Highlights

Total assets	167.3 bn yen (as of February 28, 2015)	Credit ratings	S&P	A-	(Stable)
Total debt	70.7 bn yen (as of February 28, 2015)		R&I	A+	(Stable)
LTV (Total debt / Total assets)	42.3% (as of February 28, 2015)		JCR	AA-	(Stable)

● Investment Unit Price

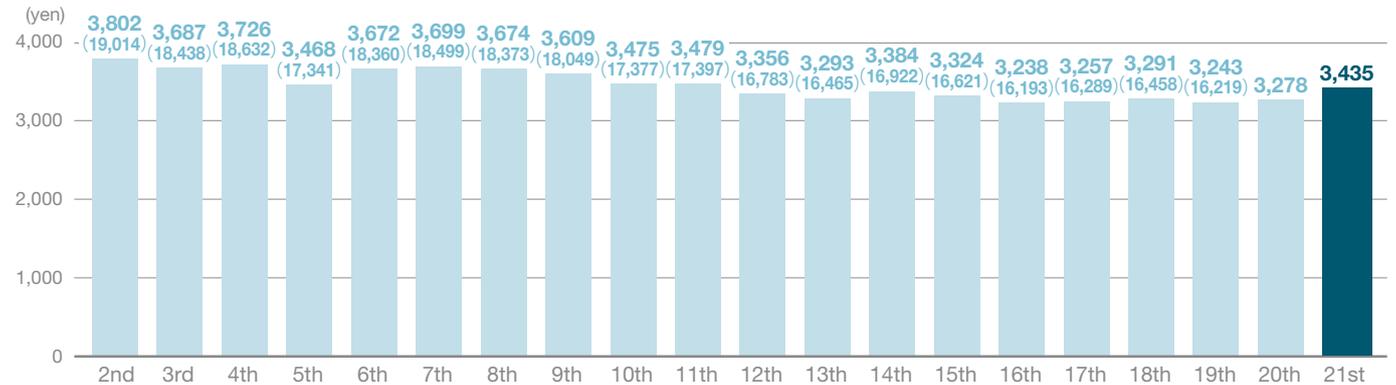
Investment unit price	227,000 yen	(as of February 28, 2015)
Total number of investment units outstanding	690,000 units	(as of February 28, 2015)
Market capitalization	156.6 bn yen	(Unit price × Units outstanding) (as of February 28, 2015)
Net assets per unit	118,567 yen	(as of February 28, 2015)
Market net assets per unit (Note)	139,486 yen	(as of February 28, 2015)

(Note) 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

Profile

● Dividend Performance

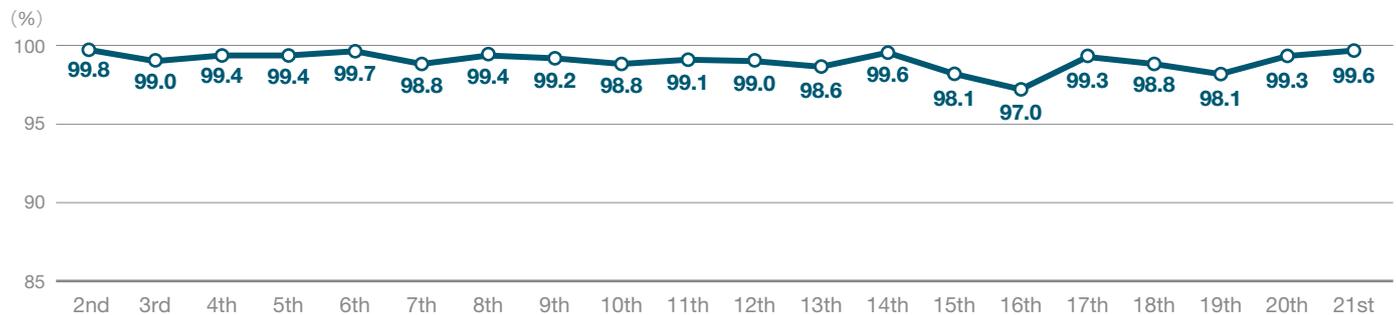
21st fiscal period end	February 28, 2015 (semiannual periods ending every February and August)	21st fiscal period days	181 days
21st fiscal period dividend	3,435 yen per unit	Dividend yield	3.1% [(Dividend / Days × 365) / Unit price (as of February 28, 2015)]



(Note) Dividend per unit indicates the value after the 5-for-1 split. Figures in parentheses indicate the value before the 5-for-1 split.

● 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: 2-25, 1-Chome, Sumiyoshi,
Hakata Ward, Fukuoka
City

TEL: +81-92-272-3900

Established: December 26, 2003

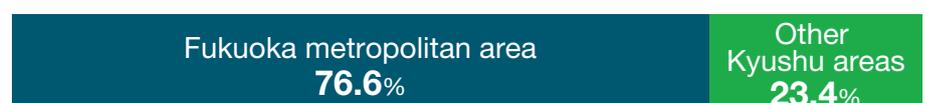
Capital: 200,000,000 yen

● Portfolio (Note)

Investment type (based on acquisition price)



Investment area (based on acquisition price)



Total leasable floor space

478,197.10m²

Occupancy rate at end of period

99.6%

(Note) Figures are based on properties owned as of February 28, 2015.

Highlights of the Latest Offering

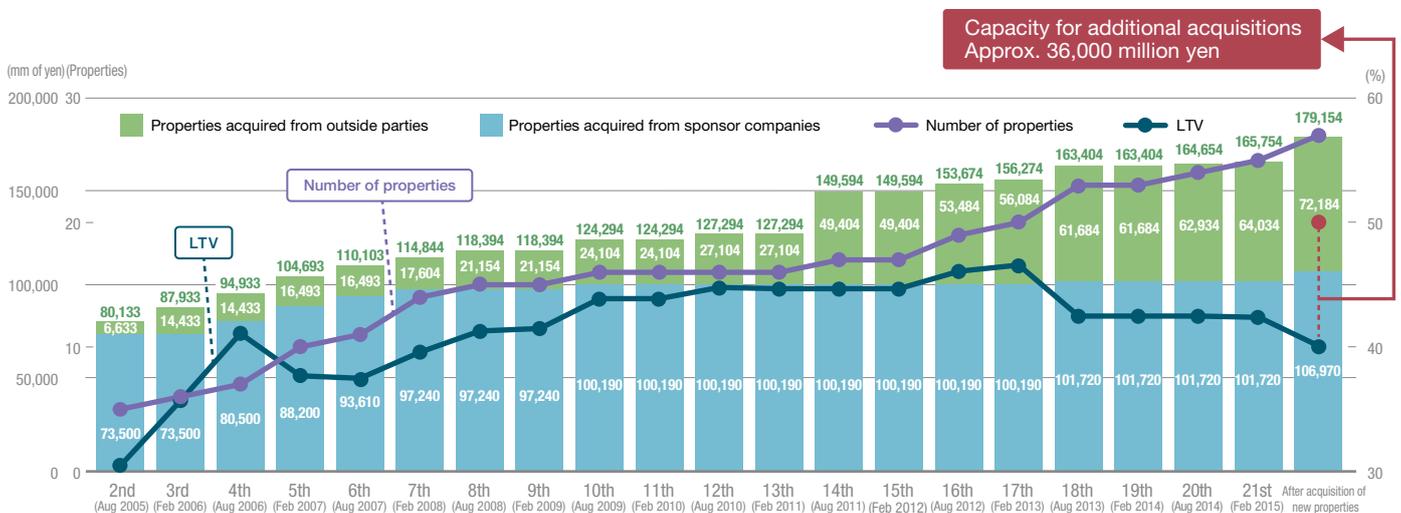
- 1 Realizing solid growth of assets under management through acquisitions of selected blue-chip properties
- 2 Achieving external growth by taking advantage of the sponsor pipelines and local networks
- 3 Maintaining and increasing dividends stably and maximizing investor interests
- 4 Securing stable financial standing

Portfolio at End of August 2014			Acquisition of New Properties			Portfolio after Acquisition of New Properties		
Number of properties	Acquisition price	Appraisal value (Note 1)	Number of properties	Acquisition price	Appraisal value (Note 2)	Number of properties	Acquisition price	Appraisal value (Note 3)
24 properties	164,654 million yen	172,491 million yen	3 properties	14,500 million yen	14,640 million yen	27 properties	179,154 million yen	187,131 million yen

(Note 1) The appraisal value as of the end of February 2015 is indicated.

(Note 2) The total of the appraisal values upon acquisition of the two properties acquired in the 22nd fiscal period and the appraisal value as of the end of February 2015 of the property acquired in the 21st fiscal period is indicated.

(Note 3) The total of the appraisal values of properties in the Portfolio at End of August 2014 and Acquisition of New Properties is indicated.



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

* Higashi Hie Business Center, acquired in the 10th fiscal period, was acquired both from an outside party and a sponsor. Accordingly, its acquisition price has been divided equally and added to the acquisition price of assets acquired from outside parties and acquired from sponsor companies, respectively.

* As the senior equity interest in an anonymous partnership managed by CCH Bridge Y.K. was redeemed in the 14th fiscal period, it is excluded from total acquired assets from the 14th fiscal period onward.

* Assets acquired from sponsor companies include properties acquired through arrangements made by the sponsor companies.

Acquisition of New Properties

FRC has acquired three properties, all of which are located in the Fukuoka urban area, its major investment target area.

Total acquisition price	14,500 million yen			Total appraisal value	14,640 million yen		
Property name	Acquired in the 21st period Granfore Yakuin Minami		Acquired in the 22nd period LOGIPORT Island-city Hakata	Acquired in the 22nd period Marinoa City Fukuoka (Marina Side Building)			
External view of property							
Investment type	Others		Others	Retail			
Acquisition price	1,100 million yen		8,150 million yen	5,250 million yen			
Appraisal value	1,190 million yen (Note)		8,180 million yen	5,270 million yen			
Location	1-Chome, Hirao, Chuo Ward, Fukuoka City		2-Chome, Minato Kashii, Higashi Ward, Fukuoka City	1-Chome, Odo, Nishi Ward, Fukuoka City			
Acquisition date	November 4, 2014		March 27, 2015	May 1, 2015			
Seller	Outside party		Outside party	Sponsor			

(Note) The appraisal value as of the end of February 2015 is indicated.

II. Semiannual Report

Overview of Asset Management

1. Changes in operating results and financial position

Fiscal Period		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)	20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
Operating revenues	mm yen	7,200	7,565	7,574	7,779	7,789
[Leasing business revenues]	mm yen	[7,200]	[7,565]	[7,574]	[7,779]	[7,789]
Operating expenses	mm yen	4,578	4,716	4,773	4,955	4,928
[Expenses related to leasing business]	mm yen	[4,025]	[4,157]	[4,197]	[4,366]	[4,350]
Operating income	mm yen	2,622	2,848	2,801	2,824	2,860
Ordinary income	mm yen	2,005	2,272	2,239	2,263	2,370
Net income	(a) mm yen	2,004	2,271	2,238	2,262	2,369
Total assets	(b) mm yen	160,574	167,857	167,492	167,824	167,369
[Change from previous period]	%	[0.6]	[4.5]	[(0.2)]	[0.2]	[(0.3)]
Net assets	(c) mm yen	71,182	81,712	81,679	81,703	81,811
[Change from previous period]	%	[0.0]	[14.8]	[(0.0)]	[0.0]	[0.1]
Unitholders' equity	mm yen	69,177	79,441	79,441	79,441	79,441
Total number of investment units outstanding	(d) units	123,050	138,000	138,000	690,000	690,000
Net assets per unit	(c)/(d) (Note 3) yen	578,480	592,119	118,376	118,410	118,567
Total dividend	(e) mm yen	2,004	2,271	2,238	2,261	2,370
Dividend per unit	(e)/(d) yen	16,289	16,458	16,219	3,278	3,435
[Earnings dividend per unit]	yen	[16,289]	[16,458]	[16,219]	[3,278]	[3,435]
[Dividend in excess of earnings per unit]	yen	[-]	[-]	[-]	[-]	[-]
Ratio of ordinary income to total assets	(Note 4) %	1.3 [2.5]	1.4 [2.7]	1.3 [2.7]	1.3 [2.7]	1.4 [2.9]
Return on net assets	(Note 4) %	2.8 [5.7]	3.0 [5.9]	2.7 [5.5]	2.8 [5.5]	2.9 [5.8]
Ratio of net assets to total assets	(c)/(b) %	44.3	48.7	48.8	48.7	48.9
[Change from previous period]	%	[(0.3)]	[4.4]	[0.1]	[(0.1)]	[0.2]
Payout ratio	(e)/(a) %	100.0	100.0	100.0	100.0	100.0
[Other reference information]						
Number of investment properties at end of period	properties	20	23	23	24	25
Total leasable floor space at end of period	m ²	448,867.34	466,824.38	466,087.01	475,682.05	478,197.10
Occupancy rate at end of period	%	99.3	98.8	98.1	99.3	99.6
Depreciation and amortization expenses	mm yen	1,268	1,343	1,354	1,387	1,390
Capital expenditures	mm yen	431	612	848	740	328
Leasing NOI	(Note 4) mm yen	4,444	4,751	4,732	4,800	4,829
Days in fiscal period	days	181	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 19th 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 regionality, characteristics in the real estate industry, into strengths.

FRC started asset management activities on November 9, 2004 after acquisition of four properties such as 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 21st fiscal period (February 28, 2015), FRC manages a total of 25 properties comprising ten Retail, seven Office buildings and eight Others.

(2) Investment environment and portfolio performance

During the 21st fiscal period, the Japanese economy remained on course for a modest recovery despite weakness observed in consumer spending and other aspects. Looking ahead, with the employment and income environment continuing to improve, the economy is expected to keep recovering thanks to a drop in crude oil prices as well as various political measures proving effective. In the Fukuoka and Kyushu area, the core investment target area for FRC, the economy was also on track for a modest recovery, with public investment kept at a high level and capital investment steadily picking up due to the consistently improving employment and income environment, although consumer spending remained somewhat weak in certain areas.

As for land price trends, the national average over the past year from January 2014 decreased at a slower pace for residential land and shifted from a decrease to a leveling-off for commercial land for the first time in seven years, according to the Land Price Survey 2015. In Fukuoka City, the central area of FRC’s investment targets, land prices continued rising at an accelerated rate for the third consecutive year, recording a year-on-year increase of 3.8% for commercial land and 2.2% for residential land.

Under such circumstances, FRC focused on stringently selective investment in accordance with its investment policy. This led to the acquisition of Granfore Yakuin Minami (acquisition price: 1,100 million yen) on November 4, 2014. For existing properties, FRC continued its efforts to reinforce competitive advantages and customer drawing ability at 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 99.6% at the end of the 21st 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 76.6%; when analyzing by property type, Retail, Office buildings, and Others accounted for 62.3%, 29.3% and 8.4%, respectively.

(3) Summary of fundraising

In the 21st fiscal period, FRC refinanced 500 million yen in short-term debt that matured in September 2014 for the same amount in debt that matures in five years. As a result, the balance of interest-bearing debt outstanding (including the investment corporation bonds) at the end of the 21st fiscal period totaled 70,775 million yen, with the loan-to-value ratio (ratio of interest-bearing debt (including the investment corporation bonds) to total assets) at 42.3%. In addition, FRC concluded an interest rate swap agreement (notional principal of 2,500 million yen) on February 25, 2015. This brought the ratio of fixed-interest rate debt (including investment corporation bonds) at the end of the fiscal period to 75.7%. Going forward, FRC will continue its efforts to reduce refinancing risks by dispersing the debt repayment dates and increasing the average length of time until debt maturity, and to mitigate risks of rising interest rates by shifting to fixed-interest rate borrowings and through other measures.

Furthermore, FRC made a resolution as of April 8, 2015 on the issuance of new investment units (57,000 units) in order to procure funds for acquiring a new specified asset.

Overview of Asset Management

Moreover, the credit ratings assigned to FRC as of the end of the 21st fiscal period are as follows:

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 7,789 million yen and operating income after excluding operating expenses such as expenses related to rent business and asset management fees totaled 2,860 million yen. Ordinary income was 2,370 million yen and net income was 2,369 million yen.

Management decided to make a dividend of 3,435 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 21st fiscal period are as follows:

Date	Item	Number of investment units issued (units)		Unitholders' capital (mm 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)
March 1, 2014	Split of investment units	552,000	690,000	—	79,441	(Note 8)

(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 purchase 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.

(Note 8) FRC implemented a 5-for-1 split of its investment units.

[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	17th fiscal period (September 1, 2012 to February 28, 2013)	18th fiscal period (March 1, 2013 to August 31, 2013)	19th fiscal period (before ex rights) (September 1, 2013 to February 28, 2014)	19th fiscal period (after ex rights) (Note 2) (September 1, 2013 to February 28, 2014)	20th fiscal period (Note 2) (March 1, 2014 to August 31, 2014)	21st fiscal period (Note 2) (September 1, 2014 to February 28, 2015)
Highest	769,000 yen	893,000 yen	868,000 yen	171,400 yen	199,000 yen	244,400 yen
Lowest	536,000 yen	704,000 yen	708,000 yen	171,000 yen	157,100 yen	186,200 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.

Overview of Asset Management

4. Results of dividend, etc.

With respect to the dividend for the 21st 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 3,435 yen.

(thousands of yen)

Fiscal period	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)	20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
Unappropriated surplus	2,004,391	2,271,226	2,238,288	2,262,134	2,370,187
Undistributed earnings	29	22	66	314	37
Total dividends [Dividend per unit]	2,004,361 [16,289 yen]	2,271,204 [16,458 yen]	2,238,222 [16,219 yen]	2,261,820 [3,278 yen]	2,370,150 [3,435 yen]
Earnings dividends [Earnings dividend per unit]	2,004,361 [16,289 yen]	2,271,204 [16,458 yen]	2,238,222 [16,219 yen]	2,261,820 [3,278 yen]	2,370,150 [3,435 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 continue to 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 merits 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 21st fiscal period

No relevant items.

(Reference Information)

FRC made a resolution at its Board of Directors meeting held on April 8, 2015 to issue new investment units (57,000 units) in order to procure funds to acquire a new specified asset.

Overview of the Investment Corporation

1. Summary of unitholders' capital

Fiscal period	17th fiscal period as of February 28, 2013	18th fiscal period as of August 31, 2013	19th fiscal period as of February 28, 2014	20th fiscal period as of August 31, 2014	21st fiscal period as of February 28, 2015
Total number of authorized investment units	2,000,000 units	2,000,000 units	2,000,000 units	10,000,000 units	10,000,000 units
Total number of investment units outstanding	123,050 units	138,000 units	138,000 units	690,000 units	690,000 units
Number of unitholders	7,495	8,470	7,156	7,386	7,350

2. Matters related to investment units

The following table sets forth the major unitholders of FRC as of February 28, 2015.

Name	Investment units held (units)	Percentage of total number of investment units outstanding (%) (Note)
Japan Trustee Service Bank, Ltd. (Trust account)	223,480	32.38
Fukuoka Jisho Co., Ltd.	64,775	9.38
Trust & Custody Service Bank, Ltd. (Securities investment trust account)	37,390	5.41
The Master Trust Bank of Japan, Ltd. (Trust account)	35,296	5.11
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	26,583	3.85
MetLife, Inc.	17,045	2.47
Kazuhiko Enomoto	11,985	1.73
Shikoku Railway Company	9,130	1.32
Trust & Custody Service Bank, Ltd. (Cash in trust taxable account)	8,741	1.26
Joyo Bank, Ltd.	8,570	1.24
Total	442,995	64.20

(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 21st fiscal period are as follows:

Title	Name of directors, etc.	Major concurrent assignments	Total fee for each title for the 21st fiscal period (thousands of yen) (Note 2)
CEO and Representative Director	Etsuo Matsuyuki	CEO and Representative Director, 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	—	8,700

(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 21st fiscal period, and the fee to the Independent Auditor is the amount payable to it (estimate) for audits pertaining to the 21st fiscal period.

(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 21st fiscal period

The following table sets forth the asset management company, asset custodian and general administrators of FRC as of February 28, 2015.

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)	20th fiscal period as of August 31, 2014		21st fiscal period as of February 28, 2015	
			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	65,853	39.2	65,542	39.2
		Other Kyushu areas	36,183	21.6	35,885	21.4
	Office buildings	Fukuoka urban area	44,622	26.6	44,259	26.4
		Other Kyushu areas	—	—	—	—
	Others	Fukuoka urban area	9,679	5.8	10,799	6.5
		Other Kyushu areas	2,791	1.7	2,759	1.6
Deposits and other assets			8,695	5.2	8,123	4.9
Total amount of assets (Note 4)			167,824 [159,128]	100.0 [94.8]	167,369 [159,265]	100.0 [95.2]

(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 sheets (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, 2015.

Real estate property name (Note 1)	Book value (mm of yen)	Total leasable floor space (m ²)	Total leased floor space (m ²)	Occupancy rate (%) (Note 2)	Percentage of total leasing business revenue (%) (Note 3)	Main use
Canal City Hakata	30,784	46,483.22	46,483.22	100.0	15.8	Retail
Canal City Hakata-B	28,398	68,806.12	68,806.12	100.0	20.6	Retail
Park Place Oita	17,599	109,603.80	109,281.06	99.7	15.2	Retail
SunLive City Kokura	6,006	61,450.22	61,450.22	100.0	3.8	Retail
Square Mall Kagoshima Usuki	4,701	14,602.88	14,602.88	100.0	3.3	Retail
Kumamoto Intercommunity SC	2,120	6,968.66	6,968.66	100.0	1.2	Retail
AEON Hara Shopping Center	5,316	27,313.53	27,313.53	100.0	2.7	Retail
Hanahata SC	1,043	2,801.15	2,801.15	100.0	0.5	Retail
Kurume Higashi Kushiwara SC	2,227	6,467.80	6,467.80	100.0	1.1	Retail
K's Denki Kagoshima	3,228	7,296.17	7,296.17	100.0	1.4	Retail
Retail subtotal:	101,427	351,793.55	351,470.81	99.9	65.6	
Canal City Business Center Building	13,635	23,030.44	23,030.44	100.0	8.0	Office building
Gofukumachi Business Center	9,578	19,905.34	19,802.20	99.5	6.4	Office building
Sanix Hakata Building	4,059	6,293.76	6,293.76	100.0	2.5	Office building
Taihaku Street Business Center	6,498	14,677.27	14,601.45	99.5	3.8	Office building
Higashi Hie Business Center	5,009	13,695.51	13,518.89	98.7	4.3	Office building
Tenjin Nishi-Dori Center Building	2,711	3,339.32	3,339.32	100.0	1.1	Office building
Tenjin North Front Building	2,766	5,252.38	5,252.38	100.0	1.7	Office building
Office buildings subtotal:	44,259	86,194.02	85,838.44	99.6	27.7	
Amex Akasakamon Tower	1,826	4,821.25	4,755.14	98.6	0.8	Others
City House Keyaki Dori	999	2,710.86	2,635.91	97.2	0.5	Others
Aqualia Kego	2,707	7,415.36	6,981.74	94.2	1.5	Others
Aqualia Chihaya	1,241	5,619.69	5,520.03	98.2	0.7	Others
D-Wing Tower	2,828	7,187.58	6,796.62	94.6	1.5	Others
Hotel FORZA Oita	1,480	5,785.44	5,785.44	100.0	0.8	Others
Tosu Logistics Center	1,279	4,173.29	4,173.29	100.0	0.5	Others
Granfore Yakuin Minami	1,195	2,496.06	2,346.46	94.0	0.3	Others
Others subtotal:	13,559	40,209.53	38,994.63	97.0	6.6	
Total	159,246	478,197.10	476,303.88	99.6	100.0	

(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, 2015.

Real estate property name	Location	Form of ownership	Total leasable floor space (m ²)	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	46,483.22	32,600	30,784	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata-B	2-1, 1-Chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	68,806.12	29,300	28,398	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	1, 2-Chome, Koen Dori Nishi, Oita City	Trust beneficiary interest	109,603.80	18,131	17,599	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	7,750	6,006	Japan Real Estate Institute
Square Mall Kagoshima Usuki	2-18, 2-Chome, Usuki, Kagoshima City, Kagoshima	Trust beneficiary interest	14,602.88	5,200	4,701	Japan Real Estate Institute
Kumamoto Intercommunity SC	1-5, 1-Chome, Kozono, Higashi-Ward, Kumamoto City	Trust beneficiary interest	6,968.66	2,610	2,120	Japan Real Estate Institute
AEON Hara Shopping Center	27-52, 6-Chome, Hara, Sawara Ward, Fukuoka City	Trust beneficiary interest	27,313.53	4,540	5,316	Japan Real Estate Institute
Hanahata SC	9-12, 4-Chome, Hanahata, Minami Ward, Fukuoka City	Trust beneficiary interest	2,801.15	1,180	1,043	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	370-3 Higashi Kushiwara, Kurume City, Fukuoka	Trust beneficiary interest	6,467.80	2,660	2,227	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	4-12, Tokai-cho, Kagoshima City, Kagoshima	Trust beneficiary interest	7,296.17	3,550	3,228	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:			351,793.55	107,521	101,427	
Canal City Business Center Building	2-25, 1-Chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	23,030.44	14,500	13,635	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	10-10, Kami Gofukumachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	19,905.34	12,700	9,578	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	1-23, 2-Chome, Hakataeki Higashi, Hakata Ward, Fukuoka City	Trust beneficiary interest	6,293.76	4,860	4,059	Japan Real Estate Institute
Taihaku Street Business Center	3-21 Gokushomachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	14,677.27	6,900	6,498	Japan Real Estate Institute
Higashi Hie Business Center	1-2, 3-Chome, Higashi Hie, Hakata Ward, Fukuoka City	Trust beneficiary interest	13,695.51	6,260	5,009	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	5-28, 2-Chome, Tenjin, Chuo Ward, Fukuoka City	Trust beneficiary interest	3,339.32	2,850	2,711	Japan Real Estate Institute
Tenjin North Front Building	4-20, 4-Chome, Tenjin, Chuo Ward, Fukuoka City	Trust beneficiary interest	5,252.38	3,020	2,766	Japan Real Estate Institute
Office buildings subtotal:			86,194.02	51,090	44,259	
Amex Akasakamon Tower	4-23, 2-Chome, Maizuru, Chuo Ward, Fukuoka City	Trust beneficiary interest	4,821.25	1,810	1,826	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	16-21, 2-Chome, Kego, Chuo Ward, Fukuoka City	Trust beneficiary interest	2,710.86	1,000	999	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Kego	13-17, 2-Chome, Kego, Chuo Ward, Fukuoka City	Trust beneficiary interest	7,415.36	3,470	2,707	Japan Real Estate Institute
Aqualia Chihaya	3-12, 4-Chome, Chihaya, Higashi Ward, Fukuoka City	Trust beneficiary interest	5,619.69	1,530	1,241	Japan Real Estate Institute
D-Wing Tower	10-38, 2-Chome, Daimyo, Chuo Ward, Fukuoka City	Trust beneficiary interest	7,187.58	3,170	2,828	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	5-18, 1-Chome, Chuo-cho, Oita City	Trust beneficiary interest	5,785.44	1,610	1,480	Japan Real Estate Institute
Tosu Logistics Center	1607 Momota, Himekata-cho Aza, Tosu City	Trust beneficiary interest	4,173.29	1,290	1,279	Japan Real Estate Institute
Granfore Yakuin Minami	11-20, 1-Chome, Hirao, Chuo Ward, Fukuoka City	Trust beneficiary interest	2,496.06	1,190	1,195	Tanizawa Sogo Appraisal Co., Ltd.
Others subtotal:			40,209.53	15,070	13,559	
Total			478,197.10	173,681	159,246	

(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	20th fiscal period (March 1, 2014 to August 31, 2014)				21st fiscal period (September 1, 2014 to February 28, 2015)			
	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]	100.0	1,228	15.8	1 [48]	100.0	1,230	15.8
Canal City Hakata-B	1 [48]	99.6	1,608	20.7	1 [50]	100.0	1,607	20.6
Park Place Oita	1 [106]	100.0	1,218	15.7	1 [104]	99.7	1,183	15.2
SunLive City Kokura	1	100.0	292	3.8	1	100.0	292	3.8
Square Mall Kagoshima Usuki	12	100.0	256	3.3	12	100.0	254	3.3
Kumamoto Intercommunity SC	2	100.0	90	1.2	2	100.0	89	1.2
AEON Hara Shopping Center	1	100.0	212	2.7	1	100.0	212	2.7
Hanahata SC	2	100.0	40	0.5	2	100.0	40	0.5
Kurume Higashi Kushiwara SC	1	100.0	88	1.1	1	100.0	88	1.1
K's Denki Kagoshima	1	100.0	111	1.4	1	100.0	111	1.4
Retail subtotal:	23 [222] (Note 2)	99.9	5,149	66.2	23 [222] (Note 2)	99.9	5,111	65.6
Canal City Business Center Building	1 [61]	100.0	607	7.8	1 [61]	100.0	622	8.0
Gofukumachi Business Center	33	94.8	485	6.2	36	99.5	497	6.4
Sanix Hakata Building	18	95.9	201	2.6	19	100.0	195	2.5
Taihaku Street Business Center	1 [67]	98.4	300	3.9	1 [70]	99.5	297	3.8
Higashi Hie Business Center	1 [22]	98.7	333	4.3	1 [22]	98.7	332	4.3
Tenjin Nishi-Dori Center Building	1	100.0	86	1.1	1	100.0	86	1.1
Tenjin North Front Building	11	100.0	130	1.7	13	100.0	129	1.7
Office buildings subtotal:	66 [213] (Note 2)	98.0	2,143	27.6	72 [222] (Note 2)	99.6	2,161	27.7
Amex Akasakamon Tower	1 [61]	92.2	64	0.8	1 [66]	98.6	65	0.8
City House Keyaki Dori	1 [41]	97.8	38	0.5	1 [41]	97.2	37	0.5
Aqualia Kego	1 [121]	92.6	111	1.4	1 [123]	94.2	113	1.5
Aqualia Chihaya	1 [104]	98.9	57	0.7	1 [103]	98.2	57	0.7
D-Wing Tower	1 [130]	95.5	115	1.5	1 [131]	94.6	113	1.5
Hotel FORZA Oita	1	100.0	63	0.8	1	100.0	63	0.8
Tosu Logistics Center	1	100.0	36	0.5	1	100.0	42	0.5
Granfore Yakuin Minami	—	—	—	—	1 [93]	94.0	24	0.3
Others subtotal:	7 [459] (Note 2)	96.4	486	6.3	8 [559] (Note 2)	97.0	516	6.6
Total	96 [894] (Note 2)	99.3	7,779	100.0	103 [1,003] (Note 2)	99.6	7,789	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 for the office building and 58 for the residence in the 21st fiscal period (12 for the office building and 55 for the residence in the 20th fiscal period).

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

4. Securities incorporated in the portfolio

No relevant items.

Status of FRC's Assets under Management

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, 2015.

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)	20,500	18,500	(109)
Total		20,500	18,500	(109)

(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 have been entered under "3. Details of real estate properties in the portfolio" on page 13. There is no incorporation of other specified assets as of the end of the 21st fiscal period.

7. Status of owned assets by country and region

As of the end of the 21st fiscal period, no overseas real estate properties in countries or regions other than Japan are incorporated into FRC's portfolio.

Capital Expenditures for Owned Real Estate

1. Planned capital expenditures

The following table provides major items of capital expenditures associated with currently planned renovations, etc. 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 April 2015 to January 2016	256	–	–
Canal City Hakata-B	Hakata Ward, Fukuoka City	Common area repairs and improvements	From February 2015 to February 2016	605	11	11
Park Place Oita	Oita City, Oita	Common area repairs and improvements	From September 2015 to February 2016	115	–	–
Canal City Business Center Building	Hakata Ward, Fukuoka City	Common area repairs and improvements	From September 2015 to December 2015	26	–	–
Gofukumachi Business Center	Hakata Ward, Fukuoka City	Common area repairs and improvements	From May 2015 to February 2016	120	–	–
Taihaku Street Business Center	Hakata Ward, Fukuoka City	Common area repairs and improvements	From June 2015 to August 2015	57	–	–

Capital Expenditures for Owned Real Estate

2. Capital expenditures during the 21st fiscal period

The following table provides the overview of major construction work that was completed in the 21st fiscal period out of the capital expenditures totaling 328 million yen. Furthermore, FRC conducted construction of 552 million yen in total in the 21st fiscal period, combined with the 217 million yen in repair and maintenance expenses that were classified as expenses in accounting and 5 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	Common area repairs and improvements	November 2014	21
Canal City Hakata・B	Hakata Ward, Fukuoka City	Common area repairs and improvements	From November 2014 to February 2015	99
Park Place Oita	Oita City, Oita	Common area repairs and improvements	From November 2014 to February 2015	52
Gofukumachi Business Center	Hakata Ward, Fukuoka City	Common area repairs and improvements	February 2015	10
Tenjin Nishi-Dori Center Building	Chuo Ward, Fukuoka City	Common area repairs and improvements	From November 2014 to February 2015	33

3. Reserves for long-term repair and maintenance plans

FRC has deposited the following amounts from the cash flows generated during the 21st 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.

(millions of yen)

Fiscal period	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)	20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
Balance of deposits at beginning of period	838	350	700	700	800
Deposits during the period	350	350	–	100	–
Amounts used from deposits during the period	838	–	–	–	–
Deposits carried forward to the next period	350	700	700	800	800

Expenses and Liabilities

1. Details of expenses related to asset management

(thousands of yen)

Item	20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
(a) Asset management fees	456,040	454,652
(b) Asset custody fees	6,332	6,241
(c) Administrative service fees	51,173	47,800
(d) Directors' compensations	9,600	9,600
(e) Other operating expenses	65,200	60,246
Total	588,346	578,540

(Note) Aside from the amounts of the asset management fees shown above, 6,250 thousand yen was paid for asset management related to the acquisition of Tosu Logistics Center (with the amount included in the acquisition cost of the property) during the 20th fiscal period, and 5,500 thousand yen was paid for asset management related to the acquisition of Granfore Yakuin Minami (with the amount included in the acquisition cost of the property) during the 21st fiscal period.

2. Status of debt

As of the end of the 21st fiscal period (February 28, 2015), FRC has the following debt from respective financial institutions.

Category	Lender	Drawdown date	Balance as of September 1, 2014	Balance as of February 28, 2015	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
			(mm of yen)	(mm of yen)					
Short-term debt	The Bank of Fukuoka (Note 2)	August 25, 2014	166	–	0.496	September 25, 2014	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Resona Bank (Note 2)		33	–					
	The Nishi-Nippon City Bank (Note 2)	August 25, 2014	214	–	0.496	September 25, 2014	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Resona Bank (Note 2)		30	–					
	The Bank of Nagasaki (Note 2)		21	–					
	Oita Bank (Note 2)		21	–					
	The Bank of Saga (Note 2)		12	–					
	Subtotal		500	–					
Current maturities of long-term debt	Resona Bank	September 30, 2010	300	–	1.325	September 30, 2014	Lump-sum upon maturity	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
	Sumitomo Mitsui Banking Corporation	June 30, 2010	1,200	1,200	1.100	June 30, 2015	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	March 1, 2011	–	2,000	0.650	February 29, 2016	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	March 1, 2011	–	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	0.795	February 29, 2016	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee
	Mizuho Bank	February 29, 2012	–	500	1.117	February 29, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Subtotal		6,500	12,700					
Long-term debt	Development Bank of Japan	June 30, 2009	2,250	2,175	2.200	June 30, 2017	(Note 3)	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
	The Bank of Fukuoka	December 30, 2010	1,500	1,500	0.650	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	March 1, 2011	2,000	–	0.650	February 29, 2016	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	March 1, 2011	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	–	0.795	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

Expenses and Liabilities

Category	Lender	Drawdown date	Balance as of September 1, 2014 (mm of yen)	Balance as of February 28, 2015 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
Long-term debt	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
	The Bank of Fukuoka	December 30, 2011	1,500	1,500	0.800	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
	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	–	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
	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					
	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	0.600	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	0.697	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	0.695	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
Mizuho Bank	February 28, 2013	1,700	1,700	0.695	February 29, 2020	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Sumitomo Mitsui Trust Bank	February 28, 2013	1,100	1,100	0.745	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	0.545	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Aozora Bank	February 28, 2013	600	600	0.545	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Mitsubishi UFJ Trust and Banking Corporation	March 29, 2013	600	600	0.550	March 30, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	

Expenses and Liabilities

Category	Lender	Drawdown date	Balance as of September 1, 2014	Balance as of February 28, 2015	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
			(mm of yen)	(mm of yen)					
Long-term debt	Aozora Bank	June 28, 2013	1,000	1,000	0.600	June 30, 2020	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Mizuho Bank	July 31, 2014	200	200	0.538	July 31, 2019	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Norinchukin Bank		3,000	3,000					
	The Bank of Saga		500	500					
	Mizuho Bank	July 31, 2014	2,300	2,300	0.835	July 30, 2021	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Norinchukin Bank		1,000	1,000					
	The Hiroshima Bank		1,400	1,400					
	The Kitakyushu Bank		800	800					
	The Iyo Bank		500	500					
	The Higo Bank	300	300						
	Development Bank of Japan	August 29, 2014	4,000	4,000	1.010	August 31, 2022	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Bank of Tokyo-Mitsubishi UFJ	September 25, 2014	–	500	0.520	September 25, 2019	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
Subtotal			62,150	56,075					
Total			69,150	68,775					

(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 in order to hedge against interest rate fluctuation risks is the weighted-average figure during the fiscal period taking into consideration the effect of interest rate swaps.

(Note 2) The debts were made based on the commitment line agreements between FRC and respective banks.

(Note 3) 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 on 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, 2015, FRC has the following investment corporation bonds outstanding.

Issue	Issue date	Balance as of September 1, 2014	Decrease during the fiscal period	Balance as of February 28, 2015	Coupon (%)	Maturity date	Maturity method	Use	Description
		(mm of yen)	(mm of yen)	(mm of yen)					
First Series of Unsecured Bonds	December 30, 2013	2,000	–	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 21st Fiscal Period

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

Asset type	Name of real estate	Acquisition		Sale			
		Acquisition date	Acquisition price (mm of yen)	Transfer date	Sale price (mm of yen)	Book value (mm of yen)	Gain or loss on sale (mm of yen)
Real estate in trust	Granfore Yakuin Minami	November 4, 2014	1,100	–	–	–	–

(Note) The acquisition price refers to the amount (purchasing price shown on the purchasing contract) not including expenses for the acquisition of the relevant property (transaction brokerage fees and taxes and other public charges, etc.).

Acquisitions and Sales during the 21st Fiscal Period

2. Acquisition and sale of other assets

No relevant items.

3. Survey on prices of specified assets, etc.

(1) Real estate, etc.

Acquisition or sale	Property name	Asset type	Transaction date	Acquisition price or sale price (Note 1) (mm of yen)	Real estate appraisal value (Note 2) (mm of yen)	Real estate appraiser	Appraisal date
Acquisition	Granfore Yakuin Minami	Real estate in Trust	November 4, 2014	1,100	1,170	Tanizawa Sogo Appraisal Co., Ltd	September 1, 2014

(Note 1) The acquisition price refers to the amount (purchasing price shown on the purchasing contract) not including expenses for the acquisition of the relevant property (transaction brokerage fees and taxes and other public charges, etc.).

(Note 2) The appraisal value above is based on the "Real Estate Appraisal Standards, Specific Thesis Chapter 3: Appraisal on Prices of Real Estate Subject to Securitization."

(2) Other

Of those transactions carried out by FRC that are required to have the value, etc. reviewed pursuant to the provisions of Article 201 of the Investment Trusts Act, no transaction was subject to the review for the 21st fiscal period other than the transactions described in (1) above.

4. Transactions with interested parties and major shareholders

(1) Transaction status

No relevant items.

(2) Amount of fees paid, etc.

FRC paid the following fees to the interested parties, etc. during the 21st fiscal period.

Category	Total paid fees (A) (thousands of yen)	Breakdown of transactions with interested parties, etc.		(B)/(A) (%)
		Paid party	Paid amount (B) (thousands of yen)	
Property leasing brokerage fees (Note 2)	15,507	Fukuoka Jisho Co., Ltd.	8,211	53.0
		Park Place Oita Co., Ltd.	200	1.3
Property management fees (Note 3)	291,894	Fukuoka Jisho Co., Ltd.	173,873	59.6
		Park Place Oita Co., Ltd.	106,075	36.3
Outsourcing fees (Note 2) (Note 5)	1,247,844	Fukuoka Jisho Co., Ltd.	887,360	71.1
		Park Place Oita Co., Ltd.	198,439	15.9
		Sunlife Co., Ltd.	61,026	4.9
Other operating expenses (Note 2)	1,168,176	Fukuoka Jisho Co., Ltd.	194,056	16.6
		Park Place Oita Co., Ltd.	213,089	18.2
		Sunlife Co., Ltd.	1,827	0.2

(Note 1) Interested parties, etc. 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. Of these interested parties, etc., the above table indicates the paid parties to which FRC paid fees during the 21st fiscal period.

(Note 2) The property leasing brokerage fees, outsourcing fees and other operating expenses include property leasing brokerage fees, etc. paid to third parties through interested parties, etc.

(Note 3) 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.	10,079 thousand yen
Park Place Oita Co., Ltd.	4,311 thousand yen

(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 21st fiscal period. The amounts include construction work fees paid to third parties through interested parties, etc.

Fukuoka Jisho Co., Ltd.	315,082 thousand yen
Park Place Oita Co., Ltd.	101,661 thousand yen
Sunlife Co., Ltd.	30,604 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 VIII. Notes to financial statements (Notes to statements of income) that include property management fees and others.

Acquisitions and Sales during the 21st Fiscal Period

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 21st 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

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

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 sheet as at February 28, 2015, and the statement of income, statement of changes in net assets, and cash flow statement 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, 2015, 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 22, 2015

PricewaterhouseCoopers Aarata

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IV. Balance Sheets

(thousands of yen)

Account	20th fiscal period (as of August 31, 2014)		21st fiscal period (as of February 28, 2015)	
Assets				
Current assets				
Cash and deposits		2,694,272		2,545,162
Cash and deposits in trust		4,639,900		4,438,305
Operating accounts receivable		402,318		318,677
Prepaid expenses		300,402		248,214
Deferred tax assets		27		9
Others		4,606		4,209
Total current assets		8,041,528		7,554,578
Noncurrent assets				
Property, plant and equipment				
Buildings in trust	*1	78,108,929	*1	79,100,573
Accumulated depreciation		(16,980,269)		(18,259,209)
Structures in trust		1,302,682		1,311,964
Accumulated depreciation		(448,860)		(484,118)
Machinery and equipment in trust		584,075		585,826
Accumulated depreciation		(220,194)		(241,057)
Vehicles and transport equipment in trust		747		747
Accumulated depreciation		(103)		(151)
Tools and fixtures in trust		1,211,618		1,248,071
Accumulated depreciation		(833,434)		(877,740)
Lands in trust		*1 94,622,667		*1 95,084,266
Construction in progress in trust		-		18,696
Total property, plant and equipment		157,347,858		157,487,870
Intangible assets				
Leasehold right in trust		1,765,318		1,765,318
Other intangible assets in trust		15,661		12,318
Total intangible assets		1,780,979		1,777,637
Investment and other assets				
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		100,000		100,000
Long-term prepaid expenses		508,992		411,366
Total investment and other assets		618,992		521,366
Total noncurrent assets		159,747,830		159,786,874
Deferred assets				
Investment corporation bond issuance expenses		18,340		17,357
Investment unit issuance expenses		16,627		11,084
Total deferred assets		34,967		28,442
Total assets		167,824,326		167,369,896

(thousands of yen)

Account	20th fiscal period (as of August 31, 2014)		21st fiscal period (as of February 28, 2015)	
Liabilities				
Current liabilities				
Operating accounts payable		411,578		507,169
Short-term debt payable		500,000		-
Current maturities of long-term debt		6,650,000		12,850,000
Accounts payable - other		18,555		24,807
Accrued expenses		332,545		330,419
Income taxes payable		1,162		734
Accrued consumption taxes		115,105		168,301
Advances received		924,259		930,019
Deposits received		1,042,954		673,421
Total current liabilities		9,996,162		15,484,873
Noncurrent liabilities				
Investment corporation bonds		2,000,000		2,000,000
Long-term debt payable		62,000,000		55,925,000
Tenant leasehold and security deposits		316,668		316,031
Tenant leasehold and security deposits received in trust		*1 11,808,124		*1 11,832,568
Total noncurrent liabilities		76,124,793		70,073,599
Total liabilities		86,120,955		85,558,472
Net assets				
Unitholders' equity				
Unitholders' capital		79,441,236		79,441,236
Surplus				
Unappropriated surplus		2,262,134		2,370,187
Total surplus		2,262,134		2,370,187
Total unitholders' equity		81,703,371		81,811,423
Total net assets		*3 81,703,371		*3 81,811,423
Total liabilities and net assets		167,824,326		167,369,896

V. Statements of Income

(thousands of yen)

Account	20th fiscal period (March 1, 2014 to August 31, 2014)		21st fiscal period (September 1, 2014 to February 28, 2015)	
Operating revenues				
Leasing revenues - real estate	*1	7,285,942	*1	7,342,920
Other leasing revenues - real estate	*1	494,039	*1	446,484
		7,779,981		7,789,404
Operating expenses				
Expenses related to leasing business	*1, *2	4,366,790	*1, *2	4,350,094
Asset management fees		456,040		454,652
Asset custody fees		6,332		6,241
Administrative service fees		51,173		47,800
Director's compensations		9,600		9,600
Other operating expenses		65,200		60,246
		4,955,136		4,928,634
Operating income		2,824,845		2,860,769
Non-operating revenues				
Interest received		696		660
Others		370		1,675
		1,067		2,336
Non-operating expenses				
Interest expenses		419,763		365,592
Interest expenses on investment corporation bonds		13,265		13,098
Amortization of investment corporation bond issuance expenses		982		982
Amortization of investment unit issuance expenses		5,542		5,542
Financing related expenses		122,956		107,117
Others		15		15
		562,526		492,348
Ordinary income		2,263,386		2,370,757
Net income before income taxes		2,263,386		2,370,757
Income taxes-current		1,301		867
Income taxes-deferred		15		18
		1,317		885
Net income		2,262,068		2,369,872
Surplus brought forward		66		314
Unappropriated surplus		2,262,134		2,370,187

VI. Statements of Changes in Net Assets

20th fiscal period (March 1, 2014 to August 31, 2014)

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus		
Balance as of March 1, 2014	79,441,236	2,238,288		81,679,524
Changes in the current fiscal period				
Dividend of surplus		(2,238,222)		(2,238,222)
Net income		2,262,068		2,262,068
Total of changes in the current fiscal period	–	23,846		23,846
Balance as of August 31, 2014	79,441,236	2,262,134		81,703,371

21st fiscal period (September 1, 2014 to February 28, 2015)

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus		
Balance as of September 1, 2014	79,441,236	2,262,134		81,703,371
Changes in the current fiscal period				
Dividend of surplus		(2,261,820)		(2,261,820)
Net income		2,369,872		2,369,872
Total of changes in the current fiscal period	–	108,052		108,052
Balance as of February 28, 2015	79,441,236	2,370,187		81,811,423

VII. Cash Flow Statements

(thousands of yen)

Account	20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
Net cash provided by (used in) operating activities		
Net income before income taxes	2,263,386	2,370,757
Depreciation and amortization expenses	1,387,232	1,390,656
Amortization of investment corporation bond issuance expenses	982	982
Amortization of investment unit issuance expenses	5,542	5,542
Interest received	(696)	(660)
Interest expenses	433,029	378,691
Decrease (increase) in operating accounts receivables	(134,557)	83,640
Increase (decrease) in accrued consumption taxes	(43,995)	53,196
Increase (decrease) in operating accounts payable	47,858	39,903
Increase (decrease) in accounts payable-other	(7,758)	6,930
Increase (decrease) in accrued expenses	12,717	2,084
Increase (decrease) in advances received	69,862	5,759
Increase (decrease) in deposits expenses	377,724	(369,533)
Decrease (increase) in prepaid expenses	(41,327)	52,187
Decrease (increase) in long-term prepaid expenses	(65,418)	97,625
Others, net	21,465	865
Subtotal	4,326,046	4,118,629
Interest income received	696	660
Interest expenses paid	(434,417)	(382,901)
Income taxes paid	(1,542)	(1,295)
Net cash provided by (used in) operating activities	3,890,783	3,735,093
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment in trust	(2,174,806)	(1,473,781)
Purchase of intangible assets in trust	(4,322)	–
Proceeds from tenant leasehold and security deposits	5,098	30
Repayments of tenant leasehold and security deposits	(13,534)	(667)
Proceeds from tenant leasehold and security deposits in trust	272,627	84,091
Repayments of tenant leasehold and security deposits in trust	(399,382)	(59,648)
Proceeds from restricted trust deposits	8,018	5,754
Payments for restricted trust deposits	(6,419)	(8,406)
Net cash provided by (used in) investment activities	(2,312,721)	(1,452,627)
Net cash provided by (used in) financial activities		
Proceeds of short-term debt payable	3,000,000	–
Repayments of short-term debt payable	(2,500,000)	(500,000)
Proceeds from long-term debt payable	14,000,000	500,000
Repayments of long-term debt payable	(14,375,000)	(375,000)
Dividends paid	(2,240,158)	(2,260,823)
Net cash provided by (used in) financial activities	(2,115,158)	(2,635,823)
Net increase (decrease) in cash and cash equivalents	(537,096)	(353,356)
Balance of cash and cash equivalents at beginning of period	7,810,809	7,273,713
Balance of cash and cash equivalents at end of period	*1 7,273,713	*1 6,920,356

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 categories 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. Property taxes, etc. capitalized in acquisition cost amounted to 806 thousand yen for the fiscal period ended February 28, 2015.</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 accounting is applied for interest rate swap transactions that satisfy the requirements for special accounting. (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 accounting for interest rate swap transactions.</p>										
<p>5. Scope of funds (cash and cash equivalents) in cash flow 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 on the balance sheets for entrusted properties recorded in relevant accounts.</p> <ol style="list-style-type: none"> ① Cash and deposits in trust 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 ③ Leasehold right in trust ④ Other intangible assets in trust ⑤ Lease and guarantee deposits in trust ⑥ Tenant leasehold and security deposits received in trust <p>(2) Accounting for consumption taxes National and local consumption taxes are accounted with the consumption taxes excluded.</p>										

(Notes to balance sheets)

- *1. Assets pledged as collateral and secured liabilities
Assets pledged as collateral are as follows:

(thousands of yen)

	20th fiscal period as of August 31, 2014	21st fiscal period as of February 28, 2015
Buildings in trust	6,414,216	6,276,793
Lands in trust	11,618,595	11,618,595
Total	18,032,812	17,895,389

Secured liabilities are as follows:

(thousands of yen)

	20th fiscal period as of August 31, 2014	21st fiscal period as of February 28, 2015
Tenant leasehold and security deposits received in trust	1,970,029	1,946,509

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]

(thousands of yen)

	20th fiscal period as of August 31, 2014	21st fiscal period as of February 28, 2015
Credit limit	6,000,000	6,000,000
Outstanding debt at end of period	200,000	–
Unused committed line of credit at end of period	5,800,000	6,000,000

[Committed line of credit agreement 2]

(thousands of yen)

	20th fiscal period as of August 31, 2014	21st fiscal period as of February 28, 2015
Credit limit	7,000,000	7,000,000
Outstanding debt at end of period	300,000	–
Unused committed line of credit at end of period	6,700,000	7,000,000

- *3. Minimum net assets designated in Article 67- 4 in the Act on Investment Trusts and Investment Corporations.
(thousands of yen)

20th fiscal period as of August 31, 2014	21st fiscal period as of February 28, 2015
50,000	50,000

(Notes to statements of income)

*1. Breakdown of revenues and expenses related to real estate leasing business.

(thousands of yen)

	20th fiscal period (March 1, 2014 to August 31, 2014)		21st fiscal period (September 1, 2014 to February 28, 2015)	
A. Real estate leasing business revenues				
Leasing revenues - real estate				
Rents	5,799,993		5,873,652	
Common charges	1,049,298		1,059,769	
Parking revenues	436,650	7,285,942	409,498	7,342,920
Other leasing revenues - real estate				
Incidental income	454,086		429,118	
Other miscellaneous income	39,953	494,039	17,366	446,484
Total real estate leasing business revenues		7,779,981		7,789,404
B. Expenses related to real estate leasing business				
Expenses related to leasing business				
Outsourcing fees	1,580,675		1,539,738	
Repair and maintenance expenses	156,850		217,903	
Taxes and other public charges	588,777		588,547	
Insurance premiums and trust compensation	54,077		53,152	
Utilities expenses	440,926		423,722	
Depreciation and amortization expenses	1,387,232		1,390,656	
Other expenses related to real estate leasing business	158,249	4,366,790	136,372	4,350,094
Total expenses related to real estate leasing business		4,366,790		4,350,094
C. Revenues and expenses related to real estate leasing business (A - B)		3,413,191		3,439,309

*2. Transactions with affiliated companies.

(thousands of yen)

	20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
Expenses related to real estate leasing business	1,320,399	1,366,769

(Notes to statements of changes in net assets)

Total number of authorized investment units and total number of investment units issued.

	20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued	690,000 units	690,000 units

(Notes to cash flow statements)

*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.

(thousands of yen)

	20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
Cash and deposits	2,694,272	2,545,162
Cash and deposits in trust	4,639,900	4,438,305
Restricted trust deposits (Note)	(60,459)	(63,111)
Cash and cash equivalents	7,273,713	6,920,356

(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)

The future lease revenues under the non-cancellable operating leases were as follows:

(thousands of yen)

	20th fiscal period as of August 31, 2014	21st fiscal period as of February 28, 2015
Due within 1 year	6,392,191	6,118,585
Due after 1 year	26,265,684	23,906,537
Total	32,657,876	30,025,123

(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 payment 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 security.

FRC conducts derivative transactions only for the purpose of hedging the risk of future interest rate fluctuation, and not for the purpose of speculation.

(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 payment dates, but FRC works to mitigate these risks by such measures as appropriately controlling the ratio of interest-bearing debt to total assets and executing commitment line agreements with local financial institutions that are lenders to secure on-hand liquidity.

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 (specifically interest rate swap transactions) for part of its borrowings with floating interest rates in order to hedge the risk of future fluctuations in the rates of interest payable. Furthermore, assessment of the effectiveness of these interest rate swaps is omitted as it has been determined that they have met the requirements for special accounting. FRC executes and manages its derivative transactions in accordance with its financial derivative transaction management policies and, it does so only with financial institutions it determines to have a certain level of creditworthiness, by reference to their credit ratings, to reduce counterparty risks.

FRC manages surplus funds in large time deposits. Such deposits are subject to the risks of failure of the financial institutions holding the deposits as well as other credit risks. FRC mitigates the risks by limiting its deposits to financial institutions with a certain level of creditworthiness by reference to their credit ratings as well as by setting short durations for these deposits.

Tenant leasehold and security deposits received in trust are deposits from tenants and are exposed to liquidity risks if tenants move out before the contracts expire. FRC mitigates this risk by such measures as securing on-hand liquidity.

(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 made in calculating those values, and there may be cases where the values will vary when different assumptions are used.

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

2. Matters concerning fair value of financial instruments

The following table includes the book values for financial instruments as recorded on the balance sheets, the corresponding fair values and the difference between these amounts as of August 31, 2014. Please note that the following table does not include those financial instruments for which determination of fair value is considered 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	2,694,272	2,694,272	–
(2) Cash and deposits in trust	4,639,900	4,639,900	–
Total of assets	7,334,173	7,334,173	–
(3) Short-term debt	500,000	500,000	–
(4) Current maturities of long-term debt	6,650,000	6,750,816	100,816
(5) Investment corporation bonds	2,000,000	2,038,783	38,783
(6) Long-term debt	62,000,000	62,422,741	422,741
(7) Tenant leasehold and security deposits received in trust	1,339,123	1,320,120	(19,003)
Total of liabilities	72,489,123	73,032,461	543,338
(8) Derivative transactions	–	–	–
Total of derivative transactions	–	–	–

The following table includes the book values for financial instruments recorded on the balance sheets, the corresponding fair values and the difference between these amounts as of February 28, 2015. Please note that the following table does not include those financial instruments for which determination of fair value is considered 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	2,545,162	2,545,162	–
(2) Cash and deposits in trust	4,438,305	4,438,305	–
Total of assets	6,983,468	6,983,468	–
(3) Short-term debt	–	–	–
(4) Current maturities of long-term debt	12,850,000	12,926,300	76,300
(5) Investment corporation bonds	2,000,000	2,059,492	59,492
(6) Long-term debt	55,925,000	56,268,941	343,941
(7) Tenant leasehold and security deposits received in trust	1,307,270	1,297,720	(9,550)
Total of liabilities	72,082,270	72,552,454	470,184
(8) Derivative transactions	–	–	–
Total of derivative transactions	–	–	–

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

(1) Cash and deposits, (2) Cash and deposits in trust and (3) Short-term debt

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

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 calculated 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 six months) and thus is considered to be nearly equal to the book value.

(7) Tenant leasehold and security deposits received in trust

The fair value of tenant leasehold and security deposits received in trust, which are deposited by the lessees, is calculated by discounting the future cash flows of such deposits 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 determination of fair value is considered extremely difficult.

(thousands of yen)

	20th fiscal period as of August 31, 2014	21st fiscal period as of February 28, 2015
Tenant leasehold and security deposits received in trust	10,469,001	10,525,298

Tenant leasehold and security deposits received in trust are not subject to the requirement to disclose fair value, as it is considered extremely difficult to determine 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 due to the possibility of cancellation, renewal and re-execution of lease contracts by lessees, even if the contract terms are fixed and because the past rate of tenants moving out of the properties owned by FRC may not be indicative of future move out rates as they are too specific to individual circumstances.

(Note 3) Amount of redemption of monetary claims scheduled to be due after closing of accounts (August 31, 2014).

(thousands of yen)

	Due in 1 year or less
Cash and deposits	2,694,272
Cash and deposits in trust	4,639,900
Total	7,334,173

Amount of redemption of monetary claims scheduled to be due after closing of accounts (February 28, 2015)

(thousands of yen)

	Due in 1 year or less
Cash and deposits	2,545,162
Cash and deposits in trust	4,438,305
Total	6,983,468

(Note 4) Amount of repayment of long-term debt and investment corporation bonds scheduled to be due after closing of accounts (as of August 31, 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	6,650,000	11,650,000	20,450,000	10,200,000	4,200,000	15,500,000
Investment corporation bonds	–	–	–	–	–	2,000,000

Amount of repayment of long-term debt and investment corporation bonds scheduled to be due after closing of accounts (as of February 28, 2015).

(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	12,850,000	10,250,000	23,875,000	2,100,000	8,400,000	11,300,000
Investment corporation bonds	–	–	–	–	–	2,000,000

(Notes to derivative transactions)

1. Derivatives to which hedge accounting is not applied

20th fiscal period (as of August 31, 2014)

Not applicable.

21st fiscal period (as of February 28, 2015)

Not applicable.

2. Derivatives to which hedge accounting is applied

20th fiscal period (as of August 31, 2014)

The following is the contract amount or amount equivalent to the principal provided in the contract as of the closing of accounts for each method of hedge accounting.

(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
			(Note 1)	Of which, exceeding 1 year		
Special accounting for interest rate swaps	Interest rate swap transaction Payable fixed; Receivable floating	Long-term debt	18,000,000	18,000,000	(50,958)	(Note 2)

(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.

21st fiscal period (as of February 28, 2015)

The following is the contract amount or amount equivalent to the principal provided in the contract as of the closing of accounts for each method of hedge accounting.

(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
			(Note 1)	Of which, exceeding 1 year		
Special accounting for interest rate swaps	Interest rate swap transaction Payable fixed; Receivable floating	Long-term debt	20,500,000	18,500,000	(109,250)	(Note 2)

(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.

(Notes to tax effect accounting)

1. Breakdown of primary causes for occurrence of deferred tax assets and deferred tax liabilities.

(thousands of yen)

	20th fiscal period as of August 31, 2014	21st fiscal period as of February 28, 2015
Deferred tax assets		
Amount of accrued business taxes not deductible from taxable income	27	9
Total deferred tax assets	27	9
Deferred tax assets, net	27	9

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.

(%)

	20th fiscal period as of August 31, 2014	21st fiscal period as of February 28, 2015
Effective statutory income tax rate	36.38	33.96
Deductible dividend amount	(36.36)	(33.95)
Other	0.03	0.03
Effective income tax rate after application of tax effect accounting	0.06	0.04

3. Modification to amounts of deferred tax assets and deferred tax liabilities due to changes in the corporate tax rate, etc.

With the Local Corporation Tax Act (Act No.11 of 2014) and the Act for Partial Revision to Local Tax Act, Etc. (Act No. 4 of 2014) promulgated on March 31, 2014, the local corporation tax has been established and the tax rates of corporate inhabitant tax, corporate business tax and special local corporation tax have been modified, effective for the business year starting on October 1, 2014 and thereafter. Accordingly, with regard to the temporary differences that are anticipated to be reversed in the business year starting March 1, 2015 and thereafter, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities will be changed from the previous 33.96% to 33.94%. The tax rate change will have only a minimum impact on FRC.

4. Modification to tax rate after closing of accounts.

The Act for Partial Revision of the Income Tax Act, etc. (Act No. 9 of 2015), promulgated on March 31, 2015, stipulates that the income tax rate will be lowered, effective for the business year starting on April 1, 2015 and thereafter. Accordingly, with regard to the temporary differences that are anticipated to be reversed in the business year starting on September 1, 2015, the effective statutory income tax rate used in the calculation of deferred tax assets and deferred tax liabilities will be changed from the previous 33.94% to 32.11%. The tax rate change will have only a minimum impact on FRC.

(Information on related parties)**1. Transactions with related parties****(1) Parent company and major corporate unitholders****20th fiscal period (from March 1, 2014 to August 31, 2014)**

(thousands of yen)

Classification	Name	Location	Capital	Business description	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 [9.39%] Indirect [1.27%]	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	1,320,399 (Note 3)	Operating accounts payable	92,951 (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) Consumption taxes are not included in the transaction amount but are included in the balance at end of period.

21st fiscal period (from September 1, 2014 to February 28, 2015)

(thousands of yen)

Classification	Name	Location	Capital	Business description	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 [9.39%] Indirect [1.27%]	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	1,366,769 (Note 3)	Operating accounts payable	123,905 (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) Consumption taxes are not included in the transaction amount but are included in the balance at end of period.

(2) Affiliated companies, etc.**20th fiscal period (March 1, 2014 to August 31, 2014)**

Not applicable.

21st fiscal period (September 1, 2014 to February 28, 2015)

Not applicable.

(3) Sister companies

20th fiscal period (from March 1, 2014 to August 31, 2014)

(thousands of yen)

Classification	Name	Location	Capital	Business description	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)	603,344 (Note 5)	Operating accounts payable	141,905 (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)	456,040 (Note 5)	Accrued expenses	217,934 (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) Etsuo Matsuyuki, CEO & Representative Director of FRC, concurrently serves as a 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) Consumption taxes are not included in the transaction amount but are included in the balance at end of period.

21st fiscal period (from September 1, 2014 to February 28, 2015)

(thousands of yen)

Classification	Name	Location	Capital	Business description	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)	565,844 (Note 5)	Operating accounts payable	121,109 (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)	454,652 (Note 5)	Accrued expenses	220,504 (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) Etsuo Matsuyuki, CEO & Representative Director of FRC, concurrently serves as a 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) Consumption taxes are not included in the transaction amount but are included in the balance at end of period.

(4) Directors and major individual unitholders

20th fiscal period (March 1, 2014 to August 31, 2014)

Not applicable.

21st fiscal period (September 1, 2014 to February 28, 2015)

Not applicable.

2. Parent company and major affiliated companies

20th fiscal period (March 1, 2014 to August 31, 2014)

Not applicable.

21st fiscal period (September 1, 2014 to February 28, 2015)

Not applicable.

(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		20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
Retail	Amount recorded on the balance sheets		
	Balance at beginning of period	102,237,770	102,036,154
	Amount of change during period	(201,616)	(591,236)
	Balance at end of period	102,036,154	101,444,917
	Fair value at end of period	106,006,000	107,521,000
Office buildings	Amount recorded on the balance sheets		
	Balance at beginning of period	44,986,880	44,622,353
	Amount of change during period	(364,527)	(361,302)
	Balance at end of period	44,622,353	44,261,050
	Fair value at end of period	50,590,000	51,090,000
Others	Amount recorded on the balance sheets		
	Balance at beginning of period	11,266,472	12,470,329
	Amount of change during period	1,203,857	1,089,209
	Balance at end of period	12,470,329	13,559,539
	Fair value at end of period	13,630,000	15,070,000
Total	Amount recorded on the balance sheets		
	Balance at beginning of period	158,491,123	159,128,838
	Amount of change during period	637,714	136,669
	Balance at end of period	159,128,838	159,265,508
	Fair value at end of period	170,226,000	173,681,000

(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 20th fiscal period, the amount of increase is primarily attributable to acquisition of Tosu Logistics Center (1,304 million yen) and capital expenditures (740 million yen), and the amount of decrease is primarily attributable to depreciation and amortization expenses (1,387 million yen). Of the amount of change during the 21st fiscal period, the amount of increase is primarily attributable to the acquisition of Granfore Yakuin Minami (1,200 million yen) and capital expenditures (328 million yen), and the amount of decrease is primarily attributable to depreciation and amortization expenses (1,390 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		20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
Retail	Amount recorded on the statements of income		
	Real estate leasing business revenues	5,149,379	5,111,310
	Expenses related to real estate leasing business	2,971,880	2,925,195
	Revenues and expenses related to real estate leasing business	2,177,499	2,186,114
Office buildings	Amount recorded on the statements of income		
	Real estate leasing business revenues	2,143,997	2,161,457
	Expenses related to real estate leasing business	1,170,923	1,197,381
	Revenues and expenses related to real estate leasing business	973,074	964,075
Others	Amount recorded on the statements of income		
	Real estate leasing business revenues	486,604	516,635
	Expenses related to real estate leasing business	223,986	227,516
	Revenues and expenses related to real estate leasing business	262,617	289,118
Total	Amount recorded on the statements of income		
	Real estate leasing business revenues	7,779,981	7,789,404
	Expenses related to real estate leasing business	4,366,790	4,350,094
	Revenues and expenses related to real estate leasing business	3,413,191	3,439,309

(Note) Real estate leasing business revenues and expenses related to real estate leasing business are comprised of 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]

20th fiscal period (from March 1, 2014 to August 31, 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 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 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 on the balance sheets.

(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.

21st fiscal period (from September 1, 2014 to February 28, 2015)

(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 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 on the balance sheets.

(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)

	20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
Net assets per unit (yen)	118,410	118,567
Net income per unit (yen)	3,278	3,434

(Note 1) Net income per unit was calculated by dividing the net income by the daily weighted average number of investment units. Diluted net income per unit is not stated as there are no diluted investment units.

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

	20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
Net income (thousands of yen)	2,262,068	2,369,872
Amounts not attributable to ordinary unitholders (thousands of yen)	—	—
Net income attributable to ordinary investment units (thousands of yen)	2,262,068	2,369,872
Average number of units during the fiscal period (units)	690,000	690,000

(Notes to cash distributions)

(thousands of yen)

Account	20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
I. Unappropriated surplus	2,262,134	2,370,187
II. Total dividend [Dividend per unit]	2,261,820 [3,278 yen]	2,370,150 [3,435 yen]
III. Surplus brought forward	314	37
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 2,261,820 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 2,370,150 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)

No relevant items.

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

(thousands of yen)

Type of asset		Balance as of September 1, 2014	Increase	Decrease	Balance as of February 28, 2015	Accumulated depreciation	Depreciation for the period	Net property and equipment	Description
Total property, plant and equipment	Buildings in trust	78,108,929	992,408	764	79,100,573	18,259,209	1,279,177	60,841,364	(Note)
	Structures in trust	1,302,682	10,016	735	1,311,964	484,118	35,445	827,846	(Note)
	Machinery and equipment in trust	584,075	1,751	–	585,826	241,057	20,863	344,768	(Note)
	Vehicles and transport equipment in trust	747	–	–	747	151	47	596	
	Tools and fixtures in trust	1,211,618	44,996	8,543	1,248,071	877,740	51,779	370,331	(Note)
	Land in trust	94,622,667	461,599	–	95,084,266	–	–	95,084,266	(Note)
	Construction in progress in trust	–	18,696	–	18,696	–	–	18,696	(Note)
	Subtotal	175,830,720	1,529,469	10,042	177,350,147	19,862,276	1,387,313	157,487,870	
Total intangible assets	Leasehold right in trust	1,765,318	–	–	1,765,318	–	–	1,765,318	
	Other intangible assets in trust	33,426	–	–	33,426	21,107	3,342	12,318	
	Subtotal	1,798,744	–	–	1,798,744	21,107	3,342	1,777,637	
Total		177,629,464	1,529,469	10,042	179,148,892	19,883,384	1,390,656	159,265,508	

(Note) The main increase occurred due to the acquisition of Granfore Yakuin Minami and construction work at properties.

(Notes to status of debt)

Category	Lender	Drawdown date	Balance as of September 1, 2014 (thousands of yen)	Increase (thousands of yen)	Decrease (thousands of yen)	Balance as of February 28, 2015 (thousands of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
Resona Bank (Note 2)		33,333	–	33,333	–						
The Nishi-Nippon City Bank (Note 2)		214,285	–	214,285	–						
Resona Bank (Note 2)		30,000	–	30,000	–						
The Bank of Nagasaki (Note 2)	August 25, 2014	21,428	–	21,428	–	0.496	September 25, 2014	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Oita Bank (Note 2)		21,428	–	21,428	–						
The Bank of Saga (Note 2)		12,857	–	12,857	–						
Subtotal			500,000	–	500,000	–					
Current maturities of long-term debt	Resona Bank	September 30, 2010	300,000	–	300,000	–	1.325	September 30, 2014	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	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
	Sumitomo Mitsui Banking Corporation	June 30, 2010	1,200,000	–	–	1,200,000	1.100	June 30, 2015	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	March 1, 2011	–	2,000,000	–	2,000,000	0.650	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	0.795	February 29, 2016	Lump-sum upon maturity	Acquisition 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
Subtotal			6,500,000	6,500,000	300,000	12,700,000					
Long-term debt	Development Bank of Japan	June 30, 2009	2,250,000	–	75,000	2,175,000	2.200	June 30, 2017	(Note 3)	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
	The Bank of Fukuoka	December 30, 2010	1,500,000	–	–	1,500,000	0.650	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	–	0.650	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

Category	Lender	Drawdown date	Balance as of September 1, 2014 (thousands of yen)	Increase (thousands of yen)	Decrease (thousands of yen)	Balance as of February 28, 2015 (thousands of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
Long-term debt	Development Bank of Japan	March 1, 2011	2,000,000	–	2,000,000	–	0.795	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
	The Bank of Fukuoka	December 30, 2011	1,500,000	–	–	1,500,000	0.800	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
	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					
	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 Eighteenth Bank		500,000	–	–	500,000					
	The Kitakyushu Bank		500,000	–	–	500,000					
	Sumitomo Mitsui Trust Bank	September 28, 2012	600,000	–	–	600,000	0.600	September 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	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	0.697	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	0.695	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Mizuho Bank	February 28, 2013	1,700,000	–	–	1,700,000	0.695	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	0.745	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	0.545	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Aozora Bank	February 28, 2013	600,000	–	–	600,000	0.545	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	0.550	March 30, 2018	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Aozora Bank	June 28, 2013	1,000,000	–	–	1,000,000	0.600	June 30, 2020	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Mizuho Bank	July 31, 2014	200,000	–	–	200,000	0.538	July 31, 2019	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Norinchukin Bank		3,000,000	–	–	3,000,000					
The Bank of Saga	500,000		–	–	500,000						

Category	Lender	Drawdown date	Balance as of September 1, 2014 (thousands of yen)	Increase (thousands of yen)	Decrease (thousands of yen)	Balance as of February 28, 2015 (thousands of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
The Norinchukin Bank	1,000,000	–	–	1,000,000							
The Hiroshima Bank	1,400,000	–	–	1,400,000							
The Kitakyushu Bank	800,000	–	–	800,000							
The Iyo Bank	500,000	–	–	500,000							
The Higo Bank	300,000	–	–	300,000							
Development Bank of Japan	August 29, 2014	4,000,000	–	–	4,000,000	1.010	August 31, 2022	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Bank of Tokyo-Mitsubishi UFJ	September 25, 2014	–	500,000	–	500,000	0.520	September 25, 2019	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Subtotal			62,150,000	500,000	6,575,000	56,075,000					
Total			69,150,000	7,000,000	7,375,000	68,775,000					

(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 swaps.

(Note 2) The borrowings are made based on the commitment line agreements between FRC and respective banks.

(Note 3) 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 on the balance sheets as Current maturities of long-term debt and Long-term debt payable.

(Note 4) 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	10,250,000	23,875,000	2,100,000	8,400,000

[Notes to status of investment corporation bonds]

As of February 28, 2015, FRC has the following investment corporation bonds outstanding.

Issue	Issue date	Balance as of September 1, 2014 (thousands of yen)	Decrease during the fiscal period (thousands of yen)	Balance as of February 28, 2015 (thousands of yen)	Coupon (%)	Maturity date	Maturity method	Use	Description
First Series of Unsecured Bonds	December 30, 2013	2,000,000	–	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