

23rd Fiscal Period Report on Performance and Management Status (Semiannual Report)

September 1, 2015 to February 29, 2016



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 be able to report on the performance results and management status of FRC for the twenty-third fiscal period (September 1, 2015 to February 29, 2016).

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 being observed in certain areas. Looking ahead, with the employment and income environment continuing to improve, the economy is expected to head for a moderate recovery due to 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 capital investment increasing while the employment and income environment as well as consumer sentiment steadily improved, although consumer spending remained somewhat weak in certain areas.

As for land price trends, according to the government's Land Price Survey announced in March 2016, the national average over the past year from January 2015 took an upward turn in terms of the combined average for residential and commercial land for the first time in eight years. Although the residential land price showed a slight decrease, the commercial land price shifted from a decrease to an increase for the first time in eight years. In Fukuoka City, the central area of FRC's investment targets, land prices continued rising for the fourth consecutive year, up 5.9% year-on-year for commercial land and up 2.8% year-on-year for residential land, marking higher rates of increase.

Under such circumstances, Canal City Hakata, FRC's flagship property, attracted visitors totaling over 16.48 million people in fiscal 2015 (Note 1), a record high since its opening in 1996. This achievement was spurred, for one, by the measures we implemented together with the property management companies in an integrated manner to enhance the competitiveness of our retail properties, including tenant replacement and renewal work. Successful absorption of the strong inbound tourist demand, as represented by an increase in the number of cruise ships calling at the Port of Hakata, also drove this performance. Furthermore, Canal City Hakata marked its 20th anniversary on April 20, 2016. As we plan a variety of events to celebrate the anniversary for all the facilities throughout the year, we anticipate that our operational endeavors will result in increasing the attractiveness of the facilities.

As for our office buildings, the occupancy rate stood at 100.0% (Note 2) as of the end of the fiscal period under review, due to such factors as improved tenant satisfaction as a result of our renewal work and a decrease in the vacancy rates of the business districts in Fukuoka City.

With other assets also steadily maintaining high occupancy, the average occupancy rate of all properties FRC owns was 99.6% at the end of the twenty-third fiscal period.

As a result of these management endeavors, profit for the fiscal period surpassed the forecast, bringing the dividend per unit to 3,574 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 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.

(Note 1) The figures include visitors to Canal City Hakata East Building.

(Note 2) The occupancy rate is for the office buildings owned by FRC, excluding the residential portion of Taihaku Street Business Center.



Etsuo Matsuyuki
CEO & Representative Director,
Fukuoka REIT Corporation

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Financial Summary

● Financial Highlights for 23rd Fiscal Period (ended February 2016)

Dividend per unit was 3,574 yen, surpassing the forecast by 74 yen.

Category	(unit)	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)	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
Operating revenues	mm yen	7,574	7,779	7,789	8,423	8,343
Leasing NOI (Note 1)	mm yen	4,732	4,800	4,829	5,229	5,237
Depreciation and amortization expenses	mm yen	1,354	1,387	1,390	1,458	1,471
Operating income	mm yen	2,801	2,824	2,860	3,167	3,141
Ordinary income	mm yen	2,239	2,263	2,370	2,663	2,670
Profit	mm yen	2,238	2,262	2,369	2,661	2,669
Dividend per unit (Note 2)	yen	16,219	3,278	3,435	3,563	3,574
Total number of investment units outstanding (at end of period) (Note 2)	units	138,000	690,000	690,000	747,000	747,000
Total assets (at end of period)	mm yen	167,492	167,824	167,369	181,597	181,445
Total net assets (at end of period)	mm yen	81,679	81,703	81,811	93,804	93,812
Days in fiscal period	days	181	184	181	184	182
Number of investment properties (at end of period)	properties	23	24	25	27	27
Number of tenants (at end of period) (Note 3)		868	894	1,003	1,001	1,003
Total leasable floor space (at end of period)	m ²	466,087.01	475,682.05	478,197.10	554,464.84	554,549.65
Occupancy rate (at end of period) (Note 4)	%	98.1	99.3	99.6	99.5	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 24th and 25th Fiscal Periods

FRC expects the dividend per unit for the 24th and 25th fiscal periods to reach 3,560 yen.

Category	(unit)	23rd fiscal period (September 1, 2015 to February 29, 2016) Results	24th fiscal period (March 1, 2016 to August 31, 2016) Forecast	25th fiscal period (September 1, 2016 to February 28, 2017) Forecast
Operating revenues	mm yen	8,343	8,412	8,364
Leasing NOI (Note)	mm yen	5,237	5,234	5,235
Depreciation and amortization expenses	mm yen	1,471	1,482	1,521
Operating income	mm yen	3,141	3,121	3,088
Ordinary income	mm yen	2,670	2,660	2,660
Profit	mm yen	2,669	2,659	2,659
Dividend per unit	yen (1)	3,574	—	—
Latest dividend forecast per unit	yen (2)	3,500	3,560	3,560
Difference from forecast	yen (1)-(2)	+74	—	—
Total number of investment units outstanding (at end of period)	units	747,000	747,000	747,000

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

● 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, we are utilizing our strength of knowing the local characteristics of real estate, which is a very regional-specific business.

● Overview of the Investment Corporation

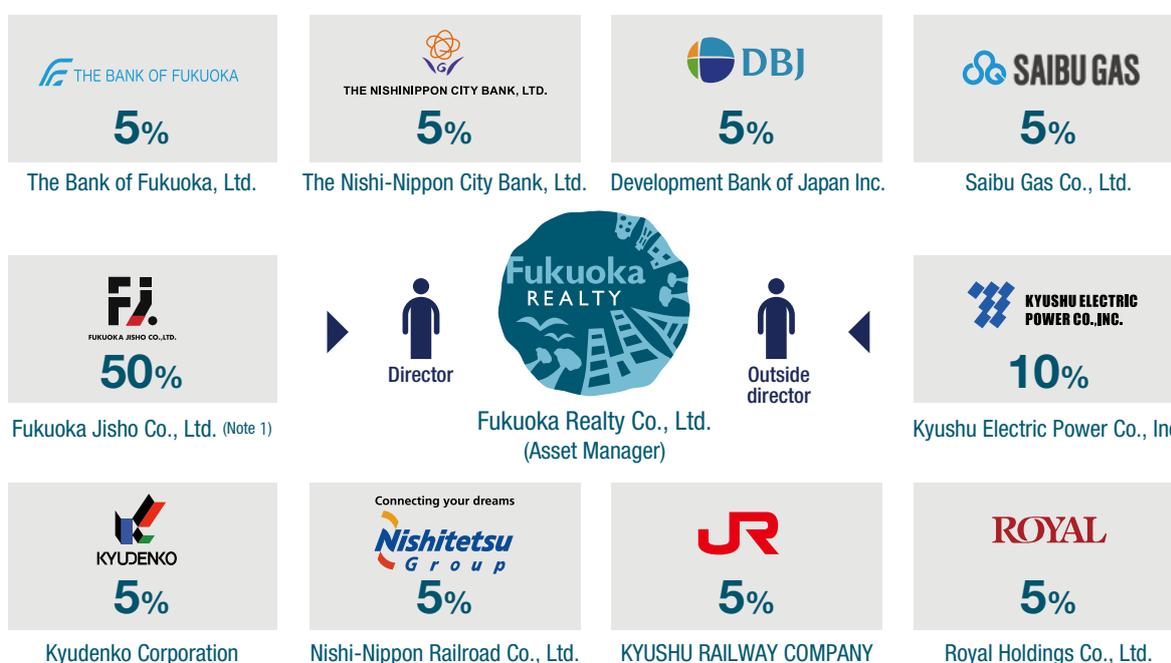
Name: Fukuoka REIT Corporation

Representative: Etsuo Matsuyuki, CEO & Representative Director

Asset manager: Fukuoka Realty Co., Ltd. (Fukuoka Local Finance Branch Bureau (financial instruments) No. 10)

Listed date: June 21, 2005 (Tokyo Stock Exchange, and Fukuoka Stock Exchange)

● Sponsors



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

● Financial Highlights

Total assets	181.4 bn yen (as of February 29, 2016)	Credit ratings	S&P	A-	(Positive)
Total debt	72.3 bn yen (as of February 29, 2016)		R&I	A+	(Stable)
LTV (Total debt / Total assets)	39.9% (as of February 29, 2016)		JCR	AA-	(Stable)

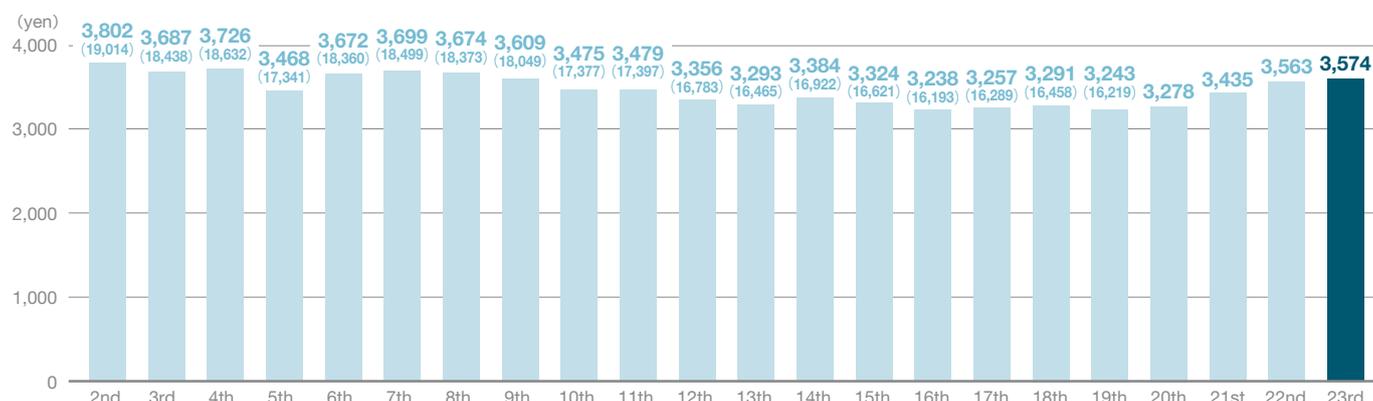
● Investment Unit Price

Investment unit price	194,200 yen	(as of February 29, 2016)
Total number of investment units outstanding	747,000 units	(as of February 29, 2016)
Market capitalization	145.0 bn yen	(Unit price × Units outstanding) (as of February 29, 2016)
Net assets per unit	125,585 yen	(as of February 29, 2016)
Market net assets per unit (Note 2)	152,132 yen	(as of February 29, 2016)

(Note 2) 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 sheet 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

● Dividend Performance

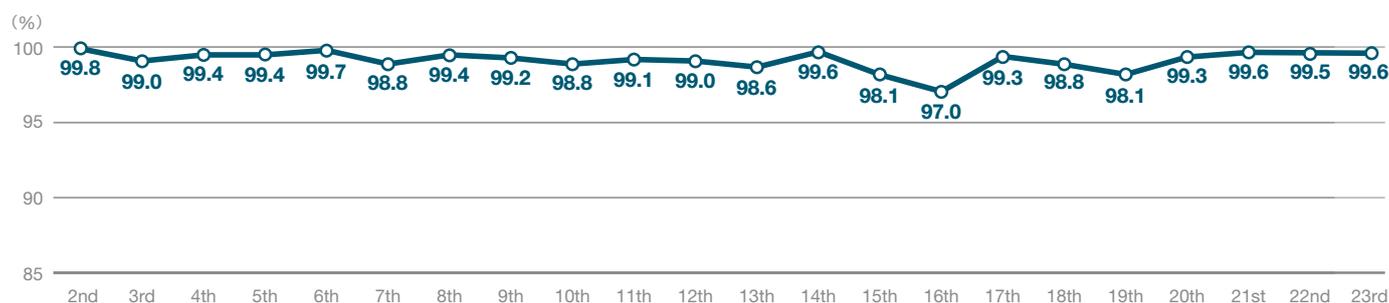
23rd fiscal period end	February 29, 2016 (semiannual periods ending every February and August)	23rd fiscal period days	182 days
23rd fiscal period dividend	3,574 yen per unit	Dividend yield	3.7% [(Dividend / Days × 365) / Unit price (as of February 29, 2016)]



(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

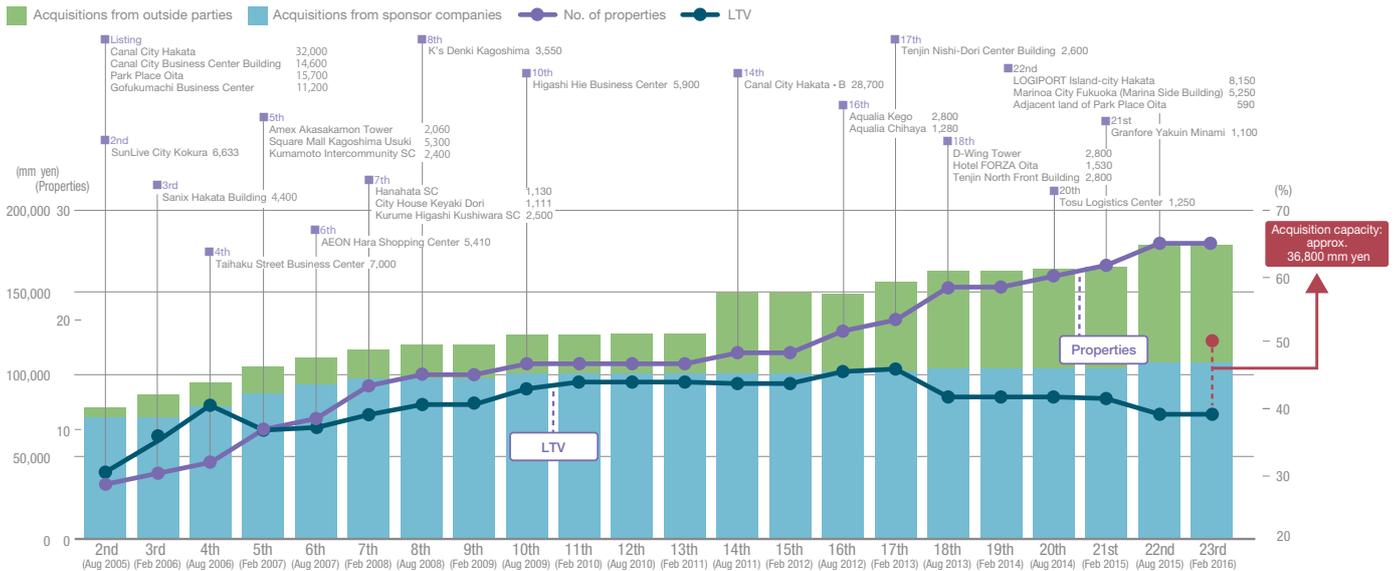
554,549.65m²

Occupancy rate at end of period

99.6%

(Note) Figures are based on properties owned as of February 29, 2016.

Asset Portfolio Growth at Fukuoka REIT Corporation



Sales Increase as Result of Attracting Inbound Foreign Visitors to Canal City Hakata

Canal City Hakata, which marked its 20th anniversary of operation on April 20, 2016, had good performance in the sales of goods, restaurants and eateries as well as hotel rooms thanks to the demand of inbound tourists including those from China aboard cruise ships. Meanwhile, installation of the 4DX® auditorium at United Cinemas, which coincided with the screening of popular movies, attracted domestic customers to contribute to higher sales of all Canal City facilities.

Canal City Hakata Canal City Hakata-B



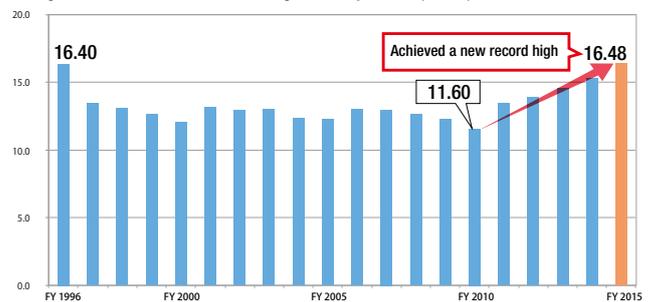
March 2014 – February 2015
Sales (annual total (Note 1))
31.3 billion yen

March 2015 – February 2016
Sales (annual total (Note 1))
38.0 billion yen

+ 21.5%

(Note 1) The figure represents combined sales of Canal City Hakata and Canal City Hakata-B owned by FRC.

Changes in the Number of Guests Visiting Canal City Hakata (Note 1) (million people)



Source: Prepared by Fukuoka Realty Co., Ltd. based on the data provided by Fukuoka Jisho Co., Ltd. (Note 1) For FY 2011 and thereafter, the figure includes the number of visitors to Canal City Hakata East. (Note 2) For FY 1996, the figure shows the number of visitors from April 20, 1996 to April 19, 1997. Other than this, the FY represents a period from April 1 to March 31 next year.

Canal City Hakata marked its 20th anniversary on April 20, 2016



Overview of the first round of events for the 20th anniversary

- Sale of goods specially offered in memory of the 20th anniversary
- Canal Fringe Festival
- Special tie-up with Meitantei Conan (Detective Conan; English title: "Case Closed") for the 20th anniversary
- Public recording of FM Fukuoka radio station held for 20 days

New Tenants and Renewal of Tenant Facilities

Renewal of United Cinemas at Canal City Hakata

- 4DX® installation (opened December 18, 2015)
- Premium Dining Cinema (opened April 23, 2016)

New tenants opened

- Whole square FUKUOKA (opened November 30, 2015)
- Wolfgang's Steakhouse (opened March 14, 2016)

Renewal of Grand Hyatt Fukuoka guest rooms

- Overview of guest room refurbishment: 370 rooms in total
- First phase: 188 rooms January – April 2016
- Second phase: 182 rooms January – April 2017

Other topics

- Canal City Theater: "Beauty and the Beast" by Shiki Theater Company Performance started March 13, 2016
- "Bairan" Chinese cuisine and "Sendai Henmi" restaurant specializing in grilled beef tongue Scheduled opening on April 22, 2016
- Ramen Stadium "Hokkaido Ramen Santouka" and "Ganso Najima-Tei" Opened March 20, 2016

*Presently, FRC has no plans to own the Canal City Theater.

Feature access to Canal City Hakata

Subway line extension project completed by fiscal 2020



Source: Prepared by Fukuoka Realty Co., Ltd. based on the "Plan for High Speed Rail No. 3, etc." dated January 19, 2016 by the Special Committee on Traffic Control Measures, Fukuoka City

II. Semiannual Report

Overview of Asset Management

1. Changes in operating results and financial position

Fiscal Period	(unit)	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)	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
Operating revenues	mm yen	7,574	7,779	7,789	8,423	8,343
[Leasing business revenues]	mm yen	[7,574]	[7,779]	[7,789]	[8,423]	[8,343]
Operating expenses	mm yen	4,773	4,955	4,928	5,256	5,201
[Expenses related to leasing business]	mm yen	[4,197]	[4,366]	[4,350]	[4,651]	[4,577]
Operating income	mm yen	2,801	2,824	2,860	3,167	3,141
Ordinary income	mm yen	2,239	2,263	2,370	2,663	2,670
Profit	(a) mm yen	2,238	2,262	2,369	2,661	2,669
Total assets	(b) mm yen	167,492	167,824	167,369	181,597	181,445
[Change from previous period]	%	[(0.2)]	[0.2]	[(0.3)]	[8.5]	[(0.1)]
Net assets	(c) mm yen	81,679	81,703	81,811	93,804	93,812
[Change from previous period]	%	[(0.0)]	[0.0]	[0.1]	[14.7]	[0.0]
Unitholders' equity	mm yen	79,441	79,441	79,441	91,142	91,142
Total number of investment units outstanding	(d) units	138,000	690,000	690,000	747,000	747,000
Net assets per unit	(c)/(d) (Note 3) yen	118,376	118,410	118,567	125,574	125,585
Total dividend	(e) mm yen	2,238	2,261	2,370	2,661	2,669
Dividend per unit	(e)/(d) yen	16,219	3,278	3,435	3,563	3,574
[Earnings dividend per unit]	yen	[16,219]	[3,278]	[3,435]	[3,563]	[3,574]
[Dividend in excess of earnings per unit]	yen	[-]	[-]	[-]	[-]	[-]
Ratio of ordinary income to total assets	(Note 4) %	1.3 [2.7]	1.3 [2.7]	1.4 [2.9]	1.5 [3.0]	1.5 [3.0]
Return on net assets	(Note 4) %	2.7 [5.5]	2.8 [5.5]	2.9 [5.8]	3.0 [6.0]	2.8 [5.7]
Ratio of net assets to total assets	(c)/(b) %	48.8	48.7	48.9	51.7	51.7
[Change from previous period]	%	[0.1]	[(0.1)]	[0.2]	[2.8]	[0.0]
Payout ratio	(e)/(a) %	100.0	100.0	100.0	100.0	100.0
[Other reference information]						
Number of investment properties	properties	23	24	25	27	27
Total leasable floor space	m ²	466,087.01	475,682.05	478,197.10	554,464.84	554,549.65
Occupancy rate	%	98.1	99.3	99.6	99.5	99.6
Depreciation and amortization expenses	mm yen	1,354	1,387	1,390	1,458	1,471
Capital expenditures	mm yen	848	740	328	445	630
Leasing NOI	(Note 4) mm yen	4,732	4,800	4,829	5,229	5,237
Days in fiscal period	days	181	184	181	184	182

(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	Profit / 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, 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 and Kyushu areas”) by using expertise in regional characteristics, a strength in the real estate industry.

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 23rd fiscal period (February 29, 2016), FRC manages a total of 27 properties comprising 11 Retail, 7 Office buildings and 9 Others.

(2) Investment environment and portfolio performance

During the fiscal period under review, the Japanese economy remained on course for a modest recovery despite weakness being observed in certain areas. Looking ahead, with the employment and income environment continuing to improve, the economy is expected to head for a moderate recovery due to 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 capital investment increasing while the employment and income environment, as well as consumer sentiment, steadily improving, although consumer spending remained somewhat weak in certain areas.

As for land price trends, the national average over the past year from January 2015 took an upward turn in terms of the combined average for residential and commercial land for the first time in eight years according to the government’s 2016 Land Price Survey. Although the residential land price showed a slight decrease, the commercial land price shifted from a decrease to an increase for the first time in eight years. In Fukuoka City, the central area of FRC’s investment targets, land prices continued rising for the fourth consecutive year, up 5.9% year-on-year for commercial land and up 2.8% year-on-year for residential land, marking higher rates of increase.

Under such circumstances, 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 23rd 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 78.1%; when analyzing by property type, Retail, Office buildings, and Others accounted for 60.7%, 27.0% and 12.3%, respectively.

(3) Summary of fundraising

In the 23rd fiscal period, FRC refinanced 6,500 million yen in long-term debt that matured in February 2016. As a result, the balance of interest-bearing debt outstanding (including the investment corporation bonds) at the end of the 23rd fiscal period totaled 72,325 million yen, with the loan-to-value ratio (ratio of interest-bearing debts (including the investment corporation bonds) to total assets) at 39.9%. In addition, FRC concluded an interest rate swap agreement (notional principal of 4,000 million yen) on February 25, 2016. This brought the ratio of fixed-interest rate debt to total debt (including investment corporation bonds) at the end of the fiscal period to 80.1%. 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.



Overview of Asset Management

Moreover, the credit ratings assigned to FRC as of the end of the 23rd 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-	Positive
	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 8,343 million yen and operating income after excluding operating expenses such as expenses related to rent business and asset management fees totaled 3,141 million yen. Ordinary income was 2,670 million yen and profit was 2,669 million yen.

Management decided to make a dividend of 3,574 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 23rd 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)
April 27, 2015	Additional issue of new investment units through public offering	57,000	747,000	11,701	91,142	(Note 9)

(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.

(Note 9) New investment units were issued through public offering at the issue price of 212,257 yen per unit (purchase price of 205,290 yen) for the purpose of procuring funds for acquiring new properties, etc.

[Changes in market price of investment certificates]

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

Fiscal period	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)	22nd fiscal period (Note 2) (March 1, 2015 to August 31, 2015)	23rd fiscal period (Note 2) (September 1, 2015 to February 29, 2016)
Highest	868,000 yen	171,400 yen	199,000 yen	244,400 yen	226,000 yen	209,000 yen
Lowest	708,000 yen	171,000 yen	157,100 yen	186,200 yen	187,100 yen	171,300 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, Inc.

(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 23rd 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 3,574 yen.

(thousands of yen)

Fiscal period	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)	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
Profit	2,238,265	2,262,068	2,369,872	2,661,683	2,669,627
Unappropriated surplus	2,238,288	2,262,134	2,370,187	2,661,720	2,669,786
Undistributed earnings	66	314	37	159	8
Total dividends [Dividend per unit]	2,238,222 [16,219 yen]	2,261,820 [3,278 yen]	2,370,150 [3,435 yen]	2,661,561 [3,563 yen]	2,669,778 [3,574 yen]
Earnings dividends [Earnings dividend per unit]	2,238,222 [16,219 yen]	2,261,820 [3,278 yen]	2,370,150 [3,435 yen]	2,661,561 [3,563 yen]	2,669,778 [3,574 yen]
Contribution refund [Contribution refund per unit]	— [—]	— [—]	— [—]	— [—]	— [—]
Of the contribution refund, distribution of the reserve for temporary difference adjustments (Of the contribution refund per unit, distribution per unit of the reserve for temporary difference adjustments)	— [—]	— [—]	— [—]	— [—]	— [—]
Of the contribution refund, distribution through the reduction in unitholders' capital for tax purposes (Of the contribution refund per unit, distribution per unit through the reduction in unitholders' capital for tax purposes)	— [—]	— [—]	— [—]	— [—]	— [—]

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 the 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 23rd fiscal period

The earthquakes that have occurred on and since April 14, 2016, with epicenters located in the Kumamoto area of Kumamoto Prefecture, have caused damages to Kumamoto Intercommunity SC, a property owned by FRC.

While there has not yet been sufficient time to complete an assessment of the damages caused by the earthquakes and calculate the impact on FRC's operations, FRC anticipates accrual of costs for restoration work in future periods.

Furthermore, although the cost of the damages is currently under investigation, the property is covered by earthquake insurance.



Overview of the Investment Corporation

1. Summary of unitholders' capital

Fiscal period	19th fiscal period as of February 28, 2014	20th fiscal period as of August 31, 2014	21st fiscal period as of February 28, 2015	22nd fiscal period as of August 31, 2015	23rd fiscal period as of February 29, 2016
Total number of authorized investment units	2,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units
Total number of investment units outstanding	138,000 units	690,000 units	690,000 units	747,000 units	747,000 units
Number of unitholders	7,156	7,386	7,350	10,524	10,330

2. Matters related to investment units

The following table sets forth the major unitholders of FRC as of February 29, 2016.

Name	Investment units held (units)	Percentage of total number of investment units outstanding (%) (Note)
Japan Trustee Service Bank, Ltd. (Trust account)	244,351	32.71
Fukuoka Jisho Co., Ltd.	66,075	8.84
The Master Trust Bank of Japan, Ltd. (Trust account)	39,993	5.35
Trust & Custody Service Bank, Ltd. (Securities investment trust account)	37,880	5.07
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	25,617	3.42
Kazuhiko Enomoto	11,985	1.60
MetLife, Inc.	11,872	1.58
Nomura Securities Co., Ltd. (Proprietary Account)	9,911	1.32
Shikoku Railway Company	9,130	1.22
The Bank of New York Mellon SA/NV 10	9,098	1.21
Total	465,912	62.37

(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 23rd fiscal period are as follows:

Title	Name of directors, etc.	Major concurrent assignments	Total fee for each title for the 23rd 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	—	9,000

(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 23rd fiscal period, and the fee to the Independent Auditor is the amount payable to it (estimate) for audits pertaining to the 23rd fiscal period.

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

FRC will review at its Board of Directors meetings decisions 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 23rd fiscal period

The following table sets forth the asset management company, asset custodian and general administrators of FRC as of February 29, 2016.

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)	22nd fiscal period as of August 31, 2015		23rd fiscal period as of February 29, 2016	
			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 trust beneficiary interest	Retail	Fukuoka urban area	70,643	38.9	70,567	38.9
		Other Kyushu areas	36,139	19.9	35,869	19.8
	Office buildings	Fukuoka urban area	43,983	24.2	43,636	24.0
		Other Kyushu areas	—	—	—	—
	Others	Fukuoka urban area	18,911	10.4	18,764	10.3
		Other Kyushu areas	2,728	1.5	2,717	1.5
Deposits and other assets			9,191	5.1	9,890	5.5
Total amount of assets (Note 4)			181,597 [172,416]	100.0 [94.9]	181,445 [171,575]	100.0 [94.6]

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

(Note 2) "Total value of properties held" is based on the value on the balance sheet (the value of real estate trust beneficiary interest 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 (top ten properties on a book value basis) owned by FRC as of February 29, 2016.

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	30,510	46,563.32	46,431.79	99.7	15.9	Retail
Canal City Hakata-B	28,454	68,808.14	67,862.54	98.6	19.4	Retail
Park Place Oita (Note 4)	17,873	109,590.83	109,429.46	99.9	13.5	Retail
Canal City Business Center Building	13,512	23,030.84	23,030.84	100.0	7.8	Office building
Gofukumachi Business Center	9,453	19,905.34	19,905.34	100.0	6.3	Office building
LOGIPORT Island-city Hakata (Note 5)	8,142	43,233.72	43,233.72	100.0	(Note 6)	Others
Taihaku Street Business Center	6,408	14,677.27	14,477.95	98.6	3.6	Office building
SunLive City Kokura	5,911	61,450.22	61,450.22	100.0	3.5	Retail
Marinoa City Fukuoka (Marina Side Building)	5,301	33,069.82	33,069.82	100.0	2.1	Retail
AEON Hara Shopping Center	5,271	27,313.53	27,313.53	100.0	2.5	Retail
Total	130,839	447,643.03	446,205.21	99.7	—	

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

(Note 2) "Occupancy rate" refers to the percentage of leased floor space to 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.

(Note 4) The figures include those for the property's adjacent land that FRC acquired on May 28, 2015. The same shall apply hereafter.

(Note 5) LOGIPORT Island-city Hakata was renamed to LOGICITY Minato Kashii as of March 1, 2016. The same shall apply hereafter.

(Note 6) The figures are not disclosed as no consent to disclosure has been obtained from the tenants.



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 29, 2016.

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	46,563.32	33,000	30,510	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata-B	2-1, 1-Chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	68,808.14	29,900	28,454	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	1, 2-Chome, Koen Dori Nishi, Oita City, Oita	Trust beneficiary interest	109,590.83	17,936	17,873	Japan Real Estate Institute
SunLive City Kokura	14-1, 2-Chome, Kami Kuzuhara, Kokura Minami Ward, Kitakyushu City	Trust beneficiary interest	61,450.22	7,890	5,911	Japan Real Estate Institute
Square Mall Kagoshima Usuki	2-18, 2-Chome, Usuki, Kagoshima City, Kagoshima	Trust beneficiary interest	14,602.88	5,290	4,641	Japan Real Estate Institute
Kumamoto Intercommunity SC	1-5, 1-Chome, Kozono, Higashi-Ward, Kumamoto City	Trust beneficiary interest	6,968.66	2,650	2,088	Japan Real Estate Institute
AEON Hara Shopping Center	27-52, 6-Chome, Hara, Sawara Ward, Fukuoka City	Trust beneficiary interest	27,313.53	4,090	5,271	Japan Real Estate Institute
Hanahata SC	9-12, 4-Chome, Hanahata, Minami Ward, Fukuoka City	Trust beneficiary interest	2,801.15	1,240	1,029	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	370-3 Higashi Kushiwara, Kurume City, Fukuoka	Trust beneficiary interest	6,467.80	2,750	2,184	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	4-12, Tokai-cho, Kagoshima City, Kagoshima	Trust beneficiary interest	7,296.17	3,680	3,169	Tanizawa Sogo Appraisal Co., Ltd.
Marinoa City Fukuoka (Marina Side Building)	12-30, 2-Chome, Odo, Nishi Ward, Fukuoka City	Trust beneficiary interest	33,069.82	5,510	5,301	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:			384,932.52	113,936	106,436	
Canal City Business Center Building	2-25, 1-Chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	23,030.84	15,100	13,512	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	10-10, Kami Gofukumachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	19,905.34	13,200	9,453	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	1-23, 2-Chome, Hakataeki Higashi, Hakata Ward, Fukuoka City	Trust beneficiary interest	6,293.76	5,210	3,993	Japan Real Estate Institute
Taihaku Street Business Center	3-21 Gokushomachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	14,677.27	7,140	6,408	Japan Real Estate Institute
Higashi Hie Business Center	1-2, 3-Chome, Higashi Hie, Hakata Ward, Fukuoka City	Trust beneficiary interest	13,674.96	6,430	4,853	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	2,930	2,711	Japan Real Estate Institute
Tenjin North Front Building	4-20, 4-Chome, Tenjin, Chuo Ward, Fukuoka City	Trust beneficiary interest	5,252.39	3,270	2,704	Japan Real Estate Institute
Office buildings subtotal:			86,173.88	53,280	43,636	
Amex Akasakamon Tower	4-23, 2-Chome, Maizuru, Chuo Ward, Fukuoka City	Trust beneficiary interest	4,821.25	1,850	1,791	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	1,030	980	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Kego	13-17, 2-Chome, Kego, Chuo Ward, Fukuoka City	Trust beneficiary interest	7,415.36	3,660	2,657	Japan Real Estate Institute
Aqualia Chihaya	3-12, 4-Chome, Chihaya, Higashi Ward, Fukuoka City	Trust beneficiary interest	5,619.69	1,600	1,219	Japan Real Estate Institute
D-Wing Tower	10-38, 2-Chome, Daimyo, Chuo Ward, Fukuoka City	Trust beneficiary interest	7,187.58	3,250	2,796	Tanizawa Sogo Appraisal Co., Ltd.
Granfore Yakuin Minami	11-20, 1-Chome, Hirao, Chuo Ward, Fukuoka City	Trust beneficiary interest	2,496.06	1,230	1,176	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	5-18, 1-Chome, Chuo-cho, Oita City, Oita	Trust beneficiary interest	5,785.44	1,720	1,462	Japan Real Estate Institute
Tosu Logistics Center	1607 Momota, Himekata-cho Aza, Tosu City, Saga	Trust beneficiary interest	4,173.29	1,350	1,254	Japan Real Estate Institute
LOGIPORT Island-city Hakata	3-4, 2-chome, Minato Kashii, Higashi Ward, Fukuoka City	Trust beneficiary interest	43,233.72	8,480	8,142	Tanizawa Sogo Appraisal Co., Ltd.
Others subtotal:			83,443.25	24,170	21,482	
Total			554,549.65	191,386	171,555	

(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	22nd fiscal period (March 1, 2015 to August 31, 2015)				23rd fiscal period (September 1, 2015 to February 29, 2016)			
	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 [46]	99.5	1,470	17.5	1 [47]	99.7	1,325	15.9
Canal City Hakata-B	1 [49]	99.6	1,611	19.1	1 [47]	98.6	1,618	19.4
Park Place Oita	1 [105]	99.9	1,666	13.8	1 [105]	99.9	1,127	13.5
SunLive City Kokura	1	100.0	292	3.5	1	100.0	295	3.5
Square Mall Kagoshima Usuki	13	100.0	256	3.0	13	100.0	262	3.1
Kumamoto Intercommunity SC	2	100.0	90	1.1	2	100.0	90	1.1
AEON Hara Shopping Center	1	100.0	212	2.5	1	100.0	212	2.5
Hanahata SC	2	100.0	40	0.5	2	100.0	40	0.5
Kurume Higashi Kushiwara SC	1	100.0	88	1.0	1	100.0	88	1.1
K's Denki Kagoshima	1	100.0	111	1.3	1	100.0	111	1.3
Marinoa City Fukuoka (Marina Side Building)	1	100.0	118	1.4	1	100.0	177	2.1
Retail subtotal:	25 [222] (Note 2)	99.8	5,459	64.8	25 [221] (Note 2)	99.7	5,349	64.1
Canal City Business Center Building	1 [61]	100.0	649	7.7	1 [61]	100.0	649	7.8
Gofukumachi Business Center	36	99.5	521	6.2	36	100.0	524	6.3
Sanix Hakata Building	18	95.8	196	2.3	16	100.0	193	2.3
Taihaku Street Business Center	1 [68]	98.8	298	3.5	1 [69]	98.6	297	3.6
Higashi Hie Business Center	1 [23]	100.0	328	3.9	1 [22]	100.0	333	4.0
Tenjin Nishi-Dori Center Building	1	100.0	86	1.0	1	100.0	86	1.0
Tenjin North Front Building	13	100.0	132	1.6	11	100.0	133	1.6
Office buildings subtotal:	71 [220] (Note 2)	99.4	2,213	26.3	67 [216] (Note 2)	99.8	2,217	26.6
Amex Akasakamon Tower	1 [66]	98.5	66	0.8	1 [63]	94.2	65	0.8
City House Keyaki Dori	1 [40]	95.5	38	0.5	1 [42]	100.0	37	0.5
Aqualia Kego	1 [124]	96.0	115	1.4	1 [124]	96.3	114	1.4
Aqualia Chihaya	1 [101]	95.7	57	0.7	1 [104]	99.3	58	0.7
D-Wing Tower	1 [128]	92.1	112	1.3	1 [132]	97.0	109	1.3
Granfore Yakuin Minami	1 [96]	97.0	39	0.5	1 [97]	98.0	38	0.5
Hotel FORZA Oita	1	100.0	63	0.7	1	100.0	63	0.8
Tosu Logistics Center	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
LOGIPORT Island-city Hakata	2	100.0	(Note 5)	(Note 5)	2	100.0	(Note 5)	(Note 5)
Others subtotal:	10 [559] (Note 2)	98.4	749	8.9	10 [566] (Note 2)	99.0	776	9.3
Total	106 [1,001] (Note 2)	99.5	8,423	100.0	102 [1,003] (Note 2)	99.6	8,343	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 13 for the office building and 56 for the residence in the 23rd fiscal period (12 for the office building and 56 for the residence in the 22nd 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 leased floor space to 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%.

(Note 5) The figures are not disclosed as no consent to disclosure has been obtained from the tenants.

4. Details of renewable energy generation facilities in the portfolio

No relevant items.

5. Details of the rights to operate public facilities, etc. in the portfolio

No relevant items.

6. Securities incorporated in the portfolio

No relevant items.

Status of FRC's Assets under Management

7. List of specific transaction and forward exchange transaction contract amount and status of fair value

The following table provides the contract amount of specific transactions by FRC and the status of its fair value as of February 29, 2016.

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)	24,500	24,500	(355)
Total		24,500	24,500	(355)

(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.

8. 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 23rd fiscal period.

9. Status of owned assets by country and region

As of the end of the 23rd 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. The planned construction costs indicated below may be partly classified as expenses. 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	Conduction cost	Amount already paid
Canal City Hakata	Hakata Ward, Fukuoka City	Introduction of new customer attraction devices	From May 2016 to November 2016	459	2	5
Canal City Hakata-B	Hakata Ward, Fukuoka City	Renewal of signboards	From May 2016 to August 2016	87	–	1
Canal City Hakata-B	Hakata Ward, Fukuoka City	Introduction of new customer attraction devices	From May 2016 to November 2016	912	5	10
Canal City Business Center Building	Hakata Ward, Fukuoka City	Introduction of new customer attraction devices	From May 2016 to November 2016	116	0	1
Gofukumachi Business Center	Hakata Ward, Fukuoka City	Renovation of external walls	From July 2016 to February 2017	150	–	–



Capital Expenditures for Owned Real Estate

2. Capital expenditures during the 23rd fiscal period

The following table provides the overview of major construction work that was completed in the 23rd fiscal period out of the capital expenditures totaling 630 million yen. Furthermore, FRC incurred construction costs of 939 million yen in total in the 23rd fiscal period, in addition to 298 million yen in repair and maintenance expenses that were classified as expenses in accounting and 9 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	Renovation of northern external walls of Center Walk	From November 2015 to February 2016	67
Canal City Hakata・B	Hakata Ward, Fukuoka City	Renovation of northern external walls of Center Walk	From November 2015 to February 2016	134
Canal City Hakata・B	Hakata Ward, Fukuoka City	Floor renovation on the 7th floor of multi-story parking lot	From January 2016 to February 2016	36
Square Mall Kagoshima Usuki	Kagoshima City, Kagoshima	Repairs of western external walls	February 2016	22
Marinoa City Fukuoka (Marina Side Building)	Nishi Ward, Fukuoka City	Renovation of wooden decks	From October 2015 to November 2015	25

3. Reserves for long-term repair and maintenance plans

FRC has deposited the following amounts from the cash flows generated during the 23rd fiscal period in order to fund large-scale repair and maintenance work in the medium- to long-term, based on long-term repairs and maintenance plans prepared for respective properties.

(millions of yen)

Fiscal period	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)	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
Balance of deposits at beginning of period	700	700	800	800	800
Deposits during the period	–	100	–	–	–
Amounts used from deposits during the period	–	–	–	–	–
Deposits carried forward to the next period	700	800	800	800	800



Expenses and Liabilities

1. Details of expenses related to asset management

(thousands of yen)

Item	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
(a) Asset management fees	486,520	493,021
(b) Asset custody fees	6,327	6,772
(c) Administrative service fees	47,767	52,472
(d) Directors' compensations	9,600	9,600
(e) Other operating expenses	54,600	62,612
Total	604,817	624,478

(Note) Aside from the amounts of the asset management fees shown above, 55,350 thousand yen was paid for asset management related to the acquisition of LOGIPORT Island-city Hakata, Marinao City Fukuoka (Marina Side Building) and the adjacent land of Park Place Oita during the 22nd fiscal period.

2. Status of debt

As of the end of the 23rd fiscal period (February 29, 2016), FRC has the following debt from respective financial institutions.

Category	Lender	Drawdown date	Balance as of September 1, 2015 (mm of yen)	Balance as of February 29, 2016 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
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	–	0.771	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	
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	
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, 2010	–	1,500	0.621	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Hiroshima Bank	December 30, 2011	–	500	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Oita Bank	December 30, 2011	–	500	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Eighteenth Bank	December 30, 2011	–	500	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Shinwa Bank	December 30, 2011	–	500	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Kitakyushu Bank	December 30, 2011	–	500	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Kagoshima Bank	January 31, 2012	–	100	1.168	January 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Resona Bank	January 31, 2012	–	400	1.218	January 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Sumitomo Mitsui Trust Bank	September 28, 2012	–	600	0.571	September 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Subtotal			11,500	10,100					
Long-term debt	Development Bank of Japan	June 30, 2009	2,100	2,025	2.200	June 30, 2017	(Note 2)	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	December 30, 2010	1,500	–	0.621	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	July 29, 2011	2,000	2,000	1.305	July 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	July 29, 2011	2,000	2,000	1.305	July 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Dai-ichi Life Insurance Company	July 29, 2011	1,000	1,000	1.800	July 31, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	December 30, 2011	1,500	1,500	0.771	December 30, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Hiroshima Bank	December 30, 2011	500	–	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee



Expenses and Liabilities

Category	Drawdown date	Balance as of September 1, 2015 (mm of yen)	Balance as of February 29, 2016 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description	
	Lender								
Long-term debt	The Oita Bank	December 30, 2011	500	–	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Eighteenth Bank	December 30, 2011	500	–	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Shinwa Bank	December 30, 2011	500	–	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Kitakyushu Bank	December 30, 2011	500	–	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Kagoshima Bank	January 31, 2012	100	–	1.168	January 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Resona Bank	January 31, 2012	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
	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					
	The Oita Bank		700	700					
	The Miyazaki Bank		700	700					
	The Shinwa Bank		600	600					
	The Iyo Bank		500	500					
	The Bank of Saga		500	500					
	The Eighteenth Bank		500	500					
	The Kitakyushu Bank		500	500					
	Sumitomo Mitsui Trust Bank	September 28, 2012	600	–	0.571	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	0.775	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	0.671	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	February 28, 2013	1,700	1,700	0.671	February 29, 2020	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	February 28, 2013	1,100	1,100	0.721	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	0.521	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
Aozora Bank	February 28, 2013	600	600	0.521	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Mitsubishi UFJ Trust and Banking Corporation	March 29, 2013	600	600	0.521	March 30, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	



Expenses and Liabilities

Category	Drawdown date	Balance as of September 1, 2015 (mm of yen)	Balance as of February 29, 2016 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
	Lender							
Long-term debt	June 28, 2013	1,000	1,000	0.571	June 30, 2020	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Aozora Bank							
	July 31, 2014	200	200	0.538	July 31, 2019	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	3,000	3,000					
	The Norinchukin Bank	500	500					
	The Bank of Saga							
	July 31, 2014	2,300	2,300	0.835	July 30, 2021	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	1,000	1,000					
	The Norinchukin Bank	1,400	1,400					
	The Hiroshima Bank	800	800					
	The Kitakyushu Bank	500	500					
	July 31, 2014	300	300					
	The Iyo Bank							
	The Higo Bank							
	August 29, 2014	4,000	4,000	1.010	August 31, 2022	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan							
	September 25, 2014	500	500	0.520	September 25, 2019	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Tokyo- Mitsubishi UFJ							
	June 30, 2015	1,600	1,600	0.790	June 30, 2022	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation							
July 31, 2015	1,500	1,500	0.611	July 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Sumitomo Mitsui Trust Bank								
August 31, 2015	4,000	4,000	0.880	August 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Development Bank of Japan								
August 31, 2015	400	400	0.521	August 31, 2022	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Bank of Fukuoka								
August 31, 2015	400	400	0.870	August 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Nishi-Nippon City Bank								
February 29, 2016	–	2,000	0.450	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Bank of Fukuoka								
February 29, 2016	–	2,000	0.440	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Nishi-Nippon City Bank								
February 29, 2016	–	2,000	0.620	February 28, 2025	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Development Bank of Japan								
February 29, 2016	–	500	0.440	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Mizuho Bank								
Subtotal		58,900	60,225					
Total		70,400	70,325					

(Note 1) The average interest rate is a weighted-average figure during the fiscal period and is rounded to the third decimal place. Furthermore, the average interest rate 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 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 sheet as Current maturities of long-term debt and Long-term debt payable.

3. Investment corporation bonds

As of February 29, 2016, FRC has the following investment corporation bonds outstanding.

Issue	Issue date	Balance as of September 1, 2015 (mm of yen)	Decrease during the fiscal period (mm of yen)	Balance as of February 29, 2016 (mm of yen)	Coupon (%)	Maturity date	Maturity method	Use	Description
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.

4. Short-term investment corporation bonds

No relevant items.

5. Subscription rights to shares

No relevant items.

Acquisitions and Sales during the 23rd Fiscal Period

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

No relevant items.

2. Acquisition and sale of other assets

No relevant items.

3. Survey on prices of specified assets, etc.

(1) Real estate, etc.

No relevant items.

(2) Other

FRC carried out no transaction that was required to have the value, etc. reviewed pursuant to the provisions of Article 201 of the Investment Trusts Act.

4. Transactions with interested parties, etc.

(1) Transaction status

No relevant items.

(2) Amount of fees paid, etc.

FRC paid the following fees to the interested parties, etc. during the 23rd 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)	18,932	Fukuoka Jisho Co., Ltd.	9,992	52.8
		Park Place Oita Co., Ltd.	1,380	7.3
Property management fees (Note 3)	290,704	Fukuoka Jisho Co., Ltd.	180,489	62.1
		Park Place Oita Co., Ltd.	97,898	33.7
Outsourcing fees (Note 2) (Note 5)	1,277,732	Fukuoka Jisho Co., Ltd.	924,737	72.4
		Park Place Oita Co., Ltd.	190,541	14.9
		Sunlife Co., Ltd.	61,711	4.8
Other operating expenses (Note 2)	1,237,783	Fukuoka Jisho Co., Ltd.	237,448	19.2
		Park Place Oita Co., Ltd.	189,726	15.3
		Sunlife Co., Ltd.	568	0.0

(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 23rd 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. 14,823 thousand yen
Park Place Oita Co., Ltd. 5,317 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 23rd fiscal period. The amounts include construction work fees paid to third parties through interested parties, etc.

Fukuoka Jisho Co., Ltd. 688,677 thousand yen
Park Place Oita Co., Ltd. 118,290 thousand yen
Sunlife Co., Ltd. 40,062 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 statement of income) that include property management fees and others.

Acquisitions and Sales during the 23rd 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 23rd 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 Sheet, V. Statement of Income, VI. Statement of Changes in Net Assets, VII. Cash Flow Statement, 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 and infrastructure assets, etc.

No relevant items.

4. Overview of self-managed investment trust beneficiary certificates

No relevant items.

5. Disclosure on corporation owning foreign real estate

No relevant items.

6. Disclosure on real estate owned by corporation owning foreign real estate

No relevant items.

Other

1. Notice

Partial amendments were made to the general administration entrustment agreement and the special account administration agreement concluded with Sumitomo Mitsui Trust Bank, Limited in response to the enforcement of the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure (Act No. 27 in 2013 including later revisions).

2. 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 29, 2016, 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 29, 2016, 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 26, 2016

PricewaterhouseCoopers Aarata

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IV. Balance Sheet

(thousands of yen)

Account	22nd fiscal period (as of August 31, 2015)		23rd fiscal period (as of February 29, 2016)	
Assets				
Current assets				
Cash and deposits		2,331,908		3,513,400
Cash and deposits in trust		5,267,938		4,905,852
Operating accounts receivable		434,567		372,912
Prepaid expenses		267,938		284,075
Consumption taxes receivable		246,657		—
Deferred tax assets		62		8
Others		4,536		6,442
Total current assets		8,553,609		9,082,690
Noncurrent assets				
Property, plant and equipment				
Buildings in trust	*1	83,847,220	*1	84,421,663
Accumulated depreciation		(19,606,745)		(20,966,851)
Structures in trust		1,475,281		1,477,663
Accumulated depreciation		(521,623)		(559,477)
Machinery and equipment in trust		618,646		638,321
Accumulated depreciation		(262,400)		(284,920)
Vehicles and transport equipment in trust		747		747
Accumulated depreciation		(198)		(246)
Tools and fixtures in trust		1,250,581		1,274,834
Accumulated depreciation		(926,118)		(973,210)
Lands in trust		*1 104,756,397		*1 104,756,397
Construction in progress in trust		10,276		19,571
Total property, plant and equipment		170,642,063		169,804,490
Intangible assets				
Leasehold right in trust		1,765,318		1,765,318
Other intangible assets in trust		8,976		5,633
Total intangible assets		1,774,294		1,770,951
Investment and other assets				
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		110,000		110,000
Long-term prepaid expenses		456,882		628,962
Total investment and other assets		576,882		748,962
Total noncurrent assets		172,993,240		172,324,405
Deferred assets				
Investment corporation bond issuance expenses		16,375		15,392
Investment unit issuance expenses		34,538		23,383
Total deferred assets		50,913		38,776
Total assets		181,597,763		181,445,872

(thousands of yen)

Account	22nd fiscal period (as of August 31, 2015)		23rd fiscal period (as of February 29, 2016)	
Liabilities				
Current liabilities				
Operating accounts payable		726,913		667,486
Current maturities of long-term debt		11,650,000		10,250,000
Accounts payable - other		32,134		23,963
Accrued expenses		351,432		353,001
Income taxes payable		1,744		736
Accrued consumption taxes		–		321,550
Advances received		1,014,843		1,004,199
Deposits received		1,049,290		777,866
Total current liabilities		14,826,359		13,398,803
Noncurrent liabilities				
Investment corporation bonds		2,000,000		2,000,000
Long-term debt payable		58,750,000		60,075,000
Tenant leasehold and security deposits		331,243		331,243
Tenant leasehold and security deposits received in trust	*1	11,885,673	*1	11,828,272
Total noncurrent liabilities		72,966,916		74,234,515
Total liabilities		87,793,276		87,633,318
Net assets				
Unitholders' equity				
Unitholders' capital		91,142,766		91,142,766
Surplus				
Unappropriated surplus		2,661,720		2,669,786
Total surplus		2,661,720		2,669,786
Total unitholders' equity		93,804,487		93,812,553
Total net assets		*3 93,804,487		*3 93,812,553
Total liabilities and net assets		181,597,763		181,445,872

V. Statement of Income

(thousands of yen)

Account	22nd fiscal period (March 1, 2015 to August 31, 2015)		23rd fiscal period (September 1, 2015 to February 29, 2016)	
Operating revenues				
Leasing revenues - real estate	*1	7,902,500	*1	7,864,570
Other leasing revenues - real estate	*1	520,821	*1	478,927
		8,423,321		8,343,498
Operating expenses				
Expenses related to leasing business	*1, *2	4,651,490	*1, *2	4,577,406
Asset management fees		486,520		493,021
Asset custody fees		6,327		6,772
Administrative service fees		47,767		52,472
Director's compensations		9,600		9,600
Other operating expenses		54,600		62,612
		5,256,307		5,201,885
Operating income		3,167,014		3,141,613
Non-operating revenues				
Interest received		706		780
Others		1,302		2,566
		2,009		3,346
Non-operating expenses				
Interest expenses		374,293		345,071
Interest expenses on investment corporation bonds		13,296		13,200
Amortization of investment corporation bond issuance expenses		982		982
Amortization of investment unit issuance expenses		10,219		11,154
Financing related expenses		106,699		104,000
Others		15		15
		505,506		474,423
Ordinary income		2,663,517		2,670,536
Net income before income taxes		2,663,517		2,670,536
Income taxes-current		1,886		855
Income taxes-deferred		(53)		53
		1,833		908
Profit		2,661,683		2,669,627
Surplus brought forward		37		159
Unappropriated surplus		2,661,720		2,669,786

VI. Statement of Changes in Net Assets

22nd fiscal period (March 1, 2015 to August 31, 2015)

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus	Total unitholders' equity	
		Unappropriated surplus		
Balance as of March 1, 2015	79,441,236	2,370,187	81,811,423	81,811,423
Changes in the current fiscal period				
Issuance of new investment units	11,701,530		11,701,530	11,701,530
Dividend of surplus		(2,370,150)	(2,370,150)	(2,370,150)
Profit		2,661,683	2,661,683	2,661,683
Total of changes in the current fiscal period	11,701,530	291,533	11,993,063	11,993,063
Balance as of August 31, 2015	91,142,766	2,661,720	93,804,487	93,804,487

23rd fiscal period (September 1, 2015 to February 29, 2016)

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus	Total unitholders' equity	
		Unappropriated surplus		
Balance as of September 1, 2015	91,142,766	2,661,720	93,804,487	93,804,487
Changes in the current fiscal period				
Dividend of surplus		(2,661,561)	(2,661,561)	(2,661,561)
Profit		2,669,627	2,669,627	2,669,627
Total of changes in the current fiscal period	–	8,066	8,066	8,066
Balance as of February 29, 2016	91,142,766	2,669,786	93,812,553	93,812,553

VII. Cash Flow Statement

(thousands of yen)

Account	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
Net cash provided by (used in) operating activities		
Net income before income taxes	2,663,517	2,670,536
Depreciation and amortization expenses	1,458,153	1,471,072
Amortization of investment corporation bond issuance expenses	982	982
Amortization of investment unit issuance expenses	10,219	11,154
Interest received	(706)	(780)
Interest expenses	387,590	358,271
Decrease (increase) in operating accounts receivable	(115,889)	61,654
Decrease (increase) in consumption taxes receivable	(246,657)	246,657
Increase (decrease) in accrued consumption taxes	(168,301)	321,550
Increase (decrease) in operating accounts payable	159,326	(145,288)
Increase (decrease) in accounts payable-other	(8,290)	9,219
Increase (decrease) in accrued expenses	20,828	1,824
Increase (decrease) in advances received	84,824	(10,644)
Increase (decrease) in deposits expenses	375,869	(271,423)
Decrease (increase) in prepaid expenses	(19,723)	(16,137)
Decrease (increase) in long-term prepaid expenses	(45,515)	(172,080)
Others, net	(1,630)	(2,806)
Subtotal	4,554,594	4,533,761
Interest income received	706	780
Interest expenses paid	(387,405)	(358,527)
Income taxes paid	(876)	(1,863)
Net cash provided by (used in) operating activities	4,167,019	4,174,151
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment in trust	(14,543,468)	(549,764)
Proceeds from tenant leasehold and security deposits	21,096	30
Repayments of tenant leasehold and security deposits	(5,884)	(30)
Proceeds from tenant leasehold and security deposits in trust	837,785	74,447
Repayments of tenant leasehold and security deposits in trust	(784,680)	(131,849)
Payments of tenant leasehold and security deposits in trust	(10,000)	—
Proceeds from restricted trust deposits	5,534	5,507
Payments for restricted trust deposits	(8,890)	(5,065)
Net cash provided by (used in) investment activities	(14,488,507)	(606,723)
Net cash provided by (used in) financial activities		
Proceeds from short-term debt payable	21,500,000	—
Repayments of short-term debt payable	(21,500,000)	—
Proceeds from long-term debt payable	7,900,000	6,500,000
Repayments of long-term debt payable	(6,275,000)	(6,575,000)
Proceeds from issuance of investment units	11,701,530	—
Payment of investment unit issuance expenses	(22,261)	(11,411)
Dividends paid	(2,369,757)	(2,661,169)
Net cash provided by (used in) financial activities	10,934,511	(2,747,581)
Net increase (decrease) in cash and cash equivalents	613,023	819,846
Balance of cash and cash equivalents at beginning of period	6,920,356	7,533,380
Balance of cash and cash equivalents at end of period	*1 7,533,380	*1 8,353,226

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.</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 statement</p>	<p>The funds (cash and cash equivalents) in the cash flow statement 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 sheet and statement of income. Furthermore, the following material accounts are separately stated on the balance sheet 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 sheet)

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

(thousands of yen)

	22nd fiscal period as of August 31, 2015	23rd fiscal period as of February 29, 2016
Buildings in trust	6,703,703	6,579,940
Lands in trust	16,101,020	16,101,020
Total	22,804,724	22,680,961

Secured liabilities are as follows:

(thousands of yen)

	22nd fiscal period as of August 31, 2015	23rd fiscal period as of February 29, 2016
Tenant leasehold and security deposits received in trust	1,981,957	1,949,584

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)

	22nd fiscal period as of August 31, 2015	23rd fiscal period as of February 29, 2016
Credit limit	6,000,000	6,000,000
Outstanding debt at end of period	—	—
Unused committed line of credit at end of period	6,000,000	6,000,000

[Committed line of credit agreement 2]

(thousands of yen)

	22nd fiscal period as of August 31, 2015	23rd fiscal period as of February 29, 2016
Credit limit	7,000,000	7,000,000
Outstanding debt at end of period	—	—
Unused committed line of credit at end of period	7,000,000	7,000,000

- *3. Minimum net assets designated in Article 67- 4 in the Act on Investment Trusts and Investment Corporations.

(thousands of yen)

22nd fiscal period as of August 31, 2015	23rd fiscal period as of February 29, 2016
50,000	50,000

(Notes to statement of income)

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

(thousands of yen)

	22nd fiscal period (March 1, 2015 to August 31, 2015)		23rd fiscal period (September 1, 2015 to February 29, 2016)	
A. Real estate leasing business revenues				
Leasing revenues - real estate				
Rents	6,403,867		6,381,060	
Common charges	1,076,907		1,065,731	
Parking revenues	421,726	7,902,500	417,778	7,864,570
Other leasing revenues - real estate				
Incidental income	478,940		442,763	
Other miscellaneous income	41,880	520,821	36,164	478,927
Total real estate leasing business revenues		8,423,321		8,343,498
B. Expenses related to real estate leasing business				
Expenses related to leasing business				
Outsourcing fees	1,668,605		1,568,436	
Repair and maintenance expenses	248,273		298,942	
Taxes and other public charges	597,541		596,494	
Insurance premiums and trust compensation	57,441		57,757	
Utilities expenses	466,266		423,772	
Depreciation and amortization expenses	1,458,153		1,471,072	
Other expenses related to real estate leasing business	155,208	4,651,490	160,931	4,577,406
Total expenses related to real estate leasing business		4,651,490		4,577,406
C. Revenues and expenses related to real estate leasing business (A - B)		3,771,831		3,766,091

*2. Transactions with affiliated companies.

(thousands of yen)

	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
Expenses related to real estate leasing business	1,555,181	1,528,328

(Notes to statement of changes in net assets)

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

	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued	747,000 units	747,000 units

(Notes to cash flow statement)

*1. Relationship between the balance of cash and cash equivalents at end of period and the amounts of the corresponding accounts on the balance sheet.

(thousands of yen)

	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
Cash and deposits	2,331,908	3,513,400
Cash and deposits in trust	5,267,938	4,905,852
Restricted trust deposits (Note)	(66,467)	(66,025)
Cash and cash equivalents	7,533,380	8,353,226

(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 are as follows:

(thousands of yen)

	22nd fiscal period as of August 31, 2015	23rd fiscal period as of February 29, 2016
Due within 1 year	6,233,828	5,817,702
Due after 1 year	27,605,287	26,099,897
Total	33,839,116	31,917,600

(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

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 sheet, the corresponding fair values and the difference between these amounts as of August 31, 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 sheet	Fair value (Note 1)	Difference
(1) Cash and deposits	2,331,908	2,331,908	–
(2) Cash and deposits in trust	5,267,938	5,267,938	–
Total of assets	7,599,847	7,599,847	–
(3) Short-term debt	–	–	–
(4) Current maturities of long-term debt	11,650,000	11,769,869	119,869
(5) Investment corporation bonds	2,000,000	2,099,325	99,325
(6) Long-term debt	58,750,000	59,481,598	731,598
(7) Tenant leasehold and security deposits received in trust	1,240,273	1,234,116	(6,157)
Total of liabilities	73,640,273	74,584,908	944,635
(8) Derivative transactions	–	–	–
Total of derivative transactions	–	–	–

The following table includes the book values for financial instruments as recorded on the balance sheet, the corresponding fair values and the difference between these amounts as of February 29, 2016. 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 sheet	Fair value (Note 1)	Difference
(1) Cash and deposits	3,513,400	3,513,400	–
(2) Cash and deposits in trust	4,905,852	4,905,852	–
Total of assets	8,419,252	8,419,252	–
(3) Short-term debt	–	–	–
(4) Current maturities of long-term debt	10,250,000	10,352,631	102,631
(5) Investment corporation bonds	2,000,000	2,120,088	120,088
(6) Long-term debt	60,075,000	60,712,714	637,714
(7) Tenant leasehold and security deposits received in trust	1,199,566	1,197,970	(1,596)
Total of liabilities	73,524,566	74,383,404	858,838
(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)

	22nd fiscal period as of August 31, 2015	23rd fiscal period as of February 29, 2016
Tenant leasehold and security deposits received in trust	10,645,399	10,628,705

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, 2015).

(thousands of yen)

	Due in 1 year or less
Cash and deposits	2,331,908
Cash and deposits in trust	5,267,938
Total	7,599,847

Amount of redemption of monetary claims scheduled to be due after closing of accounts (February 29, 2016).

(thousands of yen)

	Due in 1 year or less
Cash and deposits	3,513,400
Cash and deposits in trust	4,905,852
Total	8,419,252

(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, 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	11,650,000	20,450,000	10,200,000	4,200,000	5,700,000	18,200,000
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 29, 2016).

(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	10,250,000	23,875,000	2,100,000	8,400,000	1,000,000	24,700,000
Investment corporation bonds	–	–	–	–	–	2,000,000

(Notes to derivative transactions)

1. Derivatives to which hedge accounting is not applied

22nd fiscal period (as of August 31, 2015)

Not applicable.

23rd fiscal period (as of February 29, 2016)

Not applicable.

2. Derivatives to which hedge accounting is applied

22nd fiscal period (as of August 31, 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
				Of which, exceeding 1 year		
Special accounting for interest rate swaps	Interest rate swap transaction Payable fixed; Receivable floating	Long-term debt	22,500,000	20,500,000	(*)	–

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

23rd fiscal period (as of February 29, 2016)

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
				Of which, exceeding 1 year		
Special accounting for interest rate swaps	Interest rate swap transaction Payable fixed; Receivable floating	Long-term debt	24,500,000	24,500,000	(*)	–

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

(Notes to tax effect accounting)

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

(thousands of yen)

	22nd fiscal period as of August 31, 2015	23rd fiscal period as of February 29, 2016
Deferred tax assets		
Amount of accrued business taxes not deductible from taxable income	62	8
Total deferred tax assets	62	8
Deferred tax assets, net	62	8

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.

(%)

	22nd fiscal period as of August 31, 2015	23rd fiscal period as of February 29, 2016
Effective statutory income tax rate	33.94	32.11
Deductible dividend amount	(33.92)	(32.10)
Other	0.04	0.02
Effective income tax rate after application of tax effect accounting	0.07	0.03

3. Tax rate changes after closing of accounts.

With the Act Concerning Partial Amendment of the Income Tax Act, Etc. (Act No. 15 of 2016) and the Act Concerning Partial Amendment of the Local Tax Act, Etc. (Act No. 13 of 2016) promulgated on March 31, 2016, the income tax rate will be lowered, effective for the fiscal period starting on or after April 1, 2016. In accordance with this, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities concerning temporary differences that are expected to be reversed in and after the fiscal period starting September 1, 2016 will be changed from 32.11% to 31.35%. The tax rate change will have only a minor impact on FRC.

(Notes to transactions with related parties)**1. Transactions with related parties****(1) Parent company and major corporate unitholders****22nd fiscal period (from March 1, 2015 to August 31, 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 3)	Hakata Ward, Fukuoka City	4,000,000	General real estate business	Ownership in FRC Direct [8.67%] Indirect [1.17%]	Consignment of real estate management, etc.	Purchase of real estate (Note 1)	5,840,000 (Note 4)	—	—
							Consignment of real estate management, etc. (Note 2)	1,555,181 (Note 4)	Operating accounts payable	215,314 (Note 4)

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

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

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

(Note 4) Consumption taxes are not included in the transaction amount but are included in the balance at end of period.

23rd fiscal period (from September 1, 2015 to February 29, 2016)

(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 [8.85%] Indirect [1.00%]	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	1,528,328 (Note 3)	Operating accounts payable	145,722 (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.**22nd fiscal period (March 1, 2015 to August 31, 2015)**

Not applicable.

23rd fiscal period (September 1, 2015 to February 29, 2016)

Not applicable.

(3) Sister companies

22nd fiscal period (from March 1, 2015 to August 31, 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)	567,497 (Note 5)	Operating accounts payable	136,008 (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)	486,520 (Note 5)	Accrued expenses	240,649 (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.

23rd fiscal period (from September 1, 2015 to February 29, 2016)

(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)	534,780 (Note 5)	Operating accounts payable	103,766 (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)	493,021 (Note 5)	Accrued expenses	239,080 (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

22nd fiscal period (March 1, 2015 to August 31, 2015)

Not applicable.

23rd fiscal period (September 1, 2015 to February 29, 2016)

Not applicable.

2. Parent company and major affiliated companies

22nd fiscal period (March 1, 2015 to August 31, 2015)

Not applicable.

23rd fiscal period (September 1, 2015 to February 29, 2016)

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 sheet, amount of change during the period and fair value of these properties for lease.

(thousands of yen)

Use		22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
Retail	Amount recorded on the balance sheet		
	Balance at beginning of period	101,444,917	106,792,608
	Amount of change during period	5,347,690	(337,924)
	Balance at end of period	106,792,608	106,454,683
	Fair value at end of period	113,234,000	113,936,000
Office buildings	Amount recorded on the balance sheet		
	Balance at beginning of period	44,261,050	43,983,967
	Amount of change during period	(277,083)	(345,509)
	Balance at end of period	43,983,967	43,638,457
	Fair value at end of period	52,260,000	53,280,000
Others	Amount recorded on the balance sheet		
	Balance at beginning of period	13,559,539	21,639,782
	Amount of change during period	8,080,243	(157,481)
	Balance at end of period	21,639,782	21,482,301
	Fair value at end of period	23,690,000	24,170,000
Total	Amount recorded on the balance sheet		
	Balance at beginning of period	159,265,508	172,416,358
	Amount of change during period	13,150,850	(840,915)
	Balance at end of period	172,416,358	171,575,442
	Fair value at end of period	189,184,000	191,386,000

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

(Note 2) Of the amount of change during the 22nd fiscal period, the amount of increase is primarily attributable to the acquisition of new properties (14,163 million yen in total) and capital expenditures (445 million yen), and the amount of decrease is primarily attributable to depreciation and amortization expenses (1,458 million yen). Of the amount of change during the 23rd fiscal period, the amount of increase is primarily attributable to capital expenditures (630 million yen), and the amount of decrease is primarily attributable to depreciation and amortization expenses (1,471 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		22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
Retail	Amount recorded on the statement of income		
	Real estate leasing business revenues	5,459,799	5,349,509
	Expenses related to real estate leasing business	3,095,364	3,056,023
	Revenues and expenses related to real estate leasing business	2,364,435	2,293,485
Office buildings	Amount recorded on the statement of income		
	Real estate leasing business revenues	2,213,552	2,217,378
	Expenses related to real estate leasing business	1,224,723	1,190,348
	Revenues and expenses related to real estate leasing business	988,829	1,027,029
Others	Amount recorded on the statement of income		
	Real estate leasing business revenues	749,970	776,609
	Expenses related to real estate leasing business	331,402	331,033
	Revenues and expenses related to real estate leasing business	418,567	445,575
Total	Amount recorded on the statement of income		
	Real estate leasing business revenues	8,423,321	8,343,498
	Expenses related to real estate leasing business	4,651,490	4,577,406
	Revenues and expenses related to real estate leasing business	3,771,831	3,766,091

(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]

22nd fiscal period (from March 1, 2015 to August 31, 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 statement 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 statement 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 sheet.

(3) Information by major customer

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

23rd fiscal period (from September 1, 2015 to February 29, 2016)

(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 statement 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 statement 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 sheet.

(3) Information by major customer

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

(Notes to per unit information)

	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
Net assets per unit (yen)	125,574	125,585
Profit per unit (yen)	3,649	3,573

(Note 1) Profit per unit was calculated by dividing the profit by the daily weighted average number of investment units. Diluted profit per unit is not stated as there are no dilutive investment units.

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

	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
Profit (thousands of yen)	2,661,683	2,669,627
Amounts not attributable to ordinary unitholders (thousands of yen)	–	–
Profit attributable to ordinary investment units (thousands of yen)	2,661,683	2,669,627
Average number of units during the fiscal period (units)	729,342	747,000

(Notes to cash distributions)

(thousands of yen)

Account	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
I. Unappropriated surplus	2,661,720	2,669,786
II. Total dividend [Dividend per unit]	2,661,561 [3,563 yen]	2,669,778 [3,574 yen]
III. Surplus brought forward	159	8
Method for calculating dividends	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. Following the above policy, FRC proposed to distribute 2,661,561 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.	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. Following the above policy, FRC proposed to distribute 2,669,778 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.

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

(Notes to significant subsequent events)

The earthquakes that have occurred on and since April 14, 2016, with epicenters located in the Kumamoto area of Kumamoto Prefecture, have caused damages to Kumamoto Intercommunity SC, a property owned by FRC.

While there has not yet been sufficient time to complete an assessment of the damages caused by the earthquakes and calculate the impact on FRC's operations, FRC anticipates accrual of costs for restoration work in future periods.

Furthermore, although the cost of the damages is currently under investigation, the property is covered by earthquake insurance.

(Schedule of securities)

No relevant items.

(Schedule of contract amount, etc. and fair value of derivative transactions and forward exchange transactions)

(thousands of yen)

Category	Type	Contract amount, etc.		Fair value (Note 2)
		(Note 1)	Of which, exceeding 1 year	
Special accounting for interest rate swaps	Interest rate swap transaction Payable fixed; Receivable floating	24,500,000	24,500,000	(355,095)
Total		24,500,000	24,500,000	(355,095)

(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.

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

(thousands of yen)

Type of asset		Balance as of September 1, 2015	Increase	Decrease	Balance as of February 29, 2016	Accumulated depreciation	Depreciation for the period	Net property and equipment	Description
Total property, plant and equipment	Buildings in trust	83,847,220	574,904	462	84,421,663	20,966,851	1,360,215	63,454,811	(Note)
	Structures in trust	1,475,281	2,381	–	1,477,663	559,477	37,854	918,185	(Note)
	Machinery and equipment in trust	618,646	19,674	–	638,321	284,920	22,520	353,400	(Note)
	Vehicles and transport equipment in trust	747	–	–	747	246	47	500	
	Tools and fixtures in trust	1,250,581	24,253	–	1,274,834	973,210	47,092	301,623	(Note)
	Land in trust	104,756,397	–	–	104,756,397	–	–	104,756,397	
	Construction in progress in trust	10,276	9,295	–	19,571	–	–	19,571	(Note)
	Subtotal	191,959,151	630,509	462	192,589,198	22,784,707	1,467,729	169,804,490	
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	27,792	3,342	5,633	
	Subtotal	1,798,744	–	–	1,798,744	27,792	3,342	1,770,951	
Total		193,757,895	630,509	462	194,387,942	22,812,500	1,471,072	171,575,442	

(Note) The main increase and decrease in the 23rd fiscal period are due to construction work at properties and retirement of assets, respectively.

(Schedule of other specified assets)

No relevant items.

(Schedule of investment corporation bonds)

Issue	Issue date	Balance as of September 1, 2015 (thousands of yen)	Decrease during the fiscal period (thousands of yen)	Balance as of February 29, 2016 (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.

(Schedule of debt)

Category	Lender	Balance as of September 1, 2015	Increase	Decrease	Balance as of February 29, 2016	Average interest rate	Repayment date	Use of funds	Description
		(thousands of yen)	(thousands of yen)	(thousands of yen)	(thousands of yen)	(%) (Note 1)			
Current maturities of long-term debt	The Bank of Fukuoka	2,000,000	–	2,000,000	–	0.621	February 29, 2016	Acquisition fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	2,000,000	–	2,000,000	–	0.774	February 29, 2016	Acquisition fund	No collateral/ No guarantee
	Development Bank of Japan	2,000,000	–	2,000,000	–	0.771	February 29, 2016	Acquisition fund	No collateral/ No guarantee
	Mizuho Bank	500,000	–	500,000	–	1.117	February 29, 2016	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	4,000,000	–	–	4,000,000	2.170	August 31, 2016	Refinance fund	No collateral/ No guarantee
	Shinsei Bank	1,000,000	–	–	1,000,000	1.208	July 29, 2016	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	–	1,500,000	–	1,500,000	0.621	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Hiroshima Bank	–	500,000	–	500,000	1.182	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Oita Bank	–	500,000	–	500,000	1.182	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Eighteenth Bank	–	500,000	–	500,000	1.182	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Shinwa Bank	–	500,000	–	500,000	1.182	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Kitakyushu Bank	–	500,000	–	500,000	1.182	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Kagoshima Bank	–	100,000	–	100,000	1.168	January 31, 2017	Refinance fund	No collateral/ No guarantee
	Resona Bank	–	400,000	–	400,000	1.218	January 31, 2017	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	–	600,000	–	600,000	0.571	September 30, 2016	Refinance fund	No collateral/ No guarantee
Subtotal	11,500,000	5,100,000	6,500,000	10,100,000					
Long-term debt	Development Bank of Japan	2,100,000	–	75,000	2,025,000	2.200	(Note 2)	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	1,500,000	–	1,500,000	–	0.621	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	2,000,000	–	–	2,000,000	1.305	July 31, 2017	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	2,000,000	–	–	2,000,000	1.305	July 31, 2017	Refinance fund	No collateral/ No guarantee
	The Dai-ichi Life Insurance Company	1,000,000	–	–	1,000,000	1.800	July 31, 2018	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	1,500,000	–	–	1,500,000	0.771	December 30, 2017	Refinance fund	No collateral/ No guarantee
	The Hiroshima Bank	500,000	–	500,000	–	1.182	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Oita Bank	500,000	–	500,000	–	1.182	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Eighteenth Bank	500,000	–	500,000	–	1.182	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Shinwa Bank	500,000	–	500,000	–	1.182	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Kitakyushu Bank	500,000	–	500,000	–	1.182	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Kagoshima Bank	100,000	–	100,000	–	1.168	January 31, 2017	Refinance fund	No collateral/ No guarantee
	Resona Bank	400,000	–	400,000	–	1.218	January 31, 2017	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	500,000	–	–	500,000	1.338	January 31, 2019	Refinance fund	No collateral/ No guarantee
	Mitsubishi UFJ Trust and Banking Corporation	2,000,000	–	–	2,000,000	1.170	March 31, 2017	Acquisition fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	500,000	–	–	500,000	1.203	March 31, 2017	Refinance fund	No collateral/ No guarantee
	Resona Bank	600,000	–	–	600,000	1.253	March 31, 2017	Refinance fund	No collateral/ No guarantee
	The Higo Bank	300,000	–	–	300,000	1.203	March 31, 2017	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	1,000,000	–	–	1,000,000	0.858	June 30, 2017	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	1,000,000	–	–	1,000,000				
The Oita Bank	700,000	–	–	700,000					
The Miyazaki Bank	700,000	–	–	700,000					
The Shinwa Bank	600,000	–	–	600,000					
The Iyo Bank	500,000	–	–	500,000					
The Bank of Saga	500,000	–	–	500,000					

Category	Lender	Balance as of September 1, 2015	Increase	Decrease	Balance as of February 29, 2016	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description
		(thousands of yen)	(thousands of yen)	(thousands of yen)	(thousands of yen)				
Long-term debt	The Eighteenth Bank	500,000	–	–	500,000	0.858	June 30, 2017	Refinance fund	No collateral/ No guarantee
	The Kitakyushu Bank	500,000	–	–	500,000				
	Sumitomo Mitsui Trust Bank	600,000	–	600,000	–	0.571	September 30, 2016	Refinance fund	No collateral/ No guarantee
	Resona Bank	2,000,000	–	–	2,000,000	1.033	September 29, 2017	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	2,500,000	–	–	2,500,000	0.775	February 29, 2020	Acquisition fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	1,900,000	–	–	1,900,000	0.671	February 28, 2018	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	1,700,000	–	–	1,700,000	0.671	February 29, 2020	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	1,100,000	–	–	1,100,000	0.721	February 28, 2018	Refinance fund	No collateral/ No guarantee
	Mitsubishi UFJ Trust and Banking Corporation	1,500,000	–	–	1,500,000	0.521	February 28, 2018	Refinance fund	No collateral/ No guarantee
	Aozora Bank	600,000	–	–	600,000	0.521	February 28, 2018	Refinance fund	No collateral/ No guarantee
	Mitsubishi UFJ Trust and Banking Corporation	600,000	–	–	600,000	0.521	March 30, 2018	Refinance fund	No collateral/ No guarantee
	Aozora Bank	1,000,000	–	–	1,000,000	0.571	June 30, 2020	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	200,000	–	–	200,000	0.538	July 31, 2019	Refinance fund	No collateral/ No guarantee
	The Norinchukin Bank	3,000,000	–	–	3,000,000				
	The Bank of Saga	500,000	–	–	500,000				
	Mizuho Bank	2,300,000	–	–	2,300,000	0.835	July 30, 2021	Refinance fund	No collateral/ No guarantee
	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	1.010	August 31, 2022	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	4,000,000	–	–	4,000,000				
	The Bank of Tokyo-Mitsubishi UFJ	500,000	–	–	500,000	0.520	September 25, 2019	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	1,600,000	–	–	1,600,000	0.790	June 30, 2022	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	1,500,000	–	–	1,500,000	0.611	July 31, 2023	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	4,000,000	–	–	4,000,000	0.880	August 31, 2023	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	400,000	–	–	400,000	0.521	August 31, 2022	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	400,000	–	–	400,000	0.870	August 31, 2023	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	–	2,000,000	–	2,000,000	0.450	February 29, 2024	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	–	2,000,000	–	2,000,000	0.440	February 29, 2024	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	–	2,000,000	–	2,000,000	0.620	February 28, 2025	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	–	500,000	–	500,000	0.440	February 29, 2024	Refinance fund	No collateral/ No guarantee
Subtotal	58,900,000	6,500,000	5,175,000	60,225,000					
Total	70,400,000	11,600,000	11,675,000	70,325,000					

(Note 1) The average interest rate is a weighted-average figure during the fiscal period and is rounded to the third decimal place. Furthermore, the average interest rate 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 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 sheet as Current maturities of long-term debt and Long-term debt payable.

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

(thousands of yen)

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term debt	23,875,000	2,100,000	8,400,000	1,000,000



Fukuoka REIT Corporation