



Fukuoka REIT Corporation

26th Fiscal Period

Report on Performance and Management Status (Semiannual Report)

March 1, 2017 to August 31, 2017



Security Code 8968

I. Overview of Fukuoka REIT Corporation

To Our Unitholders

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

We are pleased to report on the performance results and management status of FRC for the 26th fiscal period (March 1, 2017 to August 31, 2017).

FRC was listed in June 2005 and started as Japan's first REIT specializing in regional properties. Since then, we have exhibited consistent growth and achieved stable performance through the support of our unitholders and sponsor companies.

The business conditions in the Fukuoka and Kyushu area are gradually improving.

Looking at the ultimate demand trends in the Fukuoka and Kyushu area, consumer spending is recovering as a whole, as replacement demand for durable goods is increasing and sales of food and beverages as well as apparel have started to move upward.

Meanwhile, according to the government's Prefectural Land Price Survey announced in September 2017, the commercial land price in Fukuoka City rose 9.6% year-on-year, as it did in the Land Price Survey announced in March 2017, significantly surpassing the national average figure of an increase of 0.5%.

FRC acquired a property in the 26th fiscal period utilizing its silent partnership equity interests.

In the fiscal period under review, FRC acquired LOGICITY Hisayama in June 2017 by exercising the preferential negotiation rights granted in association with the acquisition of silent partnership equity interests in Limited Liability Company FRC1. The property is a logistics facility in a good location near the Fukuoka Interchange and will secure stable earnings over a long period of time as it is leased under a fixed-term building lease agreement that allows no early cancellation or rent revision.

Canal City Hakata achieved an increase in visitors due to operations that focus on experiential value.

Canal City Hakata, the flagship of FRC, further enhanced its ability to attract customers thanks in part to the fountain show utilizing projection mapping that was introduced in November 2016, as well as due to new tenants that focus on experiential value. Moreover, the number of foreign entrants into Fukuoka Prefecture in the first half of 2017 increased by approximately 43% year-on-year. Because of these and other factors, the number of monthly visitors to Canal City Hakata set record highs for four consecutive months from January through April 2017. The strong number of visitors led to strong sales for all facilities.

Occupancy remained solid, with the average occupancy rate of all properties FRC owns recording 99.8%.

In the business districts of Fukuoka City, the vacancy rate of office buildings has dropped for 21 consecutive months and remains at an extremely low level, standing at 3.21% (Note 1) as of August 2017. Supply in the future will also be limited. Bolstered by the good office market, the occupancy rate of the seven office buildings owned by FRC reached 100% (Note 2) during the fiscal period under review.

With other assets also having healthy operations, the average occupancy rate of all properties owned by FRC as of the end of the 26th fiscal period was 99.8%

Standing on these asset management operations, we decided to pay out a dividend per unit of 3,422 yen for the fiscal period, up 22 yen from the forecast.

In terms of fundraising, FRC issued the Second Series of Unsecured Bonds.

In the 26th fiscal period, we issued unsecured investment corporation bonds, the second such issuance for FRC, amounting to 2 billion yen in order to diversify fundraising methods and increase the average length of time until debt maturity. With the issuance, we procured long-term funds with a maturity of 15 years at an interest rate of 1%. Moreover, FRC successfully reduced interest costs, extended the duration of debt and dispersed the debt repayment dates in refinancing and other financing.

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 leading the Kyushu business world. In conjunction with such efforts, we will strive to achieve growth of our portfolio in the medium to long term and secure stable earnings through steady asset management. We at FRC are resolved to pursue our mission of maximizing unitholder interests based on our management philosophy of "Act Local, Think Global."

We greatly appreciate your continued support and cooperation.

(Note 1) The figure is based on the office data publicized by Miki Shoji Co., Ltd.
(Note 2) For Taihaku Street Business Center, the occupancy rate does not include the property's residential portion.



CEO & Representative Director,
Fukuoka REIT Corporation
Etsuo Matsuyuki

Highlights for 26th Fiscal Period

(as of August 31, 2017)

Financial Highlights

LTV

39.3 %

Credit ratings

S&P **A-**
(Positive)

R&I **A+**
(Stable)

JCR **AA-**
(Stable)

Stable Dividend

3,422 yen

Latest dividend forecast per unit 3,400 yen

Dividend forecasts

27th fiscal period:
3,470 yen per unit

28th fiscal period:
3,470 yen per unit

Steady Growth

Total assets

178,063 mm yen

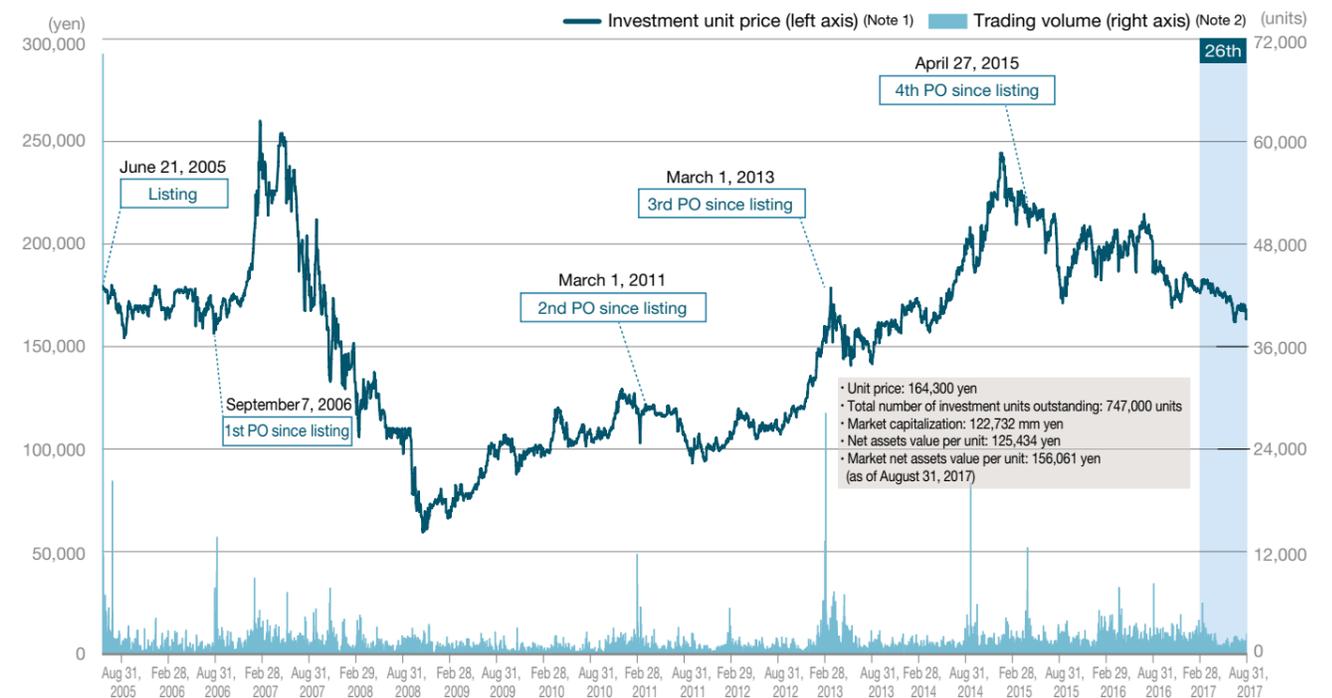
Number of investment properties at end of period

26 properties

Occupancy rate (at end of period)

99.8 %

Changes in Investment Unit Price



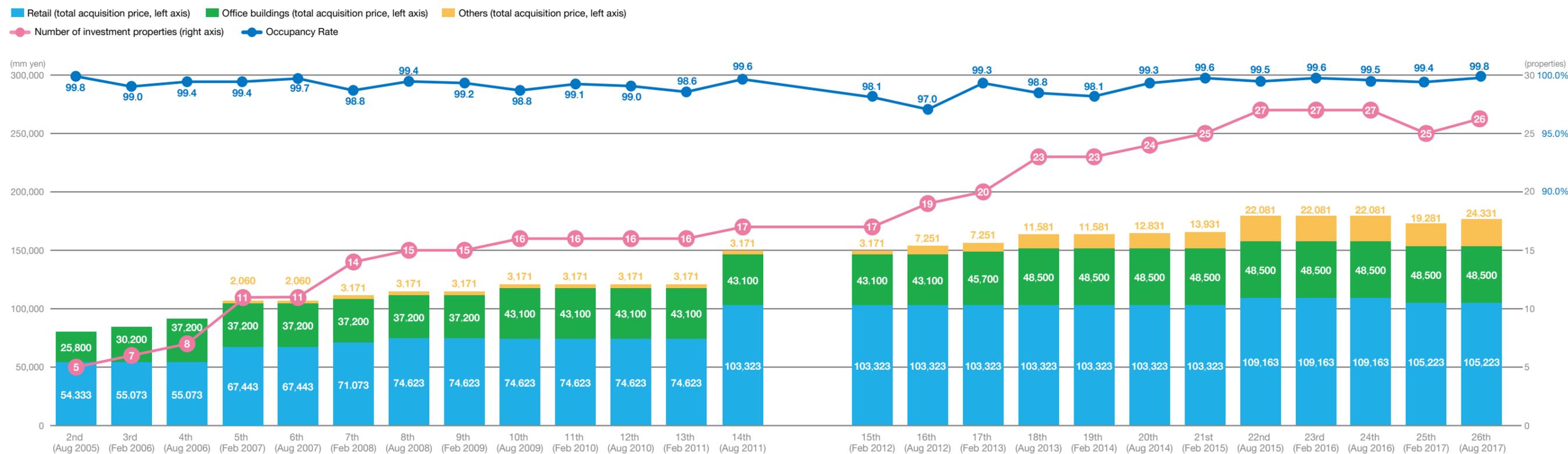
*Each figure is as of the end of each month.
 *FRC implemented a 5-for-1 split of its investment units with March 1, 2014 as the effective date.
 (Note 1) The investment unit prices through February 25, 2014 have been modified to the figures after the 5-for-1 split.
 (Note 2) The trading volumes through February 25, 2014 have been modified to the figures obtained by multiplying the original figures by 5.

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Trend of Growth in Asset Size of FRC

FRC More than Doubled Asset Size and Diversified Investment Types Since Listing



Financial Summary

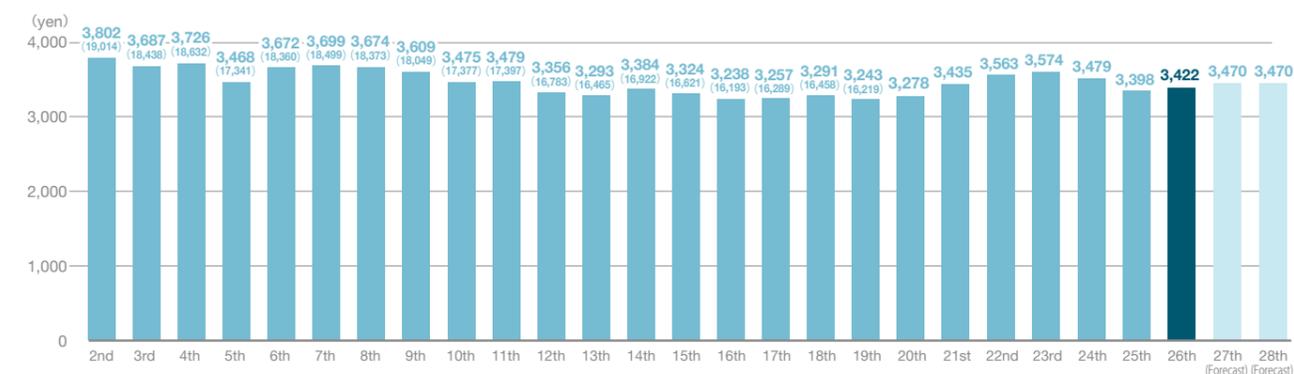
Financial Highlights for 26th Fiscal Period and Business Forecasts for 27th and 28th Fiscal Periods

Category	26th fiscal period (March 1, 2017 to August 31, 2017) Actual	27th fiscal period (September 1, 2017 to February 28, 2018) Forecast	28th fiscal period (March 1, 2018 to August 31, 2018) Forecast	
Operating revenues	mm yen	8,122	8,134	8,110
Leasing NOI (Note 1)	mm yen	4,998	5,074	5,074
Depreciation and amortization expenses	mm yen	1,474	1,502	1,517
Operating income	mm yen	2,920	2,939	2,950
Ordinary income	mm yen	2,562	2,593	2,593
Profit	mm yen	2,556	2,592	2,592
Dividend per unit	yen (1)	3,422	-	-
Latest dividend forecast per unit	yen (2)	3,400	3,470	3,470
Difference from forecast	yen (1)-(2)	+22	-	-
Total number of investment units outstanding (at end of period)	units	747,000	747,000	747,000

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

Dividend Performance

26th fiscal period end	August 31, 2017 (semiannual periods ending every February and August)	26th fiscal period days	184 days
26th fiscal period dividend	3,422 yen per unit	Dividend yield	4.1% ((Dividend / Days × 365) / Unit price (as of August 31, 2017))



*FRC implemented a 5-for-1 split of its investment units with March 1, 2014 as the effective date. Dividend per unit indicates the value after the 5-for-1 split. Figures in parentheses indicate the value before the 5-for-1 split.

Initiatives on Sustainability

● Formulation of Basic Policy on Customer-Oriented Business Conduct

Fukuoka Realty Co., Ltd. has adopted all seven principles set forth in the Principles for Customer-Oriented Business Conduct, announced by the Financial Services Agency on March 30, 2017, and on September 20, 2017 formulated a basic policy to realize customer-oriented business operations.

Fukuoka Realty's Basic Policy

- 1) Fukuoka Realty is a financial business operator that operates listed REITs. We will constantly strive to provide high-quality services so that we can meet the investment needs of unitholders.
- 2) Fukuoka Realty, as an asset management company knowledgeable about the particular circumstances of the region, strives to maximize the interest of unitholders by utilizing information and expertise.
- 3) Fukuoka Realty will make the fiduciary duty entrusted to us by unitholders the primary consideration and appropriately manage conflicts of interest.
- 4) Fukuoka Realty's executives and employees daily engage in honest and fair operation and act responsibly toward the Company's investors and other stakeholders.
- 5) Fukuoka Realty will proactively engage in voluntary IR activities in addition to statutory disclosure and timely disclosure and increase the fairness and transparency of information disclosure.

● Asset Management Fees for the Asset Manager

Asset Management Fees	Calculation Method
Asset Management Fee 1	The Investment Corporation shall pay the amount that is linked to the total amount of the assets it manages through consignment to the asset management company and calculated using the following formulas. • Calculation period I (the period through the end of the third month from the month to which the day following the immediately preceding closing of accounts belongs) Total amount of assets under consigned management at the end of the immediately preceding fiscal period (refers to the total amount of assets under consigned management stated in the balance sheet for the immediately preceding fiscal period of the Investment Corporation; the same shall apply hereafter) × 0.3% × actual number of days of the calculation period / 365 • Calculation period II (the period from the day following the end of the calculation period I to the closing of accounts) (Total amount of assets under consigned management at the end of the immediately preceding fiscal period + acquisition price of investment properties acquired during the calculation period I - amount of investment properties disposed during the calculation period I, stated in the balance sheet at the end of the immediately preceding fiscal period) × 0.3% × actual number of days of the calculation period / 365
Asset Management Fee 2	The amount equivalent to 2% of the total amount of the leasing business revenues (*1)
Asset Management Fee 3	The amount equivalent to 2% of the amount obtained by adding or subtracting gains or losses on sale of investment properties or redemption of securities, to or from the leasing business revenues (*1) of the investment properties calculated by deducting miscellaneous expenses (including depreciation and amortization expenses), interest expenses, Asset Management Fee 1, Asset Management Fee 2 and Asset Management Fee 4.
Asset Management Fee 4	The sum total of the amount obtained by multiplying the acquisition price of the asset that has been newly acquired as an investment property by the following rates. • 0.5% for the portion up to 50 billion yen (or 0.25% for assets acquired from interested parties) • Nothing for the portion over 50 billion yen

(*1) The leasing business revenues shall be the total amount of rents, common charges, parking revenues, incidental income, facility use charges, facility installation charges, delay damage charges, cancellation penalties or similar monies for cancelling lease agreements, and other leasing business revenues (excluding, however, gains or losses on sale of real estate and other assets of the investment properties).

(*2) The Asset Management Fees 1 through 4 above do not include fees for sale of real estate and other assets of the investment properties.

● Contribution to Local Communities

Fukuoka REIT makes various contributions to local communities through participation in the Hakata Community Development Promotion Conference.

● Clean-Up Days

Asset management company employees actively participate in community clean-up activities.



● Flower Planting

Flowers are planted from Hakata to Tenjin in a cooperative effort by local residents and private enterprises to create an appealing community.



● Community Activities

Hakata Hinyari! Uchimizu promotes sprinkling of water on sidewalks and streets as an environmental improvement activity.



● National Strategic Road Occupancy Project

HAKATA STREET Bar is held as part of activities to create bustle and festivity.



● Hakata Community Development Meetups

Persons who operate businesses in Hakata are invited to meetups to think about and discuss the Hakata district.



● Hakata City Walk Map

The Hakata City Walk Map is published to publicize the attractions of Hakata and suggest walking courses.



● External Assessment

● DBJ Green Building Certification

Five properties acquired certification as of 2016.



- Canal City Hakata
- Park Place Oita
- Canal City Business Center Building



- Gofukumachi Business Center
- Higashi Hie Business Center

● CASBEE Certification

Two properties acquired certification as of 2016.



- Higashi Hie Business Center
- LOGICITY Hisayama

Portfolio Overview



1 Retail
Canal City Hakata
 One of the largest entertainment-type retail facilities in Japan and a typical tourist destination in Fukuoka



2 Retail
Canal City Hakata B
 One of the largest entertainment-type retail facilities in Japan and a typical tourist destination in Fukuoka



3 Retail
Park Place Oita
 A leading retail facility in the Oita area, providing "park entertainment" for families



4 Retail
SunLive City Kokura
 One of the largest malls in Kitakyushu and anchored by a SunLive supermarket chosen by local consumers



5 Retail
Square Mall Kagoshima Usuki
 A retail facility in Kagoshima, designed by John Jerde who designed Canal City Hakata and Roppongi Hills



6 Retail
Kumamoto Intercommunity SC
 Located along a major arterial road and comprising Sports Depo, Golf 5 and Starbucks



7 Retail
Hanahata SC
 Located in a new residential area and comprising BON REPAS supermarket and Matsumoto Kiyoshi drug store



8 Retail
Kurume Higashi Kushiwara SC
 Located on a corner of a heavy-traffic intersection and comprising Sports Depo and Golf 5



21 Others (residence)
D-Wing Tower
 A large, high-rise (20-story) rental condominium, approximately a seven-minute walk from Tenjin subway station



22 Others (residence)
Granfore Yakuin Minami
 A rental condominium in the Yakuin/Hirao area that is popular among younger generations and has plentiful bus networks



23 Others (hotel)
Hotel FORZA Oita
 A business hotel located walking distance from Oita Station and specialized for lodging to meet business needs



24 Others (logistics)
Tosu Logistics Center
 A logistics facility located in the Green Logistics Park Tosu, operating around the clock and with three temperature zones



25 Others (logistics)
LOGICITY Minato Kashii
 A logistics facility among the largest in the Fukuoka area, with a location featuring traffic convenience and concentration of such facilities



26 Others (logistics)
LOGICITY Hisayama
 Approximately 5km from the Fukuoka Interchange featuring traffic convenience, with good general-purpose capabilities

Purchase of earthquake insurance
 FRC has purchased earthquake insurance for all the properties it owns.



9 Retail
K's Denki Kagoshima
 Having a large floor area and tenanted by an electric appliance store widely attracting customers from nearby cities



10 Retail
Marinao City Fukuoka (Marina Side Building)
 Located east of Marinao City Fukuoka and has stable attractiveness through synergy with the Outlet building



11 Office Building
Canal City Business Center Building
 An office building expected to exert synergy with Canal City Hakata, with showroom functions



12 Office Building
Gofukumachi Business Center Building
 An office building facing major arterial roads and directly connected to Gofukumachi Station on the city subway



13 Office Building
Sanix Hakata Building
 A highly-convenient, station-front office building that is a two-minute walk from Hakata Station



14 Office Building
Taihaku Street Business Center
 Good location along Taihaku-dori Street, a two-minute walk from Gion subway station and ten-minute walk from Hakata Station



15 Office Building
Higashi Hie Business Center
 Directly connected to Higashi Hie subway station, a two-minute ride to Hakata Station and three-minute ride to Fukuoka Airport



16 Office Building
Tenjin Nishi-Dori Center Building
 An office building facing Tenjin Nishi-dori Street where commercial facilities are concentrated



17 Office Building
Tenjin North Front Building
 A relatively new office building scarce in the Tenjin area that features Kyushu's largest integration of urban functions



18 Others (residence)
Amex Akasakamon Tower
 A tower-type rental condominium near downtown Fukuoka, with traffic convenience and environment that matches a wide range of generations

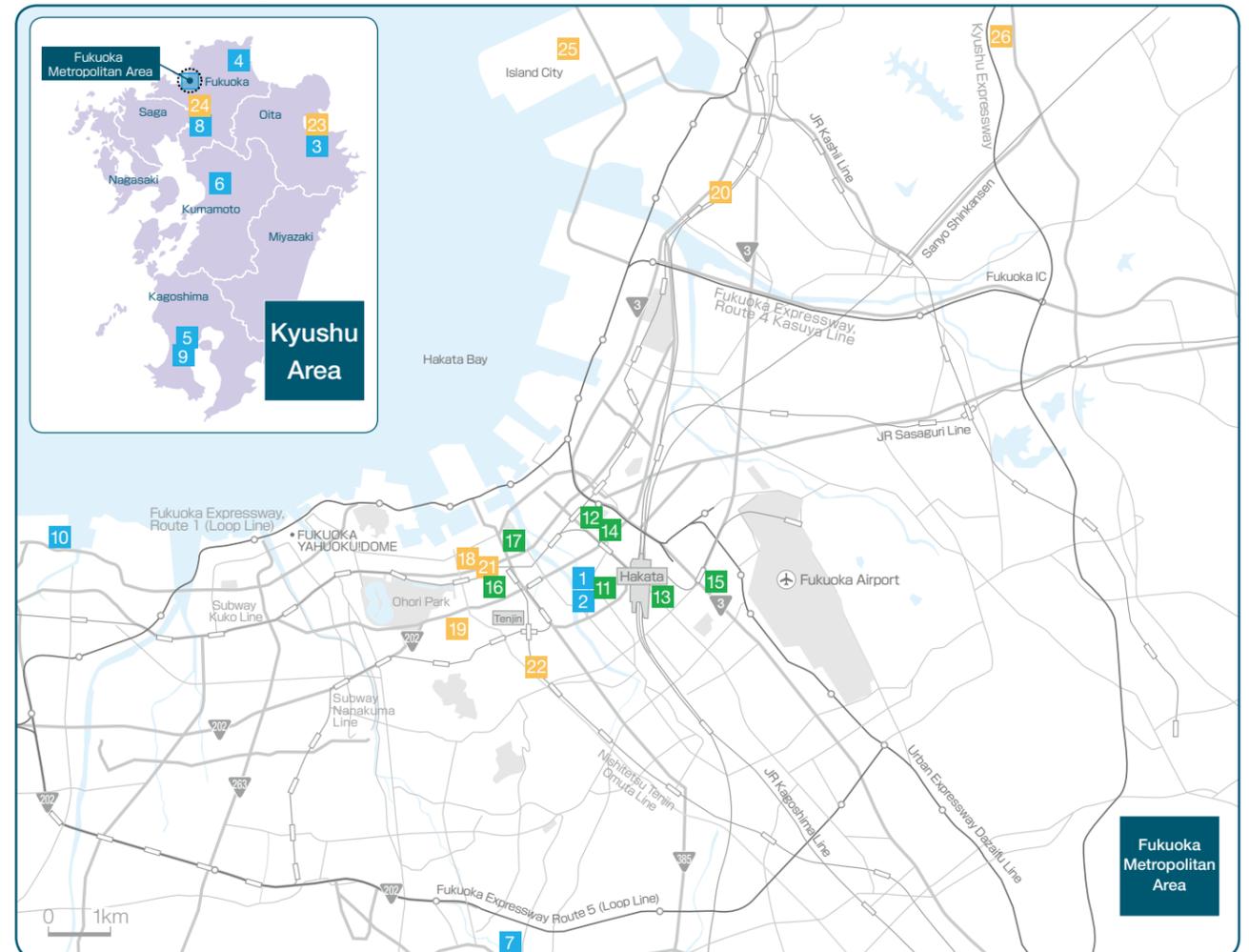


19 Others (residence)
City House Keyaki Dori
 A high-quality rental condominium in a popular residential area of Fukuoka, featuring traffic and living convenience



20 Others (residence)
Aqualia Chihaya
 A rental condominium comprised of units mainly for singles and small families to match the local characteristics

Portfolio Map



Profile

● Status of the Investment Corporation

FRC is Japan's first REIT specializing in regional properties. FRC manages a portfolio centering on retail facilities featuring excellent design and entertainment qualities and superior office buildings throughout all of Kyushu. With a central focus on Fukuoka, and in Yamaguchi Prefecture and Okinawa Prefecture, 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.

● Overview of the Asset Manager

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

● Portfolio (Note)

Investment type (based on acquisition price)



Investment area (based on acquisition price)



Total leasable floor space: 548,564.96m²
 Occupancy rate at end of period: 99.8%

*Figures are based on properties owned as of August 31, 2017.

II. Semiannual Report

Overview of Asset Management

1. Changes in operating results and financial position

Fiscal Period		22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period ^(Note 6) (September 1, 2016 to February 28, 2017)	26th fiscal period (March 1, 2017 to August 31, 2017)
Operating revenues	mm yen	8,423	8,343	8,234	9,730	8,122
[Leasing business revenues]	mm yen	[8,423]	[8,343]	[8,234]	[8,072]	[8,117]
Operating expenses	mm yen	5,256	5,201	5,165	5,145	5,202
[Expenses related to leasing business]	mm yen	[4,651]	[4,577]	[4,540]	[4,517]	[4,593]
Operating income	mm yen	3,167	3,141	3,069	4,585	2,920
Ordinary income	mm yen	2,663	2,670	2,616	4,199	2,562
Profit	(a) mm yen	2,661	2,669	938	4,198	2,556
Total assets	(b) mm yen	181,597	181,445	179,513	175,063	178,063
[Change from previous period]	%	[8.5]	[(0.1)]	[(1.1)]	[(2.5)]	[1.7]
Net assets	(c) mm yen	93,804	93,812	92,081	93,681	93,699
[Change from previous period]	%	[14.7]	[0.0]	[(1.8)]	[1.7]	[0.0]
Unitholders' equity	(Note 3) mm yen	91,142	91,142	91,142	91,142	91,142
Total number of investment units outstanding	(d) units	747,000	747,000	747,000	747,000	747,000
Net assets per unit	(c)/(d) yen	125,574	125,585	123,267	125,410	125,434
Total dividend	(e) mm yen	2,661	2,669	2,598	2,538	2,556
Dividend per unit	(e)/(d) yen	3,563	3,574	3,479	3,398	3,422
[Earnings dividend per unit]	yen	[3,563]	[3,574]	[1,256]	[3,398]	[3,422]
[Dividend in excess of earnings per unit]	(Note 4) yen	[-]	[-]	[2,223]	[-]	[-]
Ratio of ordinary income to total assets	(Note 5) %	1.5 [3.0]	1.5 [3.0]	1.4 [2.9]	2.4 [4.8]	1.5 [2.9]
Return on net assets	(Note 5) %	3.0 [6.0]	2.8 [5.7]	1.0 [2.0]	4.5 [9.1]	2.7 [5.4]
Ratio of net assets to total assets	(c)/(b) %	51.7	51.7	51.3	53.5	52.6
[Change from previous period]	%	[2.8]	[0.0]	[(0.4)]	[2.2]	[(0.9)]
Payout ratio	(Note 5) %	100.0	100.0	100.0	60.5	100.0
[Other reference information]						
Number of investment properties (at end of period)	properties	27	27	27	25	26
Total leasable floor space (at end of period)	m ²	554,464.84	554,549.65	554,541.30	523,817.31	548,564.96
Occupancy rate (at end of period)	%	99.5	99.6	99.5	99.4	99.8
Depreciation and amortization expenses	mm yen	1,458	1,471	1,470	1,455	1,474
Capital expenditures	mm yen	445	630	665	1,789	741
Leasing NOI	(Note 5) mm yen	5,229	5,237	5,164	5,010	4,998
Days in fiscal period	days	184	182	184	181	184

(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) No consideration has been given to the change in unitholders' equity due to distribution of dividend in excess of earnings that came from reserve for temporary difference adjustments. The same shall apply hereafter.

(Note 4) The dividend in excess of earnings per unit for the 24th fiscal period came from the reserve for temporary difference adjustments.

(Note 5) 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
Payout ratio	Dividend per unit (excluding dividend in excess of earnings) / profit per unit Profit per unit = Profit / total number of investment units outstanding
Leasing NOI	Leasing business revenues - expenses related to leasing business + depreciation and amortization expenses

(Note 6) For the 25th fiscal period, profit amounted to 4,198 million yen as a result of recording 1,657 million yen from gain on sales of real estate. However, because 1,660 million yen in reserve for temporary difference adjustments was reversed, the total dividend obtained by deducting the amount of the reserve for temporary difference adjustments from unappropriated surplus of 4,199 million yen came to 2,538 million yen. The payout ratio after taking into account the reversal of the reserve for temporary difference adjustments stands at 100.0%.

Overview of Asset Management

2. Management assessment

(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 26th fiscal period (August 31, 2017), FRC manages a total of 26 properties comprising 10 Retail, 7 Office buildings and 9 Others.

(2) Investment environment and portfolio performance

During the fiscal period under review (the 26th fiscal period), the Japanese economy remained on course for a modest recovery. Looking ahead, with the employment and income environment continuing to improve, the economy is expected to recover moderately due to various political measures proving effective, among other factors.

In the Fukuoka and Kyushu area, the core investment target area for FRC, the economy is expanding moderately, although variations can be seen according to regions in the area and business types. With regard to the outlook, the area is expected to see strong overseas demand and solid domestic demand, including rehabilitation from the Kumamoto Earthquake, to continue going forward.

As for land price trends, the pace of decrease in combined national average for residential and commercial land over the past year from July 2016 has decelerated, according to the 2017 Land Price Survey. By land type, residential land price continued to show a decelerating pace of decrease and commercial land price turned to an increase from the level-off seen last year. In Fukuoka City, the central area of FRC’s investment targets, land prices continued rising for the fifth consecutive year, up 9.6% year-on-year for commercial land and up 3.3% year-on-year for residential land, marking higher rates of increase than last year.

Under such circumstances in the 26th fiscal period, FRC acquired LOGICITY Hisayama on June 1, 2017. Moreover, FRC continued its efforts to reinforce competitive advantages and customer drawing ability at Canal City Hakata and other major retail properties, 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 99.8% at the end of the 26th fiscal period.

When analyzing FRC’s portfolio (on an acquisition price basis) by investment target area, the investment ratio in the Fukuoka urban area accounted for 77.0%; when analyzing by property type, Retail, Office buildings, and Others accounted for 59.1%, 27.2% and 13.7%, respectively.

(3) Summary of fundraising

In the 26th fiscal period, FRC borrowed funds to acquire the above-mentioned property and conducted refinancing. As a result, the balance of interest-bearing debt outstanding (including investment corporation bonds) at the end of the 26th fiscal period totaled 69,900 million yen, with the loan-to-value ratio (ratio of interest-bearing debt (including investment corporation bonds) to total assets) at 39.3% and the ratio of fixed-interest rate debt (including investment corporation bonds) at 79.8% as of the same date. In the fiscal period under review, FRC also issued the Second Series of Unsecured Bonds with a maturity of 15 years to disperse the debt repayment dates and increase the average length of time until debt maturity. Going forward, FRC will continue its endeavors for dispersion of debt repayment dates and extension of debt duration in a similar manner, in an effort to reduce refinancing risks. At the same time, FRC will work 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 26th fiscal period are as follows:

Credit Rating Agency	Rating Type	Rating	Rating Outlook
S&P Global Ratings Japan Inc. (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 Issuer Rating	AA-	Stable

(4) Summary of performance and dividend

As a result of these management efforts, operating revenues totaled 8,122 million yen and operating income after excluding operating expenses such as expenses related to leasing business and asset management fees totaled 2,920 million yen. Ordinary income was 2,562 million yen and net income amounted to 2,556 million yen. Management decided to pay a dividend of 3,422 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 of Japan [Act No. 26 in 1957 including later revisions]). Under this law, an investment corporation is allowed to deduct the maximum amount of dividends paid to investors from its taxable income.

Furthermore, the appropriation of balance related to amended return in the statement of income refers to the payment amount of taxes that accrued in accordance with revised tax returns for income taxes, and shall be borne by the asset management company based on the asset management agreement. This has no impact on the dividend FRC pays for the 26th fiscal period.

3. Change in the number of investment units issued

Changes in unitholders’ capital from the incorporation of FRC to the end of the 26th 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	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)	26th fiscal period (March 1, 2017 to August 31, 2017)
Highest	226,000 yen	209,000 yen	214,500 yen	192,000 yen	182,800 yen
Lowest	187,100 yen	171,300 yen	186,100 yen	169,000 yen	162,100 yen

Overview of Asset Management

4. Results of dividend, etc.

With respect to the dividend (excluding dividend in excess of earnings) for the 26th 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 67-15-1 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 3,422 yen.

(thousands of yen)

Fiscal period	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)	26th fiscal period (March 1, 2017 to August 31, 2017)
Profit	2,661,683	2,669,627	938,400	4,198,931	2,556,294
Unappropriated surplus	2,661,720	2,669,786	938,409	4,199,108	2,556,515
Undistributed earnings	159	8	177	221	281
Total dividends [Dividend per unit]	2,661,561 [3,563 yen]	2,669,778 [3,574 yen]	2,598,813 [3,479 yen]	2,538,306 [3,398 yen]	2,556,234 [3,422 yen]
Earnings dividends [Earnings dividend per unit]	2,661,561 [3,563 yen]	2,669,778 [3,574 yen]	938,232 [1,256 yen]	2,538,306 [3,398 yen]	2,556,234 [3,422 yen]
Contribution refund [Contribution refund per unit]	— [—]	— [—]	1,660,581 [2,223 yen]	— [—]	— [—]
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)	— [—]	— [—]	1,660,581 [2,223 yen]	— [—]	— [—]
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 through 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 26th fiscal period

No relevant items.

Overview of the Investment Corporation

1. Summary of unitholders' capital

Fiscal period	22nd fiscal period as of August 31, 2015	23rd fiscal period as of February 29, 2016	24th fiscal period as of August 31, 2016	25th fiscal period as of February 28, 2017	26th fiscal period as of August 31, 2017
Total number of authorized investment units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units
Total number of investment units outstanding	747,000 units	747,000 units	747,000 units	747,000 units	747,000 units
Number of unitholders	10,524	10,330	9,722	10,259	10,190

2. Matters related to investment units

The following table sets forth the major unitholders of FRC as of August 31, 2017.

Name	Investment units held (units)	Percentage of total number of investment units outstanding (%) (Note)
Japan Trustee Service Bank, Ltd. (Trust account)	196,925	26.36
The Master Trust Bank of Japan, Ltd. (Trust account)	83,095	11.12
Fukuoka Jisho Co., Ltd.	66,075	8.84
Trust & Custody Service Bank, Ltd. (Securities investment trust account)	42,572	5.69
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	26,576	3.55
Kazuhiko Enomoto	11,985	1.60
STATE STREET BANK-WEST PENSION FUND CLIENTS-EXEMPT 505233	11,400	1.52
MetLife, Inc.	11,200	1.49
Shikoku Railway Company	9,130	1.22
Joyo Bank Ltd.	8,570	1.14
Total	467,528	62.58

(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 26th fiscal period are as follows:

Title	Name of directors, etc.	Major concurrent assignments	Total fee for each title for the 26th 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	Hiroyasu Shindo	Representative Council, Shindo Law Firm	3,600
	Yasuo Kawasho	Representative Partner, Kawasho Authorize Accountant Office	
Independent Auditor	PricewaterhouseCoopers Aarata LLC	—	11,000

(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 26th fiscal period, and the fee to the Independent Auditor is the amount payable to it (estimate) for audits pertaining to the 26th fiscal period.

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

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

FRC will review at its Board of Directors meetings 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 26th fiscal period

The following table sets forth the asset management company, asset custodian and general administrators of FRC as of August 31, 2017

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)	25th fiscal period as of February 28, 2017		26th fiscal period as of August 31, 2017	
			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 metropolitan area	66,011	37.7	66,213	37.2
		Other Kyushu areas	36,763	21.0	36,487	20.5
	Office buildings	Fukuoka metropolitan area	43,168	24.7	42,798	24.0
		Other Kyushu areas	—	—	—	—
	Others	Fukuoka metropolitan area	15,907	9.1	20,876	11.7
Other Kyushu areas		2,676	1.5	2,654	1.5	
Silent partnership equity interests (Note 4)			104	0.1	—	—
Deposits and other assets			10,432	6.0	9,032	5.1
Total amount of assets (Note 5)			175,063 [164,809]	100.0 [94.1]	178,063 [169,053]	100.0 [94.9]

(Note 1) "Fukuoka metropolitan 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) Silent partnership equity interests represent FRC's equity investment in an SPC (Limited Liability Company FRC1) that operates with LOGICITY Hisayama as the investment property.

(Note 5) 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 August 31, 2017.

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 revenues (%) (Note 3)	Main use
Canal City Hakata	30,518	46,602.94	46,602.94	100.0	15.4	Retail
Canal City Hakata-B	29,213	68,820.27	68,820.27	100.0	19.7	Retail
Park Place Oita	18,932	113,837.73	113,837.73	100.0	15.1	Retail
Canal City Business Center Building	13,395	23,031.09	23,031.09	100.0	7.9	Office buildings
Gofukumachi Business Center	9,313	19,905.34	19,905.34	100.0	6.7	Office buildings
LOGICITY Minato Kashii	8,008	43,233.72	43,233.72	100.0	Undisclosed (Note 4)	Others
Taihaku Street Business Center	6,219	14,677.27	14,499.25	98.8	3.7	Office buildings
SunLive City Kokura	5,770	61,450.22	61,450.22	100.0	3.6	Retail
Marinoa City Fukuoka (Marina Side Building)	5,473	33,069.82	33,069.82	100.0	2.2	Retail
LOGICITY Hisayama	5,062	24,505.65	24,505.65	100.0	Undisclosed (Note 4)	Others
Total	131,907	449,134.05	448,956.03	100.0	—	

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

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

(Note 3) "Percentage of total leasing business revenues" is rounded off to one decimal place.

(Note 4) 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 August 31, 2017.

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	46,602.94	31,900	30,518	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata-B	2-1, 1-Chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	68,820.27	29,900	29,213	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	1, 2-Chome, Koen Dori Nishi, Oita City, Oita	Trust beneficiary interest	113,837.73	19,100	18,932	Japan Real Estate Institute
SunLive City Kokura	14-1, 2-Chome, Kami Kuzuhara, Kokura Minami Ward, Kitakyushu City	Trust beneficiary interest	61,450.22	7,930	5,770	Japan Real Estate Institute
Square Mall Kagoshima Usuki	2-18, 2-Chome, Usuki, Kagoshima City, Kagoshima	Trust beneficiary interest	14,602.88	5,420	4,521	Japan Real Estate Institute
Kumamoto Intercommunity SC	1-5, 1-Chome, Kozono, Higashi-Ward, Kumamoto City	Trust beneficiary interest	6,968.66	2,720	2,042	Japan Real Estate Institute
Hanahata SC	9-12, 4-Chome, Hanahata, Minami Ward, Fukuoka City	Trust beneficiary interest	2,801.15	1,250	1,008	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	370-3 Higashi Kushiwara, Kurume City, Fukuoka	Trust beneficiary interest	6,467.80	2,790	2,127	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	4-12, Tokai-cho, Kagoshima City, Kagoshima	Trust beneficiary interest	7,296.17	3,710	3,091	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	5,940	5,473	Tanizawa Sogo Appraisal Co., Ltd.
	Retail subtotal:		361,917.64	110,660	102,701	
Canal City Business Center Building	2-25, 1-Chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	23,031.09	14,900	13,395	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	10-10, Kami Gofukumachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	19,905.34	13,400	9,313	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	1-23, 2-Chome, Hakataeki Higashi, Hakata Ward, Fukuoka City	Trust beneficiary interest	6,293.75	5,430	3,906	Japan Real Estate Institute
Taihaku Street Business Center	3-21 Gokushomachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	14,677.27	7,590	6,219	Japan Real Estate Institute
Higashi Hie Business Center	1-2, 3-Chome, Higashi Hie, Hakata Ward, Fukuoka City	Trust beneficiary interest	13,614.59	6,710	4,637	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	2,970	2,709	Japan Real Estate Institute
Tenjin North Front Building	4-20, 4-Chome, Tenjin, Chuo Ward, Fukuoka City	Trust beneficiary interest	5,252.41	3,580	2,617	Japan Real Estate Institute
	Office buildings subtotal:		86,113.77	54,580	42,798	
Amex Akasakamon Tower	4-23, 2-Chome, Maizuru, Chuo Ward, Fukuoka City	Trust beneficiary interest	4,821.25	1,940	1,765	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	1,090	950	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Chihaya	3-12, 4-Chome, Chihaya, Higashi Ward, Fukuoka City	Trust beneficiary interest	5,619.69	1,630	1,190	Japan Real Estate Institute
D-Wing Tower	10-38, 2-Chome, Daimyo, Chuo Ward, Fukuoka City	Trust beneficiary interest	7,187.59	3,420	2,749	Tanizawa Sogo Appraisal Co., Ltd.
Granfore Yakuin Minami	11-20, 1-Chome, Hirao, Chuo Ward, Fukuoka City	Trust beneficiary interest	2,496.06	1,290	1,149	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	5-18, 1-Chome, Chuo-cho, Oita City, Oita	Trust beneficiary interest	5,785.44	1,860	1,431	Japan Real Estate Institute
Tosu Logistics Center	1607 Momota, Himekata-cho Aza, Tosu City, Saga	Trust beneficiary interest	4,173.29	1,420	1,223	Japan Real Estate Institute
LOGICITY Minato Kashii	3-4, 2-Chome, Minato Kashii, Higashi Ward, Fukuoka City	Trust beneficiary interest	43,233.72	8,800	8,008	Tanizawa Sogo Appraisal Co., Ltd.
LOGICITY Hisayama	2335-3 Oaza Yamada, Hisayama-machi, Kasuya County, Fukuoka	Trust beneficiary interest	24,505.65	5,220	5,062	Tanizawa Sogo Appraisal Co., Ltd.
	Others subtotal:		100,533.55	26,670	23,531	
	Total		548,564.96	191,910	169,031	

(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	25th fiscal period (September 1, 2016 to February 28, 2017)				26th fiscal period (March 1, 2017 to August 31, 2017)			
	Number of tenants at end of period (Note 1)	Occupancy rate at end of period (%) (Note 3)	Total leasing business revenues during period (mm of yen)	Percentage of total leasing business revenues (%) (Note 4)	Number of tenants at end of period (Note 1)	Occupancy rate at end of period (%) (Note 3)	Total leasing business revenues during periods (mm of yen)	Percentage of total leasing business revenues (%) (Note 4)
Canal City Hakata	1 [45]	99.5	1,256	15.6	1 [49]	100.0	1,250	15.4
Canal City Hakata-B	1 [48]	99.8	1,611	20.0	1 [50]	100.0	1,598	19.7
Park Place Oita	1 [101]	98.4	1,186	14.7	1 [107]	100.0	1,228	15.1
SunLive City Kokura	1	100.0	292	3.6	1	100.0	292	3.6
Square Mall Kagoshima Usuki	12	100.0	252	3.1	12	100.0	257	3.2
Kumamoto Intercommunity SC	2	100.0	88	1.1	2	100.0	89	1.1
AEON Hara Shopping Center (Note 5)	-	-	34	0.4	-	-	-	-
Hanahata SC	2	100.0	40	0.5	2	100.0	40	0.5
Kurume Higashi Kushiwara SC	1	100.0	88	1.1	1	100.0	88	1.1
K's Denki Kagoshima	1	100.0	111	1.4	1	100.0	111	1.4
Marinoa City Fukuoka (Marina Side Building)	1	100.0	177	2.2	1	100.0	177	2.2
Retail subtotal:	23 [214] (Note 2)	99.4	5,138	63.7	23 [226] (Note 2)	100.0	5,134	63.3
Canal City Business Center Building	1 [61]	100.0	631	7.8	1 [61]	100.0	639	7.9
Gofukumachi Business Center	35	100.0	531	6.6	35	100.0	540	6.7
Sanix Hakata Building	16	100.0	196	2.4	16	100.0	199	2.5
Taihaku Street Business Center	1 [67]	98.5	298	3.7	1 [68]	98.8	299	3.7
Higashi Hie Business Center	1 [25]	100.0	329	4.1	1 [25]	100.0	334	4.1
Tenjin Nishi-Dori Center Building	1	100.0	86	1.1	1	100.0	86	1.1
Tenjin North Front Building	11	100.0	135	1.7	11	100.0	139	1.7
Office buildings subtotal:	66 [216] (Note 2)	99.8	2,210	27.4	66 [217] (Note 2)	99.8	2,239	27.6
Amex Akasakamon Tower	1 [67]	100.0	67	0.8	1 [60]	91.1	65	0.8
City House Keyaki Dori	1 [40]	95.5	37	0.5	1 [39]	92.2	36	0.5
Aqualia Kego (Note 6)	-	-	55	0.7	-	-	-	-
Aqualia Chihaya	1 [103]	98.2	58	0.7	1 [103]	98.2	59	0.7
D-Wing Tower	1 [133]	97.0	113	1.4	1 [136]	99.4	113	1.4
Granfore Yakuin Minami	1 [94]	94.9	38	0.5	1 [91]	91.9	37	0.5
Hotel FORZA Oita	1	100.0	63	0.8	1	100.0	63	0.8
Tosu Logistics Center	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
LOGICITY Minato Kashii	2	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	2	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
LOGICITY Hisayama	-	-	-	-	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
Others subtotal:	9 [441] (Note 2)	99.3	723	9.0	10 [434] (Note 2)	99.0	743	9.2
Total	98 [871] (Note 2)	99.4	8,072	100.0	99 [877] (Note 2)	99.8	8,117	100.0

(Note 1) "Number of tenants" is based on the total number of sections stipulated in the tenancy agreements for retail and office buildings among relevant properties. For the number of tenants in pass-through master leasing properties, the number of sections stipulated in the tenancy agreements with end tenants is shown in square brackets. The Taihaku Street Business Center is an office building with a residential tower. Its number of tenants comprises 12 for the office building and 56 for the residence in the 26th fiscal period (12 for the office building and 55 for the residence in the 25th 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 revenues" is rounded off to one decimal place, and the total of individual percentages in the above table may not equal 100%.

(Note 5) FRC disposed the property on September 30, 2016.

(Note 6) FRC disposed the property on November 29, 2016.

(Note 7) 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 FRC's specific transactions and the status of its fair value as of August 31, 2017

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 (Receivable floating; Payable fixed)	18,500	18,500	(171)
Total		18,500	18,500	(171)

(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 17. There is no incorporation of other specified assets as of the end of the 26th fiscal period.

9. Status of owned assets by country and region

As of the end of the 26th 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	Construction cost	Amount already paid
Canal City Hakata	Hakata Ward, Fukuoka City	Refurbishment of sites for former tenants	From June 2018 To July 2018	247	-	-
Canal City Hakata-B	Hakata Ward, Fukuoka City	Replacement of emergency telephones	From February 2018 To April 2018	55	-	-
Park Place Oita	Oita City, Oita	Replacement of air-conditioning units	From October 2017 To February 2018	178	-	-
Canal City Business Center Building	Hakata Ward, Fukuoka City	Refurbishment of sites for former tenants	From December 2017 To February 2018	50	-	-
Sanix Hakata Building	Hakata Ward, Fukuoka City	Replacement of central monitoring equipment	From October 2017 To November 2017	14	-	-

Capital Expenditures for Owned Real Estate

2. Capital expenditures during the 26th fiscal period

Capital expenditures for the real estate properties owned by FRC totaled 741 million yen in the 26th period. Furthermore, FRC incurred construction costs of 958 million yen in total in the period, including 209 million yen in repair and maintenance expenses classified as expenses on the statement of income and 8 million yen in expenses for restoration to former state. The following table provides the overview of major construction work that was completed in the 26th fiscal period.

Real estate property name	Location	Purpose	Period	Construction cost (mm of yen)
Canal City Hakata	Hakata Ward, Fukuoka City	Renovation of external walls of Canal City Business Center building	From February 2016 To May 2017	122
Canal City Hakata-B	Hakata Ward, Fukuoka City	Replacement of foam fire extinguishing apparatus for ground parking lots and countermeasures against cold waves	From February 2017 To April 2017	33
Canal City Hakata-B	Hakata Ward, Fukuoka City	Renovation of external walls of Canal City Business Center building	From February 2016 To May 2017	243
Park Place Oita	Oita City, Oita	Improvement of food terrace environment	From February 2017 To April 2017	69
Marinoa City Fukuoka (Marina Side Building)	Nishi Ward, Fukuoka City	Painting of external walls	From February 2017 To July 2017	43
Canal City Business Center Building	Hakata Ward, Fukuoka City	Renovation of external walls of Canal City Business Center building	From February 2016 To May 2017	31

3. Reserves for long-term repair and maintenance plans

FRC has deposited the following amounts from the cash flows generated during the 26th 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	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)	26th fiscal period (March 1, 2017 to August 31, 2017)
Balance of deposits at beginning of period	800	800	800	800	1,000
Deposits during the period	-	-	-	200	-
Amounts used from deposits during the period	-	-	-	-	-
Deposits carried forward to the next period	800	800	800	1,000	1,000

Expenses and Liabilities

1. Details of expenses related to asset management

(thousands of yen)

Item	25th fiscal period (September 1, 2016 to February 28, 2017)	26th fiscal period (March 1, 2017 to August 31, 2017)
(a) Asset management fees	476,894	479,496
(b) Asset custody fees	6,676	6,618
(c) Administrative service fees	51,646	51,583
(d) Directors' compensations	9,600	9,600
(e) Other operating expenses	83,042	61,643
Total	627,860	608,941

(Note) Aside from the amounts of the asset management fees shown above, 4,175 thousand yen was paid in the 25th fiscal period for asset management, capitalized in the acquisition costs, related to the acquisition of Sports Club NAS Park Place Oita and silent partnership equity interests in the 25th fiscal period, and 12,625 thousand yen was paid in the 26th fiscal period for asset management, capitalized in the acquisition costs, related to the acquisition of LOGICITY Hisayama.

2. Status of debt

As of the end of the 26th fiscal period (August 31, 2017), FRC has the following debt from respective financial institutions.

	Category	Drawdown date	Balance as of March 1, 2017 (mm of yen)	Balance as of August 31, 2017 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description	
	Lender									
Short-term debt	The Bank of Fukuoka (Note 2)	August 31, 2017	–	583	0.380	September 29, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	Resona Bank (Note 2)		–	116						
	The Nishi-Nippon City Bank (Note 2)	August 31, 2017	–	571	0.380	September 29, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	Resona Bank (Note 2)		–	80						
	The Bank of Nagasaki (Note 2)		–	57						
	The Oita Bank (Note 2)		–	57						
	The Bank of Saga (Note 2)		–	34						
Subtotal	–	1,500								
Current maturities of long-term debt	Development Bank of Japan	June 30, 2009	1,875	–	2.200	June 30, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	The Bank of Fukuoka	July 29, 2011	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	–	1.305	July 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	Mitsubishi UFJ Trust and Banking Corporation	March 1, 2012	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	–	1.203	March 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	Resona Bank	March 30, 2012	600	–	1.253	March 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	The Higo Bank	March 30, 2012	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	–	0.858	June 30, 2017	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	The Nishi-Nippon City Bank		1,000	–						
	The Oita Bank		700	–						
	The Miyazaki Bank		700	–						
	The Shinwa Bank		600	–						
	The Iyo Bank		500	–						
	The Bank of Saga		500	–						
	The Eighteenth Bank		500	–						
	The Kitakyushu Bank		500	–						
	The Bank of Fukuoka	December 30, 2011	1,500	1,500	0.657	December 30, 2017	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 28, 2013	1,900	1,900	0.557	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	Sumitomo Mitsui Trust Bank	February 28, 2013	1,100	1,100	0.607	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	0.407	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	Aozora Bank	February 28, 2013	600	600	0.407	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	The Dai-ichi Life Insurance Company	July 29, 2011	–	1,000	1.800	July 31, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	Mitsubishi UFJ Trust and Banking Corporation	March 29, 2013	–	600	0.407	March 30, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	Subtotal		23,875	10,200						

Expenses and Liabilities

	Category	Drawdown date	Balance as of March 1, 2017 (mm of yen)	Balance as of August 31, 2017 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
	Lender								
Long-term debt	The Dai-ichi Life Insurance Company	July 29, 2011	1,000	–	1.800	July 31, 2018	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
	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
	Mizuho Bank	February 28, 2013	1,700	1,700	0.557	February 29, 2020	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mitsubishi UFJ Trust and Banking Corporation	March 29, 2013	600	–	0.407	March 30, 2018	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Aozora Bank	June 28, 2013	1,000	1,000	0.457	June 30, 2020	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	July 31, 2014	200	200	0.538	July 31, 2019	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Norinchukin Bank		3,000	3,000					
	The Bank of Saga		500	500					
	Mizuho Bank	July 31, 2014	2,300	2,300	0.835	July 30, 2021	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Norinchukin Bank		1,000	1,000					
	The Hiroshima Bank		1,400	1,400					
	The Kitakyushu Bank		800	800					
	The Iyo Bank		500	500					
	The Higo Bank		300	300					
	Development Bank of Japan		August 29, 2014	4,000					
	The Bank of Tokyo- Mitsubishi UFJ	September 25, 2014	500	500	0.520	September 25, 2019	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	June 30, 2015	1,600	1,600	0.790	June 30, 2022	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	July 31, 2015	1,500	1,500	0.564	July 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	August 31, 2015	4,000	4,000	0.880	August 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	August 31, 2015	400	400	0.407	August 31, 2022	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	August 31, 2015	400	400	0.870	August 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	February 29, 2016	2,000	2,000	0.407	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	February 29, 2016	2,000	2,000	0.440	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	February 29, 2016	2,000	2,000	0.620	February 28, 2025	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	February 29, 2016	500	500	0.440	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Shinsei Bank	July 29, 2016	700	700	0.400	July 31, 2024	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
Sumitomo Mitsui Trust Bank	September 30, 2016	300	300	0.401	September 30, 2025	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Development Bank of Japan	December 30, 2016	1,500	1,500	0.718	December 30, 2025	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Oita Bank		100	100						
The Kagoshima Bank		100	100						
The Kitakyushu Bank		100	100						
The Eighteenth Bank		100	100						
The Shinwa Bank		100	100						
The Hiroshima Bank		100	100						
The Bank of Fukuoka		December 30, 2016	1,500						1,500
Mitsubishi UFJ Trust and Banking Corporation	March 31, 2017	–	800	0.481	March 31, 2025	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Resona Bank	March 31, 2017	–	600	0.658	March 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Higo Bank	March 31, 2017	–	300	0.481	March 31, 2025	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Bank of Fukuoka	June 30, 2017	–	1,300	0.777	June 30, 2026	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Nishi-Nippon City Bank		–	1,000						
The Oita Bank		–	700						
The Kitakyushu Bank		–	700						
The Miyazaki Bank		–	700						
The Shinwa Bank		–	600						
The Iyo Bank		–	500						
The Eighteenth Bank	–	500							

Expenses and Liabilities

	Category	Drawdown date	Balance as of March 1, 2017 (mm of yen)	Balance as of August 31, 2017 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
	Lender								
Long-term debt	Development Bank of Japan	June 30, 2017	–	1,800	0.650	December 31, 2026	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	July 31, 2017	–	2,000	0.792	July 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	July 31, 2017	–	2,000	0.892	July 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	August 31, 2017	–	500	0.850	August 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka		–	500					
	The Oita Bank		–	100					
	The Kitakyushu Bank		–	100					
	The Eighteenth Bank		–	100					
	The Shinwa Bank		–	100					
	The Hiroshima Bank		–	100					
Subtotal			40,800	54,200					
Total		64,675	65,900						

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

3. Investment corporation bonds

As of August 31, 2017, FRC has the following investment corporation bonds outstanding.

Issue	Issue date	Balance as of March 1, 2017 (mm of yen)	Decrease during the fiscal period (mm of yen)	Balance as of August 31, 2017 (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)
Second Series of Unsecured Bonds	July 31, 2017	–	–	2,000	1.00	July 30, 2032	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)
Total		2,000	–	4,000					

(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 26th Fiscal Period

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

Property name	Acquisition		Disposition			
	Acquisition date	Acquisition price (mm of yen)	Disposition date	Disposition price (mm of yen)	Book value (mm of yen)	Gain or loss on sale (mm of yen)
LOGICITY Hisayama	June 1, 2017	5,050	–	–	–	–
Total	–	5,050	–	–	–	–

(Note) Acquisition price or disposition price are amounts (transaction prices indicated in the sales agreement) excluding expenses (transaction brokerage fees, taxes and other public charges, etc.) required for the acquisition or disposition of the relevant properties.

2. Acquisition and sale of other assets

No relevant items.

3. Survey on prices of specified assets, etc.

(1) Real estate, etc.

Acquisition or disposition	Property name	Type of asset	Transaction date	Acquisition price or disposition price (Note 1) (mm of yen)	Real estate appraisal value (Note 2) (mm of yen)	Real estate appraiser	Appraisal date
Acquisition	LOGICITY Hisayama	Real estate in trust	June 1, 2017	5,050	5,190	Tanizawa Sogo Appraisal Co., Ltd.	March, 1, 2017

(Note 1) Acquisition price or disposition price is the amount (transaction price indicated in the sales agreement) excluding related expenses (transaction brokerage fees, taxes and other public charges, etc.) required for the acquisition or disposition of the relevant property.

(Note 2) The above appraisals were valued by applying the "Real Estate Appraisal Standards, Chapter 3: Valuation for price of real estate for securitization."

(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.

Acquisitions and Sales during the 26th Fiscal Period

4. Transactions with interested parties, etc.

(1) Transaction status

Category	Transaction amount, etc.	
	Purchase amount, etc. (thousands of yen)	Sale amount, etc. (thousands of yen)
Total	5,050,000 (100.0%)	- (-)

Breakdown of transactions with interested parties, etc.

Limited Liability Company FRC1	5,050,000 (100.0%)	- (-)
Total	5,050,000 (100.0%)	- (-)

(Note 1) The figures in the above table refer to the amounts shown in the sales contracts.

(Note 2) Interested parties, etc. refer to the interested parties of the asset management company who have concluded an asset management agreement with FRC and are 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 business partners with which FRC conducted transaction during the 26th fiscal period.

(2) Amount of fees paid, etc.

FRC paid the following fees to the interested parties, etc. during the 26th fiscal period.

Category	Total paid fees (A) (thousands of yen)	Breakdown of transactions with interested parties, etc.		(B)/(A) (%)
		Paid party (Note 1)	Paid amount (B) (thousands of yen)	
Property leasing brokerage fees (Note 3)	16,299	Fukuoka Jisho Co., Ltd.	5,553	34.1
		FJ. Entertainment Works Ltd. (Note 2)	5,157	31.6
Property management fees (Note 4)	285,388	Fukuoka Jisho Co., Ltd.	172,818	60.6
		FJ. Entertainment Works Ltd. (Note 2)	103,535	36.3
Outsourcing fees (Note 3) (Note 6)	1,308,221	Fukuoka Jisho Co., Ltd.	936,247	71.6
		FJ. Entertainment Works Ltd. (Note 2)	213,546	16.3
		Sunlife Co., Ltd.	85,162	6.5
Other operating expenses (Note 3)	1,255,436	Fukuoka Jisho Co., Ltd.	239,442	19.1
		FJ. Entertainment Works Ltd. (Note 2)	219,722	17.5
		Sunlife Co., Ltd.	400	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 26th fiscal period.

(Note 2) FJ. Entertainment Works Ltd. was renamed from Canal Entertainment Works Co., Ltd., which was absorbed and merged with Park Place Oita Co., Ltd. on June 1, 2017. The same shall apply hereafter.

(Note 3) 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 4) 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. 15,500 thousand yen

FJ. Entertainment Works Ltd. 6,143 thousand yen

(Note 5) Aside from the paid fees shown above, FRC paid the following amounts for repairs, etc. that were ordered to interested parties, etc. during the 26th fiscal period. The amounts include construction work fees paid to third parties through interested parties, etc.

Fukuoka Jisho Co., Ltd. 761,631 thousand yen

FJ. Entertainment Works Ltd. 117,839 thousand yen

Sunlife Co., Ltd. 59,258 thousand yen

(Note 6) 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 26th 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 26th fiscal period. Moreover, the asset management company does not concurrently conduct any 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. 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 August 31, 2017, 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 August 31, 2017, and its financial performance and cash flows for the six months then ended in accordance with accounting principles generally accepted in Japan.

PricewaterhouseCoopers Aarata LLC

November 24, 2017

PricewaterhouseCoopers Aarata LLC

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IV. Balance Sheet

(thousands of yen)

Account	25th fiscal period (as of February 28, 2017)	26th fiscal period (as of August 31, 2017)
Assets		
Current assets		
Cash and deposits	4,434,396	2,253,209
Cash and deposits in trust	4,513,353	4,926,483
Operating accounts receivable	376,449	431,417
Prepaid expenses	251,873	248,026
Consumption taxes receivable	–	258,416
Deferred tax assets	9	–
Others	3,836	13,219
Total current assets	9,579,918	8,130,772
Non-current assets		
Property, plant and equipment		
Buildings in trust	*1 84,307,621	*1 87,978,370
Accumulated depreciation	(23,045,241)	(24,412,671)
Buildings in trust, net	61,262,379	63,565,699
Structures in trust	1,473,234	1,579,329
Accumulated depreciation	(601,047)	(635,047)
Structures in trust, net	872,187	944,282
Machinery and equipment in trust	1,008,869	1,264,341
Accumulated depreciation	(308,501)	(344,218)
Machinery and equipment in trust, net	700,368	920,123
Vehicles and transport equipment in trust	747	747
Accumulated depreciation	(342)	(389)
Vehicles and transport equipment in trust, net	405	357
Tools and fixtures in trust	1,280,623	1,297,196
Accumulated depreciation	(1,005,845)	(1,026,204)
Tools and fixtures in trust, net	274,777	270,991
Lands in trust	*1 99,631,188	*1 101,545,140
Construction in progress in trust	178,535	21,825
Total property, plant and equipment	162,919,841	167,268,420
Intangible assets		
Leasehold right in trust	1,765,318	1,765,318
Other intangible assets in trust	20,605	19,551
Total intangible assets	1,785,924	1,784,869
Investment and other assets		
Investment securities	104,078	–
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	110,000	110,000
Long-term prepaid expenses	528,547	720,744
Total investment and other assets	752,626	840,744
Total non-current assets	165,458,391	169,894,034
Deferred assets		
Investment corporation bond issuance expenses	13,427	32,259
Investment unit issuance expenses	12,159	6,547
Total deferred assets	25,587	38,806
Total assets	175,063,897	178,063,613

(thousands of yen)

Account	25th fiscal period (as of February 28, 2017)	26th fiscal period (as of August 31, 2017)
Liabilities		
Current liabilities		
Operating accounts payable	595,539	387,054
Short-term debt	–	1,500,000
Current maturities of long-term debt	23,875,000	10,200,000
Accounts payable-other	24,687	21,833
Accrued expenses	335,540	327,884
Income taxes payable	854	666
Accrued consumption taxes	239,564	–
Advances received	973,313	997,414
Deposits received	752,271	1,054,757
Total current liabilities	26,796,772	14,489,611
Non-current liabilities		
Investment corporation bonds	2,000,000	4,000,000
Long-term debt	40,800,000	54,200,000
Tenant leasehold and security deposits	368,897	368,837
Tenant leasehold and security deposits received in trust	*1 11,416,934	*1 11,305,882
Total non-current liabilities	54,585,831	69,874,720
Total liabilities	81,382,604	84,364,331
Net assets		
Unitholders' equity		
Unitholders' capital	91,142,766	91,142,766
Deduction from unitholders' capital		
Reserve for temporary difference adjustments	*4 (1,660,581)	*4 –
Total deduction from unitholders' capital	(1,660,581)	–
Unitholders' capital, net	89,482,185	91,142,766
Surplus		
Unappropriated surplus	4,199,108	2,556,515
Total surplus	4,199,108	2,556,515
Total unitholders' equity	93,681,293	93,699,282
Total net assets	*3 93,681,293	*3 93,699,282
Total liabilities and net assets	175,063,897	178,063,613

V. Statement of Income

(thousands of yen)

Account	25th fiscal period (September 1, 2016 to February 28, 2017)	26th fiscal period (March 1, 2017 to August 31, 2017)
Operating revenues		
Leasing revenues – real estate	*1 7,603,068	*1 7,605,973
Other leasing revenues – real estate	*1 469,211	*1 511,797
Gain on sales of real estate	*3 1,657,588	–
Dividend income	974	4,873
Total operating revenues	9,730,842	8,122,643
Operating expenses		
Expenses related to leasing business	*1 *2 4,517,495	*1 *2 4,593,665
Asset management fees	476,894	479,496
Asset custody fees	6,676	6,618
Administrative service fees	51,646	51,583
Director's compensations	9,600	9,600
Other operating expenses	83,042	61,643
Total operating expenses	5,145,355	5,202,607
Operating income	4,585,487	2,920,036
Non-operating revenues		
Interest received	40	35
Appropriation of balance related to amended return	–	*4 7,833
Others	946	672
Total non-operating revenues	987	8,541
Non-operating expenses		
Interest expenses	276,464	253,565
Interest expenses on investment corporation bonds	13,200	14,866
Amortization of investment corporation bond issuance expenses	982	1,093
Amortization of investment unit issuance expenses	5,612	5,612
Financing related expenses	90,391	87,187
Others	15	4,093
Total non-operating expenses	386,664	366,418
Ordinary income	4,199,809	2,562,159
Net income before income taxes	4,199,809	2,562,159
Income taxes-current	860	666
Income taxes based on amended return	–	5,189
Income taxes-deferred	17	9
Total income taxes	878	5,864
Profit	4,198,931	2,556,294
Surplus brought forward	177	221
Unappropriated surplus	4,199,108	2,556,515

VI. Statement of Changes in Net Assets

25th fiscal period (September 1, 2016 to February 28, 2017)

(thousands of yen)

Item	Unitholders' Equity							Total net assets
	Unitholders' capital			Surplus		Total unitholders' equity		
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Unappropriated surplus	Total surplus			
Balance as of September 1, 2016	91,142,766	–	–	91,142,766	938,409	938,409	92,081,175	92,081,175
Changes in the current fiscal period								
Dividend of surplus					(938,232)	(938,232)	(938,232)	(938,232)
Dividend in excess of earnings using reserve for temporary difference adjustments		(1,660,581)	(1,660,581)	(1,660,581)			(1,660,581)	(1,660,581)
Profit					4,198,931	4,198,931	4,198,931	4,198,931
Total of changes in the current fiscal period	–	(1,660,581)	(1,660,581)	(1,660,581)	3,260,699	3,260,699	1,600,118	1,600,118
Balance as of February 28, 2017	91,142,766	(1,660,581)	(1,660,581)	89,482,185	4,199,108	4,199,108	93,681,293	93,681,293

26th fiscal period (March 1, 2017 to August 31, 2017)

(thousands of yen)

Item	Unitholders' Equity							Total net assets
	Unitholders' capital			Surplus		Total unitholders' equity		
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Unappropriated surplus	Total surplus			
Balance as of March 1, 2017	91,142,766	(1,660,581)	(1,660,581)	89,482,185	4,199,108	4,199,108	93,681,293	93,681,293
Changes in the current fiscal period								
Dividend of surplus					(2,538,306)	(2,538,306)	(2,538,306)	(2,538,306)
Reversal of reserve for temporary difference adjustment		1,660,581	1,660,581	1,660,581	(1,660,581)	(1,660,581)	–	–
Profit					2,556,294	2,556,294	2,556,294	2,556,294
Total of changes in the current fiscal period	–	1,660,581	1,660,581	1,660,581	(1,642,592)	(1,642,592)	17,988	17,988
Balance as of August 31, 2017	91,142,766	–	–	91,142,766	2,556,515	2,556,515	93,699,282	93,699,282

VII. Cash Flow Statement

(thousands of yen)

Account	25th fiscal period (September 1, 2016 to February 28, 2017)	26th fiscal period (March 1, 2017 to August 31, 2017)
Net cash provided by (used in) operating activities		
Net income before income taxes	4,199,809	2,562,159
Depreciation and amortization expenses	1,455,895	1,474,387
Amortization of investment corporation bond issuance expenses	982	1,093
Amortization of investment unit issuance expenses	5,612	5,612
Interest received	(40)	(35)
Interest expenses	289,664	268,432
Gain on sales of real estate	(1,657,588)	–
Decrease (increase) in operating accounts receivables	39,693	(54,967)
Decrease (increase) in consumption taxes receivable	–	(258,416)
Increase (decrease) in accrued consumption taxes	132,386	(239,564)
Increase (decrease) in operating accounts payable	3,547	(15,854)
Increase (decrease) in accounts payable-other	11,659	(3,248)
Increase (decrease) in accrued expenses	(6,027)	1,124
Increase (decrease) in advances received	(97,675)	24,101
Increase (decrease) in deposits expenses	(450,682)	302,485
Decrease (increase) in prepaid expenses	9,282	3,846
Decrease (increase) in long-term prepaid expenses	17,379	(192,196)
Others, net	20,251	(4,514)
Subtotal	3,974,151	3,874,444
Interest income received	40	35
Interest expenses paid	(296,961)	(277,213)
Proceeds from Insurance income	75,052	–
Payments for loss on disaster	(65,923)	–
Income taxes paid	(1,248)	(6,604)
Net cash provided by (used in) operating activities	3,685,111	3,590,662
Net cash provided by (used in) investment activities		
Proceeds from sales of property, plant and equipment in trust	7,862,034	–
Purchase of property, plant and equipment in trust	(3,250,588)	(5,995,095)
Purchase of intangible assets in trust	–	(20,197)
Proceeds from tenant leasehold and security deposits	5,208	–
Repayments of tenant leasehold and security deposits	(8,077)	(60)
Proceeds from tenant leasehold and security deposits in trust	172,380	144,468
Repayments of tenant leasehold and security deposits in trust	(482,527)	(255,520)
Redemption of investment securities	–	100,000
Purchase of investment securities	(103,928)	(150)
Proceeds from restricted trust deposits	29,511	3,819
Payments for restricted trust deposits	(4,010)	(7,078)
Net cash provided by (used in) investment activities	4,220,004	(6,029,813)
Net cash provided by (used in) financial activities		
Proceeds from short-term debt	3,000,000	14,500,000
Repayments of short-term debt	(7,000,000)	(13,000,000)
Proceeds from long-term debt	3,900,000	15,000,000
Repayments of long-term debt	(5,175,000)	(15,275,000)
Proceeds from issuance of investment corporation bonds	–	2,000,000
Payment of investment corporation bond issuance expenses	–	(19,924)
Dividends paid	(2,597,440)	(2,537,240)
Net cash provided by (used in) financial activities	(7,872,440)	667,834
Net increase (decrease) in cash and cash equivalents	32,676	(1,771,317)
Balance of cash and cash equivalents at beginning of period	8,873,147	8,905,823
Balance of cash and cash equivalents at end of period	*1 8,905,823	*1 7,134,506

VIII. Notes to Financial Statements

(Significant accounting policies)

1. Valuation standard and method for assets	Securities Other securities Securities without fair value Silent partnership equity interests are stated at their net asset value corresponding to the equity interests in the silent partnership.
2. Depreciation method for non-current assets	(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: Buildings in trust: 10 – 70 years Structures in trust: 15 – 60 years Machinery and equipment in trust: 15 – 30 years Vehicles and transport equipment in trust: 7 years Tools and fixtures in trust: 5 – 20 years (2) Intangible assets Intangible assets are amortized utilizing the straight-line method. (3) Long-term prepaid expenses Long-term prepaid expenses are amortized utilizing the straight-line method.
3. Accounting for deferred assets	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.
4. Standards for recognition of revenues and expenses	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. The amount equivalent to property taxes, etc. for the initial fiscal year paid to the seller as settlement money upon acquisition of real estate or trust beneficiary interests in real estate as entrusted property are not expensed but capitalized as part of the acquisition cost of the relevant property. The amount equivalent to property taxes, etc. capitalized in the acquisition cost of real estate, etc. were 3,310 thousand yen for the 25th fiscal period and 13,553 thousand yen for the 26th fiscal period.
5. Method of hedge accounting	(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.
6. Scope of funds (cash and cash equivalents) in cash flow statement	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.
7. Other significant items fundamental to preparing the financial statements	(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. 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 (2) Accounting for consumption taxes National and local consumption taxes are accounted with the consumption taxes excluded.

[Additional information]

(Notes to provision and reversal of reserve for temporary difference adjustments)

25th fiscal period (from September 1, 2016 to February 28, 2017)

In accordance with the sale of AEON Hara Shopping Center, FRC will reverse the reserve for temporary difference adjustments amounting to 1,660,581 thousand yen.

26th fiscal period (from March 1, 2017 to August 31, 2017)

Not applicable.

(Notes to balance sheet)

*1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows:

(thousands of yen)

	25th fiscal period as of February 28, 2017	26th fiscal period as of August 31, 2017
Buildings in trust	6,324,579	6,328,836
Lands in trust	16,101,020	16,101,020
Total	22,425,600	22,429,857

Secured liabilities are as follows:

(thousands of yen)

	25th fiscal period as of February 28, 2017	26th fiscal period as of August 31, 2017
Tenant leasehold and security deposits received in trust	1,794,675	1,625,100

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)

	25th fiscal period as of February 28, 2017	26th fiscal period as of August 31, 2017
Credit limit	6,000,000	6,000,000
Outstanding debt at end of period	–	700,000
Unused committed line of credit at end of period	6,000,000	5,300,000

[Committed line of credit agreement 2]

(thousands of yen)

	25th fiscal period as of February 28, 2017	26th fiscal period as of August 31, 2017
Credit limit	7,000,000	7,000,000
Outstanding debt at end of period	–	800,000
Unused committed line of credit at end of period	7,000,000	6,200,000

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

(thousands of yen)

25th fiscal period as of February 28, 2017	26th fiscal period as of August 31, 2017
50,000	50,000

*4. Reserve for temporary difference adjustments
25th fiscal period (from September 1, 2016 to February 28, 2017)

(1) Reason for recording reserve, relevant assets, initial difference and reserve amount

(thousands of yen)

Relevant assets	Reason for recording	Initial difference	Balance as of September 1, 2016	Reserve for the 25th fiscal period	Reversal for the 25th fiscal period	Balance as of February 28, 2017	Reason for reversal
Land in trust	Incurrence of impairment loss	1,660,581	–	1,660,581	–	1,660,581	–

(2) Specific method of reversal

Item	Specific method of reversal
Land in trust	FRC plans to reverse the corresponding amount when it disposes the land in trust.

26th fiscal period (from March 1, 2017 to August 31, 2017)

(1) Reason for recording reserve, relevant assets, initial difference, reason for reversal and reserve amount

(thousands of yen)

Relevant assets	Reason for recording	Initial difference	Balance as of March 1, 2017	Reserve for the 26th fiscal period	Reversal for the 26th fiscal period	Balance as of August 31, 2017	Reason for reversal
Land in trust	Incurrence of impairment loss	1,660,581	1,660,581	–	1,660,581	–	Sale of relevant asset

(2) Specific method of reversal

Item	Specific method of reversal
Land in trust	FRC reversed the corresponding amount when it disposed the land in trust.

(Notes to statement of income)

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

(thousands of yen)

	25th fiscal period (September 1, 2016 to February 28, 2017)		26th fiscal period (March 1, 2017 to August 31, 2017)	
A. Real estate leasing business revenues				
Leasing revenues - real estate				
Rents	6,115,241		6,111,246	
Common charges	1,069,876		1,073,260	
Parking revenues	417,950	7,603,068	421,466	7,605,973
Other leasing revenues - real estate				
Incidental income	437,211		490,737	
Other miscellaneous income	32,000	469,211	21,060	511,797
Total real estate leasing business revenues		8,072,279		8,117,770
B. Expenses related to real estate leasing business				
Expenses related to leasing business				
Outsourcing fees	1,566,717		1,593,610	
Repair and maintenance expenses	222,809		209,443	
Taxes and other public charges	643,149		644,377	
Insurance premiums and trust compensation	57,483		57,638	
Utilities expenses	401,794		454,387	
Depreciation and amortization expenses	1,455,895		1,474,387	
Other expenses related to real estate leasing business	169,646	4,517,495	159,820	4,593,665
Total expenses related to real estate leasing business		4,517,495		4,593,665
C. Revenues and expenses related to real estate leasing business (A - B)		3,554,784		3,524,104

*2. Transactions with affiliated companies.

(thousands of yen)

Item	25th fiscal period (September 1, 2016 to February 28, 2017)	26th fiscal period (March 1, 2017 to August 31, 2017)
Expenses related to real estate leasing business	1,410,591	1,468,156

*3. Breakdown of gain on sales of real estate

25th fiscal period (from September 1, 2016 to February 28, 2017)

(1) AEON Hara Shopping Center (thousands of yen)

Proceeds from sales of real estate	3,700,000
Costs of sale of real estate	3,584,343
Other selling expenses	112,157
Gain on sales of real estate	3,498

(2) Aqualia Kego (thousands of yen)

Proceeds from sales of real estate	4,320,000
Costs of sale of real estate	2,620,102
Other selling expenses	45,807
Gain on sales of real estate	1,654,089

26th fiscal period (from March 1, 2017 to August 31, 2017)

Not applicable.

*4 The appropriation of balance related to amended return in the statement of income refers to the payment amount of taxes that accrued in accordance with revised tax returns of income taxes, and shall be borne by the asset management company based on the asset management agreement. This has no impact on the dividend FRC pays for the 26th fiscal period.

(Notes to statement of changes in net assets)

	25th fiscal period (September 1, 2016 to February 28, 2017)	26th fiscal period (March 1, 2017 to August 31, 2017)
Total number of authorized investment units and total number of investment units issued		
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)

	25th fiscal period (September 1, 2016 to February 28, 2017)	26th fiscal period (March 1, 2017 to August 31, 2017)
Cash and deposits	4,434,396	2,253,209
Cash and deposits in trust	4,513,353	4,926,483
Restricted trust deposits (Note)	(41,926)	(45,186)
Cash and cash equivalents	8,905,823	7,134,506

(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)

	25th fiscal period (as of February 28, 2017)	26th fiscal period (as of August 31, 2017)
Due within 1 year	5,283,926	5,728,777
Due after 1 year	25,843,983	24,694,161
Total	31,127,909	30,422,938

(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.

Investment securities are exposed to credit risks of the issuer and value fluctuation risks of the real estate, etc. owned by the issuer. FRC mitigates these risks by periodically investigating the financial situation of the issuer and the value of the real estate, etc., among other measures.

(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 February 28, 2017. 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	4,434,396	4,434,396	–
(2) Cash and deposits in trust	4,513,353	4,513,353	–
Total of assets	8,947,750	8,947,750	–
(3) Short-term debt	–	–	–
(4) Current maturities of long-term debt	23,875,000	23,941,727	66,727
(5) Investment corporation bonds	2,000,000	2,093,670	93,670
(6) Long-term debt	40,800,000	41,143,636	343,636
(7) Tenant leasehold and security deposits received in trust	1,027,991	1,026,108	(1,882)
Total of liabilities	67,702,991	68,205,143	502,152
(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 August 31, 2017. 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	2,253,209	2,253,209	–
(2) Cash and deposits in trust	4,926,483	4,926,483	–
Total of assets	7,179,693	7,179,693	–
(3) Short-term debt	1,500,000	1,500,000	–
(4) Current maturities of long-term debt	10,200,000	10,215,974	15,974
(5) Investment corporation bonds	4,000,000	4,157,970	157,970
(6) Long-term debt	54,200,000	54,319,767	119,767
(7) Tenant leasehold and security deposits received in trust	850,082	847,905	(2,177)
Total of liabilities	70,750,082	71,041,617	291,535
(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)

	25th fiscal period (as of February 28, 2017)	26th fiscal period (as of August 31, 2017)
(1) Investment securities	104,078	–
(2) Tenant leasehold and security deposits received in trust	10,388,943	10,455,799

(1) Investment securities are not subject to the requirement to disclose fair value, as it is considered extremely difficult to determine the fair value. This is because there is no market price for investment securities and future cash flows cannot be estimated.

(2) 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 (February 28, 2017)

(thousands of yen)

	Due in 1 year or less
Cash and deposits	4,434,396
Cash and deposits in trust	4,513,353
Total	8,947,750

Amount of redemption of monetary claims scheduled to be due after closing of accounts (August 31, 2017)

(thousands of yen)

	Due in 1 year or less
Cash and deposits	2,253,209
Cash and deposits in trust	4,926,483
Total	7,179,693

(Note 4) Amount of repayment of long-term debt and investment corporation bonds scheduled to be due after closing of accounts (as of February 28, 2017).

(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	23,875,000	2,100,000	8,400,000	1,000,000	6,300,000	23,000,000
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 August 31, 2017).

(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	10,200,000	4,200,000	5,700,000	6,300,000	6,000,000	32,000,000
Investment corporation bonds	–	–	–	–	–	4,000,000

(Notes to investment securities)

25th fiscal period (as of February 28, 2017)

Silent partnership equity interests (recorded on the balance sheet at 104,078 thousand yen) are not described, as it is considered extremely difficult to determine the fair value. This is because there is no market price and future cash flows cannot be estimated.

26th fiscal period (as of August 31, 2017)

Not applicable.

(Notes to derivative transactions)

1. Derivatives to which hedge accounting is not applied

25th fiscal period (as of February 28, 2017)

Not applicable.

26th fiscal period (as of August 31, 2017)

Not applicable.

2. Derivatives to which hedge accounting is applied

25th fiscal period (as of February 28, 2017)

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 Receivable floating; Payable fixed	Long-term debt	24,500,000	18,500,000	(*)	–

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

26th fiscal period (as of August 31, 2017)

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 Receivable floating; Payable fixed	Long-term debt	18,500,000	18,500,000	(*)	–

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

(Notes to retirement benefits)

25th fiscal period (as of February 28, 2017)

Not applicable as FRC does not have any retirement benefit system.

26th fiscal period (as of August 31, 2017)

Not applicable as FRC does not have any retirement benefit system.

(Notes to tax effect accounting)

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

(thousands of yen)

	25th fiscal period (as of February 28, 2017)	26th fiscal period (as of August 31, 2017)
Deferred tax assets		
Amount of accrued business taxes not deductible from taxable income	9	–
Total deferred tax assets	9	–
Deferred tax assets, net	9	–

2. Breakdown of significant causes of the difference between the effective statutory income tax rate and the effective income tax rate after application of tax effect accounting.

	25th fiscal period (as of February 28, 2017)	26th fiscal period (as of August 31, 2017)
Effective statutory income tax rate (Note)	31.53	31.53
Deductible dividend amount	(19.06)	(31.45)
Increase (decrease) in valuation reserve	(12.47)	—
Other	0.02	(0.06)
Effective income tax rate after application of tax effect accounting	0.02	0.03

(Note) With the Prefectural Ordinance to Partially Amend the Fukuoka Prefectural Tax Ordinance (Fukuoka Prefectural Ordinance No. 38 of 2016) disclosed on October 11, 2016, the applicable period of the excessive taxation of prefectural tax on corporations was extended from the period covering through the end of the fiscal year starting on January 31, 2017 to the period covering through the fiscal year starting on January 31, 2022. In accordance with this, the effective statutory tax rate used for the fiscal year starting on September 1, 2016 and thereafter is 31.53%.

(Notes to equity method income and earnings)

25th fiscal period (from September 1, 2016 to February 28, 2017)

Not applicable as FRC does not have any affiliated companies.

26th fiscal period (from March 1, 2017 to August 31, 2017)

Not applicable as FRC does not have any affiliated companies.

(Notes to transactions with related parties)

1. Transactions with related parties

(1) Parent company and major corporate unitholders

25th fiscal period (from September 1, 2016 to February 28, 2017)

(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 [8.85%] Indirect [1.00%]	Consignment of real estate management, etc.	Purchase of real estate (Note 1)	1,470,000	—	—
							Consignment of real estate management, etc. (Note 2)	1,410,591 (Note 4)	Operating accounts payable	115,601 (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.

26th fiscal period (from March 1, 2017 to August 31, 2017)

(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)	1,468,156 (Note 3)	Operating accounts payable	115,875 (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.

25th fiscal period (from September 1, 2016 to February 28, 2017)

Not applicable.

26th fiscal period (from March 1, 2017 to August 31, 2017)

Not applicable.

(3) Sister companies

25th fiscal period (from September 1, 2016 to February 28, 2017)

(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)	570,992 (Note 5)	Operating accounts payable	143,179 (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)	476,894 (Note 5)	Accrued expenses	230,340 (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.

26th fiscal period (from March 1, 2017 to August 31, 2017)

(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	Limited Liability Company FRC1	Chuo Ward, Fukuoka City	10	Real estate business	—	Purchase of real estate	Purchase of real estate (Note 1)	5,050,000	—	—
Subsidiaries of other affiliates	FJ. Entertainment Works Ltd. (Note 3)	Hakata Ward, Fukuoka City	20,000	Real estate business	—	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 2)	576,824 (Note 6)	Operating accounts payable	131,601 (Note 6)
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 4)	Payment of asset management fees (Note 5)	479,496 (Note 6)	Accrued expenses	231,921 (Note 6)

(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 real estate lease and management consignment agreement with FJ. Entertainment Works 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 4) Etsuo Matsuyuki, CEO & Representative Director of FRC, concurrently serves as a Director of Fukuoka Realty Co., Ltd.

(Note 5) The amount of the asset management fees is decided based on the asset management consignment agreement following discussion between the concerned parties.

(Note 6) 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

25th fiscal period (from September 1, 2016 to February 28, 2017)

Not applicable.

26th fiscal period (from March 1, 2017 to August 31, 2017)

Not applicable.

2. Parent company and major affiliated companies

25th fiscal period (from September 1, 2016 to February 28, 2017)

Not applicable.

26th fiscal period (from March 1, 2017 to August 31, 2017)

Not applicable.

(Notes to asset retirement obligations)

25th fiscal period (from September 1, 2016 to February 28, 2017)

Not applicable.

26th fiscal period (from March 1, 2017 to August 31, 2017)

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		25th fiscal period (September 1, 2016 to February 28, 2017)	26th fiscal period (March 1, 2017 to August 31, 2017)
Retail	Amount recorded on the balance sheet		
	Balance at beginning of period	104,461,711	102,935,449
	Amount of change during period	(1,526,262)	(233,757)
	Balance at end of period	102,935,449	102,701,692
	Fair value at end of period	110,280,000	110,660,000
Office buildings	Amount recorded on the balance sheet		
	Balance at beginning of period	43,308,190	43,181,769
	Amount of change during period	(126,420)	(382,950)
	Balance at end of period	43,181,769	42,798,818
	Fair value at end of period	54,150,000	54,580,000
Others	Amount recorded on the balance sheet		
	Balance at beginning of period	21,339,229	18,588,546
	Amount of change during period	(2,750,683)	4,964,232
	Balance at end of period	18,588,546	23,552,778
	Fair value at end of period	21,250,000	26,670,000
Total	Amount recorded on the balance sheet		
	Balance at beginning of period	169,109,131	164,705,765
	Amount of change during period	(4,403,366)	4,347,524
	Balance at end of period	164,705,765	169,053,289
	Fair value at end of period	185,680,000	191,910,000

(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 25th fiscal period, the amount of increase is primarily attributable to acquisition of Sports Club NAS Park Place Oita (1,484 million yen) and capital expenditures (1,789 million yen), and the amount of decrease is primarily attributable to disposition of two properties (AEON Hara Shopping Center and Aqualia Kego) (6,204 million yen in total) and depreciation and amortization expenses (1,455 million yen). Of the amount of change during the 26th fiscal period, the amount of increase is primarily attributable to acquisition of LOGICITY Hisayama (5,081 million yen) and capital expenditures (741 million yen), and the amount of decrease is primarily attributable to depreciation and amortization expenses (1,474 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		25th fiscal period (September 1, 2016 to February 28, 2017)	26th fiscal period (March 1, 2017 to August 31, 2017)
Retail	Amount recorded on the statement of income		
	Real estate leasing business revenues	5,138,156	5,134,492
	Expenses related to real estate leasing business	3,030,216	3,085,103
	Revenues and expenses related to real estate leasing business	2,107,940	2,049,388
Office buildings	Amount recorded on the statement of income		
	Real estate leasing business revenues	2,210,415	2,239,691
	Expenses related to real estate leasing business	1,165,023	1,186,204
	Revenues and expenses related to real estate leasing business	1,045,392	1,053,486
Others	Amount recorded on the statement of income		
	Real estate leasing business revenues	723,707	743,586
	Expenses related to real estate leasing business	322,256	322,357
	Revenues and expenses related to real estate leasing business	401,451	421,229
Total	Amount recorded on the statement of income		
	Real estate leasing business revenues	8,072,279	8,117,770
	Expenses related to real estate leasing business	4,517,495	4,593,665
	Revenues and expenses related to real estate leasing business	3,554,784	3,524,104

(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.

25th fiscal period (from September 1, 2016 to February 28, 2017)

(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 revenues

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

Customer's name	Operating revenues	Related segment
Undisclosed (Note)	1,654,089	Real estate leasing business

(Note) The customer's name is not disclosed as no consent to disclosure has been obtained from the customer. Furthermore, the customer does not fall under the category of related parties or interested parties, etc. under the Investment Trusts Act.

26th fiscal period (from March 1, 2017 to August 31, 2017)

(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 revenues

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)

	25th fiscal period (September 1, 2016 to February 28, 2017)	26th fiscal period (March 1, 2017 to August 31, 2017)
Net assets per unit (yen)	125,410	125,434
Profit per unit (yen)	5,621	3,422

(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:

	25th fiscal period (September 1, 2016 to February 28, 2017)	26th fiscal period (March 1, 2017 to August 31, 2017)
Profit (thousands of yen)	4,198,931	2,556,294
Amounts not attributable to ordinary unitholders (thousands of yen)	–	–
Profit attributable to ordinary investment units (thousands of yen)	4,198,931	2,556,294
Average number of units during the fiscal period (units)	747,000	747,000

(Notes to cash distributions)

(thousands of yen)

Account	25th fiscal period (September 1, 2016 to February 28, 2017)	26th fiscal period (March 1, 2017 to August 31, 2017)
I. Unappropriated surplus	4,199,108	2,556,515
II. Addition to unitholders' capital	1,660,581	–
Of which, reversal of reserve for temporary difference adjustments	1,660,581	–
III. Total dividend [Dividend per investment unit] Of which, earnings dividend	2,538,306 [3,398 yen]	2,556,234 [3,422 yen]
IV. Surplus brought forward	221	281

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 67-15-1 of the Special Taxation Measures Act. Following the above policy, FRC proposed to distribute 2,538,306 thousand yen, which is almost the entire amount obtained by deducting the reversal of reserve for temporary difference adjustments from unappropriated surplus (4,199,108 thousand yen), 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 67-15-1 of the Special Taxation Measures Act. Following the above policy, FRC shall decide to distribute 2,556,234 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.
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(Note) Amounts other than the amounts of dividend per unit are rounded down to the nearest thousand yen.

(Notes to significant subsequent events)

No relevant items.

(Schedule of securities)

Not applicable.

(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 Receivable floating; Payable fixed	18,500,000	18,500,000	(171,720)
Total		18,500,000	18,500,000	(171,720)

(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 March 1, 2017	Increase (Note 1)	Decrease (Note 2)	Balance as of August 31, 2017	Accumulated depreciation	Depreciation for the period	Net property and equipment	
Total property, plant and equipment	Buildings in trust	84,307,621	3,682,201	11,451	87,978,370	24,412,671	1,367,429	63,565,699
	Structures in trust	1,473,234	106,094	–	1,579,329	635,047	33,999	944,282
	Machinery and equipment in trust	1,008,869	255,472	–	1,264,341	344,218	35,717	920,123
	Vehicles and transport equipment in trust	747	–	–	747	389	47	357
	Tools and fixtures in trust	1,280,623	34,570	17,998	1,297,196	1,026,204	34,625	270,991
	Land in trust	99,631,188	1,913,952	–	101,545,140	–	–	101,545,140
	Construction in progress in trust	178,535	17,705	174,414	21,825	–	–	21,825
	Subtotal	187,880,819	6,009,996	203,864	193,686,952	26,418,532	1,471,819	167,268,420
	Total intangible assets	Leasehold right in trust	1,765,318	–	–	1,765,318	–	–
Other intangible assets in trust		45,357	1,513	–	46,871	27,319	2,567	19,551
Subtotal		1,810,676	1,513	–	1,812,189	27,319	2,567	1,784,869
Total	189,691,496	6,011,509	203,864	195,499,141	26,445,851	1,474,387	169,053,289	

(Note 1) The main increase in the 26th fiscal period is due to construction work at properties and acquisition of LOGICITY Hisayama.

(Note 2) The main decrease in the 26th fiscal period is due to disposal.

(Schedule of other specified assets)

No relevant items.

(Schedule of investment corporation bonds)

Issue	Issue date	Balance as of March 1, 2017 (thousands of yen)	Decrease during the fiscal period (thousands of yen)	Balance as of August 31, 2017 (thousands of yen)	Coupon (%)	Maturity date	Maturity method (Note 1)	Use	Description (Note 2)
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)
Second Series of Unsecured Bonds	July 31, 2017	–	–	2,000,000	1.00	July 30, 2032	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)
Total		2,000,000	–	4,000,000					

(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	Increase	Decrease	Balance as of	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description
		March 1, 2017 (thousands of yen)	(thousands of yen)	(thousands of yen)	August 31, 2017 (thousands of yen)				
Short-term debt	The Bank of Fukuoka (Note 2)	–	1,916,666	1,916,666	–	0.380	July 31, 2017	Acquisition fund	No collateral/ No guarantee
	Resona Bank (Note 2)	–	383,333	383,333	–				
	The Nishi-Nippon City Bank (Note 2)	–	1,928,571	1,928,571	–	0.380	July 31, 2017	Acquisition fund	No collateral/ No guarantee
	Resona Bank (Note 2)	–	270,000	270,000	–				
	The Bank of Nagasaki (Note 2)	–	192,857	192,857	–	0.380	July 31, 2017	Acquisition fund	No collateral/ No guarantee
	The Oita Bank (Note 2)	–	192,857	192,857	–				
	The Bank of Saga (Note 2)	–	115,714	115,714	–	0.380	August 31, 2017	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka (Note 2)	–	1,166,666	1,166,666	–				
	Resona Bank (Note 2)	–	233,333	233,333	–	0.380	August 31, 2017	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank (Note 2)	–	1,142,857	1,142,857	–				
	Resona Bank (Note 2)	–	160,000	160,000	–	0.380	August 31, 2017	Refinance fund	No collateral/ No guarantee
	The Bank of Nagasaki (Note 2)	–	114,285	114,285	–				
	The Oita Bank (Note 2)	–	114,285	114,285	–	0.380	September 29, 2017	Refinance fund	No collateral/ No guarantee
	The Bank of Saga (Note 2)	–	68,571	68,571	–				
	The Bank of Fukuoka (Note 2)	–	583,333	–	583,333	0.380	September 29, 2017	Refinance fund	No collateral/ No guarantee
	Resona Bank (Note 2)	–	116,666	–	116,666				
	The Nishi-Nippon City Bank (Note 2)	–	571,428	–	571,428	0.380	September 29, 2017	Refinance fund	No collateral/ No guarantee
	Resona Bank (Note 2)	–	80,000	–	80,000				
	The Bank of Nagasaki (Note 2)	–	57,142	–	57,142	0.380	September 29, 2017	Refinance fund	No collateral/ No guarantee
	The Oita Bank (Note 2)	–	57,142	–	57,142				
The Bank of Saga (Note 2)	–	34,285	–	34,285	0.380	September 29, 2017	Refinance fund	No collateral/ No guarantee	
Subtotal	–	9,500,000	8,000,000	1,500,000					
Current maturities of long-term debt	Development Bank of Japan	1,875,000	–	1,875,000	–	2.200	June 30, 2017	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
	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	–				
	The Eighteenth Bank	500,000	–	500,000	–				
	The Kitakyushu Bank	500,000	–	500,000	–				
	The Bank of Fukuoka	1,500,000	–	–	1,500,000				
	Resona Bank	2,000,000	–	–	2,000,000				
	The Nishi-Nippon City Bank	1,900,000	–	–	1,900,000				
	Sumitomo Mitsui Trust Bank	1,100,000	–	–	1,100,000				
Development Bank of Japan	4,000,000	–	–	4,000,000					
The Bank of Tokyo-Mitsubishi UFJ	500,000	–	–	500,000					
Sumitomo Mitsui Banking Corporation	1,600,000	–	–	1,600,000					
Sumitomo Mitsui Trust Bank	1,500,000	–	–	1,500,000					
Development Bank of Japan	4,000,000	–	–	4,000,000					
The Bank of Fukuoka	400,000	–	–	400,000					
The Nishi-Nippon City Bank	400,000	–	–	400,000					
The Bank of Fukuoka	2,000,000	–	–	2,000,000					
The Nishi-Nippon City Bank	2,000,000	–	–	2,000,000					
Development Bank of Japan	2,000,000	–	–	2,000,000					
Mizuho Bank	500,000	–	–	500,000					
Shinsei Bank	700,000	–	–	700,000					
Sumitomo Mitsui Trust Bank	300,000	–	–	300,000					
Development Bank of Japan	1,500,000	–	–	1,500,000					
The Oita Bank	100,000	–	–	100,000					
The Kagoshima Bank	100,000	–	–	100,000					
The Kitakyushu Bank	100,000	–	–	100,000					
The Eighteenth Bank	100,000	–	–	100,000					
The Shinwa Bank	100,000	–	–	100,000					
The Hiroshima Bank	100,000	–	–	100,000					
The Bank of Fukuoka	1,500,000	–	–	1,500,000					

Category	Lender	Balance as of	Increase	Decrease	Balance as of	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description
		March 1, 2017 (thousands of yen)	(thousands of yen)	(thousands of yen)	August 31, 2017 (thousands of yen)				
Current maturities of long-term debt	Mitsubishi UFJ Trust and Banking Corporation	1,500,000	–	–	1,500,000	0.407	February 28, 2018	Refinance fund	No collateral/ No guarantee
	Aozora Bank	600,000	–	–	600,000	0.407	February 28, 2018	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
	Mitsubishi UFJ Trust and Banking Corporation	–	600,000	–	600,000	0.407	March 30, 2018	Refinance fund	No collateral/ No guarantee
	Subtotal	23,875,000	1,600,000	15,275,000	10,200,000				
Long-term debt	The Dai-ichi Life Insurance Company	1,000,000	–	1,000,000	–	1.800	July 31, 2018	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
	The Nishi-Nippon City Bank	2,500,000	–	–	2,500,000	0.775	February 29, 2020	Acquisition fund	No collateral/ No guarantee
	Mizuho Bank	1,700,000	–	–	1,700,000	0.557	February 29, 2020	Refinance fund	No collateral/ No guarantee
	Mitsubishi UFJ Trust and Banking Corporation	600,000	–	600,000	–	0.407	March 30, 2018	Refinance fund	No collateral/ No guarantee
	Aozora Bank	1,000,000	–	–	1,000,000	0.457	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	0.835	July 30, 2021	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	2,300,000	–	–	2,300,000				
	The Norinchukin Bank	1,000,000	–	–	1,000,000	0.835	July 30, 2021	Refinance fund	No collateral/ No guarantee
	The Hiroshima Bank	1,400,000	–	–	1,400,000				
	The Kitakyushu Bank	800,000	–	–	800,000	0.835	July 30, 2021	Refinance fund	No collateral/ No guarantee
	The Iyo Bank	500,000	–	–	500,000				
	The Higo Bank	300,000	–	–	300,000	0.835	July 30, 2021	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	0.564	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	0.407	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	0.407	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	
Shinsei Bank	700,000	–	–	700,000	0.400	July 31, 2024	Refinance fund	No collateral/ No guarantee	
Sumitomo Mitsui Trust Bank	300,000	–	–	300,000	0.401	September 30, 2025	Refinance fund	No collateral/ No guarantee	
Development Bank of Japan	1,500,000	–	–	1,500,000	0.718	December 30, 2025	Refinance fund	No collateral/ No guarantee	
The Oita Bank	100,000	–	–	100,000					
The Kagoshima Bank	100,000	–	–	100,000					
The Kitakyushu Bank	100,000	–	–	100,000					
The Eighteenth Bank	100,000	–	–	100,000					
The Shinwa Bank	100,000	–	–	100,000					
The Hiroshima Bank	100,000	–	–	100,000					
The Bank of Fukuoka	1,500,000	–	–	1,500,000					
Development Bank of Japan	4,000,000	–	–	4,000,000					
The Bank of Tokyo-Mitsubishi UFJ	500,000	–	–	500,000					
Sumitomo Mitsui Banking Corporation	1,600,000	–	–	1,600,000					
Sumitomo Mitsui Trust Bank	1,500,000	–	–	1,500,000					
Development Bank of Japan	4,000,000	–	–	4,000,000					
The Bank of Fukuoka	400,000	–	–	400,000					
The Nishi-Nippon City Bank	400,000	–	–	400,000					
The Bank of Fukuoka	2,000,000	–	–	2,000,000					
The Nishi-Nippon City Bank	2,000,000	–	–	2,000,000					
Development Bank of Japan	2,000,000	–	–	2,000,000					
Mizuho Bank	500,000	–	–	500,000					
Shinsei Bank	700,000	–	–	700,000					
Sumitomo Mitsui Trust Bank	300,000	–	–	300,000					
Development Bank of Japan	1,500,000	–	–	1,500,000					
The Oita Bank	100,000	–	–	100,000					
The Kagoshima Bank	100,000	–	–	100,000					
The Kitakyushu Bank	100,000	–	–	100,000					
The Eighteenth Bank	100,000	–	–	100,000					
The Shinwa Bank	100,000	–	–	100,000					
The Hiroshima Bank	100,000	–	–	100,000					
The Bank of Fukuoka	1,500,000	–	–	1,500,000					

Category	Lender	Balance as of	Increase	Decrease	Balance as of	Average	Repayment date	Use of funds	Description
		March 1, 2017 (thousands of yen)	(thousands of yen)	(thousands of yen)	August 31, 2017 (thousands of yen)				
Long-term debt	Mitsubishi UFJ Trust and Banking Corporation	–	800,000	–	800,000	0.481	March 31, 2025	Refinance fund	No collateral/ No guarantee
	Resona Bank	–	600,000	–	600,000	0.658	March 31, 2027	Refinance fund	No collateral/ No guarantee
	The Higo Bank	–	300,000	–	300,000	0.481	March 31, 2025	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	–	1,300,000	–	1,300,000	0.777	June 30, 2026	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 Kitakyushu 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 Eighteenth Bank	–	500,000	–	500,000				
	Development Bank of Japan	–	1,800,000	–	1,800,000				
	The Bank of Fukuoka	–	2,000,000	–	2,000,000	0.792	July 31, 2027	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	–	2,000,000	–	2,000,000	0.892	July 31, 2027	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	–	500,000	–	500,000	0.850	August 31, 2027	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	–	500,000	–	500,000				
	The Oita Bank	–	100,000	–	100,000				
	The Kitakyushu Bank	–	100,000	–	100,000				
	The Eighteenth Bank	–	100,000	–	100,000				
	The Shinwa Bank	–	100,000	–	100,000				
The Hiroshima Bank	–	100,000	–	100,000					
Subtotal	40,800,000	1,500,000	1,600,000	54,200,000					
Total	64,675,000	26,100,000	24,875,000	65,900,000					

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

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

(thousands of yen)

Category	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term debt	4,200,000	5,700,000	6,300,000	6,000,000