

EARNINGS BRIEFING FOR THE PERIOD ENDED AUGUST 2013

Real estate investment trust: Fukuoka REIT Corporation (FRC)

Code number: 8968

URL: <http://www.fukuoka-reit.jp/eng/>

Stock listings: Tokyo Stock Exchange, and
Fukuoka Stock Exchange

Representative: Masayasu Saki CEO & Representative Director

Asset manager: Fukuoka Realty Co., Ltd.

Representative: Etsuo Matsuyuki CEO & Representative Director

Contact: Yukitaka Ohara Head of Planning Dept.

Phone: +81-92-272-3900

Expected date for submitting securities report: November 27, 2013

Expected commencement date of dividend payments: November 18, 2013

Supplementary documents for earnings briefing Yes

Analyst meeting (for institutional investors) Yes

(Figures rounded down to nearest mm yen.)

1. PERFORMANCE AND SITUATION OF ASSETS FOR THE PERIOD ENDED AUGUST 2013 (March 1, 2013 to August 31, 2013)

(1) Performance

(% shows percentage change from previous period)

	Operating revenues		Operating income		Ordinary income		Net income	
	mm of yen	%	mm of yen	%	mm of yen	%	mm of yen	%
Period ended August 2013	7,565	5.1	2,848	8.6	2,272	13.3	2,271	13.3
Period ended February 2013	7,200	1.5	2,622	1.0	2,005	0.0	2,004	0.6

	Net income per unit	Return on net assets	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
Period ended August 2013	16,457 yen	3.0%	1.4%	30.0%
Period ended February 2013	16,288 yen	2.8%	1.3%	27.9%

(2) Dividends

	Dividend per unit (excl. dividend in excess of earnings)	Total dividend	Dividend in excess of earnings per unit	Total dividend in excess of earnings	Payout ratio	Ratio of dividend to net assets
Period ended August 2013	16,458 yen	2,271 mm yen	0 yen	0 mm yen	100.0%	2.8%
Period ended February 2013	16,289 yen	2,004 mm yen	0 yen	0 mm yen	100.0%	2.8%

(3) Financial condition

	Total assets	Net assets	Ratio of net assets to total assets	Net assets per unit
Period ended August 2013	167,857 mm yen	81,712 mm yen	48.7%	592,119 yen
Period ended February 2013	160,574 mm yen	71,182 mm yen	44.3%	578,480 yen

(4) Cash flows condition

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents at end of period
Period ended August 2013	3,609 mm yen	(7,897) mm yen	4,651 mm yen	7,387 mm yen
Period ended February 2013	3,120 mm yen	(3,067) mm yen	(666) mm yen	7,024 mm yen

2. FORECAST OF PERFORMANCE FOR THE PERIOD ENDING FEBRUARY 2014 (September 1, 2013 to February 28, 2014) AND THE PERIOD ENDING AUGUST 2014 (March 1, 2014 to August 31, 2014)

(% shows percentage change from previous period)

	Operating revenues		Operating income		Ordinary income		Net income		Dividend per unit (excl. dividend in excess of earnings)	Dividend in excess of earnings per unit
	mm of yen	%	mm of yen	%	mm of yen	%	mm of yen	%		
Period ending February 2014	7,556	(0.1)	2,803	(1.6)	2,236	(1.6)	2,235	(1.6)	16,200 yen	0 yen
Period ending August 2014	7,661	1.4	2,777	(0.9)	2,208	(1.2)	2,207	(1.2)	16,000 yen	0 yen

(Reference) Forecast net income per unit: Period ending February 2014 16,200 yen
 Period ending August 2014 16,000 yen

3. Other

(1) Changes in accounting policies, changes in accounting estimates and restatement of accounting errors

- (i) Changes in accounting policies accompanying amendments to accounting standards, etc.: No
- (ii) Changes in accounting policies other than above (i): No
- (iii) Changes in accounting estimates: No
- (iv) Restatement of accounting errors: No

(2) Number of investment units outstanding

- (i) Number of investment units outstanding at end of period (including treasury investment units):
 138,000 units at end of August 2013
 123,050 units at end of February 2013
- (ii) Treasury investment units at end of period:
 — units at end of August 2013
 — units at end of February 2013

Note: Regarding the number of investment units, a basis for calculating net income per unit, please refer to “Per unit information,” on page 15.

* Statement on Implementation Status of Audit Procedure

This Earnings Briefing (“Kessan Tanshin” in Japanese) report is outside the scope of the auditing procedure under the Financial Instruments and Exchange Act. As of the publication of this report, no auditing procedure under the Financial Instruments and Exchange Act has been completed for the financial statements.

* On the adequate use of performance forecasts and other items warranting special mention

Forecast figures are calculated based on information available on the date of release of the forecast and contain uncertain factors to a large extent. Actual operating revenues, operating income, ordinary income, net income, and dividend per unit may differ due to changes in the business environment. The forecast should not be construed as a guarantee of actual dividend. Concerning details of the preconditions for the above forecast figures please refer to “2. Portfolio Management Policy and Management Situation, (2) Management situation – Preconditions for the performance forecast for the period ending February 2014 (September 1, 2013 to February 28, 2014), and the period ending August 2014 (March 1, 2014 to August 31, 2014)” on page 6.

Concerning the contents hereinafter, items that FRC judges that “can be omitted from the disclosure from the standpoint of importance” are not shown in conformity with the “Format and Guidance for Preparation of Earnings Briefing for REITs” (April 2012).

1. Investment Corporation-Related Organizations

The disclosure is omitted, since there are no significant changes from the “Structure of the investment corporation” disclosed by the latest securities report (submitted on May 29, 2013).

2. Portfolio Management Policy and Management Situation

(1) Portfolio management policy

The disclosure is omitted, since there are no significant changes from “Investment policy,” “Investment target” and “Dividend policy” disclosed by the latest securities report (submitted on May 29, 2013).

(2) Management situation

(i) Summary of the current fiscal period

(a) Brief history of the investment corporation

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

FRC started asset management activities on November 9, 2004 after acquisition of four properties such as Retail in Canal City Hakata (excluding some areas of specialty shops, hotels, theaters, offices and common space), a commercial complex where specialty shops, cinema complex, theaters, amusement facilities, hotels and offices are integrally developed (hereinafter “Canal City Hakata”). On top of the 20 properties it owned as of the end of the previous fiscal period (February 28, 2013), FRC acquired an office building and two properties in the Others category in the fiscal period under review. As a result, FRC now manages a total of 23 properties comprising ten Retail, seven Office buildings and six Others as of the end of the current fiscal period (August 31, 2013).

(b) Investment environment and portfolio performance

During the eighteenth fiscal period, the Japanese economy picked up steadily, showing some advances for autonomous recovery. Corporate performance improved while the employment situation and consumer spending were forming into better shape, against the backdrop of a gradual increase in production and exports. Looking ahead, with the various political measures noticeably proving effective, improvement in corporate earnings is expected to bring about an increase in household income and investment, leading the economy to head for recovery. The Kyushu area, the core investment target area for FRC, is also picking up as a whole, from rallying production and capital investment to the improving trend in employment and consumer spending.

As for the land price trend, the national average was still decreasing but the rate of decrease continued to shrink over the past twelve months from July 2012, according to the government’s Prefectural Land Price Survey 2013. The three major urban areas of Tokyo, Osaka and Nagoya saw the average price remain almost flat for residential land and take an upward turn for commercial land. In Fukuoka City, the central area of FRC’s investment targets, the recovery trend of land prices strengthened primarily in the urban areas, with commercial land prices and residential land prices both increasing by 2.3% and 0.7% year-on-year, respectively.

Under such circumstances, FRC focused on stringently selective investment in accordance with its investment policy. This led to the acquisition of D-WING TOWER (acquisition price: 2,800 mm yen) and Hotel FORZA Oita (acquisition price: 1,530 mm yen) on March 1, 2013 and Tenjin North Front Building (acquisition price: 2,800 mm yen) on March 28, 2013. For existing properties, we continuously worked to enhance competitiveness and customer drawing power at major Retail such as Canal City Hakata, as well as maintain and improve the occupancy rate of the portfolio. As a result, the average occupancy rate for all properties FRC owned as of the end of the eighteenth fiscal period marked at 98.8%.

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%; when analyzing by property type, Retail, Office building, and Others accounted for 63.2%, 29.7% and 7.1%, respectively.

(c) Summary of fundraising

In the current fiscal period, FRC procured 10,263 mm yen by issuing new investment units (14,950 units) on March 1, 2013 with a primary aim to acquire an office building and two properties in the Others category as mentioned above. FRC refinanced 600 mm yen in long-term debt that matured in March 2013 in long-term debt of five years (in contrast to three years previously), and refinanced 1,000 mm yen in long-term debt that matured in June 2013 in long-term debt of seven years (in contrast to five years previously). In March 2013, FRC used the proceeds from the issuance of new investment units to fully repay 2,700 mm yen in short-term debt upon maturity and to repay part of long-term debt (800 mm yen) before maturity. As a result, the balance of debt outstanding at the end of the current fiscal period totaled 71,100 mm yen, with the loan-to-value ratio (ratio of interest-bearing debt to total assets) at 42.4%. With regard to the commitment lines FRC has established as a backup of fund procurement, a commitment line expired in July 2013 and FRC renewed it with credit limit of 6,000 mm yen and commitment period of one year. In addition, FRC concluded an interest rate swap agreement (notional principal amount of 8,000 mm yen) in March 2013 in order to promote a shift to fixed interest rate debt financing. Going forward, FRC will continue its efforts to reduce refinancing risks by dispersing the debt repayment dates and increasing the average length of time until debt maturity, and to mitigate risks of rising interest rates by shifting to fixed-interest rate borrowings and through other measures.

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

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

(d) Summary of performance and dividend

As a result of these management efforts, operating revenues totaled 7,565 mm yen and operating income after excluding operating expenses such as expenses related to rent business and asset management fees totaled 2,848 mm yen. Ordinary income was 2,272 mm yen and net income was 2,271 mm yen.

Management decided to make a dividend of 16,458 yen per investment unit to meet the requirements of special tax measures for an investment corporation (as stipulated in Article 67-15 of the Special Taxation Measures Law of Japan [Law No. 26 in 1957 including later revisions, hereinafter the "Special Taxation Measures Law"]). Under this law, an investment corporation is allowed to deduct the maximum amount of dividends paid to investors from its taxable income.

(ii) Forecast for the next fiscal period

(a) Portfolio management policy

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

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

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

(b) Significant events that have occurred after the end of the current fiscal period

No relevant items

(c) Performance forecast for the next fiscal period

FRC aims to achieve the following performance goals for the period ending February 2014 (September 1,

2013 to February 28, 2014) and the period ending August 2014 (March 1, 2014 to August 31, 2014). Concerning preconditions for the forecast, please refer to “Preconditions for the performance forecast for the period ending February 2014 (September 1, 2013 to February 28, 2014) and the period ending August 2014 (March 1, 2014 to August 31, 2014),” on page 6.

Period ending February 2014

Operating revenues	7,556 mm yen
Operating income	2,803 mm yen
Ordinary income	2,236 mm yen
Net income	2,235 mm yen
Dividend per unit	16,200 yen
Dividend in excess of earnings per unit	0 yen

Period ending August 2014

Operating revenues	7,661 mm yen
Operating income	2,777 mm yen
Ordinary income	2,208 mm yen
Net income	2,207 mm yen
Dividend per unit	16,000 yen
Dividend in excess of earnings per unit	0 yen

Note: The above forecast figures are calculated based on certain preconditions. The forecast should not be construed as a guarantee of actual performance since actual operating revenues, ordinary income, net income, dividend per unit and dividend in excess of earnings per unit may differ due to changes in the business environment.

Preconditions for the performance forecast for the period ending February 2014 (September 1, 2013 to February 28, 2014) and for the period ending August 2014 (March 1, 2014 to August 31, 2014)

Item	Preconditions
Calculation period	19th fiscal period: from September 1, 2013 to February 28, 2014 (181 days) 20th fiscal period: from March 1, 2014 to August 31, 2014 (184 days)
Assets under management	<ul style="list-style-type: none"> It is assumed that there will be 23 properties which FRC owned as of August 31, 2013. In practice, they may fluctuate due to changes in assets under management.
Total number of investment units outstanding	<ul style="list-style-type: none"> It is assumed that there will be no issuance of new investment units until the end of the fiscal period ending August 2014.
Interest-bearing debt and refinancing	<ul style="list-style-type: none"> The balance of interest-bearing debt outstanding on February 28, 2014 is expected to total 71,025 mm yen, a decrease of 75 mm yen from the end of the current period (August 31, 2013). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 42.4% (as of August 31, 2013, the loan-to-value ratio stands at 42.4%). The balance of interest-bearing debt outstanding on August 31, 2014 is expected to total 70,950 mm yen, a decrease of 75 mm yen from the end of the period ending February 2013 (February 28, 2014). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 42.5%. In the period ending February 2014, it is assumed that FRC will refinance long-term debt of 2,000 mm yen that will become due for repayment in December 2013 (into long-term debt). In the period ending August 2014, it is assumed that FRC will refinance long-term debt of 14,300 mm yen that will become due for repayment in July and August 2014 (into long-term debt).
Operating revenues	<ul style="list-style-type: none"> Of real estate rent revenues, revenues from properties FRC has already acquired are calculated based on tenancy agreements that are valid as of today by taking into account the competitiveness of the properties and the market environment. Of real estate rent revenues, revenues from percentage lease contracts are calculated based on past results by taking into account sales fluctuation factors of the relevant tenants. Concerning real estate rent revenues, tenant vacancies are taken into account to a certain extent. It is assumed that there will be no rent arrears or non-payments by tenants.
Operating expenses	<ul style="list-style-type: none"> When acquiring assets under management, the fixed property tax and city planning tax for the assets will be proportionally calculated according to the holding period and adjusted with the former owner. FRC will not write them off since it will include the relevant adjusted amount in the acquisition cost. FRC writes off estimated repair costs for buildings for the calculation periods, the periods ending February 2014 and August 2014. Actual repair costs may differ significantly from the estimated amounts since there is the possibility that repair costs are incurred urgently due to damages to buildings caused by unforeseeable factors, repair costs generally differ largely from period to period, and repair costs are not regularly incurred. Concerning outsourcing expenses, FRC anticipates 1,529 mm yen for the period ending February 2014 and 1,568 mm yen for the period ending August 2014. Concerning taxes and other public charges, FRC anticipates 551 mm yen for the period ending February 2014 and 587 mm yen for the period ending August 2014. Concerning depreciation and amortization expenses, FRC anticipates 1,364 mm yen for the period ending February 2014 and 1,393 mm yen for the period ending August 2014.
Non-operating expenses	<ul style="list-style-type: none"> Concerning interest payment and expenses related to financing, FRC anticipates 558 mm yen for the period ending February 2014 and 564 mm yen for the period ending August 2014.
Dividend per unit	<ul style="list-style-type: none"> Dividend (dividend per unit) is calculated based on the dividend policy stipulated in FRC's Articles of Incorporation. Dividend per unit may fluctuate due to fluctuations in rent revenues caused by changes in assets under management and tenants or various factors including unexpected occurrences of repair.
Dividend in excess of earnings per unit	<ul style="list-style-type: none"> Dividend in excess of earnings (dividend in excess of earnings per unit) is not planned at the moment.
Other	<ul style="list-style-type: none"> It is assumed that there will be no significant revisions to laws and regulations, the tax system, and accounting standards that may influence the forecast figures. It is also assumed that there will be no significant unexpected changes in general economic conditions and the real estate market.

(3) Investment risks

The disclosure is omitted, since there are no significant changes from the "Investment risks" disclosed in the latest securities report (submitted on May 29, 2013).

3. Financial Statements

(1) Balance sheets

(thousands of

yen)

Account	17th fiscal period (as of February 28, 2013)		18th fiscal period (as of August 31, 2013)	
Assets				
Current assets				
Cash and deposits		2,134,854		2,986,790
Cash and deposits in trust		4,918,493		4,457,189
Operating accounts receivable		278,535		350,841
Prepaid expenses		236,013		333,377
Consumption taxes receivable		—		74,887
Deferred tax assets		21		17
Others		15,916		5,167
Total current assets		7,583,835		8,208,271
Noncurrent assets				
Property, plant and equipment				
Buildings in trust, net	71,580,539		76,005,077	
Aggregate of accumulated depreciation	(13,260,275)	58,320,264	(14,488,742)	61,516,335
Structures in trust, net	1,143,589		1,158,771	
Aggregate of accumulated depreciation	(349,225)	794,364	(380,913)	777,857
Machinery and equipment in trust, net	434,262		546,092	
Aggregate of accumulated depreciation	(161,010)	273,251	(179,676)	366,415
Vehicles and transport equipment in trust	—		747	
Aggregate of accumulated depreciation	—	—	(7)	739
Tools and fixtures in trust, net	1,116,342		1,139,208	
Aggregate of accumulated depreciation	(667,938)	448,404	(729,560)	409,647
Lands in trust		90,801,517		93,998,578
Construction in progress in trust		—		192,182
Total property, plant and equipment		150,637,801		157,261,757
Intangible assets				
Leasehold right in trust		1,765,318		1,765,318
Other intangible assets in trust		18,987		16,205
Total intangible assets		1,784,305		1,781,523
Investment and other assets				
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		100,000		100,000
Long-term prepaid expenses		449,429		463,384
Total investment and other assets		559,429		573,384
Total noncurrent assets		152,981,536		159,616,665
Deferred assets				
Investment unit issuance expenses		8,957		32,190
Total deferred assets		8,957		32,190
Total assets		160,574,329		167,857,128

Account	(thousands of yen)	
	17th fiscal period (as of February 28, 2013)	18th fiscal period (as of August 31, 2013)
Liabilities		
Current liabilities		
Operating accounts payable	463,243	592,753
Short-term debt	2,700,000	—
Current maturities of long-term debt	3,750,000	16,450,000
Account payable-other	32,873	17,409
Accrued expenses	311,485	325,769
Income taxes payable	983	885
Accrued consumption taxes	157,514	—
Advances received	847,489	896,621
Deposits received	585,651	904,777
Total current liabilities	8,849,242	19,188,217
Noncurrent liabilities		
Long-term debt payable	68,225,000	54,650,000
Tenant leasehold and security deposits	316,959	321,369
Tenant leasehold and security deposits received in trust	12,001,108	11,985,078
Total noncurrent liabilities	80,543,068	66,956,447
Total liabilities	89,392,310	86,144,664
Net assets		
Net Assets		
Shareholders' capital	69,177,628	79,441,236
Surplus		
Unappropriated surplus	2,004,391	2,271,226
Total surplus	2,004,391	2,271,226
Total Net Assets	71,182,019	81,712,463
Total net assets	71,182,019	81,712,463
Total liabilities and net assets	160,574,329	167,857,128

(2) Statements of income

(thousands of yen)

Account	17th fiscal period (September 1, 2012 to February 28, 2013)		18th fiscal period (March 1, 2013 to August 31, 2013)	
1. Operating revenues				
Rent revenues- real estate	6,784,009		7,095,131	
Other rental revenues-real-estate	416,974	7,200,984	470,254	7,565,385
2. Operating expenses				
Expenses related to rent business	4,025,294		4,157,501	
Asset management fees	422,387		445,912	
Asset custody fees	5,935		6,071	
Administrative service fees	47,063		47,022	
Director's compensations	9,600		9,600	
Other operating expenses	68,097	4,578,378	50,627	4,716,734
Operating income		2,622,606		2,848,650
3. Non-operating revenues				
Interest received		674		758
Others	1,955	2,629	485	1,243
4. Non-operating expenses				
Interest payment	492,687		443,830	
Amortization of investment unit issuance expenses	4,478		10,021	
Financing related expenses	122,322		123,802	
Others	—	619,488	—	577,654
Ordinary income		2,005,746		2,272,239
Net income before income taxes		2,005,746		2,272,239
Income taxes-current	1,119		1,038	
Income taxes based on amended return	—		—	
Income taxes-deferred	324	1,444	4	1,042
Net income		2,004,301		2,271,196
Retained earnings brought forward		89		29
Unappropriated retained earnings		2,004,391		2,271,226

(3) Statement of changes in net assets

17th fiscal period (September 1, 2012 to February 28, 2013)

(thousands of yen)

Item	Net Assets			Total net assets
	Shareholders' capital	Retained earnings	Total Net Assets	
		Unappropriated retained earnings		
Balance as of September 1, 2012	69,177,628	1,992,637	71,170,265	71,170,265
Changes in the current fiscal period				
Dividend of retained earnings	—	(1,992,548)	(1,992,548)	(1,992,548)
Net income	—	2,004,301	2,004,301	2,004,301
Total of changes in the current fiscal period	—	11,753	11,753	11,753
Balance as of February 28, 2013	69,177,628	2,004,391	71,182,019	71,182,019

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

(thousands of yen)

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

(4) Dividend statement

Account	17th fiscal period (September 1, 2012 to February 28, 2013)	18th fiscal period (March 1, 2013 to August 31, 2013)
I. Unappropriated retained earnings	2,004,391 thousand yen	2,271,226 thousand yen
II. Total	2,004,361 thousand yen	2,271,204 thousand yen
(Dividend per investment unit)	(16,289 yen)	(16,458 yen)
III. Retained earnings brought forward	29 thousand yen	22 thousand yen

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 must exceed 90% of FRC's distributable profits as stipulated in Article 67-15 of the Special Taxation Measures Law of Japan. Following the above policy, FRC shall decide to distribute 2,004,361 thousand yen, which is almost the entire amount of unappropriated retained earnings, 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 must exceed 90% of FRC's distributable profits as stipulated in Article 67-15 of the Special Taxation Measures Law of Japan. Following the above policy, FRC shall decide to distribute 2,271,204 thousand yen, which is almost the entire amount of unappropriated retained earnings, 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: Concerning amounts other than dividend per investment unit, fractions of 1,000 yen are omitted.

(5) Cash flows statements

Account	(thousands of yen)	
	17th fiscal period (September 1, 2012 to February 28, 2013)	18th fiscal period (March 1, 2013 to August 31, 2013)
I. Net cash provided by (used in) operating activities		
Net income before income taxes	2,005,746	2,272,239
Depreciation and amortization expenses	1,268,477	1,343,234
Amortization of investment unit issuance expenses	4,478	10,021
Interest received	(674)	(758)
Interest payment	492,687	443,830
Decrease (increase) in operating account receivables	32,539	(72,305)
Decrease (increase) in consumption taxes receivable	91,789	(74,887)
Increase (decrease) in accrued consumption taxes	157,514	(157,514)
Increase (decrease) in operating account payable	(64,378)	23,264
Increase (decrease) in account payable-other	(34,726)	(15,345)
Increase (decrease) in accrued expenses	2,725	14,403
Increase (decrease) in advances received	9,530	49,131
Increase (decrease) in deposits expenses	(480,528)	319,125
Decrease (increase) in prepaid expenses	72,177	(97,364)
Decrease (increase) in long-term prepaid expenses	15,966	(13,955)
Others, net	51,032	10,264
Subtotal	3,624,358	4,053,386
Interest income received	674	758
Interest expenses paid	(498,484)	(443,951)
Income taxes paid	(5,663)	(1,136)
Net cash provided by (used in) operating activities	3,120,885	3,609,056
II. Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment in trust	(3,475,667)	(7,858,163)
Purchase of intangible assets in trust	(129)	—
Proceeds from tenant leasehold and security deposits	15,861	4,410
Repayments of tenant leasehold and security deposits	(4,494)	—
Proceeds from tenant leasehold and security deposits in trust	464,505	359,717
Repayment of tenant leasehold and security deposits in trust	(66,106)	(375,748)
Proceeds from restricted trust deposits	2,895	4,119
Payments for restricted trust deposits	(4,343)	(32,165)
Net cash provided by (used in) investment activities	(3,067,479)	(7,897,830)
III. Net cash provided by (used in) financial activities		
Increase in short-term debt payable	3,800,000	—
Decrease in short-term debt payable	(2,200,000)	(2,700,000)
Proceeds from long-term debt payable	11,900,000	1,600,000
Repayment of long-term debt payable	(12,175,000)	(2,475,000)
Proceeds from issuance of investment units	—	10,263,608
Dividends paid	(1,991,239)	(2,003,994)
Payment of investment unit issuance expenses	—	(33,254)
Net cash provided by (used in) financial activities	(666,239)	4,651,360

IV. Net increase (decrease) in cash and cash equivalents	(612,834)	362,586
V. Balance of cash and cash equivalents at beginning of period	7,637,703	7,024,869
VI. Balance of cash and cash equivalents at end of period	7,024,869	7,387,455

(6) Notes on the going concern assumption

No relevant items

(7) Significant accounting policies

The disclosure is omitted, since there are no significant changes from contents disclosed by the latest securities report (submitted on May 29, 2013).

(8) Notes to financial statements

FRC omits the disclosure of notes to balance sheets, statements of income (except for certain part), statements of changes in Net Assets, and cash flows statements, as well as notes on lease transactions, financial instruments, securities, derivative transactions, related-party transactions, tax-effect accounting, retirement benefits, asset retirement obligations, rental properties, segment information and equity method income, etc. since it does not find substantial need for disclosure in the earnings briefing.

(Per unit information)

17th fiscal period (September 1, 2012 to February 28, 2013)		18th fiscal period (March 1, 2013 to August 31, 2013)	
Net assets per investment unit:	578,480 yen	Net assets per investment unit:	592,119 yen
Net income per investment unit:	16,288 yen	Net income per investment unit:	16,457 yen

Note 1: Net income per investment unit is calculated by dividing net income by the weighted average number of investment units outstanding during the fiscal period. Diluted net income per investment unit is not shown since there are no potential investment units.

Note 2: Calculation of net income per investment unit is based on the following.

Account	17th fiscal period (September 1, 2012 to February 28, 2013)	18th fiscal period (March 1, 2013 to August 31, 2013)
Net income (thousands of yen)	2,004,301	2,271,196
Amount not attributable to common shareholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	2,004,301	2,271,196
Average number of investment units during the fiscal period (units)	123,050	138,000

(Significant subsequent events)

No relevant items

(9) Change in the number of investment units outstanding

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

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

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

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

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

- Note 4: New investment units were issued through third-party allotment at the issue price of 849,200 yen per unit.
- Note 5: New investment units were issued through public offering at the issue price of 766,360 yen per unit (purchase price of 739,772 yen) for the purpose of procuring funds for acquiring new properties, etc.
- Note 6: New investment units were issued through public offering at the issue price of 576,083 yen per unit (purchase price of 557,078 yen) for the purpose of procuring funds for acquiring new properties, etc.
- Note 7: New investment units were issued through public offering at the issue price of 710,580 yen per unit (purchase price of 686,529 yen) for the purpose of procuring funds for acquiring new properties, etc.

4. Change in Directors

(1) Change in directors in FRC

No relevant items

(2) Change in directors in Fukuoka Realty Co., Ltd.

No relevant items

5. Reference Information

(1) Investment situation

(as of August 31, 2013)

Type of asset	Purpose	Location (Note 1)	Total value of properties held (mm of yen) (Note 2)	Percentage of total assets (%) (Note 3)	
Real estate in Trust	Retail	Fukuoka urban area	66,404	39.6	
		Other Kyushu areas	35,732	21.3	
	Office building	Fukuoka urban area	45,363	27.0	
		Other Kyushu areas	—	—	
	Others	Fukuoka urban area	9,812	5.8	
		Other Kyushu areas	1,537	0.9	
	Subtotal			158,851	94.6
	Deposits and other assets			9,006	5.4
Total amount of assets (Note 4)			167,857 (159,043)	100.0 (94.7)	

Note 1: "Fukuoka urban area" refers to cities, towns and villages where 10% or more of the population commute to Fukuoka City for school and work, according to the 2005 census, which states "the number of workers and students aged 15 years or older 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 all other parts of Kyushu (excluding the Fukuoka urban area) and Yamaguchi Prefecture.

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

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

Note 4: Figures in parentheses for "Total amount of assets" refer to the value and percentage of real estate held in effect to the total amount of assets.

(as of August 31, 2013)

	Value on balance sheet (mm of yen)	Percentage of total amount of assets (%)
Total amount of liabilities	86,144	51.3
Total amount of net assets	81,712	48.7

(2) Investment assets

(i) Primary issues of investment securities

No relevant items

(ii) Real estate investment portfolio

(a) Values and investment ratios at end of period are as follows.

(as of August 31, 2013)

Real estate property name	Acquisition value (mm of yen) (Note 1)	Value on balance sheet (mm of yen)	Period-end appraisal value (mm of yen) (Note 2)	Investment ratio (%) (Note 3)	Real estate appraiser
Canal City Hakata	32,000	31,325	32,200	19.6	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata ・ B	28,700	28,632	28,900	17.6	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	15,700	16,982	16,735	9.6	Japan Real Estate Institute
SunLive City Kokura	6,633	6,108	7,410	4.1	Japan Real Estate Institute
Square Mall Kagoshima Usuki	5,300	4,853	4,910	3.2	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	2,176	2,450	1.5	Japan Real Estate Institute
AEON Hara Shopping Center	5,410	5,382	4,510	3.3	Japan Real Estate Institute
Hanahata SC	1,130	1,064	1,180	0.7	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	2,500	2,293	2,550	1.5	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	3,550	3,318	3,410	2.2	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:	103,323	102,137	104,255	63.2	
Canal City Business Center Building	14,600	13,839	14,800	8.9	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	11,200	9,846	12,800	6.9	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	4,400	4,168	4,720	2.7	Japan Real Estate Institute
Taihaku Street Business Center	7,000	6,699	6,760	4.3	Japan Real Estate Institute
Higashi Hie Business Center	5,900	5,244	6,090	3.6	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	2,600	2,702	2,690	1.6	Japan Real Estate Institute
Tenjin North Front Building	2,800	2,862	2,940	1.7	Japan Real Estate Institute
Office buildings subtotal:	48,500	45,363	50,800	29.7	
Amex Akasakamon Tower	2,060	1,883	1,700	1.3	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	1,111	1,031	1,050	0.7	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Kego	2,800	2,763	3,320	1.7	Japan Real Estate Institute
Aqualia Chihaya	1,280	1,270	1,430	0.8	Japan Real Estate Institute
D-WING TOWER	2,800	2,863	3,010	1.7	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	1,530	1,537	1,530	0.9	Japan Real Estate Institute
Others subtotal:	11,581	11,349	12,040	7.1	
Total	163,404	158,851	167,095	100.0	

Note 1: "Acquisition value" refers to the amount (purchasing prices shown on the purchasing contracts) not including expenses

for the acquisition of relevant properties (agency fees and taxes and other public charges).

Note 2: "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.

Note 3: "Investment ratio" is obtained by dividing each property's acquisition value by the total acquisition value. The total of individual percentages in the above table may not equal 100%, since the numbers are rounded off to one decimal place.

(b) Summary of the real estate rental business

(as of August 31, 2013)

Real estate property name	Number of tenants (Note 1)	Occupancy rate (%) (Note 3)	Total leasable floor space (m ²)	Total leased floor space (m ²)	Total rental revenues (mm of yen) (Note 4)	Percentage of total rental revenues (%) (Note 5)
Canal City Hakata	1 (48)	99.7	46,486.61	46,359.15	1,177	15.6
Canal City Hakata • B (Note 6)	1 (51)	99.6	68,811.99	68,548.98	1,601	21.2
Park Place Oita	1 (104)	97.9	104,917.10	102,745.76	1,114	14.7
SunLive City Kokura	1	100.0	61,450.22	61,450.22	274	3.6
Square Mall Kagoshima Usuki	12	100.0	14,602.59	14,602.59	254	3.4
Kumamoto Intercommunity SC	2	100.0	6,968.66	6,968.66	89	1.2
AEON Hara Shopping Center	1	100.0	27,313.53	27,313.53	212	2.8
Hanahata SC	2	100.0	2,801.15	2,801.15	40	0.5
Kurume Higashi Kushiwara SC	1	100.0	6,467.80	6,467.80	88	1.2
K's Denki Kagoshima	1	100.0	7,296.17	7,296.17	111	1.5
Retail subtotal:	23 [223] (Note 2)	99.3	347,115.82	344,554.01	4,965	65.6
Canal City Business Center Building	1 (60)	100.0	23,022.21	23,022.21	620	8.2
Gofukumachi Business Center	29	97.0	19,906.33	19,304.72	502	6.6
Sanix Hakata Building	18	95.8	6,293.76	6,026.80	197	2.6
Taihaku Street Business Center	1 (65)	97.6	14,677.27	14,327.34	295	3.9
Higashi Hie Business Center	1 (21)	99.3	13,695.51	13,598.27	335	4.4
Tenjin Nishi-Dori Center Building	1	100.0	3,339.32	3,339.32	86	1.1
Tenjin North Front Building	11	100.0	5,233.98	5,233.98	111	1.5
Office buildings subtotal:	62 [205] (Note 2)	98.5	86,168.38	84,852.64	2,148	28.4
Amex Akasakamon Tower	1 (62)	93.9	4,821.25	4,525.01	66	0.9
City House Keyaki Dori	1 (39)	92.2	2,710.86	2,499.46	36	0.5
Aqualia Kego	1 (122)	91.6	7,415.36	6,791.34	116	1.5
Aqualia Chihaya	1 (104)	98.9	5,619.69	5,559.96	57	0.8
D-WING TOWER	1 (130)	94.0	7,187.58	6,758.84	110	1.5
Hotel FORZA Oita	1	100.0	5,785.44	5,785.44	63	0.8
Others subtotal:	6 [458] (Note 2)	95.2	33,540.18	31,920.05	450	6.0
Total	91 [886] (Note 2)	98.8	466,824.38	461,326.70	7,565	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 parentheses. The Taihaku Street Business Center is an office building with a residential tower. Its number of tenants comprises 12 offices and 53 residences.

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

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

Note 4: "Total rental revenues" are the total of real estate rent revenues and other revenues from real estate rent in the current fiscal period.

Note 5: "Percentage of total rental revenues" is obtained by dividing each property's total rental revenues by the total amount of total rental revenues. The total of individual percentages in the above table may not equal 100%, since the numbers are rounded off to one decimal place.

(3) Investment target

The disclosure is omitted, since there are no significant changes from the “Investment target” disclosed by the latest securities report (submitted on May 29, 2013).