

## EARNINGS BRIEFING FOR THE PERIOD ENDED FEBRUARY 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

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Expected date for submitting securities report: May 29, 2013

Expected commencement date of dividend payments: May 17, 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 FEBRUARY 2013 (September 1, 2012 to February 28, 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 February 2013	7,200	1.5	2,622	1.0	2,005	0.0	2,004	0.6
Period ended August 2012	7,094	2.3	2,595	(1.6)	2,005	(2.0)	1,992	(2.6)

	Net income per unit	Return on net assets	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
Period ended February 2013	16,288 yen	2.8%	1.3%	27.9%
Period ended August 2012	16,193 yen	2.8%	1.3%	28.3%

#### (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 February 2013	16,289 yen	2,004 mm yen	0 yen	0 mm yen	100.0%	2.8%
Period ended August 2012	16,193 yen	1,992 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 February 2013	160,574 mm yen	71,182 mm yen	44.3%	578,480 yen
Period ended August 2012	159,601 mm yen	71,170 mm yen	44.6%	578,384 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 February 2013	3,120 mm yen	(3,067) mm yen	(666) mm yen	7,024 mm yen
Period ended August 2012	3,617 mm yen	(6,016) mm yen	1,881 mm yen	7,637 mm yen

**2. FORECAST OF PERFORMANCE FOR THE PERIOD ENDING AUGUST 2013  
(March 1, 2013 to August 31, 2013) AND THE PERIOD ENDING FEBRUARY 2014  
(September 1, 2013 to February 28, 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 August 2013	7,518	4.4	2,819	7.5	2,236	11.5	2,235	11.5	16,200 yen	0 yen
Period ending February 2014	7,515	(0.0)	2,812	(0.2)	2,236	0.0	2,235	0.0	16,200 yen	0 yen

(Reference) Forecast net income per unit: Period ending August 2013 16,200 yen  
Period ending February 2014 16,200 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):  
123,050 units at end of February 2013  
123,050 units at end of August 2012  
(ii) Treasury investment units at end of period:  
— units at end of February 2013  
— units at end of August 2012

Note: Regarding the number of investment units, a basis for calculating net income per unit, please refer to "Per unit information," on page 13.

**\* 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 August 2013 (March 1, 2013 to August 31, 2013) and the period ending February 2014 (September 1, 2013 to February 28, 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 November 28, 2012).

## 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 November 28, 2012).

### (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 19 properties it owned as of the end of the previous fiscal period (August 31, 2012), FRC acquired an office property in the fiscal period under review. As a result, FRC now manages a total of 20 properties comprising ten Retail, six Office properties and four Others as of the end of the current fiscal period (February 28, 2013).

##### (b) Investment environment and portfolio performance

During the seventeenth fiscal period that ended February 2013, the slowdown of the Japanese economy came nearer to a stop, as public spending continued to increase primarily for reconstruction from the earthquake disaster and housing investment showed a trend of picking up, although the employment and income situations remained harsh. Looking ahead, the economy is expected to gradually head for recovery backed by an improvement in the export environment and the positive impact of economic measures and monetary policy. In Kyushu, the major investment target area of FRC, there were signs of picking up in some sections, with public spending increasing and the housing investment tending to pick up, despite the continued difficulty in the employment and the income situation.

As for the land price trend, a nationwide decline was still underway for the year from January 2012 but the rate of decrease shrank and there was a significant increase in the number of survey sites where the prices rose or remained flat, according to the 2013 Land Price Survey. A recovery trend was also observed in Fukuoka City, the core investment target area for FRC, where commercial land prices increased by 0.7% and residential land prices increased by 0.7% compared to the previous year, due to strong housing demand and other factors.

Under such circumstances, FRC focused on stringently selective investment in accordance with its investment policy. This led to the acquisition of Tenjin Nishi-Dori Center Building (acquisition price: 2,600 mm yen) on February 1, 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 marked 99.3% for all properties FRC owns as of the end of the seventeenth fiscal period.

When analyzing FRC’s portfolio (on an acquisition price basis) by investment target area, the investment ratio in the Fukuoka urban area accounted for 76.9% of its portfolio; when analyzing by property type, Retail, Office property, and Others account for 66.1%, 29.2% and 4.6%, respectively.

## (c) Summary of fundraising

In the current fiscal period, FRC repaid 1,100 mm yen in borrowings by using cash on hand on October 31, 2012. Meanwhile, FRC procured 2,500 mm yen in borrowings on February 1, 2013 as acquisition funds for the above mentioned Tenjin Nishi-Dori Center Building. For the 2,600 mm yen in long-term debt that matured in September 2012, FRC refinanced the entire amount in long-term debt and, of the 9,500 mm yen in long-term debt that matured in February 2013, FRC refinanced 6,800 mm yen in long-term debt and 2,700 mm yen in short-term debt. As a result, the balance of debt outstanding at the end of the current fiscal period totaled 74,675 mm yen, with the loan-to-value ratio (ratio of interest-bearing debt to total assets) at 46.5%. To reduce refinancing risks, FRC will continue to disperse the debt repayment dates and increase the average length of time until debt maturity.

Furthermore, FRC made a resolution on February 8, 2013 concerning issuance of new investment units (14,950 units) in order to procure funds for acquisition of new specified assets.

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 7,200 mm yen and operating income after excluding operating expenses such as expenses related to rent business and asset management fees totaled 2,622 mm yen. Ordinary income was 2,005 mm yen and net income was 2,004 mm yen.

Management decided to make a dividend of 16,289 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

## (Reference information)

FRC resolved at the Board of Directors Meeting held on February 8, 2013 to issue new investment units as described below in order to procure funds for acquisition of new specified assets. Payment for the new investment units was completed on March 1, 2013.

As a result of the issuance, the unitholders' capital totaled 79,441,236,550 yen as of the date of this Earnings Briefing, with a total number of investment units outstanding at 138,000 units.

Issuance of new investment units through primary offering:

Total number of units offered:	14,950 units
Issue price (offer price):	710,580 yen
Total issue price (total offer price):	10,623,171,000 yen
Issue value (paid-in amount):	686,529 yen
Total issue value (total paid-in amount):	10,263,608,550 yen
Payment date:	March 1, 2013
Starting date of computation for cash distribution:	March 1, 2013

(c) Performance forecast for the next fiscal period

FRC aims to achieve the following performance goals for the period ending August 2013 (March 1, 2013 to August 31, 2013) and the period ending February 2014 (September 1, 2013 to February 28, 2014).

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

Period ending August 2013

Operating revenues	7,518 mm yen
Operating income	2,819 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 February 2014

Operating revenues	7,515 mm yen
Operating revenues	2,812 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

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

Item	Preconditions
Calculation period	18th fiscal period: from March 1, 2013 to August 31, 2013 (184 days) 19th fiscal period: from September 1, 2013 to February 28, 2014 (181 days)
Assets under management	<ul style="list-style-type: none"> <li>It is assumed that there will be 23 properties, comprising the 20 properties FRC owns as of February 28, 2013 plus D-WING TOWER and Hotel FORZA Oita it acquired on March 1, 2013 and Tenjin North Front Building it acquired on March 28, 2013.</li> <li>In practice, they may fluctuate due to changes in assets under management.</li> </ul>
Total number of investment units outstanding	<ul style="list-style-type: none"> <li>It is assumed that there will be 138,000 investment units including the new investment units (14, 950 units) for which payment was completed by March 1, 2013.</li> </ul>
Interest-bearing debt and refinancing	<ul style="list-style-type: none"> <li>The balance of interest-bearing debt outstanding on February 28, 2014 is expected to total 71,025 mm yen, a decrease of 3,650 mm yen from the end of the current period (February 28, 2013). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 42.2% (as of February 28, 2013, the loan-to-value ratio stands at 46.5%).</li> <li>In the period ending August 2013, it is assumed that FRC will repay short-term debt of 2,700 mm yen in total and prepay 800 mm yen in long-term debt. For the long-term debt totaling 1,600 mm yen that will become due for repayment in March and June 2013, it is assumed that FRC will refinance the entire amount (into long-term debt).</li> <li>In the period ending February 2014, it is assumed that FRC will refinance long-term debt of 1,200 mm yen that will become due for repayment in December 2013 (into long-term debt).</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>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.</li> <li>FRC writes off estimated repair costs for buildings for the calculation periods, the periods ending August 2013 and February 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.</li> <li>Concerning outsourcing expenses, FRC anticipates 1,529 mm yen for the period ending August 2013 and 1,523 mm yen for the period ending February 2014.</li> <li>Concerning taxes and other public charges, FRC anticipates 555 mm yen for the period ending August 2013 and 555 mm yen for the period ending February 2014.</li> <li>Concerning depreciation and amortization expenses, FRC anticipates 1,348 mm yen for the period ending August 2013 and 1,368 mm yen for the period ending February 2014.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>Concerning interest payment and expenses related to financing, FRC anticipates 573 mm yen for the period ending August 2013 and 566 mm yen for the period ending February 2014.</li> </ul>
Dividend per unit	<ul style="list-style-type: none"> <li>Dividend (dividend per unit) is calculated based on the dividend policy stipulated in FRC's Articles of Incorporation.</li> <li>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.</li> </ul>
Dividend in excess of earnings per unit	<ul style="list-style-type: none"> <li>Dividend in excess of earnings (dividend in excess of earnings per unit) is not planned at the moment.</li> </ul>
Other	<ul style="list-style-type: none"> <li>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.</li> <li>It is also assumed that there will be no significant unexpected changes in general economic conditions and the real estate market.</li> </ul>

### (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 November 28, 2012).

### 3. Financial Statements

#### (1) Balance sheets

(thousands of yen)

Account	16th fiscal period (as of August 31, 2012)		17th fiscal period (as of February 28, 2013)	
Assets				
Current assets				
Cash and deposits		2,370,735		2,134,854
Cash and deposits in trust		5,293,998		4,918,493
Operating accounts receivable		311,075		278,535
Prepaid expenses		308,190		236,013
Consumption taxes receivable		91,789		—
Deferred tax assets		346		21
Others		22,346		15,916
Total current assets		8,398,481		7,583,835
Noncurrent assets				
Property, plant and equipment				
Buildings in trust, net	70,749,251		71,580,539	
Aggregate of accumulated depreciation	(12,115,804)	58,633,447	(13,260,275)	58,320,264
Structures in trust, net	1,132,278		1,143,589	
Aggregate of accumulated depreciation	(318,392)	813,885	(349,225)	794,364
Machinery and equipment in trust, net	427,028		434,262	
Aggregate of accumulated depreciation	(147,112)	279,916	(161,010)	273,251
Tools and fixtures in trust, net	1,108,673		1,116,342	
Aggregate of accumulated depreciation	(634,583)	474,090	(667,938)	448,404
Lands in trust		88,615,021		90,801,517
Construction in progress in trust		10,711		—
Total property, plant and equipment		148,827,072		150,637,801
Intangible assets				
Leasehold right in trust		1,765,318		1,765,318
Other intangible assets in trust		21,639		18,987
Total intangible assets		1,786,957		1,784,305
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		465,396		449,429
Total investment and other assets		575,396		559,429
Total noncurrent assets		151,189,427		152,981,536
Deferred assets				
Investment unit issuance expenses		13,436		8,957
Total deferred assets		13,436		8,957
Total assets		159,601,345		160,574,329

Account	(thousands of yen)	
	16th fiscal period (as of August 31, 2012)	17th fiscal period (as of February 28, 2013)
Liabilities		
Current liabilities		
Operating accounts payable	881,730	463,243
Short-term debt	1,100,000	2,700,000
Current maturities of long-term debt	13,850,000	3,750,000
Account payable-other	66,822	32,873
Accrued expenses	314,557	311,485
Income taxes payable	5,527	983
Accrued consumption taxes	—	157,514
Advances received	837,959	847,489
Deposits received	1,066,179	585,651
Total current liabilities	18,122,777	8,849,242
Noncurrent liabilities		
Long-term debt payable	58,400,000	68,225,000
Tenant leasehold and security deposits	305,592	316,959
Tenant leasehold and security deposits received in trust	11,602,709	12,001,108
Total noncurrent liabilities	70,308,302	80,543,068
Total liabilities	88,431,079	89,392,310
Net assets		
Net Assets		
Shareholders' capital	69,177,628	69,177,628
Surplus		
Unappropriated surplus	1,992,637	2,004,391
Total surplus	1,992,637	2,004,391
Total Net Assets	71,170,265	71,182,019
Total net assets	71,170,265	71,182,019
Total liabilities and net assets	159,601,345	160,574,329

## (2) Statements of income

(thousands of yen)

Account	16th fiscal period (March 1, 2012 to August 31, 2012)		17th fiscal period (September 1, 2012 to February 28, 2013)	
1. Operating revenues				
Rent revenues- real estate	6,596,812		6,784,009	
Other rental revenues-real-estate	497,427	7,094,239	416,974	7,200,984
2. Operating expenses				
Expenses related to rent business	3,964,116		4,025,294	
Asset management fees	421,505		422,387	
Asset custody fees	5,874		5,935	
Administrative service fees	48,938		47,063	
Director's compensations	9,600		9,600	
Bad debt expenses	1,006		—	
Other operating expenses	47,757	4,498,799	68,097	4,578,378
Operating income		2,595,440		2,622,606
3. Non-operating revenues				
Interest received		753		674
Refund of property taxes and city planning taxes		84,414		—
Appropriation of balance related to amended return		12,876		—
Others	454	98,499	1,955	2,629
4. Non-operating expenses				
Interest payment	510,860		492,687	
Amortization of investment unit issuance expenses	4,478		4,478	
Financing related expenses	124,597		122,322	
Others	48,664	688,601	—	619,488
Ordinary income		2,005,338		2,005,746
Net income before income taxes		2,005,338		2,005,746
Income taxes-current	5,676		1,119	
Income taxes based on amended return	7,400		—	
Income taxes-deferred	(326)	12,751	324	1,444
Net income		1,992,587		2,004,301
Retained earnings brought forward		50		89
Unappropriated retained earnings		1,992,637		2,004,391

## (3) Statement of changes in net assets

16th fiscal period (March 1, 2012 to August 31, 2012)

(thousands of yen)

Item	Net Assets			Total net assets
	Shareholders' capital	Retained earnings	Total Net Assets	
		Unappropriated retained earnings		
Balance as of March 1, 2012	69,177,628	2,045,264	71,222,892	71,222,892
Changes in the current fiscal period				
Dividend of retained earnings	—	(2,045,214)	(2,045,214)	(2,045,214)
Net income	—	1,992,587	1,992,587	1,992,587
Total of changes in the current fiscal period	—	(52,626)	(52,626)	(52,626)
Balance as of August 31, 2012	69,177,628	1,992,637	71,170,265	71,170,265

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

## (4) Dividend statement

Account	16th fiscal period (March 1, 2012 to August 31, 2012)	17th fiscal period (September 1, 2012 to February 28, 2013)
I. Unappropriated retained earnings	1,992,637 thousand yen	2,004,391 thousand yen
II. Total	1,992,548 thousand yen	2,004,361 thousand yen
(Dividend per investment unit)	(16,193 yen)	(16,289 yen)
III. Retained earnings brought forward	89 thousand yen	29 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 1,992,548 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 2,004,361 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.
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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)	
	16th fiscal period (March 1, 2012 to August 31, 2012)	17th fiscal period (September 1, 2012 to February 28, 2013)
I. Net cash provided by (used in) operating activities		
Net income before income taxes	2,005,338	2,005,746
Depreciation and amortization expenses	1,242,487	1,268,477
Amortization of investment unit issuance expenses	4,478	4,478
Interest received	(753)	(674)
Interest payment	510,860	492,687
Decrease (increase) in operating account receivables	(33,737)	32,539
Decrease (increase) in consumption taxes receivable	(91,789)	91,789
Increase (decrease) in accrued consumption taxes	(150,990)	157,514
Increase (decrease) in operating account payable	141,740	(64,378)
Increase (decrease) in account payable-other	49,678	(34,726)
Increase (decrease) in accrued expenses	3,060	2,725
Increase (decrease) in advances received	42,979	9,530
Increase (decrease) in deposits expenses	394,504	(480,528)
Decrease (increase) in prepaid expenses	(33,972)	72,177
Decrease (increase) in long-term prepaid expenses	18,727	15,966
Others, net	24,220	51,032
Subtotal	4,126,833	3,624,358
Interest income received	753	674
Interest expenses paid	(501,162)	(498,484)
Income taxes paid	(8,922)	(5,663)
Income taxes refund	426	—
Net cash provided by (used in) operating activities	3,617,928	3,120,885
II. Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment in trust	(5,229,355)	(3,475,667)
Purchase of intangible assets in trust	(3,368)	(129)
Proceeds from tenant leasehold and security deposits	—	15,861
Repayments of tenant leasehold and security deposits	(25,952)	(4,494)
Proceeds from tenant leasehold and security deposits in trust	158,363	464,505
Repayment of tenant leasehold and security deposits in trust	(889,035)	(66,106)
Proceeds from restricted trust deposits	2,362	2,895
Payments for restricted trust deposits	(29,392)	(4,343)
Net cash provided by (used in) investment activities	(6,016,378)	(3,067,479)
III. Net cash provided by (used in) financial activities		
Increase in short-term debt payable	8,600,000	3,800,000
Decrease in short-term debt payable	(8,000,000)	(2,200,000)
Proceeds from long-term debt payable	9,400,000	11,900,000
Repayment of long-term debt payable	(6,075,000)	(12,175,000)
Dividends paid	(2,043,437)	(1,991,239)
Net cash provided by (used in) financial activities	1,881,562	(666,239)
IV. Net increase (decrease) in cash and cash equivalents	(516,887)	(612,834)
V. Balance of cash and cash equivalents at beginning of period	8,154,590	7,637,703
VI. Balance of cash and cash equivalents at end of period	7,637,703	7,024,869

- (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 November 28, 2012).
- (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 and rental properties, since it does not find substantial need for disclosure in the earnings briefing.

## (Notes to the Statements of Income)

16th fiscal period (March 1, 2012 to August 31, 2012)	17th fiscal period (September 1, 2012 to February 28, 2013)
The "Appropriation of balance related to amended return" in the Statements of Income represents the tax payment amount incurred as a result of the amended return for income taxes, etc. and the increased amount in income taxes for the current fiscal period, both of which were paid by Fukuoka Realty Co., Ltd. based on the asset management agreement with FRC. This matter causes no impact on the dividend payment for the 16th fiscal period.	—

## (Per unit information)

16th fiscal period (March 1, 2012 to August 31, 2012)	17th fiscal period (September 1, 2012 to February 28, 2013)
Net assets per investment unit: 578,384 yen Net income per investment unit: 16,193 yen	Net assets per investment unit: 578,480 yen Net income per investment unit: 16,288 yen
Net income per investment unit is calculated by dividing net income by the weighted average number of investment units outstanding during the fiscal period.	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.	Diluted net income per investment unit is not shown since there are no potential investment units.

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

Account	16th fiscal period (March 1, 2012 to August 31, 2012)	17th fiscal period (September 1, 2012 to February 28, 2013)
Net income (thousands of yen)	1,992,587	2,004,301
Amount not attributable to common shareholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	1,992,587	2,004,301
Average number of investment units during the fiscal period (units)	123,050	123,050

## (Significant subsequent events)

17th fiscal period (September 1, 2012 to February 28, 2013)
No relevant items

- (9) Change in the number of investment units outstanding  
No relevant items

**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 February 28, 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 metropolitan area	66,718	41.5
		Other Kyushu areas	35,847	22.3
	Office properties	Fukuoka metropolitan area	42,840	26.7
		Other Kyushu areas	—	—
	Others	Fukuoka metropolitan area	7,016	4.4
		Other Kyushu areas	—	—
Subtotal			152,422	94.9
Deposits and other assets			8,152	5.1
Total amount of assets (Note 4)			160,574 (152,422)	100.0 (94.9)

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 February 28, 2013)

	Value on balance sheet (mm of yen)	Percentage of total amount of assets (%)
Total amount of liabilities	89,392	55.7
Total amount of net assets	71,182	44.3

## (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 February 28, 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	31,504	32,200	20.5	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata · B	28,700	28,741	28,800	18.4	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	15,700	16,968	16,735	10.0	Japan Real Estate Institute
SunLive City Kokura	6,633	6,114	7,410	4.2	Japan Real Estate Institute
Square Mall Kagoshima Usuki	5,300	4,905	4,910	3.4	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	2,194	2,440	1.5	Japan Real Estate Institute
AEON Hara Shopping Center	5,410	5,402	4,610	3.5	Japan Real Estate Institute
Hanahata SC	1,130	1,070	1,170	0.7	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	2,500	2,315	2,530	1.6	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	3,550	3,348	3,400	2.3	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:	103,323	102,565	104,205	66.1	
Canal City Business Center Building	14,600	13,922	14,700	9.3	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	11,200	9,941	12,700	7.2	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	4,400	4,201	4,660	2.8	Japan Real Estate Institute
Taihaku Street Business Center	7,000	6,764	6,660	4.5	Japan Real Estate Institute
Higashi Hie Business Center	5,900	5,322	6,020	3.8	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	2,600	2,688	2,600	1.7	Japan Real Estate Institute
Office properties subtotal:	45,700	42,840	47,340	29.2	
Amex Akasakamon Tower	2,060	1,902	1,680	1.3	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	1,111	1,043	1,040	0.7	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Kego	2,800	2,788	3,270	1.8	Japan Real Estate Institute
Aqualia Chihaya	1,280	1,282	1,410	0.8	Japan Real Estate Institute
Others:	7,251	7,016	7,400	4.6	
Total	156,274	152,422	158,945	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 February 28, 2013)

Real estate property name	Number of tenants (Note 1)	Occupancy rate (%) (Note 3)	Total leasable floor space (m <sup>2</sup> )	Total leased floor space (m <sup>2</sup> )	Total rental revenues (mm of yen) (Note 4)	Percentage of total rental revenues (%) (Note 5)
Canal City Hakata	1 (49)	100.0	46,486.61	46,486.61	1,194	16.6
Canal City Hakata • B (Note 6)	1 (50)	99.9	68,814.45	68,712.68	1,604	22.3
Park Place Oita	1 (105)	99.1	104,917.10	103,965.22	1,093	15.2
SunLive City Kokura	1	100.0	61,450.22	61,450.22	292	4.1
Square Mall Kagoshima Usuki	12	100.0	14,602.59	14,602.59	250	3.5
Kumamoto Intercommunity SC	2	100.0	6,968.66	6,968.66	90	1.3
AEON Hara Shopping Center	1	100.0	27,580.75	27,580.75	212	3.0
Hanahata SC	2	100.0	2,801.15	2,801.15	40	0.6
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 [224] (Note 2)	99.7	347,385.50	346,331.85	4,979	69.1
Canal City Business Center Building	1 (60)	100.0	23,022.21	23,022.21	613	8.5
Gofukumachi Business Center	26	94.8	19,909.91	18,878.67	504	7.0
Sanix Hakata Building	19	100.0	6,293.76	6,293.76	198	2.8
Taihaku Street Business Center	1 (66)	97.5	14,653.97	14,289.16	297	4.1
Higashi Hie Business Center	1 (20)	97.8	13,695.51	13,392.44	322	4.5
Tenjin Nishi-Dori Center Building	1	100.0	3,339.32	3,339.32	14	0.2
Office properties subtotal:	49 [192] (Note 2)	97.9	80,914.68	79,215.56	1,950	27.1
Amex Akasakamon Tower	1 (65)	96.8	4,821.25	4,665.07	63	0.9
City House Keyaki Dori	1 (41)	97.8	2,710.86	2,650.06	37	0.5
Aqualia Kego	1 (127)	97.3	7,415.36	7,215.64	113	1.6
Aqualia Chihaya	1 (102)	97.5	5,619.69	5,480.10	56	0.8
Others subtotal:	4 [335] (Note 2)	97.3	20,567.16	20,010.87	270	3.8
Total	76 [751] (Note 2)	99.3	448,867.34	445,558.28	7,200	100.0

Note 1: "Number of tenants" is based on the total number of sections stipulated in the tenancy agreements for retail and office properties 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 property with a residential tower. Its number of tenants comprises 10 offices and 56 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 November 28, 2012).