

EARNINGS BRIEFING FOR THE PERIOD ENDED FEBRUARY 2014

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

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Expected date for submitting securities report: May 30, 2014
Expected commencement date of dividend payments: May 16, 2014
Supplementary documents for earnings briefing: Yes
Analyst meeting (for institutional investors and analysts): Yes

(Figures rounded down to nearest mm yen.)

1. PERFORMANCE AND SITUATION OF ASSETS FOR THE PERIOD ENDED FEBRUARY 2014 (September 1, 2013 to February 28, 2014)

(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 2014	7,574	0.1	2,801	(1.7)	2,239	(1.4)	2,238	(1.4)
Period ended August 2013	7,565	5.1	2,848	8.6	2,272	13.3	2,271	13.3

	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 2014	3,243 yen	2.7%	1.3%	29.6%
Period ended August 2013	3,291 yen	3.0%	1.4%	30.0%

(Note) Fukuoka REIT Corporation (FRC) implemented a 5-for-1 split of its investment units with March 1, 2014 as the effective date. Accordingly, net income per unit has been calculated on the assumption that the split of investment units was conducted at the beginning of the fiscal period ended August 2013.

(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 2014	16,219 yen	2,238 mm yen	0 yen	0 mm yen	100.0%	2.7%
Period ended August 2013	16,458 yen	2,271 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 2014	167,492 mm yen	81,679 mm yen	48.8%	118,376 yen
Period ended August 2013	167,857 mm yen	81,712 mm yen	48.7%	118,423 yen

(Note) FRC implemented a 5-for-1 split of its investment units with March 1, 2014 as the effective date. Accordingly, net assets per unit have been calculated on the assumption that the split of investment units was conducted at the beginning of the fiscal period ended August 2013.

(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 2014	3,699 mm yen	(916) mm yen	(2,359) mm yen	7,810 mm yen
Period ended August 2013	3,609 mm yen	(7,897) mm yen	4,651 mm yen	7,387 mm yen

2. FORECAST OF PERFORMANCE FOR THE PERIOD ENDING AUGUST 2014 (March 1, 2014 to August 31, 2014) AND THE PERIOD ENDING FEBRUARY 2015 (September 1, 2014 to February 28, 2015)

(% 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 2014	7,701	1.7	2,792	(0.3)	2,222	(0.8)	2,221	(0.7)	3,220 yen	0 yen
Period ending February 2015	7,739	0.5	2,781	(0.4)	2,236	0.6	2,235	0.6	3,240 yen	0 yen

(Reference) Forecast net income per unit: Period ending August 2014 3,220 yen
Forecast net income per unit: Period ending February 2015 3,240 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) Total number of investment units outstanding

- (i) Total number of investment units outstanding at end of period (including treasury investment units):
138,000 units at end of February 2014
138,000 units at end of August 2013
- (ii) Treasury investment units at end of period:
— units at end of February 2014
— units at end of August 2013

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 2014 (March 1, 2014 to August 31, 2014) and the period ending February 2015 (September 1, 2014 to February 28, 2015)” on page 6.

- FRC implemented a 5-for-1 split of its investment units with February 28, 2014 and March 1, 2014 as the record date and the effective date, respectively. For more details, please refer to “2. Portfolio Management Policy and Management Situation, (2) Management situation, (ii) Forecast for the next fiscal period, (b) Significant events that have occurred after the end of the current fiscal period” on page 4. With regard to “2. Forecast of Performance for the Period Ending August 2014 (March 1, 2014 to August 31, 2014) and the Period Ending February 2015 (September 1, 2014 to February 28, 2015)” above, the figures have been calculated based on the number of investment units being 690,000 units that are outstanding after the split of investment units.

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 2014).

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 27, 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 November 27, 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) 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”). As of the end of the current fiscal period (February 28, 2014), FRC manages a total of 23 properties comprising ten Retail, seven Office buildings and six Others.

(b) Investment environment and portfolio performance

During the current fiscal period, the Japanese economy remained on course for modest recovery, with capital investment picking up along with an increase in public investment and housing investment, given an improvement in corporate performance as well as the employment and income environment. Looking ahead, the recovery trend of the economy is expected to continue, as household income and investment will increase bolstered by various political measures proving effective. The Fukuoka and Kyushu area, the core investment target area for FRC, is also recovering gradually as a whole, with consumer spending, capital investment and employment picking up while housing investment and public investment showing increasing trends.

As for the land price trend, a decrease in the national average was still underway but the rate of decrease continued to shrink over the past year from January 2013 according to the 2014 Land Price Survey. The three major urban areas of Tokyo, Osaka and Nagoya saw the average price take an upward turn both for residential land and commercial land. In Fukuoka City, the central area of FRC’s investment targets, the land prices continued rising for two consecutive years, recording a year-on-year increase of 2.9% for commercial land and 1.8% for residential land. With demand increasing primarily in the urban areas, real estate transactions have been activated in Fukuoka City.

Under such circumstances, FRC continued its efforts to reinforce its competitive advantages of and ability to attract guests to Canal City Hakata and other major retail facilities, and focused on maintaining and increasing the occupancy rate of its owned properties. As a result of these endeavors, the average occupancy rate of all properties FRC owns stood at 98.1% at the end of the current 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 63.2%, 29.7% and 7.1%, respectively.

(c) Summary of fundraising

In the current fiscal period, FRC refinanced 2,000 mm yen in long-term debt that matured in December 2013 by issuing the First Series of Unsecured Bonds (with the redemption period of ten years), which marked the first issuance of investment corporation bonds for FRC and represented the longest procurement period among its borrowings. As a result, the balance of interest-bearing debt outstanding

(including the investment corporation bonds) at the end of the current fiscal period totaled 71,025 mm yen, with the loan-to-value ratio (ratio of interest-bearing debt (including the investment corporation bonds) 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 February 2014 and FRC renewed and expanded it with credit limit of 7,000 mm yen (an increase of 1,000 mm yen) and commitment period of two years. 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 7,574 mm yen and operating income after excluding operating expenses such as expenses related to leasing business and asset management fees totaled 2,801 mm yen. Ordinary income was 2,239 mm yen and net income was 2,238 mm yen.

Management decided to make a dividend of 16,219 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

FRC implemented a 5-for-1 split of its investment units with February 28, 2014 and March 1, 2014 as the record date and the effective date, respectively.

I. Purpose of split

FRC implemented the split of investment units in order to establish an environment where investors can invest with ease as well as to further widen FRC's investors base and increase the liquidity of FRC's investment units by decreasing the per price of investment units in light of the introduction of the Japanese version of the Individual Saving Account (NISA) on January 1, 2014.

II. Method of split

FRC implemented a 5-for-1 split of its investment units held by its unitholders stated or recorded on that date's final unitholder registry, with February 28, 2014 as the record date.

III. Increase in the number of investment units through split, etc.

- 1) Number of FRC investment units outstanding before split: 138,000 units
- 2) Increase in number of investment units through split: 552,000 units

- 3) Number of FRC investment units outstanding after split: 690,000 units
- 4) Total number of investment units authorized after split: 10,000,000 units

(c) Performance forecast for the next fiscal period

FRC aims to achieve the following performance goals for the period ending August 2014 (March 1, 2014 to August 31, 2014) and the period ending February 2015 (September 1, 2014 to February 28, 2015).

Concerning preconditions for the forecast, please refer to “Preconditions for the performance forecast for the period ending August 2014 (March 1, 2014 to August 31, 2014) and the period ending February 2015 (September 1, 2014 to February 28, 2015)” on page 6.

Period ending August 2014

Operating revenues	7,701 mm yen
Operating income	2,792 mm yen
Ordinary income	2,222 mm yen
Net income	2,221 mm yen
Dividend per unit	3,220 yen
Dividend in excess of earnings per unit	0 yen

Period ending February 2015

Operating revenues	7,739 mm yen
Operating income	2,781 mm yen
Ordinary income	2,236 mm yen
Net income	2,235 mm yen
Dividend per unit	3,240 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 2014 (March 1, 2014 to August 31, 2014) and the period ending February 2015 (September 1, 2014 to February 28, 2015)

Item	Preconditions
Calculation period	20th fiscal period: from March 1, 2014 to August 31, 2014 (184 days) 21st fiscal period: from September 1, 2014 to February 28, 2015 (181 days)
Assets under management	<ul style="list-style-type: none"> It is assumed that there will be 24 properties, comprising the 23 properties FRC owned as of February 28, 2014 plus Tosu Logistics Center that FRC acquired on March 28, 2014. 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 February 2015.
Interest-bearing debt and refinancing	<ul style="list-style-type: none"> The balance of interest-bearing debt outstanding on August 31, 2014 is expected to total 71,450 mm yen, an increase of 425 mm yen from the end of the current period (February 28, 2014). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 42.5% (as of February 28, 2014, the loan-to-value ratio stands at 42.4%). The balance of interest-bearing debt outstanding on February 28, 2015 is expected to total 71,075mm yen, a decrease of 375 mm yen from the end of the period ending August 2014 (August 31, 2014). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 42.3%. In the period ending August 2014, it is assumed that FRC will borrow short-term debt of 500 mm yen in March 2014 (planned to be refinanced for the same amount into long-term loans later), and refinance long-term debt of 14,300 mm yen in total that will become due for repayment in July and August 2014 (into long-term debt). In the period ending February 2015, it is assumed that FRC will repay long-term debt of 300 mm yen on the repayment date in September 2014.
Operating revenues	<ul style="list-style-type: none"> Of real estate leasing 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 leasing 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 leasing 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 August 2014 and February 2015. 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 1,590 mm yen for the period ending August 2014 and 1,558 mm yen for the period ending February 2015. Concerning taxes and other public charges, FRC anticipates 589 mm yen for the period ending August 2014 and 589 mm yen for the period ending February 2015. Concerning depreciation and amortization expenses, FRC anticipates 1,391 mm yen for the period ending August 2014 and 1,405 mm yen for the period ending February 2015.
Non-operating expenses	<ul style="list-style-type: none"> Concerning interest payment (including interest expenses on investment corporation bonds) and expenses related to financing, FRC anticipates 564 mm yen for the period ending August 2014 and 539 mm yen for the period ending February 2015.
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 leasing 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.
Others	<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 November 27, 2013).

3. Financial Statements

(1) Balance sheets

Account	(thousands of yen)			
	18th fiscal period (as of August 31, 2013)		19th fiscal period (as of February 28, 2014)	
Assets				
Current assets				
Cash and deposits		2,986,790		3,687,020
Cash and deposits in trust		4,457,189		4,185,847
Operating accounts receivable		350,841		267,760
Prepaid expenses		333,377		259,075
Consumption taxes receivable		74,887		—
Deferred tax assets		17		43
Others		5,167		6,507
Total current assets		8,208,271		8,406,255
Noncurrent assets				
Property, plant and equipment				
Buildings in trust	76,005,077		76,360,548	
Accumulated depreciation	(14,488,742)	61,516,335	(15,709,714)	60,650,833
Structures in trust	1,158,771		1,187,244	
Accumulated depreciation	(380,913)	777,857	(413,896)	773,347
Machinery and equipment in trust	546,092		565,696	
Accumulated depreciation	(179,676)	366,415	(199,688)	366,007
Vehicles and transport equipment in trust	747		747	
Accumulated depreciation	(7)	739	(55)	691
Tools and fixtures in trust	1,139,208		1,225,444	
Accumulated depreciation	(729,560)	409,647	(787,134)	438,309
Lands in trust		93,998,578		93,998,578
Construction in progress in trust		192,182		483,356
Total property, plant and equipment		157,261,757		156,711,124
Intangible assets				
Leasehold right in trust		1,765,318		1,765,318
Other intangible assets in trust		16,205		14,681
Total intangible assets		1,781,523		1,779,999
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		463,384		443,574
Total investment and other assets		573,384		553,574
Total noncurrent assets		159,616,665		159,044,698
Deferred assets				
Investment corporation bond issuance expenses		—		19,322
Investment unit issuance expenses		32,190		22,169
Total deferred assets		32,190		41,492
Total assets		167,857,128		167,492,446

Account	(thousands of yen)	
	18th fiscal period (as of August 31, 2013)	19th fiscal period (as of February 28, 2014)
Liabilities		
Current liabilities		
Operating accounts payable	592,753	497,966
Current maturities of long-term debt	16,450,000	14,750,000
Account payable-other	17,409	28,621
Accrued expenses	325,769	321,216
Income taxes payable	885	1,402
Accrued consumption taxes	—	159,101
Advances received	896,621	854,397
Deposits received	904,777	641,086
Total current liabilities	19,188,217	17,253,792
Noncurrent liabilities		
Investment corporation bonds	—	2,000,000
Long-term debt payable	54,650,000	54,275,000
Tenant leasehold and security deposits	321,369	325,105
Tenant leasehold and security deposits received in trust	11,985,078	11,959,023
Total noncurrent liabilities	66,956,447	68,559,128
Total liabilities	86,144,664	85,812,921
Net assets		
Net assets		
Unitholders' capital	79,441,236	79,441,236
Surplus		
Unappropriated surplus	2,271,226	2,238,288
Total surplus	2,271,226	2,238,288
Total net assets	81,712,463	81,679,524
Total net assets	81,712,463	81,679,524
Total liabilities and net assets	167,857,128	167,492,446

(2) Statements of income

(thousands of yen)

Account	18th fiscal period (March 1, 2013 to August 31, 2013)		19th fiscal period (September 1, 2013 to February 28, 2014)	
1. Operating revenues				
Leasing revenues- real estate	7,095,131		7,085,436	
Other leasing revenues-real estate	470,254	7,565,385	489,353	7,574,790
2. Operating expenses				
Expenses related to leasing business	4,157,501		4,197,450	
Asset management fees	445,912		446,921	
Asset custody fees	6,071		6,242	
Administrative service fees	47,022		48,863	
Director's compensations	9,600		9,600	
Other operating expenses	50,627	4,716,734	64,188	4,773,267
Operating income		2,848,650		2,801,522
3. Non-operating revenues				
Interest received		758		725
Others	485	1,243	1,638	2,364
4. Non-operating expenses				
Interest payment	443,830		427,174	
Interest expenses on investment corporation bonds	—		4,412	
Amortization of investment corporation bond issuance expenses	—		327	
Amortization of investment unit issuance expenses	10,021		10,021	
Financing related expenses	123,802		122,163	
Others	—	577,654	—	564,098
Ordinary income		2,272,239		2,239,788
Net income before income taxes		2,272,239		2,239,788
Income taxes-current	1,038		1,548	
Income taxes-deferred	4	1,042	(25)	1,522
Net income		2,271,196		2,238,265
Surplus brought forward		29		22
Unappropriated surplus		2,271,226		2,238,288

(3) Statement of changes in net assets

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

(thousands of yen)

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

19th fiscal period (September 1, 2013 to February 28, 2014)

(thousands of yen)

Item	Net Assets			Total net assets
	Shareholders' capital	Surplus		
		Unappropriated surplus		
Balance as of September 1, 2013	79,441,236	2,271,226		81,712,463
Changes in the current fiscal period				
Dividend of surplus	—	(2,271,204)		(2,271,204)
Net income	—	2,238,265		2,238,265
Total of changes in the current fiscal period	—	(32,938)		(32,938)
Balance as of February 28, 2014	79,441,236	2,238,288		81,679,524

(4) Dividend statement

Account	18th fiscal period (March 1, 2013 to August 31, 2013)	19th fiscal period (September 1, 2013 to February 28, 2014)
I. Unappropriated surplus	2,271,226 thousand yen	2,238,288 thousand yen
II. Total (Dividend per investment unit)	2,271,204 thousand yen (16,458 yen)	2,238,222 thousand yen (16,219 yen)
III. Surplus brought forward	22 thousand yen	66 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 2,271,204 thousand yen, which is almost the entire amount of unappropriated surplus, as earnings dividends. Moreover, dividend in excess of earnings as stipulated in Article 38-2 of FRC's Articles of Incorporation will not be provided.	The amount of dividends shall be decided in accordance with the dividend policy stipulated in Article 38-1-1 of FRC's Articles of Incorporation and 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 2,238,222 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: Concerning amounts other than dividend per investment unit, fractions of 1,000 yen are omitted.

(5) Cash flows statements

(thousands of yen)		
Account	18th fiscal period (March 1, 2013 to August 31, 2013)	19th fiscal period (September 1, 2013 to February 28, 2014)
I. Net cash provided by (used in) operating activities		
Net income before income taxes	2,272,239	2,239,788
Depreciation and amortization expenses	1,343,234	1,354,793
Amortization of investment corporation bond issuance expenses	—	327
Amortization of investment unit issuance expenses	10,021	10,021
Interest received	(758)	(725)
Interest payment	443,830	431,586
Decrease (increase) in operating account receivables	(72,305)	83,080
Decrease (increase) in consumption taxes receivable	(74,887)	74,887
Increase (decrease) in accrued consumption taxes	(157,514)	159,101
Increase (decrease) in operating account payable	23,264	(55,099)
Increase (decrease) in account payable-other	(15,345)	5,855
Increase (decrease) in accrued expenses	14,403	825
Increase (decrease) in advances received	49,131	(42,223)
Increase (decrease) in deposits expenses	319,125	(263,690)
Decrease (increase) in prepaid expenses	(97,364)	74,302
Decrease (increase) in long-term prepaid expenses	(13,955)	19,810
Others, net	10,264	44,169
Subtotal	4,053,386	4,136,811
Interest income received	758	725
Interest expenses paid	(443,951)	(436,965)
Income taxes paid	(1,136)	(1,031)
Net cash provided by (used in) operating activities	3,609,056	3,699,539
II. Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment in trust	(7,858,163)	(887,097)
Purchase of intangible assets in trust	—	(1,280)
Proceeds from tenant leasehold and security deposits	4,410	3,765
Repayments of tenant leasehold and security deposits	—	(30)
Proceeds from tenant leasehold and security deposits in trust	359,717	121,652
Repayment of tenant leasehold and security deposits in trust	(375,748)	(147,707)
Proceeds from restricted trust deposits	4,119	6,373
Payments for restricted trust deposits	(32,165)	(11,907)
Net cash provided by (used in) investment activities	(7,897,830)	(916,231)
III. Net cash provided by (used in) financial activities		
Decrease in short-term debt payable	(2,700,000)	—
Proceeds from long-term debt payable	1,600,000	—
Repayment of long-term debt payable	(2,475,000)	(2,075,000)
Proceeds from issuance of investment corporation bonds	—	2,000,000
Proceeds from issuance of investment units	10,263,608	—
Dividends paid	(2,003,994)	(2,268,893)
Payment of investment corporation bond issuance expenses	—	(16,062)
Payment of investment unit issuance expenses	(33,254)	—
Net cash provided by (used in) financial activities	4,651,360	(2,359,955)
IV. Net increase (decrease) in cash and cash equivalents	362,586	423,353
V. Balance of cash and cash equivalents at beginning of period	7,024,869	7,387,455
VI. Balance of cash and cash equivalents at end of period	7,387,455	7,810,809

(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 27, 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)

18th fiscal period (March 1, 2013 to August 31, 2013)	19th fiscal period (September 1, 2013 to February 28, 2014)
Net assets per investment unit: 118,423 yen	Net assets per investment unit: 118,376 yen
Net income per investment unit: 3,291 yen	Net income per investment unit: 3,243 yen

Note 1: FRC implemented a 5-for-1 split of its investment units with March 1, 2014 as the effective date. Accordingly, net assets per investment unit and net income per investment unit have been calculated on the assumption that the split of investment units was conducted at the beginning of the fiscal period ended August 2013. 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	18th fiscal period (March 1, 2013 to August 31, 2013)	19th fiscal period (September 1, 2013 to February 28, 2014)
Net income (thousands of yen)	2,271,196	2,238,265
Amount not attributable to common shareholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	2,271,196	2,238,265
Average number of investment units during the fiscal period (units)(Note3)	690,000	690,000

Note 3: FRC implemented a 5-for-1 split of its investment units with March 1, 2014 as the effective date. Accordingly, the average number of investment units during the fiscal period has been calculated on the assumption that the split of investment units was conducted at the beginning of the fiscal period ended August 2013.

(Significant subsequent events)

FRC implemented a 5-for-1 split of its investment units with February 28, 2014 and March 1, 2014 as the record date and the effective date, respectively.

I. Purpose of split

FRC implemented the split of investment units in order to establish an environment where investors can invest with ease as well as to further widen FRC's investors base and increase the liquidity of FRC's investment units by decreasing the per price of investment units in light of the introduction of the Japanese version of the Individual Saving Account (NISA) on January 1, 2014.

II. Method of split

FRC implemented a 5-for-1 split of its investment units held by its unitholders stated or recorded on that date's final unitholder registry, with February 28, 2014 as the record date.

III. Increase in the number of investment units through split, etc.

- 1) Number of FRC investment units outstanding before split: 138,000 units
- 2) Increase in number of investment units through split: 552,000 units
- 3) Number of FRC investment units outstanding after split: 690,000 units
- 4) Total number of investment units authorized after split: 10,000,000 units

(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, 2014)

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	66,150	39.5
		Other Kyushu areas	35,603	21.3
	Office buildings	Fukuoka urban area	44,986	26.9
		Other Kyushu areas	—	—
	Others	Fukuoka urban area	9,748	5.8
		Other Kyushu areas	1,518	0.9
	Subtotal			158,007
Deposits and other assets			9,484	5.7
Total amount of assets (Note 4)			167,492 (158,491)	100.0 (94.6)

Note 1: “Fukuoka urban area” refers to cities, towns and villages where 10% or more of the population commute to Fukuoka City for school and work, according to the 2010 census, which states “the number of workers and students aged 15 years or older (students including those aged 14 years or younger: particular reference) including 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).

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, 2014)

	Value on balance sheet (mm of yen)	Percentage of total amount of assets (%)
Total amount of liabilities	85,812	51.2
Total amount of net assets	81,679	48.8

(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, 2014)

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	31,182	32,200	19.6	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata · B	28,700	28,549	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	6,101	7,410	4.1	Japan Real Estate Institute
Square Mall Kagoshima Usuki	5,300	4,802	4,920	3.2	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	2,157	2,450	1.5	Japan Real Estate Institute
AEON Hara Shopping Center	5,410	5,360	4,490	3.3	Japan Real Estate Institute
Hanahata SC	1,130	1,057	1,120	0.7	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	2,500	2,271	2,550	1.5	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	3,550	3,288	3,410	2.2	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:	103,323	101,754	104,185	63.2	
Canal City Business Center Building	14,600	13,765	14,600	8.9	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	11,200	9,754	12,800	6.9	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	4,400	4,132	4,720	2.7	Japan Real Estate Institute
Taihaku Street Business Center	7,000	6,643	6,770	4.3	Japan Real Estate Institute
Higashi Hie Business Center	5,900	5,165	6,140	3.6	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	2,600	2,694	2,750	1.6	Japan Real Estate Institute
Tenjin North Front Building	2,800	2,830	2,950	1.7	Japan Real Estate Institute
Office buildings subtotal:	48,500	44,986	50,730	29.7	
Amex Akasakamon Tower	2,060	1,862	1,730	1.3	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	1,111	1,020	1,050	0.7	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Kego	2,800	2,752	3,370	1.7	Japan Real Estate Institute
Aqualia Chihaya	1,280	1,258	1,460	0.8	Japan Real Estate Institute
D-Wing Tower	2,800	2,854	3,060	1.7	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	1,530	1,518	1,560	0.9	Japan Real Estate Institute
Others subtotal:	11,581	11,266	12,230	7.1	
Total	163,404	158,007	167,145	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 leasing business

(as of February 28, 2014)

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 leasing revenues (mm of yen) (Note 4)	Percentage of total leasing revenues (%) (Note 5)
Canal City Hakata	1 (48)	99.9	46,483.44	46,457.85	1,167	15.4
Canal City Hakata · B	1 (47)	98.5	68,813.13	67,791.66	1,602	21.2
Park Place Oita	1 (93)	97.5	104,181.76	101,577.20	1,128	14.9
SunLive City Kokura	1	100.0	61,450.22	61,450.22	282	3.7
Square Mall Kagoshima Usuki	12	100.0	14,602.59	14,602.59	253	3.3
Kumamoto Intercommunity SC	2	100.0	6,968.66	6,968.66	90	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 [208] (Note 2)	98.9	346,378.45	342,726.83	4,976	65.7
Canal City Business Center Building	1 (58)	96.2	23,022.21	22,158.16	613	8.1
Gofukumachi Business Center	31	90.1	19,906.33	17,940.47	489	6.5
Sanix Hakata Building	19	100.0	6,293.76	6,293.76	197	2.6
Taihaku Street Business Center	1 (63)	96.8	14,677.27	14,205.93	298	3.9
Higashi Hie Business Center	1 (22)	100.0	13,695.51	13,695.51	334	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	129	1.7
Office buildings subtotal:	65 [205] (Note 2)	96.2	86,168.38	82,867.13	2,150	28.4
Amex Akasakamon Tower	1 (63)	94.1	4,821.25	4,537.04	63	0.8
City House Keyaki Dori	1 (38)	89.6	2,710.86	2,427.59	37	0.5
Aqualia Kego	1 (119)	90.9	7,415.36	6,741.60	115	1.5
Aqualia Chihaya	1 (102)	96.8	5,619.69	5,440.42	56	0.7
D-Wing Tower	1 (132)	96.1	7,187.58	6,903.75	112	1.5
Hotel FORZA Oita	1	100.0	5,785.44	5,785.44	63	0.8
Others subtotal:	6 [455] (Note 2)	94.9	33,540.18	31,835.84	447	5.9
Total	94 [868] (Note 2)	98.1	466,087.01	457,429.80	7,574	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 51 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 leasing revenues" are the total of real estate leasing revenues and other revenues from real estate rent in the current fiscal period.

Note 5: "Percentage of total leasing revenues" is obtained by dividing each property's total leasing revenues by the total amount of total leasing 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 27, 2013).