

**EARNINGS BRIEFING
FOR THE PERIOD ENDED FEBRUARY 2015**

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: Etsuo Matsuyuki 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 26, 2015

Expected commencement date of dividend payments: May 18, 2015

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 2015
(September 1, 2014 to February 28, 2015)**

(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 2015	7,789	0.1	2,860	1.3	2,370	4.7	2,369	4.8
Period ended August 2014	7,779	2.7	2,824	0.8	2,263	1.1	2,262	1.1

	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 2015	3,434 yen	2.9%	1.4%	30.4%
Period ended August 2014	3,278 yen	2.8%	1.3%	29.1%

(2) Dividends

	Dividend per unit (excl. dividend in excess of earnings)	Total dividend (excl. dividend in excess of earnings)	Dividend in excess of earnings per unit	Total dividend in excess of earnings	Payout ratio	Ratio of dividend to net assets
Period ended February 2015	3,435 yen	2,370 mm yen	0 yen	0 mm yen	100.0%	2.9%
Period ended August 2014	3,278 yen	2,261 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 2015	167,369 mm yen	81,811 mm yen	48.9%	118,567 yen
Period ended August 2014	167,824 mm yen	81,703 mm yen	48.7%	118,410 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 2015	3,735 mm yen	(1,452) mm yen	(2,635) mm yen	6,920 mm yen
Period ended August 2014	3,890 mm yen	(2,312) mm yen	(2,115) mm yen	7,273 mm yen

2. FORECAST OF PERFORMANCE FOR THE PERIOD ENDING AUGUST 2015 (March 1, 2015 to August 31, 2015) AND THE PERIOD ENDING FEBRUARY 2016 (September 1, 2015 to February 29, 2016)

(% 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 2015	8,163	4.8	3,086	7.9	2,578	8.8	2,577	8.8	3,450 yen	0 yen
Period ending February 2016	8,204	0.5	3,063	(0.7)	2,585	0.3	2,584	0.3	3,460 yen	0 yen

(Reference) Forecast net income per unit: Period ending August 2015 3,450 yen
Forecast net income per unit: Period ending February 2016 3,460 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):
690,000 units at end of February 2015
690,000 units at end of August 2014
- (ii) Treasury investment units at end of period:
— units at end of February 2015
— units at end of August 2014

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 2015 (March 1, 2015 to August 31, 2015) and the period ending February 2016 (September 1, 2015 to February 29, 2016)” on page 6.

* (Reference) Forecast net income per unit is calculated by the formula of forecast net income / forecast number of investment units outstanding at end of period.

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” (December 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 28, 2014).

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, 2014).

(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 “Act on Investment Trusts and Investment Corporations” (Act 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, 2015), FRC manages a total of 25 properties comprising ten Retail, seven Office buildings and eight Others.

(b) Investment environment and portfolio performance

During the fiscal period under review, the Japanese economy remained on course for a modest recovery despite weakness observed in consumer spending and other aspects. Looking ahead, with the employment and income environment continuing to improve, the economy is expected to keep recovering thanks to a drop in crude oil prices as well as various political measures proving effective. In the Fukuoka and Kyushu area, the core investment target area for FRC, the economy was also on track for a modest recovery, with public investment kept at a high level and capital investment steadily picking up due to the consistently improving employment and income environment, although consumer spending remained somewhat weak in certain areas.

As for land price trends, the national average over the past year from January 2014 decreased at a slower pace for residential land and shifted from a decrease to a leveling-off for commercial land for the first time in seven years, according to the Land Price Survey 2015. In Fukuoka City, the central area of FRC’s investment targets, land prices continued rising for the third consecutive year, recording a year-on-year increase of 3.8% for commercial land and 2.2% for residential land and at an accelerated pace.

Under such circumstances, FRC focused on stringently selective investment in accordance with its investment policy. This led to the acquisition of Granfore Yakuin Minami (acquisition price: 1,100 mm yen) on November 4, 2014. For existing properties, FRC continued its efforts to reinforce competitive advantages and customer drawing ability at Canal City Hakata and other major retail facilities, and focused on maintaining and increasing the occupancy rate of its owned properties. As a result of these endeavors, the average occupancy rate of all properties FRC owns was 99.6% at the end of the 21st 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 76.6%; when analyzing by property type, Retail, Office buildings, and Others accounted for 62.3%, 29.3% and 8.4%, respectively.

(c) Summary of fundraising

In the 21st fiscal period, FRC refinanced 500 mm yen in short-term debt that matured in September 2014 for the same amount in debt of five years. As a result, the balance of interest-bearing debt outstanding (including the investment corporation bonds) at the end of the 21st fiscal period totaled 70,775 mm yen, with the loan-to-value ratio (ratio of interest-bearing debt (including the investment corporation bonds) to total assets) at 42.3%. In addition, FRC concluded an interest rate swap agreement (notional principal of 2,500 mm yen) on February 25, 2015. This brought the ratio of fixed-interest rate debt (including investment corporation bonds) at the end of the fiscal period to 75.7%. 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.

Furthermore, FRC today made a resolution on the issuance of new investment units (57,000 units) in order to procure funds for acquiring a new specified asset.

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	AA-	Stable

(d) Summary of performance and dividend

As a result of these management efforts, operating revenues totaled 7,789 mm yen and operating income after excluding operating expenses such as expenses related to the leasing business and asset management fees totaled 2,860 mm yen. Ordinary income was 2,370 mm yen and net income was 2,369 mm yen.

Management decided to make a dividend of 3,435 yen per investment unit to meet the requirements of special tax measures for an investment corporation (as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation of Japan [Act No. 26 in 1957 including later revisions, hereinafter the "Special Taxation Measures Act"]). Under this law, an investment corporation is allowed to deduct the maximum amount of dividends paid to investors from its taxable income.

(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 made a resolution at its Board of Directors meeting held today to issue new investment units (57,000 units) in order to procure funds to acquire a new specified asset.

(c) Performance forecast for the next fiscal period

FRC aims to achieve the following performance goals for the period ending August 2015 (March 1, 2015 to August 31, 2015) and the period ending February 2016 (September 1, 2015 to February 29, 2016). Concerning preconditions for the forecast, please refer to “Preconditions for the performance forecast for the period ending August 2015 (March 1, 2015 to August 31, 2015) and the period ending February 2016 (September 1, 2015 to February 29, 2016)” on page 6.

Period ending August 2015

Operating revenues	8,163 mm yen
Operating income	3,086 mm yen
Ordinary income	2,578 mm yen
Net income	2,577 mm yen
Dividend per unit	3,450 yen
Dividend in excess of earnings per unit	0 yen

Period ending February 2016

Operating revenues	8,204 mm yen
Operating income	3,063 mm yen
Ordinary income	2,585 mm yen
Net income	2,584 mm yen
Dividend per unit	3,460 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 2015 (March 1, 2015 to August 31, 2015) and the period ending February 2016 (September 1, 2015 to February 29, 2016)

Item	Preconditions
Calculation period	22nd fiscal period: from March 1, 2015 to August 31, 2015 (184 days) 23rd fiscal period: from September 1, 2015 to February 29, 2016 (182 days)
Assets under management	<ul style="list-style-type: none"> It is assumed that there will be 27 properties, comprising the 25 properties FRC owned as of February 28, 2015 plus LOGIPORT Island-city Hakata it acquired on March 27, 2015 and Marinoa City Fukuoka (Marina Side Building) it plans to acquire on May 1, 2015. 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 the number of investment units will be 747,000 units including the new investment units (57,000 units) to be issued through public offering that was resolved at the Board of Directors meeting held today.
Interest-bearing debt and refinancing	<ul style="list-style-type: none"> The balance of interest-bearing debt outstanding on August 31, 2015 is expected to total 72,500 mm yen, an increase of 1,725 mm yen from the end of the current period (February 28, 2015). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 40.1% (as of February 28, 2015, the loan-to-value ratio stands at 42.3%). The balance of interest-bearing debt outstanding on February 29, 2016 is expected to total 72,425 mm yen, a decrease of 75 mm yen from the end of the period ending August 2015 (August 31, 2015). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 39.9%.
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 April 8, 2015 by taking into account the competitiveness of the properties and the market environment. Revenues from the property FRC plans to acquire are calculated by taking into account the terms and conditions of the tenancy agreements that are valid as of the planned acquisition date and thereafter, etc. 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 2015 and February 2016. 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 1,568 mm yen for the period ending August 2015 and 1,560 mm yen for the period ending February 2016. Concerning taxes and other public charges, FRC anticipates 607 mm yen for the period ending August 2015 and 607 mm yen for the period ending February 2016. Concerning depreciation and amortization expenses, FRC anticipates 1,471 mm yen for the period ending August 2015 and 1,497 mm yen for the period ending February 2016.
Non-operating expenses	<ul style="list-style-type: none"> Concerning interest expenses (including interest expenses on investment corporation bonds) and expenses related to financing, FRC anticipates 497 mm yen for the period ending August 2015 and 466 mm yen for the period ending February 2016 It is planned that the expenses associated with the issuance of new investment units will be amortized utilizing the straight-line method over three years.
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.
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 November 28, 2014).

3. Financial Statements

(1) Balance sheets

Account	(thousands of yen)			
	20th fiscal period (as of August 31, 2014)		21st fiscal period (as of February 28, 2015)	
Assets				
Current assets				
Cash and deposits		2,694,272		2,545,162
Cash and deposits in trust		4,639,900		4,438,305
Operating accounts receivable		402,318		318,677
Prepaid expenses		300,402		248,214
Deferred tax assets		27		9
Others		4,606		4,209
Total current assets		8,041,528		7,554,578
Noncurrent assets				
Property, plant and equipment				
Buildings in trust	78,108,929		79,100,573	
Aggregate of accumulated depreciation	(16,980,269)	61,128,659	(18,259,209)	60,841,364
Structures in trust	1,302,682		1,311,964	
Aggregate of accumulated depreciation	(448,860)	853,822	(484,118)	827,846
Machinery and equipment in trust	584,075		585,826	
Aggregate of accumulated depreciation	(220,194)	363,880	(241,057)	344,768
Vehicles and transport equipment in trust	747		747	
Aggregate of accumulated depreciation	(103)	643	(151)	596
Tools and fixtures in trust	1,211,618		1,248,071	
Aggregate of accumulated depreciation	(833,434)	378,183	(877,740)	370,331
Lands in trust		94,622,667		95,084,266
Construction in progress in trust		—		18,696
Total property, plant and equipment		157,347,858		157,487,870
Intangible assets				
Leasehold right in trust		1,765,318		1,765,318
Other intangible assets in trust		15,661		12,318
Total intangible assets		1,780,979		1,777,637
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		508,992		411,366
Total investment and other assets		618,992		521,366
Total noncurrent assets		159,747,830		159,786,874
Deferred assets				
Investment corporation bond issuance expenses		18,340		17,357
Investment unit issuance expenses		16,627		11,084
Total deferred assets		34,967		28,442
Total assets		167,824,326		167,369,896

(thousands of yen)				
Account	20th fiscal period (as of August 31, 2014)		21st fiscal period (as of February 28, 2015)	
Liabilities				
Current liabilities				
Operating accounts payable		411,578		507,169
Short-term debt		500,000		—
Current maturities of long-term debt		6,650,000		12,850,000
Accounts payable-other		18,555		24,807
Accrued expenses		332,545		330,419
Income taxes payable		1,162		734
Accrued consumption taxes		115,105		168,301
Advances received		924,259		930,019
Deposits received		1,042,954		673,421
Total current liabilities		9,996,162		15,484,873
Noncurrent liabilities				
Investment corporation bonds		2,000,000		2,000,000
Long-term debt payable		62,000,000		55,925,000
Tenant leasehold and security deposits		316,668		316,031
Tenant leasehold and security deposits received in trust		11,808,124		11,832,568
Total noncurrent liabilities		76,124,793		70,073,599
Total liabilities		86,120,955		85,558,472
Net assets				
Net Assets				
Unitholders' capital		79,441,236		79,441,236
Surplus				
Unappropriated surplus		2,262,134		2,370,187
Total surplus		2,262,134		2,370,187
Total Net Assets		81,703,371		81,811,423
Total net assets		81,703,371		81,811,423
Total liabilities and net assets		167,824,326		167,369,896

(2) Statements of income

(thousands of yen)

Account	20th fiscal period (March 1, 2014 to August 31, 2014)		21st fiscal period (September 1, 2014 to February 28, 2015)	
1. Operating revenues				
Leasing revenues-real estate	7,285,942		7,342,920	
Other leasing revenues-real-estate	494,039	7,779,981	446,484	7,789,404
2. Operating expenses				
Expenses related to leasing business	4,366,790		4,350,094	
Asset management fees	456,040		454,652	
Asset custody fees	6,332		6,241	
Administrative service fees	51,173		47,800	
Director's compensations	9,600		9,600	
Other operating expenses	65,200	4,955,136	60,246	4,928,634
Operating income		2,824,845		2,860,769
3. Non-operating revenues				
Interest received	696		660	
Others	370	1,067	1,675	2,336
4. Non-operating expenses				
Interest expenses	419,763		365,592	
Interest expenses on investment corporation bonds	13,265		13,098	
Amortization of investment corporation bond issuance expenses	982		982	
Amortization of investment unit issuance expenses	5,542		5,542	
Financing related expenses	122,956		107,117	
Others	15	562,526	15	492,348
Ordinary income		2,263,386		2,370,757
Net income before income taxes		2,263,386		2,370,757
Income taxes-current	1,301		867	
Income taxes-deferred	15	1,317	18	885
Net income		2,262,068		2,369,872
Surplus brought forward		66		314
Unappropriated surplus		2,262,134		2,370,187

(3) Statement of changes in net assets

20th fiscal period (March 1, 2014 to August 31, 2014)

(thousands of yen)

Item	Net Assets			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus	Total Net Assets	
Balance as of March 1, 2014	79,441,236	2,238,288	81,679,524	81,679,524
Changes in the current fiscal period				
Dividend of surplus	—	(2,238,222)	(2,238,222)	(2,238,222)
Net income	—	2,262,068	2,262,068	2,262,068
Total of changes in the current fiscal period	—	23,846	23,846	23,846
Balance as of August 31, 2014	79,441,236	2,262,134	81,703,371	81,703,371

21st fiscal period (September 1, 2014 to February 28, 2015)

(thousands of yen)

Item	Net Assets			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus	Total Net Assets	
Balance as of September 1, 2014	79,441,236	2,262,134	81,703,371	81,703,371
Changes in the current fiscal period				
Dividend of surplus	—	(2,261,820)	(2,261,820)	(2,261,820)
Net income	—	2,369,872	2,369,872	2,369,872
Total of changes in the current fiscal period	—	108,052	108,052	108,052
Balance as of February 28, 2015	79,441,236	2,370,187	81,811,423	81,811,423

(4) Dividend statement

Account	20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
I. Unappropriated surplus	2,262,134 thousand yen	2,370,187 thousand yen
II. Total (Dividend per investment unit)	2,261,820 thousand yen (3,278 yen)	2,370,150 thousand yen (3,435 yen)
III. Surplus brought forward	314 thousand yen	37 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 Act. Following the above policy, FRC shall decide to distribute 2,261,820 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 Act. Following the above policy, FRC shall decide to distribute 2,370,150 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

Account	(thousands of yen)	
	20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
I. Net cash provided by (used in) operating activities		
Net income before income taxes	2,263,386	2,370,757
Depreciation and amortization expenses	1,387,232	1,390,656
Amortization of investment corporation bond issuance expenses	982	982
Amortization of investment unit issuance expenses	5,542	5,542
Interest received	(696)	(660)
Interest expenses	433,029	378,691
Decrease (increase) in operating account receivables	(134,557)	83,640
Increase (decrease) in accrued consumption taxes	(43,995)	53,196
Increase (decrease) in operating accounts payable	47,858	39,903
Increase (decrease) in accounts payable-other	(7,758)	6,930
Increase (decrease) in accrued expenses	12,717	2,084
Increase (decrease) in advances received	69,862	5,759
Increase (decrease) in deposits expenses	377,724	(369,533)
Decrease (increase) in prepaid expenses	(41,327)	52,187
Decrease (increase) in long-term prepaid expenses	(65,418)	97,625
Others, net	21,465	865
Subtotal	4,326,046	4,118,629
Interest income received	696	660
Interest expenses paid	(434,417)	(382,901)
Income taxes paid	(1,542)	(1,295)
Net cash provided by (used in) operating activities	3,890,783	3,735,093
II. Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment in trust	(2,174,806)	(1,473,781)
Purchase of intangible assets in trust	(4,322)	—
Proceeds from tenant leasehold and security deposits	5,098	30
Repayments of tenant leasehold and security deposits	(13,534)	(667)
Proceeds from tenant leasehold and security deposits in trust	272,627	84,091
Repayments of tenant leasehold and security deposits in trust	(399,382)	(59,648)
Proceeds from restricted trust deposits	8,018	5,754
Payments for restricted trust deposits	(6,419)	(8,406)
Net cash provided by (used in) investment activities	(2,312,721)	(1,452,627)
III. Net cash provided by (used in) financial activities		
Proceeds from short-term debt payable	3,000,000	—
Decrease in short-term debt payable	(2,500,000)	(500,000)
Proceeds from long-term debt payable	14,000,000	500,000
Repayments of long-term debt payable	(14,375,000)	(375,000)
Dividends paid	(2,240,158)	(2,260,823)
Net cash provided by (used in) financial activities	(2,115,158)	(2,635,823)
IV. Net increase (decrease) in cash and cash equivalents	(537,096)	(353,356)
V. Balance of cash and cash equivalents at beginning of period	7,810,809	7,273,713
VI. Balance of cash and cash equivalents at end of period	7,273,713	6,920,356

(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, 2014).

(8) Notes to financial statements

FRC omits the disclosure of notes to balance sheets, statements of income, 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)

20th fiscal period (March 1, 2014 to August 31, 2014)		21st fiscal period (September 1, 2014 to February 28, 2015)	
Net assets per investment unit:	118,410 yen	Net assets per investment unit:	118,567 yen
Net income per investment unit:	3,278 yen	Net income per investment unit:	3,434 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	20th fiscal period (March 1, 2014 to August 31, 2014)	21st fiscal period (September 1, 2014 to February 28, 2015)
Net income (thousands of yen)	2,262,068	2,369,872
Amount not attributable to common shareholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	2,262,068	2,369,872
Average number of investment units during the fiscal period (units) (Note 3)	690,000	690,000

(Significant subsequent events)

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, 2015)

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	65,542	39.2
		Other Kyushu areas	35,885	21.4
	Office buildings	Fukuoka urban area	44,259	26.4
		Other Kyushu areas	—	—
	Others	Fukuoka urban area	10,799	6.5
		Other Kyushu areas	2,759	1.6
Subtotal			159,246	95.1
Deposits and other assets			8,123	4.9
Total amount of assets (Note 4)			167,369 (159,265)	100.0 (95.2)

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 figures 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, 2015)

	Value on balance sheet (mm of yen)	Percentage of total amount of assets (%)
Total amount of liabilities	85,558	51.1
Total amount of net assets	81,811	48.9

- (2) Investment assets
- (i) Primary issues of investment securities
No relevant items.
- (ii) Real estate investment portfolio
No relevant items.

(iii) Other primary investment assets

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

(as of February 28, 2015)

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	30,784	32,600	19.3	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata B	28,700	28,398	29,300	17.3	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	15,700	17,599	18,131	9.5	Japan Real Estate Institute
SunLive City Kokura	6,633	6,006	7,750	4.0	Japan Real Estate Institute
Square Mall Kagoshima Usuki	5,300	4,701	5,200	3.2	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	2,120	2,610	1.4	Japan Real Estate Institute
AEON Hara Shopping Center	5,410	5,316	4,540	3.3	Japan Real Estate Institute
Hanahata SC	1,130	1,043	1,180	0.7	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	2,500	2,227	2,660	1.5	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	3,550	3,228	3,550	2.1	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:	103,323	101,427	107,521	62.3	
Canal City Business Center Building	14,600	13,635	14,500	8.8	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	11,200	9,578	12,700	6.8	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	4,400	4,059	4,860	2.7	Japan Real Estate Institute
Taihaku Street Business Center	7,000	6,498	6,900	4.2	Japan Real Estate Institute
Higashi Hie Business Center	5,900	5,009	6,260	3.6	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	2,600	2,711	2,850	1.6	Japan Real Estate Institute
Tenjin North Front Building	2,800	2,766	3,020	1.7	Japan Real Estate Institute
Office buildings subtotal:	48,500	44,259	51,090	29.3	
Amex Akasakamon Tower	2,060	1,826	1,810	1.2	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	1,111	999	1,000	0.7	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Kego	2,800	2,707	3,470	1.7	Japan Real Estate Institute
Aqualia Chihaya	1,280	1,241	1,530	0.8	Japan Real Estate Institute
D-WING TOWER	2,800	2,828	3,170	1.7	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	1,530	1,480	1,610	0.9	Japan Real Estate Institute
Tosu Logistics Center	1,250	1,279	1,290	0.8	Japan Real Estate Institute
Granfore Yakuin Minami	1,100	1,195	1,190	0.7	Tanizawa Sogo Appraisal Co., Ltd.
Others subtotal:	13,931	13,559	15,070	8.4	
Total	165,754	159,246	173,681	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 figures are rounded off to one decimal place.

(b) Summary of the real estate leasing business

(as of February 28, 2015)

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]	100.0	46,483.22	46,483.22	1,230	15.8
Canal City Hakata B	1 [50]	100.0	68,806.12	68,806.12	1,607	20.6
Park Place Oita	1 [104]	99.7	109,603.80	109,281.06	1,183	15.2
SunLive City Kokura	1	100.0	61,450.22	61,450.22	292	3.8
Square Mall Kagoshima Usuki	12	100.0	14,602.88	14,602.88	254	3.3
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	2.7
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	1.1
K's Denki Kagoshima	1	100.0	7,296.17	7,296.17	111	1.4
Retail subtotal:	23 [222] (Note 2)	99.9	351,793.55	351,470.81	5,111	65.6
Canal City Business Center Building	1 [61]	100.0	23,030.44	23,030.44	622	8.0
Gofukumachi Business Center	36	99.5	19,905.34	19,802.20	497	6.4
Sanix Hakata Building	19	100.0	6,293.76	6,293.76	195	2.5
Taihaku Street Business Center	1 [70]	99.5	14,677.27	14,601.45	297	3.8
Higashi Hie Business Center	1 [22]	98.7	13,695.51	13,518.89	332	4.3
Tenjin Nishi-Dori Center Building	1	100.0	3,339.32	3,339.32	86	1.1
Tenjin North Front Building	13	100.0	5,252.38	5,252.38	129	1.7
Office buildings subtotal:	72 [222] (Note 2)	99.6	86,194.02	85,838.44	2,161	27.7
Amex Akasakamon Tower	1 [66]	98.6	4,821.25	4,755.14	65	0.8
City House Keyaki Dori	1 [41]	97.2	2,710.86	2,635.91	37	0.5
Aqualia Kego	1 [123]	94.2	7,415.36	6,981.74	113	1.5
Aqualia Chihaya	1 [103]	98.2	5,619.69	5,520.03	57	0.7
D-WING TOWER	1 [131]	94.6	7,187.58	6,796.62	113	1.5
Hotel FORZA Oita	1	100.0	5,785.44	5,785.44	63	0.8
Tosu Logistics Center	1	100.0	4,173.29	4,173.29	42	0.5
Granfore Yakuin Minami	1 [93]	94.0	2,496.06	2,346.46	24	0.3
Others subtotal:	8 [559] (Note 2)	97.0	40,209.53	38,994.63	516	6.6
Total	103 [1,003] (Note 2)	99.6	478,197.10	476,303.88	7,789	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 58 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 figures 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 figures 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, 2014).