

**EARNINGS BRIEFING
FOR THE PERIOD ENDED AUGUST 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: November 26, 2015

Expected commencement date of dividend payments: November 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 AUGUST 2015
(March 1, 2015 to August 31, 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 August 2015	8,423	8.1	3,167	10.7	2,663	12.3	2,661	12.3
Period ended February 2015	7,789	0.1	2,860	1.3	2,370	4.7	2,369	4.8

	Net income per unit	Return on net assets	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
Period ended August 2015	3,649 yen	3.0%	1.5%	31.6%
Period ended February 2015	3,434 yen	2.9%	1.4%	30.4%

(Note) Fukuoka REIT Corporation (FRC) issued new investment units in the fiscal period ended August 2015. Accordingly, net income per unit for the fiscal period has been calculated by using the period-average number of investment units, which stood at 729,342 units.

(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 August 2015	3,563 yen	2,661 mm yen	0 yen	0 mm yen	100.0%	2.9%
Period ended February 2015	3,435 yen	2,370 mm yen	0 yen	0 mm yen	100.0%	2.9%

(Note) As FRC issued new investment units in the fiscal period ended August 2015, the payout ratio for the fiscal period has been calculated by using the following formula:

$$\text{Payout ratio} = \frac{\text{Total dividend (excl. dividend in excess of earnings)}}{\text{Net income}} \times 100$$

(3) Financial condition

	Total assets	Net assets	Ratio of net assets to total assets	Net assets per unit
Period ended August 2015	181,597 mm yen	93,804 mm yen	51.7%	125,574 yen
Period ended February 2015	167,369 mm yen	81,811 mm yen	48.9%	118,567 yen

(4) Cash flows condition

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents at end of period
Period ended August 2015	4,167 mm yen	(14,488) mm yen	10,934 mm yen	7,533 mm yen
Period ended February 2015	3,735 mm yen	(1,452) mm yen	(2,635) mm yen	6,920 mm yen

2. FORECAST OF PERFORMANCE FOR THE PERIOD ENDING FEBRUARY 2016 (September 1, 2015 to February 29, 2016) AND THE PERIOD ENDING AUGUST 2016 (March 1, 2016 to August 31, 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 February 2016	8,261	(1.9)	3,089	(2.4)	2,615	(1.8)	2,614	(1.8)	3,500 yen	0 yen
Period ending August 2016	8,338	0.9	3,086	(0.1)	2,616	0.0	2,615	0.0	3,500 yen	0 yen

(Reference) Forecast net income per unit: Period ending February 2016 3,500 yen
Forecast net income per unit: Period ending August 2016 3,500 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):
747,000 units at end of August 2015
690,000 units at end of February 2015
- (ii) Treasury investment units at end of period:
—units at end of August 2015
—units at end of February 2015

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 February 2016 (September 1, 2015 to February 29, 2016) and the period ending August 2016 (March 1, 2016 to August 31, 2016)” 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” (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 May 26, 2015).

2. Portfolio Management Policy and Management Situation

(1) Portfolio management policy

The disclosure is omitted, since there are no significant changes from “Investment policy,” “Investment target” and “Dividend policy” disclosed by the latest securities report (submitted on May 26, 2015).

(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 (August 31, 2015), FRC manages a total of 27 properties comprising 11 Retail, 7 Office buildings and 9 Others.

(b) Investment environment and portfolio performance

During the fiscal period under review, the Japanese economy remained on course for a modest recovery despite variations observed in the pace of improvement. Looking ahead, with the employment and income environment continuing to improve, the economy is expected to keep recovering moderately thanks to 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 housing investment and capital investment 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 July 2014 decreased at a slower pace both for residential land and commercial land, according to the government's 2015 Prefectural Land Price Survey. In Fukuoka City, the central area of FRC's investment targets, land prices continued rising for the third consecutive year, up 4.8% for commercial land and up 2.1% for residential land, both on a year-on-year basis, recording higher rates of increase.

Under such circumstances, FRC focused on stringently selective investment in accordance with its investment policy. This led to the acquisition of LOGIPORT Island-city Hakata (acquisition price: 8,150 mm yen) on March 27, 2015, Marinoa City Fukuoka (Marina Side Building) (acquisition price: 5,250 mm yen) on May 1, 2015 and the adjacent land of Park Place Oita (acquisition price: 590 mm yen) on May 28, 2015. 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 99.5% at the end of the 22nd 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 78.1%; when analyzing by property type, Retail, Office buildings, and Others accounted for 60.7%, 27.0% and 12.3%, respectively.

(c) Summary of fundraising

In the 22nd fiscal period, FRC procured 11,701 mm yen by issuing new investment units (payment date: April 27, 2015 for 57,000 units), as well as increasing long-term debt by 1,700 mm yen, in order to acquire the above-mentioned properties and for other purposes. FRC also refinanced 6,200 mm yen in long-term debt that matured in June through August 2015. As a result, the balance of interest-bearing debt outstanding (including the investment corporation bonds) at the end of the 22nd fiscal period totaled 72,400 mm yen, with the loan-to-value ratio (ratio of interest-bearing debt (including the investment corporation bonds) to total assets) at 39.9%. In addition, FRC concluded an interest rate swap agreement (notional principal of 2,000 mm yen) on August 27, 2015. This brought the ratio of fixed-interest rate debt (including investment corporation bonds) at the end of the fiscal period to 75.3%. 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 8,423 mm yen and operating income after excluding operating expenses such as expenses related to the leasing business and asset management fees totaled 3,167 mm yen. Ordinary income was 2,663 mm yen and net income was 2,661 mm yen.

Management decided to make a dividend of 3,563 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.

(c) Performance forecast for the next fiscal period

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

Period ending February 2016

Operating revenues	8,261 mm yen
Operating income	3,089 mm yen
Ordinary income	2,615 mm yen
Net income	2,614 mm yen
Dividend per unit	3,500 yen
Dividend in excess of earnings per unit	0 yen

Period ending August 2016

Operating revenues	8,338 mm yen
Operating income	3,086 mm yen
Ordinary income	2,616 mm yen
Net income	2,615 mm yen
Dividend per unit	3,500 yen
Dividend in excess of earnings per unit	0 yen

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

Preconditions for the performance forecast for the period ending February 2016 (September 1, 2015 to February 29, 2016) and the period ending August 2016 (March 1, 2016 to August 31, 2016)

Item	Preconditions
Calculation period	23rd fiscal period: from September 1, 2015 to February 29, 2016 (182 days) 24th fiscal period: from March 1, 2016 to August 31, 2016 (184 days)
Assets under management	<ul style="list-style-type: none"> It is assumed that there will be 27 properties FRC owned as of August 31, 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 there will be no issuance of new investment units until August 31, 2016.
Interest-bearing debt and refinancing	<ul style="list-style-type: none"> The balance of interest-bearing debt outstanding at the end of the period ending February 2016 (February 29, 2016) is expected to total 72,325 mm yen, a decrease of 75 mm yen from the end of the current period (August 31, 2015). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 40.0% (as of August 31, 2015, the loan-to-value ratio stands at 39.9%). The balance of interest-bearing debt outstanding at the end of the period ending August 2016 (August 31, 2016) is expected to total 72,250 mm yen, a decrease of 75 mm yen from the end of the period ending February 2016 (February 29, 2016). 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 October 14, 2015 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 February 2016 and August 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 1,559 mm yen for the period ending February 2016 and 1,576 mm yen for the period ending August 2016. Concerning taxes and other public charges, FRC anticipates 596 mm yen for the period ending February 2016 and 648 mm yen for the period ending August 2016. Concerning depreciation and amortization expenses, FRC anticipates 1,476 mm yen for the period ending February 2016 and 1,528 mm yen for the period ending August 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 463 mm yen for the period ending February 2016 and 465 mm yen for the period ending August 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 May 26, 2015).

3. Financial Statements

(1) Balance sheets

Account	(thousands of yen)			
	21st fiscal period (as of February 28, 2015)		22nd fiscal period (as of August 31, 2015)	
Assets				
Current assets				
Cash and deposits		2,545,162		2,331,908
Cash and deposits in trust		4,438,305		5,267,938
Operating accounts receivable		318,677		434,567
Prepaid expenses		248,214		267,938
Consumption taxes receivable		—		246,657
Deferred tax assets		9		62
Others		4,209		4,536
Total current assets		7,554,578		8,553,609
Noncurrent assets				
Property, plant and equipment				
Buildings in trust	79,100,573		83,847,220	
Accumulated depreciation	(18,259,209)	60,841,364	(19,606,745)	64,240,475
Structures in trust	1,311,964		1,475,281	
Accumulated depreciation	(484,118)	827,846	(521,623)	953,657
Machinery and equipment in trust	585,826		618,646	
Accumulated depreciation	(241,057)	344,768	(262,400)	356,245
Vehicles and transport equipment in trust	747		747	
Accumulated depreciation	(151)	596	(198)	548
Tools and fixtures in trust	1,248,071		1,250,581	
Accumulated depreciation	(877,740)	370,331	(926,118)	324,463
Lands in trust		95,084,266		104,756,397
Construction in progress in trust		18,696		10,276
Total property, plant and equipment		157,487,870		170,642,063
Intangible assets				
Leasehold right in trust		1,765,318		1,765,318
Other intangible assets in trust		12,318		8,976
Total intangible assets		1,777,637		1,774,294
Investment and other assets				
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		100,000		110,000
Long-term prepaid expenses		411,366		456,882
Total investment and other assets		521,366		576,882
Total noncurrent assets		159,786,874		172,993,240
Deferred assets				
Investment corporation bond issuance expenses		17,357		16,375
Investment unit issuance expenses		11,084		34,538
Total deferred assets		28,442		50,913
Total assets		167,369,896		181,597,763

Account	(thousands of yen)	
	21st fiscal period (as of February 28, 2015)	22nd fiscal period (as of August 31, 2015)
Liabilities		
Current liabilities		
Operating accounts payable	507,169	726,913
Current maturities of long-term debt	12,850,000	11,650,000
Accounts payable-other	24,807	32,134
Accrued expenses	330,419	351,432
Income taxes payable	734	1,744
Accrued consumption taxes	168,301	—
Advances received	930,019	1,014,843
Deposits received	673,421	1,049,290
Total current liabilities	15,484,873	14,826,359
Noncurrent liabilities		
Investment corporation bonds	2,000,000	2,000,000
Long-term debt payable	55,925,000	58,750,000
Tenant leasehold and security deposits	316,031	331,243
Tenant leasehold and security deposits received in trust	11,832,568	11,885,673
Total noncurrent liabilities	70,073,599	72,966,916
Total liabilities	85,558,472	87,793,276
Net assets		
Unitholders' equity		
Unitholders' capital	79,441,236	91,142,766
Surplus		
Unappropriated surplus	2,370,187	2,661,720
Total surplus	2,370,187	2,661,720
Total unitholders' equity	81,811,423	93,804,487
Total net assets	81,811,423	93,804,487
Total liabilities and net assets	167,369,896	181,597,763

(2) Statements of income

Account	(thousands of yen)			
	21st fiscal period (September 1, 2014 to February 28, 2015)		22nd fiscal period (March 1, 2015 to August 31, 2015)	
Operating revenues				
Leasing revenues-real estate	7,342,920		7,902,500	
Other leasing revenues-real-estate	446,484	7,789,404	520,821	8,423,321
Operating expenses				
Expenses related to leasing business	4,350,094		4,651,490	
Asset management fees	454,652		486,520	
Asset custody fees	6,241		6,327	
Administrative service fees	47,800		47,767	
Director's compensations	9,600		9,600	
Other operating expenses	60,246	4,928,634	54,600	5,256,307
Operating income		2,860,769		3,167,014
Non-operating revenues				
Interest received	660		706	
Others	1,675	2,336	1,302	2,009
Non-operating expenses				
Interest expenses	365,592		374,293	
Interest expenses on investment corporation bonds	13,098		13,296	
Amortization of investment corporation bond issuance expenses	982		982	
Amortization of investment unit issuance expenses	5,542		10,219	
Financing related expenses	107,117		106,699	
Others	15	492,348	15	505,506
Ordinary income		2,370,757		2,663,517
Net income before income taxes		2,370,757		2,663,517
Income taxes-current	867		1,886	
Income taxes-deferred	18	885	(53)	1,833
Net income		2,369,872		2,661,683
Surplus brought forward		314		37
Unappropriated surplus		2,370,187		2,661,720

(3) Statement of changes in net assets

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

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus	Total unitholders' equity	
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

22nd fiscal period (March 1, 2015 to August 31, 2015)

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus	Total unitholders' equity	
Balance as of March 1, 2015	79,441,236	2,370,187	81,811,423	81,811,423
Changes in the current fiscal period				
Issuance of new investment units	11,701,530	—	11,701,530	11,701,530
Dividend of surplus	—	(2,370,150)	(2,370,150)	(2,370,150)
Net income	—	2,661,683	2,661,683	2,661,683
Total of changes in the current fiscal period	11,701,530	291,533	11,993,063	11,993,063
Balance as of August 31, 2015	91,142,766	2,661,720	93,804,487	93,804,487

(4) Dividend statement

Account	21st fiscal period (September 1, 2014 to February 28, 2015)	22nd fiscal period (March 1, 2015 to August 31, 2015)
I. Unappropriated surplus	2,370,187 thousand yen	2,661,720 thousand yen
II. Total	2,370,150 thousand yen	2,661,561 thousand yen
(Dividend per investment unit)	(3,435 yen)	(3,563 yen)
III. Surplus brought forward	37 thousand yen	159 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 2,370,150 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.	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 2,661,561 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)	
	21st fiscal period (September 1, 2014 to February 28, 2015)	22nd fiscal period (March 1, 2015 to August 31, 2015)
Net cash provided by (used in) operating activities		
Net income before income taxes	2,370,757	2,663,517
Depreciation and amortization expenses	1,390,656	1,458,153
Amortization of investment corporation bond issuance expenses	982	982
Amortization of investment unit issuance expenses	5,542	10,219
Interest received	(660)	(706)
Interest expenses	378,691	387,590
Decrease (increase) in operating accounts receivables	83,640	(115,889)
Decrease (increase) in consumption taxes receivable	—	(246,657)
Increase (decrease) in accrued consumption taxes	53,196	(168,301)
Increase (decrease) in operating accounts payable	39,903	159,326
Increase (decrease) in accounts payable-other	6,930	(8,290)
Increase (decrease) in accrued expenses	2,084	20,828
Increase (decrease) in advances received	5,759	84,824
Increase (decrease) in deposits expenses	(369,533)	375,869
Decrease (increase) in prepaid expenses	52,187	(19,723)
Decrease (increase) in long-term prepaid expenses	97,625	(45,515)
Others, net	865	(1,630)
Subtotal	4,118,629	4,554,594
Interest income received	660	706
Interest expenses paid	(382,901)	(387,405)
Income taxes paid	(1,295)	(876)
Net cash provided by (used in) operating activities	3,735,093	4,167,019
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment in trust	(1,473,781)	(14,543,468)
Proceeds from tenant leasehold and security deposits	30	21,096
Repayments of tenant leasehold and security deposits	(667)	(5,884)
Proceeds from tenant leasehold and security deposits in trust	84,091	837,785
Repayments of tenant leasehold and security deposits in trust	(59,648)	(784,680)
Payments of tenant leasehold and security deposits in trust	—	(10,000)
Proceeds from restricted trust deposits	5,754	5,534
Payments for restricted trust deposits	(8,406)	(8,890)
Net cash provided by (used in) investment activities	(1,452,627)	(14,488,507)
Net cash provided by (used in) financial activities		
Proceeds from short-term debt payable	—	21,500,000
Decrease in short-term debt payable	(500,000)	(21,500,000)
Proceeds from long-term debt payable	500,000	7,900,000
Repayments of long-term debt payable	(375,000)	(6,275,000)
Proceeds from issuance of investment units	—	11,701,530
Payment of investment unit issuance expenses	—	(22,261)
Dividends paid	(2,260,823)	(2,369,757)
Net cash provided by (used in) financial activities	(2,635,823)	10,934,511
Net increase (decrease) in cash and cash equivalents	(353,356)	613,023
Balance of cash and cash equivalents at beginning of period	7,273,713	6,920,356
Balance of cash and cash equivalents at end of period	6,920,356	7,533,380

(6) Notes on the going concern assumption

No relevant items.

(7) Significant accounting policies

The disclosure is omitted, since there are no significant changes from contents disclosed by the latest securities report (submitted on May 26, 2015).

(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)

21st fiscal period (September 1, 2014 to February 28, 2015)	22nd fiscal period (March 1, 2015 to August 31, 2015)
Net assets per investment unit: 118,567 yen	Net assets per investment unit: 125,574 yen
Net income per investment unit: 3,434 yen	Net income per investment unit: 3,649 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	21st fiscal period (September 1, 2014 to February 28, 2015)	22nd fiscal period (March 1, 2015 to August 31, 2015)
Net income (thousands of yen)	2,369,872	2,661,683
Amount not attributable to common shareholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	2,369,872	2,661,683
Average number of investment units during the fiscal period (units)	690,000	729,342

(Significant subsequent events)

No relevant items.

(9) Change in the number of investment units outstanding

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

Date	Item	Number of investment units issued and outstanding (units)		Unitholders' capital (millions of yen)		Remarks
		Increase	Balance	Increase	Balance	
July 2, 2004	Established through private placement	250	250	125	125	(Note 1)
November 8, 2004	Additional issue of investment units through private offering	82,800	83,050	41,400	41,525	(Note 2)
June 20, 2005	Additional issue of new investment units through initial public offering	7,000	90,050	5,944	47,469	(Note 3)
July 21, 2005	Additional issue of new investment units through third-party allotment	2,000	92,050	1,698	49,167	(Note 4)
September 7, 2006	Additional issue of new investment units through public offering	15,000	107,050	11,096	60,264	(Note 5)
March 1, 2011	Additional issue of new investment units through public offering	16,000	123,050	8,913	69,177	(Note 6)
March 1, 2013	Additional issue of new investment units through public offering	14,950	138,000	10,263	79,441	(Note 7)
March 1, 2014	Split of investment units	552,000	690,000	—	79,441	(Note 8)
April 27, 2015	Additional issue of new investment units through public offering	57,000	747,000	11,701	91,142	(Note 9)

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

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

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

Note 4: New investment units were issued through third-party allotment at the issue price of 849,200 yen per unit.

Note 5: New investment units were issued through public offering at the issue price of 766,360 yen per unit (purchase price of 739,772 yen) for the purpose of procuring funds for acquiring new properties, etc.

Note 6: New investment units were issued through public offering at the issue price of 576,083 yen per unit (purchase price of 557,078 yen) for the purpose of procuring funds for acquiring new properties, etc.

Note 7: New investment units were issued through public offering at the issue price of 710,580 yen per unit (purchase price of 686,529 yen) for the purpose of procuring funds for acquiring new properties, etc.

Note 8: FRC implemented a 5-for-1 split of its investment units.

Note 9: New investment units were issued through public offering at the issue price of 212,257 yen per unit (purchase price of 205,290 yen) for the purpose of procuring funds for acquiring new properties, etc.

4. Change in Directors

(1) Change in directors in FRC

No relevant items.

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

Seiji Yagi resigned from the post of Director (as of June 23, 2015).

Masaru Ito was newly appointed as Director (as of June 23, 2015).

Officers of FRC as of October 14, 2015 are listed below.

(as of October 14, 2015)

Title	Name	Career Summary		Number of units owned
CEO & Representative Director	Etsuo Matsuyuki	April 1980 June 2004 April 2005 July 2006 July 2009 August 2010 June 2011 January 2012 June 2012 May 2014	Joined Japan Development Bank (currently Development Bank of Japan) Appointed as Manager, Human Resources Division Appointed as General Manager, Management Division Seconded to Fukuoka Jisho Co., Ltd. Appointed as Deputy General Manager, Development Business Group Joined Fukuoka Jisho Co., Ltd. Appointed as Executive Officer and Deputy General Manager, Development Business Group and General Manager, Building Division Appointed as Executive Officer and General Manager, Accounting & Finance Division and in charge of General Affairs Division and Finance Division Appointed as Managing Director and Head of Planning Dept., Fukuoka Realty Co., Ltd. Appointed as Managing Director and Executive Officer, Fukuoka Jisho Co., Ltd. Appointed as CEO & Representative Director, Fukuoka Realty Co., Ltd. (current position) Appointed as CEO & Representative Director, Fukuoka REIT Corporation (current position)	0
Managing Director	Hidenori Hara	April 1985 June 1990 August 2005 August 2009 June 2012 June 2014 September 2014 September 2014 February 2015	Joined the Bank of Fukuoka Joined Sumitomo Realty & Development Co., Ltd. Joined Fukuoka Jisho Co., Ltd. Appointed as General Manager, Development Business Group Appointed as Executive Officer and General Manager, Housing Business Division Appointed as Executive Officer in charge of Housing Business Division Appointed as Executive Officer (current position) Seconded to Fukuoka Realty Co., Ltd. Appointed as Managing Director Appointed as Managing Director and Head of Planning Department (current position)	0
Director	Hiroshi Shimuta	October 2000 December 2003 April 2004 April 2005 June 2007 June 2007 September 2013	Registered as attorney in law Appointed as Auditor, Fukuoka Realty Co., Ltd. Appointed as Head of Compliance Office Appointed as Head of Compliance Dept. Joined Nishimura Tokiwa Law Office (currently, Nishimura Asahi Law Office) Appointed as Director, Fukuoka Realty Co., Ltd. (current position) Appointed as General Manager, Fukuoka Jisho Co., Ltd. Legal Division (current position)	0
Director	Masaru Ito	April 1985 July 1994 October 1996 September 2003 July 2009	Joined Nichiboshin, Ltd. Joined FJ. Toshi Kaihatsu Co. Joined Fukuoka Jisho Co., Ltd. Appointed as General Manager, Accounting & Finance Division Appointed as General Manager, Finance	0

		August 2011 June 2012 June 2014 June 2015	Division Appointed as General Manager, President's Office and concurrently as General Manager, Finance Division Seconded to FJ. HOTELS Co., Ltd. Appointed as Managing Director Appointed as General Manager, Fukuoka Jisho Co., Ltd. Finance Division (current position) Appointed as Director, Fukuoka Realty Co., Ltd. (current position)	
Director	Naofumi Sato	April 1976 July 2000 July 2004 June 2007 June 2009 June 2011 June 2012 June 2014 June 2014	Joined Kyushu Electric Power Co., Inc. Appointed as Deputy Head of Saga Branch and Manager of Planning and Administration Office Appointed as Deputy General Manager of General Affairs Division Appointed as General Manager of General Affairs Division Appointed as Trustee, Kyushu Electric Power Co, Inc. and seconded to Kyushu Rinsan, Co., Inc. Appointed as President of Kyushu Rinsan Appointed as Executive Officer and General Manager of Business Administration Group, Kyushu Electric Power Co., Inc. Appointed Director, Senior Executive Officer and General Manager of Business Administration Group Appointed Director, Fukuoka Realty Co., Ltd. (current position) Appointed as Executive Vice President, Kyushu Electric Power Co., Ind. (current position)	0
Auditor	Masanori Tasaka	April 1978 August 2000 July 2003 October 2004 April 2005 April 2006 June 2006	Joined Fukuoka Sogo Bank, Ltd. (currently, The Nishi-Nippon City Bank, Ltd.) Appointed as Deputy General Manager of Planning Division Appointed as General Manager of Planning Division and Manager of Risk Management Office Appointed as Senior Manager supporting Business Planning Division Seconded to NCB Management Information Service Co., Ltd. (currently, NCB Research & Consulting Co., Ltd.) and appointed as General Manager of Business Alliance Division Opened Masanori Tasaka Tax & Accounting Office (current position) Appointed as Auditor, Fukuoka Realty Co., Ltd. (current position)	0

(Note) Etsuo Matsuyuki concurrently serves as CEO & Representative Director of Fukuoka Realty Co., Ltd., the asset management company for FRC, and as CEO & Representative Director of FRC. A notification regarding the concurrent office has been filed to the Commissioner of the Financial Services Agency, based on the provisions of Article 31-4-1 of the Financial Instruments and Exchange Act.

5. Reference Information

(1) Investment situation

(as of August 31, 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	70,643	38.9
		Other Kyushu areas	36,139	19.9
	Office buildings	Fukuoka urban area	43,983	24.2
		Other Kyushu areas	—	—
	Others	Fukuoka urban area	18,911	10.4
		Other Kyushu areas	2,728	1.5
	Subtotal			172,406
Deposits and other assets			9,191	5.1
Total amount of assets (Note 4)			181,597 (172,416)	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 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 August 31, 2015)

	Value on balance sheet (mm of yen)	Percentage of total amount of assets (%)
Total amount of liabilities	87,793	48.3
Total amount of net assets	93,804	51.7

(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 August 31, 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	30,622	32,700	17.8	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata・B	28,700	28,396	29,600	16.0	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita (Note 4)	16,290	18,010	17,934	9.1	Japan Real Estate Institute
SunLive City Kokura	6,633	5,959	7,760	3.7	Japan Real Estate Institute
Square Mall Kagoshima Usuki	5,300	4,659	5,210	2.9	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	2,104	2,610	1.3	Japan Real Estate Institute
AEON Hara Shopping Center	5,410	5,293	4,500	3.0	Japan Real Estate Institute
Hanahata SC	1,130	1,036	1,210	0.6	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	2,500	2,205	2,700	1.4	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	3,550	3,198	3,620	2.0	Tanizawa Sogo Appraisal Co., Ltd.
Marinoa City Fukuoka (Marina Side Building)	5,250	5,294	5,390	2.9	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:	109,163	106,783	113,234	60.7	
Canal City Business Center Building	14,600	13,570	14,800	8.1	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	11,200	9,535	12,900	6.2	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	4,400	4,022	5,020	2.4	Japan Real Estate Institute
Taihaku Street Business Center	7,000	6,480	7,120	3.9	Japan Real Estate Institute
Higashi Hie Business Center	5,900	4,931	6,320	3.3	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	2,600	2,709	2,870	1.4	Japan Real Estate Institute
Tenjin North Front Building	2,800	2,734	3,230	1.6	Japan Real Estate Institute
Office buildings subtotal:	48,500	43,983	52,260	27.0	
Amex Akasakamon Tower	2,060	1,808	1,830	1.1	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	1,111	990	1,020	0.6	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Kego	2,800	2,683	3,590	1.6	Japan Real Estate Institute
Aqualia Chihaya	1,280	1,231	1,570	0.7	Japan Real Estate Institute
D-WING TOWER	2,800	2,811	3,220	1.6	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	1,530	1,461	1,660	0.9	Japan Real Estate Institute
Tosu Logistics Center	1,250	1,266	1,320	0.7	Japan Real Estate Institute
Granfore Yakuin Minami	1,100	1,186	1,210	0.6	Tanizawa Sogo Appraisal Co., Ltd.
LOGIPORT Island-city Hakata	8,150	8,199	8,270	4.5	Tanizawa Sogo Appraisal Co., Ltd.
Others subtotal:	22,081	21,639	23,690	12.3	
Total	179,744	172,406	189,184	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.

Note 4: The figures include those for the property's adjacent land that FRC acquired on May 28, 2015. The same shall apply hereafter.

(b) Summary of the real estate leasing business

(as of August 31, 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 [46]	99.5	46,483.22	46,233.72	1,470	17.5
Canal City Hakata・B	1 [49]	99.6	68,806.66	68,559.07	1,611	19.1
Park Place Oita	1 [105]	99.9	109,588.00	109,459.56	1,166	13.8
SunLive City Kokura	1	100.0	61,450.22	61,450.22	292	3.5
Square Mall Kagoshima Usuki	13	100.0	14,602.88	14,602.88	256	3.0
Kumamoto Intercommunity SC	2	100.0	6,968.66	6,968.66	90	1.1
AEON Hara Shopping Center	1	100.0	27,313.53	27,313.53	212	2.5
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	1.0
K's Denki Kagoshima	1	100.0	7,296.17	7,296.17	111	1.3
Marinoa City Fukuoka (Marina Side Building)	1	100.0	33,069.82	33,069.82	118	1.4
Retail subtotal:	25 [222] (Note 2)	99.8	384,848.11	384,222.58	5,459	64.8
Canal City Business Center Building	1 [61]	100.0	23,030.44	23,030.44	649	7.7
Gofukumachi Business Center	36	99.5	19,905.34	19,802.20	521	6.2
Sanix Hakata Building	18	95.8	6,293.76	6,027.06	196	2.3
Taihaku Street Business Center	1 [68]	98.8	14,677.27	14,506.18	298	3.5
Higashi Hie Business Center	1 [23]	100.0	13,674.96	13,674.96	328	3.9
Tenjin Nishi-Dori Center Building	1	100.0	3,339.32	3,339.32	86	1.0
Tenjin North Front Building	13	100.0	5,252.39	5,252.39	132	1.6
Office buildings subtotal:	71 [220] (Note 2)	99.4	86,173.48	85,632.55	2,213	26.3
Amex Akasakamon Tower	1 [66]	98.5	4,821.25	4,749.72	66	0.8
City House Keyaki Dori	1 [40]	95.5	2,710.86	2,588.58	38	0.5
Aqualia Kego	1 [124]	96.0	7,415.36	7,115.16	115	1.4
Aqualia Chihaya	1 [101]	95.7	5,619.69	5,380.61	57	0.7
D-WING TOWER	1 [128]	92.1	7,187.58	6,621.49	112	1.3
Hotel FORZA Oita	1	100.0	5,785.44	5,785.44	63	0.7
Tosu Logistics Center	1	100.0	4,173.29	4,173.29	(Note 6)	(Note 6)
Granfore Yakuin Minami	1 [96]	97.0	2,496.06	2,421.34	39	0.5
LOGIPORT Island-city Hakata	2	100.0	43,233.72	43,233.72	(Note 6)	(Note 6)
Others subtotal:	10 [559] (Note 2)	98.4	83,443.25	82,069.35	749	8.9
Total	106 [1,001] (Note 2)	99.5	554,464.84	551,924.48	8,423	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 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 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.

Note 6: The figures are not disclosed as no consent to disclosure has been obtained from the tenants.

(3) Investment target

The disclosure is omitted, since there are no significant changes from the "Investment target" disclosed by the latest securities report (submitted on May 26, 2015).