

**EARNINGS BRIEFING  
FOR THE PERIOD ENDED FEBRUARY 2016**

**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

Contact: Hidenori Hara Managing Director and Head of Planning Dept.

Phone: +81-92-272-3900

Expected date for submitting securities report: May 31, 2016

Expected commencement date of dividend payments: May 18, 2016

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 2016  
(September 1, 2015 to February 29, 2016)**

**(1) Performance**

(% shows percentage change from previous period)

	Operating revenues		Operating income		Ordinary income		Profit	
	mm of yen	%	mm of yen	%	mm of yen	%	mm of yen	%
Period ended February 2016	8,343	(0.9)	3,141	(0.8)	2,670	0.3	2,669	0.3
Period ended August 2015	8,423	8.1	3,167	10.7	2,663	12.3	2,661	12.3

	Profit per unit	Return on net assets	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
Period ended February 2016	3,573 yen	2.8%	1.5%	32.0%
Period ended August 2015	3,649 yen	3.0%	1.5%	31.6%

(Note) Fukuoka REIT Corporation (FRC) issued new investment units in the fiscal period ended August 2015. Accordingly, profit 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 February 2016	3,574 yen	2,669 mm yen	0 yen	0 mm yen	100.0%	2.8%
Period ended August 2015	3,563 yen	2,661 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:

Payout ratio = Total dividend (excl. dividend in excess of earnings) / Profit x 100

**(3) Financial condition**

	Total assets	Net assets	Ratio of net assets to total assets	Net assets per unit
Period ended February 2016	181,445 mm yen	93,812 mm yen	51.7%	125,585 yen
Period ended August 2015	181,597 mm yen	93,804 mm yen	51.7%	125,574 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 2016	4,174 mm yen	(606) mm yen	(2,747) mm yen	8,353 mm yen
Period ended August 2015	4,167 mm yen	(14,488) mm yen	10,934 mm yen	7,533 mm yen

## 2. FORECAST OF PERFORMANCE FOR THE PERIOD ENDING AUGUST 2016 (March 1, 2016 to August 31, 2016) AND THE PERIOD ENDING FEBRUARY 2017 (September 1, 2016 to February 28, 2017)

(% shows percentage change from previous period)

	Operating revenues		Operating income		Ordinary income		Profit		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 2016	8,412	0.8	3,121	(0.6)	2,660	(0.4)	2,659	(0.4)	3,560 yen	0 yen
Period ending February 2017	8,364	(0.6)	3,088	(1.0)	2,660	0.0	2,659	0.0	3,560 yen	0 yen

(Reference) Forecast profit per unit: Period ending August 2016 3,560 yen  
Forecast profit per unit: Period ending February 2017 3,560 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 February 2016  
747,000 units at end of August 2015
- (ii) Treasury investment units at end of period:  
— units at end of February 2016  
— units at end of August 2015

Note: Regarding the number of investment units, a basis for calculating profit 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, profit, 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 2016 (March 1, 2016 to August 31, 2016) and the period ending February 2017 (September 1, 2016 to February 28, 2017)” on page 6.

Concerning the contents hereinafter, items that FRC judges “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” (January 2016).

## 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 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 November 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 regional 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 29, 2016), 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 weakness being observed in certain areas. Looking ahead, with the employment and income environment continuing to improve, the economy is expected to head for a moderate recovery due 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 capital investment increasing while the employment and income environment as well as consumer sentiment steadily improving, although consumer spending remained somewhat weak in certain areas.

As for land price trends, the national average over the past year from January 2015 took an upward turn in terms of the combined average for residential and commercial land for the first time in eight years according to the Land Price Survey announced in March 2016. Although the residential land price showed a slight decrease, the commercial land price shifted from a decrease to an increase for the first time in eight years. In Fukuoka City, the central area of FRC’s investment targets, land prices continued rising for the fourth consecutive year, up 5.9% year-on-year for commercial land and up 2.8% year-on-year for residential land, marking higher rates of increase.

Under such circumstances, 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 23rd 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 23rd fiscal period, FRC refinanced 6,500 mm yen in long-term debt that matured in February 2016. As a result, the balance of interest-bearing debt outstanding (including the investment corporation bonds) at the end of the 23rd fiscal period totaled 72,325 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 4,000 mm yen) on February 25, 2016. This brought the ratio of fixed-interest rate debt (including investment corporation bonds) at the end of the fiscal period to 80.1%. 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-	Positive
	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 8,343 mm yen and operating income after excluding operating expenses such as expenses related to the leasing business and asset management fees totaled 3,141 mm yen. Ordinary income was 2,670 mm yen and profit was 2,669 mm yen.

Management decided to make a dividend of 3,574 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 August 2016 (March 1, 2016 to August 31, 2016) and the period ending February 2017 (September 1, 2016 to February 28, 2017). Concerning preconditions for the forecast, please refer to "Preconditions for the performance forecast for the period ending August 2016 (March 1, 2016 to August 31, 2016) and the period ending February 2017 (September 1, 2016 to February 28, 2017)" on page 6.

Period ending August 2016

Operating revenues	8,412 mm yen
Operating income	3,121 mm yen
Ordinary income	2,660 mm yen
Profit	2,659 mm yen

Dividend per unit	3,560 yen
Dividend in excess of earnings per unit	0 yen

Period ending February 2017

Operating revenues	8,364 mm yen
Operating income	3,088 mm yen
Ordinary income	2,660 mm yen
Profit	2,659 mm yen
Dividend per unit	3,560 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, profit, 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 2016 (March 1, 2016 to August 31, 2016) and the period ending February 2017 (September 1, 2016 to February 28, 2017)

Item	Preconditions
Calculation period	24th fiscal period: from March 1, 2016 to August 31, 2016 (184 days) 25th fiscal period: from September 1, 2016 to February 28, 2017 (181 days)
Assets under management	<ul style="list-style-type: none"> <li>It is assumed that there will be 27 properties FRC owned as of February 29, 2016.</li> <li>In practice, they may fluctuate due to changes in assets under management.</li> </ul>
Total number of investment units outstanding	<ul style="list-style-type: none"> <li>It is assumed that there will be no issuance of new investment units until February 28, 2017.</li> </ul>
Interest-bearing debt and refinancing	<ul style="list-style-type: none"> <li>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 current period (February 29, 2016). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 39.9% (as of February 29, 2016, the loan-to-value ratio stands at 39.9%).</li> <li>The balance of interest-bearing debt outstanding at the end of the period ending February 2017 (February 28, 2017) is expected to total 72,175 mm yen, a decrease of 75 mm yen from the end of the period ending August 2016 (August 31, 2016). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 39.9%.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>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, 2016 by taking into account the competitiveness of the properties and the market environment.</li> <li>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.</li> <li>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.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>When acquiring assets under management, the fixed property tax and city planning tax for the assets will be proportionally calculated according to the holding period and adjusted with the former owner. FRC will not write them off since it will include the relevant adjusted amount in the acquisition cost.</li> <li>FRC writes off estimated repair costs for buildings for the calculation periods, the periods ending August 2016 and February 2017. Actual repair costs may differ significantly from the estimated amounts since there is the possibility that repair costs are incurred urgently due to damages to buildings caused by unforeseeable factors, repair costs generally differ largely from period to period, and repair costs are not regularly incurred.</li> <li>Concerning outsourcing expenses, FRC anticipates 1,610 mm yen for the period ending August 2016 and 1,578 mm yen for the period ending February 2017.</li> <li>Concerning taxes and other public charges, FRC anticipates 651 mm yen for the period ending August 2016 and 651 mm yen for the period ending February 2017.</li> <li>Concerning depreciation and amortization expenses, FRC anticipates 1,482 mm yen for the period ending August 2016 and 1,521 mm yen for the period ending February 2017.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>Concerning interest expenses (including interest expenses on investment corporation bonds) and expenses related to financing, FRC anticipates 455 mm yen for the period ending August 2016 and 423 mm yen for the period ending February 2017.</li> </ul>
Dividend per unit	<ul style="list-style-type: none"> <li>Dividend (dividend per unit) is calculated based on the dividend policy stipulated in FRC's Articles of Incorporation.</li> <li>Dividend per unit may fluctuate due to fluctuations in leasing revenues caused by changes in assets under management and tenants or various factors including unexpected occurrences of repair.</li> </ul>
Dividend in excess of earnings per unit	<ul style="list-style-type: none"> <li>Dividend in excess of earnings (dividend in excess of earnings per unit) is not planned at the moment.</li> </ul>
Other	<ul style="list-style-type: none"> <li>It is assumed that there will be no significant revisions to laws and regulations, the tax system, and accounting standards that may influence the forecast figures.</li> <li>It is also assumed that there will be no significant unexpected changes in general economic conditions and the real estate market.</li> </ul>

(3) Investment risks

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

### 3. Financial Statements

#### (1) Balance sheet

Account	(thousands of yen)			
	22nd fiscal period (as of August 31, 2015)		23rd fiscal period (as of February 29, 2016)	
Assets				
Current assets				
Cash and deposits		2,331,908		3,513,400
Cash and deposits in trust		5,267,938		4,905,852
Operating accounts receivable		434,567		372,912
Prepaid expenses		267,938		284,075
Consumption taxes receivable		246,657		-
Deferred tax assets		62		8
Others		4,536		6,442
Total current assets		8,553,609		9,082,690
Noncurrent assets				
Property, plant and equipment				
Buildings in trust	83,847,220		84,421,663	
Accumulated depreciation	(19,606,745)	64,240,475	(20,966,851)	63,454,811
Structures in trust	1,475,281		1,477,663	
Accumulated depreciation	(521,623)	953,657	(559,477)	918,185
Machinery and equipment in trust	618,646		638,321	
Accumulated depreciation	(262,400)	356,245	(284,920)	353,400
Vehicles and transport equipment in trust	747		747	
Accumulated depreciation	(198)	548	(246)	500
Tools and fixtures in trust	1,250,581		1,274,834	
Accumulated depreciation	(926,118)	324,463	(973,210)	301,623
Lands in trust		104,756,397		104,756,397
Construction in progress in trust		10,276		19,571
Total property, plant and equipment		170,642,063		169,804,490
Intangible assets				
Leasehold right in trust		1,765,318		1,765,318
Other intangible assets in trust		8,976		5,633
Total intangible assets		1,774,294		1,770,951
Investment and other assets				
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		110,000		110,000
Long-term prepaid expenses		456,882		628,962
Total investment and other assets		576,882		748,962
Total noncurrent assets		172,993,240		172,324,405
Deferred assets				
Investment corporation bond issuance expenses		16,375		15,392
Investment unit issuance expenses		34,538		23,383
Total deferred assets		50,913		38,776
Total assets		181,597,763		181,445,872

Account	(thousands of yen)	
	22nd fiscal period (as of August 31, 2015)	23rd fiscal period (as of February 29, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	726,913	667,486
Current maturities of long-term debt	11,650,000	10,250,000
Accounts payable-other	32,134	23,963
Accrued expenses	351,432	353,001
Income taxes payable	1,744	736
Accrued consumption taxes	—	321,550
Advances received	1,014,843	1,004,199
Deposits received	1,049,290	777,866
<b>Total current liabilities</b>	<b>14,826,359</b>	<b>13,398,803</b>
<b>Noncurrent liabilities</b>		
Investment corporation bonds	2,000,000	2,000,000
Long-term debt payable	58,750,000	60,075,000
Tenant leasehold and security deposits	331,243	331,243
Tenant leasehold and security deposits received in trust	11,885,673	11,828,272
<b>Total noncurrent liabilities</b>	<b>72,966,916</b>	<b>74,234,515</b>
<b>Total liabilities</b>	<b>87,793,276</b>	<b>87,633,318</b>
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	91,142,766	91,142,766
<b>Surplus</b>		
Unappropriated surplus	2,661,720	2,669,786
<b>Total surplus</b>	<b>2,661,720</b>	<b>2,669,786</b>
<b>Total unitholders' equity</b>	<b>93,804,487</b>	<b>93,812,553</b>
<b>Total net assets</b>	<b>93,804,487</b>	<b>93,812,553</b>
<b>Total liabilities and net assets</b>	<b>181,597,763</b>	<b>181,445,872</b>

## (2) Income statement

(thousands of yen)

Account	22nd fiscal period (March 1, 2015 to August 31, 2015)		23rd fiscal period (September 1, 2015 to February 29, 2016)	
Operating revenues				
Leasing revenues-real estate	7,902,500		7,864,570	
Other leasing revenues-real estate	520,821	8,423,321	478,927	8,343,498
Operating expenses				
Expenses related to leasing business	4,651,490		4,577,406	
Asset management fees	486,520		493,021	
Asset custody fees	6,327		6,772	
Administrative service fees	47,767		52,472	
Director's compensations	9,600		9,600	
Other operating expenses	54,600	5,256,307	62,612	5,201,885
Operating income		3,167,014		3,141,613
Non-operating revenues				
Interest received	706			780
Others	1,302	2,009	2,566	3,346
Non-operating expenses				
Interest expenses	374,293		345,071	
Interest expenses on investment corporation bonds	13,296		13,200	
Amortization of investment corporation bond issuance expenses	982		982	
Amortization of investment unit issuance expenses	10,219		11,154	
Financing related expenses	106,699		104,000	
Others	15	505,506	15	474,423
Ordinary income		2,663,517		2,670,536
Net income before income taxes		2,663,517		2,670,536
Income taxes-current	1,886		855	
Income taxes-deferred	(53)	1,833	53	908
Profit		2,661,683		2,669,627
Surplus brought forward		37		159
Unappropriated surplus		2,661,720		2,669,786

## (3) Statement of changes in net assets

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)
Profit	—	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

23rd fiscal period (September 1, 2015 to February 29, 2016)

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus	Total unitholders' equity	
Balance as of September 1, 2015	91,142,766	2,661,720	93,804,487	93,804,487
Changes in the current fiscal period				
Dividend of surplus	—	(2,661,561)	(2,661,561)	(2,661,561)
Profit	—	2,669,627	2,669,627	2,669,627
Total of changes in the current fiscal period	—	8,066	8,066	8,066
Balance as of February 29, 2016	91,142,766	2,669,786	93,812,553	93,812,553

## (4) Dividend statement

Account	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
I. Unappropriated surplus	2,661,720 thousand yen	2,669,786 thousand yen
II. Total (Dividend per investment unit)	2,661,561 thousand yen (3,563 yen)	2,669,778 thousand yen (3,574 yen)
III. Surplus brought forward	159 thousand yen	8 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 2,661,561 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.	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 2,669,778 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.
----------------------------------	--	--

(Note) Concerning amounts other than dividend per investment unit, fractions of 1,000 yen are omitted.

## (5) Cash flows statement

Account	(thousands of yen)	
	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
Net cash provided by (used in) operating activities		
Net income before income taxes	2,663,517	2,670,536
Depreciation and amortization expenses	1,458,153	1,471,072
Amortization of investment corporation bond issuance expenses	982	982
Amortization of investment unit issuance expenses	10,219	11,154
Interest received	(706)	(780)
Interest expenses	387,590	358,271
Decrease (increase) in operating accounts receivables	(115,889)	61,654
Decrease (increase) in consumption taxes receivable	(246,657)	246,657
Increase (decrease) in accrued consumption taxes	(168,301)	321,550
Increase (decrease) in operating accounts payable	159,326	(145,288)
Increase (decrease) in accounts payable-other	(8,290)	9,219
Increase (decrease) in accrued expenses	20,828	1,824
Increase (decrease) in advances received	84,824	(10,644)
Increase (decrease) in deposits expenses	375,869	(271,423)
Decrease (increase) in prepaid expenses	(19,723)	(16,137)
Decrease (increase) in long-term prepaid expenses	(45,515)	(172,080)
Others, net	(1,630)	(2,806)
Subtotal	4,554,594	4,533,761
Interest income received	706	780
Interest expenses paid	(387,405)	(358,527)
Income taxes paid	(876)	(1,863)
Net cash provided by (used in) operating activities	4,167,019	4,174,151
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment in trust	(14,543,468)	(549,764)
Proceeds from tenant leasehold and security deposits	21,096	30
Repayments of tenant leasehold and security deposits	(5,884)	(30)
Proceeds from tenant leasehold and security deposits in trust	837,785	74,447
Repayments of tenant leasehold and security deposits in trust	(784,680)	(131,849)
Payments of tenant leasehold and security deposits in trust	(10,000)	—
Proceeds from restricted trust deposits	5,534	5,507
Payments for restricted trust deposits	(8,890)	(5,065)
Net cash provided by (used in) investment activities	(14,488,507)	(606,723)
Net cash provided by (used in) financial activities		
Proceeds from short-term debt payable	21,500,000	—
Decrease in short-term debt payable	(21,500,000)	—
Proceeds from long-term debt payable	7,900,000	6,500,000
Repayments of long-term debt payable	(6,275,000)	(6,575,000)
Proceeds from issuance of investment units	11,701,530	—
Payment of investment unit issuance expenses	(22,261)	(11,411)
Dividends paid	(2,369,757)	(2,661,169)
Net cash provided by (used in) financial activities	10,934,511	(2,747,581)
Net increase (decrease) in cash and cash equivalents	613,023	819,846
Balance of cash and cash equivalents at beginning of period	6,920,356	7,533,380
Balance of cash and cash equivalents at end of period	7,533,380	8,353,226

## (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 26, 2015).

## (8) Notes to financial statements

FRC omits the disclosure of notes to balance sheet, income statement, statement of changes in net assets, and cash flows statement, 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)

22nd fiscal period (March 1, 2015 to August 31, 2015)		23rd fiscal period (September 1, 2015 to February 29, 2016)	
Net assets per investment unit:	125,574 yen	Net assets per investment unit:	125,585 yen
Profit per investment unit:	3,649 yen	Profit per investment unit:	3,573 yen

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

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

Account	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)
Profit (thousands of yen)	2,661,683	2,669,627
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to common investment units (thousands of yen)	2,661,683	2,669,627
Average number of investment units during the fiscal period (units)	729,342	747,000

## (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 29, 2016)

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	70,567	38.9
		Other Kyushu areas	35,869	19.8
	Office buildings	Fukuoka urban area	43,636	24.0
		Other Kyushu areas	—	—
	Others	Fukuoka urban area	18,764	10.3
		Other Kyushu areas	2,717	1.5
Subtotal			171,555	94.5
Deposits and other assets			9,890	5.5
Total amount of assets (Note 4)			181,445 [171,575]	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 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 29, 2016)

	Value on balance sheet (mm of yen)	Percentage of total amount of assets (%)
Total amount of liabilities	87,633	48.3
Total amount of net assets	93,812	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 February 29, 2016)

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	30,510	33,000	17.8	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata・B	28,700	28,454	29,900	16.0	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita (Note 4)	16,290	17,873	17,936	9.1	Japan Real Estate Institute
SunLive City Kokura	6,633	5,911	7,890	3.7	Japan Real Estate Institute
Square Mall Kagoshima Usuki	5,300	4,641	5,290	2.9	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	2,088	2,650	1.3	Japan Real Estate Institute
AEON Hara Shopping Center	5,410	5,271	4,090	3.0	Japan Real Estate Institute
Hanahata SC	1,130	1,029	1,240	0.6	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	2,500	2,184	2,750	1.4	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	3,550	3,169	3,680	2.0	Tanizawa Sogo Appraisal Co., Ltd.
Marinoa City Fukuoka (Marina Side Building)	5,250	5,301	5,510	2.9	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:	109,163	106,436	113,936	60.7	
Canal City Business Center Building	14,600	13,512	15,100	8.1	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	11,200	9,453	13,200	6.2	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	4,400	3,993	5,210	2.4	Japan Real Estate Institute
Taihaku Street Business Center	7,000	6,408	7,140	3.9	Japan Real Estate Institute
Higashi Hie Business Center	5,900	4,853	6,430	3.3	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	2,600	2,711	2,930	1.4	Japan Real Estate Institute
Tenjin North Front Building	2,800	2,704	3,270	1.6	Japan Real Estate Institute
Office buildings subtotal:	48,500	43,636	53,280	27.0	
Amex Akasakamon Tower	2,060	1,791	1,850	1.1	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	1,111	980	1,030	0.6	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Kego	2,800	2,657	3,660	1.6	Japan Real Estate Institute
Aqualia Chihaya	1,280	1,219	1,600	0.7	Japan Real Estate Institute
D-WING TOWER	2,800	2,796	3,250	1.6	Tanizawa Sogo Appraisal Co., Ltd.
Granfore Yakuin Minami	1,100	1,176	1,230	0.6	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	1,530	1,462	1,720	0.9	Japan Real Estate Institute
Tosu Logistics Center	1,250	1,254	1,350	0.7	Japan Real Estate Institute
LOGIPORT Island-city Hakata (Note 5)	8,150	8,142	8,480	4.5	Tanizawa Sogo Appraisal Co., Ltd.
Others subtotal:	22,081	21,482	24,170	12.3	
Total	179,744	171,555	191,386	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.

Note 5: LOGIPORT Island-city Hakata was renamed to LOGICITY Minato Kashii as of March 1, 2016. The same shall apply hereafter.

## (b) Summary of the real estate leasing business

(as of February 29, 2016)

Real estate property name	Number of tenants (Note 1)	Occupancy rate (%) (Note 3)	Total leasable floor space (m <sup>2</sup> )	Total leased floor space (m <sup>2</sup> )	Total leasing revenues (mm of yen) (Note 4)	Percentage of total leasing revenues (%) (Note 5)
Canal City Hakata	1 [47]	99.7	46,563.32	46,431.79	1,325	15.9
Canal City Hakata・B	1 [47]	98.6	68,808.14	67,862.54	1,618	19.4
Park Place Oita	1 [105]	99.9	109,590.83	109,429.46	1,127	13.5
SunLive City Kokura	1	100.0	61,450.22	61,450.22	295	3.5
Square Mall Kagoshima Usuki	13	100.0	14,602.88	14,602.88	262	3.1
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	1.1
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	177	2.1
Retail subtotal:	25 [221] (Note 2)	99.7	384,932.52	383,694.02	5,349	64.1
Canal City Business Center Building	1 [61]	100.0	23,030.84	23,030.84	649	7.8
Gofukumachi Business Center	36	100.0	19,905.34	19,905.34	524	6.3
Sanix Hakata Building	16	100.0	6,293.76	6,293.76	193	2.3
Taihaku Street Business Center	1 [69]	98.6	14,677.27	14,477.95	297	3.6
Higashi Hie Business Center	1 [22]	100.0	13,674.96	13,674.96	333	4.0
Tenjin Nishi-Dori Center Building	1	100.0	3,339.32	3,339.32	86	1.0
Tenjin North Front Building	11	100.0	5,252.39	5,252.39	133	1.6
Office buildings subtotal:	67 [216] (Note 2)	99.8	86,173.88	85,974.56	2,217	26.6
Amex Akasakamon Tower	1 [63]	94.2	4,821.25	4,540.16	65	0.8
City House Keyaki Dori	1 [42]	100.0	2,710.86	2,710.86	37	0.5
Aqualia Kego	1 [124]	96.3	7,415.36	7,138.98	114	1.4
Aqualia Chihaya	1 [104]	99.3	5,619.69	5,579.76	58	0.7
D-WING TOWER	1 [132]	97.0	7,187.58	6,974.22	109	1.3
Granfore Yakuin Minami	1 [97]	98.0	2,496.06	2,446.30	38	0.5
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	(Note 6)	(Note 6)
LOGIPORT Island-city Hakata	2	100.0	43,233.72	43,233.72	(Note 6)	(Note 6)
Others subtotal:	10 [566] (Note 2)	99.0	83,443.25	82,582.73	776	9.3
Total	102 [1,003] (Note 2)	99.6	554,549.65	552,251.31	8,343	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 13 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 November 26, 2015).