

**EARNINGS BRIEFING  
FOR THE PERIOD ENDED FEBRUARY 2017**

**Real estate investment trust: Fukuoka REIT Corporation (FRC)**

Code number: 8968

URL: <http://www.fukuoka-reit.jp/eng/>

Stock listings: Tokyo Stock Exchange, and  
Fukuoka Stock Exchange

Representative: Etsuo Matsuyuki CEO & Representative Director

**Asset manager: Fukuoka Realty Co., Ltd.**

Representative: Etsuo Matsuyuki CEO & Representative Director

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Expected date for submitting securities report: May 30, 2017

Expected commencement date of dividend payments: May 18, 2017

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 2017  
(September 1, 2016 to February 28, 2017)**

**(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 2017	9,730	18.2	4,585	49.4	4,199	60.5	4,198	347.5
Period ended August 2016	8,234	(1.3)	3,069	(2.3)	2,616	(2.0)	938	(64.8)

	Profit per unit	Return on net assets	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
Period ended February 2017	5,621 yen	4.5%	2.4%	43.2%
Period ended August 2016	1,256 yen	1.0%	1.4%	31.8%

**(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	Dividend per unit (incl. dividend in excess of earnings)	Total dividend (incl. dividend in excess of earnings)	Payout ratio	Ratio of dividend to net assets
Period ended February 2017	3,398 yen	2,538 mm yen	0 yen	0 mm yen	3,398 yen	2,538 mm yen	60.5%	2.7%
Period ended August 2016	1,256 yen	938 mm yen	2,223 yen	1,660 mm yen	3,479 yen	2,598 mm yen	100.0%	1.0%

(Note) The entire dividend in excess of earnings for the period ended August 2016 came from reserve for temporary difference adjustments.

For the period ended February 2017, profit amounted to 4,198 mm yen as a result of recording 1,657 mm yen as gain on sale. However, because 1,660 mm yen in reserve for temporary difference adjustments was reversed, total dividend obtained by deducting the amount of the reserve for temporary difference adjustments from unappropriated surplus of 4,199 mm yen came to 2,538 mm yen. The payout ratio after taking into account the reversal of the reserve for temporary difference adjustments stands at 100.0%.

**(3) Financial condition**

	Total assets	Net assets	Ratio of net assets to total assets	Net assets per unit
Period ended February 2017	175,063 mm yen	93,681 mm yen	53.5%	125,410 yen
Period ended August 2016	179,513 mm yen	92,081 mm yen	51.3%	123,267 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 2017	3,685 mm yen	4,220 mm yen	(7,872) mm yen	8,905 mm yen
Period ended August 2016	4,336 mm yen	(772) mm yen	(3,043) mm yen	8,873 mm yen

**2. FORECAST OF PERFORMANCE FOR THE PERIOD ENDING AUGUST 2017 (March 1, 2017 to August 31, 2017) AND THE PERIOD ENDING FEBRUARY 2018 (September 1, 2017 to February 28, 2018)**

(% 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 2017	8,109	(16.7)	2,908	(36.6)	2,540	(39.5)	2,539	(39.5)	3,400 yen	0 yen
Period ending February 2018	8,125	0.2	2,946	1.3	2,593	2.1	2,592	2.1	3,470 yen	0 yen

(Reference) Forecast profit per unit: Period ending August 2017 3,400 yen  
Forecast profit per unit: Period ending February 2018 3,470 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 2017  
747,000 units at end of August 2016
- (ii) Treasury investment units at end of period:  
— units at end of February 2017  
— units at end of August 2016

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 2017 (March 1, 2017 to August 31, 2017) and the period ending February 2018 (September 1, 2017 to February 28, 2018)” 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 29, 2016).

## 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 29, 2016).

### (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 28, 2017), FRC manages a total of 25 properties comprising 10 Retail, 7 Office buildings and 8 Others.

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

During the fiscal period under review (the 25th fiscal period), the Japanese economy remained on course for a modest recovery despite delayed improvements in some areas. Looking ahead, with the employment and income environment continuing to improve, the economy is expected to recover moderately due to various political measures proving effective, among other factors.

In the Fukuoka and Kyushu area, the core investment target area for FRC, the economy is recovering as a whole, as replacement demand for durable goods continues to be strong primarily in the areas struck by the Kumamoto Earthquake, and sales of luxury goods have started to increase in accordance with improvements in consumer sentiments, although recovery has come to a temporary stop in the tourism sector.

As for land price trends, the combined national average for residential and commercial land over the past year from January 2016 increased for two consecutive years. By land type, the national average for residential land price stopped decreasing and turned to a level-off for the first time in nine years, according to the 2017 Land Price Survey. In Fukuoka City, the central area of FRC's investment targets, land prices continued rising for five consecutive years, up 8.5% year-on-year for commercial land and up 3.5% year-on-year for residential land, marking higher rates of increase.

Under such circumstances in the 25th fiscal period, FRC acquired Sports Club NAS Park Place Oita on September 1, 2016. Moreover, FRC disposed AEON Hara Shopping Center on September 30, 2016 and Aqualia Kego on November 29, 2016, respectively. On top of these, FRC continued its efforts to reinforce competitive advantages and customer drawing ability at Canal City Hakata and other major retail properties, 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 99.4% at the end of the 25th fiscal period.

When analyzing FRC’s portfolio (on an acquisition price basis) by investment target area, the investment ratio in the Fukuoka urban area accounted for 76.3%; when analyzing by property type, Retail, Office buildings, and Others accounted for 60.8%, 28.0% and 11.1%, respectively.

## (c) Summary of fundraising

In the 25th fiscal period, FRC utilized the proceeds obtained from the disposal of two properties to fully repay 4,000 mm yen in short-term debt on the repayment date and repay 1,200 mm yen for the long-term debt that matured in the period (totaling 5,100 mm yen). As a result, the balance of interest-bearing debt outstanding (including investment corporation bonds) at the end of the 25th fiscal period totaled 66,675 mm yen, with the loan-to-value ratio (ratio of interest-bearing debt (including investment corporation bonds) to total assets) at 38.1% and the ratio of fixed-interest rate debt (including investment corporation bonds) at 78.9% as of the same date. 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.(Note) (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 Issuer Rating	AA-	Stable

(Note) Standard & Poor's Ratings Japan K.K. was renamed to S&P Global Ratings Japan Inc. as of April 1, 2017.

## (d) Summary of performance and dividend

As a result of these management efforts, operating revenues totaled 9,730 mm yen and operating income after excluding operating expenses such as expenses related to leasing business and asset management fees totaled 4,585 mm yen. Ordinary income was 4,199 mm yen and net income amounted to 4,198 mm yen.

Dividend per unit came to 3,398 yen, as FRC decided to reverse the reserve for temporary difference adjustments (as set forth in Article 2-2-30 of the Regulations on Calculations of Investment Corporations; the same shall apply hereafter) at 1,660 mm yen.

## (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 2017 (March 1, 2017 to August 31, 2017) and the period ending February 2018 (September 1, 2017 to February 28, 2018). Concerning preconditions for the forecast, please refer to “Preconditions for the performance forecast for the period ending August 2017 (March 1, 2017 to August 31, 2017) and the period ending February 2018 (September 1, 2017 to February 28, 2018)” on page 6.

Period ending August 2017

Operating revenues	8,109 mm yen
Operating income	2,908 mm yen
Ordinary income	2,540 mm yen
Profit	2,539 mm yen
Dividend per unit	3,400 yen
Dividend in excess of earnings per unit	0 yen

Period ending February 2018

Operating revenues	8,125 mm yen
Operating income	2,946 mm yen
Ordinary income	2,593 mm yen
Profit	2,592 mm yen
Dividend per unit	3,470 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, operating income, 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 2017 (March 1, 2017 to August 31, 2017) and the period ending February 2018 (September 1, 2017 to February 28, 2018)

Item	Preconditions
Calculation period	26th fiscal period: from March 1, 2017 to August 31, 2017 (184 days) 27th fiscal period: from September 1, 2017 to February 28, 2018 (181 days)
Assets under management	<ul style="list-style-type: none"> <li>It is assumed that there will be 26 investment properties comprising the 25 properties FRC owns as of February 28, 2017 plus LOGICITY Hisayama, which FRC plans to acquire on June 1, 2017.</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, 2018.</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 2017 (August 31, 2017) is expected to total 69,900 mm yen, an increase of 3,225 mm yen from the end of the current period (February 28, 2017). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 39.3% (as of February 28, 2017, the loan-to-value ratio stands at 38.1%).</li> <li>The balance of interest-bearing debt outstanding at the end of the period ending February 2018 (February 28, 2018) is expected to total 68,400 mm yen, a decrease of 1,500 mm yen from the end of the period ending August 2018 (August 31, 2018). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 38.6%.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>Of leasing revenues – real estate, revenues from properties FRC has already acquired are calculated based on tenancy agreements that are valid as of April 10, 2017 by taking into account the competitiveness of the properties and the market environment. Revenues from the property to be acquired are calculated based on the estimated lease terms and conditions as of the acquisition date and thereafter.</li> <li>Of leasing revenues– real estate, revenues from percentage lease contracts are calculated based on past results by taking into account sales fluctuation factors of the relevant tenants.</li> <li>For leasing revenues – real estate, 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 investment properties, the property taxes and city planning taxes 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 2017 and February 2018). 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 1,579 mm yen for the period ending August 2017 and 1,559 mm yen for the period ending February 2018.</li> <li>Concerning taxes and other public charges, FRC anticipates 644 mm yen for the period ending August 2017 and 644 mm yen for the period ending February 2018.</li> <li>Concerning depreciation and amortization expenses, FRC anticipates 1,477 mm yen for the period ending August 2017 and 1,501 mm yen for the period ending February 2018.</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 362 mm yen for the period ending August 2017 and 347 mm yen for the period ending February 2018.</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 29, 2016).

### 3. Financial Statements

#### (1) Balance sheet

Account	(thousands of yen)			
	24th fiscal period (as of August 31, 2016)		25th fiscal period (as of February 28, 2017)	
Assets				
Current assets				
Cash and deposits		4,165,198		4,434,396
Cash and deposits in trust		4,775,377		4,513,353
Operating accounts receivable		491,196		376,449
Prepaid expenses		262,218		251,873
Deferred tax assets		26		9
Others		7,859		3,836
Total current assets		9,701,876		9,579,918
Non-current assets				
Property, plant and equipment				
Buildings in trust	84,816,296		84,307,621	
Accumulated depreciation	(22,332,561)	62,483,734	(23,045,241)	61,262,379
Structures in trust	1,486,567		1,473,234	
Accumulated depreciation	(597,379)	889,187	(601,047)	872,187
Machinery and equipment in trust	674,893		1,008,869	
Accumulated depreciation	(308,433)	366,459	(308,501)	700,368
Vehicles and transport equipment in trust	747		747	
Accumulated depreciation	(294)	452	(342)	405
Tools and fixtures in trust	1,313,384		1,280,623	
Accumulated depreciation	(1,014,927)	298,456	(1,005,845)	274,777
Lands in trust		103,095,432		99,631,188
Construction in progress in trust		206,478		178,535
Total property, plant and equipment		167,340,202		162,919,841
Intangible assets				
Leasehold right in trust		1,765,318		1,765,318
Other intangible assets in trust		3,610		20,605
Total intangible assets		1,768,928		1,785,924
Investment and other assets				
Investment securities		-		104,078
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		110,000		110,000
Long-term prepaid expenses		549,999		528,547
Total investment and other assets		669,999		752,626
Total non-current assets		169,779,131		165,458,391
Deferred assets				
Investment corporation bond issuance expenses		14,410		13,427
Investment unit issuance expenses		17,771		12,159
Total deferred assets		32,181		25,587
Total assets		179,513,189		175,063,897

Account	(thousands of yen)	
	24th fiscal period (as of August 31, 2016)	25th fiscal period (as of February 28, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	639,486	595,539
Short-term debt	4,000,000	-
Current maturities of long-term debt	20,450,000	23,875,000
Accounts payable-other	12,451	24,687
Accrued expenses	348,865	335,540
Income taxes payable	1,242	854
Accrued consumption taxes	107,177	239,564
Advances received	1,070,989	973,313
Deposits received	1,202,954	752,271
<b>Total current liabilities</b>	27,833,167	26,796,772
<b>Non-current liabilities</b>		
Investment corporation bonds	2,000,000	2,000,000
Long-term debt payable	45,500,000	40,800,000
Tenant leasehold and security deposits	371,765	368,897
Tenant leasehold and security deposits received in trust	11,727,080	11,416,934
<b>Total non-current liabilities</b>	59,598,846	54,585,831
<b>Total liabilities</b>	87,432,014	81,382,604
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	91,142,766	91,142,766
Deduction from unitholders' capital		
Reserve for temporary difference adjustments	-	(1,660,581)
Total deduction from unitholders' capital	-	(1,660,581)
Unitholders' capital, net	91,142,766	89,482,185
<b>Surplus</b>		
Unappropriated surplus	938,409	4,199,108
Total surplus	938,409	4,199,108
<b>Total unitholders' equity</b>	92,081,175	93,681,293
<b>Total net assets</b>	92,081,175	93,681,293
<b>Total liabilities and net assets</b>	179,513,189	175,063,897



## (2) Statement of income

(thousands of yen)

Account	24th fiscal period (March 1, 2016 to August 31, 2016)		25th fiscal period (September 1, 2016 to February 28, 2017)	
Operating revenues				
Leasing revenues – real estate	7,701,123		7,603,068	
Other leasing revenues – real estate	533,107		469,211	
Gain on sale of real estate	-		1,657,588	
Dividends received	-	8,234,231	974	9,730,842
Operating expenses				
Expenses related to leasing business	4,540,803		4,517,495	
Asset management fees	492,164		476,894	
Asset custody fees	6,841		6,676	
Administrative service fees	54,537		51,646	
Director's compensations	9,600		9,600	
Other operating expenses	61,153	5,165,100	83,042	5,145,355
Operating income		3,069,130		4,585,487
Non-operating revenues				
Interest received	114		40	
Others	893	1,007	946	987
Non-operating expenses				
Interest expenses	333,165		276,464	
Interest expenses on investment corporation bonds	13,200		13,200	
Amortization of investment corporation bond issuance expenses	982		982	
Amortization of investment unit issuance expenses	5,612		5,612	
Financing related expenses	100,963		90,391	
Others	15	453,938	15	386,664
Ordinary income		2,616,200		4,199,809
Extraordinary income				
Insurance income	75,052		-	
Total extraordinary income		75,052		-
Extraordinary losses				
Impairment loss	1,660,964		-	
Loss on disaster	90,646		-	
Total extraordinary losses		1,751,611		-
Net income before income taxes		939,641		4,199,809
Income taxes-current	1,259		860	
Income taxes-deferred	(18)	1,241	17	878
Profit		938,400		4,198,931
Surplus brought forward		8		177
Unappropriated surplus		938,409		4,199,108

## (3) Statement of changes in net assets

24th fiscal period (March 1, 2016 to August 31, 2016)

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus	Total unitholders' equity	
Balance as of March 1, 2016	91,142,766	2,669,786	93,812,553	93,812,553
Changes in the current fiscal period				
Dividend of surplus	—	(2,669,778)	(2,669,778)	(2,669,778)
Profit	—	938,400	938,400	938,400
Total of changes in the current fiscal period	—	(1,731,377)	(1,731,377)	(1,731,377)
Balance as of August 31, 2016	91,142,766	938,409	92,081,175	92,081,175

25th fiscal period (September 1, 2016 to February 28, 2017)

(thousands of yen)

Item	Unitholders' Equity						Total unitholders' equity	Total net assets
	Unitholders' capital			Surplus				
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated surplus	Total surplus		
Reserve for temporary difference adjustments		Total deduction from unitholders' capital						
Balance as of September 1, 2016	91,142,766	-	-	91,142,766	938,409	938,409	92,081,175	92,081,175
Changes in the current fiscal period								
Dividend of surplus					(938,232)	(938,232)	(938,232)	(938,232)
Dividend in excess of earnings using reserve for temporary difference adjustments		(1,660,581)	(1,660,581)	(1,660,581)			(1,660,581)	(1,660,581)
Profit					4,198,931	4,198,931	4,198,931	4,198,931
Total of changes in the current fiscal period	-	(1,660,581)	(1,660,581)	(1,660,581)	3,260,699	3,260,699	1,600,118	1,600,118
Balance as of February 28, 2017	91,142,766	(1,660,581)	(1,660,581)	89,482,185	4,199,108	4,199,108	93,681,293	93,681,293

## (4) Dividend statement

Account	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
I. Unappropriated surplus	938,409 thousand yen	4,199,108 thousand yen
II. Addition of dividend in excess of earnings	1,660,581 thousand yen	- thousand yen
Of which, reserve for temporary difference adjustments	1,660,581 thousand yen	- thousand yen
III. Addition to unitholders' capital	- thousand yen	1,660,581 thousand yen
Of which, reversal of reserve for temporary difference adjustments	- thousand yen	1,660,581 thousand yen
IV. Total	2,598,813 thousand yen	2,538,306 thousand yen
[Dividend per investment unit]	[3,479 yen]	[3,398 yen]
Of which, earnings dividend	938,232 thousand yen	2,538,306 thousand yen
[Of which, earnings dividend per unit]	[1,256 yen]	[3,398 yen]
Of which, dividend in excess of earnings	1,660,581 thousand yen	- thousand yen
[Of which, dividend in excess of earnings per unit [using reserve for temporary difference adjustments] ]	[2,223 yen]	[- yen]
V. Surplus brought forward	177 thousand yen	221 thousand yen

Method for calculating dividends	<p>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 67-15-1 of the Special Taxation Measures Act. Following the above policy, FRC shall decide to distribute 938,232 thousand yen, which is almost the entire amount of unappropriated surplus, as earnings dividends. Moreover, FRC shall decide to provide dividend in excess of earnings as stipulated in Article 38-2 of its Articles of Incorporation, using reserve for temporary difference adjustments totaling 1,660,581 thousand yen, which is the maximum value arrived at when the total number of investment units outstanding (747,000 units) is multiplied by an integer, to the extent not surpassing the amount equivalent to the impairment loss recorded for the fiscal period.</p>	<p>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 67-15-1 of the Special Taxation Measures Act. Following the above policy, FRC shall decide to distribute 2,538,306 thousand yen, which is almost the entire amount obtained by deducting the reversal of reserve for temporary difference adjustments from unappropriated surplus (4,199,108 thousand yen), 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.</p>
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(Note) All amounts except for dividend per investment unit, earnings dividend per unit and dividend in excess of earnings per unit (using reserve for temporary difference adjustments) are rounded down to the nearest thousand yen.

## (5) Cash flows statement

Account	(thousands of yen)	
	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
Net cash provided by (used in) operating activities		
Net income before income taxes	939,641	4,199,809
Depreciation and amortization expenses	1,470,912	1,455,895
Amortization of investment corporation bond issuance expenses	982	982
Amortization of investment unit issuance expenses	5,612	5,612
Impairment loss	1,660,964	-
Interest received	(114)	(40)
Interest expenses	346,365	289,664
Gain on sale of real estate	-	(1,657,588)
Insurance income	(75,052)	-
Loss on disaster	90,646	-
Decrease (increase) in operating accounts receivables	(43,230)	39,693
Increase (decrease) in accrued consumption taxes	(214,372)	132,386
Increase (decrease) in operating accounts payable	(76,677)	3,547
Increase (decrease) in accounts payable-other	(11,623)	11,659
Increase (decrease) in accrued expenses	(3,346)	(6,027)
Increase (decrease) in advances received	66,789	(97,675)
Increase (decrease) in deposits expenses	425,087	(450,682)
Decrease (increase) in prepaid expenses	22,919	9,282
Decrease (increase) in long-term prepaid expenses	83,034	17,379
Others, net	(2,310)	20,251
Subtotal	4,686,229	3,974,151
Interest income received	114	40
Interest expenses paid	(347,154)	(296,961)
Insurance income	-	75,052
Payments for loss on disaster	(1,857)	(65,923)
Income taxes paid	(753)	(1,248)
Net cash provided by (used in) operating activities	4,336,578	3,685,111
Net cash provided by (used in) investment activities		
Proceeds from sale of property, plant and equipment in trust	-	7,862,034
Purchase of property, plant and equipment in trust	(710,811)	(3,250,588)
Proceeds from tenant leasehold and security deposits	87,129	5,208
Repayments of tenant leasehold and security deposits	(46,606)	(8,077)
Proceeds from tenant leasehold and security deposits in trust	124,063	172,380
Repayments of tenant leasehold and security deposits in trust	(225,255)	(482,527)
Purchase of investment securities	-	(103,928)
Proceeds from restricted trust deposits	5,569	29,511
Payments for restricted trust deposits	(6,972)	(4,010)
Net cash provided by (used in) investment activities	(772,883)	4,220,004
Net cash provided by (used in) financial activities		
Proceeds from short-term debt payable	4,000,000	3,000,000
Repayments of short-term debt payable	-	(7,000,000)
Proceeds from long-term debt payable	700,000	3,900,000
Repayments of long-term debt payable	(5,075,000)	(5,175,000)
Dividends paid	(2,668,773)	(2,597,440)
Net cash provided by (used in) financial activities	(3,043,773)	(7,872,440)
Net increase (decrease) in cash and cash equivalents	519,920	32,676
Balance of cash and cash equivalents at beginning of period	8,353,226	8,873,147
Balance of cash and cash equivalents at end of period	8,873,147	8,905,823

## (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 29, 2016).

## (8) Notes to financial statements

FRC omits the disclosure of notes to balance sheet, statement of income, 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)

24th fiscal period (March 1, 2016 to August 31, 2016)		25th fiscal period (September 1, 2016 to February 28, 2017)	
Net assets per investment unit:	123,267 yen	Net assets per investment unit:	125,410 yen
Profit per investment unit:	1,256 yen	Profit per investment unit:	5,621 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	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
Profit (thousands of yen)	938,400	4,198,931
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to common investment units (thousands of yen)	938,400	4,198,931
Average number of investment units during the fiscal period (units)	747,000	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 at Fukuoka Realty Co., Ltd.

No relevant items.

#### 5. Reference Information

(1) Investment situation

(as of February 28, 2017)

Type of asset	Purpose	Location (Note 1)	Total value of properties held (mm of yen) (Note 2)	Percentage of total assets (%) (Note 3)
Real estate in Trust	Retail	Fukuoka urban area	66,011	37.7
		Other Kyushu areas	36,763	21.0
	Office buildings	Fukuoka urban area	43,168	24.7
		Other Kyushu areas	—	—
	Others	Fukuoka urban area	15,907	9.1
		Other Kyushu areas	2,676	1.5
Subtotal			164,527	94.0
Equity interests in silent partnership (Note 4)			104	0.1
Deposits and other assets			10,432	6.0
Total amount of assets (Note 5)			175,063 [164,809]	100.0 [94.1]

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: The equity interests in silent partnership represent FRC’s equity investment in an SPC (Limited Liability Company FRC1) that operates with LOGICITY Hisayama as the investment property.

Note 5: Figures in parentheses for “Total amount of assets” refer to the value and percentage of real estate held in effect to the total amount of assets.

(as of February 28, 2017)

	Value on balance sheet (mm of yen)	Percentage of total amount of assets (%)
Total amount of liabilities	81,382	46.5
Total amount of net assets	93,681	53.5

(2) Investment assets

(i) Primary issues of investment securities

(as of February 28, 2017)

Type	Issue	Book value (mm of yen)	Appraisal value (mm of yen) (Note)	Percentage of total assets (%)
Equity interests in silent partnership	Silent partnership equity interests in Limited Liability Company FRC1	104	100	0.1

Note : The appraisal value indicates the value provided by the operator of the silent partnership, based on the rules stipulated by The Investment Trusts Association, Japan. Limited Liability Company FRC1 manages the trust beneficiary interest in LOGICITY Hisayama.

## (ii) Real estate investment portfolio

No relevant items.

## (iii) Other primary investment assets

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

(as of February 28, 2017)

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	30,572	31,900	18.5	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata・B	28,700	29,135	29,900	16.6	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita (Note 4)	17,760	19,067	19,200	10.3	Japan Real Estate Institute
SunLive City Kokura	6,633	5,816	7,930	3.8	Japan Real Estate Institute
Square Mall Kagoshima Usuki	5,300	4,560	5,330	3.1	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	2,056	2,670	1.4	Japan Real Estate Institute
Hanahata SC	1,130	1,015	1,250	0.7	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	2,500	2,145	2,790	1.4	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	3,550	3,116	3,710	2.1	Tanizawa Sogo Appraisal Co., Ltd.
Marinoa City Fukuoka (Marina Side Building)	5,250	5,287	5,600	3.0	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:	105,223	102,774	110,280	60.8	
Canal City Business Center Building	14,600	13,456	14,900	8.4	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	11,200	9,410	13,600	6.5	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	4,400	3,942	5,300	2.5	Japan Real Estate Institute
Taihaku Street Business Center	7,000	6,277	7,330	4.0	Japan Real Estate Institute
Higashi Hie Business Center	5,900	4,715	6,620	3.4	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	2,600	2,717	2,890	1.5	Japan Real Estate Institute
Tenjin North Front Building	2,800	2,647	3,510	1.6	Japan Real Estate Institute
Office buildings subtotal:	48,500	43,168	54,150	28.0	
Amex Akasakamon Tower	2,060	1,782	1,910	1.2	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	1,111	960	1,080	0.6	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Chihaya	1,280	1,196	1,600	0.7	Japan Real Estate Institute
D-WING TOWER	2,800	2,765	3,380	1.6	Tanizawa Sogo Appraisal Co., Ltd.
Granfore Yakuin Minami	1,100	1,157	1,280	0.6	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	1,530	1,443	1,860	0.9	Japan Real Estate Institute
Tosu Logistics Center	1,250	1,232	1,390	0.7	Japan Real Estate Institute
LOGICITY Minato Kashii	8,150	8,045	8,750	4.7	Tanizawa Sogo Appraisal Co., Ltd.
Others subtotal:	19,281	18,584	21,250	11.1	
Total	173,004	164,527	185,680	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: Park Place Oita includes Sports Club NAS Park Place Oita that FRC acquired on September 1, 2016. The same shall apply hereafter.

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

(as of February 28, 2017)

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 [45]	99.5	46,602.94	46,377.56	1,256	15.6
Canal City Hakata・B	1 [48]	99.8	68,822.21	68,651.39	1,611	20.0
Park Place Oita	1 [101]	98.4	113,593.79	111,739.81	1,186	14.7
SunLive City Kokura	1	100.0	61,450.22	61,450.22	292	3.6
Square Mall Kagoshima Usuki	12	100.0	14,602.88	14,602.88	252	3.1
Kumamoto Intercommunity SC	2	100.0	6,968.66	6,968.66	88	1.1
AEON Hara Shopping Center (Note 6)	-	-	-	-	34	0.4
Hanahata SC	2	100.0	2,801.15	2,801.15	40	0.5
Kurume Higashi Kushiwara SC	1	100.0	6,467.80	6,467.80	88	1.1
K's Denki Kagoshima	1	100.0	7,296.17	7,296.17	111	1.4
Marinoa City Fukuoka (Marina Side Building)	1	100.0	33,069.82	33,069.82	177	2.2
Retail subtotal:	23 [214] (Note 2)	99.4	361,675.64	359,425.46	5,138	63.7
Canal City Business Center Building	1 [61]	100.0	23,031.09	23,031.09	631	7.8
Gofukumachi Business Center	35	100.0	19,905.34	19,905.34	531	6.6
Sanix Hakata Building	16	100.0	6,293.75	6,293.75	196	2.4
Taihaku Street Business Center	1 [67]	98.5	14,677.27	14,463.62	298	3.7
Higashi Hie Business Center	1 [25]	100.0	13,614.59	13,614.59	329	4.1
Tenjin Nishi-Dori Center Building	1	100.0	3,339.32	3,339.32	86	1.1
Tenjin North Front Building	11	100.0	5,252.41	5,252.41	135	1.7
Office buildings subtotal:	66 [216] (Note 2)	99.8	86,113.77	85,900.12	2,210	27.4
Amex Akasakamon Tower	1 [67]	100.0	4,821.25	4,821.25	67	0.8
City House Keyaki Dori	1 [40]	95.5	2,710.86	2,589.26	37	0.5
Aqualia Kego (Note 7)	-	-	-	-	55	0.7
Aqualia Chihaya	1 [103]	98.2	5,619.69	5,520.03	58	0.7
D-WING TOWER	1 [133]	97.0	7,187.59	6,970.41	113	1.4
Granfore Yakuin Minami	1 [94]	94.9	2,496.06	2,368.32	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	Undisclosed (Note 8)	Undisclosed (Note 8)
LOGICITY Minato Kashii	2	100.0	43,233.72	43,233.72	Undisclosed (Note 8)	Undisclosed (Note 8)
Others subtotal:	9 [441] (Note 2)	99.3	76,027.90	75,461.72	723	9.0
Total	98 [871] (Note 2)	99.4	523,817.31	520,787.30	8,072	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 55 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" is 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: FRC disposed the property on September 30, 2016.

Note 7: FRC disposed the property on November 29, 2016.

Note 8: 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 29, 2016).