

EARNINGS BRIEFING FOR THE PERIOD ENDED AUGUST 2017

Name of issuer: 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

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Expected date for submitting securities report: November 28, 2017
 Expected commencement date of dividend payments: November 17, 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 August 2017
 (March 1, 2017 to August 31, 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 August 2017	8,122	(16.5)	2,920	(36.3)	2,562	(39.0)	2,556	(39.1)
Period ended February 2017	9,730	18.2	4,585	49.4	4,199	60.5	4,198	347.5

	Profit per unit	Return on net assets	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
Period ended August 2017	3,422 yen	2.7%	1.5%	31.5%
Period ended February 2017	5,621 yen	4.5%	2.4%	43.2%

(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 August 2017	3,422 yen	2,556 mm yen	0 yen	0 mm yen	3,422 yen	2,556 mm yen	100.0%	2.7%
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%

(Note) 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 stood at 100.0%.

(3) Financial condition

	Total assets	Net assets	Ratio of net assets to total assets	Net assets per unit
Period ended August 2017	178,063 mm yen	93,699 mm yen	52.6%	125,434 yen
Period ended February 2017	175,063 mm yen	93,681 mm yen	53.5%	125,410 yen

(4) Cash flows condition

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents at end of period
Period ended August 2017	3,590 mm yen	(6,029) mm yen	667 mm yen	7,134 mm yen
Period ended February 2017	3,685 mm yen	4,220 mm yen	(7,872) mm yen	8,905 mm yen

2. Forecast of performance for the period ending February 2018 (September 1, 2017 to February 28, 2018) and the period ending August 2018 (March 1, 2018 to August 31, 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 ended August 2017	8,134	0.2	2,939	0.7	2,593	1.2	2,592	1.4	3,470 yen	0 yen
Period ended February 2017	8,110	(0.3)	2,950	0.4	2,593	0.0	2,592	0.0	3,470 yen	0 yen

(Reference) Forecast profit per unit: Period ending February 2018 3,470 yen
Forecast profit per unit: Period ending August 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):
 - As of August 2017 747,000 units
 - As of February 2017 747,000 units
 - (ii) Treasury investment units at end of period:
 - As of August 2017 0 unit
 - As of February 2017 0 unit

Note: Regarding the number of investment units, a basis for calculating profit per unit, please refer to "Per unit information," on page 12.

* 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 February 2018 (September 1, 2017 to February 28, 2018) and the period ending August 2018 (March 1, 2018 to August 31, 2018)" on page 5.

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 May 30, 2017).

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 30, 2017).

(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 (August 31, 2017), FRC manages a total of 26 properties comprising 10 Retail, 7 Office buildings and 9 Others.

(b) Investment environment and portfolio performance

During the fiscal period under review (the 26th fiscal period), the Japanese economy remained on course for a modest recovery. 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 expanding moderately, although variations are seen according to regions in the area and business types. With regard to the outlook, the area is expected to see strong overseas demand and solid domestic demand, including rehabilitation from the Kumamoto Earthquake, continue going forward.

As for land price trends, the pace of decrease in combined national average for residential and commercial land over the past year from July 2016 has decelerated, according to the 2017 Land Price Survey. By land type, residential land price continued to show a decelerating pace of decrease and commercial land price turned to an increase from the level-off seen last year. In Fukuoka City, the central area of FRC’s investment targets, land prices continued rising for five consecutive years, up 9.6% year-on-year for commercial land and up 3.3% year-on-year for residential land, marking higher rates of increase than last year.

Under such circumstances in the 26th fiscal period, FRC acquired LOGICITY Hisayama on June 1, 2017. 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 99.8% at the end of the 26th fiscal period. When analyzing FRC’s portfolio (on an acquisition price basis) by investment target area, the investment ratio in the Fukuoka urban area accounted for 77.0%; when analyzing by property type, Retail, Office buildings, and Others accounted for 59.1%, 27.2% and 13.7%, respectively.

(c) Summary of fundraising

In the 26th fiscal period, FRC borrowed funds to acquire the above-mentioned property and conducted refinancing. As a result, the balance of interest-bearing debt outstanding (including investment corporation bonds) at the end of the 26th fiscal period totaled 69,900 mm yen, with the loan-to-value ratio (ratio of interest-bearing debt (including investment corporation bonds) to total assets) at 39.3% and the ratio of fixed-interest rate debt (including investment corporation bonds) at 79.8% as of the same date. In the fiscal period under review, FRC also issued the Second Series of Unsecured Bonds with a maturity of 15 years, in order to disperse the debt repayment dates and increase the average length of time until debt maturity. Going forward, FRC will continue its endeavors for dispersion of debt repayment dates and extension of debt duration in a similar manner, in an effort to reduce refinancing risks. At the same time, FRC will work 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
S&P Global Rating Japan Inc. (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

(d) Summary of performance and dividend

As a result of these management efforts, operating revenues totaled 8,122 mm yen and operating income after excluding operating expenses such as expenses related to leasing business and asset management fees totaled 2,920 mm yen. Ordinary income was 2,562mm yen and net income amounted to 2,556 mm yen. Management decided to make a dividend of 3,422 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]). Under this law, an investment corporation is allowed to deduct the maximum amount of dividends paid to investors from its taxable income.

Furthermore, the Appropriation of balance related to amended return in the statement of income refers to the payment amount of taxes that accrued in accordance with revised tax returns of income taxes, and shall be borne by the asset management company based on the asset management agreement. This has no impact on the dividend FRC pays for the 26th fiscal period.

(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 2018 (September 1, 2017 to February 28, 2018) and the period ending August 2018 (March 1, 2018 to August 31, 2018). Concerning preconditions for the forecast, please refer to “Preconditions for the performance forecast for the period ending February 2018 (September 1, 2017 to February 28, 2018) and the period ending August 2018 (March 1, 2018 to August 31, 2018)” on page 5.

Period ending February 2018

Operating revenues	8,134 mm yen
Operating income	2,939 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

Period ending August 2018

Operating revenues	8,110 mm yen
Operating income	2,950 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 February 2018 (September 1, 2017 to February 28, 2018) and the period ending August 2018 (March 1, 2018 to August 31, 2018)

Item	Preconditions
Calculation period	27th fiscal period: September 1, 2017 to February 28, 2018 (181 days) 28th fiscal period: March 1, 2018 to August 31, 2018 (184 days)
Assets under management	<ul style="list-style-type: none"> It is assumed that FRC will own 26 properties as it did as of August 31, 2017. In practice, the number 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, 2018.
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 2018 (February 28, 2018) is expected to total 68,900 mm yen, a decrease of 1,000 mm yen from the end of the current period (August 31, 2017). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 38.7% (as of August 31, 2017, the loan-to-value ratio stands at 39.3%). The balance of interest-bearing debt outstanding at the end of the period ending August 2018 (August 31, 2018) is expected to total 68,900 mm yen, same as the end of the period ending February 2018 (February 28, 2018). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 38.7%.
Operating revenues	<ul style="list-style-type: none"> Of leasing revenues – real estate, revenues from properties FRC has already acquired are calculated based on tenancy agreements that are valid as of October 12, 2017 by taking into account the competitiveness of the properties and the market environment. 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. 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.
Operating expenses	<ul style="list-style-type: none"> 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. FRC writes off estimated repair costs for buildings for the calculation periods (the periods ending February 2018 and August 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. Concerning outsourcing expenses, FRC anticipates 1,584 mm yen for the period ending February 2018 and 1,584 mm yen for the period ending August 2018. Concerning taxes and other public charges, FRC anticipates 644 mm yen for the period ending February 2018 and 648 mm yen for the period ending August 2018. Concerning depreciation and amortization expenses, FRC anticipates 1,502 mm yen for the period ending February 2018 and 1,517 mm yen for the period ending August 2018.
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 340 mm yen for the period ending February 2018 and 356 mm yen for the period ending August 2018.
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 30, 2017).

3. Financial Statements

(1) Balance sheet

(thousands of yen)

Account	25 th fiscal period (as of February 28, 2017)		26 th fiscal period (as of August 31, 2017)	
Assets				
Current assets				
Cash and deposits		4,434,396		2,253,209
Cash and deposits in trust		4,513,353		4,926,483
Operating accounts receivable		376,449		431,417
Prepaid expenses		251,873		248,026
Consumption taxes receivable		-		258,416
Deferred tax assets		9		-
Others		3,836		13,219
Total current assets		9,579,918		8,130,772
Non-current assets				
Property, plant and equipment				
Buildings in trust	84,307,621		87,978,370	
Accumulated depreciation	(23,045,241)	61,262,379	(24,412,671)	63,565,699
Structures in trust	1,473,234		1,579,329	
Accumulated depreciation	(601,047)	872,187	(635,047)	944,282
Machinery and equipment in trust	1,008,869		1,264,341	
Accumulated depreciation	(308,501)	700,368	(344,218)	920,123
Vehicles and transport equipment in trust	747		747	
Accumulated depreciation	(342)	405	(389)	357
Tools and fixtures in trust	1,280,623		1,297,196	
Accumulated depreciation	(1,005,845)	274,777	(1,026,204)	270,991
Lands in trust		99,631,188		101,545,140
Construction in progress in trust		178,535		21,825
Total property, plant and equipment		162,919,841		167,268,420
Intangible assets				
Leasehold right in trust		1,765,318		1,765,318
Other intangible assets in trust		20,605		19,551
Total intangible assets		1,785,924		1,784,869
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		528,547		720,744
Total investment and other assets		752,626		840,744
Total non-current assets		165,458,391		169,894,034
Deferred assets				
Investment corporation bond issuance expenses		13,427		32,259
Investment unit issuance expenses		12,159		6,547
Total deferred assets		25,587		38,806
Total assets		175,063,897		178,063,613

Account	(thousands of yen)	
	25 th fiscal period (as of February 28, 2017)	26 th fiscal period (as of August 31, 2017)
Liabilities		
Current liabilities		
Operating accounts payable	595,539	387,054
Short-term debt	-	1,500,000
Current maturities of long-term debt	23,875,000	10,200,000
Accounts payable-other	24,687	21,833
Accrued expenses	335,540	327,884
Income taxes payable	854	666
Accrued consumption taxes	239,564	-
Advances received	973,313	997,414
Deposits received	752,271	1,054,757
Total current liabilities	26,796,772	14,489,611
Non-current liabilities		
Investment corporation bonds	2,000,000	4,000,000
Long-term debt payable	40,800,000	54,200,000
Tenant leasehold and security deposits	368,897	368,837
Tenant leasehold and security deposits received in trust	11,416,934	11,305,882
Total non-current liabilities	54,585,831	69,874,720
Total liabilities	81,382,604	84,364,331
Net assets		
Unitholders' equity		
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	89,482,185	91,142,766
Surplus		
Unappropriated surplus	4,199,108	2,556,515
Total surplus	4,199,108	2,556,515
Total unitholders' equity	93,681,293	93,699,282
Total net assets	93,681,293	93,699,282
Total liabilities and net assets	175,063,897	178,063,613

(2) Statement of income

(thousands of yen)

Account	25 th fiscal period (September 1, 2016 to February 28, 2017)		26 th fiscal period (March 1, 2017 to August 31, 2017)	
Operating revenues				
Leasing revenues – real estate	7,603,068			7,605,973
Other leasing revenues – real estate	469,211			511,797
Gain on sale of real estate	1,657,588			-
Dividends income	974	9,730,842	4,873	8,122,643
Operating expenses				
Expenses related to leasing business	4,517,495		4,593,665	
Asset management fees	476,894		479,496	
Asset custody fees	6,676		6,618	
Administrative service fees	51,646		51,583	
Director's compensations	9,600		9,600	
Other operating expenses	83,042	5,145,355	61,643	5,202,607
Operating income		4,585,487		2,920,036
Non-operating revenues				
Interest received	40		35	
Appropriation of balance related to amended return	-		7,833	
Others	946	987	672	8,541
Non-operating expenses				
Interest expenses	276,464		253,565	
Interest expenses on investment corporation bonds	13,200		14,866	
Amortization of investment corporation bond issuance expenses	982		1,093	
Amortization of investment unit issuance expenses	5,612		5,612	
Financing related expenses	90,391		87,187	
Others	15	386,664	4,093	366,418
Ordinary income		4,199,809		2,562,159
Net income before income taxes		4,199,809		2,562,159
Income taxes-current	860		666	
Income taxes based on amended return	-		5,189	
Income taxes-deferred	17	878	9	5,864
Profit		4,198,931		2,556,294
Surplus brought forward		177		221
Unappropriated surplus		4,199,108		2,556,515

(3) Statement of changes in net assets

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

(thousands of yen)

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

26th fiscal period (March 1, 2017 to August 31, 2017)

(thousands of yen)

Item	Unitholders' Equity							Total net assets
	Unitholders' capital				Surplus		Total unitholders' equity	
	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 March 1, 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
Changes in the current fiscal period								
Dividend of surplus					(2,538,306)	(2,538,306)	(2,538,306)	(2,538,306)
Reversal of reverse for temporary difference adjustment		1,660,581	1,660,581	1,660,581	(1,660,581)	(1,660,581)	-	-
Profit					2,556,294	2,556,294	2,556,294	2,556,294
Total of changes in the current fiscal period	-	1,660,581	1,660,581	1,660,581	(1,642,592)	(1,642,592)	17,988	17,988
Balance as of August 31, 2017	91,142,766	-	-	91,142,766	2,556,515	2,556,515	93,699,282	93,699,282

(4) Dividend statement

Account	25 th fiscal period (September 1, 2016 to February 28, 2017)	26 th fiscal period (March 1, 2017 to August 31, 2017)
I. Unappropriated surplus	4,199,108 thousand yen	2,556,515 thousand yen
II. Addition to unitholders' capital	1,660,581 thousand yen	- thousand yen
Of which, reversal of reserve for temporary difference adjustments	1,660,581 thousand yen	- thousand yen
III. Total	2,538,306 thousand yen	2,556,234 thousand yen
[Dividend per investment unit]	[3,398 yen]	[3,422 yen]
IV. Surplus brought forward	221 thousand yen	281 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 67-15-1 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.	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 2,556,234 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) Amounts other than the amounts of dividend per investment units are rounded off to the nearest thousand yen.

(5) Cash flows statement

(thousands of yen)

Account	25 th fiscal period (September 1, 2016 to February 28, 2017)	26 th fiscal period (March 1, 2017 to August 31, 2017)
Net cash provided by (used in) operating activities		
Net income before income taxes	4,199,809	2,562,159
Depreciation and amortization expenses	1,455,895	1,474,387
Amortization of investment corporation bond issuance expenses	982	1,093
Amortization of investment unit issuance expenses	5,612	5,612
Interest received	(40)	(35)
Interest expenses	289,664	268,432
Gain on sale of real estate	(1,657,588)	-
Decrease (increase) in operating accounts receivables	39,693	(54,967)
Decrease (increase) in consumption taxes refund receivable	-	(258,416)
Increase (decrease) in accrued consumption taxes	132,386	(239,564)
Increase (decrease) in operating accounts payable	3,547	(15,854)
Increase (decrease) in accounts payable-other	11,659	(3,248)
Increase (decrease) in accrued expenses	(6,027)	1,124
Increase (decrease) in advances received	(97,675)	24,101
Increase (decrease) in deposits expenses	(450,682)	302,485
Decrease (increase) in prepaid expenses	9,282	3,846
Decrease (increase) in long-term prepaid expenses	17,379	(192,196)
Others, net	20,251	(4,514)
Subtotal	3,974,151	3,874,444
Interest income received	40	35
Interest expenses paid	(296,961)	(277,213)
Insurance income	75,052	-
Payments for loss on disaster	(65,923)	-
Income taxes paid	(1,248)	(6,604)
Net cash provided by (used in) operating activities	3,685,111	3,590,662
Net cash provided by (used in) investment activities		
Proceeds from sales of property, plant and equipment in trust	7,862,034	-
Purchase of property, plant and equipment in trust	(3,250,588)	(5,995,095)
Purchase of intangible assets in trust	-	(20,197)
Proceeds from tenant leasehold and security deposits	5,208	-
Repayments of tenant leasehold and security deposits	(8,077)	(60)
Proceeds from tenant leasehold and security deposits in trust	172,380	144,468
Repayments of tenant leasehold and security deposits in trust	(482,527)	(255,520)
Proceeds from redemption of investment securities	-	100,000
Purchase of investment securities	(103,928)	(150)
Proceeds from restricted trust deposits	29,511	3,819
Payments for restricted trust deposits	(4,010)	(7,078)
Net cash provided by (used in) investment activities	4,220,004	(6,029,813)
Net cash provided by (used in) financial activities		
Proceeds from short-term debt	3,000,000	14,500,000
Repayments of short-term debt	(7,000,000)	(13,000,000)
Proceeds from long-term debt	3,900,000	15,000,000
Repayments of long-term debt	(5,175,000)	(15,275,000)
Proceeds from issuance of investment corporation bonds	-	2,000,000
Payments of investment corporation bond issuance expenses	-	(19,924)
Dividends paid	(2,597,440)	(2,537,240)
Net cash provided by (used in) financial activities	(7,872,440)	667,834
Net increase (decrease) in cash and cash equivalents	32,676	(1,771,317)
Balance of cash and cash equivalents at beginning of period	8,873,147	8,905,823
Balance of cash and cash equivalents at end of period	8,905,823	7,134,506

(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 30, 2017).

(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)

25 th fiscal period (September 1, 2016 to February 28, 2017)	26 th fiscal period (March 1, 2017 to August 31, 2017)
Net assets per investment unit: 125,410 yen	Net assets per investment unit: 125,434 yen
Profit per investment unit: 5,621 yen	Profit per investment unit: 3,422 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	25 th fiscal period (September 1, 2016 to February 28, 2017)	26 th fiscal period (March 1, 2017 to August 31, 2017)
Profit (thousands of yen)	4,198,931	2,556,294
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to common investment units (thousands of yen)	4,198,931	2,556,294
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.

Hidenori Hara resigned from the post of Senior Managing Director (as of May 31, 2017).

Masaru Ito resigned from the post of Director (as of June 23, 2017).

Akira Eguchi was newly appointed as Executive Managing Director (as of June 23, 2017).

Hidenori Hara was newly appointed as Director (as of June 23, 2017).

Officers of FRC as of October 12, 2017 are listed below.

(as of October 12, 2017)

Title	Name	Career Summary		Number of units owned
CEO & Representative Director	Etsuo Matsuyuki	April 1980	Joined Japan Development Bank (currently Development Bank of Japan)	0
		June 2004	Appointed as Manager, Human Resources Division	
		April 2005	Appointed as General Manager, Management Division	
		July 2006	Seconded to Fukuoka Jisho Co., Ltd. Appointed as Deputy General Manager, Development Business Group	
		July 2009	Joined Fukuoka Jisho Co., Ltd. Appointed as Executive Officer and Deputy General Manager, Development Business Group and General Manager, Building Division	
		August 2010	Appointed as Executive Officer and General Manager, Accounting & Finance Division and in charge of General Affairs Division and Finance Division	
		June 2011	Appointed as Senior Managing Director and General Manager, Planning Dept., Fukuoka Realty Co., Ltd.	
		January 2012	Appointed as Senior Executive Officer, Fukuoka Jisho Co., Ltd.	
		June 2012	Appointed as CEO & Representative Director, Fukuoka Realty Co., Ltd. (current position)	
		May 2014	Appointed as CEO & Representative Director, Fukuoka REIT Corporation (current position)	
Executive Managing Director	Akira Eguchi	April 1982	Joined Okumura Corporation	0
		March 1989	Joined Fukuoka Jisho Co., Ltd. Assigned to Housing Business Division	
		July 2002	Appointed as Assistant General Manager, Construction Division	
		October 2005	Appointed as General Manager, Construction Division	
		August 2010	Appointed as Executive Officer in charge of Construction Division	
		June 2012	Appointed Senior Executive Officer in charge of Construction Division	
		June 2017	Joined Fukuoka Realty Co., Ltd. Appointed as General Manager of Planning Dept.	
		June 2017	Appointed as Executive Managing Director and General Manager, Planning Dept., Fukuoka Realty Co., Ltd. (current position)	
Director	Hiroshi Shimuta	October 2000	Registered as attorney in law	0
		December 2003	Appointed as Auditor, Fukuoka Realty Co., Ltd.	
		April 2004	Appointed as Head of Compliance Office	
		April 2005	Appointed as General Manager of Compliance Dept.	
		June 2007	Joined Nishimura Tokiwa Law Office (currently, Nishimura Asahi Law Office)	
		June 2007	Appointed as Director, Fukuoka Realty Co., Ltd. (current position)	
		September 2013	Appointed as General Manager, Fukuoka Jisho Co., Ltd. Legal Division	
		August 2017	Appointed as Vice President Board of Directors and General Manager of Legal Division Fukuoka	

		Jisho Co., Ltd. (current position)		
Director	Tomoyuki Aramaki	April 1975 July 1997 July 2004 June 2007 June 2009 July 2010 June 2012 June 2015 June 2016 April 2017	Joined Kyushu Electric Power Co., Inc. Appointed as Manager of Personnel Dept., Personnel Division Appointed as General Manager, Personnel and Labor Division Appointed as Representative Director and President, Kyushu Sougou Service Co., Ltd. Appointed as Managing Executive Officer, Kyushu Electric Power Co., Inc. Appointed as Managing Executive Officer, General Manager of Business Promotion Division and General Manager of Human Resources Vitalization Group Appointed as Board Director and Senior Managing Executive Officer, General Manager of Human Resources Vitalization Group and General Manager of President Office Appointed as Executive Vice President in charge of matters related to President Office and CSR, and as Crisis Manager Appointed as Director, Fukuoka Realty Co., Ltd. (current position) Appointed as Executive Vice President in charge of matters related to President Office and Crisis Manager, Kyushu Electric Power Co., Inc. (current position)	0
Director	Hidenori Hara	April 1985 June 1990 August 2005 August 2009 June 2012 June 2014 September 2014 September 2014 February 2015 June 2017 June 2017	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 Seconded to Fukuoka Realty Co., Ltd. Appointed as Senior Managing Director Appointed as Senior Managing Director and General Manager of Planning Department Appointed as Senior Executive Officer in charge of Retail Business Group and Housing Business Division (current position) Appointed as Director, Fukuoka Realty Co., Ltd. (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, 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	66,213	37.2
		Other Kyushu areas	36,487	20.5
	Office buildings	Fukuoka urban area	42,798	24.0
		Other Kyushu areas	—	—
	Others	Fukuoka urban area	20,876	11.7
		Other Kyushu areas	2,654	1.5
	Subtotal			169,031
Deposits and other assets			9,032	5.1
Total amount of assets (Note 4)			178,063 (169,053)	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, 2017)

	Value on balance sheet (mm of yen)	Percentage of total amount of assets (%)
Total amount of liabilities	84,364	47.4
Total amount of net assets	93,699	52.6

(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, 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	30,518	31,900	18.0	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata・B	28,700	29,213	29,900	16.1	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	17,760	18,932	19,100	10.0	Japan Real Estate Institute
SunLive City Kokura	6,633	5,770	7,930	3.7	Japan Real Estate Institute
Square Mall Kagoshima Usuki	5,300	4,521	5,420	3.0	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	2,042	2,720	1.3	Japan Real Estate Institute
Hanahata SC	1,130	1,008	1,250	0.6	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	2,500	2,127	2,790	1.4	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	3,550	3,091	3,710	2.0	Tanizawa Sogo Appraisal Co., Ltd.
Marinoa City Fukuoka (Marina Side Building)	5,250	5,473	5,940	2.9	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:	105,223	102,701	110,660	59.1	
Canal City Business Center Building	14,600	13,395	14,900	8.2	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	11,200	9,313	13,400	6.3	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	4,400	3,906	5,430	2.5	Japan Real Estate Institute
Taihaku Street Business Center	7,000	6,219	7,590	3.9	Japan Real Estate Institute
Higashi Hie Business Center	5,900	4,637	6,710	3.3	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	2,600	2,709	2,970	1.5	Japan Real Estate Institute
Tenjin North Front Building	2,800	2,617	3,580	1.6	Japan Real Estate Institute
Office buildings subtotal:	48,500	42,798	54,580	27.2	
Amex Akasakamon Tower	2,060	1,765	1,940	1.2	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	1,111	950	1,090	0.6	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Chihaya	1,280	1,190	1,630	0.7	Japan Real Estate Institute
D-Wing Tower	2,800	2,749	3,420	1.6	Tanizawa Sogo Appraisal Co., Ltd.
Granfore Yakuin Minami	1,100	1,149	1,290	0.6	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	1,530	1,431	1,860	0.9	Japan Real Estate Institute
Tosu Logistics Center	1,250	1,223	1,420	0.7	Japan Real Estate Institute
LOGICITY Minato Kashii	8,150	8,008	8,800	4.6	Tanizawa Sogo Appraisal Co., Ltd.
LOGICITY Hisayama	5,050	5,062	5,220	2.8	Tanizawa Sogo Appraisal Co., Ltd.
Others subtotal:	24,331	23,531	26,670	13.7	
Total	178,054	169,031	191,910	100.0	

Note 1: "Acquisition value" refers to the amount (purchasing prices shown on the purchasing contracts) not including expenses for the acquisition of relevant properties (agency fees and taxes and other public charges).

Note 2: "Period-end appraisal value" refers to the evaluation value based on appraisals by a real estate appraiser in conformity with the method and standards for asset evaluation stipulated in FRC's Articles of Incorporation and rules stipulated by the Investment Trusts Association, Japan.

Note 3: "Investment ratio" is obtained by dividing each property's acquisition value by the total acquisition value. The total of individual percentages in the above table may not equal 100%, since the figures are rounded off to one decimal place.

(b) Summary of the real estate leasing business

(as of August 31, 2017)

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 [49]	100.0	46,602.94	46,602.94	1,250	15.4
Canal City Hakata・B	1 [50]	100.0	68,820.27	68,820.27	1,598	19.7
Park Place Oita	1 [107]	100.0	113,837.73	113,837.73	1,228	15.1
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	257	3.2
Kumamoto Intercommunity SC	2	100.0	6,968.66	6,968.66	89	1.1
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 [226] (Note 2)	100.0	361,917.64	361,917.64	5,134	63.3
Canal City Business Center Building	1 [61]	100.0	23,031.09	23,031.09	639	7.9
Gofukumachi Business Center	35	100.0	19,905.34	19,905.34	540	6.7
Sanix Hakata Building	16	100.0	6,293.75	6,293.75	199	2.5
Taihaku Street Business Center	1 [68]	98.8	14,677.27	14,499.25	299	3.7
Higashi Hie Business Center	1 [25]	100.0	13,614.59	13,614.59	334	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	139	1.7
Office buildings subtotal:	66 [217] (Note 2)	99.8	86,113.77	85,935.75	2,239	27.6
Amex Akasakamon Tower	1 [60]	91.1	4,821.25	4,391.95	65	0.8
City House Keyaki Dori	1 [39]	92.2	2,710.86	2,500.14	36	0.5
Aqualia Chihaya	1 [103]	98.2	5,619.69	5,519.95	59	0.7
D-Wing Tower	1 [136]	99.4	7,187.59	7,144.29	113	1.4
Granfore Yakuin Minami	1 [91]	91.9	2,496.06	2,293.60	37	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 6)	Undisclosed (Note 6)
LOGICITY Minato Kashii	2	100.0	43,233.72	43,233.72	Undisclosed (Note 6)	Undisclosed (Note 6)
LOGICITY Hisayama	1	100.0	24,505.65	24,505.65	Undisclosed (Note 6)	Undisclosed (Note 6)
Others subtotal:	10 [434] (Note 2)	99.0	100,533.55	99,548.03	743	9.2
Total	99 [877] (Note 2)	99.8	548,564.96	547,401.42	8,117	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" 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: 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 30, 2017).