

**EARNINGS BRIEFING FOR THE PERIOD ENDED AUGUST 2019**

**Name of issuer:** Fukuoka REIT Corporation (FRC)  
**Code number:** 8968  
**URL:** <https://www.fukuoka-reit.jp/eng/>  
**Stock listings:** Tokyo Stock Exchange, and Fukuoka Stock Exchange

**Representative:** Etsuo Matsuyuki CEO & Representative Director

**Asset manager:** Fukuoka Realty Co., Ltd.  
**Representative:** Etsuo Matsuyuki CEO & Representative Director  
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Expected date for submitting securities report: November 28, 2019  
 Expected commencement date of dividend payments: November 18, 2019  
 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 2019 (March 1, 2019 to August 31, 2019)

**(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 2019	9,231	(0.1)	3,318	0.4	2,939	0.1	2,939	0.1
Period ended February 2019	9,242	0.7	3,306	2.1	2,935	2.6	2,934	2.6

	Profit per unit	Return on net assets	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
Period ended August 2019	3,692 yen	2.9%	1.5%	31.8%
Period ended February 2019	3,687 yen	2.9%	1.5%	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 August 2019	3,693 yen	2,939 mm yen	0 yen	0 mm yen	3,693 yen	2,939 mm yen	100.0%	2.9%
Period ended February 2019	3,687 yen	2,934 mm yen	0 yen	0 mm yen	3,687 yen	2,934 mm yen	100.0%	2.9%

**(3) Financial condition**

	Total assets	Net assets	Ratio of net assets to total assets	Net assets per unit
Period ended August 2019	195,106 mm yen	101,878 mm yen	52.2%	127,987 yen
Period ended February 2019	195,433 mm yen	101,874 mm yen	52.1%	127,982 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 2019	4,863 mm yen	(1,043) mm yen	(2,933) mm yen	9,205 mm yen
Period ended February 2019	4,832 mm yen	(3,604) mm yen	(859) mm yen	8,319 mm yen

## 2. Forecast of performance for the period ending February 2020 (September 1, 2019 to February 29, 2020) and the period ending August 2020 (March 1, 2020 to August 31, 2020)

(% 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 February 2020	9,270	0.4	3,281	(1.1)	2,907	(1.1)	2,906	(1.1)	3,650 yen	0 yen
Period ending August 2020	9,350	0.9	3,309	0.8	2,930	0.8	2,929	0.8	3,680 yen	0 yen

(Reference) Forecast profit per unit: Period ending February 2020 3,650 yen  
Forecast profit per unit: Period ending August 2020 3,680 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 2019 796,000 units
    - As of February 2019 796,000 units
  - (ii) Treasury investment units at end of period:
    - As of August 2019 0 unit
    - As of February 2019 0 unit

Note: Regarding the number of investment units, a basis for calculating profit per unit, please refer to "Per unit information," on page 11.

### \* Statement on Implementation Status of Audit Procedure

This Earnings Briefing ("Kessan Tanshin" in Japanese) report is not subject to audit procedures by public accountants or audit corporations.

### \* 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 "1. Management Situation, (2) Forecast for the next fiscal period – Preconditions for the performance forecast for the period ending February 2020 (September 1, 2019 to February 29, 2020) and the period ending August 2020 (March 1, 2020 to August 31, 2020)" on page 3.

## 1. Management Situation

### (1) 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, 2019), FRC manages a total of 29 properties comprising 11 Retail, 8 Office buildings and 10 Others.

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

During the fiscal period under review (the 30th fiscal period), the Japanese economy showed a modest recovery despite weakness lingering recently mainly in exports. Looking ahead, with the employment and income environment continuing to improve, the economy is expected to continue recovering moderately due to various political measures proving effective, among other factors, although weakness will remain for some time.

In the Fukuoka and Kyushu area, the core investment target area for FRC, the economy is expanding moderately. With regard to the outlook, a mild expansion is expected to continue, although attention should be paid to the impact of the uncertainty about overseas economies and the impact of a labor shortage on the supply side, among other factors.

As for land price trends, the national average price in combined average for residential and commercial land increased for the second consecutive year, reinforcing its upward trend, according to the 2019 Land Price Survey. By land type, residential land price continued to show a decelerating pace of decrease and commercial land price rose for the third consecutive year. Meanwhile in Fukuoka City, the central area of FRC's investment targets, land prices continued rising for seven consecutive years, up 12.8% year-on-year for commercial land and up 5.3% year-on-year for residential land, marking higher rates of increase than the last year.

Under such circumstances, FRC continued its efforts to reinforce competitive advantages and customer drawing ability at Canal City Hakata and other major retail properties, and to increase the earning power of office buildings in Fukuoka City through such measures as upward revision of rents, while focusing on maintaining and increasing the occupancy rate of its owned properties. As a result of these endeavors, the average occupancy rate of all properties FRC owns was 99.6% at the end of the 30th fiscal period.

When analyzing FRC's portfolio (on an acquisition price basis) as of the end of the 30th fiscal period by investment target area, the investment ratio in the Fukuoka urban area accounted for 77.2%; when analyzing by property type, Retail, Office buildings, and Others accounted for 59.2%, 26.9% and 13.9%, respectively.

On top of these efforts, FRC is engaged in promoting sustainability through environment, social and governance (ESG) considerations based on its Sustainability Policy. For this purpose, it has established the Sustainability Promotion Committee (comprising President/CEO and general managers, Property Management Department, Investment Department, Finance Department, Planning Department and Compliance Department of the Asset Manager), which investigates specific targets and measures and supervises the progress in implementation of the measures with regard to the internal system, cooperation with related parties outside the company and information disclosure policy, etc. Under this promotion system, FRC has been driving sustainability initiatives, obtaining "Green Star" and "4 Stars" ratings in the GRESB ((Global Real Estate Sustainability Benchmark) Real Estate Assessment since fiscal 2018 and becoming a signatory to the Principles for Responsible Investment (PRI) and the Principles for Financial Action for the 21st Century (PFA21) as of September 2018, among other achievements.

#### (c) Summary of fundraising

As FRC conducted refinancing in the 30th fiscal period, the balance of its interest-bearing debt outstanding (including investment corporation bonds) at the end of the period totaled 77,500 mm yen, with the loan-to-value ratio (ratio of interest-bearing debt (including investment corporation bonds) to total assets) at 39.7% and the ratio of fixed-interest rate debt (ratio of interest-bearing debt with fixed interest rates (including investment corporation bonds) to total interest-bearing debt) at 90.2% as of the same date.

Going forward, FRC will continue its endeavors to reduce refinancing risks by dispersing debt repayment dates and extending debt duration. 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.

Furthermore, FRC became the first corporation among those headquartered in Kyushu to raise funds with green loans in the 30th fiscal period. Going forward, FRC will promote fundraising through green financing in order to promote ESG activities and broaden fundraising means through expansion of the investor base.

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
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 9,231 mm yen and operating income after excluding operating expenses such as expenses related to leasing business and asset management fees totaled 3,318 mm yen. Ordinary income was 2,939 mm yen and profit amounted to 2,939 mm yen. Management decided to make a dividend of 3,693 yen per 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 act, an investment corporation is allowed to deduct the maximum amount of dividends paid to investors from its taxable income.

(2) 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, 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 2020 (September 1, 2019 to February 29, 2020) and the period ending August 2020 (March 1, 2020 to August 31, 2020). Concerning preconditions for the forecast, please refer to “Preconditions for the performance forecast for the period ending February 2020 (September 1, 2019 to February 29, 2020) and the period ending August 2020 (March 1, 2020 to August 31, 2020)” on page 3.

Period ending February 2020

Operating revenues	9,270 mm yen
Operating income	3,281 mm yen
Ordinary income	2,907 mm yen
Profit	2,906 mm yen
Dividend per unit	3,650 yen
Dividend in excess of earnings per unit	0 yen

Period ending August 2020

Operating revenues	9,350 mm yen
Operating income	3,309 mm yen
Ordinary income	2,930 mm yen
Profit	2,929 mm yen
Dividend per unit	3,680 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 2020 (September 1, 2019 to February 29, 2020) and the period ending August 2020 (March 1, 2020 to August 31, 2020)

Item	Preconditions
Calculation period	31st fiscal period: September 1, 2019 to February 29, 2020 (182 days) 32nd fiscal period: March 1, 2020 to August 31, 2020 (184 days)
Assets under management	<ul style="list-style-type: none"> <li>It is assumed that there will be 29 properties FRC owns as of August 31, 2019.</li> <li>In practice, the number 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 August 31, 2020.</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 31st fiscal period (February 29, 2020) is expected to total 77,500 mm yen, the same as that at the end of the 30th fiscal period (August 31, 2019). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 39.3% (as of August 31, 2019, the loan-to-value ratio stands at 39.7%).</li> <li>The balance of interest-bearing debt outstanding at the end of the 32nd fiscal period (August 31, 2020) is expected to total 77,500 mm yen, the same as the end of the 31st fiscal period (February 29, 2020). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 39.3%.</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 October 16, 2019 by taking into account the competitiveness of the properties and the market environment, etc. Of leasing revenues– real estate, revenues from lease contracts with variable rent such as percentage-of-sales rent and percentage-of-GOP rent are calculated based on past results by taking into account such fluctuation factors as sales and GOP 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 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. However, the adjusted amount of the property taxes and city planning taxes to be borne by FRC for the initial year will not be written off since they will be included in the acquisition cost.</li> <li>FRC writes off estimated repair costs expected to be required for buildings for the calculation periods (the 31st and 32nd fiscal periods). 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 1,907 mm yen for the 31st fiscal period and 1,923 mm yen for the 32nd fiscal period.</li> <li>Concerning taxes and other public charges, FRC anticipates 734 mm yen for the 31st fiscal period and 742 mm yen for the 32nd fiscal period.</li> <li>Concerning depreciation and amortization expenses, FRC anticipates 1,662 mm yen for the 31st fiscal period and 1,680 mm yen for the 32nd fiscal period.</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 369 mm yen for the 31st fiscal period and 373 mm yen for the 32nd fiscal period.</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>

## 2. Financial Statements

### (1) Balance sheet

(thousands of yen)

Account	29th fiscal period (as of February 28, 2019)		30th fiscal period (as of August 31, 2019)	
<b>Assets</b>				
<b>Current assets</b>				
Cash and deposits		3,570,388		3,962,695
Cash and deposits in trust		4,796,296		5,290,603
Operating accounts receivable		676,783		704,699
Prepaid expenses		297,375		271,613
Others		4,182		5,090
<b>Total current assets</b>		<b>9,345,026</b>		<b>10,234,701</b>
<b>Non-current assets</b>				
<b>Property, plant and equipment</b>				
Buildings in trust	100,692,867		101,114,666	
Accumulated depreciation	(28,811,313)	71,881,554	(30,359,294)	70,755,371
Structures in trust	1,873,277		1,883,393	
Accumulated depreciation	(729,404)	1,143,873	(758,444)	1,124,948
Machinery and equipment in trust	1,400,813		1,414,614	
Accumulated depreciation	(462,805)	938,007	(505,053)	909,560
Vehicles and transport equipment in trust	747		747	
Accumulated depreciation	(533)	214	(581)	166
Tools and fixtures in trust	1,378,452		1,382,487	
Accumulated depreciation	(1,117,165)	261,286	(1,144,897)	237,589
Lands in trust		104,918,451		104,918,451
Construction in progress in trust		7,088		15,164
<b>Total property, plant and equipment</b>		<b>179,150,475</b>		<b>177,961,252</b>
<b>Intangible assets</b>				
Leasehold right in trust		5,545,883		5,545,883
Other intangible assets in trust		26,654		40,467
<b>Total intangible assets</b>		<b>5,572,537</b>		<b>5,586,351</b>
<b>Investment and other assets</b>				
Deferred tax assets		17		3
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		327,135		327,135
Long-term prepaid expenses		972,221		937,627
<b>Total investment and other assets</b>		<b>1,309,374</b>		<b>1,274,765</b>
<b>Total non-current assets</b>		<b>186,032,387</b>		<b>184,822,369</b>
<b>Deferred assets</b>				
Investment corporation bond issuance expenses		40,449		38,346
Investment unit issuance expenses		15,342		11,506
<b>Total deferred assets</b>		<b>55,791</b>		<b>49,853</b>
<b>Total assets</b>		<b>195,433,205</b>		<b>195,106,924</b>

(thousands of yen)

Account	29th fiscal period (as of February 28, 2019)		30th fiscal period (as of August 31, 2019)	
<b>Liabilities</b>				
<b>Current liabilities</b>				
Operating accounts payable		905,301		428,285
Current maturities of long-term debt		8,400,000		5,700,000
Accounts payable-other		20,908		10,313
Accrued expenses		368,137		371,617
Income taxes payable		1,047		726
Accrued consumption taxes		199,254		261,879
Advances received		1,043,991		1,054,458
Deposits received		1,103,147		1,361,488
<b>Total current liabilities</b>		<b>12,041,787</b>		<b>9,188,769</b>
<b>Non-current liabilities</b>				
Investment corporation bonds		5,000,000		5,000,000
Long-term debt		64,100,000		66,800,000
Tenant leasehold and security deposits		375,482		392,641
Tenant leasehold and security deposits received in trust		12,041,779		11,847,068
<b>Total non-current liabilities</b>		<b>81,517,261</b>		<b>84,039,710</b>
<b>Total liabilities</b>		<b>93,559,049</b>		<b>93,228,480</b>
<b>Net assets</b>				
<b>Unitholders' equity</b>				
Unitholders' capital		98,938,764		98,938,764
<b>Surplus</b>				
Unappropriated surplus		2,935,391		2,939,679
<b>Total surplus</b>		<b>2,935,391</b>		<b>2,939,679</b>
<b>Total unitholders' equity</b>		<b>101,874,156</b>		<b>101,878,444</b>
<b>Total net assets</b>		<b>101,874,156</b>		<b>101,878,444</b>
<b>Total liabilities and net assets</b>		<b>195,433,205</b>		<b>195,106,924</b>

## (2) Statement of income

(thousands of yen)

Account	29th fiscal period (September 1, 2018 to February 28, 2019)		30th fiscal period (March 1, 2019 to August 31, 2019)	
Operating revenues				
Leasing revenues – real estate	*1 8,604,955		*1 8,530,902	
Other leasing revenues – real estate	*1 637,878	9,242,834	*1 700,755	9,231,657
Operating expenses				
Expenses related to leasing business	*1, *2 5,274,003		*1, *2 5,250,066	
Asset management fees	532,061		540,190	
Asset custody fees	7,182		7,388	
Administrative service fees	54,581		55,674	
Director's compensations	9,600		9,600	
Other operating expenses	59,167	5,936,596	50,325	5,913,244
Operating income		3,306,238		3,318,413
Non-operating revenues				
Interest received	39		41	
Others	2,162	2,202	593	634
Non-operating expenses				
Interest expenses	245,801		250,590	
Interest expenses on investment corporation bonds	29,200		29,200	
Amortization of investment corporation bond issuance expenses	2,102		2,102	
Amortization of investment unit issuance expenses	3,835		3,835	
Financing related expenses	91,535		93,396	
Others	37	372,511	37	379,162
Ordinary income		2,935,928		2,939,885
Profit before income taxes		2,935,928		2,939,885
Income taxes-current	1,053		730	
Income taxes-deferred	(2)	1,051	14	745
Profit		2,934,877		2,939,139
Surplus brought forward		514		539
Unappropriated surplus		2,935,391		2,939,679

## (3) Statement of changes in net assets

29th fiscal period (September 1, 2018 to February 28, 2019)

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus		
Balance as of September 1, 2018	98,938,764	2,860,542		101,799,306
Changes in the current fiscal period				
Dividend of surplus		(2,860,028)		(2,860,028)
Profit		2,934,877		2,934,877
Total of changes in the current fiscal period	-	74,849		74,849
Balance as of February 28, 2019	98,938,764	2,935,391		101,874,156

30th fiscal period (March 1, 2019 to August 31, 2019)

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus		
Balance as of March 1, 2019	98,938,764	2,935,391		101,874,156
Changes in the current fiscal period				
Dividend of surplus		(2,934,852)		(2,934,852)
Profit		2,939,139		2,939,139
Total of changes in the current fiscal period	-	4,287		4,287
Balance as of August 31, 2019	98,938,764	2,939,679		101,878,444

## (4) Dividend statement

Account	29th fiscal period (September 1, 2018 to February 28, 2019)	30th fiscal period (March 1, 2019 to August 31, 2019)
I. Unappropriated surplus	2,935,391 thousand yen	2,939,679 thousand yen
II. Total	2,934,852 thousand yen	2,939,628 thousand yen
[Dividend per investment unit]	[3,687 yen]	[3,693 yen]
III. Surplus brought forward	539 thousand yen	51 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 2,934,852 thousand yen, which is almost the entire amount of unappropriated surplus, as earnings dividends. Moreover, dividend in excess of earnings as stipulated in Article 38-2 of FRC's Articles of Incorporation will not be provided.	The amount of dividends shall be decided in accordance with the dividend policy stipulated in Article 38-1-1 of FRC's Articles of Incorporation and must exceed 90% of FRC's distributable profits as stipulated in Article 67-15-1 of the Special Taxation Measures Act. Following the above policy, FRC shall decide to distribute 2,939,628 thousand yen, which is almost the entire amount of unappropriated surplus, as earnings dividends. Moreover, dividend in excess of earnings as stipulated in Article 38-2 of FRC's Articles of Incorporation will not be provided.
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(Note) Amounts other than the amounts of dividend per investment units are rounded down to the nearest thousand yen.

## (5) Cash flows statement

(thousands of yen)

Account	29th fiscal period (September 1, 2018 to February 28, 2019)	30th fiscal period (March 1, 2019 to August 31, 2019)
Net cash provided by (used in) operating activities		
Profit before income taxes	2,935,928	2,939,885
Depreciation and amortization expenses	1,622,792	1,651,902
Amortization of investment corporation bond issuance expenses	2,102	2,102
Amortization of investment unit issuance expenses	3,835	3,835
Interest received	(39)	(41)
Interest expenses	275,001	279,790
Decrease (increase) in operating accounts receivables	(134,143)	(27,916)
Decrease (increase) in consumption taxes refund receivable	598,560	—
Increase (decrease) in accrued consumption taxes	199,254	62,625
Increase (decrease) in operating accounts payable	(10,519)	(88,546)
Increase (decrease) in accounts payable-other	2,530	(10,882)
Increase (decrease) in accrued expenses	5,784	1,276
Increase (decrease) in advances received	(5,858)	10,466
Increase (decrease) in deposits expenses	(224,102)	258,341
Decrease (increase) in prepaid expenses	(43,231)	25,762
Decrease (increase) in long-term prepaid expenses	(121,575)	34,593
Others, net	3,668	(1,501)
Subtotal	5,109,987	5,141,693
Interest income received	39	41
Interest expenses paid	(276,266)	(277,586)
Income taxes paid	(998)	(1,052)
Net cash provided by (used in) operating activities	4,832,761	4,863,095
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment in trust	(3,601,665)	(846,296)
Purchase of intangible assets in trust	(15,881)	(18,665)
Proceeds from tenant leasehold and security deposits	60	28,976
Repayments of tenant leasehold and security deposits	—	(11,817)
Proceeds from tenant leasehold and security deposits in trust	149,480	183,512
Repayments of tenant leasehold and security deposits in trust	(135,190)	(378,222)
Proceeds from restricted trust deposits	5,343	6,544
Payments for restricted trust deposits	(6,268)	(7,094)
Net cash provided by (used in) investment activities	(3,604,122)	(1,043,063)
Net cash provided by (used in) financial activities		
Proceeds from short-term debt	4,800,000	—
Repayments of short-term debt	(4,800,000)	—
Proceeds from long-term debt	2,500,000	3,700,000
Repayments of long-term debt	(500,000)	(3,700,000)
Dividends paid	(2,859,795)	(2,933,970)
Net cash provided by (used in) financial activities	(859,795)	(2,933,970)
Net increase (decrease) in cash and cash equivalents	368,843	886,061
Balance of cash and cash equivalents at beginning of period	7,950,972	8,319,815
Balance of cash and cash equivalents at end of period	8,319,815	9,205,877

## (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 31, 2019).

## (8) Notes to financial statements

FRC omits the disclosure of notes to balance sheet, 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.

## (Notes to statement of income)

## \*1. Breakdown of revenues and expenses related to real estate leasing business

	(thousands of yen)			
	29th fiscal period (September 1, 2018 to February 28, 2019)		30th fiscal period (March 1, 2019 to August 31, 2019)	
A. Real estate leasing business revenues				
Leasing revenues – real estate				
Rents	7,045,595		6,961,827	
Common charges	1,111,443		1,101,386	
Parking revenues	447,916	8,604,955	467,689	8,530,902
Other leasing revenues – real estate				
Incidental income	616,581		664,715	
Other miscellaneous income	21,296	637,878	36,039	700,755
Total real estate leasing business revenues	9,242,834		9,231,657	
B. Expenses related to real estate leasing business				
Expenses related to leasing business				
Outsourcing fees	1,908,842		1,910,909	
Repair and maintenance expenses	221,346		123,202	
Taxes and other public charges	661,774		734,315	
Insurance premiums and trust compensation	55,689		49,910	
Utilities expenses	569,325		550,418	
Depreciation and amortization expenses	1,622,792		1,651,902	
Other expenses related to real estate leasing business	234,232	5,274,003	229,406	5,250,066
Total expenses related to real estate leasing business	5,274,003		5,250,066	
C. Revenues and expenses related to real estate leasing business (A - B)	3,968,831		3,981,591	

## \*2. Transactions with affiliated companies

	(thousands of yen)	
Item	29th fiscal period (September 1, 2018 to February 28, 2019)	30th fiscal period (March 1, 2019 to August 31, 2019)
Expenses related to real estate leasing business	1,493,926	1,395,796

## (Per unit information)

29th fiscal period (September 1, 2018 to February 28, 2019)		30th fiscal period (March 1, 2019 to August 31, 2019)	
Net assets per investment unit:	127,982 yen	Net assets per investment unit:	127,987 yen
Profit per investment unit:	3,687 yen	Profit per investment unit:	3,692 yen

Note 1: Profit per investment unit is calculated by dividing profit by the day-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	29th fiscal period (September 1, 2018 to February 28, 2019)	30th fiscal period (March 1, 2019 to August 31, 2019)
Profit (thousands of yen)	2,934,877	2,939,139
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to common investment units (thousands of yen)	2,934,877	2,939,139
Average number of investment units during the fiscal period (units)	796,000	796,000

## (Significant subsequent events)

No relevant items.

## (9) Change in the number of investment units outstanding

No relevant items.

### 3. Reference Information

#### (1) Information on the prices, etc. of investment assets

##### 1) Investment situation

(as of August 31, 2019)

Type of asset	Use	Location (Note 1)	Total value of properties owned (mm of yen) (Note 2)	Percentage of total assets (%) (Note 3)
Real estate in Trust	Retail	Fukuoka urban area	75,473	38.7
		Other Kyushu areas	36,461	18.7
	Office buildings	Fukuoka urban area	45,654	23.4
		Other Kyushu areas	-	-
	Others	Fukuoka urban area	20,437	10.5
		Other Kyushu areas	5,506	2.8
	Subtotal			183,532
Deposits and other assets			11,574	5.9
Total amount of assets (Note 4)			195,106 [183,547]	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 2015 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 owned" 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 owned in effect to the total amount of assets.

(as of August 31, 2019)

	Value on balance sheet (mm of yen)	Percentage of total amount of assets (%)
Total amount of liabilities	93,228	47.8
Total amount of net assets	101,878	52.2

#### 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, 2019)

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	29,911	32,000	16.3	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata・B	28,700	29,001	30,100	14.6	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	18,620	19,449	19,800	9.5	Japan Real Estate Institute
SunLive City Kokura	6,633	5,582	8,340	3.4	Japan Real Estate Institute
Konoha Mall Hashimoto	10,000	10,129	10,500	5.1	Tanizawa Sogo Appraisal Co., Ltd.
Square Mall Kagoshima Usuki	5,300	4,380	5,630	2.7	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	1,993	2,860	1.2	Japan Real Estate Institute
Hanahata SC	1,130	984	1,250	0.6	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	2,500	2,059	2,790	1.3	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	3,550	2,997	3,710	1.8	Tanizawa Sogo Appraisal Co., Ltd.
Marinoa City Fukuoka (Marina Side Building)	5,250	5,446	6,080	2.7	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:	116,083	111,934	123,060	59.2	
Canal City Business Center Building	14,600	13,132	15,900	7.4	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	11,200	8,935	14,300	5.7	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	4,400	3,805	6,360	2.2	Japan Real Estate Institute
Taihaku Street Business Center	7,000	5,929	8,640	3.6	Japan Real Estate Institute
Higashi Hie Business Center	5,900	4,483	7,650	3.0	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	2,600	2,685	3,170	1.3	Japan Real Estate Institute
Tenjin North Front Building	2,800	2,535	3,990	1.4	Japan Real Estate Institute
Higashi Hie Business Center II	4,230	4,146	4,440	2.2	Tanizawa Sogo Appraisal Co., Ltd.
Office buildings subtotal:	52,730	45,654	64,450	26.9	
Amex Akasakamon Tower	2,060	1,702	1,840	1.1	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	1,111	917	1,140	0.6	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Chihaya	1,280	1,194	1,780	0.7	Japan Real Estate Institute
D-Wing Tower	2,800	2,692	3,570	1.4	Tanizawa Sogo Appraisal Co., Ltd.
Granfore Yakuin Minami	1,100	1,118	1,310	0.6	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	1,530	1,418	1,860	0.8	Japan Real Estate Institute
Tissage Hotel Naha	2,835	2,901	3,020	1.4	Tanizawa Sogo Appraisal Co., Ltd.
Tosu Logistics Center	1,250	1,186	1,430	0.6	Japan Real Estate Institute
LOGICITY Minato Kashii	8,150	7,900	8,900	4.2	Tanizawa Sogo Appraisal Co., Ltd.
LOGICITY Hisayama	5,050	4,911	5,260	2.6	Tanizawa Sogo Appraisal Co., Ltd.
Others subtotal:	27,166	25,943	30,110	13.9	
Total	195,979	183,532	217,620	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, 2019)

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 [51]	100.0	46,604.75	46,604.75	1,247	13.5
Canal City Hakata·B	1 [48]	99.4	68,826.37	68,437.78	1,582	17.1
Park Place Oita	1 [106]	100.0	113,834.19	113,834.19	1,188	12.9
SunLive City Kokura	1	100.0	61,450.22	61,450.22	284	3.1
Konoha Mall Hashimoto	1 [127]	100.0	22,121.03	22,121.03	835	9.0
Square Mall Kagoshima Usuki	12	100.0	14,602.88	14,602.88	257	2.8
Kumamoto Intercommunity SC	2	100.0	6,968.66	6,968.66	90	1.0
Hanahata SC	2	100.0	2,801.15	2,801.15	40	0.4
Kurume Higashi Kushiwara SC	1	100.0	6,467.80	6,467.80	88	1.0
K's Denki Kagoshima	1	100.0	7,296.17	7,296.17	111	1.2
Marinoa City Fukuoka (Marina Side Building)	1	100.0	33,069.82	33,069.82	177	1.9
Retail subtotal:	24 [352] (Note 2)	99.9	384,043.04	383,654.45	5,902	63.9
Canal City Business Center Building	1 [60]	94.4	23,031.44	21,749.32	626	6.8
Gofukumachi Business Center	36	100.0	19,905.34	19,905.34	545	5.9
Sanix Hakata Building	16	100.0	6,293.75	6,293.75	201	2.2
Taihaku Street Business Center	1 [70]	99.6	14,677.30	14,622.25	310	3.4
Higashi Hie Business Center	1 [26]	100.0	13,614.59	13,614.59	345	3.7
Tenjin Nishi-Dori Center Building	1	100.0	3,339.32	3,339.32	86	0.9
Tenjin North Front Building	11	100.0	5,252.41	5,252.41	142	1.5
Higashi Hie Business Center II	2	100.0	6,214.77	6,214.77	166	1.8
Office buildings subtotal:	69 [222] (Note 2)	98.6	92,328.92	90,991.75	2,424	26.3
Amex Akasakamon Tower	1 [66]	98.5	4,821.25	4,748.10	67	0.7
City House Keyaki Dori	1 [39]	92.3	2,710.86	2,502.54	36	0.4
Aqualia Chihaya	1 [105]	100.0	5,619.69	5,619.69	60	0.7
D-Wing Tower	1 [131]	94.0	7,187.59	6,757.13	113	1.2
Granfore Yakuin Minami	1 [99]	100.0	2,496.06	2,496.06	38	0.4
Hotel FORZA Oita	1	100.0	5,785.44	5,785.44	63	0.7
Tissage Hotel Naha	1	100.0	3,758.76	3,758.76	88	1.0
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:	11 [446] (Note 2)	99.3	104,292.31	103,580.38	904	9.8
Total	104 [1,020] (Note 2)	99.6	580,664.27	578,226.58	9,231	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 end tenants comprises 12 offices and 58 residences.

Note 2: The subtotal and total of all the tenants in other than pass-through master leasing properties and the number of sections stipulated in the tenancy agreements with end tenants for pass-through master leasing properties is shown in parentheses in the totals column for "Number of tenants."

Note 3: "Occupancy rate" refers to the percentage of total leased floor space to total leasable floor space and the figures are rounded off to one decimal place.

Note 4: "Total leasing revenues" 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.

## (2) Status of capital expenditures

## 1) Capital expenditures after the end of the 30th fiscal period and planned capital expenditures

The following table provides amounts of major items of capital expenditures associated with renovations, etc. conducted after the end of the 30th fiscal period and of capital expenditures associated with renovations, etc. planned as of October 16, 2019 for real estate properties owned by FRC. The planned construction costs indicated below may be partly classified as expenses. In addition, FRC will implement renewal construction work in order to maintain and improve the competitiveness of properties in the market as well as tenant satisfaction, on top of the construction, facilities and replacement work for which expenditures will be made regularly.

Real estate property name	Location	Purpose	Schedule	Planned construction cost (mm of yen)		
				Total	Construction cost	Amount already paid
Canal City Hakata	Hakata Ward, Fukuoka City	Renovation of external walls	From August 2019 to July 2020	88	—	—
Canal City Hakata・B	Hakata Ward, Fukuoka City	Renovation of external walls	From August 2019 to July 2020	176	—	—
Park Place Oita	Oita City, Oita	Renovation of external walls	From December 2019 to February 2020	72	—	—
Park Place Oita	Oita City, Oita	Renovation of common spaces	From January 2020 to April 2020	155	—	—
Gofukumachi Business Center	Hakata Ward, Fukuoka City	Enhancement of multilevel mechanical parking equipment	From June 2019 to November 2019	55	—	—
Taihaku Street Business Center	Hakata Ward, Fukuoka City	Replacement of air-conditioning units	From January 2020 to March 2020	41	—	—

## 2) Capital expenditures during the 30th fiscal period

Capital expenditures for the real estate properties owned by FRC totaled 476 million yen in the 30th period. Furthermore, FRC incurred construction costs of 607 million yen in total in the period, including 123 million yen in repair and maintenance expenses classified as expenses on the statement of income and 8 million yen in expenses for restoration to former state. The following table provides the overview of major construction work that was completed in the 30th fiscal period.

Real estate property name	Location	Purpose	Period	Construction cost (mm yen)
Canal City Hakata	Hakata Ward, Fukuoka City	Water supply piping for guestrooms	From February 2019 to May 2019	10
Canal City Hakata・B	Hakata Ward, Fukuoka City	Replotting of floor sections	From February 2019 to April 2019	31
Park Place Oita	Oita City, Oita	Replacement of air-conditioning units	From March 2019 to April 2019	56
Park Place Oita	Oita City, Oita	Renovation of external walls	From April 2019 to May 2019	31
Higashi Hie Business Center	Hakata Ward, Fukuoka City	Replacement of outdoor unit compressors	From May 2019 to May 2019	13
Tenjin North Front Building	Chuo Ward, Fukuoka City	Renovation of common spaces	From April 2019 to May 2019	22
LOGICITY Minato Kashii	Higashi Ward, Fukuoka City	Formation of floor sections	From March 2019 to April 2019	34