

EARNINGS BRIEFING FOR THE PERIOD ENDED FEBRUARY 2020

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

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Expected date for submitting securities report: May 29, 2020
 Expected commencement date of dividend payments: May 18, 2020
 Supplementary documents for earnings briefing: Yes
 Analyst meeting (for institutional investors and analysts): Yes

(Figures rounded down to nearest mm yen)

1. Performance and situation of assets for the period ended February 2020 (September 1, 2019 to February 29, 2020)

(1) Performance

(% shows percentage change from previous period)

	Operating revenues		Operating income		Ordinary income		Profit	
	mm of yen	%	mm of yen	%	mm of yen	%	mm of yen	%
Period ended February 2020	9,162	(0.7)	3,273	(1.3)	2,900	(1.4)	2,899	(1.4)
Period ended August 2019	9,231	(0.1)	3,318	0.4	2,939	0.1	2,939	0.1

	Profit per unit	Return on net assets	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
Period ended February 2020	3,642 yen	2.8%	1.5%	31.7%
Period ended August 2019	3,692 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 February 2020	3,642 yen	2,899 mm yen	— yen	— mm yen	3,642 yen	2,899 mm yen	100.0%	2.8%
Period ended August 2019	3,693 yen	2,939 mm yen	— yen	— mm yen	3,693 yen	2,939 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 February 2020	194,795 mm yen	101,837 mm yen	52.3%	127,937 yen
Period ended August 2019	195,106 mm yen	101,878 mm yen	52.2%	127,987 yen

(4) Cash flows condition

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents at end of period
Period ended February 2020	3,985 mm yen	(220) mm yen	(2,938) mm yen	10,032 mm yen
Period ended August 2019	4,863 mm yen	(1,043) mm yen	(2,933) mm yen	9,205 mm yen

2. Forecast of performance for the period ending August 2020 (March 1, 2020 to August 31, 2020) and the period ending February 2021 (September 1, 2020 to February 28, 2021)

(% shows percentage change from previous period)

	Operating revenues		Operating income		Ordinary income		Profit		Dividend per unit (excl. dividend in excess of earnings)	Dividend in excess of earnings per unit
	mm of yen	%	mm of yen	%	mm of yen	%	mm of yen	%		
Period ending August 2020	8,893	(2.9)	2,887	(11.8)	2,509	(13.5)	2,508	(13.5)	3,150 yen	— yen
Period ending February 2021	9,240	3.9	3,288	13.9	2,906	15.8	2,905	15.8	3,650 yen	— yen

(Reference) Forecast profit per unit: Period ending August 2020 3,150 yen
Forecast profit per unit: Period ending February 2021 3,650 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 February 2020 796,000 units
 - As of August 2019 796,000 units
 - (ii) Treasury investment units at end of period:
 - As of February 2020 0 unit
 - As of August 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 August 2020 (March 1, 2020 to August 31, 2020) and the period ending February 2021 (September 1, 2020 to February 28, 2021)" 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 (February 29, 2020), 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 31st fiscal period), the Japanese economy was recovering moderately, but has recently been put in a severe situation, significantly pushed down by the impact of novel corona virus (COVID-19) infection. Looking ahead, the severe situation due to the impact of the COVID-19 infection is expected to continue.

In the Fukuoka and Kyushu area, the core investment target area for FRC, the economy was expanding moderately, but is recently on a somewhat weak note, mainly in terms of consumer spending as well as exports and production, due to the impact of the COVID-19 infection, etc. With regard to the outlook, attention should be paid to the growing impact of the COVID-19 infection as well as the uncertainties over overseas economies and the impact of a labor shortage on the supply side, among other factors.

As for land price trends, according to the 2020 Land Market Value Publication, the average rate of change in the national average increased for the third consecutive year for residential land and increased for the fifth consecutive year for commercial land and for the combined average for all land types. In Fukuoka City, the central area of FRC's investment targets, land prices continued rising for eight consecutive years, up 16.5% year-on-year for commercial land and up 6.8% year-on-year for residential land, marking higher rates of increase.

Under such circumstances, FRC continued its efforts to reinforce competitive advantages and customer drawing ability at Canal City Hakata and other major retail 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 99.7% at the end of the 31st fiscal period. In spite of this, the spread of the COVID-19 infection in Japan and abroad resulted in the number of visitors decreasing at its retail properties and the guestroom occupancy rate falling at its hotels since the second half of February 2020.

When analyzing FRC's portfolio (on an acquisition price basis) as of the end of the 31st 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. On the implementation side, FRC has established the Sustainability Promotion Office under the sustainability officer (general manager of the Planning Department), who is the person responsible for the practical aspects concerning the targets set at the Sustainability Committee, and the Office is engaged in continuous operations related to the GRESB Real Estate Assessment (with Green Star and 4 Star ratings), the Principles for Responsible Investment (PRI) and the Principles for Financial Action for the 21st Century (PFA21) continuing operations and other initiatives.

(c) Summary of fundraising

As FRC conducted refinancing in the 31st 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 39.8% 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 92.4% as of the same date. In addition, with the expiration of the commitment line agreement (credit limit: 7,000 mm yen) with The Nishi-Nippon City Bank, Ltd. serving as the agent, FRC rearranged the commitment line agreement by extending the commitment period to three years.

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.

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 9,162 mm yen and operating income after excluding operating expenses such as expenses related to leasing business and asset management fees totaled 3,273 mm yen. Ordinary income was 2,900 mm yen and profit amounted to 2,899 mm yen. Management decided to make a dividend of 3,642 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 revises the forecast of performance and dividend per unit for the period ending August 2020 as follows:

	Operating revenues	Operating income	Ordinary income	Profit	Dividend per unit (excl. dividend in excess of earnings)	Dividend in excess of earnings per unit
Previous forecast (A)	9,350 mm yen	3,309 mm yen	2,930 mm yen	2,929 mm yen	3,680 yen	—
Revised forecast (B)	8,893 mm yen	2,887 mm yen	2,509 mm yen	2,508 mm yen	3,150 yen	—
Amount of change (C) = (B) - (A)	(457) mm yen	(422) mm yen	(421) mm yen	(421) mm yen	(530) yen	—
Rate of change (D) = (C) / (A)	(4.9) %	(12.8) %	(14.4) %	(14.4) %	(14.4) %	—
(Reference) Period ended February 2020	9,162 mm yen	3,273 mm yen	2,900 mm yen	2,899 mm yen	3,642 yen	—

Starting in the second half of February 2020, the spread of the COVID-19 infection in Japan and abroad resulted in a decrease in the number of visitors/guests and a drop in sales, etc. at some of the retail properties and the hotels that FRC owns. With it presently not possible to make a prediction as to when the spread of the infection will be contained, FRC expects a decrease in its real estate leasing revenues as sales, etc. of such properties will continue to drop in April 2020 and onward, and is thus revising the dividend forecast.

The above dividend forecast, which assumes that the impact associated with the spread of the infection will gradually calm down but still continue through to December 2020, may differ depending on when the spread will actually be contained.

FRC aims to achieve the following performance goals for the period ending August 2020 (March 1, 2020 to August 31, 2020) and the period ending February 2021 (September 1, 2020 to February 28, 2021). Concerning preconditions for the forecast, please refer to “Preconditions for the performance forecast for the period ending August 2020 (March 1, 2020 to August 31, 2020) and the period ending February 2021 (September 1, 2020 to February 28, 2021)” on page 3.

	Period ending August 2020	Period ending February 2021
Operating revenues	8,893 mm yen	9,240 mm yen
Operating income	2,887 mm yen	3,288 mm yen
Ordinary income	2,509 mm yen	2,906 mm yen
Profit	2,508 mm yen	2,905 mm yen
Dividend per unit	3,150 yen	3,650 yen
Dividend in excess of earnings per unit	— yen	— yen

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

Preconditions for the performance forecast for the period ending August 2020 (March 1, 2020 to August 31, 2020) and the period ending February 2021 (September 1, 2020 to February 28, 2021)

Item	Preconditions
Calculation period	32nd fiscal period: March 1, 2020 to August 31, 2020 (184 days) 33rd fiscal period: September 1, 2020 to February 28, 2021 (181 days)
Assets under management	<ul style="list-style-type: none"> It is assumed that there will be 29 properties FRC owns as of February 29, 2020, plus LOGICITY Wakamiya and Higashi Hie Business Center III to be acquired. 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 February 28, 2021.
Interest-bearing debt and refinancing	<ul style="list-style-type: none"> The balance of interest-bearing debt outstanding at the end of the 32nd fiscal period (August 31, 2020) is expected to total 80,700 mm yen. The loan-to-value ratio (interest-bearing debt / total assets × 100) is expected to stand at around 40.0% (as of February 29, 2020, the loan-to-value ratio stands at 39.8%). The balance of interest-bearing debt outstanding at the end of the 33rd fiscal period (February 28, 2021) is expected to total 80,700 mm yen, the same as the end of the 32nd fiscal period (August 31, 2020). The loan-to-value ratio (interest-bearing debt / total assets × 100) is expected to stand at around 40.0%.
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 April 13, 2020 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. 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. Starting in the second half of February 2020, the spread of the COVID-19 infection in Japan and abroad resulted in the number of visitors decreasing at retail properties and the guestroom occupancy rate falling at hotels. With it presently not possible to make a prediction as to when the spread of the infection will be contained, the downturn in sales, etc. is expected to continue in and after April 2020. As such, the forecast operating revenues assumes that the impact associated with the spread of the infection will gradually calm down but still continue through to December 2020, and may differ depending on when the spread will actually be contained.
Operating expenses	<ul style="list-style-type: none"> 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. FRC writes off estimated repair costs expected to be required for buildings for the calculation periods (the 32nd and 33rd 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. Concerning outsourcing expenses, FRC anticipates 1,921 mm yen for the 32nd fiscal period and 1,905 mm yen for the 33rd fiscal period. Concerning taxes and other public charges, FRC anticipates 742 mm yen for the 32nd fiscal period and 742 mm yen for the 33rd fiscal period. Concerning depreciation and amortization expenses, FRC anticipates 1,691 mm yen for the 32nd fiscal period and 1,635 mm yen for the 33rd fiscal period.
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 372 mm yen for the 32nd fiscal period and 376 mm yen for the 33rd fiscal period.
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. With it presently not possible to make a prediction as to when the spread of the infection will be contained, and the downturn in sales, etc. expected to continue in and after April 2020, the forecast dividend per unit assumes that the impact associated with the spread of the infection will gradually calm down but still continue through to December 2020, and may differ depending on when the spread will actually be contained.
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.

2. Financial Statements

(1) Balance sheet

(thousands of yen)

Account	30th fiscal period (as of August 31, 2019)		31st fiscal period (as of February 29, 2020)	
Assets				
Current assets				
Cash and deposits		3,962,695		5,417,020
Cash and deposits in trust		5,290,603		4,664,012
Operating accounts receivable		704,699		659,262
Prepaid expenses		271,613		288,251
Others		5,090		19,263
Total current assets		10,234,701		11,047,811
Non-current assets				
Property, plant and equipment				
Buildings in trust	101,114,666		101,501,588	
Accumulated depreciation	(30,359,294)	70,755,371	(31,914,629)	69,586,959
Structures in trust	1,883,393		1,888,802	
Accumulated depreciation	(758,444)	1,124,948	(787,507)	1,101,295
Machinery and equipment in trust	1,414,614		1,480,805	
Accumulated depreciation	(505,053)	909,560	(549,601)	931,204
Vehicles and transport equipment in trust	747		747	
Accumulated depreciation	(581)	166	(628)	118
Tools and fixtures in trust	1,382,487		1,388,990	
Accumulated depreciation	(1,144,897)	237,589	(1,170,941)	218,048
Lands in trust		104,918,451		104,918,451
Construction in progress in trust		15,164		15,669
Total property, plant and equipment		177,961,252		176,771,746
Intangible assets				
Leasehold right in trust		5,545,883		5,545,883
Other intangible assets in trust		40,467		34,993
Total intangible assets		5,586,351		5,580,876
Investment and other assets				
Deferred tax assets		3		17
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		327,135		327,135
Long-term prepaid expenses		937,627		1,014,438
Total investment and other assets		1,274,765		1,351,591
Total non-current assets		184,822,369		183,704,215
Deferred assets				
Investment corporation bond issuance expenses		38,346		36,244
Investment unit issuance expenses		11,506		7,671
Total deferred assets		49,853		43,915
Total assets		195,106,924		194,795,942

(thousands of yen)

Account	30th fiscal period (as of August 31, 2019)		31st fiscal period (as of February 29, 2020)	
Liabilities				
Current liabilities				
Operating accounts payable		428,285		614,394
Current maturities of long-term debt		5,700,000		1,000,000
Accounts payable-other		10,313		19,450
Accrued expenses		371,617		372,025
Income taxes payable		726		1,041
Accrued consumption taxes		261,879		191,370
Advances received		1,054,458		1,082,899
Deposits received		1,361,488		867,707
Total current liabilities		9,188,769		4,148,889
Non-current liabilities				
Investment corporation bonds		5,000,000		5,000,000
Long-term debt		66,800,000		71,500,000
Tenant leasehold and security deposits		392,641		403,248
Tenant leasehold and security deposits received in trust		11,847,068		11,905,875
Total non-current liabilities		84,039,710		88,809,124
Total liabilities		93,228,480		92,958,013
Net assets				
Unitholders' equity				
Unitholders' capital		98,938,764		98,938,764
Surplus				
Unappropriated surplus		2,939,679		2,899,164
Total surplus		2,939,679		2,899,164
Total unitholders' equity		101,878,444		101,837,928
Total net assets		101,878,444		101,837,928
Total liabilities and net assets		195,106,924		194,795,942

(2) Statement of income

(thousands of yen)

Account	30th fiscal period (March 1, 2019 to August 31, 2019)		31st fiscal period (September 1, 2019 to February 29, 2020)	
Operating revenues				
Leasing revenues – real estate	*1 8,530,902		*1 8,515,052	
Other leasing revenues – real estate	*1 700,755	9,231,657	*1 647,685	9,162,738
Operating expenses				
Expenses related to leasing business	*1, *2 5,250,066		*1, *2 5,226,888	
Asset management fees	540,190		534,300	
Asset custody fees	7,388		7,276	
Administrative service fees	55,674		55,030	
Director's compensations	9,600		9,600	
Other operating expenses	50,325	5,913,244	55,888	5,888,984
Operating income		3,318,413		3,273,754
Non-operating revenues				
Interest received	41		47	
Others	593	634	674	722
Non-operating expenses				
Interest expenses	250,590		246,018	
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	93,396		93,136	
Others	37	379,162	37	374,330
Ordinary income		2,939,885		2,900,146
Profit before income taxes		2,939,885		2,900,146
Income taxes-current	730		1,048	
Income taxes-deferred	14	745	(14)	1,033
Profit		2,939,139		2,899,112
Surplus brought forward		539		51
Unappropriated surplus		2,939,679		2,899,164

(3) Statement of changes in net assets

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

31st fiscal period (September 1, 2019 to February 29, 2020)

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus		
Balance as of September 1, 2019	98,938,764	2,939,679		101,878,444
Changes in the current fiscal period				
Dividend of surplus		(2,939,628)		(2,939,628)
Profit		2,899,112		2,899,112
Total of changes in the current fiscal period	—	(40,515)		(40,515)
Balance as of February 29, 2020	98,938,764	2,899,164		101,837,928

(4) Dividend statement

Account	30th fiscal period (March 1, 2019 to August 31, 2019)	31st fiscal period (September 1, 2019 to February 29, 2020)
I. Unappropriated surplus	2,939,679 thousand yen	2,899,164 thousand yen
II. Total	2,939,628 thousand yen	2,899,032 thousand yen
[Dividend per investment unit]	[3,693 yen]	[3,642 yen]
III. Surplus brought forward	51 thousand yen	132 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 2,939,628 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.	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 2,899,032 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	30th fiscal period (March 1, 2019 to August 31, 2019)	31st fiscal period (September 1, 2019 to February 29, 2020)
Net cash provided by (used in) operating activities		
Profit before income taxes	2,939,885	2,900,146
Depreciation and amortization expenses	1,651,902	1,660,510
Amortization of investment corporation bond issuance expenses	2,102	2,102
Amortization of investment unit issuance expenses	3,835	3,835
Interest received	(41)	(47)
Interest expenses	279,790	275,218
Decrease (increase) in operating accounts receivables	(27,916)	45,437
Increase (decrease) in accrued consumption taxes	62,625	(70,509)
Increase (decrease) in operating accounts payable	(88,546)	9,652
Increase (decrease) in accounts payable-other	(10,882)	8,530
Increase (decrease) in accrued expenses	1,276	2,509
Increase (decrease) in advances received	10,466	28,440
Increase (decrease) in deposits expenses	258,341	(493,780)
Decrease (increase) in prepaid expenses	25,762	(16,638)
Decrease (increase) in long-term prepaid expenses	34,593	(76,811)
Others, net	(1,501)	(14,848)
Subtotal	5,141,693	4,263,749
Interest income received	41	47
Interest expenses paid	(277,586)	(277,320)
Income taxes paid	(1,052)	(733)
Net cash provided by (used in) operating activities	4,863,095	3,985,742
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment in trust	(846,296)	(289,074)
Purchase of intangible assets in trust	(18,665)	—
Proceeds from tenant leasehold and security deposits	28,976	24,513
Repayments of tenant leasehold and security deposits	(11,817)	(13,906)
Proceeds from tenant leasehold and security deposits in trust	183,512	198,619
Repayments of tenant leasehold and security deposits in trust	(378,222)	(139,812)
Proceeds from restricted trust deposits	6,544	1,315
Payments for restricted trust deposits	(7,094)	(2,339)
Net cash provided by (used in) investment activities	(1,043,063)	(220,683)
Net cash provided by (used in) financial activities		
Proceeds from long-term debt	3,700,000	4,700,000
Repayments of long-term debt	(3,700,000)	(4,700,000)
Dividends paid	(2,933,970)	(2,938,346)
Net cash provided by (used in) financial activities	(2,933,970)	(2,938,346)
Net increase (decrease) in cash and cash equivalents	886,061	826,711
Balance of cash and cash equivalents at beginning of period	8,319,815	9,205,877
Balance of cash and cash equivalents at end of period	9,205,877	10,032,589

- (6) Notes on the going concern assumption
No relevant items.
- (7) Significant accounting policies
The disclosure is omitted, since there are no significant changes from contents disclosed by the latest securities report (submitted on November 28, 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)			
	30th fiscal period (March 1, 2019 to August 31, 2019)		31st fiscal period (September 1, 2019 to February 29, 2020)	
A. Real estate leasing business revenues				
Leasing revenues – real estate				
Rents	6,961,827		6,968,555	
Common charges	1,101,386		1,095,890	
Parking revenues	467,689	8,530,902	450,606	8,515,052
Other leasing revenues – real estate				
Incidental income	664,715		610,648	
Other miscellaneous income	36,039	700,755	37,037	647,685
Total real estate leasing business revenues		9,231,657		9,162,738
B. Expenses related to real estate leasing business				
Expenses related to leasing business				
Outsourcing fees	1,910,909		1,898,749	
Repair and maintenance expenses	123,202		116,285	
Taxes and other public charges	734,315		734,254	
Insurance premiums and trust compensation	49,910		51,676	
Utilities expenses	550,418		505,975	
Depreciation and amortization expenses	1,651,902		1,660,510	
Other expenses related to real estate leasing business	229,406	5,250,066	259,435	5,226,888
Total expenses related to real estate leasing business		5,250,066		5,226,888
C. Revenues and expenses related to real estate leasing business (A - B)		3,981,591		3,935,850

*2. Transactions with affiliated companies

	(thousands of yen)	
Item	30th fiscal period (March 1, 2019 to August 31, 2019)	31st fiscal period (September 1, 2019 to February 29, 2020)
Expenses related to real estate leasing business	1,395,796	1,430,201

(Per unit information)

30th fiscal period (March 1, 2019 to August 31, 2019)		31st fiscal period (September 1, 2019 to February 29, 2020)	
Net assets per investment unit:	127,987 yen	Net assets per investment unit:	127,937 yen
Profit per investment unit:	3,692 yen	Profit per investment unit:	3,642 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	30th fiscal period (March 1, 2019 to August 31, 2019)	31st fiscal period (September 1, 2019 to February 29, 2020)
Profit (thousands of yen)	2,939,139	2,899,112
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to common investment units (thousands of yen)	2,939,139	2,899,112
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 February 29, 2020)

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	75,026	38.5
		Other Kyushu areas	36,198	18.6
	Office buildings	Fukuoka urban area	45,344	23.3
		Other Kyushu areas	—	—
	Others	Fukuoka urban area	20,303	10.4
		Other Kyushu areas	5,464	2.8
	Subtotal			182,336
Deposits and other assets			12,458	6.4
Total amount of assets (Note 4)			194,795 [182,352]	100.0 [93.6]

Note 1: "Fukuoka urban area" refers to cities, towns and villages where 10% or more of the population commute to Fukuoka City for school and work, according to the 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 February 29, 2020)

	Value on balance sheet (mm of yen)	Percentage of total amount of assets (%)
Total amount of liabilities	92,958	47.7
Total amount of net assets	101,837	52.3

2) Investment assets

(i) Primary issues of investment securities

No relevant items.

(ii) Real estate investment portfolio

No relevant items.

(iii) Other primary investment assets

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

(as of February 29, 2020)

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	29,743	31,800	16.3	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata · B	28,700	28,831	29,900	14.6	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	18,620	19,321	20,200	9.5	Japan Real Estate Institute
SunLive City Kokura	6,633	5,535	8,460	3.4	Japan Real Estate Institute
Konoha Mall Hashimoto	10,000	10,041	10,500	5.1	Tanizawa Sogo Appraisal Co., Ltd.
Square Mall Kagoshima Usuki	5,300	4,343	5,450	2.7	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	1,980	2,860	1.2	Japan Real Estate Institute
Hanahata SC	1,130	978	1,250	0.6	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	2,500	2,042	2,790	1.3	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	3,550	2,974	3,710	1.8	Tanizawa Sogo Appraisal Co., Ltd.
Marinoa City Fukuoka (Marina Side Building)	5,250	5,430	6,080	2.7	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:	116,083	111,224	123,000	59.2	
Canal City Business Center Building	14,600	13,046	16,400	7.4	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	11,200	8,908	14,600	5.7	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	4,400	3,767	6,400	2.2	Japan Real Estate Institute
Taihaku Street Business Center	7,000	5,851	8,650	3.6	Japan Real Estate Institute
Higashi Hie Business Center	5,900	4,486	8,000	3.0	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	2,600	2,675	3,100	1.3	Japan Real Estate Institute
Tenjin North Front Building	2,800	2,502	4,360	1.4	Japan Real Estate Institute
Higashi Hie Business Center II	4,230	4,105	4,590	2.2	Tanizawa Sogo Appraisal Co., Ltd.
Office buildings subtotal:	52,730	45,344	66,100	26.9	
Amex Akasakamon Tower	2,060	1,684	1,840	1.1	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	1,111	910	1,140	0.6	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Chihaya	1,280	1,182	1,820	0.7	Japan Real Estate Institute
D-Wing Tower	2,800	2,681	3,560	1.4	Tanizawa Sogo Appraisal Co., Ltd.
Granfore Yakuin Minami	1,100	1,108	1,320	0.6	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	1,530	1,409	1,890	0.8	Japan Real Estate Institute
Tissage Hotel Naha	2,835	2,877	2,990	1.4	Tanizawa Sogo Appraisal Co., Ltd.
Tosu Logistics Center	1,250	1,177	1,420	0.6	Japan Real Estate Institute
LOGICITY Minato Kashii	8,150	7,862	8,910	4.2	Tanizawa Sogo Appraisal Co., Ltd.
LOGICITY Hisayama	5,050	4,873	5,270	2.6	Tanizawa Sogo Appraisal Co., Ltd.
Others subtotal:	27,166	25,768	30,160	13.9	
Total	195,979	182,336	219,260	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 February 29, 2020)

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 [48]	99.8	46,604.75	46,520.56	1,238	13.5
Canal City Hakata・B	1 [46]	99.5	68,826.37	68,451.33	1,586	17.3
Park Place Oita	1 [103]	99.9	113,834.20	113,712.33	1,181	12.9
SunLive City Kokura	1	100.0	61,450.22	61,450.22	281	3.1
Konoha Mall Hashimoto	1 [124]	98.7	22,121.04	21,840.73	821	9.0
Square Mall Kagoshima Usuki	12	100.0	14,602.88	14,602.88	256	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	41	0.4
Kurume Higashi Kushiwara SC	1	100.0	6,467.80	6,467.80	89	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	178	1.9
Retail subtotal:	24 [341] (Note 2)	99.8	384,043.06	383,181.65	5,876	64.1
Canal City Business Center Building	1 [63]	100.0	23,029.92	23,029.92	607	6.6
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	205	2.2
Taihaku Street Business Center	1 [69]	99.1	14,677.30	14,546.43	311	3.4
Higashi Hie Business Center	1 [27]	100.0	13,614.59	13,614.59	342	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	143	1.6
Higashi Hie Business Center II	2	100.0	6,214.77	6,214.77	164	1.8
Office buildings subtotal:	69 [225] (Note 2)	99.9	92,327.40	92,196.53	2,406	26.3
Amex Akasakamon Tower	1 [63]	95.0	4,821.25	4,580.59	65	0.7
City House Keyaki Dori	1 [39]	93.3	2,710.86	2,529.84	36	0.4
Aqualia Chihaya	1 [103]	97.9	5,619.69	5,500.15	59	0.6
D-Wing Tower	1 [134]	97.7	7,187.59	7,019.24	114	1.3
Granfore Yakuin Minami	1 [96]	97.0	2,496.06	2,421.50	39	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	68	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:	11 [441] (Note 2)	99.2	104,292.31	103,508.18	879	9.6
Total	104 [1,007] (Note 2)	99.7	580,662.77	578,886.36	9,162	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 57 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 31st 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 31st fiscal period and of capital expenditures associated with renovations, etc. planned as of April 13, 2020 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	Replacement of air-conditioning units	From September 2020 to December 2020	114	—	—
Park Place Oita	Oita City, Oita	Renovation of external walls	From December 2019 to May 2020	81	—	—
Taihaku Street Business Center	Hakata Ward, Fukuoka City	Replacement of air-conditioning units	From January 2020 to October 2020	16	—	—

2) Capital expenditures during the 31st fiscal period

Capital expenditures for the real estate properties owned by FRC totaled 465 mm yen in the 31st period. Furthermore, FRC incurred construction costs of 585 mm yen in total in the period, including 116 mm yen in repair and maintenance expenses classified as expenses on the statement of income and 3 mm yen in expenses for restoration to former state. The following table provides the overview of major construction work that was completed in the 31st fiscal period.

Real estate property name	Location	Purpose	Period	Construction cost (mm of yen)
Canal City Hakata	Hakata Ward, Fukuoka City	Water supply piping for guestrooms	From September 2019 to February 2020	17
Canal City Hakata・B	Hakata Ward, Fukuoka City	Replacement of central monitoring equipment	From October 2019 to February 2020	17
Park Place Oita	Oita City, Oita	Renovation of external walls	From January 2020 to February 2020	72
Gofukumachi Business Center	Hakata Ward, Fukuoka City	Enhancement of multilevel mechanical parking equipment	From October 2019 to November 2019	55
Gofukumachi Business Center	Hakata Ward, Fukuoka City	Replacement of air-conditioning units	From February 2020 to February 2020	18
Higashi Hie Business Center	Hakata Ward, Fukuoka City	Renovation of common spaces	From July 2019 to September 2019	32