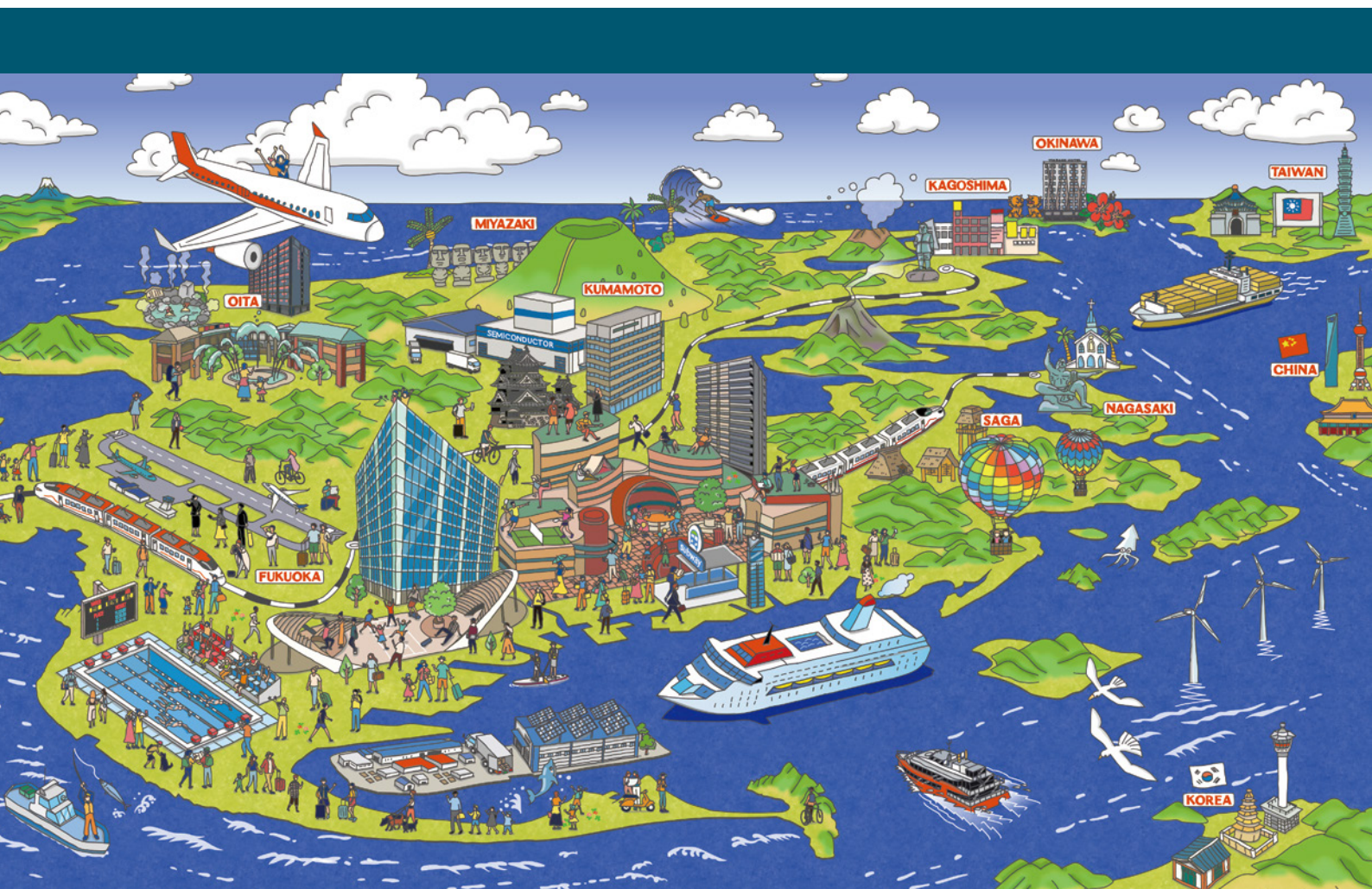


38th Fiscal Period Report on Performance and Management Status (Semiannual Report)

March 1, 2023 to August 31, 2023



Security Code 8968



Fukuoka REIT Corporation

8968

I. Overview of Fukuoka REIT Corporation

To Our Unitholders

We would like to express our sincere appreciation to all unitholders for your continued support of Fukuoka REIT Corporation (FRC).

We are pleased to report on the performance results and management status of FRC for the thirty-eighth fiscal period (March 1, 2023 to August 31, 2023).

During the fiscal period under review (the 38th fiscal period), the Japanese economy recovered moderately. Amid the improvement of the employment and income conditions, the economy is expected to continue recovering moderately due in part to the effects of various political measures.

However, a downturn in overseas economies, such as the impact of the global monetary tightening and concerns over the future of the Chinese economy, poses a risk of placing downward pressure on the domestic economy.

Under such circumstances, FRC's portfolio achieved solid performance in general for all properties. Among them, the recovery of inbound tourism in Asia excluding China was reflected particularly at Canal City Hakata, a city-center retail property.

FRC posted operating revenues of 9,284 million yen, operating income of 3,372 million yen, ordinary income of 2,988 million yen, and profit of 2,987 million yen for the fiscal period under review. The dividend per unit came to 3,753 yen, which represents an increase of 153 yen over the dividend forecast of 3,600 yen disclosed at the time of the announcement of the financial results for the 37th fiscal period.

With regard to external growth, we acquired three properties in an endeavor to achieve an asset size of 250 billion yen while diversifying risks in terms of the portfolio structure. Accordingly, we acquired Kumamoto East Front Building (acquisition price: 1,450 million yen), an office building, on March 28, 2023, Axion Befu-Ekimae Premium (acquisition price: 1,520 million yen), a residential property, on April 27, 2023, and Hakata FD Business Center (acquisition price: 14,100 million yen), an office building, on September 1, 2023.

As a result, the ratio of retail properties in the portfolio de-

creased to less than 50%.

As for internal growth, we have been able to increase sales at retail properties and increase rents in association with tenant replacement and contract renewal mainly for office buildings and residential properties.

In terms of "initiatives on sustainability," one of the key measures of FRC, we have endeavored to "maintain and enhance building performance and environmental performance," which covers the E (environment) area. This has resulted in the ratio of properties certified as green buildings to the entire portfolio standing at 80.3% as of September 1, 2023. As an external evaluation, we have obtained "4 Stars" and "Green Star" in the GRESB Real Estate Assessment. We will continue our proactive endeavors to reduce CO₂ emissions, coordinate with local communities, and provide sustainability information to our unitholders through the issuance of integrated reports and other measures.

As a REIT specializing in regional properties, FRC conducts steady asset management and quickly responds to market changes while receiving support and cooperation from powerful sponsors leading the Kyushu business world. We are resolved to make the utmost efforts to secure stable earnings over the medium to long term and maintain and enhance dividend per unit in a stable manner based on our management philosophy of "Act Local, Think Global."

We greatly appreciate your continued support and cooperation.

Zenji Koike

Executive Director
Fukuoka REIT Corporation
President and CEO
Fukuoka Realty Co., Ltd.



CONTENTS

I. Overview of Fukuoka REIT Corporation	III. Independent Auditor's Report	26
To Our Unitholders	IV. Balance Sheet	29
Profile	V. Statement of Income	31
Trend of Growth in Asset Size of FRC / Financial Summary	VI. Statement of Changes in Net Assets	32
Portfolio Overview	VII. Statement of Cash Distribution	33
New Property Acquisition	VIII. Cash Flow Statement	34
Initiatives on Sustainability	IX. Notes to Financial Statements	35
II. Semiannual Report	X. Supplementary Schedules	47

Profile

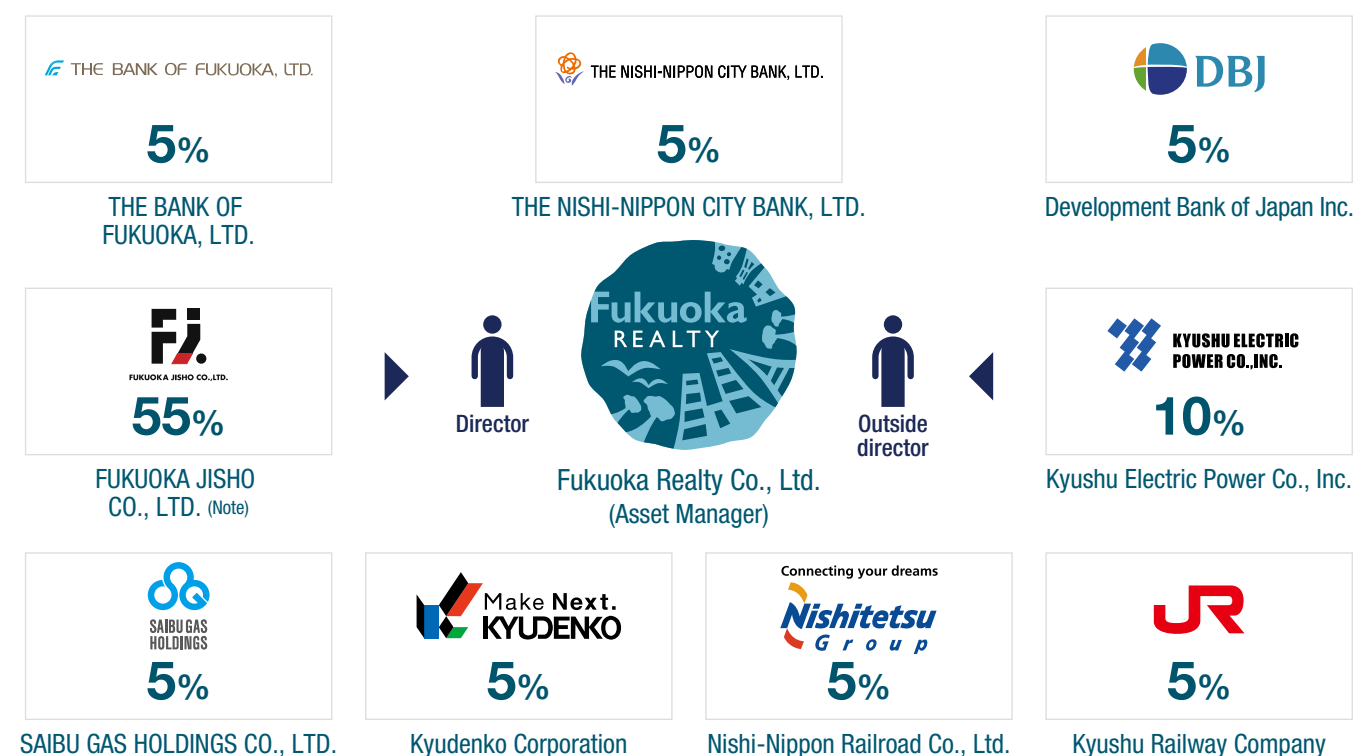
● Status of the Investment Corporation

FRC is Japan's first REIT specializing in regional properties. FRC manages a portfolio centering on retail facilities featuring excellent design and entertainment qualities and superior office buildings throughout all of Kyushu. With a central focus on Fukuoka, and in Yamaguchi Prefecture and Okinawa Prefecture, we are utilizing our strength of knowing the local characteristics of real estate, which is a very regional-specific business.

● Overview of the Investment Corporation

Name : Fukuoka REIT Corporation
Representative: Zenji Koike, Executive Director
Asset manager: Fukuoka Realty Co., Ltd. (Fukuoka Local Finance Branch Bureau (financial instruments) No. 10)
Listed date : June 21, 2005 (Tokyo Stock Exchange Inc., and Fukuoka Stock Exchange)

● Sponsors



(Note) Concluded MOU with Fukuoka REIT Corporation and Fukuoka Realty Co., Ltd. concerning pipeline support.

● Overview of the Asset Manager

Name : Fukuoka Realty Co., Ltd.
Representative: Zenji Koike, President and CEO
Address : 1-2-25, Sumiyoshi, Hakata Ward, Fukuoka City
Telephone : +81-92-272-3900
Established: December 26, 2003
Capital : 200,000,000 yen

● Portfolio

Investment type (based on acquisition price)

Retail	Office buildings	Others
51.9%	33.5%	14.6%

Investment area (based on acquisition price)

Fukuoka metropolitan area	Other Kyushu areas
77.4%	22.6%

Total leasable floor space

580,272.77 m²

Occupancy rate at end of period

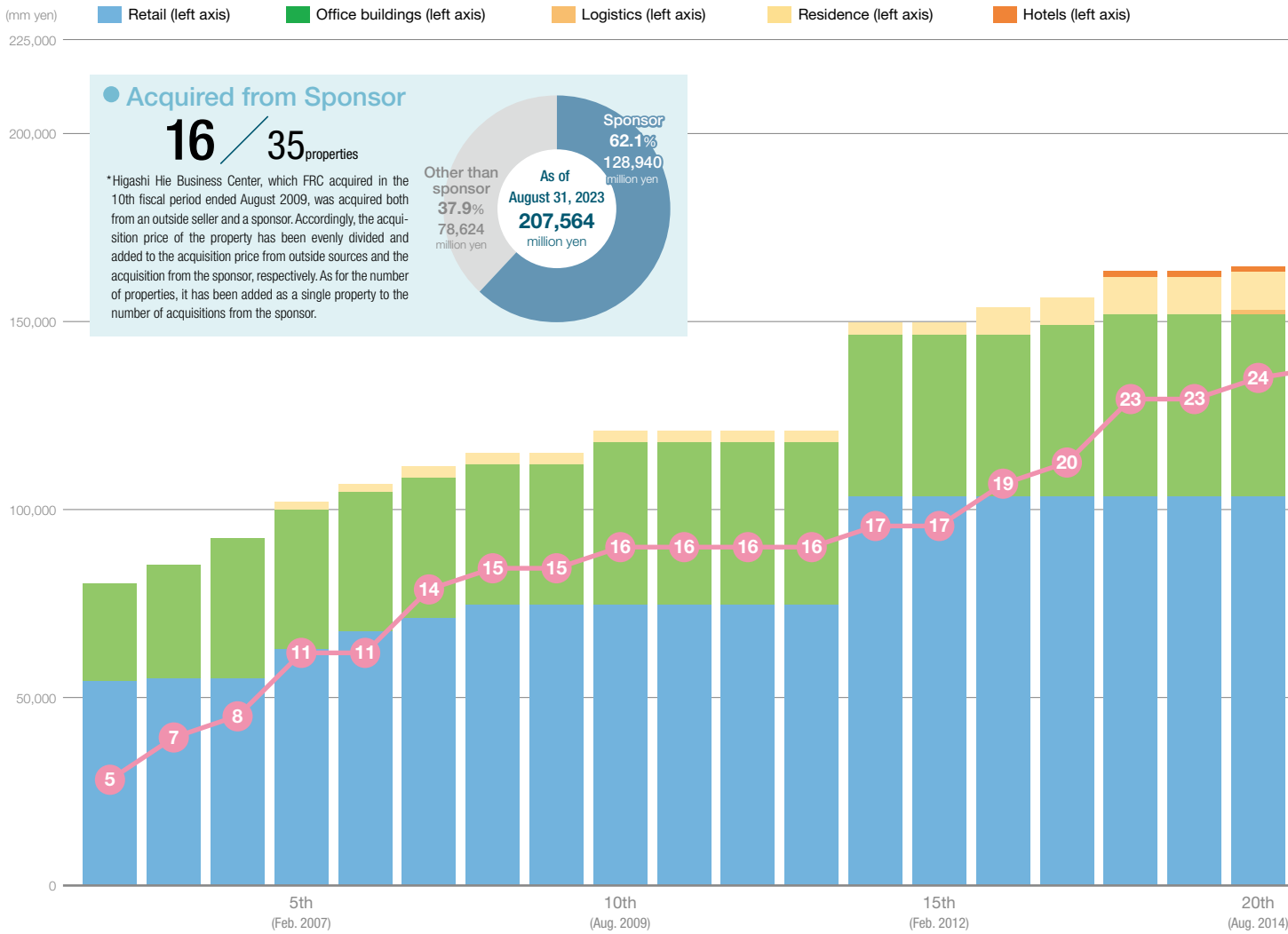
99.1%

*Figures are based on properties owned as of August 31, 2023.

Trend of Growth in Asset Size of FRC

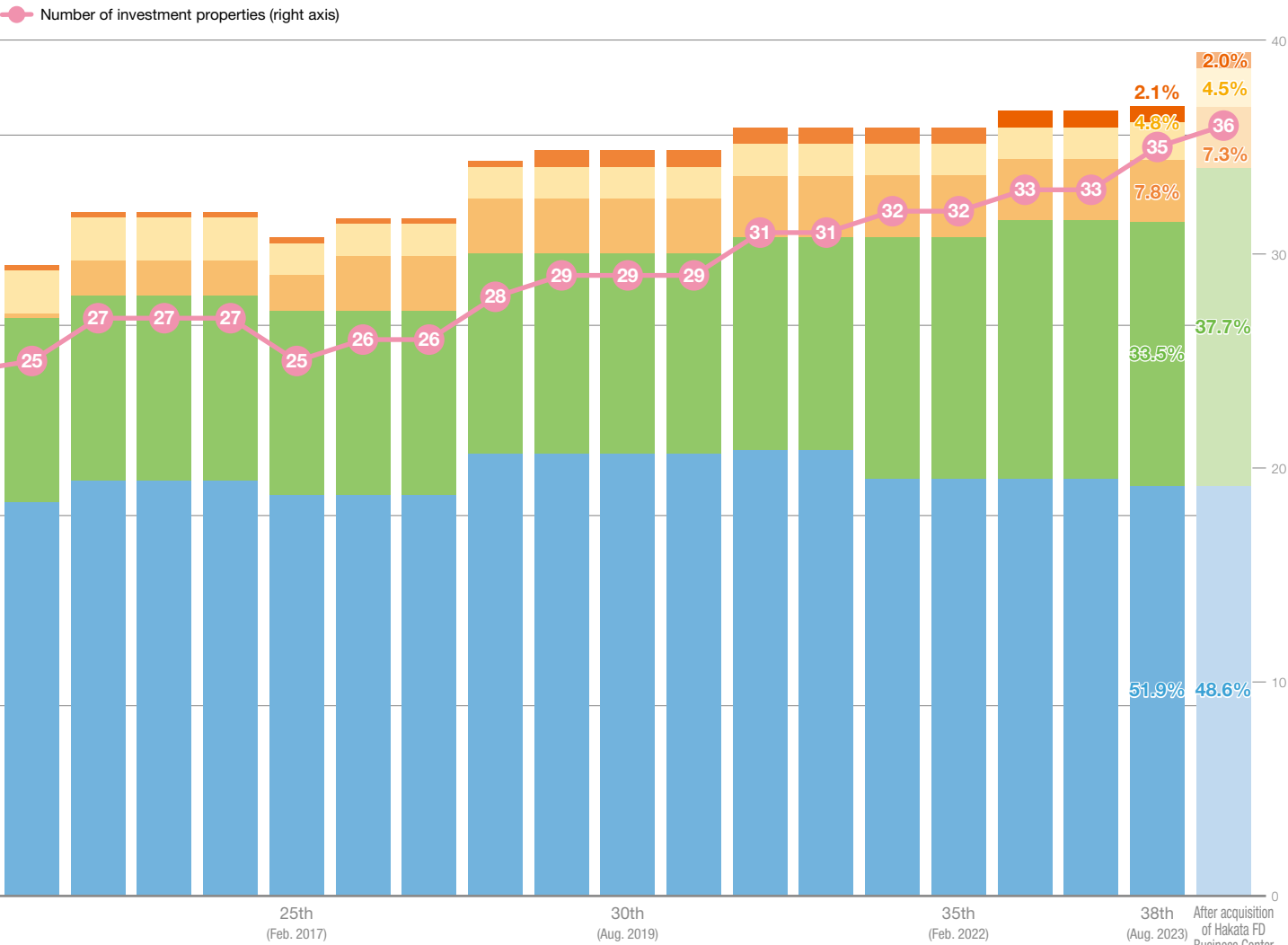
● FRC More than Doubled Asset Size and Diversified Investment Types Since

The asset size stood at 207.5 billion yen (on an acquisition price basis) in the 38th fiscal period. FRC aims to achieve 250 billion yen,



Listing

while working to dissipate risks through the portfolio as a diversified REIT.



(Note) As the senior equity interest in an anonymous partnership managed by CCH Bridge Y.K. was redeemed in the 14th fiscal period, it is excluded from the total acquired assets from the 14th fiscal period onward.
Since interest in the anonymous partnership managed by Limited Liability Company FRC1 was redeemed in the 26th fiscal period, it is excluded from the total acquired assets from the 26th fiscal period onward.

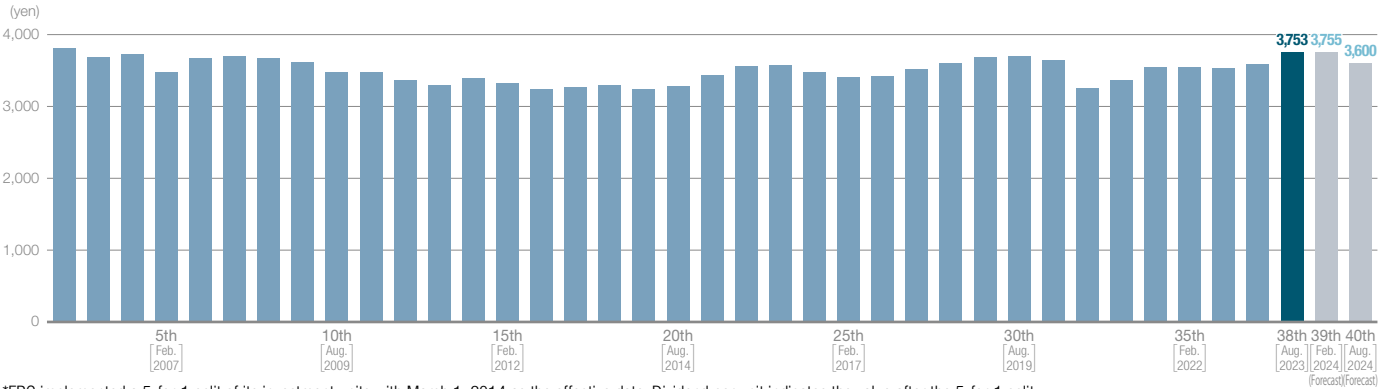
Financial Summary

● Financial Highlights for 38th Fiscal Period and Business Forecasts for 39th and 40th Fiscal Periods

Category		38th fiscal period (March 1, 2023 to August 31, 2023) Actual	39th fiscal period (September 1, 2023 to February 29, 2024) Forecast	40th fiscal period (March 1, 2024 to August 31, 2024) Forecast
Operating revenues	mm yen	9,284	9,313	9,322
Operating expenses	mm yen	5,912	5,888	6,002
Operating income	mm yen	3,372	3,424	3,319
Ordinary income	mm yen	2,988	2,990	2,866
Profit	mm yen	2,987	2,988	2,865
Dividend per unit	yen (1)	3,753	—	—
Latest dividend forecast per unit	yen (2)	3,600	3,755	3,600
Difference from forecast	yen (1)-(2)	153	—	—
Total number of investment units outstanding (at end of period)	units	796,000	796,000	796,000

● Dividend Performance

38th fiscal period end	August 31, 2023 (semiannual periods ending every February and August)	38th fiscal period days	184 days
38th fiscal period dividend	3,753 yen per unit	Dividend yield	4.6% ((Dividend / Days × 365) / Unit price (as of August 31, 2023))

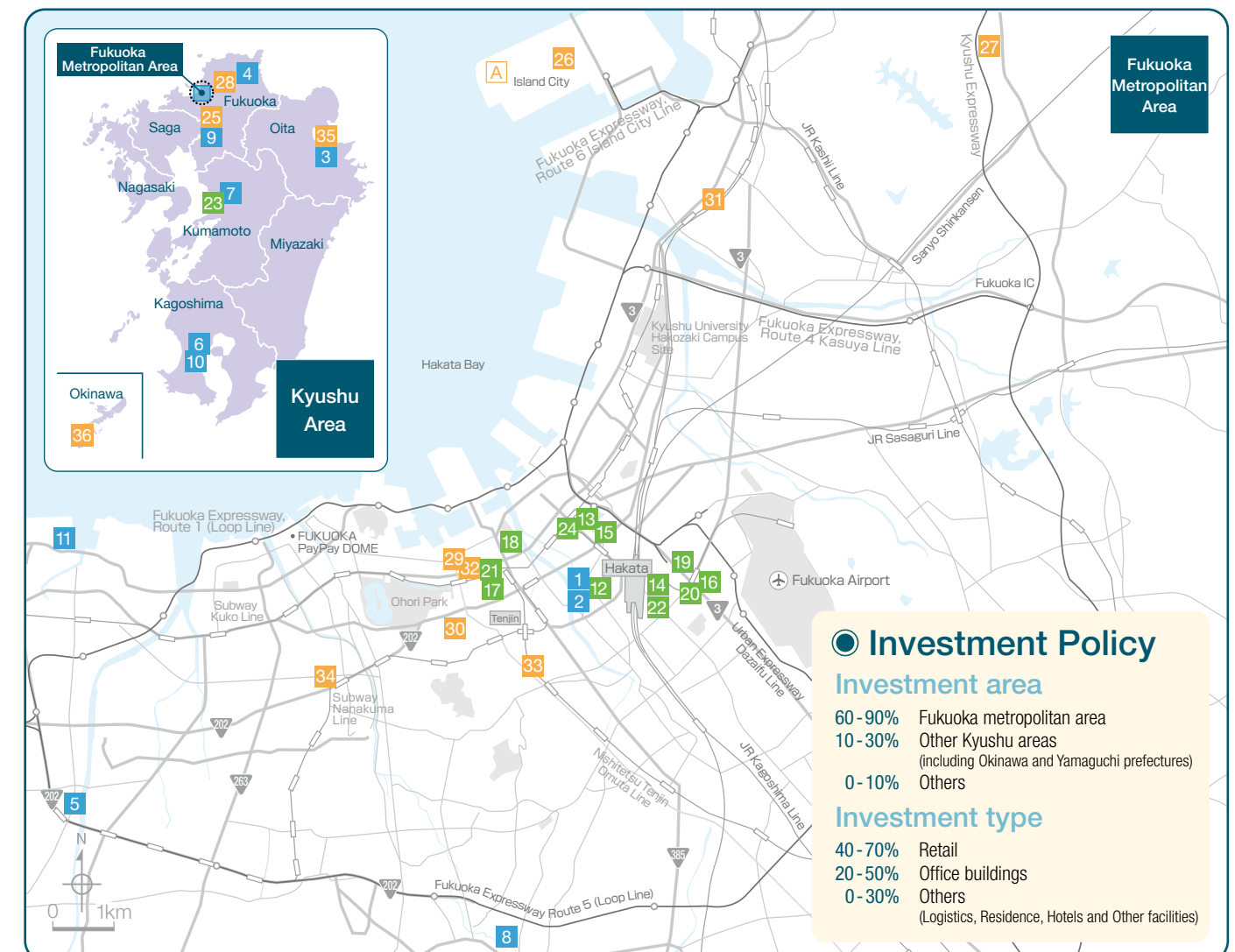
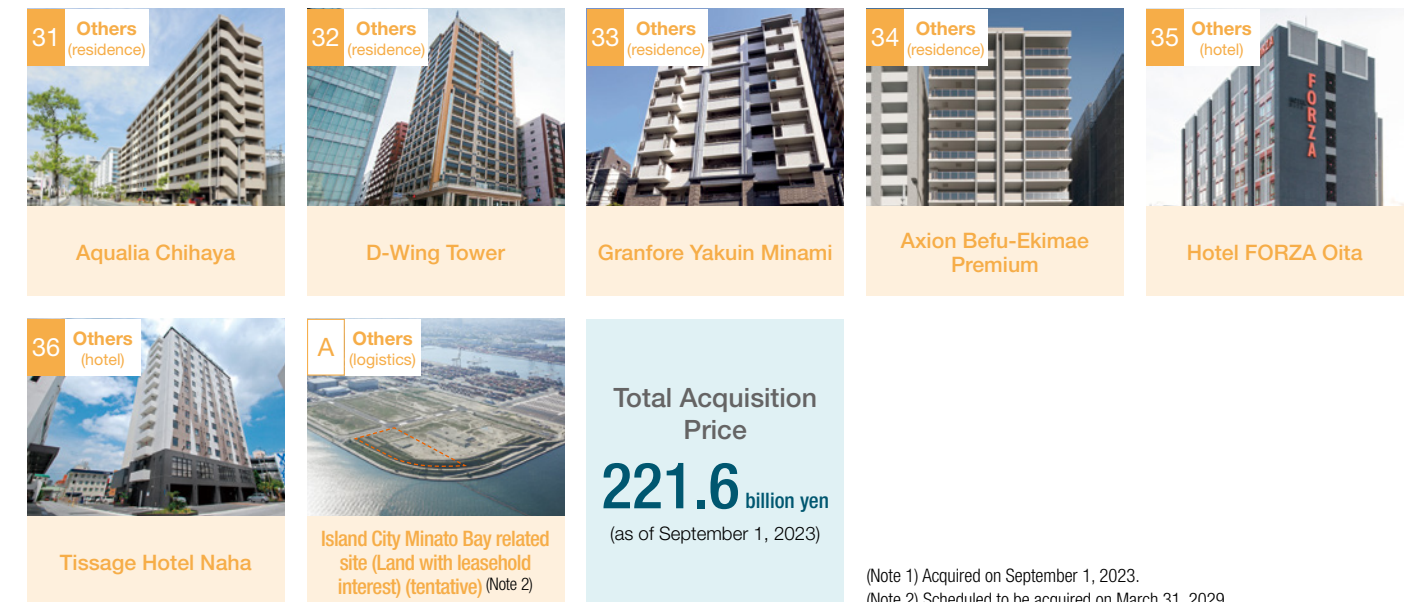
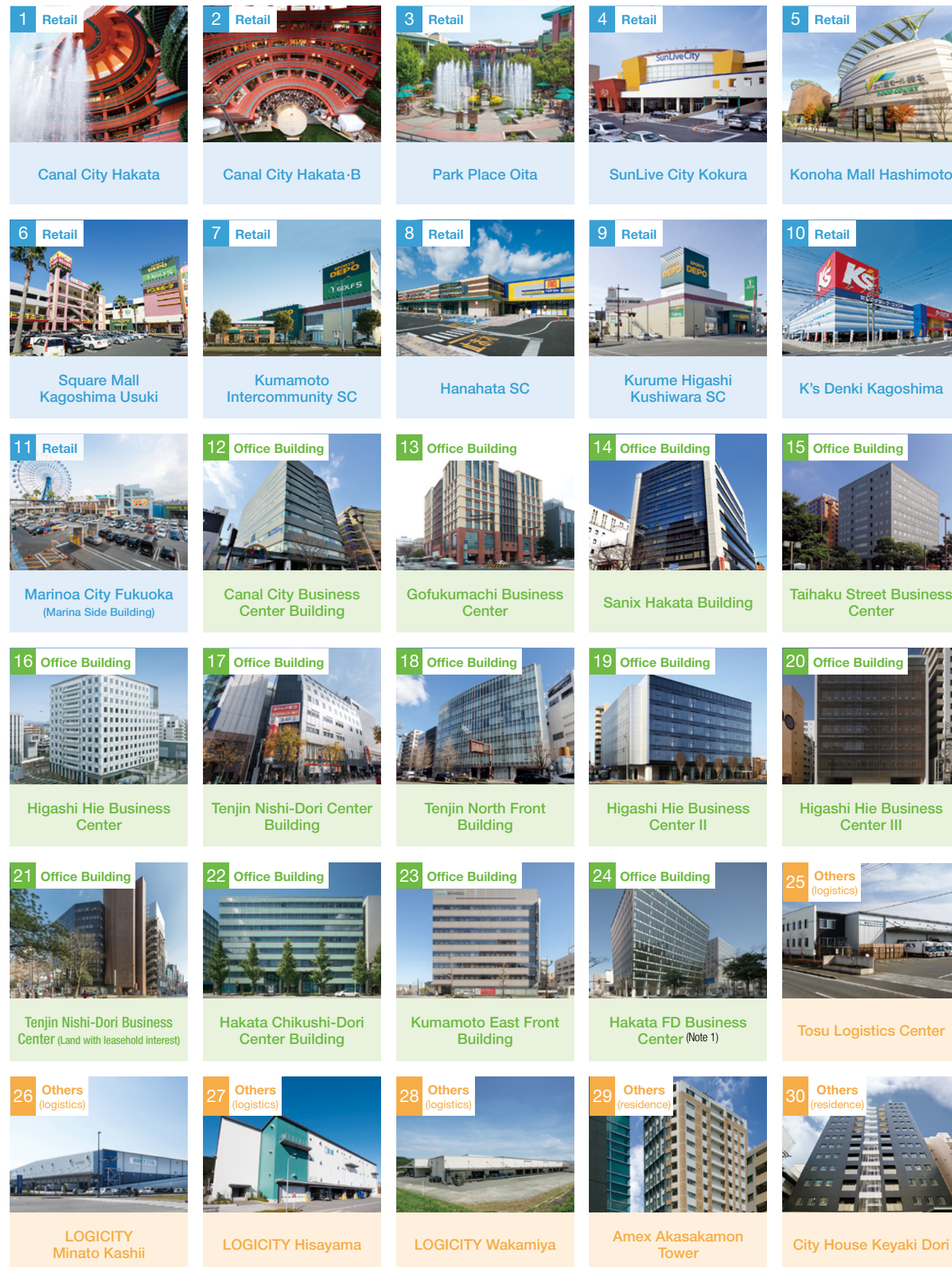


*FRC implemented a 5-for-1 split of its investment units with March 1, 2014 as the effective date. Dividend per unit indicates the value after the 5-for-1 split.

Portfolio Overview

Purchase of earthquake insurance

FRC has purchased earthquake insurance for all the properties (buildings) it owns.



Initiatives on Sustainability

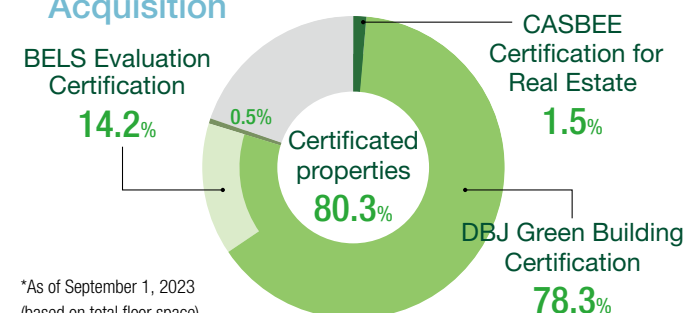
● Certification From External Organizations and Information Disclosure

 Signatory of: Principles for Responsible Investment (PRI) (September 2018)	The six basic principles advocated in 2006 by Kofi Annan, the United Nations Secretary-General at the time, for the purpose of reflecting environmental, social and governance (ESG) factors to the investment process, as well as the international network of financial institutions that affirm the principles. The Asset Manager became a signatory to the Principles for Responsible Investment (PRI) in September 2018 in order to implement practices at an international level when it promotes ESG awareness in real estate investment and management operations.
 Endorsement of TCFD (Task Force on Climate-related Financial Disclosures) (September 2022)	In September 2022, the Asset Manager endorsed the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), which was established by the Financial Stability Board (FSB) to examine climate-related disclosures and how financial institutions should respond. At the same time, the Asset Manager joined the TCFD Consortium, an organization of endorsing Japanese companies.
 Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century) (September 2018)	The principles prepared in October 2011, with the Ministry of the Environment serving as the secretariat, as action guidelines for financial institutions that want to fulfill the responsibilities and roles necessary for forming a sustainable society. The Asset Manager became a signatory in September 2018, affirming the ideas of the Principles.
 GRESB	GRESB is a benchmark evaluation system that annually assesses the environmental, social and governance (ESG) awareness of real estate companies and funds, as well as the name of the organization that operates it. GRESB was established in 2009 mainly by major European pension funds that led the Principles for Responsible Investment (PRI). FRC has been a participant since 2018.
 DBJ Green Building Certification	A certification system established in 2011 as an initiative to support real estate featuring "environmental and social considerations" and entities that own and operate such estate. The system evaluates real estate sustainability from five ESG-based perspectives. FRC has acquired the certification for 13 properties.
 CASBEE (Comprehensive Assessment System for Built Environment Efficiency)	A method for evaluating and rating the environmental performance of buildings. It is a system that comprehensively evaluates the quality of buildings including not only environmental consideration such as using materials and equipment that save energy or achieve smaller environmental loads but also features like interior comfort and scenic aesthetics. Two properties owned by FRC were certified.
 BELS	A system in which third parties evaluate and indicate the energy conservation performance of non-residential buildings based on the Evaluation Guidelines for the Building Energy-efficiency Labeling System for Non-Residential Buildings (2013). FRC has acquired the certification for 5 properties.

● Green Building Certification

Certification obtained for 80.3% of entire portfolio

● Ratio of Environmental Certification Acquisition



*As of September 1, 2023
(based on total floor space)

● DBJ Green Building Certification

13 properties owned by FRC were certified

(of which, certification newly acquired for 1 property and reacquired for 2 properties)

● GRESB 2023

● GRESB Real Estate Assessment

Received the rating of "4 stars" and "Green Star" in the GRESB assessment 2023

● GRESB Public Disclosure

Received the highest "A Level"



● Materially Significant Issues

Materially significant issues		Policies and targets	KPIs and targets
Environmental	Reduction of environmental load	<ul style="list-style-type: none"> Coordinate with property management and building management companies on promotion of management and reduction of energy consumption, greenhouse gas emissions, water consumption, and waste output 	<ul style="list-style-type: none"> (by 2030) 35% reduction in CO₂ emissions (compared with 2019, basic unit) 75% waste recycling rate
	Maintenance and enhancement of environmental and construction performance	<ul style="list-style-type: none"> Carry out performance and function evaluation of properties on a regular basis and ameliorate any deterioration in performance, etc. Maintain and improve competitiveness by acquiring green building certifications and through visual representation of building performance 	<ul style="list-style-type: none"> (by 2030) 85% Green Building Certification rate or higher
Social	Creation of pleasant workplaces (Asset manager)	<ul style="list-style-type: none"> Improve quality of operations by enhancing and expanding employee education system and promoting acquisition of qualifications Continue to improve office environments and work on providing pleasant working environments Give consideration to work-life balance and boost employee satisfaction 	<ul style="list-style-type: none"> Training per employee (number of times) Improve office environment (number of cases)
	Creation of pleasant workplaces (Tenant)	<ul style="list-style-type: none"> Promote improvement of employee satisfaction and work towards increasing job satisfaction of tenant employees 	<ul style="list-style-type: none"> Conduct regular tenant satisfaction surveys (all properties)
	Contribution to boosting attractiveness and vitalization of Fukuoka and Kyushu	<ul style="list-style-type: none"> Enhance dissemination of information regarding strengths and charms of Fukuoka and Kyushu Support research and studies on local economy and industries and promote attractive urban development in collaboration with local business circles 	<ul style="list-style-type: none"> Join and participate in local economic organizations Host local community events (number of times)
	Involvement in local community	<ul style="list-style-type: none"> Deepen dialogue and collaboration with local community through participation in community activities and various initiatives using properties under our management to grow and develop together with the local community 	<ul style="list-style-type: none"> Join and participate in area management organizations Continued participation in activities that contribute to the community (number of times)
Governance	Information disclosure and dialogue with stakeholders	<ul style="list-style-type: none"> Disclose financial and non-financial information to stakeholders in an appropriate and timely manner Build relationships of trust through proactive dialogue with stakeholders and reflect stakeholder feedback in management strategy 	<ul style="list-style-type: none"> Dialogue with investors (number of times) ESG training for employees (number of times)
	Compliance / Risk management	<ul style="list-style-type: none"> Ensure thorough compliance including compliance with laws and ordinances and elimination of conflict of interest with interested parties, and develop and operate an appropriate internal risk management system to maintain and improve corporate value 	<ul style="list-style-type: none"> Compliance training (number of times)

Environmental

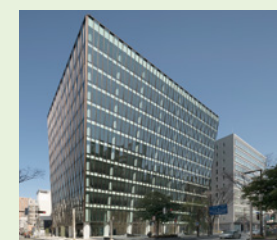
● Green Building Certification

(as of September 1, 2023)

Certification obtained for **80.3%** of entire portfolio

DBJ Green Building Certification

Hakata FD Business Center (certified September 1)



Building featuring excellent "environmental and social considerations"

Social

● Implementation of Corporate Version of Furusato (hometown) Tax Payment by Corporations

(Kumamoto Prefecture's Kikuyo Town, Ozu Town and Koshi City)

Support for urban development and regional vitalization of investment areas

Donation presentation ceremony
(July 31, 2023)



Ozu Town



Kikuyo Town



Koshi City

II. Semiannual Report

Overview of Asset Management

1. Changes in operating results and financial position

Fiscal Period		34th fiscal period (March 1, 2021 to August 31, 2021)	35th fiscal period (September 1, 2021 to February 28, 2022)	36th fiscal period (March 1, 2022 to August 31, 2022)	37th fiscal period (September 1, 2022 to February 28, 2023)	38th fiscal period (March 1, 2023 to August 31, 2023)
(unit)						
Operating revenues	mm yen	8,867	8,658	8,830	9,037	9,284
[Leasing business revenues]	mm yen	[8,762]	[8,658]	[8,830]	[8,921]	[8,852]
Operating expenses	mm yen	5,662	5,472	5,648	5,813	5,912
[Expenses related to leasing business]	mm yen	[4,978]	[4,810]	[4,974]	[5,147]	[5,231]
Operating income	mm yen	3,204	3,185	3,181	3,223	3,372
Ordinary income	mm yen	2,817	2,816	2,805	2,851	2,988
Profit	(a) mm yen	2,816	2,814	2,804	2,849	2,987
Total assets	(b) mm yen	199,804	198,745	201,223	201,442	203,868
[Change from previous period]	%	[0.1]	[(0.5)]	[1.2]	[0.1]	[1.2]
Interest-bearing debt	(c) mm yen	82,400	82,400	83,900	83,900	86,450
Net assets	(d) mm yen	101,755	101,753	101,743	101,788	101,926
[Change from previous period]	%	[0.1]	[(0.0)]	[(0.0)]	[0.0]	[0.1]
Unitholders' equity	mm yen	98,938	98,938	98,938	98,938	98,938
Total number of investment units outstanding	(e) units	796,000	796,000	796,000	796,000	796,000
Net assets per unit	(d)/(e) yen	127,833	127,831	127,818	127,875	128,048
Total dividend	(f) mm yen	2,817	2,814	2,804	2,849	2,987
Dividend per unit	(f)/(e) yen	3,539	3,536	3,523	3,580	3,753
[Earnings dividend per unit]	yen	[3,539]	[3,536]	[3,523]	[3,580]	[3,753]
[Dividend in excess of earnings per unit]	yen	[-]	[-]	[-]	[-]	[-]
Ratio of ordinary income to total assets	(Note 2) %	1.4 [2.8]	1.4 [2.9]	1.4 [2.8]	1.4 [2.9]	1.5 [2.9]
Return on net assets	(Note 2) %	2.8 [5.5]	2.8 [5.6]	2.8 [5.5]	2.8 [5.6]	2.9 [5.8]
Ratio of net assets to total assets	(d)/(b) %	50.9	51.2	50.6	50.5	50.0
[Change from previous period]	%	[0.0]	[0.3]	[(0.6)]	[(0.1)]	[(0.5)]
Payout ratio	(Note 2) %	100.0	100.0	100.0	100.0	100.0
Ratio of interest-bearing debt to total assets at end of period (LTV)	(c)/(b) %	41.2	41.5	41.7	41.6	42.4
[Other reference information]						
Number of investment properties (at end of period)	properties	32	32	33	33	35
Total leasable floor space (at end of period)	m ²	572,215.71	572,288.25	578,255.35	577,161.81	580,272.77
Occupancy rate (at end of period)	%	99.5	99.4	99.4	97.9	99.1
Depreciation and amortization expenses	mm yen	1,552	1,486	1,514	1,499	1,531
Capital expenditures	mm yen	445	600	1,946	385	1,602
Leasing NOI	(Note 2) mm yen	5,336	5,334	5,370	5,274	5,152
Days in fiscal period	days	184	181	184	181	184
FFO (Funds from Operation)	(g)/(Note 2) mm yen	4,265	4,301	4,318	4,234	4,086
FFO per unit	(g)/(e) yen	5,358	5,403	5,425	5,319	5,133

(Note 1) In the above table, monetary amounts are rounded down to the nearest specified unit and percentage figures are rounded off to one decimal place.

(Note 2) The indicators are calculated by using the following methods. Furthermore, the figures in square brackets represent annualized value based on the number of days in each fiscal period.

Ratio of ordinary income to total assets	Ordinary income / average total assets Average total assets = (Total assets at beginning of period + total assets at end of period) / 2
Return on net assets	Profit / average net assets Average net assets = (Net assets at beginning of period + net assets at end of period) / 2
Payout ratio	Dividend per unit (excluding dividend in excess of earnings) / profit per unit Profit per unit = Profit / total number of investment units outstanding
Leasing NOI	Leasing business revenues – expenses related to leasing business + depreciation and amortization expenses
FFO (Funds from Operation)	Profit + depreciation and amortization expenses + impairment loss - gain or loss on sales of real estate property

Overview of Asset Management

2. Management assessment

(1) Brief history of the investment corporation

Based on the “Act on Investment Trusts and Investment Corporations” (Act No. 198 in 1951 including later revisions, hereinafter the “Investment Trusts Act”), FRC was established on July 2, 2004 as Japan’s first real estate investment trust specializing in regional properties, investing in real estate throughout Kyushu (including Okinawa Prefecture), with a central focus on Fukuoka City, and Yamaguchi Prefecture (hereinafter the “Fukuoka and Kyushu areas”) by using its strength of expertise in regional characteristics, a feature in the real estate industry. FRC started asset management activities on November 9, 2004 after acquisition of four properties comprising retail properties and an office building, and listed on the Tokyo Stock Exchange, Inc. and the Fukuoka Stock Exchange on June 21, 2005 as the nation’s (code number: 8968).

As of the end of the 38th fiscal period (August 31, 2023), FRC manages a total of 35 properties comprising 11 Retail, 12 Office buildings (including land with leasehold interest for an office building) and 12 Others.

(2) Investment environment and portfolio performance

The Japanese economy showed a mild recovery during the fiscal period under review (the 38th fiscal period). With the employment and income environment improving, the economy is expected to continue recovering moderately due to various political measures proving effective, among other factors. However, a downturn in overseas economies, including the impact of global monetary tightening and concerns about the outlook of the Chinese economy, poses a risk of placing downward pressure on the domestic economy. In addition, full attention should be paid to the impacts of rising prices and changes in the financial and capital markets, etc.

In the Fukuoka and Kyushu area, the core investment target area for FRC, the economy has been recovering mildly, with the employment situation improving moderately despite production activities remaining flat. As we foresee, we must be fully wary of such factors as rising raw material and other costs, overseas financial and economic trends, and labor shortage.

As for land price trends, according to the 2023 Prefectural Land Price Survey, the combined average price for residential and commercial land as well as residential land price and commercial land price increased for the second consecutive year, respectively, on a national basis, with the rate of increase expanding. Meanwhile, in Fukuoka City, the central area of FRC’s investment targets, land prices rose 11.2% year-on-year for commercial land and 8.2% year-on-year for residential land.

Under such circumstances, FRC’s portfolio as a whole achieved generally solid performance. Among them, Canal City Hakata, a city-center retail property, in particular showed results that mainly reflected the recovery in inbound tourism from Asia except for China.

In the 38th fiscal period, FRC acquired Kumamoto East Front Building on March 28, 2023, and Axion Befu-Ekimae Premium on April 27, 2023, and conducted disposition of Kurume Higashi Kushiwara SC (55% co-ownership interest) on August 31, 2023. Furthermore, at the beginning of the 39th fiscal period, FRC completed acquisition of Hakata FD Business Center on September 1, 2023.

When analyzing FRC’s portfolio (on an acquisition price basis) as of the end of the 38th fiscal period by investment target area, the investment ratio in the Fukuoka metropolitan area accounted for 77.4%; when analyzing by property type, Retail, Office buildings, and Others accounted for 51.9%, 33.5% and 14.6%, respectively.

Fukuoka Realty Co., Ltd. to which FRC entrusts its asset management (the Asset Manager) has established the Sustainability Policy and Regulations Concerning Sustainability Management to promote sustainability through environmental, social and governance (ESG) considerations. In terms of external certifications, FRC has acquired either DBJ Green Building Certification, CASBEE for Building Certification or BELS Evaluation for 79.7% of its portfolio properties on a total floor space basis as of the end of the 38th fiscal period.

(3) Summary of fundraising

In the 38th fiscal period, FRC conducted refinancing of 5,500 million yen as well as new financing of 2,950 million yen and repayment of 400 million yen. These led to the balance of its interest-bearing debt outstanding (including investment corporation bonds) at the end of the period totaling 86,450 million yen. The loan-to-value ratio (ratio of interest-bearing debt (including investment corporation bonds) to total assets) was 42.4% and the ratio of fixed-interest rate debt (ratio of fixed-interest rate debt (including investment corporation bonds) to total interest-bearing debt) stood at 92.8% at the end of the 38th fiscal period. In addition, with regard to the commitment line agreement (credit limit: 6,000 million yen) with The Bank of Fukuoka, Ltd. serving as the agent, FRC extended the commitment period by a year, lengthening the remaining term of commitment to three years. While endeavoring to reduce refinancing risks by dispersing debt repayment dates and other measures, FRC will investigate mitigating the possible increase in financing costs in accordance with higher interest rates, including reduction of financing periods.

Overview of Asset Management

Moreover, the credit ratings assigned to FRC as of the end of the 38th 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

(4) Summary of performance and dividend

As a result of these management efforts, operating revenues totaled 9,284 million yen and operating income after excluding operating expenses such as expenses related to leasing business and asset management fees totaled 3,372 million yen. Ordinary income was 2,988 million yen and profit amounted to 2,987 million yen. Management decided to make a dividend of 3,753 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.

3. Change in the number of investment units issued

Changes in unitholders' capital from the incorporation of FRC to the end of the 38th fiscal period are as follows:

Date	Item	Number of investment units issued (units)		Unitholders' capital (mm of yen) (Note 11)		Remarks
		Increase	Balance	Increase	Balance	
July 2, 2004	Established through private placement	250	250	125	125	(Note 1)
November 8, 2004	Additional issue of investment units through private offering	82,800	83,050	41,400	41,525	(Note 2)
June 20, 2005	Additional issue of new investment units through public offering	7,000	90,050	5,944	47,469	(Note 3)
July 21, 2005	Additional issue of new investment units through third-party allotment	2,000	92,050	1,698	49,167	(Note 4)
September 7, 2006	Additional issue of new investment units through public offering	15,000	107,050	11,096	60,264	(Note 5)
March 1, 2011	Additional issue of new investment units through public offering	16,000	123,050	8,913	69,177	(Note 6)
March 1, 2013	Additional issue of new investment units through public offering	14,950	138,000	10,263	79,441	(Note 7)
March 1, 2014	Split of investment units	552,000	690,000	—	79,441	(Note 8)
April 27, 2015	Additional issue of new investment units through public offering	57,000	747,000	11,701	91,142	(Note 9)
March 1, 2018	Additional issue of new investment units through public offering	49,000	796,000	7,795	98,938	(Note 10)

(Note 1) FRC was established with an issue of investment units at 500,000 yen per unit.
(Note 2) New investment units were issued through private offering at the issue price of 500,000 yen per unit for the purpose of procuring funds for acquiring new properties, etc.
(Note 3) New investment units were issued through public offering at the issue price of 880,000 yen per unit (purchase price of 849,200 yen) for the purpose of procuring funds for acquiring new properties, etc.
(Note 4) New investment units were issued through third-party allotment at the purchase price of 849,200 yen per unit.
(Note 5) New investment units were issued through public offering at the issue price of 766,360 yen per unit (purchase price of 739,772 yen) for the purpose of procuring funds for acquiring new properties, etc.
(Note 6) New investment units were issued through public offering at the issue price of 576,083 yen per unit (purchase price of 557,078 yen) for the purpose of procuring funds for acquiring new properties, etc.
(Note 7) New investment units were issued through public offering at the issue price of 710,580 yen per unit (purchase price of 686,529 yen) for the purpose of procuring funds for acquiring new properties, etc.
(Note 8) FRC implemented a 5-for-1 split of its investment units.
(Note 9) New investment units were issued through public offering at the issue price of 212,257 yen per unit (purchase price of 205,290 yen) for the purpose of procuring funds for acquiring new properties, etc.
(Note 10) New investment units were issued through public offering at the issue price of 164,414 yen per unit (purchase price of 159,102 yen) for the purpose of procuring funds for acquiring new properties, etc.
(Note 11) No consideration has been given to the change in unitholders' capital due to distribution of dividend in excess of earnings that came from reserve for temporary difference adjustments. The same shall apply hereafter.

[Changes in market price of investment certificates]

The highest and lowest (closing price) market prices on the Real Estate Investment Trust Section of the Tokyo Stock Exchange, Inc., on which FRC's investment certificates are listed, in each fiscal period are as follows:

Fiscal period	34th fiscal period (March 1, 2021 to August 31, 2021)	35th fiscal period (September 1, 2021 to February 28, 2022)	36th fiscal period (March 1, 2022 to August 31, 2022)	37th fiscal period (September 1, 2022 to February 28, 2023)	38th fiscal period (March 1, 2023 to August 31, 2023)
Highest	191,700 yen	176,000 yen	173,500 yen	176,100 yen	168,200 yen
Lowest	163,100 yen	153,400 yen	153,200 yen	160,400 yen	157,000 yen

4. Results of dividend, etc.

With respect to the dividend for the 38th fiscal period, FRC determined to distribute the whole unappropriated surplus (except for the fraction amount, which is the dividend per unit of less than 1 yen) to be eligible for special tax measures for an investment corporation (as stipulated in Article 67-15-1 of the Special Taxation Measures Act) that allow FRC to deduct the maximum amount of earnings dividend from its taxable income. Accordingly, dividend per unit for the fiscal period was 3,753 yen.

Overview of Asset Management

(thousands of yen)					
Fiscal period	34th fiscal period (March 1, 2021 to August 31, 2021)	35th fiscal period (September 1, 2021 to February 28, 2022)	36th fiscal period (March 1, 2022 to August 31, 2022)	37th fiscal period (September 1, 2022 to February 28, 2023)	38th fiscal period (March 1, 2023 to August 31, 2023)
Profit	2,816,802	2,814,814	2,804,394	2,849,927	2,987,191
Unappropriated surplus	2,817,051	2,814,821	2,804,559	2,850,179	2,987,690
Undistributed earnings	7	165	251	499	302
Total dividends [Dividend per unit]	2,817,044 [3,539 yen]	2,814,656 [3,536 yen]	2,804,308 [3,523 yen]	2,849,680 [3,580 yen]	2,987,388 [3,753 yen]
Earnings dividends [Earnings dividend per unit]	2,817,044 [3,539 yen]	2,814,656 [3,536 yen]	2,804,308 [3,523 yen]	2,849,680 [3,580 yen]	2,987,388 [3,753 yen]
Contribution refund [Contribution refund per unit]	— [—]	— [—]	— [—]	— [—]	— [—]
Of the contribution refund, distribution of the reserve for temporary difference adjustments (Of the contribution refund per unit, distribution per unit of the reserve for temporary difference adjustments)	— [—]	— [—]	— [—]	— [—]	— [—]
Of the contribution refund, distribution through the reduction in unitholders' capital for tax purposes (Of the contribution refund per unit, distribution per unit through the reduction in unitholders' capital for tax purposes)	— [—]	— [—]	— [—]	— [—]	— [—]

5. Future portfolio management policy and vital issues

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 metropolitan area since the Fukuoka metropolitan area is expected to have a high population growth rate in the future. In addition to the Fukuoka metropolitan 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 including its sponsors 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.

6. Significant events that have occurred after the end of the 38th fiscal period

No relevant items.

(Reference information)

Acquisition of Asset

On September 1, 2023, FRC acquired the following real estate trust beneficiary interest.

Type of asset acquired	Property name	Use	Location	Seller	Acquisition price	Acquisition date
Real estate trust beneficiary interest (Note 1)	Hakata FD Business Center	Office building	10 Tsunabamachi, Hakata Ward, Fukuoka City and 13 other lots	Fukuoka Jisho Co., Ltd.	14,100 mm yen (Note 2)	September 1, 2023

(Note 1) FRC acquired the beneficiary interest in trust for the 77% co-ownership interest in the property's building the seller owns and the land it owns (part of the building's leasehold land; so-called "partial ownership").
(Note 2) The acquisition price does not include acquisition expenses and the amount equivalent to the settlement of property taxes and city planning taxes, etc.



Overview of the Investment Corporation

1. Summary of unitholders’ capital

Fiscal period	34th fiscal period as of August 31, 2021	35th fiscal period as of February 28, 2022	36th fiscal period as of August 31, 2022	37th fiscal period as of February 28, 2023	38th fiscal period as of August 31, 2023
Total number of authorized investment units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units
Total number of investment units outstanding	796,000 units	796,000 units	796,000 units	796,000 units	796,000 units
Number of unitholders	13,306	13,641	13,554	13,524	14,164

2. Matters related to investment units

The following table sets forth the major unitholders of FRC as of August 31, 2023.

Name	Investment units held (units)	Percentage of total number of investment units outstanding (%) (Note)
Custody Bank of Japan, Ltd. (Trust account)	207,964	26.12
The Master Trust Bank of Japan, Ltd. (Trust account)	86,725	10.89
Fukuoka Jisho Co., Ltd.	73,136	9.18
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	35,601	4.47
The Shinkumi Federation Bank	14,760	1.85
STATE STREET BANK WEST CLIENT – TREATY 505234	13,184	1.65
JP MORGAN CHASE BANK 385771	10,671	1.34
MetLife, Inc.	10,227	1.28
SSBTC CLIENT OMNIBUS ACCOUNT	9,718	1.22
Shikoku Railway Company	9,130	1.14
Total	471,116	59.18

(Note) Percentage of total number of investment units outstanding is rounded down to the nearest specified unit.

3. Matters related to directors

(1) The names of FRC’s directors, etc. and their fees for the 38th fiscal period are as follows:

Title	Name of directors, etc.	Major concurrent assignments	Total fee for each title for the 38th fiscal period (thousands of yen) (Note 2)
Executive Director	Zenji Koike	President and CEO, Fukuoka Realty Co., Ltd.	–
Supervisory Directors	Takashi Tanabe	Representative attorney at law at Tanabe Law Office	3,600
	Yasuo Kawasho	Representative Partner, Kawasho Authorize Accountant Office	
Independent Auditor	PricewaterhouseCoopers Aarata LLC	–	8,600

(Note 1) Zenji Koike, the Executive Director, possesses seven investment units of FRC under his own name. The Supervisory Directors do not possess investment units of FRC under their own name or under another person's name. Although there are cases where the Supervisory Directors may be directors of companies other than those stated above, none of the companies or those stated above have vested interest in FRC.

(Note 2) The fees for the Executive Director and Supervisory Directors are the amounts paid to them in the 38th fiscal period, and the fee to the Independent Auditor is the amount payable to it for audits pertaining to the 38th fiscal period. Aside from the above, 6,100 thousand yen was paid to parties who belong to the same network as the Independent Auditor based on their non-audit services.

(2) Policy on deciding to dismiss and not to reappoint the Independent Auditor

FRC will review at its Board of Directors meetings decisions regarding the dismissal of the Independent Auditor in accordance with the provisions of the Investment Trusts Act, and review decisions not to reappoint the Independent Auditor following the comprehensive consideration of the audit quality, audit fee and other various conditions.



Overview of the Investment Corporation

4. Matters concerning directors and officers liability insurance agreement

FRC has entered into a directors and officers liability insurance agreement as follows:

Scope of the insured	Overview of agreement
Executive Director and Supervisory Directors	[Overview of insured event covered by the insurance]
	The directors and officers liability insurance agreement covers such losses as compensation payment and dispute costs to be borne by the insured when they receive a claim for compensation for the actions they have taken based on their positions at FRC.
	[Measures to ensure the appropriateness of the execution of duties]
	When the insured suffer damages by actions which they executed while recognizing that it may constitute criminal act or violate the laws and regulations, the loss is not subject of the protection.

5. Names of asset management company, asset custodian and general administrators as of the end of the 38th fiscal period

The following table sets forth the asset management company, asset custodian and general administrators of FRC as of August 31, 2023.

Category of entrustment	Name
Asset Management Company	Fukuoka Realty Co., Ltd.
Asset Custodian	Mitsubishi UFJ Trust and Banking Corporation
General Administrator (accounting matters, etc.)	Mitsubishi UFJ Trust and Banking Corporation
General Administrator (administration of unitholders' list)	Sumitomo Mitsui Trust Bank, Limited
General Administrator (administration of investment corporation bonds registry)	Sumitomo Mitsui Banking Corporation
General Administrator (administration of investment corporation bonds registry)	Mizuho Bank, Ltd.



Status of FRC’s Assets under Management

1. FRC’s asset structure

Type of asset	Use	Area (Note 1)	37th fiscal period as of February 28, 2023		38th fiscal period as of August 31, 2023	
			Total value of properties owned (mm of yen) (Note 2)	Percentage of total assets (%) (Note 3)	Total value of properties owned (mm of yen) (Note 2)	Percentage of total assets (%) (Note 3)
Real estate	Retail	Fukuoka metropolitan area	—	—	—	—
		Other Kyushu areas	—	—	—	—
	Office buildings	Fukuoka metropolitan area	—	—	—	—
		Other Kyushu areas	—	—	1,518	0.7
	Others	Fukuoka metropolitan area	—	—	—	—
		Other Kyushu areas	2,122	1.1	2,108	1.0
Real estate trust beneficiary interest	Retail	Fukuoka metropolitan area	66,373	32.9	66,552	32.6
		Other Kyushu areas	36,522	18.1	35,312	17.3
	Office buildings	Fukuoka metropolitan area	59,021	29.3	58,966	28.9
		Other Kyushu areas	—	—	—	—
	Others	Fukuoka metropolitan area	19,535	9.7	21,158	10.4
		Other Kyushu areas	5,171	2.6	5,296	2.6
Deposits and other assets			12,695	6.3	12,954	6.4
Total amount of assets (Note 4)			201,442 [188,755]	100.0 [93.7]	203,868 [190,922]	100.0 [93.7]

(Note 1) “Fukuoka metropolitan 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 2020 census, which states “the number of workers and students aged 15 years or older (students including those aged 14 years or younger: particular reference) 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 metropolitan area).

(Note 2) “Total value of properties owned” is based on the value on the balance sheet (the value of real estate and real estate trust beneficiary interest 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 square brackets for “Total amount of assets” refer to the value and percentage of real estate owned in effect to the total amount of assets.

2. Major assets owned by FRC

The following is an overview of the major assets (top ten properties on a book value basis) owned by FRC as of August 31, 2023.

Real estate property name (Note 1)	Book value (mm of yen)	Total leasable floor space (m²)	Total leased floor space (m²)	Occupancy rate (%) (Note 2)	Percentage of total leasing business revenues (%) (Note 3)	Main use
Canal City Hakata	29,899	48,176.33	46,998.43	97.6	9.6	Retail
Canal City Hakata-B	20,506	31,141.44	30,114.41	96.7	10.6	Retail
Park Place Oita	20,374	121,184.13	121,023.76	99.9	13.5	Retail
Canal City Business Center Building	12,646	23,031.14	23,031.14	100.0	7.4	Office buildings
Konoha Mall Hashimoto	9,893	22,191.52	22,191.52	100.0	9.7	Retail
Gofukumachi Business Center	8,634	19,905.34	19,450.19	97.7	6.7	Office buildings
Tenjin Nishi-Dori Business Center (Land with leasehold interest)	7,754	1,343.51 (Note 4)	1,343.51	100.0	1.8	Office buildings
LOGICITY Minato Kashii	7,607	43,233.72	43,233.72	100.0	Undisclosed (Note 5)	Others
Taihaku Street Business Center	5,507	14,677.35	14,566.60	99.2	3.7	Office buildings
SunLive City Kokura	5,449	61,450.22	61,450.22	100.0	3.1	Retail
Total	128,275	386,334.70	383,403.50	99.2	—	—

(Note 1) The properties listed above are owned in the form of trust beneficiary interest.

(Note 2) “Occupancy rate” refers to the percentage of leased floor space to leasable floor space and the figures are rounded off to one decimal place.

(Note 3) “Percentage of total leasing business revenues” is rounded off to one decimal place.

(Note 4) The total leasable floor space indicates the land area recorded in the real estate registry. The same shall apply hereafter.

(Note 5) The figures are not disclosed as no consent to disclosure has been obtained from the tenants.



Status of FRC’s Assets under Management

3. Details of real estate properties in the portfolio

The following table provides details of the real estate properties owned by FRC as of August 31, 2023.

Real estate property name	Location	Form of ownership	Total leasable floor space (m²)	Period-end appraisal value (mm of yen) (Note 1)	Book value at end of period (mm of yen)	Real estate appraiser
Canal City Hakata	2-22, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	48,176.33	29,300	29,899	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata-B	2-1, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	31,141.44	21,700	20,506	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	1, 2-chome, Koen Dori Nishi, Oita City, Oita	Trust beneficiary interest	121,184.13	20,200	20,374	Japan Real Estate Institute
SunLive City Kokura	14-1, 2-chome, Kami Kuzuhara, Kokura Minami Ward, Kitakyushu City	Trust beneficiary interest	61,450.22	8,540	5,449	Japan Real Estate Institute
Konoha Mall Hashimoto	27-2, 2-chome, Hashimoto, Nishi Ward, Fukuoka City	Trust beneficiary interest	22,191.52	10,100	9,893	Tanizawa Sogo Appraisal Co., Ltd.
Square Mall Kagoshima Usuki	2-18, 2-chome, Usuki, Kagoshima City, Kagoshima	Trust beneficiary interest	14,602.88	4,700	4,187	Japan Real Estate Institute
Kumamoto Intercommunity SC	1-5, 1-chome, Kozono, Higashi Ward, Kumamoto City	Trust beneficiary interest	6,968.66	2,840	1,900	Japan Real Estate Institute
Hanahata SC	9-12, 4-chome, Hanahata, Minami Ward, Fukuoka City	Trust beneficiary interest	2,801.15	1,200	941	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC (Note 2)	370-3 Higashi Kushihara, Kurume City, Fukuoka	Trust beneficiary interest	1,940.34	822	580	Tanizawa Sogo Appraisal Co., Ltd.
K’s Denki Kagoshima	4-12, Tokai-cho, Kagoshima City, Kagoshima	Trust beneficiary interest	7,296.17	3,490	2,819	Tanizawa Sogo Appraisal Co., Ltd.
Marinoa City Fukuoka (Marina Side Building)	12-30, 2-chome, Odo, Nishi Ward, Fukuoka City	Trust beneficiary interest	33,069.82	5,860	5,311	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:			350,822.66	108,752	101,865	
Canal City Business Center Building	2-25, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	23,031.14	19,300	12,646	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	10-10, Kami Gofukumachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	19,905.34	16,000	8,634	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	1-23, 2-chome, Hakataeki Higashi, Hakata Ward, Fukuoka City	Trust beneficiary interest	6,293.75	7,010	3,696	Japan Real Estate Institute
Taihaku Street Business Center	3-21 Gokushomachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	14,677.35	10,100	5,507	Japan Real Estate Institute
Higashi Hie Business Center	1-2, 3-chome, Higashi Hie, Hakata Ward, Fukuoka City	Trust beneficiary interest	13,482.02	9,240	4,320	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	5-28, 2-chome, Tenjin, Chuo Ward, Fukuoka City	Trust beneficiary interest	3,339.32	3,400	2,630	Japan Real Estate Institute
Tenjin North Front Building	4-20, 4-chome, Tenjin, Chuo Ward, Fukuoka City	Trust beneficiary interest	5,261.64	5,050	2,297	Japan Real Estate Institute
Higashi Hie Business Center II	5-13, 1-chome, Higashi Hie, Hakata Ward, Fukuoka City	Trust beneficiary interest	6,214.77	4,900	3,821	Tanizawa Sogo Appraisal Co., Ltd.
Higashi Hie Business Center III	45, 4-chome, Higashi Hie, Hakata Ward, Fukuoka City	Trust beneficiary interest	2,981.14	3,530	3,179	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Business Center (Land with leasehold interest)	149, 2-chome, Tenjin, Chuo Ward, Fukuoka City	Trust beneficiary interest	1,343.51	8,770	7,754	Japan Real Estate Institute
Hakata Chikushi-Dori Center Building	5, 2-chome, Hakataekiminami, Hakata Ward, Fukuoka City	Trust beneficiary interest	5,994.41	4,580	4,477	Tanizawa Sogo Appraisal Co., Ltd.
Kumamoto East Front Building	5-15, 1-chome, Shinyashiki, Chuo Ward, Kumamoto City	Real estate	3,139.20	1,510	1,518	Tanizawa Sogo Appraisal Co., Ltd.
Office buildings subtotal:			105,663.59	93,390	60,484	
Amex Akasakamon Tower	4-23, 2-chome, Maizuru, Chuo Ward, Fukuoka City	Trust beneficiary interest	4,821.25	2,050	1,597	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	16-21, 2-chome, Kego, Chuo Ward, Fukuoka City	Trust beneficiary interest	2,710.86	1,150	850	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Chihaya	3-12, 4-chome, Chihaya, Higashi Ward, Fukuoka City	Trust beneficiary interest	5,619.69	2,060	1,136	Japan Real Estate Institute
D-Wing Tower	10-38, 2-chome, Daimyo, Chuo Ward, Fukuoka City	Trust beneficiary interest	7,187.59	4,020	2,575	Tanizawa Sogo Appraisal Co., Ltd.
Granfore Yakuin Minami	11-20, 1-chome, Hirao, Chuo Ward, Fukuoka City	Trust beneficiary interest	2,496.06	1,430	1,125	Tanizawa Sogo Appraisal Co., Ltd.
Axion Befu-Ekimae Premium	296-1, 3-chome, Befu, Jonan Ward, Fukuoka City	Trust beneficiary interest	1,937.89	1,560	1,651	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	5-18, 1-chome, Chuo-cho, Oita City, Oita	Trust beneficiary interest	5,785.44	1,860	1,463	Japan Real Estate Institute
Tissage Hotel Naha	14-1, 2-chome, Nishi, Naha City, Okinawa	Trust beneficiary interest	3,758.76	2,940	2,715	Tanizawa Sogo Appraisal Co., Ltd.
Tosu Logistics Center	1607 Aza Momota, Himekata-cho, Tosu City, Saga	Trust beneficiary interest	4,173.29	1,640	1,117	Japan Real Estate Institute
LOGICITY Minato Kashii	3-4, 2-chome, Minato Kashii, Higashi Ward, Fukuoka City	Trust beneficiary interest	43,233.72	10,000	7,607	Tanizawa Sogo Appraisal Co., Ltd.
LOGICITY Hisayama	2335-3 Oaza Yamada, Hisayama-machi, Kasuya County, Fukuoka	Trust beneficiary interest	24,505.65	5,950	4,613	Tanizawa Sogo Appraisal Co., Ltd.
LOGICITY Wakamiya	1406 Shimoaruki, Miyawaka City, Fukuoka	Real estate	17,556.32	2,590	2,108	Tanizawa Sogo Appraisal Co., Ltd.
Others subtotal:			123,786.52	37,250	28,563	
Total			580,272.77	239,392	190,913	



Status of FRC’s Assets under Management

(Properties to be acquired)

Real estate property name	Location	Form of ownership	Total leasable floor space (m ²)	Period-end appraisal value (mm of yen) (Note 1)	Book value at end of period (mm of yen)	Real estate appraiser
Hakata FD Business Center	10 Tsunabamachi, Hakata Ward, Fukuoka City and 13 other parcels of land	Trust beneficiary interest	15,716.95 (Note 3)	15,000 (Note 3)	—	Japan Real Estate Institute
Island City Minato Bay related site (Land with leasehold interest) (tentative) (Note 4) (Note 5)	Part of 32-1, Minato Kashii 3-chome, Higashi-Ward, Fukuoka City (Note 6)	Real estate	Approx. 39,142 (Note 6)	8,210	—	Tanizawa Sogo Appraisal Co., Ltd.

- (Note 1) “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 2) FRC disposed Kurume Higashi Kushiwara SC (55% co-ownership interest) on August 31, 2023. The same shall apply hereafter.
- (Note 3) The total leasable floor space and period-end appraisal value indicate the figures as of March 30, 2023 and March 1, 2023, respectively.
- (Note 4) The acquisition of the property falls under the category of forward commitment, etc. as provided by the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” set forth by the Financial Services Agency. As a reservation deposit, FRC paid the amount equivalent to 5% (approximately 4 million yen) of the purchase price corresponding to its acquisition ratio at the time of applying to the Fukuoka City Government for the purchase. If FRC withdraws from the purchase of the property, the deposit shall be used as cancellation penalty.
- (Note 5) The property is planned for delivery on March 31, 2029 (which may be changed depending on the situation of its foundation enhancement work and other factors).
- (Note 6) The location and total leasable floor space are to be finalized after measurement surveys to be conducted later and registration of subdivided lots.
- (Note 7) The properties to be acquired indicate the properties for which contract or letter of agreement has been concluded as of the end of the 38th fiscal period.

Real estate property name	37th fiscal period (September 1, 2022 to February 28, 2023)				38th fiscal period (March 1, 2023 to August 31, 2023)			
	Number of tenants at end of period (Note 1)	Occupancy rate at end of period (%) (Note 3)	Total leasing business revenues during periods (mm of yen) (Note 4)	Percentage of total leasing business revenues (%) (Note 5)	Number of tenants at end of period (Note 1)	Occupancy rate at end of period (%) (Note 3)	Total leasing business revenues during periods (mm of yen) (Note 4)	Percentage of total leasing business revenues (%) (Note 5)
Canal City Hakata	1 (23)	81.6	1,011	11.3	1 (22)	97.6	850	9.6
Canal City Hakata-B	1 (40)	94.8	958	10.7	1 (42)	96.7	942	10.6
Park Place Oita	1 (101)	99.8	1,216	13.6	1 (101)	99.9	1,197	13.5
SunLive City Kokura	1	100.0	293	3.3	1	100.0	278	3.1
Konoha Mall Hashimoto	1 (124)	100.0	844	9.5	1 (124)	100.0	856	9.7
Square Mall Kagoshima Usuki	13	100.0	258	2.9	13	100.0	253	2.9
Kumamoto Intercommunity SC	2	100.0	90	1.0	2	100.0	89	1.0
Hanahata SC	2	100.0	40	0.5	2	100.0	40	0.5
Kurume Higashi Kushiwara SC	1	100.0	87	1.0	1	100.0	74	0.8
K’s Denki Kagoshima	1	100.0	109	1.2	1	100.0	105	1.2
Marinoa City Fukuoka (Marina Side Building)	1	100.0	178	2.0	1	100.0	177	2.0
Retail subtotal:	25 [309] (Note 2)	97.0	5,089	57.0	25 [310] (Note 2)	99.3	4,868	55.0
Canal City Business Center Building	1 (64)	100.0	657	7.4	1 (64)	100.0	656	7.4
Gofukumachi Business Center	35	98.6	597	6.7	34	97.7	594	6.7
Sanix Hakata Building	16	100.0	211	2.4	16	100.0	209	2.4
Taihaku Street Business Center	1 (70)	99.1	330	3.7	1 (70)	99.2	331	3.7
Higashi Hie Business Center	1 (25)	100.0	313	3.5	1 (24)	99.4	372	4.2
Tenjin Nishi-Dori Center Building	1	100.0	86	1.0	1	100.0	86	1.0
Tenjin North Front Building	12	100.0	146	1.6	12	100.0	152	1.7
Higashi Hie Business Center II	2	100.0	165	1.9	2	100.0	162	1.8
Higashi Hie Business Center III	6	100.0	98	1.1	6	100.0	98	1.1
Tenjin Nishi-Dori Business Center (Land with leasehold interest)	1 (Note 6)	100.0	159	1.8	1 (Note 6)	100.0	159	1.8
Hakata Chikushi-Dori Center Building	1 (13)	86.7	127	1.4	1 (13)	92.8	146	1.7
Kumamoto East Front Building	—	—	—	—	6	82.0	44	0.5
Office buildings subtotal:	77 [245] (Note 2)	98.8	2,894	32.4	82 [249] (Note 2)	98.4	3,014	34.1
Amex Akasakamon Tower	1 (66)	98.3	66	0.7	1 (67)	100.0	67	0.8
City House Keyaki Dori	1 (42)	100.0	39	0.4	1 (42)	100.0	39	0.4
Aqualia Chihaya	1 (104)	98.9	60	0.7	1 (101)	95.7	60	0.7
D-Wing Tower	1 (136)	99.5	115	1.3	1 (131)	96.1	117	1.3
Granfore Yakuin Minami	1 (98)	99.0	39	0.4	1 (96)	97.0	38	0.4
Axion Befu-Ekima Premium	—	—	—	—	1 (15)	55.1	13	0.2
Hotel FORZA Oita	1	100.0	63	0.7	1	100.0	63	0.7
Tissage Hotel Naha	1	100.0	40	0.5	1	100.0	45	0.5
Tosu Logistics Center	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
LOGICITY Minato Kashii	2	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	2	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
LOGICITY Hisayama	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
LOGICITY Wakamiya	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
Others subtotal:	12 [453] (Note 2)	99.8	938	10.5	13 [459] (Note 2)	98.8	969	10.9
Total	114 [1,007] (Note 2)	97.9	8,921	100.0	120 [1,018] (Note 2)	99.1	8,852	100.0



Status of FRC’s Assets under Management

- (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 square brackets. The Taihaku Street Business Center is an office building with a residential tower. Its number of tenants comprises 13 for the office building and 57 for the residence in the 38th fiscal period (13 for the office building and 57 for the residence in the 37th fiscal period).
- (Note 2) The total of all the tenants in other than pass-through master leasing properties and the total number of sections stipulated in the tenancy agreements with end tenants for pass-through master leasing properties is shown in square brackets in the subtotal and total columns for “Number of tenants.”
- (Note 3) “Occupancy rate” refers to the percentage of leased floor space to leasable floor space and the figures are rounded off to one decimal place.
- (Note 4) “Total leasing business revenues” indicates 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 business revenues” is rounded off to one decimal place, and the total of individual percentages in the above table may not equal 100%.
- (Note 6) The number of tenants indicates the number of the lessee of the land with leasehold interest.
- (Note 7) The figures are not disclosed as no consent to disclosure has been obtained from the tenants.

4. Details of renewable energy generation facilities in the portfolio

No relevant items.

5. Details of the rights to operate public facilities, etc. in the portfolio

No relevant items.

6. Securities incorporated in the portfolio

No relevant items.

7. List of specific transaction and forward exchange transaction contract amount and status of fair value

The following table provides the contract amount of FRC’s specific transactions and the status of its fair value as of August 31, 2023.

Category	Type	Contract amount, etc. (mm of yen)		Fair value (mm of yen) (Note 2)
		(Note 1)	Of which, exceeding 1 year	
Off-market transaction	Interest rate swap transaction (Receivable floating; Payable fixed)	19,200	16,700	379
Total		19,200	16,700	379

- (Note 1) The contract amount, etc. of the interest rate swap transaction is based on the notional principal amount.
- (Note 2) The fair value is calculated by the counterparty of the transaction contract based on the actual interest rate on the market and other factors.

8. Status of other assets

All real estate and real estate trust beneficiary interests owned by FRC have been entered under “3. Details of real estate prop-erties in the portfolio” on page 16. There is no incorporation of other specified assets as of the end of the 38th fiscal period.

9. Status of owned assets by country and region

As of the end of the 38th fiscal period, no overseas real estate properties in countries or regions other than Japan are incorpo-rated into FRC’s portfolio.



Capital Expenditures for Owned Real Estate

1. Planned capital expenditures

The following table provides amounts of major items of capital expenditures associated with currently planned renovations, etc. for real estate properties owned by FRC as of the date of this Semiannual Report. 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.

Capital Expenditures for Owned Real Estate

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	Replacement of central monitoring devices and equipment	From April 2023 to April 2024	173	—	—
Canal City Hakata-B	Hakata Ward, Fukuoka City	Renovation of 1st basement floor of Grand Building	From August 2022 to August 2024	771	1	3
Canal City Hakata-B	Hakata Ward, Fukuoka City	Replacement of central monitoring devices and equipment	From April 2023 to April 2024	223	—	—
Konoha Mall Hashimoto	Nishi Ward, Fukuoka City	Second phase of renovation of toilet and sanitary facilities	From March 2024 to July 2024	49	—	—
SunLive City Kokura	Kokura Minami Ward, Kitakyushu City	Renovation of parking lot on the 3rd floor	From September 2023 to November 2023	85	—	—
Gofukumachi Business Center	Hakata Ward, Fukuoka City	Replacement of LED lighting in exclusive areas	From August 2023 to February 2024	103	—	—
Taihaku Street Business Center	Hakata Ward, Fukuoka City	Renovation of external walls of the office building	From May 2023 to October 2023	113	—	—
Taihaku Street Business Center	Hakata Ward, Fukuoka City	Renovation of external walls of the residential tower	From August 2023 to February 2024	87	—	—
Higashi Hie Business Center	Hakata Ward, Fukuoka City	Switching to LED lighting in exclusive areas	From August 2023 to December 2023	101	—	—
D-Wing Tower	Chuo Ward, Fukuoka City	Renovation of external walls	From July 2023 to February 2024	128	—	2
Hotel FORZA Oita	Oita City, Oita	Replacement of air-conditioning units	From August 2023 to October 2023	65	—	—

2. Capital expenditures during the 38th fiscal period

Capital expenditures for the real estate properties owned by FRC totaled 1,602 million yen in the 38th period. Furthermore, FRC incurred construction costs of 1,921 million yen in total in the period, including 308 million yen in repair and maintenance expenses classified as expenses on the Statement of Income and 10 million yen in expenses for restoration to former state. The following table provides the overview of major construction work that was completed in the 38th fiscal period.

Real estate property name	Location	Purpose	Period	Construction cost (mm of yen)
Canal City Hakata	Hakata Ward, Fukuoka City	Replacement of facilities and formation of floor sections	From January 2023 to August 2023	399
Canal City Hakata-B	Hakata Ward, Fukuoka City	Replacement of lighting equipment at parking lots	From May 2023 to August 2023	49
Canal City Hakata-B	Hakata Ward, Fukuoka City	Replacement of emergency power generators	April 2023	50
Park Place Oita	Oita City, Oita	Replacement of air-conditioning units	From April 2023 to May 2023	147
Konoha Mall Hashimoto	Nishi Ward, Fukuoka City	First phase of renovation of toilet and sanitary facilities	From July 2023 to August 2023	31
Gofukumachi Business Center	Hakata Ward, Fukuoka City	Replacement of automatic fire alarm equipment	May 2023	49
Granfore Yakuin Minami	Chuo Ward, Fukuoka City	Renovation of external walls	From January 2023 to June 2023	80
Hotel FORZA Oita	Oita City, Oita	Replacement of air-conditioning units	From May 2023 to July 2023	186

3. Reserves for long-term repair and maintenance plans

FRC has deposited the following amounts from the cash flows generated during the 38th fiscal period in order to fund large-scale repair and maintenance work in the medium- to long-term, based on long-term repairs and maintenance plans prepared for respective properties.

(millions of yen)

Fiscal period	34th fiscal period (March 1, 2021 to August 31, 2021)	35th fiscal period (September 1, 2021 to February 28, 2022)	36th fiscal period (March 1, 2022 to August 31, 2022)	37th fiscal period (September 1, 2022 to February 28, 2023)	38th fiscal period (March 1, 2023 to August 31, 2023)
Balance of deposits at beginning of period	1,000	1,000	1,000	1,000	1,000
Deposits during the period	—	—	—	—	—
Amounts used from deposits during the period	—	—	—	—	—
Deposits carried forward to the next period	1,000	1,000	1,000	1,000	1,000

Expenses and Liabilities

1. Details of expenses related to asset management

(thousands of yen)

Item	37th fiscal period (September 1, 2022 to February 28, 2023)	38th fiscal period (March 1, 2023 to August 31, 2023)
(a) Asset management fees (Note)	534,370	544,383
(b) Asset custody fees	7,483	7,616
(c) Administrative service fees	57,648	58,481
(d) Directors' compensations	3,600	3,600
(e) Other operating expenses	63,584	66,055
Total	666,687	680,136

(Note) Aside from the amounts of the asset management fees shown above, 2,055 thousand yen for asset management related to the disposition of Kurume Higashi Kushiwara SC (15% co-ownership interest) was paid in the 37th fiscal period, and 14,875 thousand yen for asset management, capitalized in the acquisition costs, related to the acquisition of Kumamoto East Front Building and Axion Befu-Ekima Premium, as well as 7,535 thousand yen for asset management related to the disposition of Kurume Higashi Kushiwara SC (55% co-ownership interest), were paid in the 38th fiscal period.

2. Status of debt

As of the end of the 38th fiscal period (August 31, 2023), FRC has the following debt from respective financial institutions.

	Category	Drawdown date	Balance as of March 1, 2023 (mm of yen)	Balance as of August 31, 2023 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
	Lender								
Current maturities of long-term debt	Sumitomo Mitsui Trust Bank	July 31, 2015	1,500	—	0.564	July 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Development Bank of Japan	August 31, 2015	4,000	—	0.880	August 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Nishi-Nippon City Bank	August 31, 2015	400	—	0.870	August 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Bank of Fukuoka	February 29, 2016	2,000	2,000	0.425	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Nishi-Nippon City Bank	February 29, 2016	2,000	2,000	0.440	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Mizuho Bank	February 29, 2016	500	500	0.440	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	SBI Shinsei Bank	July 29, 2016	—	700	0.400	July 31, 2024	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Subtotal		10,400	5,200					
Long-term debt	Development Bank of Japan	February 29, 2016	2,000	2,000	0.620	February 28, 2025	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	SBI Shinsei Bank	July 29, 2016	700	—	0.400	July 31, 2024	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Sumitomo Mitsui Trust Bank	September 30, 2016	300	300	0.417	September 30, 2025	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Development Bank of Japan	December 30, 2016	1,500	1,500	0.718	December 30, 2025	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Oita Bank		100	100					
	The Kagoshima Bank		100	100					
	The Kitakyushu Bank		100	100					
	The Juhachi-Shinwa Bank		200	200					
	The Hiroshima Bank		100	100					
	The Bank of Fukuoka	December 30, 2016	1,500	1,500	0.423	December 30, 2026	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	MUFG Bank	March 31, 2017	800	800	0.481	March 31, 2025	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Resona Bank	March 31, 2017	600	600	0.658	March 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Higo Bank	March 31, 2017	300	300	0.481	March 31, 2025	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Bank of Fukuoka	June 30, 2017	1,300	1,300	0.777	June 30, 2026	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Nishi-Nippon City Bank		1,000	1,000					
	The Oita Bank		700	700					
	The Kitakyushu Bank		700	700					
	The Miyazaki Bank		700	700					
	The Juhachi-Shinwa Bank		1,100	1,100					
	The Iyo Bank		500	500					
	Development Bank of Japan	June 30, 2017	1,800	1,800	0.650	December 31, 2026	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Bank of Fukuoka	July 31, 2017	2,000	2,000	0.792	July 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Nishi-Nippon City Bank	July 31, 2017	2,000	2,000	0.892	July 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee

Expenses and Liabilities

	Category	Drawdown date	Balance as of March 1, 2023 (mm of yen)	Balance as of August 31, 2023 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
	Lender								
Long-term debt	The Nishi-Nippon City Bank	August 31, 2017	500	500	0.850	August 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka		500	500					
	The Oita Bank		100	100					
	The Kitakyushu Bank		100	100					
	The Juhachi-Shinwa Bank		200	200					
	The Hiroshima Bank		100	100					
	Resona Bank	September 29, 2017	2,000	2,000	0.493	September 30, 2027	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	December 29, 2017	1,500	1,500	0.812	December 30, 2027	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	December 29, 2017	500	500	0.680	December 30, 2027	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	February 28, 2018	1,900	1,900	0.750	February 29, 2028	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	February 28, 2018	1,100	1,100	0.600	February 26, 2027	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	MUFG Bank	February 28, 2018	1,500	1,500	0.500	February 27, 2026	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Resona Bank	February 28, 2018	600	600	0.567	February 29, 2028	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	March 1, 2018	2,500	2,500	0.720	March 1, 2028	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee
	MUFG Bank	March 30, 2018	600	600	0.480	March 31, 2026	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	March 30, 2018	600	600	0.802	March 31, 2028	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	March 30, 2018	500	500	0.802	March 31, 2028	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	March 30, 2018	500	500	0.630	March 31, 2028	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	March 30, 2018	500	500	0.504	March 31, 2025	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	MUFG Bank	March 30, 2018	500	500	0.490	March 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	March 30, 2018	400	400	0.576	March 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Oita Bank	March 30, 2018	400	400	0.646	March 31, 2028	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Hiroshima Bank	March 30, 2018	400	400	0.646	March 31, 2028	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	SBI Shinsei Bank	March 30, 2018	300	300	0.400	March 31, 2025	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	January 31, 2019	500	500	0.655	January 31, 2029	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	MUFG Bank	January 31, 2019	500	500	0.590	January 31, 2028	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	January 31, 2019	400	400	0.424	January 31, 2029	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	January 31, 2019	300	300	0.424	January 31, 2029	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Oita Bank	February 28, 2019	200	200	0.334	February 27, 2026	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Kagoshima Bank	February 28, 2019	200	200	0.334	February 27, 2026	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Higo Bank	February 28, 2019	200	200	0.334	February 27, 2026	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Resona Bank	February 28, 2019	200	200	0.488	February 28, 2029	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	July 31, 2019	1,200	1,200	0.521	July 31, 2029	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Saga		500	500					
	The Higo Bank		500	500					
	The Norinchukin Bank	July 31, 2019	1,500	1,500	0.303	January 29, 2027	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	MUFG Bank	September 25, 2019	500	500	0.480	September 29, 2028	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	February 28, 2020	2,500	2,500	0.480	February 28, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	February 28, 2020	1,700	1,700	0.420	February 28, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Aozora Bank	June 30, 2020	1,000	1,000	0.569	June 28, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Resona Bank	June 30, 2020	700	700	0.569	June 28, 2030	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee
	MUFG Bank	June 30, 2020	500	500	0.600	June 29, 2029	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee
	The Kagoshima Bank	June 30, 2020	500	500	0.465	June 30, 2028	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee
	Development Bank of Japan	July 31, 2020	1,500	1,500	0.530	July 31, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	July 31, 2020	1,000	1,000	0.470	July 31, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee

Expenses and Liabilities

	Category	Drawdown date	Balance as of March 1, 2023 (mm of yen)	Balance as of August 31, 2023 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
	Lender								
Long-term debt	The Kitakyushu Bank	July 31, 2020	500	500	0.526	July 31, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Iyo Bank	July 31, 2020	200	200	0.526	July 31, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Juhachi-Shinwa Bank	March 31, 2021	1,000	1,000	0.590	March 31, 2031	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	July 30, 2021	2,300	2,300	0.490	July 31, 2031	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Hiroshima Bank		1,400	1,400					
	The Kitakyushu Bank		800	800					
	The Iyo Bank		500	500					
	The Higo Bank		300	300					
	Mizuho Trust & Banking Co., Ltd.	March 31, 2022	1,000	1,000	0.373	March 31, 2032	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	June 30, 2022	1,600	1,600	0.726	June 29, 2029	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	August 31, 2022	4,000	4,000	0.919 (Note 2)	August 31, 2032	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank		500	500					
	The Bank of Fukuoka		400	400					
	The Higo Bank	March 31, 2023	—	700	0.615	March 31, 2028	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee
	The Higo Bank	March 31, 2023	—	750	0.375	March 31, 2033	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee
	The Hiroshima Bank	June 30, 2023	—	500	0.541	June 29, 2029	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Hiroshima Bank	June 30, 2023	—	1,000	0.635	June 28, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	July 31, 2023	—	900	0.501	July 31, 2028	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	July 31, 2023	—	600	0.829	July 31, 2031	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	August 31, 2023	—	2,000	0.838	August 31, 2029	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	August 31, 2023	—	2,000	0.907	February 28, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Subtotal		68,500	76,250					
	Total		78,900	81,450					

(Note 1) The average interest rate is a weighted-average figure during the fiscal period and is rounded to the third decimal place. Furthermore, the average interest rate of debt for which FRC conducted interest rate swap transactions in order to hedge against interest rate fluctuation risks is the weighted-average figure during the fiscal period taking into consideration the effect of interest rate swaps.

(Note 2) The borrowing is a Sustainability-Linked Loan in which it has been set as a Sustainability Performance Target (SPT) to reduce CO₂ emissions (in terms of intensity) by 35% compared with fiscal 2019 by February 28, 2031, and the achievement of the target is linked to the loan conditions. When the SPT is achieved, the contract will offer a preferential treatment for the interest rate determined at the time of borrowing, for the period from August 2031 to the repayment date.

3. Investment corporation bonds

As of the end of the 38th fiscal period (August 31, 2023), FRC has the following investment corporation bonds outstanding.

Issue	Issue date	Balance as of March 1, 2023 (mm of yen)	Decrease during the fiscal period (mm of yen)	Balance as of August 31, 2023 (mm of yen)	Coupon (%)	Maturity date	Maturity method	Use	Description
First Series of Unsecured Bonds	December 30, 2013	2,000	—	2,000	1.32	December 29, 2023	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)
Second Series of Unsecured Bonds	July 31, 2017	2,000	—	2,000	1.00	July 30, 2032	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)
Third Series of Unsecured Bonds	July 31, 2018	1,000	—	1,000	1.20	July 30, 2038	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)
Total		5,000	—	5,000					

(Note 1) The bonds may be repurchased and cancelled by FRC at any time on and after the date following the payment date, unless otherwise determined by the book-entry transfer agent.

(Note 2) The bonds are subject to the limited pari passu clause among specified investment corporation bonds.

4. Short-term investment corporation bonds

No relevant items.

5. Subscription rights to shares

No relevant items.

Acquisitions and Sales during the 38th Fiscal Period

1. Acquisition and sale of real estate property, asset-backed securities, infrastructure assets, etc. and infrastructure-related assets, etc.

Property name	Acquisition		Disposition			
	Acquisition date	Acquisition price (mm of yen)	Disposition date	Disposition price (Note) (mm of yen)	Book value (mm of yen)	Gain or loss on sale (mm of yen)
Kumamoto East Front Building	March 28, 2023	1,450	—	—	—	—
Axion Befu-Ekimae Premium	April 27, 2023	1,525	—	—	—	—
Kurume Higashi Kushiwara SC (55% co-ownership interest)	—	—	August 31, 2023	1,507	1,063	432
Total	—	2,975	—	1,507	1,063	432

(Note) Acquisition price or disposition price is the amount (transaction price indicated in the sales agreement) excluding expenses (transaction brokerage fees, taxes and other public charges, etc.) required for the acquisition or disposition of the relevant real estate, etc.

2. Acquisition and sale of other assets

No relevant items.

3. Survey on prices of specified assets, etc.

(1) Real estate, etc.

Acquisition or disposition	Property name	Type of asset	Transaction date	Acquisition price or disposition price (Note 1) (mm of yen)	Real estate appraisal value (Note 2) (mm of yen)	Real estate appraiser	Appraisal date
Acquisition	Kumamoto East Front Building	Real estate	March 28, 2023	1,450	1,460	Tanizawa Sogo Appraisal Co., Ltd.	February 1, 2023
Acquisition	Axion Befu-Ekimae Premium	Real estate in trust	April 27, 2023	1,525	1,530	Daiwa Real Estate Appraisal Co., Ltd.	March 10, 2023
Disposition	Kurume Higashi Kushiwara SC (55% co-ownership interest)	Real estate in trust	August 31, 2023	1,507	1,507 (Note 3)	Tanizawa Sogo Appraisal Co., Ltd.	August 31, 2022

(Note 1) Acquisition price or disposition price is the amount (transaction price indicated in the sales agreement) excluding related expenses (transaction brokerage fees, taxes and other public charges, etc.) required for the acquisition or disposition of the relevant real estate, etc.

(Note 2) The above appraisal was valuated by applying the "Real Estate Appraisal Standards, Chapter 3: Valuation for price of real estate for securitization."

(Note 3) The appraisal value stated above indicates the value equivalent to 55% co-ownership interest that was disposed of the property's appraisal value (2,740 million yen) as of August 31, 2022.

(2) Other

Other than the transaction described in “(1) Real estate, etc.” above, FRC carried out no transaction in the 38th fiscal period that was required to have the value, etc. reviewed pursuant to the provisions of Article 201 of the Investment Trusts Act.

4. Transactions with interested parties, etc.

(1) Transaction status

No relevant items.

(2) Amount of fees paid, etc.

FRC paid the following fees to the interested parties, etc. during the 38th fiscal period. Furthermore, interested parties, etc. refer to the interested parties of the asset management company who have concluded an asset management agreement with FRC and are designated in Article 123 of the Enforcement Order of the Investment Trusts Act. Of these interested parties, etc., the below table indicates the business partners to which FRC paid fees, etc. during the 38th fiscal period.

Acquisitions and Sales during the 38th Fiscal Period

Category	Total paid fees (A) (thousands of yen) (Note 1)	Breakdown of transactions with interested parties, etc.		Percentage of total amount (B) / (A) (%)
		Paid party	Paid amount (B) (thousands of yen)	
Property leasing brokerage fees (Note 2)	15,807	Fukuoka Jisho Co., Ltd.	7,905	50.0
		F.J. Entertainment Works Ltd.	3,071	19.4
Property management fees (Note 3)	338,222	Fukuoka Jisho Co., Ltd.	77,718	23.0
		F.J. Entertainment Works Ltd.	250,770	74.1
Outsourcing fees (Note 2) (Note 4)	1,427,333	Fukuoka Jisho Co., Ltd.	535,591	37.5
		F.J. Entertainment Works Ltd.	739,328	51.8
		Sunlife Co., Ltd.	132,463	9.3
Other operating expenses (Note 2)	1,501,290	Fukuoka Jisho Co., Ltd.	204,452	13.6
		F.J. Entertainment Works Ltd.	341,768	22.8
		Sunlife Co., Ltd.	2,329	0.2

(Note 1) Aside from the paid fees shown above, FRC paid the following amounts for repairs, etc. that were ordered to interested parties, etc. during the 38th fiscal period. The amounts include construction work fees paid to third parties through interested parties, etc.

Fukuoka Jisho Co., Ltd. 462,065 thousand yen

F.J. Entertainment Works Ltd. 994,956 thousand yen

Sunlife Co., Ltd. 373,991 thousand yen

(Note 2) The property leasing brokerage fees, outsourcing fees and other operating expenses include property leasing brokerage fees, etc. paid to third parties through interested parties, etc.

(Note 3) The property management fees do not include the following construction supervision fees. In addition, of the fees below, the construction supervision fees paid upon acquiring real estate are included in the acquisition cost of the relevant real estate.

Fukuoka Jisho Co., Ltd. 21,056 thousand yen

F.J. Entertainment Works Ltd. 44,308 thousand yen

(Note 4) The outsourcing fees shown above are paid fees, etc. regarding building management outsourcing fees, and do not coincide with the outsourcing fees described in VIII. Notes to Financial Statements (Notes to statement of income) that include property management fees and others.

5. Transactions with the asset management company regarding concurrent work conducted by the asset management company

The asset management company (Fukuoka Realty Co., Ltd.) concurrently conducts investment advisory and agency business, but has no such transactions with FRC. The company does not concurrently conduct any class 1 financial instruments transaction business, class 2 financial instruments transaction business, land and building transaction business or real estate syndication business, and has no such transactions with FRC.

Overview of Accounting

1. Assets, liabilities, principal and profits/loss

Please refer to the IV. Balance Sheet, V. Statement of Income, VI. Statement of Changes in Net Assets, VII. Statement of Cash Distributions, VIII. Cash Flow Statement, IX. Notes to Financial Statements and X. Supplementary Schedules on later pages of this report.

2. Changes in calculation method of depreciation

No relevant items.

3. Changes in valuation method of real estate and infrastructure assets, etc.

No relevant items.

4. Overview of self-managed investment trust beneficiary certificates

No relevant items.

Overview of Accounting

5. Disclosure on corporation owning foreign real estate

No relevant items.

6. Disclosure on real estate owned by corporation owning foreign real estate

No relevant items.

Other

1. Handling of fractions of monetary amounts and percentage figures

Unless otherwise stated, the figures less than the specified unit are rounded down for monetary amounts and rounded off to one decimal place for percentage figures throughout this Semiannual Report.

III. Independent Auditor's Report



Independent Auditor's Report

To the Board of Directors of Fukuoka REIT Corporation

THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Fukuoka REIT Corporation (the Company), which comprise the balance sheet as of August 31, 2023, and the statement of income, statement of changes in net assets, statement of cash distributions and cash flow statement for the six month period then ended, notes to financial statements and supplementary schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2023, and its financial performance and its cash flows for the six month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the semiannual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

PricewaterhouseCoopers Aarata LLC
Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
T: +81 (3) 6212 6800, F: +81 (3) 6212 6801, www.pwc.com/jp/assurance



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and and where applicable, actions taken to eliminate threats or safeguards applied.

FEE-RELATED INFORMATION

In connection with our audit of the financial statements for the six month period ended August 31, 2023, the amounts of fees for the audit and the other services charged to the Company by PricewaterhouseCoopers Aarata LLC and other PwC Network firms are disclosed in “3. Matters related to directors” included in "Overview of the Investment Corporation" in the Semiannual Report.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Takeshi Yamaguchi

Takashi Sato

Designated Engagement Partner
Certified Public Accountant

Designated Engagement Partner
Certified Public Accountant

November 21, 2023

IV. Balance Sheet

(thousands of yen)			
	37th fiscal period (as of February 28, 2023)		38th fiscal period (as of August 31, 2023)
Assets			
Current assets			
Cash and deposits		6,069,891	6,267,244
Cash and deposits in trust		4,236,159	4,243,120
Operating accounts receivable		738,177	791,122
Prepaid expenses		270,539	259,963
Others		16,961	29,755
Total current assets		11,331,729	11,591,207
Non-current assets			
Property, plant and equipment			
Buildings		1,181,091	2,012,318
Accumulated depreciation		(68,543)	(93,923)
Buildings, net		1,112,547	1,918,394
Structures		20,698	24,857
Accumulated depreciation		(903)	(1,167)
Structures, net		19,795	23,690
Machinery and equipment		—	0
Accumulated depreciation		—	—
Machinery and equipment, net		—	0
Tools and fixtures		1,571	1,571
Accumulated depreciation		(547)	(665)
Tools and fixtures, net		1,023	906
Lands		989,124	1,684,370
Buildings in trust	*1	104,967,252	*1 106,613,034
Accumulated depreciation		(39,379,429)	(40,472,531)
Buildings in trust, net		65,587,822	66,140,502
Structures in trust		1,974,987	1,977,417
Accumulated depreciation		(931,405)	(944,053)
Structures in trust, net		1,043,582	1,033,364
Machinery and equipment in trust		1,490,515	1,522,289
Accumulated depreciation		(781,851)	(818,780)
Machinery and equipment in trust, net		708,664	703,508
Vehicles and transport equipment in trust		626	626
Accumulated depreciation		(594)	(594)
Vehicles and transport equipment in trust, net		31	31
Tools and fixtures in trust		1,489,296	1,489,624
Accumulated depreciation		(1,257,920)	(1,251,116)
Tools and fixtures in trust, net		231,375	238,508
Lands in trust	*1	113,501,599	*1 113,622,069
Construction in progress in trust		8,217	9,186
Total property, plant and equipment		183,203,784	185,374,532
Intangible assets			
Leasehold right in trust		5,545,883	5,545,883
Other intangible assets in trust		5,421	2,528
Total intangible assets		5,551,305	5,548,411
Investment and other assets			
Deferred tax assets		19	9
Lease and guarantee deposits		10,000	10,000
Lease and guarantee deposits in trust		327,135	327,135
Long-term prepaid expenses		994,175	994,244
Total investment and other assets		1,331,330	1,331,388
Total non-current assets		190,086,419	192,254,332
Deferred assets			
Investment corporation bond issuance expenses		24,676	22,687
Total deferred assets		24,676	22,687
Total assets		201,442,825	203,868,228

(thousands of yen)			
	37th fiscal period (as of February 28, 2023)		38th fiscal period (as of August 31, 2023)
Liabilities			
Current liabilities			
Operating accounts payable		662,491	771,072
Current maturities of investment corporation bonds		2,000,000	2,000,000
Current maturities of long-term debt		10,400,000	5,200,000
Accounts payable-other		21,315	16,957
Accrued expenses		422,685	433,746
Income taxes payable		1,079	861
Accrued consumption taxes		366,970	11,301
Advances received		1,068,121	1,065,467
Deposits received		924,435	1,125,748
Total current liabilities		15,867,098	10,625,155
Non-current liabilities			
Investment corporation bonds		3,000,000	3,000,000
Long-term debt		68,500,000	76,250,000
Tenant leasehold and security deposits		758,476	837,073
Tenant leasehold and security deposits received in trust	*1	11,528,307	*1 11,229,544
Total non-current liabilities		83,786,783	91,316,617
Total liabilities		99,653,881	101,941,773
Net assets			
Unitholders' equity			
Unitholders' capital		98,938,764	98,938,764
Surplus			
Unappropriated surplus		2,850,179	2,987,690
Total surplus		2,850,179	2,987,690
Total unitholders' equity		101,788,943	101,926,454
Total net assets	*3	101,788,943	*3 101,926,454
Total liabilities and net assets		201,442,825	203,868,228

V. Statement of Income

(thousands of yen)

	37th fiscal period (September 1, 2022 to February 28, 2023)		38th fiscal period (March 1, 2023 to August 31, 2023)	
Operating revenues				
Leasing revenues – real estate	*1	8,233,996	*1	8,154,854
Other leasing revenues – real estate	*1	687,929	*1	697,523
Gain on sales of real estate	*2	115,438	*2	432,324
Total operating revenues		9,037,365		9,284,702
Operating expenses				
Expenses related to leasing business	*1 *3	5,147,017	*1 *3	5,231,929
Asset management fees		534,370		544,383
Asset custody fees		7,483		7,616
Administrative service fees		57,648		58,481
Director’s compensations		3,600		3,600
Other operating expenses		63,584		66,055
Total operating expenses		5,813,704		5,912,065
Operating income		3,223,660		3,372,637
Non-operating revenues				
Interest received		44		46
Others		991		523
Total non-operating revenues		1,035		569
Non-operating expenses				
Interest expenses		245,360		255,474
Interest expenses on investment corporation bonds		29,200		29,200
Amortization of investment corporation bond issuance expenses		1,988		1,988
Financing related expenses		97,103		98,436
Others		37		37
Total non-operating expenses		373,688		385,136
Ordinary income		2,851,007		2,988,069
Profit before income taxes		2,851,007		2,988,069
Income taxes-current		1,085		868
Income taxes-deferred		(5)		9
Total income taxes		1,080		878
Profit		2,849,927		2,987,191
Surplus brought forward		251		499
Unappropriated surplus		2,850,179		2,987,690

VI. Statement of Changes in Net Assets

37th fiscal period (September 1, 2022 to February 28, 2023)

(thousands of yen)

	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus	Total unitholders' equity	
		Unappropriated surplus		
Balance as of September 1, 2022	98,938,764	2,804,559	101,743,324	101,743,324
Changes in the current fiscal period				
Dividend of surplus		(2,804,308)	(2,804,308)	(2,804,308)
Profit		2,849,927	2,849,927	2,849,927
Total of changes in the current fiscal period	—	45,619	45,619	45,619
Balance as of February 28, 2023	98,938,764	2,850,179	101,788,943	101,788,943

38th fiscal period (March 1, 2023 to August 31, 2023)

(thousands of yen)

	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus	Total unitholders' equity	
		Unappropriated surplus		
Balance as of March 1, 2023	98,938,764	2,850,179	101,788,943	101,788,943
Changes in the current fiscal period				
Dividend of surplus		(2,849,680)	(2,849,680)	(2,849,680)
Profit		2,987,191	2,987,191	2,987,191
Total of changes in the current fiscal period	—	137,511	137,511	137,511
Balance as of August 31, 2023	98,938,764	2,987,690	101,926,454	101,926,454

VII. Statement of Cash Distributions

(thousands of yen)		
Item	37th fiscal period (September 1, 2022 to February 28, 2023)	38th fiscal period (March 1, 2023 to August 31, 2023)
I. Unappropriated surplus	2,850,179	2,987,690
II. Total dividend [Dividend per investment unit]	2,849,680 [3,580 yen]	2,987,388 [3,753 yen]
III. Surplus brought forward	499	302
Method for calculating dividends	The amount of dividends shall be decided in accordance with the dividend policy stipulated in Article 38-1-2 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 2,849,680 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 38-1-2 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 2,987,388 thousand yen, which is almost the entire amount of unappropriated surplus, as earnings dividends. Moreover, dividend in excess of earnings as stipulated in Article 38-2 of FRC's Articles of Incorporation will not be provided.

(Note) Amounts other than the amounts of dividend per investment unit are rounded down to the nearest thousand yen.

VIII. Cash Flow Statement

(thousands of yen)			
	37th fiscal period (September 1, 2022 to February 28, 2023)	38th fiscal period (March 1, 2023 to August 31, 2023)	
Net cash provided by (used in) operating activities			
Profit before income taxes	2,851,007		2,988,069
Depreciation and amortization expenses	1,499,723		1,531,607
Amortization of investment corporation bond issuance expenses	1,988		1,988
Interest received	(44)		(46)
Interest expenses	274,560		284,674
Gain on sales of real estate	(115,438)		(432,324)
Decrease (increase) in operating accounts receivables	50,199		(52,945)
Decrease (increase) in consumption taxes refund receivable	124,948		–
Increase (decrease) in accrued consumption taxes	366,970		(355,668)
Increase (decrease) in operating accounts payable	59,030		31,361
Increase (decrease) in accounts payable-other	4,919		(4,706)
Increase (decrease) in accrued expenses	3,459		5,120
Increase (decrease) in advances received	(16,729)		(2,653)
Increase (decrease) in deposits expenses	(101,788)		201,313
Decrease (increase) in prepaid expenses	(42,905)		10,576
Decrease (increase) in long-term prepaid expenses	3,774		(68)
Others, net	2,479		12,758
Subtotal	4,966,156		4,219,055
Interest income received	44		46
Interest expenses paid	(277,126)		(278,734)
Income taxes paid	(969)		(1,086)
Net cash provided by (used in) operating activities	4,688,104		3,939,280
Net cash provided by (used in) investment activities			
Purchase of property, plant and equipment	–		(1,539,902)
Proceeds from sale of property, plant and equipment in trust	407,974		1,495,942
Purchase of property, plant and equipment in trust	(443,750)		(3,172,032)
Proceeds from tenant leasehold and security deposits	142,690		94,927
Repayments of tenant leasehold and security deposits	(125,232)		(16,330)
Proceeds from tenant leasehold and security deposits in trust	55,365		195,388
Repayments of tenant leasehold and security deposits in trust	(154,691)		(494,151)
Proceeds from restricted trust deposits	6,387		1,962
Payments for restricted trust deposits	(6,347)		(2,204)
Net cash provided by (used in) investment activities	(117,604)		(3,436,400)
Net cash provided by (used in) financial activities			
Proceeds from short-term debt	–		3,000,000
Repayments of short-term debt	–		(3,000,000)
Proceeds from long-term debt	–		8,450,000
Repayments of long-term debt	–		(5,900,000)
Dividends paid	(2,803,686)		(2,848,807)
Net cash provided by (used in) financial activities	(2,803,686)		(298,807)
Net increase (decrease) in cash and cash equivalents	1,766,813		204,072
Balance of cash and cash equivalents at beginning of period	8,488,481		10,255,294
Balance of cash and cash equivalents at end of period	*1 10,255,294	*1	10,459,366

IX. Notes to Financial Statements

(Basis of presentation)

The financial statements of FRC, which is incorporated in Japan, have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and related regulations and accounting principles generally accepted in Japan, which are different in certain respects to the application and disclosure requirements of International Financial Reporting Standards (“IFRS Standards”).

The accompanying financial statements have been translated into English, for the convenience of readers outside Japan, from the audited financial statements that were prepared for Japanese domestic purposes from the accounts and records maintained by FRC and were filed with the Kanto Local Finance Bureau of the Ministry of Finance as required by the said Act.

(Significant accounting policies)

1. Depreciation method for non-current assets	(1) Property, plant and equipment Depreciation is calculated using the straight-line method. The useful lives of major categories of property, plant and equipment including trust assets are as follows: Buildings: 10 – 65 years Structures: 15 – 60 years Machinery and equipment: 15 – 30 years Vehicles and transport equipment: 7 years Tools and fixtures: 5 – 20 years (2) Intangible assets Intangible assets are amortized utilizing the straight-line method. (3) Long-term prepaid expenses Long-term prepaid expenses are amortized utilizing the straight-line method.
2. Accounting for deferred assets	Investment corporation bond issuance expenses Investment corporation bond issuance expenses are amortized utilizing the straight-line method over the period through redemption.
3. Standards for recognition of revenues and expenses	(1) Standards for revenue recognition The details of main performance obligations concerning revenues generated from contracts between FRC and its customers and the ordinary time to fulfil said performance obligations (ordinary time to recognize revenues) are as follows: ① Sales of real estate property FRC recognizes revenues from sales of real estate property when the purchaser, who is a customer, obtains control of the relevant real estate property as a result of FRC fulfilling its delivery obligations stipulated in the transaction agreement of the real estate property. ② Utilities income FRC recognizes utilities income in accordance with the supply of electricity and water, etc. to the lessee, who is a customer, based on the lease agreement of real estate, etc. and details of agreements incidental to it. Of the utilities income, in the case that FRC deems itself to be an agent, the net amount obtained by deducting the amount it pays to other parties from the amount it receives as charges for electricity and gas, etc. supplied by the said other parties is recognized as revenue. (2) Accounting treatment of property taxes, etc. In connection with property taxes, city planning taxes and depreciated asset taxes, FRC uses the method of charging the corresponding amounts of assessed taxes to the current fiscal period as expenses related to leasing business. The amount equivalent to property taxes, etc. for the initial fiscal year paid to the seller as settlement money upon acquisition of real estate or trust beneficiary interests in real estate as entrusted property is not expensed but capitalized as part of the acquisition cost of the relevant property. No amount equivalent to property taxes, etc. was capitalized in the acquisition cost of real estate, etc. for the 37th fiscal period. The amount equivalent to property taxes, etc. capitalized in the acquisition cost of real estate, etc. was 3,166 thousand yen for the 38th fiscal period.
4. Method of hedge accounting	(1) Method of hedge accounting Deferred hedge accounting is applied for interest rate swap transactions. However, special accounting is applied for interest rate swap transactions that satisfy the requirements for special accounting. (2) Hedging instruments and hedged items Hedging instrument: interest rate swap transactions Hedged items: interest rates of borrowings (3) Hedging policy FRC conducts derivative transactions to hedge interest rate fluctuation risks for floating-rate borrowings based on FRC’s Articles of Incorporation. (4) Method for assessing the effectiveness of hedging Assessment of the effectiveness of hedging is omitted as requirements are satisfied for special accounting for interest rate swap transactions.

5. Scope of funds (cash and cash equivalents) in cash flow statement	The funds (cash and cash equivalents) in the cash flow statement consist of cash on hand and cash in trust; deposits that can be withdrawn at any time and deposits in trust; and short-term investments with a maturity of 3 months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of value fluctuation.
6. Other significant items fundamental to preparing the financial statements	Accounting methods for trust beneficiary interests in real estate as entrusted property Regarding trust beneficiary interests in owned real estate as entrusted property, all asset and liability accounts of the entrusted properties as well as all revenue and expense accounts generated by the entrusted properties are recorded in relevant accounts on the balance sheet and statement of income. Furthermore, the following material accounts are separately stated on the balance sheet for entrusted properties recorded in relevant accounts. ① Cash and deposits in trust ② Buildings in trust, structures in trust, machinery and equipment in trust, vehicles and transport equipment in trust, tools and fixtures in trust, lands in trust and construction in progress in trust ③ Leasehold right in trust ④ Other intangible assets in trust ⑤ Lease and guarantee deposits in trust ⑥ Tenant leasehold and security deposits received in trust

(Notes to balance sheet)

*1. Assets pledged as collateral and secured liabilities
Assets pledged as collateral are as follows: (thousands of yen)

	37th fiscal period as of February 28, 2023	38th fiscal period as of August 31, 2023
Buildings in trust	6,127,213	6,099,585
Lands in trust	16,101,020	16,101,020
Total	22,228,234	22,200,606

Secured liabilities are as follows: (thousands of yen)

	37th fiscal period as of February 28, 2023	38th fiscal period as of August 31, 2023
Tenant leasehold and security deposits received in trust	821,462	821,462

2. Balance of unused committed line of credit
FRC has executed committed line of credit agreements with its banks primarily to conduct efficient and dynamic cash management.

[Committed line of credit agreement 1] (thousands of yen)

	37th fiscal period as of February 28, 2023	38th fiscal period as of August 31, 2023
Credit limit	6,000,000	6,000,000
Outstanding debt at end of period	—	—
Unused committed line of credit at end of period	6,000,000	6,000,000

[Committed line of credit agreement 2] (thousands of yen)

	37th fiscal period as of February 28, 2023	38th fiscal period as of August 31, 2023
Credit limit	7,000,000	7,000,000
Outstanding debt at end of period	—	—
Unused committed line of credit at end of period	7,000,000	7,000,000

*3. Minimum net assets designated in Article 67- 4 in the Act on Investment Trusts and Investment Corporations. (thousands of yen)

37th fiscal period as of February 28, 2023	38th fiscal period as of August 31, 2023
50,000	50,000

(Notes to statement of income)

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

(thousands of yen)

	37th fiscal period (September 1, 2022 to February 28, 2023)		38th fiscal period (March 1, 2023 to August 31, 2023)	
A. Real estate leasing business revenues				
Leasing revenues - real estate				
Rents	6,864,849		6,827,162	
Common charges	917,441		902,307	
Parking revenues	451,706	8,233,996	425,384	8,154,854
Other leasing revenues - real estate				
Incidental income	650,853		670,653	
Other miscellaneous income	37,076	687,929	26,869	697,523
Total real estate leasing business revenues		8,921,926		8,852,377
B. Expenses related to real estate leasing business				
Expenses related to leasing business				
Outsourcing fees	1,746,745		1,765,556	
Repair and maintenance expenses	266,909		308,710	
Taxes and other public charges	719,446		752,259	
Insurance premiums and trust compensation	41,241		42,576	
Utilities expenses	579,433		575,322	
Depreciation and amortization expenses	1,499,723		1,531,607	
Other expenses related to real estate leasing business	293,516	5,147,017	255,896	5,231,929
Total expenses related to real estate leasing business		5,147,017		5,231,929
C. Revenues and expenses related to real estate leasing business (A - B)		3,774,909		3,620,448

*2. Breakdown of gain on sales of real estate property

37th fiscal period (September 1, 2022 to February 28, 2023)

Kurume Higashi Kushiwara SC (15% co-ownership interest)

(thousands of yen)

Proceeds from sales of real estate property	411,000
Costs of sale of real estate property	292,535
Other selling expenses	3,025
Gain on sales of real estate property	115,438

38th fiscal period (March 1, 2023 to August 31, 2023)

Kurume Higashi Kushiwara SC (55% co-ownership interest)

(thousands of yen)

Proceeds from sales of real estate property	1,507,000
Costs of sale of real estate property	1,063,617
Other selling expenses	11,057
Gain on sales of real estate property	432,324

*3. Transactions with affiliated companies.

(thousands of yen)

	37th fiscal period (September 1, 2022 to February 28, 2023)	38th fiscal period (March 1, 2023 to August 31, 2023)
Expenses related to real estate leasing business	909,403	874,958

(Notes to statement of changes in net assets)

	37th fiscal period (September 1, 2022 to February 28, 2023)	38th fiscal period (March 1, 2023 to August 31, 2023)
Total number of authorized investment units and total number of investment units outstanding		
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units outstanding	796,000 units	796,000 units

(Notes to cash flow statement)

*1. Relationship between the balance of cash and cash equivalents at end of period and the amounts of the corresponding accounts on the balance sheet.

(thousands of yen)

	37th fiscal period (September 1, 2022 to February 28, 2023)	38th fiscal period (March 1, 2023 to August 31, 2023)
Cash and deposits	6,069,891	6,267,244
Cash and deposits in trust	4,236,159	4,243,120
Restricted trust deposits (Note)	(50,756)	(50,998)
Cash and cash equivalents	10,255,294	10,459,366

(Note) Restricted trust deposits are trust deposits reserved for refunding tenant leasehold and security deposits deposited by tenants and for other purposes.

(Notes to leases)

The future lease revenues under the non-cancellable operating leases [as lessor] are as follows:

(thousands of yen)

	37th fiscal period (as of February 28, 2023)	38th fiscal period (as of August 31, 2023)
Due within 1 year	5,206,673	5,277,405
Due after 1 year	9,705,034	8,625,992
Total	14,911,708	13,903,398

(Notes to financial instruments)

1. Matters concerning status of financial instruments

(1) Policy on handling financial instruments

In order to secure stable earnings and steady growth of assets under management, FRC procures funds primarily through borrowings from financial institutions, issuance of investment corporation bonds or issuance of investment units for property acquisitions, repair and maintenance work, repayment of interest-bearing debt and other purposes.

In procuring interest-bearing debt, FRC borrows funds primarily in long-term, fixed interest debt based on the policy of establishing a solid financial structure, and conducts conservative operations intended to secure financial stability and liquidity by dispersing debt payment dates and utilizing committed lines of credit and through other measures.

With regard to surplus funds, FRC manages them as various deposits and savings, etc. to support efficient management while considering security.

FRC conducts derivative transactions only for the purpose of hedging the risk of future interest rate fluctuation, and not for the purpose of speculation.

(2) Description of financial instruments and associated risks, and risk management structure

Debt and investment corporation bonds are funds procured primarily for acquiring real estate trust beneficiary interests and refinancing of borrowings. Borrowings and investment corporation bonds are exposed to liquidity risks upon debt payment dates, but FRC works to mitigate these risks by such measures as appropriately controlling the ratio of interest-bearing debt to total assets and executing commitment line agreements with local financial institutions that are lenders to secure on-hand liquidity.

In addition, borrowings with floating interest rates are exposed to interest rate fluctuation risks. However, FRC works to reduce the risks by such measures as adjusting the ratio of the balance of borrowings with floating interest rates to total borrowings in accordance with the financial environment and other factors. FRC conducts derivative transactions (specifically interest rate swap transactions) for part of its borrowings with floating interest rates in order to hedge the risk of future fluctuations in the rates of interest payable. Furthermore, assessment of the effectiveness of these interest rate swaps is omitted as it has been determined that they have met the requirements for special accounting. FRC executes and manages its derivative transactions in accordance with its financial derivative transaction management policies and, it does so only with financial institutions it determines to have a certain level of creditworthiness, by reference to their credit ratings, to reduce counterparty risks.

FRC manages surplus funds in large time deposits. Such deposits are subject to the risks of failure of the financial institutions holding the deposits as well as other credit risks. FRC mitigates the risks by limiting its deposits to financial institutions with a certain level of creditworthiness, by reference to their credit ratings, as well as by setting short durations for these deposits.

Tenant leasehold and security deposits and tenant leasehold and security deposits received in trust are deposits from tenants and are exposed to liquidity risks if tenants move out before the contracts expire. FRC mitigates this risk by such measures as securing on-hand liquidity.

(3) Supplementary explanation on matters concerning fair value of financial instruments

Certain assumptions are made in calculating the fair value of financial instruments, and there may be cases where the values will vary when different assumptions are used.

As for the contract value and other conditions of derivative transactions indicated in “2. Matters concerning fair value of financial instruments,” the contract value is not an indicator of the market risks related to such transactions.

2. Matters concerning fair value of financial instruments

The following table includes the book values for financial instruments as recorded on the balance sheet, the corresponding fair values and the difference between these amounts as of February 28, 2023. Furthermore, notes to Cash and deposits and Cash and deposits in trust are omitted as these are settled with cash and within a short period of time, and thus the fair value is approximately the same as the book value.

(thousands of yen)

	Book value recorded on the balance sheet	Fair value (Note 1)	Difference
(1) Current maturities of investment corporation bonds	2,000,000	2,014,303	14,303
(2) Current maturities of long-term debt	10,400,000	10,400,852	852
(3) Investment corporation bonds	3,000,000	2,875,722	(124,277)
(4) Long-term debt	68,500,000	66,781,395	(1,718,604)
(5) Tenant leasehold and security deposits	758,476	447,439	(311,036)
(6) Tenant leasehold and security deposits received in trust	11,528,307	9,065,621	(2,462,685)
Total of liabilities	96,186,783	91,585,334	(4,601,448)
(7) Derivative transactions	–	–	–
Total of derivative transactions	–	–	–

The following table includes the book values for financial instruments as recorded on the balance sheet, the corresponding fair values and the difference between these amounts as of August 31, 2023. Furthermore, notes to Cash and deposits and Cash and deposits in trust are omitted as these are settled with cash and within a short period of time, and thus the fair value is approximately the same as the book value.

(thousands of yen)

	Book value recorded on the balance sheet	Fair value (Note 1)	Difference
(1) Current maturities of investment corporation bonds	2,000,000	2,010,913	10,913
(2) Current maturities of long-term debt	5,200,000	5,199,725	(274)
(3) Investment corporation bonds	3,000,000	2,907,659	(92,340)
(4) Long-term debt	76,250,000	75,032,546	(1,217,453)
(5) Tenant leasehold and security deposits	837,073	462,589	(374,484)
(6) Tenant leasehold and security deposits received in trust	11,229,544	8,601,145	(2,628,399)
Total of liabilities	98,516,617	94,214,579	(4,302,038)
(7) Derivative transactions	–	–	–
Total of derivative transactions	–	–	–

(Note 1) Calculation method for fair value of financial instruments

(1) Current maturities of investment corporation bonds, (2) Current maturities of long-term debt, (3) investment corporation bonds and (4) Long-term debt

The fair value of long-term debt with fixed interest rates (including debt with practical fixed interest rates through interest rate swaps) and investment corporation bonds (the "debt, etc.") is calculated by discounting the total amount of principal and interest by the rate assumed as being applicable in the event of a new drawdown of similar debt, etc.
The fair value of long-term debt with floating interest rates is based on the book value, as the contract terms require the interest rates to be revised in a certain period of time (within six months) and thus is considered to be nearly equal to the book value.

(5) Tenant leasehold and security deposits and (6) Tenant leasehold and security deposits received in trust

The fair value of tenant leasehold and security deposits and tenant leasehold and security deposits received in trust is calculated by using the present value, which is obtained by discounting the future cash flows of such deposits by a rate that takes into account the term remaining until the reimbursement deadline and credit risks.

(7) Derivative transactions

Please refer to (Notes to derivative transactions).

(Note 2) Amount of repayment of long-term debt and investment corporation bonds scheduled to be due after closing of accounts (as of February 28, 2023)

(thousands of yen)

	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Long-term debt	10,400,000	2,700,000	6,400,000	12,500,000	14,000,000	32,900,000
Investment corporation bonds	2,000,000	–	–	–	–	3,000,000

Amount of repayment of long-term debt and investment corporation bonds scheduled to be due after closing of accounts (as of August 31, 2023)

(thousands of yen)

	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Long-term debt	5,200,000	3,900,000	11,100,000	12,900,000	14,000,000	34,350,000
Investment corporation bonds	2,000,000	–	–	–	–	3,000,000

(Notes to investment securities)

37th fiscal period (as of February 28, 2023)

Not applicable.

38th fiscal period (as of August 31, 2023)

Not applicable.

(Notes to derivative transactions)

1. Derivatives to which hedge accounting is not applied

37th fiscal period (as of February 28, 2023)

Not applicable.

38th fiscal period (as of August 31, 2023)

Not applicable.

2. Derivatives to which hedge accounting is applied

37th fiscal period (as of February 28, 2023)

The following is the contract amount or amount equivalent to the principal provided in the contract as of the closing of accounts for each method of hedge accounting.

(thousands of yen)

Method of hedge accounting	Type of derivative transactions, etc.	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Of which, exceeding 1 year		
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; Payable fixed	Long-term debt	21,100,000	16,700,000	(*)	–

(*) Transactions for which special accounting for interest rate swaps is applied are combined with long-term debt for accounting purposes. Accordingly, their fair value is included in the fair value of the relevant long-term debt (refer to Notes to financial instruments, 2. Matters concerning fair value of financial instruments, (Note 1) (2) and (4).

38th fiscal period (as of August 31, 2023)

The following is the contract amount or amount equivalent to the principal provided in the contract as of the closing of accounts for each method of hedge accounting.

(thousands of yen)

Method of hedge accounting	Type of derivative transactions, etc.	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Of which, exceeding 1 year		
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; Payable fixed	Long-term debt	19,200,000	16,700,000	(*)	–

(*) Transactions for which special accounting for interest rate swaps is applied are combined with long-term debt for accounting purposes. Accordingly, their fair value is included in the fair value of the relevant long-term debt (refer to Notes to financial instruments, 2. Matters concerning fair value of financial instruments, (Note 1) (2) and (4).

(Notes to retirement benefits)

37th fiscal period (as of February 28, 2023)

Not applicable as FRC does not have any retirement benefit system.

38th fiscal period (as of August 31, 2023)

Not applicable as FRC does not have any retirement benefit system.

(Notes to tax effect accounting)

1. Breakdown of primary causes for occurrence of deferred tax assets and deferred tax liabilities.

(thousands of yen)

	37th fiscal period (as of February 28, 2023)	38th fiscal period (as of August 31, 2023)
Deferred tax assets		
Amount of accrued business taxes not deductible from taxable income	19	9
Total deferred tax assets	19	9
Deferred tax assets, net	19	9

2. Breakdown of significant causes of the difference between the effective statutory income tax rate and the effective income tax rate after application of tax effect accounting.

(%)

	37th fiscal period (as of February 28, 2023)	38th fiscal period (as of August 31, 2023)
Effective statutory income tax rate	31.25	31.25
Deductible dividend amount	(31.24)	(31.25)
Other	0.02	0.02
Effective income tax rate after application of tax effect accounting	0.04	0.03

(Notes to equity method income and earnings)

37th fiscal period (from September 1, 2022 to February 28, 2023)

Not applicable as FRC does not have any affiliated companies.

38th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable as FRC does not have any affiliated companies.

(Notes to transactions with related parties)

1. Transactions with related parties

(1) Parent company and major corporate unitholders

37th fiscal period (from September 1, 2022 to February 28, 2023)

(thousands of yen)

Classification	Name	Location	Capital	Business description	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Other affiliates	Fukuoka Jisho Co., Ltd. (Note 2)	Hakata Ward, Fukuoka City	100,000	General real estate business	Ownership in FRC Direct [9.19%] Indirect [0. 70%]	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	909,403 (Note 3)	Operating accounts payable	95,865 (Note 3)

(Note 1) Transaction terms and conditions are determined in reference to market prices, etc. and by concluding business consignment agreements after negotiating on prices.

(Note 2) FRC has concluded a building lease and management consignment agreement with Fukuoka Jisho Co., Ltd. for Taihaku Street Business Center. The lease contract is a master lease type with pass-through rent, in which rents and other proceeds from end tenants are directly related to an increase or decrease of FRC's revenues.

For the property covered by the said type of agreement, the above table shows figures that regard end tenants as direct lessees.

(Note 3) Consumption taxes are not included in the transaction amount but are included in the balance at end of period.

38th fiscal period (from March 1, 2023 to August 31, 2023)

(thousands of yen)

Classification	Name	Location	Capital	Business description	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Other affiliates	Fukuoka Jisho Co., Ltd. (Note 2)	Hakata Ward, Fukuoka City	100,000	General real estate business	Ownership in FRC Direct [9.19%] Indirect [0. 70%]	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	874,958 (Note 3)	Operating accounts payable	93,206 (Note 3)

(Note 1) Transaction terms and conditions are determined in reference to market prices, etc. and by concluding business consignment agreements after negotiating on prices.

(Note 2) FRC has concluded a building lease and management consignment agreement with Fukuoka Jisho Co., Ltd. for Taihaku Street Business Center. The lease contract is a master lease type with pass-through rent, in which rents and other proceeds from end tenants are directly related to an increase or decrease of FRC's revenues.

For the property covered by the said type of agreement, the above table shows figures that regard end tenants as direct lessees.

(Note 3) Consumption taxes are not included in the transaction amount but are included in the balance at end of period.

(2) Affiliated companies, etc.

37th fiscal period (from September 1, 2022 to February 28, 2023)

Not applicable.

38th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable.

(3) Sister companies

37th fiscal period (from September 1, 2022 to February 28, 2023)

(thousands of yen)

Classification	Name	Location	Capital	Business description	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Subsidiaries of other affiliates	F.J. Entertainment Works Ltd. (Note 2)	Hakata Ward, Fukuoka City	20,000	Real estate business	—	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	1,499,571 (Note 5)	Operating accounts payable	268,783 (Note 5)
Subsidiaries of other affiliates	Fukuoka Realty Co., Ltd.	Hakata Ward, Fukuoka City	200,000	Asset management of FRC and other businesses	—	Asset management of FRC, etc. (Note 3)	Payment of asset management fees (Note 4)	534,370 (Note 5)	Accrued expenses	313,398 (Note 5)

(Note 1) Transaction terms and conditions are determined in reference to market prices, etc. and by concluding business consignment agreements after negotiating on prices.

(Note 2) FRC has concluded with F.J. Entertainment Works Ltd. a building lease and management consignment agreement for Canal City Hakata, Canal City Hakata-B, Canal City Business Center Building and Konoha Mall Hashimoto, and a real estate lease and management consignment agreement for Park Place Oita. The relevant lease agreements are master lease type with pass-through rent, in which rents and other proceeds from end tenants are directly related to an increase or decrease of FRC's revenues. For the properties covered by the said type of the agreements, the above table shows figures that regard end tenants as direct lessees.

(Note 3) As of the date of this document, Zenji Koike concurrently serves as President and CEO of Fukuoka Realty Co., Ltd.

(Note 4) The amount of the asset management fees is decided based on the asset management consignment agreement following discussion between the concerned parties.

(Note 5) Consumption taxes are not included in the transaction amount but are included in the balance at end of period.

38th fiscal period (from March 1, 2023 to August 31, 2023)

(thousands of yen)

Classification	Name	Location	Capital	Business description	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Subsidiaries of other affiliates	FJ. Entertainment Works Ltd. (Note 2)	Hakata Ward, Fukuoka City	20,000	Real estate business	—	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	1,540,326 (Note 5)	Operating accounts payable	288,930 (Note 5)
Subsidiaries of other affiliates	Fukuoka Realty Co., Ltd.	Hakata Ward, Fukuoka City	200,000	Asset management of FRC and other businesses	—	Asset management of FRC, etc. (Note 3)	Payment of asset management fees (Note 4)	544,383 (Note 5)	Accrued expenses	317,498 (Note 5)

(Note 1) Transaction terms and conditions are determined in reference to market prices, etc. and by concluding business consignment agreements after negotiating on prices.
(Note 2) FRC has concluded with FJ. Entertainment Works Ltd. a building lease and management consignment agreement for Canal City Hakata, Canal City Hakata-B, Canal City Business Center Building and Konoha Mall Hashimoto, and a real estate lease and management consignment agreement for Park Place Oita. The relevant lease agreements are master lease type with pass-through rent, in which rents and other proceeds from end tenants are directly related to an increase or decrease of FRC's revenues. For the properties covered by the said type of the agreements, the above table shows figures that regard end tenants as direct lessees.
(Note 3) As of the date of this document, Zenji Koike concurrently serves as President and CEO of Fukuoka Realty Co., Ltd.
(Note 4) The amount of the asset management fees is decided based on the asset management consignment agreement following discussion between the concerned parties.
(Note 5) Consumption taxes are not included in the transaction amount but are included in the balance at end of period.

(4) Directors and major individual unitholders

37th fiscal period (from September 1, 2022 to February 28, 2023)

Not applicable.

38th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable.

2. Parent company and major affiliated companies

37th fiscal period (from September 1, 2022 to February 28, 2023)

Not applicable.

38th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable.

(Notes to asset retirement obligations)

37th fiscal period (from September 1, 2022 to February 28, 2023)

Not applicable.

38th fiscal period (from March 1, 2023 to August 31, 2023)

Not applicable.

(Notes to properties for lease)

FRC owns retail, office buildings and other properties for lease in the Kyushu area centering on Fukuoka Prefecture. The following table provides the book value recorded on the balance sheet, amount of change during the period and fair value of these properties for lease.

(thousands of yen)

Use		37th fiscal period (September 1, 2022 to February 28, 2023)	38th fiscal period (March 1, 2023 to August 31, 2023)
Retail	Amount recorded on the balance sheet		
	Balance at beginning of period	103,871,283	102,898,586
	Amount of change during period	(972,696)	(1,028,723)
	Balance at end of period	102,898,586	101,869,863
	Fair value at end of period	110,817,500	108,752,000
Office buildings	Amount recorded on the balance sheet		
	Balance at beginning of period	59,307,116	59,021,250
	Amount of change during period	(285,865)	1,464,364
	Balance at end of period	59,021,250	60,485,614
	Fair value at end of period	89,600,000	93,390,000
Others	Amount recorded on the balance sheet		
	Balance at beginning of period	26,993,227	26,835,252
	Amount of change during period	(157,974)	1,732,213
	Balance at end of period	26,835,252	28,567,465
	Fair value at end of period	34,860,000	37,250,000
Total	Amount recorded on the balance sheet		
	Balance at beginning of period	190,171,626	188,755,089
	Amount of change during period	(1,416,536)	2,167,854
	Balance at end of period	188,755,089	190,922,943
	Fair value at end of period	235,277,500	239,392,000

(Note 1) Amount recorded on the balance sheet is the cost of acquisition less accumulated depreciation.
(Note 2) Of the amount of change during the 37th fiscal period, the amount of increase is primarily attributable to capital expenditures (385 million yen), and the amount of decrease is primarily attributable to disposition of Kurume Higashi Kushiwara SC (15% co-ownership interest) (292 million yen) and depreciation and amortization expenses (1,499 million yen). Of the amount of change during the 38th fiscal period, the amount of increase is primarily attributable to acquisition of two properties (Kumamoto East Front Building and Axion Befu-Ekimaе Premium) (3,186 million yen in total) and capital expenditures (1,602 million yen), and the amount of decrease is primarily attributable to disposition of Kurume Higashi Kushiwara SC (55% co-ownership interest) (1,063 million yen) and depreciation and amortization expenses (1,531 million yen).
(Note 3) The fair value at end of period is the appraisal value provided by outside real estate appraisers.

The following table provides the income (loss) from properties for lease.

(thousands of yen)

Use		37th fiscal period (September 1, 2022 to February 28, 2023)	38th fiscal period (March 1, 2023 to August 31, 2023)
Retail	Amount recorded on the statement of income		
	Real estate leasing business revenues	5,089,273	4,868,305
	Expenses related to real estate leasing business	3,341,992	3,381,193
	Revenues and expenses related to real estate leasing business	1,747,281	1,487,111
Office buildings	Amount recorded on the statement of income		
	Real estate leasing business revenues	2,894,474	3,014,967
	Expenses related to real estate leasing business	1,389,877	1,404,694
	Revenues and expenses related to real estate leasing business	1,504,596	1,610,272
Others	Amount recorded on the statement of income		
	Real estate leasing business revenues	938,178	969,105
	Expenses related to real estate leasing business	415,147	446,040
	Revenues and expenses related to real estate leasing business	523,031	523,064
Total	Amount recorded on the statement of income		
	Real estate leasing business revenues	8,921,926	8,852,377
	Expenses related to real estate leasing business	5,147,017	5,231,929
	Revenues and expenses related to real estate leasing business	3,774,909	3,620,448

(Note) Real estate leasing business revenues and expenses related to real estate leasing business are comprised of leasing business revenues and accompanying expenses (outsourcing fees, depreciation and amortization expenses, taxes and other public charges, etc.), and are recorded as Leasing revenues - real estate, Other leasing revenues - real estate and Expenses related to leasing business, respectively.

(Notes to revenue recognition)

37th fiscal period (from September 1, 2022 to February 28, 2023)

1. Breakdown information on revenue from contracts with customers

	(thousands of yen)	
	Revenues from contracts with customers (Note 1)	Sales to external customers (Note 2)
Proceeds from sales of real estate	411,000	115,438
Utilities income	503,246	503,246
Others	93,679	8,418,680
Total	1,007,925	9,037,365

(Note 1) Leasing business revenues subject to the "Accounting Standard for Lease Transactions" (ASBJ Statement No.13) and transfers of real estate property subject to the "Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies" (Accounting System Committee Report No.15 of the Japanese Institute of Certified Public Accountants) are excluded from "Revenues from contracts with customers" as such revenues are not covered by the Accounting Standard for Revenue Recognition. Revenues generated from contracts with customers mainly represent proceeds from sales of real estate and utilities income.

(Note 2) As sale of real estate is recorded as gain on sales of real estate property on the statement of income based on the "Regulations on calculations of investment corporations" (Cabinet Office Order No. 47 of 2006), the amount obtained by deducting costs of sale of real estate property and other selling expenses from proceeds from sales of real estate is indicated.

2. Information for understanding the amount of revenue for the current fiscal period and the next fiscal period and thereafter

Transaction price allocated to remaining performance obligations

As of February 28, 2023, the total transaction price allocated to the remaining performance obligations related to the sale of real estate properties was 2,329,000 thousand yen for the real estate property for which a sales agreement was signed on October 26, 2022. FRC anticipates to recognize revenues for the remaining performance obligations of 1,507,000 thousand yen on August 31, 2023 and 822,000 thousand yen on November 30, 2023 upon the scheduled delivery of the relevant real estate property.

38th fiscal period (from March 1, 2023 to August 31, 2023)

1. Breakdown information on revenue from contracts with customers

	(thousands of yen)	
	Revenues from contracts with customers (Note 1)	Sales to external customers (Note 2)
Proceeds from sales of real estate	1,507,000	432,324
Utilities income	511,143	511,143
Others	109,184	8,341,234
Total	2,127,328	9,284,702

(Note 1) Leasing business revenues subject to the "Accounting Standard for Lease Transactions" (ASBJ Statement No.13) and transfers of real estate property subject to the "Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies" (Accounting System Committee Report No.15 of the Japanese Institute of Certified Public Accountants) are excluded from "Revenues from contracts with customers" as such revenues are not covered by the Accounting Standard for Revenue Recognition. Revenues generated from contracts with customers mainly represent proceeds from sales of real estate and utilities income.

(Note 2) As sale of real estate is recorded as gain on sales of real estate property on the statement of income based on the "Regulations on calculations of investment corporations" (Cabinet Office Order No. 47 of 2006), the amount obtained by deducting costs of sale of real estate property and other selling expenses from proceeds from sales of real estate is indicated.

2. Information for understanding the amount of revenue for the current fiscal period and the next fiscal period and thereafter

Transaction price allocated to remaining performance obligations

As of August 31, 2023, the total transaction price allocated to the remaining performance obligations related to the sale of real estate properties was 822,000 thousand yen for the real estate property for which a sales agreement was signed on October 26, 2022. FRC anticipates to recognize revenues for the said remaining performance obligations on November 30, 2023 upon the scheduled delivery of the relevant real estate property.

(Notes to segment information)

[Segment information]

Descriptions omitted as FRC has a single business segment of real estate leasing business.

[Related information]

37th fiscal period (from September 1, 2022 to February 28, 2023)

(1) Information by product and service

Descriptions are omitted as FRC's operating revenues under single product/service classification for outside customers exceed 90% of operating revenues recorded in the statement of income.

(2) Information by region

(a) Operating revenues

Descriptions are omitted as FRC's operating revenues for outside customers in Japan exceed 90% of operating revenues recorded in the statement of income.

(b) Property, plant and equipment

Descriptions are omitted as the amount of FRC's property, plant and equipment located in Japan exceeds 90% of property, plant and equipment recorded on the balance sheet.

(3) Information by major customer

Descriptions are omitted as FRC's operating revenues for an individual outside customer are less than 10% of operating revenues recorded in the statement of income.

38th fiscal period (from March 1, 2023 to August 31, 2023)

(1) Information by product and service

Descriptions are omitted as FRC's operating revenues under single product/service classification for outside customers exceed 90% of operating revenues recorded in the statement of income.

(2) Information by region

(a) Operating revenues

Descriptions are omitted as FRC's operating revenues for outside customers in Japan exceed 90% of operating revenues recorded in the statement of income.

(b) Property, plant and equipment

Descriptions are omitted as the amount of FRC's property, plant and equipment located in Japan exceeds 90% of property, plant and equipment recorded on the balance sheet.

(3) Information by major customer

Descriptions are omitted as FRC's operating revenues for an individual outside customer are less than 10% of operating revenues recorded in the statement of income.

(Notes to per unit information)

	37th fiscal period (September 1, 2022 to February 28, 2023)	38th fiscal period (March 1, 2023 to August 31, 2023)
Net assets per unit (yen)	127,875	128,048
Profit per unit (yen)	3,580	3,752

(Note 1) Profit per unit was calculated by dividing the profit by the daily weighted average number of investment units. Diluted profit per unit is not stated as there are no dilutive investment units.

(Note 2) Profit per unit was calculated based on the following data:

	37th fiscal period (September 1, 2022 to February 28, 2023)	38th fiscal period (March 1, 2023 to August 31, 2023)
Profit (thousands of yen)	2,849,927	2,987,191
Amounts not attributable to ordinary unitholders (thousands of yen)	—	—
Profit attributable to ordinary investment units (thousands of yen)	2,849,927	2,987,191
Average number of units during the fiscal period (units)	796,000	796,000

(Notes to significant subsequent events)

No relevant items.

X. Supplementary Schedules

(Schedule of securities)

Not applicable.

(Schedule of contract amount, etc. and fair value of derivative transactions and forward exchange transactions)

(thousands of yen)

Category	Type	Contract amount, etc.		Fair value (Note 2)
		(Note 1)	Of which, exceeding 1 year	
Off-market transaction	Interest rate swap transaction Receivable floating; Payable fixed	19,200,000	16,700,000	379,641
Total		19,200,000	16,700,000	379,641

(Note 1) The contract amount, etc. of the interest rate swap transaction is based on the notional principal amount.
(Note 2) The fair value is calculated by the counterparty of the transaction contract based on the actual interest rate on the market and other factors.

(Schedule of property, plant and equipment, and intangible assets)

(thousands of yen)

Type of asset		Balance as of March 1, 2023	Increase	Decrease	Balance as of August 31, 2023	Accumulated depreciation	Depreciation for the period	Net property and equipment	Remarks
Total property, plant and equipment	Buildings	1,181,091	831,227	—	2,012,318	93,923	25,380	1,918,394	(Note 1)
	Structures	20,698	4,159	—	24,857	1,167	264	23,690	(Note 1)
	Machine and equipment	—	0	—	0	—	—	0	(Note 1)
	Tools and fixtures	1,571	—	—	1,571	665	117	906	
	Land	989,124	695,245	—	1,684,370	—	—	1,684,370	(Note 1)
	Buildings in trust	104,967,252	2,273,094	627,311	106,613,034	40,472,531	1,418,992	66,140,502	(Note 2) (Note 3)
	Structures in trust	1,974,987	19,328	16,899	1,977,417	944,053	28,702	1,033,364	(Note 2) (Note 3)
	Machinery and equipment in trust	1,490,515	31,773	—	1,522,289	818,780	36,929	703,508	(Note 2)
	Vehicles and transport equipment in trust	626	—	—	626	594	—	31	
	Tools and fixtures in trust	1,489,296	29,445	29,117	1,489,624	1,251,116	18,326	238,508	(Note 2) (Note 3)
	Land in trust	113,501,599	903,910	783,440	113,622,069	—	—	113,622,069	(Note 2) (Note 3)
	Construction in progress in trust	8,217	2,933	1,964	9,186	—	—	9,186	
	Subtotal	225,624,981	4,791,118	1,458,733	228,957,366	43,582,833	1,528,713	185,374,532	
Total intangible assets	Leasehold right in trust	5,545,883	—	—	5,545,883	—	—	5,545,883	
	Other intangible assets in trust	71,136	—	—	71,136	68,607	2,893	2,528	
	Subtotal	5,617,019	—	—	5,617,019	68,607	2,893	5,548,411	
Total		231,242,000	4,791,118	1,458,733	234,574,385	43,651,441	1,531,607	190,922,943	

(Note 1) The main increase in the 38th fiscal period is due to the acquisition of Kumamoto East Front Building.
(Note 2) The main increase in the 38th fiscal period is due to the acquisition of Axion Befu-Ekimae Premium and capital expenditures.
(Note 3) The main decrease in the 38th fiscal period is due to the disposition of Kurume Higashi Kushiwara SC (55% co-ownership interest).

(Schedule of other specified assets)

Not applicable.

(Schedule of investment corporation bonds)

Issue	Issue date	Balance as of March 1, 2023 (thousands of yen)	Decrease during the fiscal period (thousands of yen)	Balance as of August 31, 2023 (thousands of yen)	Coupon (%)	Maturity date	Maturity method	Use	Description
First Series of Unsecured Bonds	December 30, 2013	2,000,000	—	2,000,000	1.32	December 29, 2023	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)
Second Series of Unsecured Bonds	July 31, 2017	2,000,000	—	2,000,000	1.00	July 30, 2032	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)
Third Series of Unsecured Bonds	July 31, 2018	1,000,000	—	1,000,000	1.20	July 30, 2038	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)
Total		5,000,000	—	5,000,000					

(Note 1) The bonds may be repurchased and cancelled by FRC at any time on and after the date following the payment date, unless otherwise determined by the book-entry transfer agent.
(Note 2) The bonds are subject to the limited pari passu clause among specified investment corporation bonds.
(Note 3) Amount of redemption of investment corporation bonds scheduled to be due within 5 years after period end.

(thousands of yen)

Category	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Investment corporation bonds	2,000,000	—	—	—	—

(Schedule of debt)

(thousands of yen)

	Category	Balance as of March 1, 2023	Increase	Decrease	Balance as of August 31, 2023	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description
	Lender								
Current maturities of long- term debt	Sumitomo Mitsui Trust Bank	1,500,000	—	1,500,000	—	0.564	July 31, 2023	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	4,000,000	—	4,000,000	—	0.880	August 31, 2023	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	400,000	—	400,000	—	0.870	August 31, 2023	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	2,000,000	—	—	2,000,000	0.425	February 29, 2024	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	2,000,000	—	—	2,000,000	0.440	February 29, 2024	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	500,000	—	—	500,000	0.440	February 29, 2024	Refinance fund	No collateral/ No guarantee
	SBI Shinsei Bank	—	700,000	—	700,000	0.400	July 31, 2024	Refinance fund	No collateral/ No guarantee
	Subtotal	10,400,000	700,000	5,900,000	5,200,000				
Long-term debt	Development Bank of Japan	2,000,000	—	—	2,000,000	0.620	February 28, 2025	Refinance fund	No collateral/ No guarantee
	SBI Shinsei Bank	700,000	—	700,000	—	0.400	July 31, 2024	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	300,000	—	—	300,000	0.417	September 30, 2025	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	1,500,000	—	—	1,500,000	0.718	December 30, 2025	Refinance fund	No collateral/ No guarantee
	The Oita Bank	100,000	—	—	100,000				
	The Kagoshima Bank	100,000	—	—	100,000				
	The Kitakyushu Bank	100,000	—	—	100,000				
	The Juhachi-Shinwa Bank	200,000	—	—	200,000				
	The Hiroshima Bank	100,000	—	—	100,000				
	The Bank of Fukuoka	1,500,000	—	—	1,500,000	0.423	December 30, 2026	Refinance fund	No collateral/ No guarantee
	MUFG Bank	800,000	—	—	800,000	0.481	March 31, 2025	Refinance fund	No collateral/ No guarantee
	Resona Bank	600,000	—	—	600,000	0.658	March 31, 2027	Refinance fund	No collateral/ No guarantee
	The Higo Bank	300,000	—	—	300,000	0.481	March 31, 2025	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	1,300,000	—	—	1,300,000	0.777	June 30, 2026	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	1,000,000	—	—	1,000,000				
	The Oita Bank	700,000	—	—	700,000				
	The Kitakyushu Bank	700,000	—	—	700,000				
	The Miyazaki Bank	700,000	—	—	700,000				
	The Juhachi-Shinwa Bank	1,100,000	—	—	1,100,000				
	The Iyo Bank	500,000	—	—	500,000	0.850	August 31, 2027	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	1,800,000	—	—	1,800,000				
	The Bank of Fukuoka	2,000,000	—	—	2,000,000				
	The Nishi-Nippon City Bank	2,000,000	—	—	2,000,000				
	The Nishi-Nippon City Bank	500,000	—	—	500,000				
	The Bank of Fukuoka	500,000	—	—	500,000				
	The Oita Bank	100,000	—	—	100,000	0.493	September 30, 2027	Refinance fund	No collateral/ No guarantee
	The Kitakyushu Bank	100,000	—	—	100,000				
	The Juhachi-Shinwa Bank	200,000	—	—	200,000				
	The Hiroshima Bank	100,000	—	—	100,000				
	Resona Bank	2,000,000	—	—	2,000,000				
	The Bank of Fukuoka	1,500,000	—	—	1,500,000				
	Development Bank of Japan	500,000	—	—	500,000	0.680	December 30, 2027	Refinance fund	No collateral/ No guarantee

	Category	Balance as of March 1, 2023	Increase	Decrease	Balance as of August 31, 2023	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description
	Lender								
Long-term debt	The Nishi-Nippon City Bank	1,900,000	—	—	1,900,000	0.750	February 29, 2028	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	1,100,000	—	—	1,100,000	0.600	February 26, 2027	Refinance fund	No collateral/ No guarantee
	MUFG Bank	1,500,000	—	—	1,500,000	0.500	February 27, 2026	Refinance fund	No collateral/ No guarantee
	Resona Bank	600,000	—	—	600,000	0.567	February 29, 2028	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	2,500,000	—	—	2,500,000	0.720	March 1, 2028	Acquisition fund	No collateral/ No guarantee
	MUFG Bank	600,000	—	—	600,000	0.480	March 31, 2026	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	600,000	—	—	600,000	0.802	March 31, 2028	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	500,000	—	—	500,000	0.802	March 31, 2028	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	500,000	—	—	500,000	0.630	March 31, 2028	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	500,000	—	—	500,000	0.504	March 31, 2025	Refinance fund	No collateral/ No guarantee
	MUFG Bank	500,000	—	—	500,000	0.490	March 31, 2027	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	400,000	—	—	400,000	0.576	March 31, 2027	Refinance fund	No collateral/ No guarantee
	The Oita Bank	400,000	—	—	400,000	0.646	March 31, 2028	Refinance fund	No collateral/ No guarantee
	The Hiroshima Bank	400,000	—	—	400,000	0.646	March 31, 2028	Refinance fund	No collateral/ No guarantee
	SBI Shinsei Bank	300,000	—	—	300,000	0.400	March 31, 2025	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	500,000	—	—	500,000	0.655	January 31, 2029	Refinance fund	No collateral/ No guarantee
	MUFG Bank	500,000	—	—	500,000	0.590	January 31, 2028	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	400,000	—	—	400,000	0.424	January 31, 2029	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	300,000	—	—	300,000	0.424	January 31, 2029	Refinance fund	No collateral/ No guarantee
	The Oita Bank	200,000	—	—	200,000	0.334	February 27, 2026	Refinance fund	No collateral/ No guarantee
	The Kagoshima Bank	200,000	—	—	200,000	0.334	February 27, 2026	Refinance fund	No collateral/ No guarantee
	The Higo Bank	200,000	—	—	200,000	0.334	February 27, 2026	Refinance fund	No collateral/ No guarantee
	Resona Bank	200,000	—	—	200,000	0.488	February 28, 2029	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	1,200,000	—	—	1,200,000	0.521	July 31, 2029	Refinance fund	No collateral/ No guarantee
	The Bank of Saga	500,000	—	—	500,000				
	The Higo Bank	500,000	—	—	500,000				
	The Norinchukin Bank	1,500,000	—	—	1,500,000	0.303	January 29, 2027	Refinance fund	No collateral/ No guarantee
	MUFG Bank	500,000	—	—	500,000	0.480	September 29, 2028	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	2,500,000	—	—	2,500,000	0.480	February 28, 2030	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	1,700,000	—	—	1,700,000	0.420	February 28, 2030	Refinance fund	No collateral/ No guarantee
	Aozora Bank	1,000,000	—	—	1,000,000	0.569	June 28, 2030	Refinance fund	No collateral/ No guarantee
	Resona Bank	700,000	—	—	700,000	0.569	June 28, 2030	Acquisition fund	No collateral/ No guarantee
	MUFG Bank	500,000	—	—	500,000	0.600	June 29, 2029	Acquisition fund	No collateral/ No guarantee
	The Kagoshima Bank	500,000	—	—	500,000	0.465	June 30, 2028	Acquisition fund	No collateral/ No guarantee
	Development Bank of Japan	1,500,000	—	—	1,500,000	0.530	July 31, 2030	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	1,000,000	—	—	1,000,000	0.470	July 31, 2030	Refinance fund	No collateral/ No guarantee
	The Kitakyushu Bank	500,000	—	—	500,000	0.526	July 31, 2030	Refinance fund	No collateral/ No guarantee
	The Iyo Bank	200,000	—	—	200,000	0.526	July 31, 2030	Refinance fund	No collateral/ No guarantee

	Category	Balance as of March 1, 2023	Increase	Decrease	Balance as of August 31, 2023	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description
	Lender								
Long-term debt	The Juhachi-Shinwa Bank	1,000,000	—	—	1,000,000	0.590	March 31, 2031	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	2,300,000	—	—	2,300,000	0.490	July 31, 2031	Refinance fund	No collateral/ No guarantee
	The Hiroshima Bank	1,400,000	—	—	1,400,000				
	The Kitakyushu Bank	800,000	—	—	800,000				
	The Iyo Bank	500,000	—	—	500,000				
	The Higo Bank	300,000	—	—	300,000				
	Mizuho Trust & Banking Co., Ltd.	1,000,000	—	—	1,000,000	0.373	March 31, 2032	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	1,600,000	—	—	1,600,000	0.726	June 29, 2029	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	4,000,000	—	—	4,000,000	0.919 (Note 2)	August 31, 2032	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	500,000	—	—	500,000				
	The Bank of Fukuoka	400,000	—	—	400,000				
	The Higo Bank	—	700,000	—	700,000	0.615	March 31, 2028	Acquisition fund	No collateral/ No guarantee
	The Higo Bank	—	750,000	—	750,000	0.375	March 31, 2033	Acquisition fund	No collateral/ No guarantee
	The Hiroshima Bank	—	500,000	—	500,000	0.541	June 29, 2029	Refinance fund	No collateral/ No guarantee
	The Hiroshima Bank	—	1,000,000	—	1,000,000	0.635	June 28, 2030	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	—	900,000	—	900,000	0.501	July 31, 2028	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	—	600,000	—	600,000	0.829	July 31, 2031	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	—	2,000,000	—	2,000,000	0.838	August 31, 2029	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	—	2,000,000	—	2,000,000	0.907	February 28, 2030	Refinance fund	No collateral/ No guarantee
	Subtotal	68,500,000	8,450,000	700,000	76,250,000				
	Total	78,900,000	9,150,000	6,600,000	81,450,000				

(Note 1) The average interest rate is a weighted-average figure during the fiscal period and is rounded to the third decimal place. Furthermore, the average interest rate of debt for which FRC conducted interest rate swap transactions is the weighted-average figure during the fiscal period taking into consideration the effect of interest rate swaps.

(Note 2) The borrowing is a Sustainability-Linked Loan in which it has been set as a Sustainability Performance Target (SPT) to reduce CO₂ emissions (in terms of intensity) by 35% compared with fiscal 2019 by February 28, 2031, and the achievement of the target is linked to the loan conditions. When the SPT is achieved, the contract will offer a preferential treatment for the interest rate determined at the time of borrowing, for the period from August 2031 to the repayment date.

(Note 3) Amount of repayment of long-term debt scheduled to be due within 5 years after period end.

(thousands of yen)

Category	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term debt	3,900,000	11,100,000	12,900,000	14,000,000