

# 34th Fiscal Period Report on Performance and Management Status (Semiannual Report)

March 1, 2021 to August 31, 2021



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-fourth fiscal period (March 1, 2021 to August 31, 2021).

FRC was listed in June 2005 and started as Japan's first REIT specializing in regional properties. Since then, we have exhibited consistent growth and achieved stable performance through the support of our unitholders and sponsor companies.

During the fiscal period under review (the 34th fiscal period), the Japanese economy continued to show a pickup trend amid a severe situation still persisting under the impact of the novel coronavirus (COVID-19) infection. As for the outlook, with measures taken to prevent the spread of infection and vaccination promoted, the economy is expected to keep picking up due in part to the effects of various political measures and improvements in overseas economies. Attention should be paid, however, to the impact the infection trend will pose on the economy both in and outside Japan and the influence of changes in the financial and capital markets, etc.

In the Fukuoka and Kyushu area, the core investment target area for FRC, the economy is picking up, centering around exports and production, although staying in a severe situation. While public spending remains at a high level, the pickup trend in consumer spending has come to a temporary pause, and supply-and-demand conditions for labor and compensation of employees are both on a weak note.

Under such circumstances, FRC's portfolio achieved solid performance in the asset types of office buildings, logistics facilities, and residential properties. On the other hand, the impact of the spread of COVID-19 was not contained at Canal City Hakata and other major retail properties, while hotels failed to recover as tourism demand, etc. did not return strongly.

Against such a backdrop, from a perspective of dispersing risks through diversification of the portfolio, FRC disposed Canal City Hakata-B Grand Building (88.28% co-ownership interest) and acquired Tenjin Nishi-Dori Business Center (Land with leasehold interest) on June 1, 2021, and resolved on August 30, 2021 to acquire Hakata Chikushi-Dori Center Building as of March 1, 2022. We will aim to achieve an asset size of 250.0 billion yen as the next target, while continuing to reconsider the portfolio as a REIT with compre-



**Etsuo Matsuyuki**

Executive Director  
Fukuoka REIT Corporation

**Zenji Koike**

President and CEO  
Fukuoka Realty Co., Ltd.

hensive asset types specializing in regional properties. We will also continue to flexibly investigate property replacement and other measures when there are favorable opportunities.

Occupancy remained solid, with the average period-end occupancy rate of all properties FRC owns standing at 99.5%. FRC posted operating revenues of 8,867 million yen, operating income of 3,204 million yen, ordinary income of 2,817 million yen, and profit of 2,816 million yen for the fiscal period under review. The dividend per unit came to 3,539 yen. The actual dividend per unit for the period represents an increase by 178 yen from the previous fiscal period and by 39 yen from the dividend forecast at the time of the announcement of the financial results for the 33rd fiscal period. The increase was attained as our retail properties that serve people's daily needs performed solidly; upward revision of rents for office buildings was achieved while keeping them at high occupancy; the property disposal generated gain on sale; and our continuous efforts to reduce costs including administration and operation expenses paid off. Looking ahead, we will keep endeavoring to maintain and increase dividends in a stable manner by acquiring excellent properties to generate stable cash flows and continuously taking strategic initiatives.

Going forward, FRC will continue to exert its strengths as a REIT specializing in regional properties and quickly respond to market changes while receiving support and cooperation from powerful sponsors leading the Kyushu business world. We will also strive to maintain and increase the level of dividend per unit through steady asset management. We at FRC are resolved to make the utmost efforts to pursue our mission of securing stable earnings over the medium to long term and continuously offering stable dividends into the future, based on our management philosophy of "Act Local, Think Global."

We greatly appreciate your continued support and cooperation.

### Greetings from the President and CEO of the Asset Manager

We would like to express our sincere gratitude to all unitholders for your continued support of Fukuoka Realty Co., Ltd.

I took office as President and CEO of Fukuoka Realty as of June 24, 2021.

As Fukuoka REIT Corporation (FRC) closed its accounts for the 34th fiscal period ended August 31, 2021, I would like to express our sincere appreciation for the strong support and loyal patronage to FRC.

We will keep working to exert FRC's

strengths as a "REIT specializing in regional properties" by taking advantage of our information ability and know-how based on our full knowledge of the Fukuoka and Kyushu area. As we do so, we will quickly respond to market changes while endeavoring to secure medium- to long-term growth of the portfolio and stable earnings through solid and steady management of FRC's assets. We greatly appreciate your continued support and cooperation.

#### Profile

**1988** Joined Fukuoka SOGO Bank (currently The Nishi-Nippon City Bank, Ltd.)  
**1991** Joined Fukuoka Jisho Co., Ltd.  
**2013** Appointed as Chairman of Canal Entertainment Works Co., Ltd. (currently FJ Entertainment Works Co., Ltd.)  
**2017** Appointed as Senior Executive Officer of Fukuoka Jisho Co., Ltd.  
**2017** Appointed as Chairman of Sunlife Co., Ltd.  
**2021** Current position since June  
 Born in Fukuoka City. Likes to run in marathons and play golf. Joins citizen's marathon races twice or three times a year.

## Profile

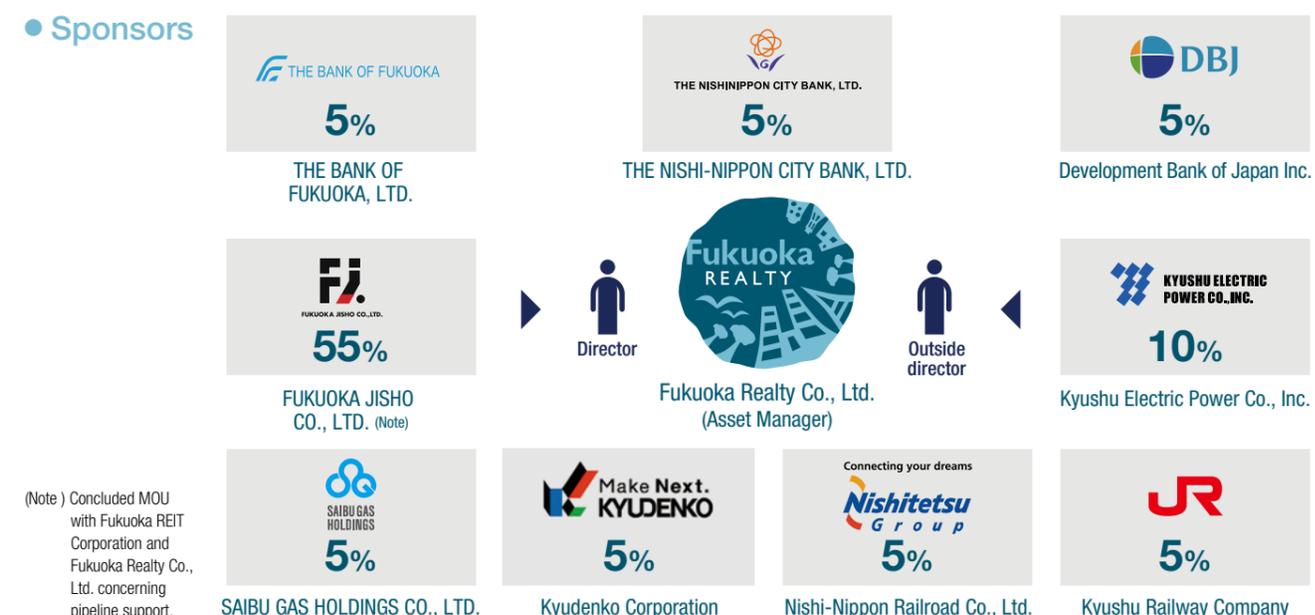
### ● Status of the Investment Corporation

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: Etsuo Matsuyuki, 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, and Fukuoka Stock Exchange)

### ● Sponsors



### ● Overview of the Asset Manager

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

### ● Portfolio \*Figures are based on properties owned as of August 31, 2021.

Investment type (based on acquisition price)			Investment area (based on acquisition price)	
Retail	Office buildings	Others	Fukuoka metropolitan area	Other Kyushu areas
54.2%	31.5%	14.3%	76.6%	23.4%
Total leasable floor space			Occupancy rate at end of period	
572,215.71 m <sup>2</sup>			99.5%	

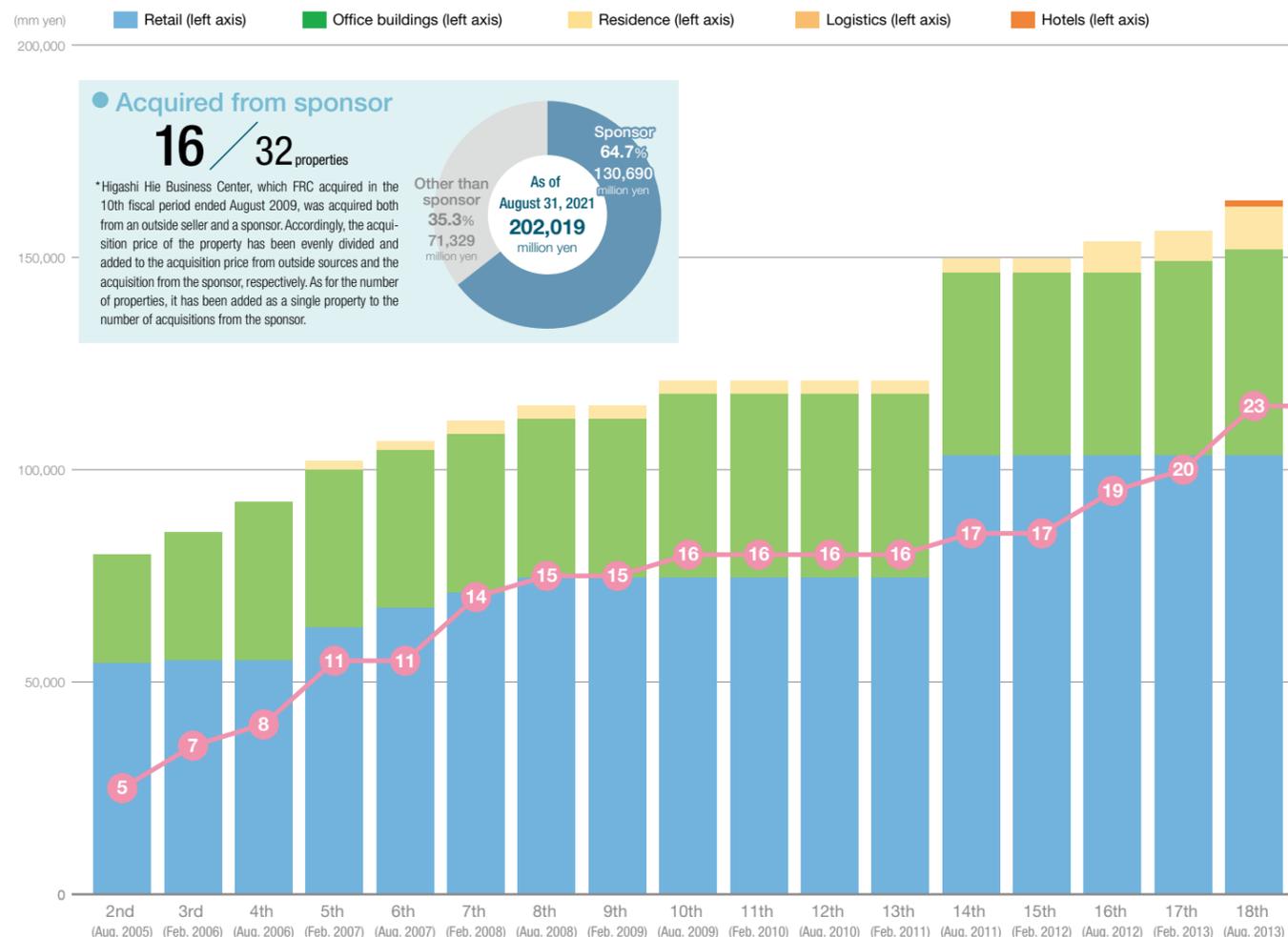
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# Trend of Growth in Asset Size of FRC

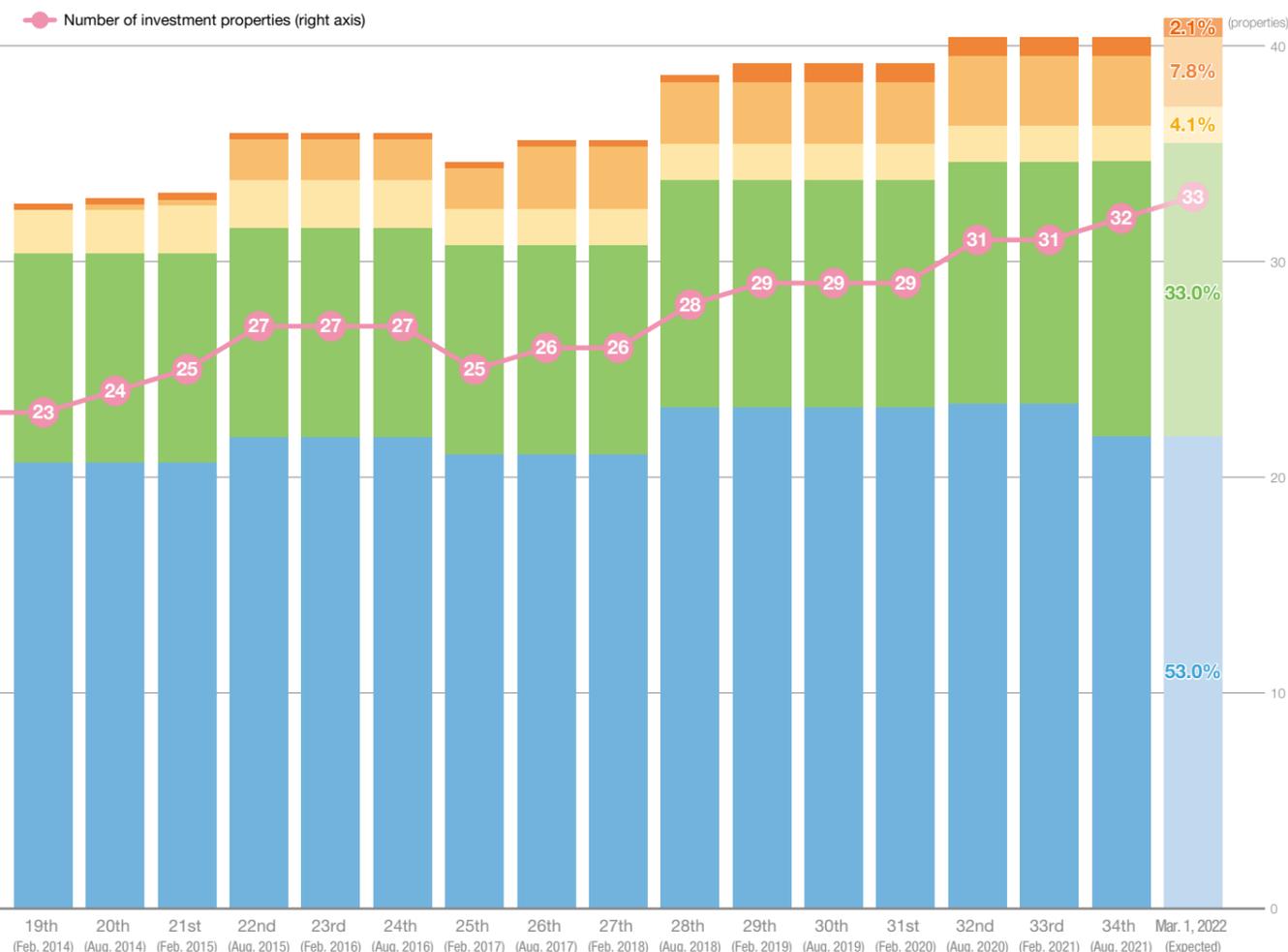
## ● FRC More than Doubled Asset Size and Diversified Investment Types Since

The asset size surpassed 200 billion yen to reach 202.0 billion yen (on an acquisition price basis) in the 32nd fiscal period. FRC aims



## Listing

to achieve 250.0 billion yen as the next target, while working to dissipate risks by diversifying the investment types.



(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 34th Fiscal Period and Business Forecasts for 35th and 36th Fiscal Periods

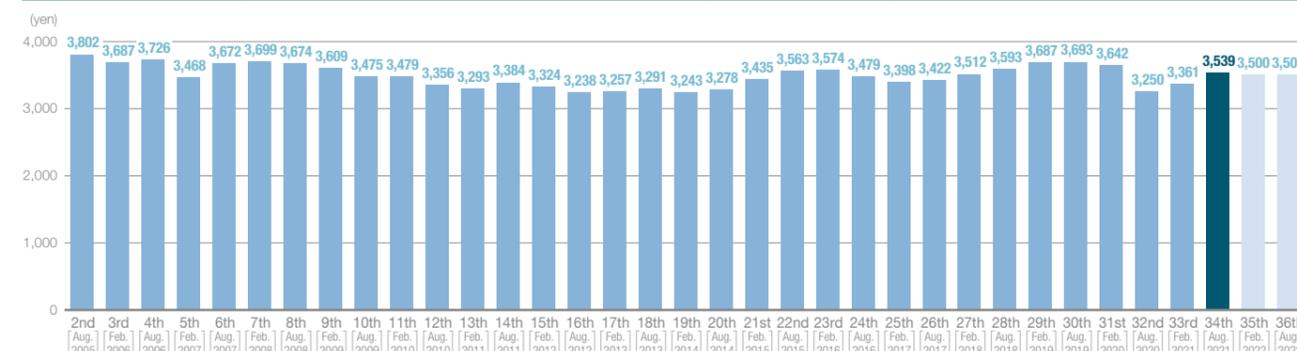
Category		34th fiscal period (March 1, 2021 to August 31, 2021) Actual	35th fiscal period (September 1, 2021 to February 28, 2022) Forecast	36th fiscal period (March 1, 2022 to August 31, 2022) Forecast
Operating revenues	mm yen	8,867	8,621	8,834
Leasing NOI (Note)	mm yen	5,336	5,316	5,382
Depreciation and amortization expenses	mm yen	1,552	1,489	1,527
Operating income	mm yen	3,204	3,156	3,169
Ordinary income	mm yen	2,817	2,787	2,787
Profit	mm yen	2,816	2,786	2,786
Dividend per unit	yen (1)	3,539	—	—
Latest dividend forecast per unit	yen (2)	3,500	3,500	3,500
Difference from forecast	yen (1)-(2)	39	—	—
Total number of investment units outstanding (at end of period)	units	796,000	796,000	796,000

(Note) "Leasing NOI" is calculated using "Leasing business revenues – Expenses related to leasing business + Depreciation and amortization expenses."

## ● Dividend Performance

Showing a recovery trend from the impact of COVID-19 in the 34th fiscal period, FRC will keep its endeavors to maintain and stabilize dividends.

34th fiscal period end	August 31, 2021 (semiannual periods ending every February and August)	34th fiscal period days	184 days
34th fiscal period dividend	3,539 yen per unit	Dividend yield	4.0% ((Dividend / Days × 365) / Unit price (as of August 31, 2021))



\*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.



**1 Retail**  
**Canal City Hakata**  
One of the largest entertainment-type retail facilities in Japan and comprising United Cinemas and others



**2 Retail**  
**Canal City Hakata-B**  
One of the largest entertainment-type retail facilities in Japan and comprising MUJI Canal City Hakata and others



**3 Retail**  
**Park Place Oita**  
A leading retail facility in the Oita area, providing "park entertainment" for families



**4 Retail**  
**SunLive City Kokura**  
One of the largest malls in Kitakyushu and anchored by a SunLive supermarket chosen by local consumers



**5 Retail**  
**Konoha Mall Hashimoto**  
A community-based retail facility with SunLive as its anchor tenant and directly connected to Hashimoto Station via a pedestrian bridge



**6 Retail**  
**Square Mall Kagoshima Usuki**  
A retail facility in Kagoshima, designed by John Jerde who designed Canal City Hakata and Roppongi Hills



**7 Retail**  
**Kumamoto Intercommunity SC**  
Located along a major arterial road and comprising Sports Depo, Golf 5 and Starbucks coffee



**8 Retail**  
**Hanahata SC**  
Located in a new residential area and comprising BON REPAS supermarket and Matsumoto Kiyoshi drug store



**9 Retail**  
**Kurume Higashi Kushiwara SC**  
Located on a corner of a heavy-traffic intersection and comprising Sports Depo and Golf 5



**10 Retail**  
**K's Denki Kagoshima**  
Having a large floor area and tenanted by an electric appliance store widely attracting customers from nearby cities



**11 Retail**  
**Marinao City Fukuoka (Marina Side Building)**  
Located east of Marinao City Fukuoka and has stable attractiveness through synergy with the Outlet building



**12 Office Building**  
**Canal City Business Center Building**  
An office building expected to exert synergy with Canal City Hakata, with showroom functions



**13 Office Building**  
**Gofukumachi Business Center**  
An office building facing major arterial roads Meiji-dori Avenue and Taihaku-dori Street, and directly connected to Gofukumachi Station on the city subway



**14 Office Building**  
**Sanix Hakata Building**  
A highly-convenient, station-front office building that is a two-minute walk from Hakata Station



**15 Office Building**  
**Taihaku Street Business Center**  
Good location along Taihaku-dori Street, a two-minute walk from Gion subway station and ten-minute walk from Hakata Station



**16 Office Building**  
**Higashi Hie Business Center**  
Directly connected to Higashi Hie subway station, a two-minute ride to Hakata Station and three-minute ride to Fukuoka Airport



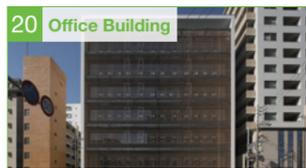
**17 Office Building**  
**Tenjin Nishi-Dori Center Building**  
An office building facing Tenjin Nishi-dori Street where commercial facilities are concentrated



**18 Office Building**  
**Tenjin North Front Building**  
A highly convenient office building located in the Tenjin area that features Kyushu's largest integration of urban functions



**19 Office Building**  
**Higashi Hie Business Center II**  
Directly connected to Higashi Hie subway station, a two-minute ride to Hakata Station and highly recognized for its excellent business continuity plan (BCP)



**20 Office Building**  
**Higashi Hie Business Center III**  
FRC's third office building in the Higashi Hie area, close to Higashi Hie subway station and a two-minute ride to Hakata Station



**21 Office Building**  
**Tenjin Nishi-Dori Business Center (Land with leasehold interest)**  
Located along Meiji-dori Avenue, a long-standing business district in the Tenjin area, as well as near Tenjin Nishi-Dori Street where commercial facilities are concentrated



**22 Others (residence)**  
**Amex Akasakamon Tower**  
A tower-type rental condominium near downtown Fukuoka, with traffic convenience and environment that matches a wide range of generations



**23 Others (residence)**  
**City House Keyaki Dori**  
A high-quality rental condominium in a popular residential area of Fukuoka, featuring traffic and living convenience



**24 Others (residence)**  
**Aqualia Chihaya**  
A rental condominium comprised of units mainly for singles and small families to match the local characteristics



**25 Others (residence)**  
**D-Wing Tower**  
A large, high-rise (20-story) rental condominium, approximately a seven-minute walk from Tenjin subway station



**26 Others (residence)**  
**Granfore Yakuin Minami**  
A rental condominium in the Yakuin/Hirao area that is popular among younger generations and has plentiful bus networks



**27 Others (hotel)**  
**Hotel FORZA Oita**  
A business hotel located walking distance from Oita Station and specialized for lodging to meet business needs



**28 Others (hotel)**  
**Tissage Hotel Naha**  
A hotel in Naha City, Okinawa Prefecture located a 10-minute car ride from Naha Airport. Guestrooms are of sufficient size and quality to take in leisure demand.



**29 Others (logistics)**  
**Tosu Logistics Center**  
A logistics facility located in the Green Logistics Park Tosu, operating around the clock and with three temperature zones



**30 Others (logistics)**  
**LOGICITY Minato Kashii**  
A logistics facility among the largest in the Fukuoka area, with a location featuring traffic convenience and concentration of such facilities

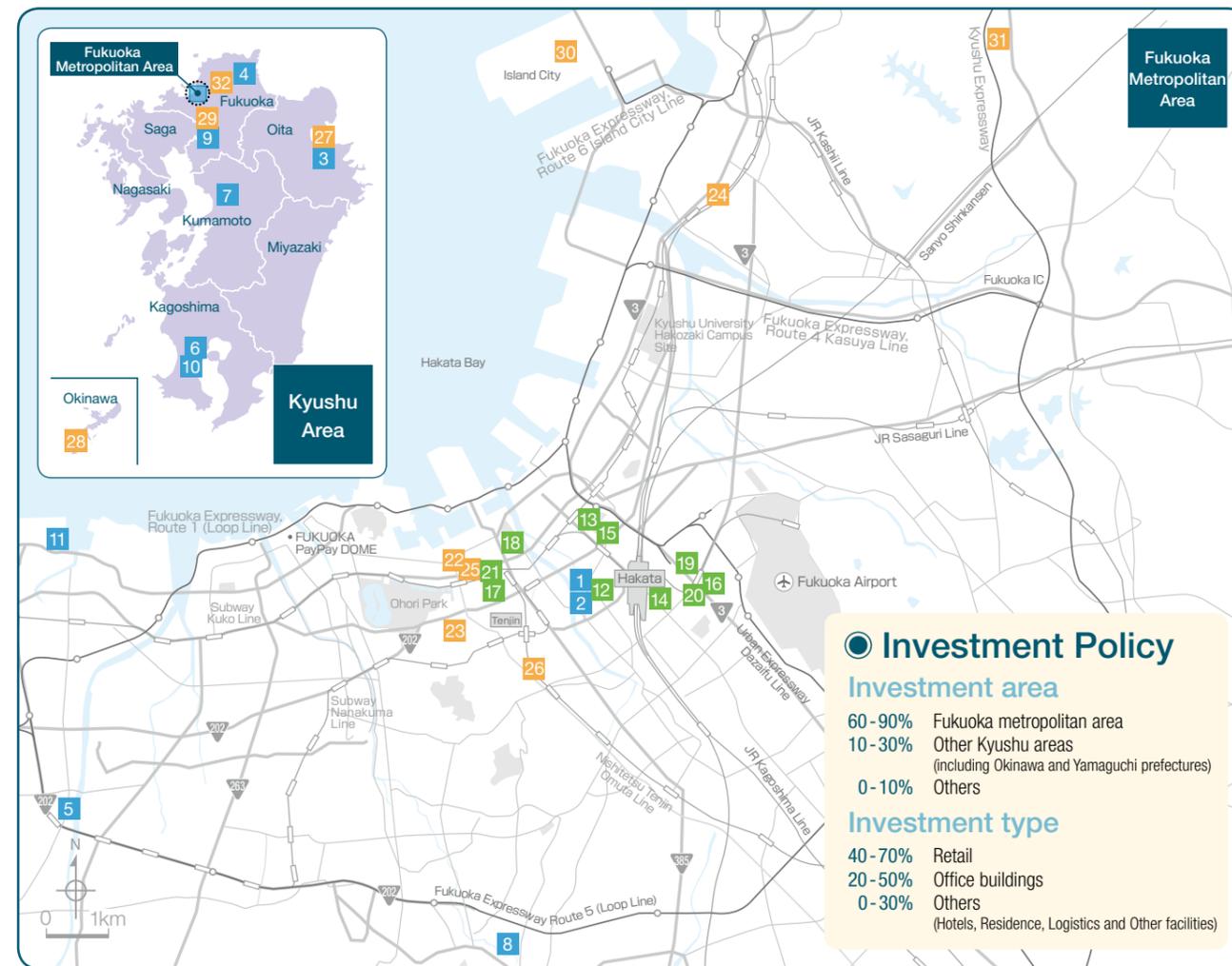


**31 Others (logistics)**  
**LOGICITY Hisayama**  
Approximately 5 km from the Fukuoka Interchange featuring traffic convenience, and has good general-purpose capabilities



**32 Others (logistics)**  
**LOGICITY Wakamiya**  
A logistics facility located in a leading industrial city of Fukuoka prefecture and can conduct operations 24 hours a day as well as frequent deliveries

## Portfolio Map



# New Property Acquisition and Asset Replacement

## ● New Property Acquisition Scheduled for the 36th Fiscal Period

On August 30, 2021, FRC issued a press release, announcing that it will acquire a property in March 2022.

New Property to be Acquired

### Hakata Chikushi-Dori Center Building



### ● Overview of the property

Acquisition date (planned)	March 1, 2022
Acquisition price (planned)	4,320 mm yen
Appraisal value	4,540 mm yen
Location	2-5 Hakataeki-minami, Hakata Ward, Fukuoka City
Construction completed	January 1992
Total floor space	8,621.96 m <sup>2</sup>
Number of tenants	12
NOI yield (Note 1)	5.3% (assumed NOI yield for the 36th period: 3.9%)
Positive rent gap (Note 2)	+33.9%

(Note 1) The figure is calculated based on the NOI of the appraisal value.

(Note 2) Positive rent gap indicates the gap between current rent (contract rent with common charges) and market rent, and is calculated as "(market rent - current rent) / current rent". The market rent used for the calculation is the medium value of the assumed new contracted rents (including common charges) that are assessed by CBRE as of August 2021 and shown in a range.

### ● Point

- Expected to achieve internal growth after acquisition
- Located about an 8-minute walk from JR Hakata Station, in the Hakata Station East area where hotels and government offices are in close proximity
- Highly competitive in the area, with a standard floor rental room area of over 240 tsubos

## ● Asset Replacement for the 34th Fiscal Period

In June 2021, FRC conducted asset replacement as scheduled.

- Capture the medium- to long-term growth potential of office buildings in the Tenjin area
- Reduce the risk of having a full-service hotel that is subject to large impact of COVID-19

	Acquired Property		Disposed Property		
	Tenjin Nishi-Dori Business Center (Land with leasehold interest)		Canal City Hakata-B Grand Building (88.28% co-ownership interest in Grand Building)		
Acquisition Price	7,700 mm yen	Gain on sale	104 mm yen	Disposition Price	7,700 mm yen

# Initiatives on Sustainability

## Environment

### ● External Evaluation

#### ● Participation in GRESB Assessment 2021

Granted "4 Stars" and "Green Star" assessments in the GRESB rating  
 \*Granted "3 Stars" and "Green Star" ratings in the GRESB 2020



#### < Major initiatives >

- Added measures (such as self-diagnosis of energy conservation and data collection) corresponding to the "performance components" that evaluates the owned properties in terms of their environmental performance and joint initiatives with tenants, etc.
- Increased the participation rate of ESG training sessions for employees (100% participation)

## Society

### ● COVID-19 Vaccination for Applicants

- Conducted vaccination for employees of the Asset Manager and tenants of retail facilities at a venue in Canal City Hakata

### ● Anti-COVID-19 Measures

- Installed thermographic monitors to measure temperature at the entrance of the Asset Manager and the entrances for tenants' employees, etc.
- Conducted high-performance "antivirus and antibacterial" coating
- Conducted ventilation by periodically keeping doorways open
- Installed disinfectants at doorways and toilets, etc.



Installation of thermographic monitors to measure temperature



Antivirus and antibacterial coating



Notice of ventilation underway

## Governance

### ● Cumulative Investment System for Investment Units

#### ● 40.5% of the officers and employees has participated in the system.

A cumulative investment system for investment units was introduced for the Asset Manager officers and employees in April 2015 in order to enhance their mindset for FRC's better performance as well as promote their assets formation

# II. Semiannual Report

## Overview of Asset Management

### 1. Changes in operating results and financial position

Fiscal Period		30th fiscal period (March 1, 2019 to August 31, 2019)	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)	33rd fiscal period (September 1, 2020 to February 28, 2021)	34th fiscal period (March 1, 2021 to August 31, 2021)
Operating revenues	mm yen	9,231	9,162	8,518	8,904	8,867
[Leasing business revenues]	mm yen	[9,231]	[9,162]	[8,518]	[8,904]	[8,762]
Operating expenses	mm yen	5,913	5,888	5,551	5,842	5,662
[Expenses related to leasing business]	mm yen	[5,250]	[5,226]	[4,897]	[5,180]	[4,978]
Operating income	mm yen	3,318	3,273	2,966	3,061	3,204
Ordinary income	mm yen	2,939	2,900	2,587	2,675	2,817
Profit	(a) mm yen	2,939	2,899	2,586	2,675	2,816
Total assets	(b) mm yen	195,106	194,795	199,004	199,559	199,804
[Change from previous period]	%	[(0.2)]	[(0.2)]	[2.2]	[0.3]	[0.1]
Interest-bearing debt	(c) mm yen	77,500	77,500	82,400	82,400	82,400
Net assets	(d) mm yen	101,878	101,837	101,525	101,614	101,755
[Change from previous period]	%	[0.0]	[(0.0)]	[(0.3)]	[0.1]	[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	127,987	127,937	127,544	127,656	127,833
Total dividend	(f) mm yen	2,939	2,899	2,587	2,675	2,817
Dividend per unit	(f)/(e) yen	3,693	3,642	3,250	3,361	3,539
[Earnings dividend per unit]	yen	[3,693]	[3,642]	[3,250]	[3,361]	[3,539]
[Dividend in excess of earnings per unit]	yen	[-]	[-]	[-]	[-]	[-]
Ratio of ordinary income to total assets	(Note 3) %	1.5 [3.0]	1.5 [3.0]	1.3 [2.6]	1.3 [2.7]	1.4 [2.8]
Return on net assets	(Note 3) %	2.9 [5.7]	2.8 [5.7]	2.5 [5.0]	2.6 [5.3]	2.8 [5.5]
Ratio of net assets to total assets	(d)/(b) %	52.2	52.3	51.0	50.9	50.9
[Change from previous period]	%	[0.1]	[0.1]	[(1.3)]	[(0.1)]	[0.0]
Payout ratio	(Note 3) %	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) %	39.7	39.8	41.4	41.3	41.2
<b>[Other reference information]</b>						
Number of investment properties (at end of period)	properties	29	29	31	31	32
Total leasable floor space (at end of period)	m <sup>2</sup>	580,664.27	580,662.77	591,021.51	608,557.70	572,215.71
Occupancy rate (at end of period)	%	99.6	99.7	99.7	99.5	99.5
Depreciation and amortization expenses	mm yen	1,651	1,660	1,686	1,623	1,552
Capital expenditures	mm yen	476	465	790	687	445
Leasing NOI	(Note 3) mm yen	5,633	5,596	5,307	5,347	5,336
Days in fiscal period	days	184	182	184	181	184
FFO (Funds from Operation)	(g)/(Note 3) mm yen	4,591	4,559	4,273	4,299	4,265
FFO per unit	(g)/(e) yen	5,767	5,728	5,368	5,401	5,358

(Note 1) Consumption tax is not included in operating revenues, etc.

(Note 2) 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 3) 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

Fukuoka REIT Corporation (hereinafter "FRC") was established on July 2, 2004 based on the "Act on Investment Trusts and Investment Corporations" (Act No. 198 in 1951 including later revisions, hereinafter the "Investment Trusts Act") and listed on the Tokyo Stock Exchange, Inc. and the Fukuoka Stock Exchange on June 21, 2005 as the nation's first real estate investment trust specializing in regional properties (code number: 8968). FRC invests in real estate throughout Kyushu (including Okinawa Prefecture), with a central focus on Fukuoka City, and Yamaguchi Prefecture (hereinafter the "Fukuoka and Kyushu areas") by using expertise in regional characteristics, a strength in the real estate industry.

FRC started asset management activities on November 9, 2004 after acquisition of four properties comprising retail properties and office buildings, and manages a total of 32 properties comprising 11 Retail, 10 Office buildings (including land with leasehold interest for an office building) and 11 Others as of the end of the 34th fiscal period (August 31, 2021).

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

During the fiscal period under review (the 34th fiscal period), the Japanese economy continued to show a pickup trend amid a severe situation still persisting under the impact of the novel coronavirus (COVID-19) infection. As for the outlook, with measures taken to prevent the spread of infection and vaccination promoted, the economy is expected to keep picking up due in part to the effects of various political measures and improvements in overseas economies. Attention should be paid, however, to the impact the infection trend will pose on the economy both in and outside Japan and the influence of changes in the financial and capital markets, etc.

In the Fukuoka and Kyushu area, the core investment target area for FRC, the economy is picking up, centering around exports and production, although staying in a severe situation. While public spending remains at a high level, the pickup trend in consumer spending has come to a temporary pause, and supply-and-demand conditions for labor and compensation of employees are both on a weak note. As we foresee, we must be wary of the impact of the trend of COVID-19 on corporate and household sentiments, among other factors.

As for land price trends, the national average price in combined average for residential and commercial land dropped for the second consecutive year, although at a decelerating rate of decrease, according to the 2021 Land Price Survey. By land type, residential land price dropped at a lower pace and commercial land price showed a higher rate of decrease. Meanwhile, in Fukuoka City, the central area of FRC's investment targets, land prices continued rising for 9 consecutive years, up 7.7% year-on-year for commercial land and up 4.4% year-on-year for residential land.

Under such circumstances, FRC's portfolio achieved solid performance in the asset types of office buildings, logistic facilities, and residential properties. On the other hand, the impact of the spread of COVID-19 was not contained at Canal City Hakata and other major retail properties, while hotels failed to recover as tourism demand, etc. did not return strongly.

In the 34th fiscal period, FRC disposed Canal City Hakata-B Grand Building (88.28% co-ownership interest in Grand Building) and acquired Tenjin Nishi-Dori Business Center (Land with leasehold interest) on June 1, 2021, and concluded on August 30, 2021 an agreement regarding acquisition of Hakata Chikushi-Dori Center Building (scheduled for acquisition on March 1, 2022).

When analyzing FRC's portfolio (on an acquisition price basis) as of the end of the 34th fiscal period by investment target area, the investment ratio in the Fukuoka metropolitan area accounted for 76.6%; when analyzing by property type, Retail, Office buildings, and Others accounted for 54.2%, 31.5% and 14.3%, respectively.

On top of these efforts, 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. By setting up the Sustainability Promotion Committee, which comprises President/CEO, full-time directors and general managers of Real Estate Management Department, Investment Department, Finance Department, Planning Department and Compliance Department, the Asset Manager investigates specific targets and measures and supervises the progress in implementation of the measures with regard to the internal system, cooperation with related parties outside the company and information disclosure policy, etc. On the implementation side, the sustainability officer (general manager of the Planning Department), who is the person responsible for the practical aspects concerning the targets set at the Sustainability Promotion Committee, concurrently serves as general manager of Sustainability Promotion Office, which is engaged in continuous operations related to the GRESB Real Estate Assessment (with Green Star rating), the Principles for Responsible Investment (PRI) and the Principles for Financial Action for the 21st Century (PFA21) and other initiatives.

## Overview of Asset Management

### (3) Summary of fundraising

In the 34th fiscal period, FRC conducted long-term borrowings totaling 6,300 million yen to fund the repayment of existing debt that matured in the period. As a result, the balance of FRC's interest-bearing debt outstanding (including investment corporation bonds) at the end of the 34th fiscal period totaled 82,400 million yen, with the loan-to-value ratio (ratio of interest-bearing debt (including investment corporation bonds) to total assets) at 41.2% and the ratio of fixed-interest rate debt (ratio of interest-bearing debt with fixed interest rates (including investment corporation bonds) to total interest-bearing debt) at 94.1% as of the same date. 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.

FRC will continue its endeavors to reduce refinancing risks by dispersing debt repayment dates and extending debt duration. At the same time, FRC will work to mitigate risks of rising interest rates by shifting to fixed-interest rate borrowings and through other measures.

Moreover, the credit ratings assigned to FRC as of the end of the 34th 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 8,867 million yen and operating income after excluding operating expenses such as expenses related to leasing business and asset management fees totaled 3,204 million yen. Ordinary income was 2,817 million yen and profit amounted to 2,816 million yen. Management decided to make a dividend of 3,539 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 34th 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' equity due to distribution of dividend in excess of earnings that came from reserve for temporary difference adjustments. The same shall apply hereafter.

## Overview of Asset Management

### [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	30th fiscal period (March 1, 2019 to August 31, 2019)	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)	33rd fiscal period (September 1, 2020 to February 28, 2021)	34th fiscal period (March 1, 2021 to August 31, 2021)
Highest	182,500 yen	191,700 yen	169,900 yen	179,900 yen	191,700 yen
Lowest	166,000 yen	167,900 yen	72,500 yen	126,300 yen	163,100 yen

## 4. Results of dividend, etc.

With respect to the dividend for the 34th 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 3,539 yen.

(thousands of yen)

Fiscal period	30th fiscal period (March 1, 2019 to August 31, 2019)	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)	33rd fiscal period (September 1, 2020 to February 28, 2021)	34th fiscal period (March 1, 2021 to August 31, 2021)
Profit	2,939,139	2,899,112	2,586,899	2,675,572	2,816,802
Unappropriated surplus	2,939,679	2,899,164	2,587,031	2,675,604	2,817,051
Undistributed earnings	51	132	31	248	7
Total dividends [Dividend per unit]	2,939,628 [3,693 yen]	2,899,032 [3,642 yen]	2,587,000 [3,250 yen]	2,675,356 [3,361 yen]	2,817,044 [3,539 yen]
Earnings dividends [Earnings dividend per unit]	2,939,628 [3,693 yen]	2,899,032 [3,642 yen]	2,587,000 [3,250 yen]	2,675,356 [3,361 yen]	2,817,044 [3,539 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)	- [-]	- [-]	- [-]	- [-]	- [-]

## Overview of Asset Management

### 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 34th fiscal period

No relevant items.

## Overview of the Investment Corporation

### 1. Summary of unitholders' capital

Fiscal period	30th fiscal period as of August 31, 2019	31st fiscal period as of February 29, 2020	32nd fiscal period as of August 31, 2020	33rd fiscal period as of February 28, 2021	34th fiscal period as of August 31, 2021
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	10,551	10,473	14,468	13,817	13,306

### 2. Matters related to investment units

The following table sets forth the major unitholders of FRC as of August 31, 2021.

Name	Investment units held (units)	Percentage of total number of investment units outstanding (%) (Note)
Custody Bank of Japan, Ltd. (Trust account)	176,957	22.23
The Master Trust Bank of Japan, Ltd. (Trust account)	99,091	12.44
Fukuoka Jisho Co., Ltd.	73,136	9.18
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	31,279	3.92
Custody Bank of Japan, Ltd. (Securities investment trust account)	20,590	2.58
The Shinkumi Federation Bank	14,760	1.85
STATE STREET BANK WEST CLIENT – TREATY 505234	12,410	1.55
NORTHERN TRUST CO. (AVFC) RE HCR00	11,504	1.44
MetLife, Inc.	10,227	1.28
Shikoku Railway Company	9,130	1.14
Total	459,084	57.67

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

## Overview of the Investment Corporation

### 3. Matters related to directors

(1) The names of FRC's directors, etc. and their fees for the 34th fiscal period are as follows:

Title	Name of directors, etc.	Major concurrent assignments	Total fee for each title for the 34th fiscal period (thousands of yen) (Note 2)
Executive Director	Etsuo Matsuyuki	–	6,000
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	–	8,500

(Note 1) Etsuo Matsuyuki, the Executive Director, possesses four 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 34th fiscal period, and the fee to the Independent Auditor is the amount payable to it (estimate) for audits pertaining to the 34th fiscal period.

### (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.

### 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 34th fiscal period

The following table sets forth the asset management company, asset custodian and general administrators of FRC as of August 31, 2021.

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)	33rd fiscal period as of February 28, 2021		34th fiscal period as of August 31, 2021	
			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	–	–	–	–
	Others	Fukuoka metropolitan area	–	–	–	–
Other Kyushu areas		2,167	1.1	2,153	1.1	
Real estate trust beneficiary interest	Retail	Fukuoka metropolitan area	74,583	37.4	66,680	33.4
		Other Kyushu areas	36,828	18.5	36,612	18.3
	Office buildings	Fukuoka metropolitan area	47,996	24.1	55,418	27.7
		Other Kyushu areas	–	–	–	–
	Others	Fukuoka metropolitan area	20,033	10.0	19,898	10.0
		Other Kyushu areas	5,362	2.7	5,324	2.7
Deposits and other assets			12,586	6.3	13,716	6.9
Total amount of assets (Note 4)			199,559 [186,988]	100.0 [93.7]	199,804 [186,568]	100.0 [93.4]

(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 2015 census, which states "the number of workers and students aged 15 years or older (students including those aged 14 years or younger: particular reference) 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, 2021.

Real estate property name (Note 1)	Book value (mm of yen)	Total leasable floor space (m <sup>2</sup> )	Total leased floor space (m <sup>2</sup> )	Occupancy rate (%) (Note 2)	Percentage of total leasing business revenues (%) (Note 3)	Main use
Canal City Hakata	29,476	46,585.57	45,589.93	97.9	11.4	Retail
Canal City Hakata-B (Note 4)	20,997	31,139.07	30,538.60	98.1	13.3	Retail
Park Place Oita	20,112	121,212.26	121,131.26	99.9	13.5	Retail
Canal City Business Center Building	12,846	23,030.30	23,030.30	100.0	7.4	Office buildings
Konoha Mall Hashimoto	9,848	22,121.05	21,838.30	98.7	8.9	Retail
Gofukumachi Business Center	8,767	19,905.34	19,905.34	100.0	6.5	Office buildings
LOGICITY Minato Kashii	7,755	43,233.72	43,233.72	100.0	Undisclosed (Note 5)	Others
Tenjin Nishi-Dori Business Center (Land with leasehold interest)	7,754	1,343.51 (Note 6)	1,343.51	100.0	0.9	Office buildings
Taihaku Street Business Center	5,632	14,677.30	14,566.29	99.2	3.7	Office buildings
Marinoa City Fukuoka (Marina Side Building)	5,395	33,069.82	33,069.82	100.0	2.0	Retail
Total	128,588	356,317.94	354,247.07	99.4	–	–

(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) FRC disposed Canal City Hakata-B Grand Building (88.28% co-ownership interest in Grand Building) on June 1, 2021. The same shall apply hereafter.

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

(Note 6) The total leasable floor space indicates the land area recorded in the real estate registry. The same shall apply hereafter.

# 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, 2021.

Real estate property name	Location	Form of ownership	Total leasable floor space (m <sup>2</sup> )	Period-end appraisal value (mm of yen) (Note)	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	46,585.57	30,600	29,476	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata-B	2-1, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	31,139.07	21,400	20,997	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	1, 2-chome, Koen Dori Nishi, Oita City, Oita	Trust beneficiary interest	121,212.26	21,200	20,112	Japan Real Estate Institute
SunLive City Kokura	14-1, 2-chome, Kami Kuzuhara, Kokura Minami Ward, Kitakyushu City	Trust beneficiary interest	61,450.22	8,440	5,393	Japan Real Estate Institute
Konoha Mall Hashimoto	27-2, 2-chome, Hashimoto, Nishi Ward, Fukuoka City	Trust beneficiary interest	22,121.05	10,500	9,848	Tanizawa Sogo Appraisal Co., Ltd.
Square Mall Kagoshima Usuki	2-18, 2-chome, Usuki, Kagoshima City, Kagoshima	Trust beneficiary interest	14,602.88	4,960	4,258	Japan Real Estate Institute
Kumamoto Intercommunity SC	1-5, 1-chome, Kozono, Higashi Ward, Kumamoto City	Trust beneficiary interest	6,968.66	2,740	1,943	Japan Real Estate Institute
Hanahata SC	9-12, 4-chome, Hanahata, Minami Ward, Fukuoka City	Trust beneficiary interest	2,801.15	1,200	961	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	370-3 Higashi Kushiwara, Kurume City, Fukuoka	Trust beneficiary interest	6,467.80	2,740	1,995	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	4-12, Tokai-cho, Kagoshima City, Kagoshima	Trust beneficiary interest	7,296.17	3,660	2,907	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	5,900	5,395	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:			353,714.65	113,340	103,293	
Canal City Business Center Building	2-25, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	23,030.30	17,400	12,846	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	10-10, Kami Gofukumachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	19,905.34	15,600	8,767	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	1-23, 2-chome, Hakataeki Higashi, Hakata Ward, Fukuoka City	Trust beneficiary interest	6,293.75	6,510	3,744	Japan Real Estate Institute
Taihaku Street Business Center	3-21 Gokushomachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	14,677.30	9,190	5,632	Japan Real Estate Institute
Higashi Hie Business Center	1-2, 3-chome, Higashi Hie, Hakata Ward, Fukuoka City	Trust beneficiary interest	13,614.59	8,270	4,364	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	3,140	2,653	Japan Real Estate Institute
Tenjin North Front Building	4-20, 4-chome, Tenjin, Chuo Ward, Fukuoka City	Trust beneficiary interest	5,252.41	4,490	2,414	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	4,690	3,982	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	3,380	3,256	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	7,790	7,754	Japan Real Estate Institute
Office buildings subtotal:			96,652.43	80,460	55,418	
Amex Akasakamon Tower	4-23, 2-chome, Maizuru, Chuo Ward, Fukuoka City	Trust beneficiary interest	4,821.25	1,880	1,635	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	1,040	882	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Chihaya	3-12, 4-chome, Chihaya, Higashi Ward, Fukuoka City	Trust beneficiary interest	5,619.69	1,950	1,146	Japan Real Estate Institute
D-Wing Tower	10-38, 2-chome, Daimyo, Chuo Ward, Fukuoka City	Trust beneficiary interest	7,187.59	3,660	2,635	Tanizawa Sogo Appraisal Co., Ltd.
Granfore Yakuin Minami	11-20, 1-chome, Hirao, Chuo Ward, Fukuoka City	Trust beneficiary interest	2,496.06	1,330	1,079	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	5-18, 1-chome, Chuo-cho, Oita City, Oita	Trust beneficiary interest	5,785.44	1,890	1,360	Japan Real Estate Institute
Tissage Hotel Naha	14-1, 2-chome, Nishi, Naha City, Okinawa	Trust beneficiary interest	3,758.76	2,880	2,810	Tanizawa Sogo Appraisal Co., Ltd.
Tosu Logistics Center	1607 Aza Momota, Himekata-cho, Tosu City, Saga	Trust beneficiary interest	4,173.29	1,360	1,153	Japan Real Estate Institute
LOGICITY Minato Kashii	3-4, 2-chome, Minato Kashii, Higashi Ward, Fukuoka City	Trust beneficiary interest	43,233.72	9,210	7,755	Tanizawa Sogo Appraisal Co., Ltd.
LOGICITY Hisayama	2335-3 Oaza Yamada, Hisayama-machi, Kasuya County, Fukuoka	Trust beneficiary interest	24,505.65	5,450	4,762	Tanizawa Sogo Appraisal Co., Ltd.
LOGICITY Wakamiya	1406 Shimoaruki, Miyawaka City, Fukuoka	Real estate	17,556.32	2,400	2,153	Tanizawa Sogo Appraisal Co., Ltd.
Others subtotal:			121,848.63	33,050	27,376	
Total			572,215.71	226,850	186,088	

(Note) "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.

## Status of FRC's Assets under Management

Real estate property name	33rd fiscal period (September 1, 2020 to February 28, 2021)				34th fiscal period (March 1, 2021 to August 31, 2021)			
	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 [46]	97.7	1,018	11.4	1 [46]	97.9	996	11.4
Canal City Hakata-B	1 [45]	99.5	1,429	16.1	1 [45]	98.1	1,166	13.3
Park Place Oita	1 [104]	100.0	1,198	13.5	1 [104]	99.9	1,183	13.5
SunLive City Kokura	1	100.0	262	2.9	1	100.0	262	3.0
Konoha Mall Hashimoto	1 [123]	97.8	778	8.7	1 [124]	98.7	778	8.9
Square Mall Kagoshima Usuki	13	100.0	252	2.8	13	100.0	253	2.9
Kumamoto Intercommunity SC	2	100.0	89	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	88	1.0	1	100.0	88	1.0
K's Denki Kagoshima	1	100.0	112	1.3	1	100.0	111	1.3
Marinoa City Fukuoka (Marina Side Building)	1	100.0	178	2.0	1	100.0	177	2.0
Retail subtotal:	25 [339] (Note 2)	99.5	5,450	61.2	25 [340] (Note 2)	99.4	5,147	58.7
Canal City Business Center Building	1 [62]	100.0	641	7.2	1 [62]	100.0	650	7.4
Gofukumachi Business Center	36	100.0	557	6.3	36	100.0	571	6.5
Sanix Hakata Building	16	100.0	205	2.3	16	100.0	205	2.3
Taihaku Street Business Center	1 [68]	98.8	318	3.6	1 [69]	99.2	322	3.7
Higashi Hie Business Center	1 [27]	100.0	351	4.0	1 [27]	100.0	353	4.0
Tenjin Nishi-Dori Center Building	1	100.0	86	1.0	1	100.0	86	1.0
Tenjin North Front Building	11	100.0	144	1.6	11	100.0	146	1.7
Higashi Hie Business Center II	2	100.0	162	1.8	2	100.0	164	1.9
Higashi Hie Business Center III	5	94.1	92	1.0	6	100.0	95	1.1
Tenjin Nishi-Dori Business Center (Land with leasehold interest)	–	–	–	–	1 (Note 6)	100.0	79	0.9
Office buildings subtotal:	74 [228] (Note 2)	99.6	2,560	28.8	76 [231] (Note 2)	99.9	2,675	30.5
Amex Akasakamon Tower	1 [66]	98.8	66	0.7	1 [64]	95.4	66	0.8
City House Keyaki Dori	1 [41]	97.8	39	0.4	1 [40]	95.6	37	0.4
Aqualia Chihaya	1 [103]	97.9	60	0.7	1 [101]	96.5	60	0.7
D-Wing Tower	1 [132]	95.1	112	1.3	1 [130]	94.4	112	1.3
Granfore Yakuin Minami	1 [95]	96.0	38	0.4	1 [97]	98.0	39	0.4
Hotel FORZA Oita	1	100.0	63	0.7	1	100.0	63	0.7
Tissage Hotel Naha	1	100.0	28	0.3	1	100.0	43	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 [444] (Note 2)	99.4	892	10.0	12 [439] (Note 2)	99.2	939	10.7
Total	111 [1,011] (Note 2)	99.5	8,904	100.0	113 [1,010] (Note 2)	99.5	8,762	100.0

(Note 1) "Number of tenants" is based on the total number of sections stipulated in the tenancy agreements for retail and office buildings among relevant properties. For the number of tenants in pass-through master leasing properties, the number of sections stipulated in the tenancy agreements with end tenants is shown in square brackets. The Taihaku Street Business Center is an office building with a residential tower. Its number of tenants comprises 12 for the office building and 57 for the residence in the 34th fiscal period (12 for the office building and 56 for the residence in the 33rd 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.

## Status of FRC's Assets under Management

### 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, 2021.

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)	22,700	21,100	(319)
Total		22,700	21,100	(319)

(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 properties in the portfolio" on page 16. There is no incorporation of other specified assets as of the end of the 34th fiscal period.

### 9. Status of owned assets by country and region

As of the end of the 34th fiscal period, no overseas real estate properties in countries or regions other than Japan are incorporated 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.

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 piping	From August 2021 to April 2022	597	–	–
Park Place Oita	Oita City, Oita	Renovation of common spaces	From September 2021 to April 2022	650	25	27
Park Place Oita	Oita City, Oita	Replacement of air-conditioning units	From March 2022 to April 2022	126	–	–
SunLive City Kokura	Kokura Minami Ward, Kitakyushu City	Renovation of common spaces	From June 2021 to September 2021	189	4	4

## Capital Expenditures for Owned Real Estate

### 2. Capital expenditures during the 34th fiscal period

Capital expenditures for the real estate properties owned by FRC totaled 445 million yen in the 34th period. Furthermore, FRC incurred construction costs of 611 million yen in total in the period, including 153 million yen in repair and maintenance expenses classified as expenses on the Statement of Income and 12 million yen in expenses for restoration to former state. The following table provides the overview of major construction work that was completed in the 34th fiscal period.

Real estate property name	Location	Purpose	Period	Construction cost (mm of yen)
Canal City Hakata	Hakata Ward, Fukuoka City	Water supply piping for guestrooms	From October 2020 to April 2021	22
Canal City Hakata	Hakata Ward, Fukuoka City	Repair of facilities	From July 2017 to July 2021	57
Gofukumachi Business Center	Hakata Ward, Fukuoka City	Replacement of air-conditioning units	From July 2021 to August 2021	35
Sanix Hakata Building	Hakata Ward, Fukuoka City	Replacement of air-conditioning units	From March 2021 to April 2021	16
Hotel FORZA Oita	Oita City, Oita	Replacement of air-conditioning units	April 2021	18

### 3. Reserves for long-term repair and maintenance plans

FRC has deposited the following amounts from the cash flows generated during the 34th 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	30th fiscal period (March 1, 2019 to August 31, 2019)	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)	33rd fiscal period (September 1, 2020 to February 28, 2021)	34th fiscal period (March 1, 2021 to August 31, 2021)
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	33rd fiscal period (September 1, 2020 to February 28, 2021)	34th fiscal period (March 1, 2021 to August 31, 2021)
(a) Asset management fees (Note)	524,777	531,986
(b) Asset custody fees	7,401	7,544
(c) Administrative service fees	58,665	58,810
(d) Directors' compensations	9,600	9,600
(e) Other operating expenses	61,374	75,780
Total	661,818	683,722

(Note) Aside from the amounts of the asset management fees shown above, 19,250 thousand yen for asset management, capitalized in the acquisition costs, related to the acquisition of Tenjin Nishi-Dori Business Center (Land with leasehold interest) and 38,500 thousand yen for asset management related to the disposition of Canal City Hakata-B Grand Building (88.28% co-ownership interest in Grand Building) were paid in the 34th fiscal period.

## Expenses and Liabilities

### 2. Status of debt

As of the end of the 34th fiscal period (August 31, 2021), FRC has the following debt from respective financial institutions.

Category	Lender	Drawdown date	Balance as of	Balance as of	Average interest rate (%) (Note)	Repayment date	Repayment method	Use of funds	Description
			March 1, 2021 (mm of yen)	August 31, 2021 (mm of yen)					
Current maturities of long-term debt	Mizuho Bank	July 31, 2014	2,300	–	0.841	July 30, 2021	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Norinchukin Bank		1,000	–					
	The Hiroshima Bank		1,400	–					
	The Kitakyushu Bank		800	–					
	The Iyo Bank		500	–					
	The Higo Bank		300	–					
	Sumitomo Mitsui Banking Corporation	June 30, 2015	–	1,600	0.790	June 30, 2022	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Development Bank of Japan	August 29, 2014	–	4,000	1.010	August 31, 2022	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Bank of Fukuoka	August 31, 2015	–	400	0.424	August 31, 2022	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Subtotal			6,300	6,000				
Long-term debt	Development Bank of Japan	August 29, 2014	4,000	–	1.010	August 31, 2022	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Sumitomo Mitsui Banking Corporation	June 30, 2015	1,600	–	0.790	June 30, 2022	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Sumitomo Mitsui Trust Bank	July 31, 2015	1,500	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	4,000	0.880	August 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Bank of Fukuoka	August 31, 2015	400	–	0.424	August 31, 2022	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Nishi-Nippon City Bank	August 31, 2015	400	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	0.424	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
	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
	Mizuho Bank	February 29, 2016	500	500	0.440	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Shinsei Bank	July 29, 2016	700	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	0.420	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	0.426	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	Lender	Drawdown date	Balance as of	Balance as of	Average interest rate (%) (Note)	Repayment date	Repayment method	Use of funds	Description
			March 1, 2021 (mm of yen)	August 31, 2021 (mm of yen)					
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
	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	0.421	January 31, 2029	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	January 31, 2019	300	300	0.421	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	

## Expenses and Liabilities

Category	Lender	Drawdown date	Balance as of	Balance as of	Average interest rate (%) (Note)	Repayment date	Repayment method	Use of funds	Description	
			March 1, 2021 (mm of yen)	August 31, 2021 (mm of yen)						
Long-term debt	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	
	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	0.590	March 31, 2031	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	Mizuho Bank	July 30, 2021	–	2,300	0.490	July 31, 2031	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	The Hiroshima Bank		–	1,400						
	The Kitakyushu Bank		–	800						
	The Iyo Bank		–	500						
	The Higo Bank		–	300						
	Subtotal			71,100	71,400					
	Total			77,400	77,400					

(Note) 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.

## 3. Investment corporation bonds

As of the end of the 34th fiscal period (August 31, 2021), FRC has the following investment corporation bonds outstanding.

Issue	Issue date	Balance as of March 1, 2021 (mm of yen)	Decrease during the fiscal period (mm of yen)	Balance as of August 31, 2021 (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 34th 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 (Note) (mm of yen)	Disposition date	Disposition price (mm of yen)	Book value (mm of yen)	Gain or loss on sale (mm of yen)
Tenjin Nishi-Dori Business Center (Land with leasehold interest)	June 1, 2021	7,700	–	–	–	–
Canal City Hakata-B Grand Building (88.28% co-ownership interest in Grand Building)	–	–	June 1, 2021	7,700	7,504	104
Total	–	7,700	–	7,700	7,504	104

(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	Tenjin Nishi-Dori Business Center (Land with leasehold interest)	Real estate in trust	June 1, 2021	7,700	7,790	Japan Real Estate Institute	February 1, 2021
Disposition	Canal City Hakata-B Grand Building (88.28% co-ownership interest in Grand Building)	Real estate in trust	June 1, 2021	7,700	7,640	Tanizawa Sogo Appraisal Co., Ltd.	February 28, 2021

(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 appraisals were valued by applying the "Real Estate Appraisal Standards, Chapter 3: Valuation for price of real estate for securitization."

#### (2) Other

FRC carried out no transaction 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

Category	Transaction amount, etc.	
	Purchase amount, etc. (thousands of yen)	Sale amount, etc. (thousands of yen)
Total	7,700,000 (100.0%)	7,700,000 (100.0%)
Breakdown of transactions with interested parties, etc.		
Fukuoka Jisho Co., Ltd.	7,700,000 (100.0%)	– (–)
Total	7,700,000 (100.0%)	– (–)

(Note 1) The figures in the above table refer to the amounts shown in the sales agreements.

(Note 2) 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 above table indicates the business partner with which FRC conducted transaction during the 34th fiscal period.

## Acquisitions and Sales during the 34th Fiscal Period

### (2) Amount of fees paid, etc.

FRC paid the following fees to the interested parties, etc. during the 34th 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 34th 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)	23,251	Fukuoka Jisho Co., Ltd.	5,711	24.6
		F.J. Entertainment Works Ltd.	11,710	50.4
Property management fees (Note 3)	331,886	Fukuoka Jisho Co., Ltd.	70,370	21.2
		F.J. Entertainment Works Ltd.	252,404	76.1
Outsourcing fees (Note 2) (Note 4)	1,443,747	Fukuoka Jisho Co., Ltd.	573,268	39.7
		F.J. Entertainment Works Ltd.	720,027	49.9
		Sunlife Co., Ltd.	118,067	8.2
Other operating expenses (Note 2)	1,420,913	Fukuoka Jisho Co., Ltd.	168,606	11.9
		F.J. Entertainment Works Ltd.	294,796	20.7
		Sunlife Co., Ltd.	803	0.1

(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 34th fiscal period. The amounts include construction work fees paid to third parties through interested parties, etc.

Fukuoka Jisho Co., Ltd. 120,072 thousand yen

F.J. Entertainment Works Ltd. 300,911 thousand yen

Sunlife Co., Ltd. 103,831 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. 6,509 thousand yen

F.J. Entertainment Works Ltd. 14,393 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.) 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. Cash Flow Statement, and VIII. Notes to Financial Statements 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.

### 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

#### Opinion

We have audited the financial statements of Fukuoka REIT Corporation (the Company), which comprise the balance sheet as of August 31, 2021, and the statement of income, statement of changes in net assets and cash flow statement for the six months period then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2021, and its financial performance and its cash flows for the six months 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.

#### 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 where applicable, related safeguards.

#### 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.

Mitsuo Tsuruta Designated Engagement Partner Certified Public Accountant	Takashi Yabutani Designated Engagement Partner Certified Public Accountant
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PricewaterhouseCoopers Aarata LLC

November 22, 2021

## IV. Balance Sheet

(thousands of yen)

Account	33rd fiscal period (as of February 28, 2021)	34th fiscal period (as of August 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	6,596,412	6,948,985
Cash and deposits in trust	3,742,580	4,015,688
Operating accounts receivable	528,707	593,014
Prepaid expenses	287,185	272,674
Others	3,007	2,891
Total current assets	11,157,893	11,833,253
Non-current assets		
Property, plant and equipment		
Buildings	1,166,235	1,167,104
Accumulated depreciation	(9,712)	(24,360)
Buildings, net	1,156,522	1,142,744
Structures	20,698	20,698
Accumulated depreciation	(129)	(322)
Structures, net	20,569	20,376
Tools and fixtures	1,571	1,571
Accumulated depreciation	(78)	(195)
Tools and fixtures, net	1,492	1,375
Lands	989,124	989,124
Buildings in trust	*1 104,526,979	*1 101,200,889
Accumulated depreciation	(34,998,550)	(35,296,331)
Buildings in trust, net	69,528,428	65,904,558
Structures in trust	2,049,545	1,933,215
Accumulated depreciation	(848,800)	(856,694)
Structures in trust, net	1,200,744	1,076,521
Machinery and equipment in trust	1,509,292	1,459,851
Accumulated depreciation	(639,038)	(668,138)
Machinery and equipment in trust, net	870,254	791,713
Vehicles and transport equipment in trust	747	626
Accumulated depreciation	(709)	(594)
Vehicles and transport equipment in trust, net	37	31
Tools and fixtures in trust	1,393,755	1,428,616
Accumulated depreciation	(1,210,954)	(1,201,413)
Tools and fixtures in trust, net	182,801	227,203
Lands in trust	*1 107,452,281	*1 110,373,363
Construction in progress in trust	16,791	480,002
Total property, plant and equipment	181,419,047	181,007,013
Intangible assets		
Leasehold right in trust	5,545,883	5,545,883
Other intangible assets in trust	24,044	15,584
Total intangible assets	5,569,927	5,561,467
Investment and other assets		
Deferred tax assets	63	13
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	327,135	327,135
Long-term prepaid expenses	1,042,944	1,036,131
Total investment and other assets	1,380,143	1,373,280
Total non-current assets	188,369,118	187,941,761
Deferred assets		
Investment corporation bond issuance expenses	32,040	29,938
Total deferred assets	32,040	29,938
<b>Total assets</b>	<b>199,559,052</b>	<b>199,804,953</b>

(thousands of yen)

Account	33rd fiscal period (as of February 28, 2021)	34th fiscal period (as of August 31, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	561,673	452,735
Current maturities of long-term debt	6,300,000	6,000,000
Accounts payable-other	22,905	17,146
Accrued expenses	415,653	420,218
Income taxes payable	1,835	944
Accrued consumption taxes	316,581	705,556
Advances received	1,088,923	1,057,228
Deposits received	793,952	912,833
Total current liabilities	9,501,526	9,566,664
<b>Non-current liabilities</b>		
Investment corporation bonds	5,000,000	5,000,000
Long-term debt	71,100,000	71,400,000
Tenant leasehold and security deposits	450,791	450,811
Tenant leasehold and security deposits received in trust	*1 11,892,365	*1 11,631,661
Total non-current liabilities	88,443,156	88,482,473
<b>Total liabilities</b>	97,944,683	98,049,137
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	98,938,764	98,938,764
Surplus		
Unappropriated surplus	2,675,604	2,817,051
Total surplus	2,675,604	2,817,051
Total unitholders' equity	101,614,369	101,755,815
<b>Total net assets</b>	*3 101,614,369	*3 101,755,815
<b>Total liabilities and net assets</b>	199,559,052	199,804,953

## V. Statement of Income

(thousands of yen)

Account	33rd fiscal period (September 1, 2020 to February 28, 2021)	34th fiscal period (March 1, 2021 to August 31, 2021)
<b>Operating revenues</b>		
Leasing revenues – real estate	*1 8,306,678	*1 8,157,755
Other leasing revenues – real estate	*1 597,438	*1 605,165
Gain on sales of real estate property	–	*2 104,254
<b>Total operating revenues</b>	8,904,117	8,867,174
<b>Operating expenses</b>		
Expenses related to leasing business	*1 *3 5,180,315	*1 *3 4,978,758
Asset management fees	524,777	531,986
Asset custody fees	7,401	7,544
Administrative service fees	58,665	58,810
Director's compensations	9,600	9,600
Other operating expenses	61,374	75,780
<b>Total operating expenses</b>	5,842,134	5,662,481
<b>Operating income</b>	3,061,982	3,204,693
<b>Non-operating revenues</b>		
Interest received	47	54
Others	1,357	504
<b>Total non-operating revenues</b>	1,404	559
<b>Non-operating expenses</b>		
Interest expenses	253,182	257,612
Interest expenses on investment corporation bonds	29,200	29,200
Amortization of investment corporation bond issuance expenses	2,102	2,102
Amortization of investment unit issuance expenses	3,835	–
Financing related expenses	97,663	98,492
Others	37	39
<b>Total non-operating expenses</b>	386,021	387,447
<b>Ordinary income</b>	2,677,366	2,817,806
<b>Profit before income taxes</b>	2,677,366	2,817,806
Income taxes-current	1,842	952
Income taxes-deferred	(49)	50
<b>Total income taxes</b>	1,793	1,003
<b>Profit</b>	2,675,572	2,816,802
Surplus brought forward	31	248
Unappropriated surplus	2,675,604	2,817,051

## VI. Statement of Changes in Net Assets

33rd fiscal period (September 1, 2020 to February 28, 2021)

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus		
Balance as of September 1, 2020	98,938,764	2,587,031	101,525,796	101,525,796
Changes in the current fiscal period				
Dividend of surplus		(2,587,000)	(2,587,000)	(2,587,000)
Profit		2,675,572	2,675,572	2,675,572
Total of changes in the current fiscal period	–	88,572	88,572	88,572
Balance as of February 28, 2021	98,938,764	2,675,604	101,614,369	101,614,369

34th fiscal period (March 1, 2021 to August 31, 2021)

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus		
Balance as of March 1, 2021	98,938,764	2,675,604	101,614,369	101,614,369
Changes in the current fiscal period				
Dividend of surplus		(2,675,356)	(2,675,356)	(2,675,356)
Profit		2,816,802	2,816,802	2,816,802
Total of changes in the current fiscal period	–	141,446	141,446	141,446
Balance as of August 31, 2021	98,938,764	2,817,051	101,755,815	101,755,815

## VII. Cash Flow Statement

(thousands of yen)

Account	33rd fiscal period (September 1, 2020 to February 28, 2021)	34th fiscal period (March 1, 2021 to August 31, 2021)
Net cash provided by (used in) operating activities		
Profit before income taxes	2,677,366	2,817,806
Depreciation and amortization expenses	1,623,716	1,552,759
Amortization of investment corporation bond issuance expenses	2,102	2,102
Amortization of investment unit issuance expenses	3,835	–
Interest received	(47)	(54)
Interest expenses	282,382	286,812
Gain on sales of real estate property	–	(104,254)
Decrease (increase) in operating accounts receivables	515,217	(64,306)
Decrease (increase) in consumption taxes refund receivable	177,613	–
Increase (decrease) in accrued consumption taxes	316,581	388,975
Increase (decrease) in operating accounts payable	25,185	19,627
Increase (decrease) in accounts payable-other	10,287	(6,134)
Increase (decrease) in accrued expenses	60,503	3,749
Increase (decrease) in advances received	(34,635)	(31,695)
Increase (decrease) in deposits expenses	(100,119)	118,880
Decrease (increase) in prepaid expenses	(4,468)	14,511
Decrease (increase) in long-term prepaid expenses	95,407	6,812
Others, net	6,766	6,897
Subtotal	5,657,694	5,012,488
Interest income received	47	54
Interest expenses paid	(282,607)	(285,996)
Income taxes paid	(974)	(1,844)
Net cash provided by (used in) operating activities	5,374,159	4,724,702
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(355,262)	(400)
Proceeds from sales of property, plant and equipment in trust	–	7,608,310
Purchase of property, plant and equipment in trust	(479,144)	(8,771,773)
Proceeds from tenant leasehold and security deposits	84,136	80
Repayments of tenant leasehold and security deposits	–	(60)
Proceeds from tenant leasehold and security deposits in trust	122,888	460,486
Repayments of tenant leasehold and security deposits in trust	(214,907)	(721,189)
Proceeds from restricted trust deposits	2,016	3,283
Payments for restricted trust deposits	(2,470)	(4,575)
Net cash provided by (used in) investment activities	(842,743)	(1,425,837)
Net cash provided by (used in) financial activities		
Proceeds from long-term debt	–	6,300,000
Repayments of long-term debt	–	(6,300,000)
Dividends paid	(2,586,536)	(2,674,475)
Net cash provided by (used in) financial activities	(2,586,536)	(2,674,475)
Net increase (decrease) in cash and cash equivalents	1,944,879	624,389
Balance of cash and cash equivalents at beginning of period	8,348,438	10,293,317
Balance of cash and cash equivalents at end of period	*1 10,293,317	*1 10,917,706

# VIII. Notes to Financial Statements

## (Significant accounting policies)

1. Depreciation method for non-current assets	<p>(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:</p> <table border="0"> <tr> <td>Buildings:</td> <td>10 – 65 years</td> </tr> <tr> <td>Structures:</td> <td>15 – 60 years</td> </tr> <tr> <td>Machinery and equipment:</td> <td>15 – 30 years</td> </tr> <tr> <td>Vehicles and transport equipment:</td> <td>7 years</td> </tr> <tr> <td>Tools and fixtures:</td> <td>5 – 20 years</td> </tr> </table> <p>(2) Intangible assets Intangible assets are amortized utilizing the straight-line method.</p> <p>(3) Long-term prepaid expenses Long-term prepaid expenses are amortized utilizing the straight-line method.</p>	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
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. Accounting for deferred assets	<p>Investment unit issuance expenses Investment unit issuance expenses are amortized utilizing the straight-line method over three years.</p> <p>Investment corporation bond issuance expenses Investment corporation bond issuance expenses are amortized utilizing the straight-line method over the period through redemption.</p>										
3. Standards for recognition of revenues and expenses	<p>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 are 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 33rd fiscal period. The amount equivalent to property taxes, etc. capitalized in the acquisition cost of real estate, etc. was 20,322 thousand yen for the 34th fiscal period.</p>										
4. Method of hedge accounting	<p>(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.</p> <p>(2) Hedging instruments and hedged items Hedging instrument: interest rate swap transactions Hedged items: interest rates of borrowings</p> <p>(3) Hedging policy FRC conducts derivative transactions to hedge interest rate fluctuation risks for floating-rate borrowings based on FRC's Articles of Incorporation.</p> <p>(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.</p>										
5. Scope of funds (cash and cash equivalents) in cash flow statement	<p>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.</p>										
6. Other significant items fundamental to preparing the financial statements	<p>(1) 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.</p> <ul style="list-style-type: none"> <li>① Cash and deposits in trust</li> <li>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</li> <li>③ Leasehold right in trust</li> <li>④ Other intangible assets in trust</li> <li>⑤ Lease and guarantee deposits in trust</li> <li>⑥ Tenant leasehold and security deposits received in trust</li> </ul> <p>(2) Accounting for consumption taxes National and local consumption taxes are accounted with the consumption taxes excluded.</p>										

## (Notes to accounting standards not yet adopted)

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 (revised 2020) issued by the Accounting Standards Board of Japan (ASBJ) on March 31, 2020)

- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30 issued by ASBJ on March 26, 2021)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 (revised 2020) issued by ASBJ on March 31, 2020)

### (1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard for revenue recognition, and issued it as Revenue from Contracts with Customers (IFRS 15 issued by IASB and Topic 606 issued by FASB) in May 2014. IFRS 15 is applicable for accounting periods beginning on January 1, 2018 and thereafter, and Topic 606 is applicable for accounting periods beginning after December 15, 2017. In accordance with this, the ASBJ has developed a comprehensive accounting standard for revenue recognition and issued it together with its implementation guidance.

In developing the accounting standard for revenue recognition, the ASBJ made it a basic policy to adopt the basic principles of IFRS 15 as a starting point. By doing so, the ASBJ established the accounting standard from the viewpoint of comparability, which is a benefit for securing consistency with IFRS 15, between financial statements based on Japanese GAAP and those based on other accounting standards. Alternative treatments were also added, to the extent that they do not harm the comparability, in cases where there are items to be considered in the actual practices conducted in Japan to date.

### (2) Scheduled date of adoption

FRC will adopt the accounting standard, etc. from the beginning of the fiscal period ending February 2022.

### (3) Impact of adoption of the accounting standard, etc.

The amount of impact on the financial statements by the adoption of the Accounting Standard for Revenue Recognition, etc. is being assessed at present.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued by ASBJ on July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10 (revised 2019) issued by ASBJ on July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 issued by ASBJ on June 17, 2021)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 (revised 2020) issued by ASBJ on March 31, 2020)

### (1) Overview

IASB and FASB have established detailed guidance for fair value measurement (IFRS 13 "Fair Value Measurement" under the International Financial Reporting Standards and Topic 820 "Fair Value Measurement" of the Accounting Standards Codification under the U.S. accounting standards) containing almost the same content. In light of this, the ASBJ worked to secure consistency of the Japanese accounting standards with the international accounting standards, mainly in terms of the guidance on and disclosure of the fair value of financial instruments, and announced the Accounting Standard for Fair Value Measurement, etc.

The basic policy of the ASBJ for the development of the Accounting Standard for Fair Value Measurement was to adopt all provisions of the IFRS 13 as a rule by using a unified calculation method, from the viewpoint of improving the comparability between the financial statements of the Japanese and foreign companies. Moreover, in consideration of the practices conducted in Japan to date, the ASBJ determined to establish other treatments for individual items, to the extent that they do not greatly harm the comparability between the financial statements.

### (2) Scheduled date of adoption

FRC will adopt the accounting standards, etc. from the beginning of the fiscal period ending February 2022.

### (3) Impact of adoption of the accounting standards, etc.

The amount of impact on the financial statements by the adoption of the Accounting Standard for Fair Value Measurement, etc. is being assessed at present.

**(Notes to balance sheet)**

- \*1. Assets pledged as collateral and secured liabilities  
Assets pledged as collateral are as follows:

(thousands of yen)

	33rd fiscal period as of February 28, 2021	34th fiscal period as of August 31, 2021
Buildings in trust	5,914,267	5,834,470
Lands in trust	16,101,020	16,101,020
Total	22,015,288	21,935,491

Secured liabilities are as follows:

(thousands of yen)

	33rd fiscal period as of February 28, 2021	34th fiscal period as of August 31, 2021
Tenant leasehold and security deposits received in trust	1,057,440	911,385

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)

	33rd fiscal period as of February 28, 2021	34th fiscal period as of August 31, 2021
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)

	33rd fiscal period as of February 28, 2021	34th fiscal period as of August 31, 2021
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)

33rd fiscal period as of February 28, 2021	34th fiscal period as of August 31, 2021
50,000	50,000

**(Notes to statement of income)**

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

(thousands of yen)

	33rd fiscal period (September 1, 2020 to February 28, 2021)		34th fiscal period (March 1, 2021 to August 31, 2021)	
A. Real estate leasing business revenues				
Leasing revenues - real estate				
Rents	6,830,181		6,755,878	
Common charges	1,075,140		1,007,813	
Parking revenues	401,356	8,306,678	394,063	8,157,755
Other leasing revenues - real estate				
Incidental income	552,811		581,258	
Other miscellaneous income	44,627	597,438	23,906	605,165
Total real estate leasing business revenues		8,904,117		8,762,920
B. Expenses related to real estate leasing business				
Expenses related to leasing business				
Outsourcing fees	1,870,563		1,775,633	
Repair and maintenance expenses	211,326		153,469	
Taxes and other public charges	743,094		723,140	
Insurance premiums and trust compensation	45,880		44,998	
Utilities expenses	452,048		477,384	
Depreciation and amortization expenses	1,623,716		1,552,759	
Other expenses related to real estate leasing business	233,685	5,180,315	251,371	4,978,758
Total expenses related to real estate leasing business		5,180,315		4,978,758
C. Revenues and expenses related to real estate leasing business (A - B)		3,723,801		3,784,162

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

**33rd fiscal period (September 1, 2020 to February 28, 2021)**

Not applicable.

**34th fiscal period (March 1, 2021 to August 31, 2021)**

Canal City Hakata-B Grand Building (88.28% co-ownership interest in Grand Building)

(thousands of yen)

Proceeds from sales of real estate property	7,700,000
Costs of sale of real estate property	7,504,056
Other selling expenses	91,689
Gain on sales of real estate property	104,254

- \*3. Transactions with affiliated companies.

(thousands of yen)

Item	33rd fiscal period (September 1, 2020 to February 28, 2021)	34th fiscal period (March 1, 2021 to August 31, 2021)
Expenses related to real estate leasing business	966,563	853,139

**(Notes to statement of changes in net assets)**

	33rd fiscal period (September 1, 2020 to February 28, 2021)	34th fiscal period (March 1, 2021 to August 31, 2021)
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)

	33rd fiscal period (September 1, 2020 to February 28, 2021)	34th fiscal period (March 1, 2021 to August 31, 2021)
Cash and deposits	6,596,412	6,948,985
Cash and deposits in trust	3,742,580	4,015,688
Restricted trust deposits (Note)	(45,674)	(46,966)
Cash and cash equivalents	10,293,317	10,917,706

(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)

	33rd fiscal period (as of February 28, 2021)	34th fiscal period (as of August 31, 2021)
Due within 1 year	6,202,348	5,884,692
Due after 1 year	12,349,940	11,467,779
Total	18,552,289	17,352,471

## (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 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

The fair value of financial instruments, aside from values based on market price, may include values based on reasonable calculations when there is no market price. Certain assumptions are made in calculating those values, 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, 2021. Please note that the following table does not include those financial instruments for which determination of fair value is considered to be extremely difficult (refer to (Note 2)).

(thousands of yen)

	Book value recorded on the balance sheet	Fair value (Note 1)	Difference
(1) Cash and deposits	6,596,412	6,596,412	–
(2) Cash and deposits in trust	3,742,580	3,742,580	–
Total of assets	10,338,992	10,338,992	–
(3) Short-term debt	–	–	–
(4) Current maturities of long-term debt	6,300,000	6,314,330	14,330
(5) Investment corporation bonds	5,000,000	5,197,533	197,533
(6) Long-term debt	71,100,000	71,721,079	621,079
(7) Tenant leasehold and security deposits received in trust	232,943	232,664	(279)
Total of liabilities	82,632,943	83,465,608	832,665
(8) 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, 2021. Please note that the following table does not include those financial instruments for which determination of fair value is considered to be extremely difficult (refer to (Note 2)).

(thousands of yen)

	Book value recorded on the balance sheet	Fair value (Note 1)	Difference
(1) Cash and deposits	6,948,985	6,948,985	–
(2) Cash and deposits in trust	4,015,688	4,015,688	–
Total of assets	10,964,673	10,964,673	–
(3) Short-term debt	–	–	–
(4) Current maturities of long-term debt	6,000,000	6,027,728	27,728
(5) Investment corporation bonds	5,000,000	5,235,538	235,538
(6) Long-term debt	71,400,000	71,938,633	538,633
(7) Tenant leasehold and security deposits received in trust	87,408	87,112	(296)
Total of liabilities	82,487,408	83,289,012	801,603
(8) Derivative transactions	–	–	–
Total of derivative transactions	–	–	–

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

(1) Cash and deposits, (2) Cash and deposits in trust and (3) Short-term debt

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

(4) Current maturities of long-term debt, (5) investment corporation bonds and (6) 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.

(7) Tenant leasehold and security deposits received in trust

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

(8) Derivative transactions

Please refer to (Notes to derivative transactions)

(Note 2) Financial instruments for which determination of fair value is considered extremely difficult.

(thousands of yen)

	33rd fiscal period (as of February 28, 2021)	34th fiscal period (as of August 31, 2021)
Tenant leasehold and security deposits received in trust (*)	11,659,421	11,544,253

(\*) Tenant leasehold and security deposits received in trust are not subject to the requirement to disclose fair value, as it is considered extremely difficult to determine the fair value. This is because future cash flows cannot be estimated since there is no market price and it is difficult to assume the reimbursement dates due to the possibility of cancellation, renewal and re-execution of lease contracts by lessees even if the contract terms are fixed, and because the past rate of tenants moving out of the properties owned by FRC may not be indicative of future move out rates as they are too specific to individual circumstances.

(Note 3) Amount of redemption of monetary claims scheduled to be due after closing of accounts (as of February 28, 2021)

(thousands of yen)

	Due in 1 year or less
Cash and deposits	6,596,412
Cash and deposits in trust	3,742,580
Total	10,338,992

Amount of redemption of monetary claims scheduled to be due after closing of accounts (as of August 31, 2021)

(thousands of yen)

	Due in 1 year or less
Cash and deposits	6,948,985
Cash and deposits in trust	4,015,688
Total	10,964,673

(Note 4) Amount of repayment of long-term debt and investment corporation bonds scheduled to be due after closing of accounts (as of February 28, 2021)

(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	6,300,000	6,000,000	10,400,000	2,700,000	6,400,000	45,600,000
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, 2021)

(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	6,000,000	5,900,000	5,200,000	3,900,000	11,100,000	45,300,000
Investment corporation bonds	–	–	2,000,000	–	–	3,000,000

## (Notes to investment securities)

### 33rd fiscal period (as of February 28, 2021)

Not applicable.

### 34th fiscal period (as of August 31, 2021)

Not applicable.

## (Notes to derivative transactions)

### 1. Derivatives to which hedge accounting is not applied

#### 33rd fiscal period (as of February 28, 2021)

Not applicable.

#### 34th fiscal period (as of August 31, 2021)

Not applicable.

## 2. Derivatives to which hedge accounting is applied

### 33rd fiscal period (as of February 28, 2021)

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	23,700,000	17,400,000	(*)	–

(\*) 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) (6)).

### 34th fiscal period (as of August 31, 2021)

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	22,700,000	21,100,000	(*)	–

(\*) 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) (6)).

## (Notes to retirement benefits)

### 33rd fiscal period (as of February 28, 2021)

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

### 34th fiscal period (as of August 31, 2021)

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)

	33rd fiscal period (as of February 28, 2021)	34th fiscal period (as of August 31, 2021)
Deferred tax assets		
Amount of accrued business taxes not deductible from taxable income	63	13
Total deferred tax assets	63	13
Deferred tax assets, net	63	13

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. (%)

	33rd fiscal period (as of February 28, 2021)	34th fiscal period (as of August 31, 2021)
Effective statutory income tax rate	31.25	31.25
Deductible dividend amount	(31.23)	(31.24)
Other	0.04	0.03
Effective income tax rate after application of tax effect accounting	0.07	0.04

**(Notes to equity method income and earnings)**

33rd fiscal period (from September 1, 2020 to February 28, 2021)

Not applicable as FRC does not have any affiliated companies.

34th fiscal period (from March 1, 2021 to August 31, 2021)

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**

33rd fiscal period (from September 1, 2020 to February 28, 2021)

(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 [0.76%]	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	966,563 (Note 3)	Operating accounts payable	71,773 (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.

34th fiscal period (from March 1, 2021 to August 31, 2021)

(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 3)	Hakata Ward, Fukuoka City	100,000	General real estate business	Ownership in FRC Direct [9.19%] Indirect [0.76%]	Consignment of real estate management, etc.	Purchase of real estate, etc. (Note 1)	7,700,000 (Note 4)	-	-
							Consignment of real estate management, etc. (Note 2)	853,139 (Note 4)	Operating accounts payable	63,489 (Note 4)

(Note 1) Transaction terms and conditions are determined in reference to appraisal values by third parties and after negotiating on prices.

(Note 2) Transaction terms and conditions are determined in reference to market prices, etc. and by concluding business consignment agreements after negotiating on prices.

(Note 3) 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 4) Consumption taxes are not included in the transaction amount but are included in the balance at end of period.

**(2) Affiliated companies, etc.**

33rd fiscal period (from September 1, 2020 to February 28, 2021)

Not applicable.

34th fiscal period (from March 1, 2021 to August 31, 2021)

Not applicable.

**(3) Sister companies**

33rd fiscal period (from September 1, 2020 to February 28, 2021)

(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)	1,367,224 (Note 5)	Operating accounts payable	183,290 (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. and concurrent service of officer (Note 3)	Payment of asset management fees (Note 4)	524,777 (Note 5)	Accrued expenses	305,873 (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) Etsuo Matsuyuki, Executive Director of FRC, concurrently serves as a CEO &amp; Representative Director 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.

34th fiscal period (from March 1, 2021 to August 31, 2021)

(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)	1,358,342 (Note 4)	Operating accounts payable	218,691 (Note 4)
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.	Payment of asset management fees (Note 3)	531,986 (Note 4)	Accrued expenses	308,536 (Note 4)

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

(Note 4) 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**

33rd fiscal period (from September 1, 2020 to February 28, 2021)

Not applicable.

34th fiscal period (from March 1, 2021 to August 31, 2021)

Not applicable.

## 2. Parent company and major affiliated companies

### 33rd fiscal period (from September 1, 2020 to February 28, 2021)

Not applicable.

### 34th fiscal period (from March 1, 2021 to August 31, 2021)

Not applicable.

## (Notes to asset retirement obligations)

### 33rd fiscal period (from September 1, 2020 to February 28, 2021)

Not applicable.

### 34th fiscal period (from March 1, 2021 to August 31, 2021)

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		33rd fiscal period	34th fiscal period
		(September 1, 2020 to February 28, 2021)	(March 1, 2021 to August 31, 2021)
Retail	Amount recorded on the balance sheet		
	Balance at beginning of period	111,898,617	111,423,388
	Amount of change during period	(475,229)	(8,093,210)
	Balance at end of period	111,423,388	103,330,177
	Fair value at end of period	120,920,000	113,340,000
Office buildings	Amount recorded on the balance sheet		
	Balance at beginning of period	48,284,259	47,997,375
	Amount of change during period	(286,884)	7,864,406
	Balance at end of period	47,997,375	55,861,781
	Fair value at end of period	71,410,000	80,460,000
Others	Amount recorded on the balance sheet		
	Balance at beginning of period	27,406,571	27,568,211
	Amount of change during period	161,640	(191,688)
	Balance at end of period	27,568,211	27,376,522
	Fair value at end of period	32,570,000	33,050,000
Total	Amount recorded on the balance sheet		
	Balance at beginning of period	187,589,448	186,988,974
	Amount of change during period	(600,473)	(420,493)
	Balance at end of period	186,988,974	186,568,481
	Fair value at end of period	224,900,000	226,850,000

(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 33rd fiscal period, the amount of increase is primarily attributable to renovation, etc. of LOGICITY Wakamiya (345 million yen) and capital expenditures (687 million yen), and the amount of decrease is primarily attributable to depreciation and amortization expenses (1,623 million yen). Of the amount of change during the 34th fiscal period, the amount of increase is primarily attributable to acquisition of Tenjin Nishi-Dori Business Center (Land with leasehold interest) (7,754 million yen) and capital expenditures (445 million yen), and the amount of decrease is primarily attributable to disposition of Canal City Hakata-B Grand Building (88.28% co-ownership interest in Grand Building) (7,504 million yen) and depreciation and amortization expenses (1,552 million yen).

(Note 3) The fair value at end of period is the appraisal value provided by outside real estate appraisers. Furthermore, of the fair value of retail facilities at the end of the 33rd fiscal period, the value for Canal City Hakata-B is the sum total of the planned disposition price for the portion for which FRC concluded a sales agreement with Hoshino Resorts REIT, Inc. on March 18, 2021, and the appraisal value for the portion which FRC will continue to own after the disposition.

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

(thousands of yen)

Use		33rd fiscal period	34th fiscal period
		(September 1, 2020 to February 28, 2021)	(March 1, 2021 to August 31, 2021)
Retail	Amount recorded on the statement of income		
	Real estate leasing business revenues	5,450,777	5,147,997
	Expenses related to real estate leasing business	3,551,333	3,311,116
	Revenues and expenses related to real estate leasing business	1,899,443	1,836,881
Office buildings	Amount recorded on the statement of income		
	Real estate leasing business revenues	2,560,881	2,675,524
	Expenses related to real estate leasing business	1,234,805	1,240,831
	Revenues and expenses related to real estate leasing business	1,326,075	1,434,693
Others	Amount recorded on the statement of income		
	Real estate leasing business revenues	892,457	939,398
	Expenses related to real estate leasing business	394,175	426,810
	Revenues and expenses related to real estate leasing business	498,281	512,587
Total	Amount recorded on the statement of income		
	Real estate leasing business revenues	8,904,117	8,762,920
	Expenses related to real estate leasing business	5,180,315	4,978,758
	Revenues and expenses related to real estate leasing business	3,723,801	3,784,162

(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 segment information)

### [Segment information]

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

### [Related information]

### 33rd fiscal period (from September 1, 2020 to February 28, 2021)

#### (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.

### 34th fiscal period (from March 1, 2021 to August 31, 2021)

#### (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)**

	33rd fiscal period (September 1, 2020 to February 28, 2021)	34th fiscal period (March 1, 2021 to August 31, 2021)
Net assets per unit (yen)	127,656	127,833
Profit per unit (yen)	3,361	3,538

(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:

	33rd fiscal period (September 1, 2020 to February 28, 2021)	34th fiscal period (March 1, 2021 to August 31, 2021)
Profit (thousands of yen)	2,675,572	2,816,802
Amounts not attributable to ordinary unitholders (thousands of yen)	–	–
Profit attributable to ordinary investment units (thousands of yen)	2,675,572	2,816,802
Average number of units during the fiscal period (units)	796,000	796,000

**(Notes to cash distributions)**

(thousands of yen)

Account	33rd fiscal period (September 1, 2020 to February 28, 2021)	34th fiscal period (March 1, 2021 to August 31, 2021)
I. Unappropriated surplus	2,675,604	2,817,051
II. Total dividend [Dividend per investment unit]	2,675,356 [3,361 yen]	2,817,044 [3,539 yen]
III. Surplus brought forward	248	7
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 2,675,356 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 2,817,044 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 unit are rounded down to the nearest thousand yen.

**(Notes to significant subsequent events)**

No relevant items.

**(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	22,700,000	21,100,000	(319,415)
Total		22,700,000	21,100,000	(319,415)

(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, 2021	Increase	Decrease	Balance as of August 31, 2021	Accumulated depreciation	Depreciation for the period	Net property and equipment	Remarks
Total property, plant and equipment	Buildings	1,166,235	869	–	1,167,104	24,360	14,647	1,142,744 (Note 1)
	Structures	20,698	–	–	20,698	322	193	20,376 (Note 2)
	Tools and fixtures	1,571	–	–	1,571	195	117	1,375 (Note 2)
	Land	989,124	–	–	989,124	–	–	989,124 (Note 1)
	Buildings in trust	104,526,979	324,402	3,650,492	101,200,889	35,296,331	1,439,106	65,904,558 (Note 1)
	Structures in trust	2,049,545	16,768	133,098	1,933,215	856,694	29,296	1,076,521 (Note 2)
	Machinery and equipment in trust	1,509,292	2,806	52,246	1,459,851	668,138	41,597	791,713 (Note 1)
	Vehicles and transport equipment in trust	747	–	121	626	594	0	31 (Note 2)
	Tools and fixtures in trust	1,393,755	74,094	39,232	1,428,616	1,201,413	22,758	227,203 (Note 1)
	Land in trust	107,452,281	7,754,946	4,833,864	110,373,363	–	–	110,373,363 (Note 2)
	Construction in progress in trust	16,791	474,996	11,785	480,002	–	–	480,002 (Note 3)
	Subtotal	219,127,021	8,648,884	8,720,841	219,055,064	38,048,050	1,547,717	181,007,013
	Total intangible assets	Leasehold right in trust	5,545,883	–	–	5,545,883	–	–
Other intangible assets in trust		81,417	–	10,281	71,136	55,551	5,042	15,584 (Note 2)
Subtotal		5,627,301	–	10,281	5,617,019	55,551	5,042	5,561,467
Total	224,754,322	8,648,884	8,731,123	224,672,083	38,103,602	1,552,759	186,568,481	

(Note 1) The main increase in the 34th fiscal period is due to acquisition of Tenjin Nishi-Dori Business Center (Land with leasehold interest) and construction work at properties.

(Note 2) The main decrease in the 34th fiscal period is due to disposition of Canal City Hakata-B Grand Building (88.28% co-ownership interest in Grand Building).

(Note 3) The main increase in the 34th fiscal period is the deposit for the acquisition of Hakata Chikushi-Dori Center Building (scheduled on March 1, 2022).

**(Schedule of other specified assets)**

Not applicable.

## (Schedule of investment corporation bonds)

Issue	Issue date	Balance as of March 1, 2021 (thousands of yen)	Decrease during the fiscal period (thousands of yen)	Balance as of August 31, 2021 (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	Lender	Balance as of March 1, 2021	Increase	Decrease	Balance as of August 31, 2021	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description
Current maturities of long-term debt	Mizuho Bank	2,300,000	–	2,300,000	–	0.841	July 30, 2021	Refinance fund	No collateral/No guarantee
	The Norinchukin Bank	1,000,000	–	1,000,000	–				
	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	–				
	Sumitomo Mitsui Banking Corporation	–	1,600,000	–	1,600,000	0.790	June 30, 2022	Refinance fund	No collateral/No guarantee
	Development Bank of Japan	–	4,000,000	–	4,000,000	1.010	August 31, 2022	Refinance fund	No collateral/No guarantee
	The Bank of Fukuoka	–	400,000	–	400,000	0.424	August 31, 2022	Refinance fund	No collateral/No guarantee
	Subtotal	6,300,000	6,000,000	6,300,000	6,000,000				
Long-term debt	Development Bank of Japan	4,000,000	–	4,000,000	–	1.010	August 31, 2022	Refinance fund	No collateral/No guarantee
	Sumitomo Mitsui Banking Corporation	1,600,000	–	1,600,000	–	0.790	June 30, 2022	Refinance fund	No collateral/No guarantee
	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 Bank of Fukuoka	400,000	–	400,000	–	0.424	August 31, 2022	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	0.424	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
	Development Bank of Japan	2,000,000	–	–	2,000,000	0.620	February 28, 2025	Refinance fund	No collateral/No guarantee
	Mizuho Bank	500,000	–	–	500,000	0.440	February 29, 2024	Refinance fund	No collateral/No guarantee
	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	0.420	September 30, 2025	Refinance fund	No collateral/No guarantee
	Development Bank of Japan	1,500,000	–	–	1,500,000				
	The Oita Bank	100,000	–	–	100,000	0.718	December 30, 2025	Refinance fund	No collateral/No guarantee
	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	0.426	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				
	The Nishi-Nippon City Bank	1,000,000	–	–	1,000,000	0.777	June 30, 2026	Refinance fund	No collateral/No guarantee
	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					
Development Bank of Japan	1,800,000	–	–	1,800,000	0.650				

	Category	Balance as of March 1, 2021	Increase	Decrease	Balance as of August 31, 2021	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description
	Lender								
Long-term debt	The Bank of Fukuoka	2,000,000	–	–	2,000,000	0.792	July 31, 2027	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	2,000,000	–	–	2,000,000	0.892	July 31, 2027	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	500,000	–	–	500,000	0.850	August 31, 2027	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	500,000	–	–	500,000				
	The Oita 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				
	Resona Bank	2,000,000	–	–	2,000,000				
	The Bank of Fukuoka	1,500,000	–	–	1,500,000	0.812	December 30, 2027	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	500,000	–	–	500,000	0.680	December 30, 2027	Refinance fund	No collateral/ No guarantee
	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
	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	0.421	January 31, 2029	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	300,000	–	–	300,000	0.421	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	

	Category	Balance as of March 1, 2021	Increase	Decrease	Balance as of August 31, 2021	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description	
	Lender									
Long-term debt	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	
	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					
		Subtotal	71,100,000	6,300,000	6,000,000	71,400,000				
		Total	77,400,000	12,300,000	12,300,000	77,400,000				

(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) 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	5,900,000	5,200,000	3,900,000	11,100,000