

36th Fiscal Period Report on Performance and Management Status (Semiannual Report)

March 1, 2022 to August 31, 2022



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-sixth fiscal period (March 1, 2022 to August 31, 2022).

During the fiscal period under review (the 36th fiscal period), the Japanese economy showed Disposition. As for the outlook, with social and economic activities increasingly normalized under thorough measures taken against COVID-19 infection, the economy is expected to pick up due in part to the effects of various political measures, although a downturn in overseas economies in the face of global monetary tightening, etc. poses a risk of downward pressure on the domestic economy.

Under such circumstances, FRC's portfolio achieved solid performance in the asset types of office buildings, logistic facilities, residential properties and community-based retail properties. On the other hand, the impact of COVID-19 continued to linger at Canal City Hakata, a city-center retail property, while hotels remained unable to recover as tourism demand, etc. did not return strongly.

Amid such a situation, in the 36th fiscal period, FRC acquired Hakata Chikushi-Dori Center Building (acquisition price: 4.32 billion yen) on March 1, 2022. Moreover, the occupancy rate remained solid, with the average period-end occupancy rate of all properties FRC owns standing at 99.4%.

Consequently, FRC posted operating revenues of 8,830 million yen, operating income of 3,181 million yen, ordinary income of 2,805 million yen, and profit of 2,804 million yen for the fiscal period under review. Dividend per unit came to 3,523 yen, which represents an increase of 23 yen over the dividend forecast of 3,500 yen disclosed at the time of the announcement of the financial results for the 35th fiscal period.

As for future external growth, we will aim to expand the asset size by taking advantage of our local specific information-gathering ability. In June 2022, we decided to acquire a logistics site (Island City Minato Bay related site (Land with

Zenji Koike

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



leasehold interest) (tentative)) from Fukuoka City (scheduled for acquisition on March 31, 2029), in coordination with Fukuoka Jisho Co., Ltd., one of our sponsors.

In terms of internal growth, we will work to raise rent upon tenant replacement and contract renewal at the properties mainly in office buildings and residential properties. On top of this, we will manage our properties in retail properties and hotels in an appropriate manner, taking into account the relaxation of the government's border measures against COVID-19 and resumption of measures to support tourism.

In the meantime, as part of our initiatives on sustainability, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in September 2022. We will continue our proactive endeavors to reduce CO₂ emissions, coordinate with local communities, and provide sustainability information to our unitholders through the issuance of integrated reports and other measures.

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

We greatly appreciate your continued support and cooperation.

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Profile

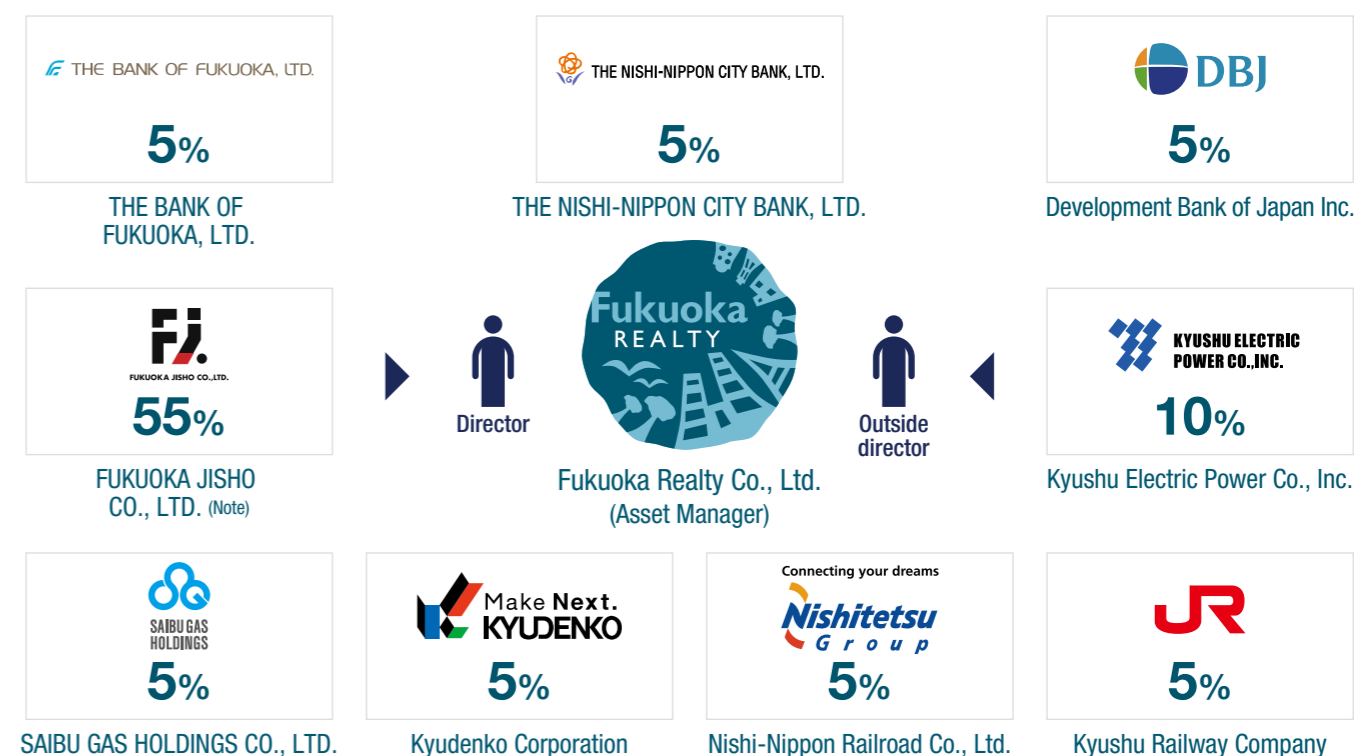
● Status of the Investment Corporation

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

● Overview of the Investment Corporation

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

● Sponsors



● Overview of the Asset Manager

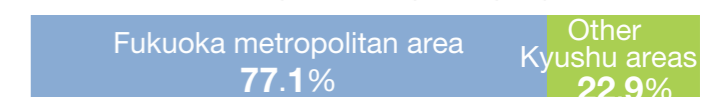
Name : Fukuoka Realty Co., Ltd.
Representative: Zenji Koike, President and CEO
Address : 1-2-25, Sumiyoshi, Hakata Ward, Fukuoka City
Telephone : +81-92-272-3900
Established: December 26, 2003
Capital : 200,000,000 yen

● Portfolio

Investment type (based on acquisition price)



Investment area (based on acquisition price)



Total leasable floor space 578,255.35 m² Occupancy rate at end of period 99.4%

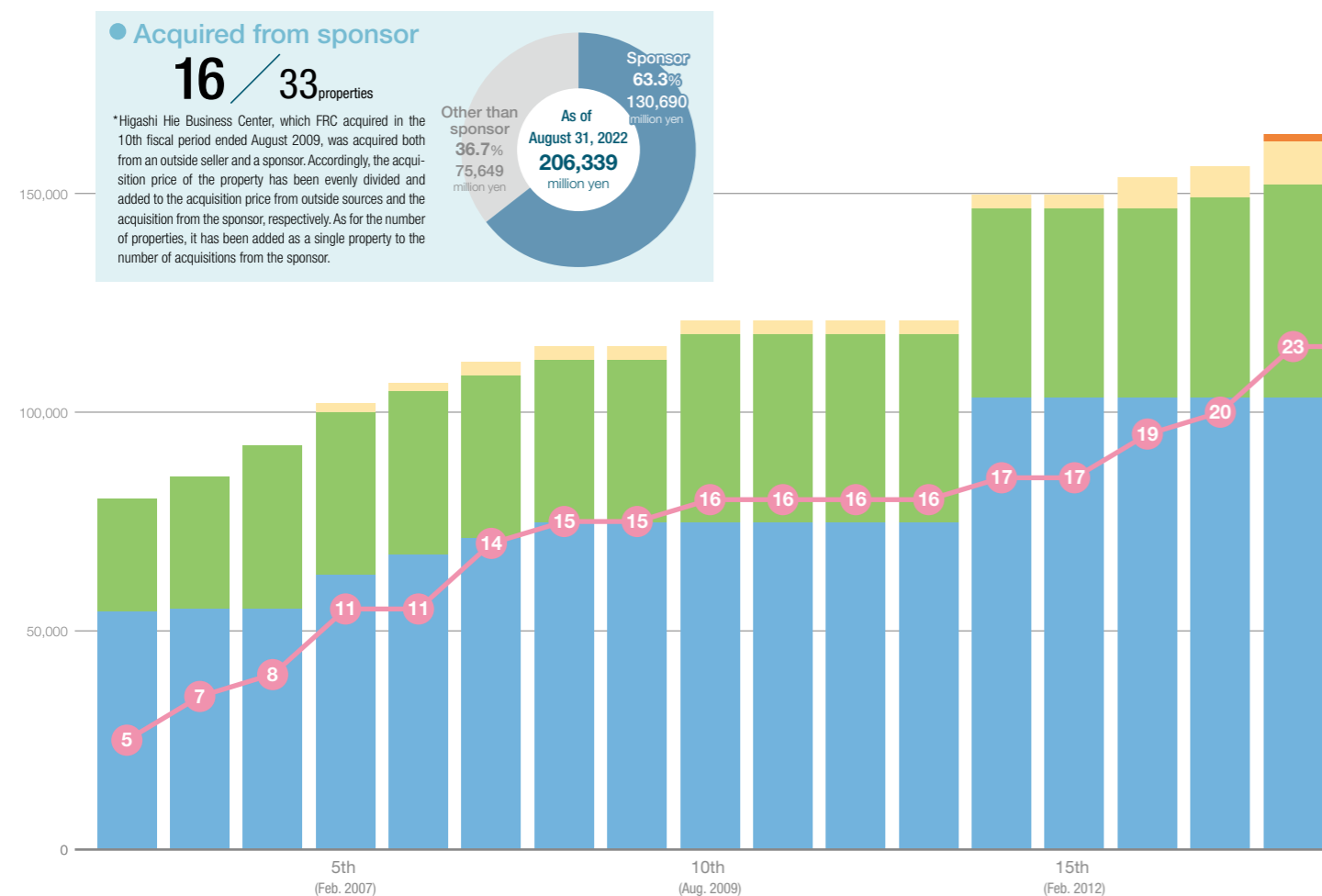
*Figures are based on properties owned as of August 31, 2022.

Trend of Growth in Asset Size of FRC

FRC More than Doubled Asset Size and Diversified Investment Types Since

The asset size stood at 206.3 billion yen (on an acquisition price basis) in the 36th fiscal period. FRC aims to achieve 250 billion yen,

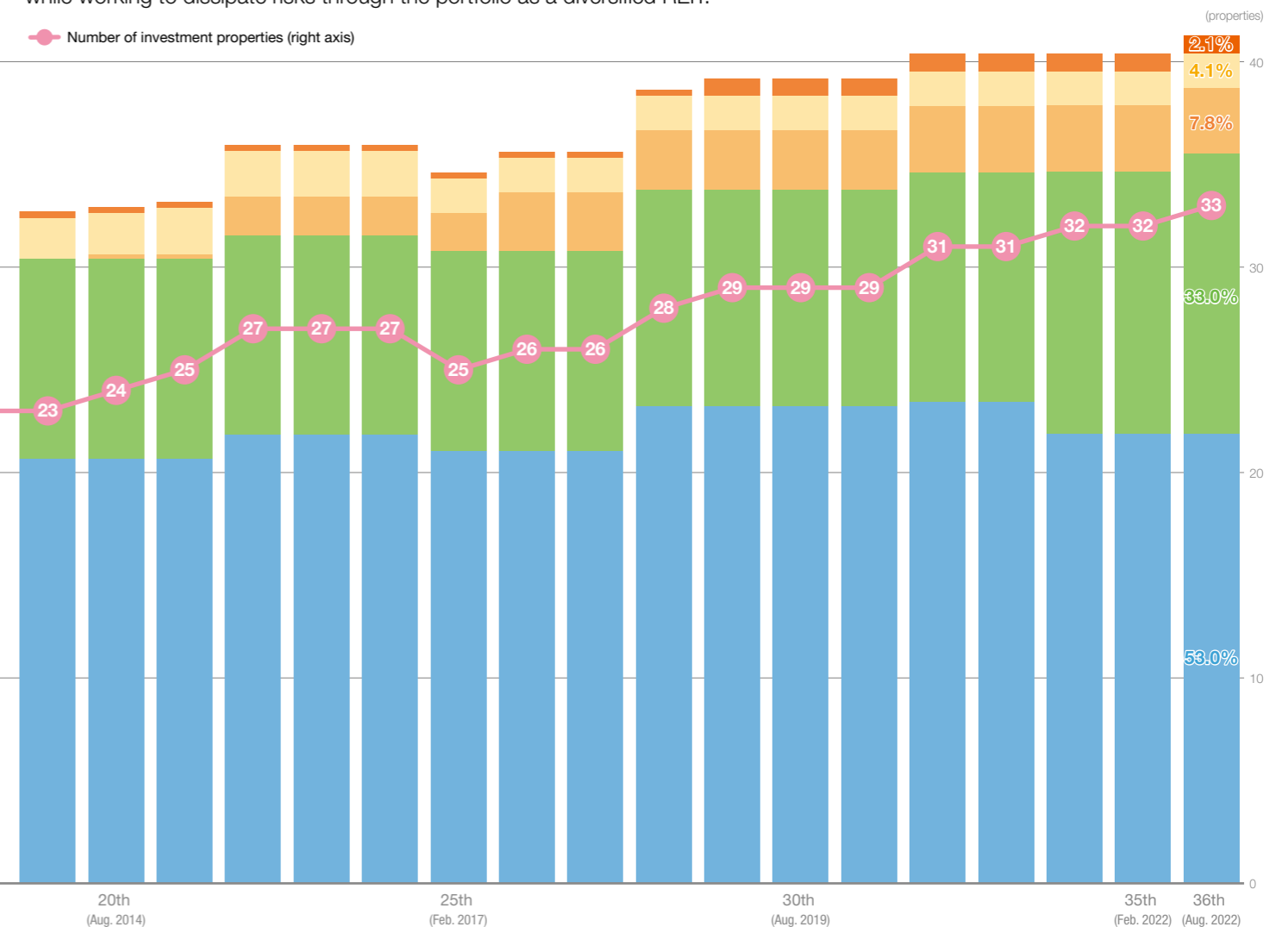
(mm yen) Retail (left axis) Office buildings (left axis) Logistics (left axis) Residence (left axis) Hotels (left axis)



Listing

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

Number of investment properties (right axis)



(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

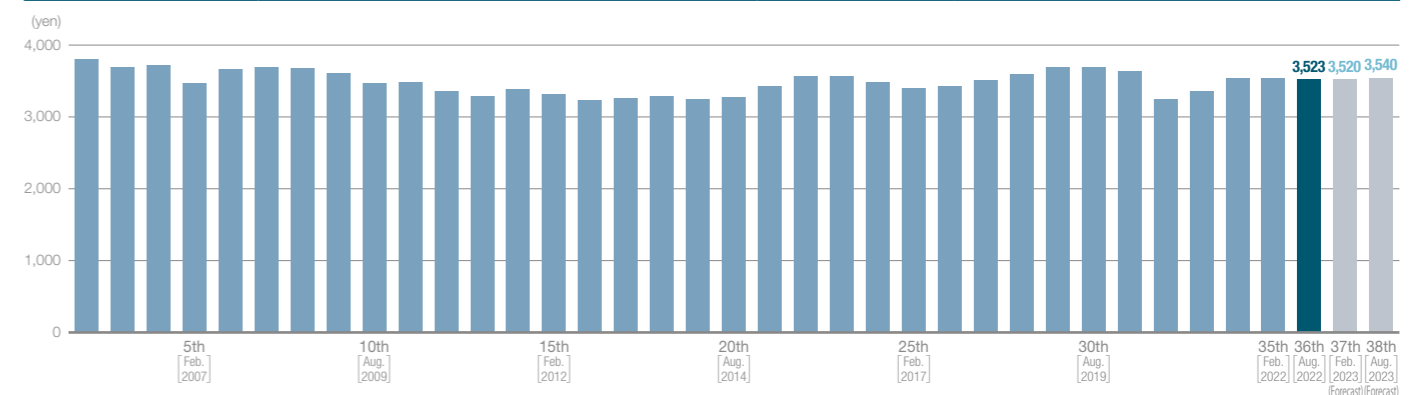
Financial Highlights for 36th Fiscal Period and Business Forecasts for 37th and 38th Fiscal Periods

Category		36th fiscal period	37th fiscal period	38th fiscal period
		(March 1, 2022 to August 31, 2022) Actual	(September 1, 2022 to February 28, 2023) Forecast	(March 1, 2023 to August 31, 2023) Forecast
Operating revenues	mm yen	8,830	8,915	9,119
Operating expenses	mm yen	5,648	5,737	5,920
Operating income	mm yen	3,181	3,177	3,199
Ordinary income	mm yen	2,805	2,803	2,819
Profit	mm yen	2,804	2,801	2,817
Dividend per unit	yen (1)	3,523	—	—
Latest dividend forecast per unit	yen (2)	3,500	3,520	3,540
Difference from forecast	yen (1)-(2)	23	—	—
Total number of investment units outstanding (at end of period)	units	796,000	796,000	796,000

Dividend Performance

Showing a recovery trend from the impact of COVID-19 in the 36th fiscal period, FRC will keep its endeavors to maintain and stabilize dividends.

36th fiscal period end	August 31, 2022 (semiannual periods ending every February and August)	36th fiscal period days	184 days
36th fiscal period dividend	3,523 yen per unit	Dividend yield	4.1% ((Dividend / Days × 365) / Unit price (as of August 31, 2022))



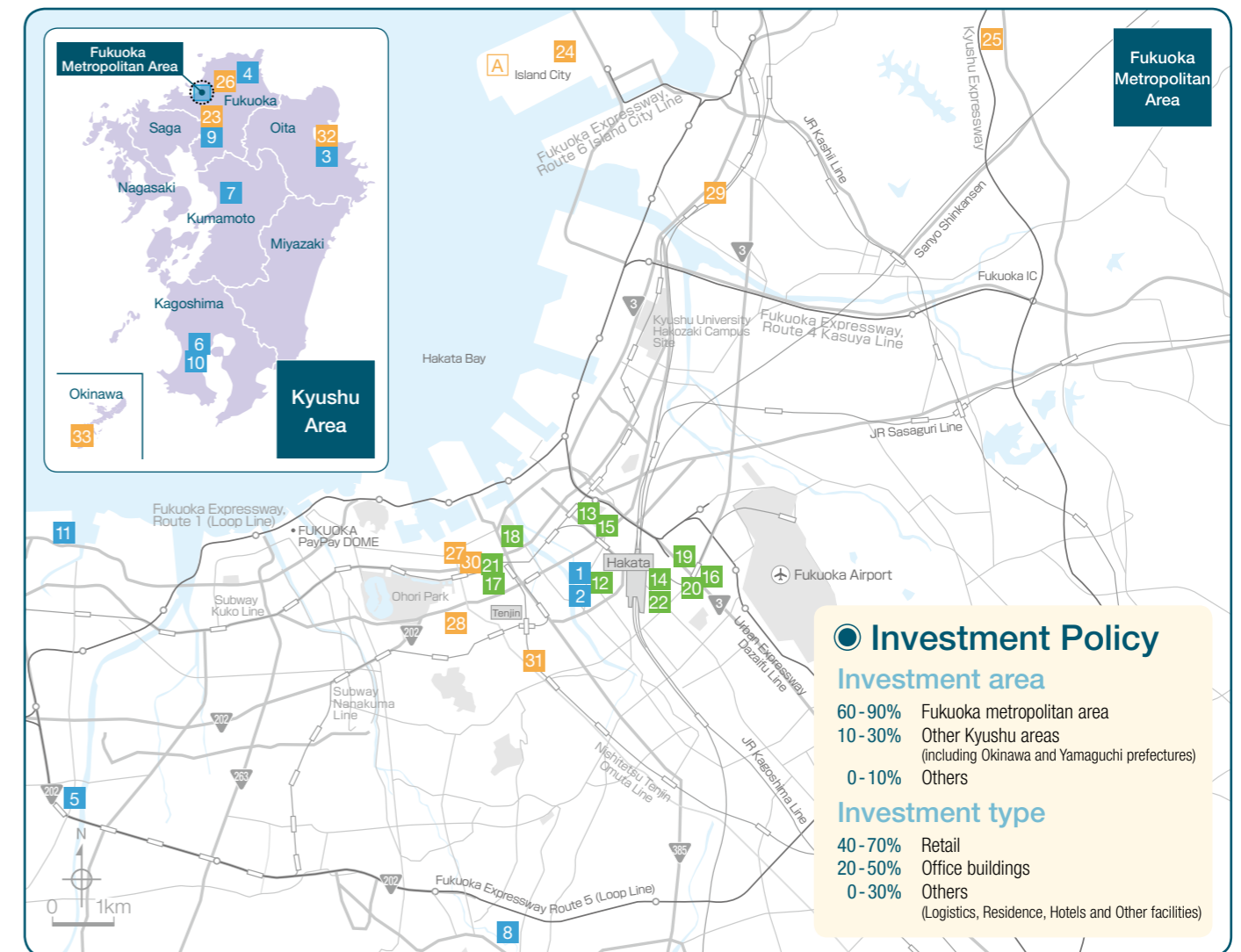
*FRC implemented a 5-for-1 split of its investment units with March 1, 2014 as the effective date. Dividend per unit indicates the value after the 5-for-1 split.

Portfolio Overview

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

<p>1 Retail</p> <p>Canal City Hakata One of the largest entertainment-type retail facilities in Japan and comprising United Cinemas and others</p>	<p>2 Retail</p> <p>Canal City Hakata-B One of the largest entertainment-type retail facilities in Japan and comprising OPA, MUJI Canal City Hakata and others</p>	<p>3 Retail</p> <p>Park Place Oita A leading retail facility in the Oita area, providing "park entertainment" for families</p>	<p>4 Retail</p> <p>SunLive City Kokura One of the largest malls in Kitakyushu and anchored by a SunLive supermarket chosen by local consumers</p>	<p>5 Retail</p> <p>Konoha Mall Hashimoto A community-based retail facility with SunLive as its anchor tenant and directly connected to Hashimoto Station via a pedestrian bridge</p>
<p>6 Retail</p> <p>Square Mall Kagoshima Usuki A retail facility in Kagoshima, designed by John Jerde who designed Canal City Hakata and Roppongi Hills</p>	<p>7 Retail</p> <p>Kumamoto Intercommunity SC Located along a major arterial road and comprising Sports Depo, Golf 5 and Starbucks coffee</p>	<p>8 Retail</p> <p>Hanahata SC Located in a new residential area and comprising BON REPAS supermarket and Matsumoto Kiyoshi drug store</p>	<p>9 Retail</p> <p>Kurume Higashi Kushiwara SC Located on a corner of a heavy-traffic intersection and comprising Sports Depo and Golf 5</p>	<p>10 Retail</p> <p>K's Denki Kagoshima Having a large floor area and tenanted by an electric appliance store widely attracting customers from nearby cities</p>
<p>11 Retail</p> <p>Marinoa City Fukuoka (Marina Side Building) Located east of Marinoa City Fukuoka and has stable attractiveness through synergy with the Outlet building</p>	<p>12 Office Building</p> <p>Canal City Business Center Building An office building expected to exert synergy with Canal City Hakata, with showroom functions</p>	<p>13 Office Building</p> <p>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</p>	<p>14 Office Building</p> <p>Sanix Hakata Building A highly convenient, station-front office building that is a two-minute walk from JR Hakata Station.</p>	<p>15 Office Building</p> <p>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</p>
<p>16 Office Building</p> <p>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</p>	<p>17 Office Building</p> <p>Tenjin Nishi-Dori Center Building An office building facing Tenjin Nishi-dori Street where commercial facilities are concentrated</p>	<p>18 Office Building</p> <p>Tenjin North Front Building A highly convenient office building located in the Tenjin area that features Kyushu's largest integration of urban functions</p>	<p>19 Office Building</p> <p>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)</p>	<p>20 Office Building</p> <p>Higashi Hie Business Center III An office building with high scarcity value and good accessibility, completed in March 2020 and located close to Higashi Hie subway station exit</p>
<p>21 Office Building</p> <p>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</p>	<p>22 Office Building</p> <p>Hakata Chikushi-Dori Center Building An approximate 8 minute-walk from JR Hakata Station in an area where hotels and public offices are concentrated</p>	<p>23 Others (logistics)</p> <p>Tosu Logistics Center A logistics facility located in the Green Logistics Park Tosu, operating around the clock and with three temperature zones</p>	<p>24 Others (logistics)</p> <p>LOGICITY Minato Kashii A logistics facility among the largest in the Fukuoka area, with a location featuring traffic convenience and concentration of such facilities</p>	<p>25 Others (logistics)</p> <p>LOGICITY Hisayama Approximately 5 km from the Fukuoka Interchange featuring traffic convenience, and has good general-purpose capabilities</p>

<p>26 Others (logistics)</p> <p>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</p>	<p>27 Others (residence)</p> <p>Amex Akasakamon Tower A tower-type rental condominium near downtown Fukuoka, with traffic convenience and environment that matches a wide range of generations</p>	<p>28 Others (residence)</p> <p>City House Keyaki Dori A high-quality rental condominium in a popular residential area of Fukuoka, featuring traffic and living convenience</p>	<p>29 Others (residence)</p> <p>Aqualia Chihaya A rental condominium comprised of units mainly for singles and small families to match the local characteristics</p>	<p>30 Others (residence)</p> <p>D-Wing Tower A large, high-rise (20-story) rental condominium, approximately a seven-minute walk from Tenjin subway station</p>
<p>31 Others (residence)</p> <p>Granfore Yakuin Minami A rental condominium in the Yakuin/Hirao area that is popular among younger generations and has plentiful bus networks</p>	<p>32 Others (hotel)</p> <p>Hotel FORZA Oita A business hotel located walking distance from Oita Station and specialized for lodging to meet business needs</p>	<p>33 Others (hotel)</p> <p>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.</p>	<p>A Others (logistics)</p> <p>Island City Minato Bay related site (Land with leasehold interest) (tentative) (Note) A large-scale logistics facility located within a 10 km radius from Hakata Port, Fukuoka Airport and Fukuoka IC and featuring high scarcity in the Hakata Port area.</p> <p>(Note) Scheduled to be acquired on March 31, 2029.</p>	



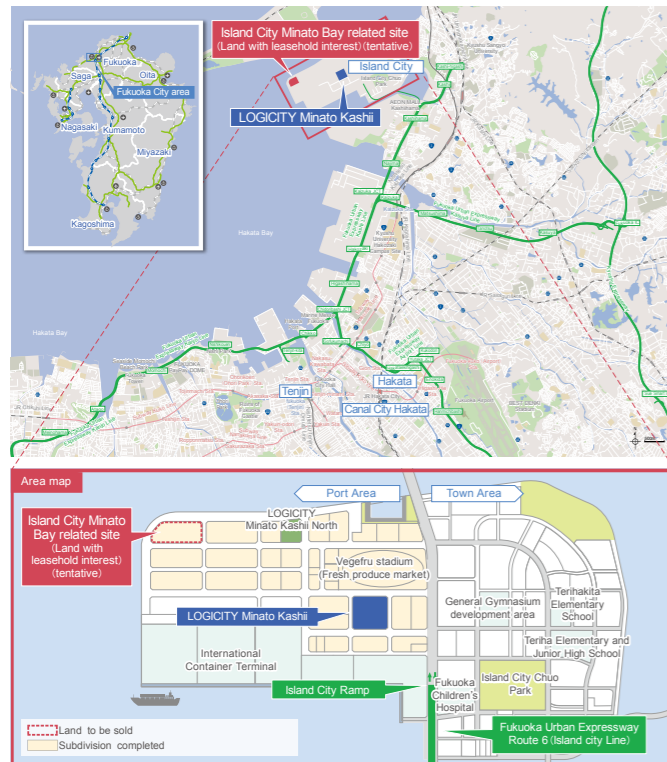
New Property Acquisition and Asset Disposition

● Acquisition of Asset (scheduled in March 2029)

A collaborative project with Fukuoka Jisho Co., Ltd., the sponsor. We will acquire a bay related site (land with leasehold interest) of Island City, an artificial island located in Higashi Ward, Fukuoka City, which will further develop as a logistics hub, driving the growth of Fukuoka.

With the acquisition, further enhancement of the portfolio and securement of stable earnings in the future are expected.

● Location of the Land to be Acquired



● Overview of the Land to be Acquired



Seller	Fukuoka City
Property name	Island City Minato Bay related site (Land with leasehold interest) (tentative)
Acquisition date (scheduled)	March 31, 2029
Acquisition price (planned)	8,082 million yen
Appraisal value	8,210 million yen (as of August 31, 2022)
Address	Part of 32-1, Minato Kashii 3-chome, Higashi-ku, Fukuoka City
Area (land)	Approx. 39,142 m ² (entire land for sale: approx. 41,181 m ²)
Acquisition cap rate (Note 2)	3.4%
Lessee of land	Fukuoka Jisho Co., Ltd. (planned)

(Note 1) This shows the appearance of the entire plan land including land to be sold. This property to be acquired by FRC is scheduled to become a land portion after subdivision equivalent to 95.05% of the total planned land for subdivision, but its location has not yet been determined.

(Note 2) "Acquisition CAP rate" is calculated as follows: Direct capitalization method NCF in the appraisal report / estimated acquisition price × 100 (%).

● Points Valued in Deciding on the Property

- High scarcity as a large-scale logistics facility (land with leasehold interest) with an area of more than 10,000 tsubo in the Hakata Port area
- Capable of operating 24 hours as it stands in an area dedicated to logistics
- Good accessibility, such as being close to Hakata Port, Fukuoka Airport, Fukuoka IC, and the entrance/exit of Fukuoka City Expressway No. 6 (Island City Line), which was newly established in March 2021

● Disposition of Asset

Location	370-3 Higashi-Kushihara-cho, Kurume City, Fukuoka Prefecture
Contract date	October 26, 2022 (scheduled)
Buyer	Not disclosed
Disposition date (scheduled)	1. February 28, 2023 (15% co-ownership interest) 2. August 31, 2023 (55% co-ownership interest) 3. November 30, 2023 (30% co-ownership interest)
Appraisal value	2,740 million yen (as of August 31, 2022)
Book value	1,966 million yen (as of August 31, 2022)
Disposition price (planned)	2,740 million yen 1. 411 million yen 2. 1,507 million yen 3. 822 million yen
Acquisition date	February 1, 2008
Acquisition price	2,500 million yen
Site area	7,182.44 m ²
Total leasable space	6,467.80 m ²

(Note) Not disclosed because the consent of the buyer has not been obtained.



Initiatives on Sustainability

● External Certification (Important Initiative)

● Support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations (September 2022)



The Asset Management Company expressed its support for the "Task Force on Climate-related Financial Disclosures (TCFD)" recommendations established by the Financial Stability Board (FSB) for the purpose of discussing the disclosures of climate-related financial information and the responses by financial institutions.

At the same time, it joined the "TCFD Consortium," an organization formed by domestic companies supporting the TCFD recommendations.

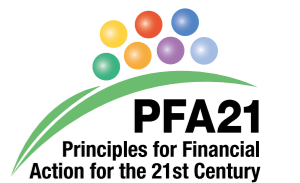
● Signing of the Principles for Responsible Investment (PRI) (September 2018)

PRI comprises an international network of financial institution investors working to realize six principles for the finance industry, which were established in 2006 under the leadership of then-UN Secretary-General Kofi Annan. PRI encourages the incorporation of environmental, social and governance ("ESG") issues into investment decision-making processes, aiming to thereby help companies enhance their long-term investment performance and better fulfill their fiduciary duty. The Asset Management Company agrees with the basic approach of PRI and became a signatory in September 2018.



● Signing of the Principles for Financial Action for the 21st Century (PFA21) (September 2018)

The Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century) were drawn up in October 2011, with the Ministry of Environment serving as secretariat, as guidelines for action by financial institutions seeking to fulfill their roles and responsibilities necessary for the establishment of a sustainable society. The Asset Management Company agreed to the concept of the principles and became a signatory in September 2018.



● Green Building Certification

GRESB2022

GRESB Real Estate Assessment
Acquired "4 Star" and "Green Star"

GRESB Public Disclosure
Acquired the highest rating of "A Level"



BELS Evaluation

Acquired the certification for 4 properties



DBJ Green Building Certification

Acquired the certification for 12 properties
Of which, six are reacquisition (March 2022)

Canal City Hakata Canal City Hakata•B

Properties with the best class environmental & social awareness



Park Place Oita

Properties with exceptionally high environmental & social awareness



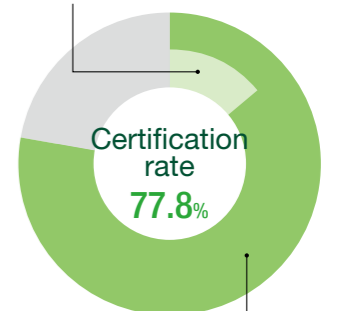
Green Building Certification

Green Building certification obtained for 77.8% of the entire portfolio

Environmental certification rate

BELS Evaluation

14.1%



DBJ Green Building Certification
77.8%

*As of August 31, 2022 (based on total floor space)

II. Semiannual Report

Overview of Asset Management

1. Changes in operating results and financial position

Fiscal Period		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)	35th fiscal period (September 1, 2021 to February 28, 2022)	36th fiscal period (March 1, 2022 to August 31, 2022)
Operating revenues	mm yen	8,518	8,904	8,867	8,658	8,830
[Leasing business revenues]	mm yen	[8,518]	[8,904]	[8,762]	[8,658]	[8,830]
Operating expenses	mm yen	5,551	5,842	5,662	5,472	5,648
[Expenses related to leasing business]	mm yen	[4,897]	[5,180]	[4,978]	[4,810]	[4,974]
Operating income	mm yen	2,966	3,061	3,204	3,185	3,181
Ordinary income	mm yen	2,587	2,677	2,817	2,816	2,805
Profit	(a) mm yen	2,586	2,675	2,816	2,814	2,804
Total assets	(b) mm yen	199,004	199,559	199,804	198,745	201,223
[Change from previous period]	%	[2.2]	[0.3]	[0.1]	[(0.5)]	[1.2]
Interest-bearing debt	(c) mm yen	82,400	82,400	82,400	82,400	83,900
Net assets	(d) mm yen	101,525	101,614	101,755	101,753	101,743
[Change from previous period]	%	[(0.3)]	[0.1]	[0.1]	[(0.0)]	[(0.0)]
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	127,544	127,656	127,833	127,831	127,818
Total dividend	(f) mm yen	2,587	2,675	2,817	2,814	2,804
Dividend per unit	(f)/(e) yen	3,250	3,361	3,539	3,536	3,523
[Earnings dividend per unit]	yen	[3,250]	[3,361]	[3,539]	[3,536]	[3,523]
[Dividend in excess of earnings per unit]	yen	[-]	[-]	[-]	[-]	[-]
Ratio of ordinary income to total assets	(Note 2) %	1.3 [2.6]	1.3 [2.7]	1.4 [2.8]	1.4 [2.9]	1.4 [2.8]
Return on net assets	(Note 2) %	2.5 [5.0]	2.6 [5.3]	2.8 [5.5]	2.8 [5.6]	2.8 [5.5]
Ratio of net assets to total assets	(d)/(b) %	51.0	50.9	50.9	51.2	50.6
[Change from previous period]	%	[(1.3)]	[(0.1)]	[0.0]	[0.3]	[(0.6)]
Payout ratio	(Note 2) %	100.0	100.0	100.0	100.0	100.0
Ratio of interest-bearing debt to total assets at end of period (LTV)	(c)/(b) %	41.4	41.3	41.2	41.5	41.7
[Other reference information]						
Number of investment properties (at end of period)	properties	31	31	32	32	33
Total leasable floor space (at end of period)	m ²	591,021.51	608,557.70	572,215.71	572,288.25	578,255.35
Occupancy rate (at end of period)	%	99.7	99.5	99.5	99.4	99.4
Depreciation and amortization expenses	mm yen	1,686	1,623	1,552	1,486	1,514
Capital expenditures	mm yen	790	687	445	600	1,946
Leasing NOI	(Note 2) mm yen	5,307	5,347	5,336	5,334	5,370
Days in fiscal period	days	184	181	184	181	184
FFO (Funds from Operation)	(g)/(Note 2) mm yen	4,273	4,299	4,265	4,301	4,318
FFO per unit	(g)/(e) yen	5,368	5,401	5,358	5,403	5,425

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

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

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

Overview of Asset Management

2. Management assessment

(1) Brief history of the investment corporation

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

As of the end of the 36th fiscal period (August 31, 2022), FRC manages a total of 33 properties comprising 11 Retail, 11 Office buildings (including land with leasehold interest for an office building) and 11 Others.

(2) Investment environment and portfolio performance

The Japanese economy showed a mild pickup trend during the fiscal period under review (the 36th fiscal period). As for the outlook, with social and economic activities increasingly normalized while measures are thoroughly taken against the novel coronavirus (COVID-19) infection, the economy is expected to pick up due in part to the effects of various political measures, although a downturn in overseas economies in the face of global monetary tightening, etc. poses a risk of placing downward pressure on the domestic economy.

In the Fukuoka and Kyushu area, the core investment target area for FRC, the economy improved moderately by and large, mainly in consumer spending and housing investment, with public spending remaining at a high level and capital investment increasing as a whole. As we foresee, we must be wary of how the economic conditions will be impacted by the spread of COVID-19 and rising raw material prices, etc.

As for land price trends, the 2022 Land Price Survey showed an upward turn in the combined average price for residential and commercial land on a national basis and, by land type, in residential land price and commercial land price, respectively, for the first time in three years, 31 years and three years, for each. Meanwhile, in Fukuoka City, the central area of FRC’s investment targets, land prices continued rising for the tenth consecutive year, up 9.6% year-on-year for commercial land and up 6.5% year-on-year for residential land.

Under such circumstances, FRC’s portfolio achieved solid performance in the asset types of office buildings, logistic facilities, residential properties and retail properties rooted in the spheres of people’s daily lives. On the other hand, the impact of COVID-19 continued to linger at Canal City Hakata, a city-center retail property, while hotels remained unable to recover as tourism demand, etc. did not return strongly. As for external growth in the 36th fiscal period, FRC acquired Hakata Chikushi-Dori Center Building, an office property located about an eight-minute walk from Hakata Station, on March 1, 2022.

When analyzing FRC’s portfolio (on an acquisition price basis) as of the end of the 36th fiscal period by investment target area, the investment ratio in the Fukuoka metropolitan area accounted for 77.1%; when analyzing by property type, Retail, Office buildings, and Others accounted for 53.0%, 33.0% and 14.0%, respectively.

On top of these efforts, Fukuoka Realty Co., Ltd., to which FRC entrusts its asset management (the Asset Manager), has established 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 full-time directors, the Executive Director and general managers of each 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 the 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.

Having established a “Policy on Climate Change and Resilience” that states its policy of endeavors regarding the risks and opportunities from climate changes as well as the resilience (strength and buoyancy) of its operations and strategies for climate-related issues, the Asset Manager announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and joined the TCFD Consortium, an organization of Japanese companies expressing their support, both in September 2022.

Overview of Asset Management

(3) Summary of fundraising

In the 36th fiscal period, FRC conducted refinancing of 6,000 million yen as well as new financing of 1,500 million yen. These led to the balance of its interest-bearing debt outstanding (including investment corporation bonds) at the end of the period totaling 83,900 million yen. Of the total amount of financing (7,500 million yen), FRC procured 6,500 million yen by way of sustainable financing with an aim to promote sustainability through ESG considerations.

The loan-to-value ratio (ratio of interest-bearing debt (including investment corporation bonds) to total assets) was 41.7% and the ratio of fixed-interest rate debt (ratio of interest-bearing debt with fixed interest rates (including investment corporation bonds) to total interest-bearing debt) stood at 93.4% at the end of the 36th fiscal period. In addition, with regard to the commitment line agreement (credit limit: 6,000 million yen) with The Bank of Fukuoka, Ltd. serving as the agent, FRC extended the commitment period by a year, lengthening the remaining term of commitment to three years.

FRC will continue its endeavors to reduce refinancing risks by dispersing debt repayment dates and other measures. At the same time, FRC will investigate mitigating the possible increase in financing costs in accordance with higher interest rates going forward, including reviewing the ratio of fixed-interest rate debt.

Moreover, the credit ratings assigned to FRC as of the end of the 36th 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 8,830 million yen and operating income after excluding operating expenses such as expenses related to leasing business and asset management fees totaled 3,181 million yen. Ordinary income was 2,805 million yen and profit amounted to 2,804 million yen. Management decided to make a dividend of 3,523 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 36th 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	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)	35th fiscal period (September 1, 2021 to February 28, 2022)	36th fiscal period (March 1, 2022 to August 31, 2022)
Highest	169,900 yen	179,900 yen	191,700 yen	176,000 yen	173,500 yen
Lowest	72,500 yen	126,300 yen	163,100 yen	153,400 yen	153,200 yen

4. Results of dividend, etc.

With respect to the dividend for the 36th 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 3,523 yen.

(thousands of yen)

Fiscal period	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)	35th fiscal period (September 1, 2021 to February 28, 2022)	36th fiscal period (March 1, 2022 to August 31, 2022)
Profit	2,586,899	2,675,572	2,816,802	2,814,814	2,804,394
Unappropriated surplus	2,587,031	2,675,604	2,817,051	2,814,821	2,804,559
Undistributed earnings	31	248	7	165	251
Total dividends [Dividend per unit]	2,587,000 [3,250 yen]	2,675,356 [3,361 yen]	2,817,044 [3,539 yen]	2,814,656 [3,536 yen]	2,804,308 [3,523 yen]
Earnings dividends [Earnings dividend per unit]	2,587,000 [3,250 yen]	2,675,356 [3,361 yen]	2,817,044 [3,539 yen]	2,814,656 [3,536 yen]	2,804,308 [3,523 yen]
Contribution refund [Contribution refund per unit]	— [—]	— [—]	— [—]	— [—]	— [—]
Of the contribution refund, distribution of the reserve for temporary difference adjustments (Of the contribution refund per unit, distribution per unit of the reserve for temporary difference adjustments)	— [—]	— [—]	— [—]	— [—]	— [—]
Of the contribution refund, distribution through the reduction in unitholders' capital for tax purposes (Of the contribution refund per unit, distribution per unit through the reduction in unitholders' capital for tax purposes)	— [—]	— [—]	— [—]	— [—]	— [—]

5. Future portfolio management policy and vital issues

FRC will further reinforce management and leasing capabilities by cooperating with property management companies including sponsor companies, and secure and maintain the stable operation of the properties by making the most use of their advantages.

FRC will make investments based on the basic policy stipulated in its Articles of Incorporation and its basic philosophy: focusing on "specialized areas in which FRC can demonstrate its competitive edge" that are in "high growth potential markets." By geographic location, of Fukuoka and Kyushu areas, FRC will invest 60% to 90% of its assets in the Fukuoka metropolitan area since the Fukuoka metropolitan area is expected to have a high population growth rate in the future. In addition to the Fukuoka metropolitan area, management has decided to actively acquire properties in major cities if there are regions or properties where FRC can generate investment merits from community-oriented viewpoints. FRC will acquire high-quality properties with adequate use of its advantages, such as information gathering ability in the areas, good knowledge of regional properties and close relations with the local business community including its sponsors and governments, so that investors can continue to invest in FRC with assurance.

Meanwhile, FRC will build stronger relationships with financial institutions to realize stable fundraising and try to maintain a solid financial structure.

Overview of Asset Management

6. Significant events that have occurred after the end of the 36th fiscal period

Disposition of Asset

On October 26, 2022, FRC concluded a sales agreement regarding the disposal of a real estate trust beneficiary interest.

Asset to be disposed	Real estate trust beneficiary interest
Property name	Kurume Higashi Kushiwara SC
Use	Retail
Location	370-3 Higashi-Kushihara-cho, Kurume City, Fukuoka
Buyer	Undisclosed (Note 1)
Disposition price (planned)	2,740 million yen (Note 2)
Disposition date (planned)	1st (15% co-ownership interest): February 28, 2023 2nd (55% co-ownership interest): August 31, 2023 3rd (30% co-ownership interest): November 30, 2023
Impact on earnings (planned)	FRC plans to record gain on sales of real estate property as operating revenues by approximately 115 million yen for the 37th fiscal period, approximately 432 million yen for the 38th fiscal period and approximately 238 million yen in the 39th fiscal period.

(Note 1) The buyer is a domestic operating company but is not disclosed as no consent to disclosure has been obtained from the buyer. Furthermore, the buyer does not fall under the category of interested parties of FRC or the asset management company.

(Note 2) The disposition price (planned) does not include disposition expenses, the amount equivalent to the settlement of property taxes and city planning taxes, etc. and consumption taxes. FRC plans to dispose of the property through three separate co-ownership transactions, and the disposition price (planned) on the disposition date (planned) for each is as follows:

1st: 411 million yen (for 15% co-ownership interest of the trust beneficiary interest)
2nd: 1,507 million yen (for 55% co-ownership interest of the trust beneficiary interest)
3rd: 822 million yen (for 30% co-ownership interest of the trust beneficiary interest)

(Note 3) The beneficiary interest transfer agreement for the Property (the "Transfer Agreement") falls under the category of forward commitment, etc. (a postdated transaction agreement where the settlement and delivery are to take place one month or more after the conclusion of agreement as well as other similar agreements). In the Transfer Agreement, it has been set that FRC and the buyer, after mutually discussing and obtaining consent of the counterparty, can cancel the Transfer Agreement by paying the amount equivalent to 20% of the total purchase amount for the transaction not completed as of the said consent, to the counterparty. Moreover, in the event either FRC or the buyer breaches the contractual obligations set by the Transfer Agreement, the counterparty may cancel the Transfer Agreement in whole or in part, unless the breach is solved within 30days as a rule from the date when the breaching party receives notification from the counterparty. In this case, the breaching party shall pay to the counterparty a penalty fee equivalent to 20% of the total purchase price of the transaction not completed as of the date of cancellation. Notwithstanding the above provisions related to cancellation, however, after the transfer of ownership of each beneficiary interest is put in force, no cancellation of the Transfer Agreement shall be allowed in any case for the ownership of the beneficiary interest for which transfer has been put in force.

Overview of the Investment Corporation

1. Summary of unitholders' capital

Fiscal period	32nd fiscal period as of August 31, 2020	33rd fiscal period as of February 28, 2021	34th fiscal period as of August 31, 2021	35th fiscal period as of February 28, 2022	36th fiscal period as of August 31, 2022
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	14,468	13,817	13,306	13,641	13,554

2. Matters related to investment units

The following table sets forth the major unitholders of FRC as of August 31, 2022.

Name	Investment units held (units)	Percentage of total number of investment units outstanding (%) (Note)
Custody Bank of Japan, Ltd. (Trust account)	211,859	26.61
The Master Trust Bank of Japan, Ltd. (Trust account)	94,254	11.84
Fukuoka Jisho Co., Ltd.	73,136	9.18
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	33,813	4.24
The Shinkumi Federation Bank	14,760	1.85
STATE STREET BANK WEST CLIENT – TREATY 505234	12,804	1.60
MetLife, Inc.	10,227	1.28
SSBTC CLIENT OMNIBUS ACCOUNT	9,329	1.17
Shikoku Railway Company	9,130	1.14
JP MORGAN CHASE BANK 385771	8,886	1.11
Total	478,198	60.07

(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 36th fiscal period are as follows:

Title	Name of directors, etc.	Major concurrent assignments	Total fee for each title for the 36th fiscal period (thousands of yen) (Note 3)
Executive Director	Zenji Koike	Zenji Koike, President and CEO, Fukuoka Realty Co., Ltd.	–
Supervisory Directors	Takashi Tanabe	Representative attorney at law at Tanabe Law Office	3,600
	Yasuo Kawasho	Representative Partner, Kawasho Authorize Accountant Office	
Independent Auditor	PricewaterhouseCoopers Aarata LLC	–	8,500

(Note 1) Zenji Koike, the Executive Director, possesses five 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) Appointments of Executive Director and Supervisory Directors of FRC due to the expiration of their terms of office were made at the Tenth General Meeting of Unitholders held on May 25, 2022. Zenji Koike (new appointment) took office as Executive Director as of May 29, 2022 in accordance with the resignation of Etsuo Matsuyuki due to the expiration of his term of office as of May 28, 2022, and the posts of Supervisory Directors were taken by Takashi Tanabe and Yasuo Kawasho (both reappointments).

(Note 3) The fees for the Executive Director and Supervisory Directors are the amounts paid to them in the 36th fiscal period, and the fee to the Independent Auditor is the amount payable to it (estimate) for audits pertaining to the 36th 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 36th fiscal period

The following table sets forth the asset management company, asset custodian and general administrators of FRC as of August 31, 2022.

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)	35th fiscal period as of February 28, 2022		36th fiscal period as of August 31, 2022	
			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	2,143	1.1	2,128	1.1
Real estate trust beneficiary interest	Retail	Fukuoka metropolitan area	66,351	33.4	66,780	33.2
		Other Kyushu areas	36,598	18.4	37,089	18.4
	Office buildings	Fukuoka metropolitan area	55,054	27.7	59,306	29.5
		Other Kyushu areas	–	–	–	–
	Others	Fukuoka metropolitan area	19,759	9.9	19,632	9.8
		Other Kyushu areas	5,269	2.7	5,226	2.6
	Deposits and other assets		13,567	6.8	11,060	5.5
	Total amount of assets (Note 4)		198,745 [185,678]	100.0 [93.4]	201,223 [190,171]	100.0 [94.5]

(Note 1) "Fukuoka metropolitan area" refers to cities, towns and villages where 10% or more of the population commute to Fukuoka City for school and work, according to the 2020 census, which states "the number of workers and students aged 15 years or older (students including those aged 14 years or younger: particular reference) commuting between their homes and places of work or school" conducted by Fukuoka City and the Statistics Bureau of the Ministry of Internal Affairs and Communications. "Other Kyushu areas" refers to all other parts of Kyushu (excluding the Fukuoka metropolitan area).

(Note 2) "Total value of properties owned" is based on the value on the balance sheet (the value of real estate and real estate trust beneficiary interest is the book value after depreciation).

(Note 3) Concerning the "Percentage of total assets," the figures are rounded off to one decimal place. The total of individual percentages in the above table may not equal 100%.

(Note 4) Figures in square brackets for "Total amount of assets" refer to the value and percentage of real estate owned in effect to the total amount of assets.

2. Major assets owned by FRC

The following is an overview of the major assets (top ten properties on a book value basis) owned by FRC as of August 31, 2022.

Real estate property name (Note 1)	Book value (mm of yen)	Total leasable floor space (m ²)	Total leased floor space (m ²)	Occupancy rate (%) (Note 2)	Percentage of total leasing business revenues (%) (Note 3)	Main use
Canal City Hakata	29,757	46,585.57	45,494.59	97.7	11.5	Retail
Canal City Hakata-B	20,701	31,141.44	29,904.36	96.0	10.5	Retail
Park Place Oita	20,555	121,184.09	120,987.88	99.8	13.2	Retail
Canal City Business Center Building	12,706	23,031.14	23,031.14	100.0	7.3	Office buildings
Konoha Mall Hashimoto	10,018	22,191.19	22,191.19	100.0	9.2	Retail
Gofukumachi Business Center	8,679	19,905.34	19,905.34	100.0	6.7	Office buildings
Tenjin Nishi-Dori Business Center (Land with leasehold interest)	7,754	1,343.51 (Note 4)	1,343.51	100.0	1.8	Office buildings
LOGICITY Minato Kashii	7,680	43,233.72	43,233.72	100.0	Undisclosed (Note 5)	Others
SunLive City Kokura	5,548	61,450.22	61,450.22	100.0	3.1	Retail
Taihaku Street Business Center	5,524	14,677.35	14,601.53	99.5	3.7	Office buildings
Total	128,926	384,743.57	382,143.48	99.3	–	–

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

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

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

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

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

Status of FRC's Assets under Management

3. Details of real estate properties in the portfolio

The following table provides details of the real estate properties owned by FRC as of August 31, 2022.

Real estate property name	Location	Form of ownership	Total leasable floor space (m ²)	Period-end appraisal value (mm of yen) (Note 1)	Book value at end of period (mm of yen)	Real estate appraiser
Canal City Hakata	2-22, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	46,585.57	30,600	29,757	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata-B	2-1, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	31,141.44	21,400	20,701	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	1, 2-chome, Koen Dori Nishi, Oita City, Oita	Trust beneficiary interest	121,184.09	20,500	20,555	Japan Real Estate Institute
SunLive City Kokura	14-1, 2-chome, Kami Kuzuhara, Kokura Minami Ward, Kitakyushu City	Trust beneficiary interest	61,450.22	8,520	5,548	Japan Real Estate Institute
Konoha Mall Hashimoto	27-2, 2-chome, Hashimoto, Nishi Ward, Fukuoka City	Trust beneficiary interest	22,191.19	10,000	10,018	Tanizawa Sogo Appraisal Co., Ltd.
Square Mall Kagoshima Usuki	2-18, 2-chome, Usuki, Kagoshima City, Kagoshima	Trust beneficiary interest	14,602.88	4,650	4,234	Japan Real Estate Institute
Kumamoto Intercommunity SC	1-5, 1-chome, Kozono, Higashi Ward, Kumamoto City	Trust beneficiary interest	6,968.66	2,740	1,921	Japan Real Estate Institute
Hanahata SC	9-12, 4-chome, Hanahata, Minami Ward, Fukuoka City	Trust beneficiary interest	2,801.15	1,200	950	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	370-3 Higashi Kushiwara, Kurume City, Fukuoka	Trust beneficiary interest	6,467.80	2,740	1,966	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	4-12, Tokai-cho, Kagoshima City, Kagoshima	Trust beneficiary interest	7,296.17	3,660	2,863	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	5,890	5,352	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:			353,758.99	111,900	103,869	
Canal City Business Center Building	2-25, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	23,031.14	17,400	12,706	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	10-10, Kami Gofukumachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	19,905.34	15,600	8,679	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	1-23, 2-chome, Hakataeki Higashi, Hakata Ward, Fukuoka City	Trust beneficiary interest	6,293.75	6,890	3,731	Japan Real Estate Institute
Taihaku Street Business Center	3-21 Gokushomachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	14,677.35	9,770	5,524	Japan Real Estate Institute
Higashi Hie Business Center	1-2, 3-chome, Higashi Hie, Hakata Ward, Fukuoka City	Trust beneficiary interest	13,614.59	8,230	4,288	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	3,360	2,650	Japan Real Estate Institute
Tenjin North Front Building	4-20, 4-chome, Tenjin, Chuo Ward, Fukuoka City	Trust beneficiary interest	5,252.41	4,880	2,350	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	4,660	3,901	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	3,218	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Business Center (Land with leasehold interest)	149, 2-chome, Tenjin, Chuo Ward, Fukuoka City	Trust beneficiary interest	1,343.51	8,250	7,754	Japan Real Estate Institute
Hakata Chikushi-Dori Center Building	5, 2-chome, Hakataekiminami, Hakata Ward, Fukuoka City	Trust beneficiary interest	5,994.41	4,540	4,499	Tanizawa Sogo Appraisal Co., Ltd.
Office buildings subtotal:			102,647.73	86,960	59,306	
Amex Akasakamon Tower	4-23, 2-chome, Maizuru, Chuo Ward, Fukuoka City	Trust beneficiary interest	4,821.25	1,950	1,599	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	1,090	866	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Chihaya	3-12, 4-chome, Chihaya, Higashi Ward, Fukuoka City	Trust beneficiary interest	5,619.69	2,040	1,129	Japan Real Estate Institute
D-Wing Tower	10-38, 2-chome, Daimyo, Chuo Ward, Fukuoka City	Trust beneficiary interest	7,187.59	3,880	2,605	Tanizawa Sogo Appraisal Co., Ltd.
Granfore Yakuin Minami	11-20, 1-chome, Hirao, Chuo Ward, Fukuoka City	Trust beneficiary interest	2,496.06	1,370	1,064	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	1,329	Japan Real Estate Institute
Tissage Hotel Naha	14-1, 2-chome, Nishi, Naha City, Okinawa	Trust beneficiary interest	3,758.76	2,880	2,762	Tanizawa Sogo Appraisal Co., Ltd.
Tosu Logistics Center	1607 Aza Momota, Himekata-cho, Tosu City, Saga	Trust beneficiary interest	4,173.29	1,420	1,134	Japan Real Estate Institute
LOGICITY Minato Kashii	3-4, 2-chome, Minato Kashii, Higashi Ward, Fukuoka City	Trust beneficiary interest	43,233.72	9,670	7,680	Tanizawa Sogo Appraisal Co., Ltd.
LOGICITY Hisayama	2335-3 Oaza Yamada, Hisayama-machi, Kasuya County, Fukuoka	Trust beneficiary interest	24,505.65	5,650	4,688	Tanizawa Sogo Appraisal Co., Ltd.
LOGICITY Wakamiya	1406 Shimoaruki, Miyawaka City, Fukuoka	Real estate	17,556.32	2,490	2,128	Tanizawa Sogo Appraisal Co., Ltd.
Others subtotal:			121,848.63	34,330	26,987	
Total			578,255.35	233,190	190,163	

Status of FRC's Assets under Management

(Property to be acquired)

Real estate property name	Location	Form of ownership	Total leasable floor space (m ²)	Period-end appraisal value (mm of yen) (Note 1)	Book value at end of period (mm of yen)	Real estate appraiser
Island City Minato Bay related site (Land with leasehold interest) (tentative) (Note 2) (Note 3)	Part of 32-1, Minato Kashii 3-chome, Higashi-ku, Fukuoka City (Note 4)	Real estate	Approx. 39,142 (Note 4)	8,210	—	Tanizawa Sogo Appraisal Co., Ltd.

(Note 1) "Period-end appraisal value" refers to the evaluation value based on appraisals by a real estate appraiser in conformity with the method and standards for asset evaluation stipulated in FRC's Articles of Incorporation and rules stipulated by The Investment Trusts Association, Japan.

(Note 2) The acquisition of the property falls under the category of forward commitment, etc. as provided by the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." set forth by the Financial Services Agency. As a reservation deposit, FRC paid the amount equivalent to 5% (approximately 4 mm yen) of the purchase price corresponding to its acquisition ratio at the time of applying to the Fukuoka City Government for the purchase. If FRC withdraws from the purchase of the property, the deposit shall be used as cancellation penalty.

(Note 3) The property is planned for delivery on March 31, 2029 (which may be changed depending on the situation of its foundation enhancement work and other factors).

(Note 4) The location and total leasable floor space are to be finalized after measurement surveys to be conducted later and registration of subdivided lots.

Real estate property name	35th fiscal period (September 1, 2021 to February 28, 2022)				36th fiscal period (March 1, 2022 to August 31, 2022)			
	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 [44]	97.8	990	11.4	1 [43]	97.7	1,016	11.5
Canal City Hakata-B	1 [45]	97.9	940	10.9	1 [42]	96.0	929	10.5
Park Place Oita	1 [102]	99.5	1,194	13.8	1 [103]	99.8	1,164	13.2
SunLive City Kokura	1	100.0	262	3.0	1	100.0	270	3.1
Konoha Mall Hashimoto	1 [123]	97.0	818	9.4	1 [124]	100.0	816	9.2
Square Mall Kagoshima Usuki	13	100.0	251	2.9	13	100.0	255	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	90	1.0	1	100.0	88	1.0
K's Denki Kagoshima	1	100.0	111	1.3	1	100.0	111	1.3
Marinoa City Fukuoka (Marina Side Building)	1	100.0	177	2.0	1	100.0	177	2.0
Retail subtotal:	25 [335] (Note 2)	99.2	4,967	57.4	25 [333] (Note 2)	99.3	4,959	56.2
Canal City Business Center Building	1 [62]	100.0	650	7.5	1 [64]	100.0	649	7.3
Gofukumachi Business Center	36	100.0	572	6.6	36	100.0	590	6.7
Sanix Hakata Building	16	100.0	208	2.4	16	100.0	211	2.4
Taihaku Street Business Center	1 [70]	99.2	323	3.7	1 [71]	99.5	325	3.7
Higashi Hie Business Center	1 [27]	100.0	353	4.1	1 [27]	100.0	357	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	145	1.7	11	100.0	148	1.7
Higashi Hie Business Center II	2	100.0	164	1.9	2	100.0	164	1.9
Higashi Hie Business Center III	6	100.0	98	1.1	6	100.0	98	1.1
Tenjin Nishi-Dori Business Center (Land with leasehold interest)	1 (Note 6)	100.0	159	1.8	1 (Note 6)	100.0	159	1.8
Hakata Chikushi-Dori Center Building	—	—	—	—	1 [13]	96.7	133	1.5
Office buildings subtotal:	76 [232] (Note 2)	99.9	2,762	31.9	77 [248] (Note 2)	99.7	2,924	33.1
Amex Akasakamon Tower	1 [66]	98.8	67	0.8	1 [64]	94.1	66	0.7
City House Keyaki Dori	1 [42]	100.0	41	0.5	1 [42]	100.0	39	0.4
Aqualia Chihaya	1 [104]	98.9	60	0.7	1 [104]	98.9	60	0.7
D-Wing Tower	1 [135]	98.9	110	1.3	1 [127]	93.2	112	1.3
Granfore Yakuin Minami	1 [95]	95.9	38	0.4	1 [96]	97.0	39	0.4
Hotel FORZA Oita	1	100.0	63	0.7	1	100.0	63	0.7
Tissage Hotel Naha	1	100.0	37	0.4	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 [449] (Note 2)	99.8	929	10.7	12 [440] (Note 2)	99.3	946	10.7
Total	113 [1,016] (Note 2)	99.4	8,658	100.0	114 [1,021] (Note 2)	99.4	8,830	100.0

Status of FRC's Assets under Management

(Note 1) "Number of tenants" is based on the total number of sections stipulated in the tenancy agreements for retail and office buildings among relevant properties. For the number of tenants in pass-through master leasing properties, the number of sections stipulated in the tenancy agreements with end tenants is shown in square brackets. The Taihaku Street Business Center is an office building with a residential tower. Its number of tenants comprises 13 for the office building and 58 for the residence in the 36th fiscal period (13 for the office building and 57 for the residence in the 35th fiscal period).

(Note 2) The total of all the tenants in other than pass-through master leasing properties and the total number of sections stipulated in the tenancy agreements with end tenants for pass-through master leasing properties is shown in square brackets in the subtotal and total columns for "Number of tenants."

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

(Note 4) "Total leasing business revenues" indicates the total of real estate leasing revenues and other revenues from real estate rent in the current fiscal period.

(Note 5) "Percentage of total leasing business revenues" is rounded off to one decimal place, and the total of individual percentages in the above table may not equal 100%.

(Note 6) The number of tenants indicates the number of the lessee of the land with leasehold interest.

(Note 7) The figures are not disclosed as no consent to disclosure has been obtained from the tenants.

4. Details of renewable energy generation facilities in the portfolio

No relevant items.

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

No relevant items.

6. Securities incorporated in the portfolio

No relevant items.

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

The following table provides the contract amount of FRC's specific transactions and the status of its fair value as of August 31, 2022.

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)	21,100	19,200	123
Total		21,100	19,200	123

(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 36th fiscal period.

9. Status of owned assets by country and region

As of the end of the 36th 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.

Capital Expenditures for Owned Real Estate

Real estate property name	Location	Purpose	Schedule	Planned construction cost (mm of yen)		
				Total	Construction cost	Amount already paid
Canal City Hakata	Hakata Ward, Fukuoka City	Replacement of facilities and formation of floor sections	From March 23 to July 2023	528	–	–
Canal City Hakata	Hakata Ward, Fukuoka City	Replacement of air-conditioning units	From March 2022 to February 2023	78	–	–
Canal City Hakata-B	Hakata Ward, Fukuoka City	Replacement of emergency power generators	From July 2022 to April 2023	50	–	–
Park Place Oita	Oita City, Oita	Replacement of air-conditioning units	From March 2023 to May 2023	147	–	–
Gofukumachi Business Center	Hakata Ward, Fukuoka City	Replacement of central monitoring equipment	From April 2023 to May 2023	52	–	–
Gofukumachi Business Center	Hakata Ward, Fukuoka City	Replacement of disaster prevention facilities and equipment	From July 2023 to August 2023	52	–	–
Hotel FORZA Oita	Oita City, Oita	Replacement of air-conditioning units	From May 2023 to August 2023	58	–	–

2. Capital expenditures during the 36th fiscal period

Capital expenditures for the real estate properties owned by FRC totaled 1,946 million yen in the 36th period. Furthermore, FRC incurred construction costs of 2,075 million yen in total in the period, including 119 million yen in repair and maintenance expenses classified as expenses on the Statement of Income and 9 million yen in expenses for restoration to former state. The following table provides the overview of major construction work that was completed in the 36th fiscal period.

Real estate property name	Location	Purpose	Period	Construction cost (mm of yen)
Canal City Hakata	Hakata Ward, Fukuoka City	Replacement of piping	From July 2021 to April 2022	597
Park Place Oita	Oita City, Oita	Renovation of common spaces	From September 2021 to April 2022	632
Park Place Oita	Oita City, Oita	Formation of tenant sections	May 2022	78
Park Place Oita	Oita City, Oita	Replacement of air-conditioning units	May 2022	33
Konoha Mall Hashimoto	Nishi Ward, Fukuoka City	Switching to LED lighting throughout the building	From June 2022 to August 2022	147
Konoha Mall Hashimoto	Nishi Ward, Fukuoka City	Improvement of food court environment	From February 2022 to April 2022	62
Square Mall Kagoshima Usuki	Kagoshima City, Kagoshima	Renovation of external walls	From May 2022 to August 2022	19
Gofukumachi Business Center	Hakata Ward, Fukuoka City	Replacement of air-conditioning units	March 2022	38
Sanix Hakata Building	Hakata Ward, Fukuoka City	Renovation of common spaces	From February 2022 to May 2022	36
Taihaku Street Business Center	Hakata Ward, Fukuoka City	Repair of mechanical parking lots	June 2022	14
Taihaku Street Business Center	Hakata Ward, Fukuoka City	Replacement of heat exchangers	August 2022	10
Hotel FORZA Oita	Oita City, Oita	Replacement of air-conditioning units	May 2022	12

3. Reserves for long-term repair and maintenance plans

FRC has deposited the following amounts from the cash flows generated during the 36th 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	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)	35th fiscal period (September 1, 2021 to February 28, 2022)	36th fiscal period (March 1, 2022 to August 31, 2022)
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	35th fiscal period (September 1, 2021 to February 28, 2022)	36th fiscal period (March 1, 2022 to August 31, 2022)
(a) Asset management fees (Note)	526,058	534,574
(b) Asset custody fees	7,431	7,514
(c) Administrative service fees	57,769	60,087
(d) Directors' compensations	9,600	6,600
(e) Other operating expenses	61,771	65,669
Total	662,630	674,446

(Note) Aside from the amounts of the asset management fees shown above, 21,600 thousand yen for asset management, capitalized in the acquisition costs, related to the acquisition of Hakata Chikushi-Dori Center Building was paid in the 36th fiscal period.

2. Status of debt

As of the end of the 36th fiscal period (August 31, 2022), FRC has the following debt from respective financial institutions.

Category	Lender	Drawdown date	Balance as of March 1, 2022 (mm of yen)	Balance as of August 31, 2022 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
	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	–	0.417	August 31, 2022	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Sumitomo Mitsui Trust Bank	July 31, 2015	–	1,500	0.564	July 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Development Bank of Japan	August 31, 2015	–	4,000	0.880	August 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Nishi-Nippon City Bank	August 31, 2015	–	400	0.870	August 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Subtotal		6,000	5,900					
Long-term debt									
	Sumitomo Mitsui Trust Bank	July 31, 2015	1,500	–	0.564	July 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Development Bank of Japan	August 31, 2015	4,000	–	0.880	August 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Nishi-Nippon City Bank	August 31, 2015	400	–	0.870	August 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Bank of Fukuoka	February 29, 2016	2,000	2,000	0.417	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	0.410	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	0.416	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					

Expenses and Liabilities

Category	Lender	Drawdown date	Balance as of March 1, 2022 (mm of yen)	Balance as of August 31, 2022 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
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	
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	0.417	January 31, 2029	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Bank of Fukuoka	January 31, 2019	300	300	0.417	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	

Long-term debt

Expenses and Liabilities

Category	Lender	Drawdown date	Balance as of March 1, 2022 (mm of yen)	Balance as of August 31, 2022 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
Resona Bank	June 30, 2020	700	700	0.569	June 28, 2030	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee	
MUFG Bank	June 30, 2020	500	500	0.600	June 29, 2029	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee	
The Kagoshima Bank	June 30, 2020	500	500	0.465	June 30, 2028	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee	
Development Bank of Japan	July 31, 2020	1,500	1,500	0.530	July 31, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Mizuho Bank	July 31, 2020	1,000	1,000	0.470	July 31, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Kitakyushu Bank	July 31, 2020	500	500	0.526	July 31, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Iyo Bank	July 31, 2020	200	200	0.526	July 31, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Juhachi-Shinwa Bank	March 31, 2021	1,000	1,000	0.590	March 31, 2031	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Mizuho Bank	July 30, 2021	2,300	2,300	0.490	July 31, 2031	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Hiroshima Bank		1,400	1,400						
The Kitakyushu Bank		800	800						
The Iyo Bank		500	500						
The Higo Bank		300	300						
Mizuho Trust & Banking Co., Ltd.	March 31, 2022	–	1,000	0.367	March 31, 2032	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Sumitomo Mitsui Banking Corporation	June 30, 2022	–	1,600	0.726	June 29, 2029	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
Development Bank of Japan	August 31, 2022	–	4,000	0.919 (Note 2)	August 31, 2032	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Nishi-Nippon City Bank		–	500						
The Bank of Fukuoka		–	400						
Subtotal			71,400	73,000					
Total			77,400	78,900					

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

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

3. Investment corporation bonds

As of the end of the 36th fiscal period (August 31, 2022), FRC has the following investment corporation bonds outstanding.

Issue	Issue date	Balance as of March 1, 2022 (mm of yen)	Decrease during the fiscal period (mm of yen)	Balance as of August 31, 2022 (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 36th 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)
Hakata Chikushi-Dori Center Building	March 1, 2022	4,320	–	–	–	–
Total	–	4,320	–	–	–	–

(Note) Acquisition 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 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	Hakata Chikushi-Dori Center Building	Real estate in trust	March 1, 2022	4,320	4,540	Tanizawa Sogo Appraisal Co., Ltd.	August 1, 2021

(Note 1) Acquisition 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 of the relevant real estate, etc.

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

(2) Other

Other than the transaction described in "(1) Real estate, etc." above, FRC carried out no transaction in the 36th fiscal period that was required to have the value, etc. reviewed pursuant to the provisions of Article 201 of the Investment Trusts Act.

4. Transactions with interested parties, etc.

(1) Transaction status

No relevant items.

(2) Amount of fees paid, etc.

FRC paid the following fees to the interested parties, etc. during the 36th 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 36th fiscal period.

Acquisitions and Sales during the 36th 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)	25,400	Fukuoka Jisho Co., Ltd.	13,965	55.0
		FJ. Entertainment Works Ltd.	6,964	27.4
Property management fees (Note 3)	325,064	Fukuoka Jisho Co., Ltd.	75,270	23.2
		FJ. Entertainment Works Ltd.	240,562	74.0
Outsourcing fees (Note 2) (Note 4)	1,415,844	Fukuoka Jisho Co., Ltd.	530,435	37.5
		FJ. Entertainment Works Ltd.	735,320	51.9
		Sunlife Co., Ltd.	131,277	9.3
Other operating expenses (Note 2)	1,511,071	Fukuoka Jisho Co., Ltd.	192,284	12.7
		FJ. Entertainment Works Ltd.	320,808	21.2
		Sunlife Co., Ltd.	918	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 36th fiscal period. The amounts include construction work fees paid to third parties through interested parties, etc.
 Fukuoka Jisho Co., Ltd. 136,527 thousand yen
 FJ. Entertainment Works Ltd. 1,713,361 thousand yen
 Sunlife Co., Ltd. 145,199 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. 6,927 thousand yen
 FJ. Entertainment Works Ltd. 46,133 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. Statement of Cash Distributions, VIII. Cash Flow Statement, IX. Notes to Financial Statements and X. Supplementary Schedules on later pages of this report.

2. Changes in calculation method of depreciation

No relevant items.

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

No relevant items.

4. Overview of self-managed investment trust beneficiary certificates

No relevant items.

Overview of Accounting

5. Disclosure on corporation owning foreign real estate

No relevant items.

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

No relevant items.

Other

1. Handling of fractions of monetary amounts and percentage figures

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

III. Independent Auditor's Report



Independent Auditor's Report

To the Board of Directors of Fukuoka REIT Corporation

Opinion

We have audited the financial statements of Fukuoka REIT Corporation (the Company), which comprise the balance sheet as of August 31, 2022, and the statement of income, statement of changes in net assets, statement of cash distributions and cash flow statement for the six months period then ended, notes to financial statements and supplementary schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2022, 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.

Other Information

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

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

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

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

We have nothing to report in this regard.

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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.

Takeshi Yamaguchi

Designated Engagement Partner
Certified Public Accountant

November 24, 2022

Takashi Sato

Designated Engagement Partner
Certified Public Accountant

IV. Balance Sheet

(thousands of yen)

	35th fiscal period (as of February 28, 2022)	36th fiscal period (as of August 31, 2022)
Assets		
Current assets		
Cash and deposits	6,860,969	4,203,346
Cash and deposits in trust	3,775,847	4,335,931
Operating accounts receivable	612,230	788,376
Prepaid expenses	254,292	227,634
Consumption taxes receivable	217,676	124,948
Others	15,550	10,223
Total current assets	11,736,566	9,690,462
Non-current assets		
Property, plant and equipment		
Buildings	1,171,821	1,171,821
Accumulated depreciation	(39,043)	(53,781)
Buildings, net	1,132,777	1,118,039
Structures	20,698	20,698
Accumulated depreciation	(516)	(709)
Structures, net	20,182	19,988
Tools and fixtures	1,571	1,571
Accumulated depreciation	(312)	(430)
Tools and fixtures, net	1,258	1,140
Lands	989,124	989,124
Buildings in trust	*1 101,745,620	*1 104,797,631
Accumulated depreciation	(36,671,427)	(38,070,850)
Buildings in trust, net	65,074,192	66,726,781
Structures in trust	1,939,630	1,976,251
Accumulated depreciation	(884,785)	(907,404)
Structures in trust, net	1,054,845	1,068,847
Machinery and equipment in trust	1,461,684	1,483,511
Accumulated depreciation	(707,143)	(745,401)
Machinery and equipment in trust, net	754,541	738,110
Vehicles and transport equipment in trust	626	626
Accumulated depreciation	(594)	(594)
Vehicles and transport equipment in trust, net	31	31
Tools and fixtures in trust	1,443,100	1,473,642
Accumulated depreciation	(1,222,570)	(1,241,477)
Tools and fixtures in trust, net	220,530	232,165
Lands in trust	*1 110,373,363	*1 113,715,265
Construction in progress in trust	500,610	7,932
Total property, plant and equipment	180,121,458	184,617,427
Intangible assets		
Leasehold right in trust	5,545,883	5,545,883
Other intangible assets in trust	11,234	8,315
Total intangible assets	5,557,117	5,554,198
Investment and other assets		
Deferred tax assets	52	13
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	327,135	327,135
Long-term prepaid expenses	964,988	997,950
Total investment and other assets	1,302,176	1,335,099
Total non-current assets	186,980,752	191,506,725
Deferred assets		
Investment corporation bond issuance expenses	27,836	26,664
Total deferred assets	27,836	26,664
Total assets	198,745,156	201,223,852

(thousands of yen)

	35th fiscal period (as of February 28, 2022)	36th fiscal period (as of August 31, 2022)
Liabilities		
Current liabilities		
Operating accounts payable	495,811	661,770
Current maturities of long-term debt	6,000,000	5,900,000
Accounts payable-other	22,767	16,275
Accrued expenses	414,713	421,792
Income taxes payable	1,659	962
Advances received	1,007,044	1,084,850
Deposits received	697,145	1,026,223
Total current liabilities	8,639,141	9,111,875
Non-current liabilities		
Investment corporation bonds	5,000,000	5,000,000
Long-term debt	71,400,000	73,000,000
Tenant leasehold and security deposits	450,958	741,017
Tenant leasehold and security deposits received in trust	*1 11,501,470	*1 11,627,634
Total non-current liabilities	88,352,428	90,368,652
Total liabilities	96,991,569	99,480,527
Net assets		
Unitholders' equity		
Unitholders' capital	98,938,764	98,938,764
Surplus		
Unappropriated surplus	2,814,821	2,804,559
Total surplus	2,814,821	2,804,559
Total unitholders' equity	101,753,586	101,743,324
Total net assets	*3 101,753,586	*3 101,743,324
Total liabilities and net assets	198,745,156	201,223,852

V. Statement of Income

(thousands of yen)

	35th fiscal period (September 1, 2021 to February 28, 2022)		36th fiscal period (March 1, 2022 to August 31, 2022)	
Operating revenues				
Leasing revenues – real estate	*1	8,040,738	*1	8,160,720
Other leasing revenues – real estate	*1	618,096	*1	669,929
Total operating revenues		8,658,835		8,830,650
Operating expenses				
Expenses related to leasing business	*1 *2	4,810,362	*1 *2	4,974,312
Asset management fees		526,058		534,574
Asset custody fees		7,431		7,514
Administrative service fees		57,769		60,087
Director's compensations		9,600		6,600
Other operating expenses		61,771		65,669
Total operating expenses		5,472,993		5,648,758
Operating income		3,185,841		3,181,891
Non-operating revenues				
Interest received		55		40
Others		567		1,191
Total non-operating revenues		623		1,231
Non-operating expenses				
Interest expenses		242,524		249,567
Interest expenses on investment corporation bonds		29,200		29,200
Amortization of investment corporation bond issuance expenses		2,102		1,172
Financing related expenses		96,157		97,744
Others		37		37
Total non-operating expenses		370,022		377,722
Ordinary income		2,816,442		2,805,401
Profit before income taxes		2,816,442		2,805,401
Income taxes-current		1,667		968
Income taxes-deferred		(39)		38
Total income taxes		1,628		1,007
Profit		2,814,814		2,804,394
Surplus brought forward		7		165
Unappropriated surplus		2,814,821		2,804,559

VI. Statement of Changes in Net Assets

35th fiscal period (September 1, 2021 to February 28, 2022)

(thousands of yen)

	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus	Total unitholders' equity	
Balance as of September 1, 2021	98,938,764	2,817,051	101,755,815	101,755,815
Changes in the current fiscal period				
Dividend of surplus		(2,817,044)	(2,817,044)	(2,817,044)
Profit		2,814,814	2,814,814	2,814,814
Total of changes in the current fiscal period	–	(2,229)	(2,229)	(2,229)
Balance as of February 28, 2022	98,938,764	2,814,821	101,753,586	101,753,586

36th fiscal period (March 1, 2022 to August 31, 2022)

(thousands of yen)

	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus	Total unitholders' equity	
Balance as of March 1, 2022	98,938,764	2,814,821	101,753,586	101,753,586
Changes in the current fiscal period				
Dividend of surplus		(2,814,656)	(2,814,656)	(2,814,656)
Profit		2,804,394	2,804,394	2,804,394
Total of changes in the current fiscal period	–	(10,261)	(10,261)	(10,261)
Balance as of August 31, 2022	98,938,764	2,804,559	101,743,324	101,743,324

VII. Statement of Cash Distributions

(thousands of yen)

Item	35th fiscal period (September 1, 2021 to February 28, 2022)	36th fiscal period (March 1, 2022 to August 31, 2022)
I. Unappropriated surplus	2,814,821	2,804,559
II. Total dividend [Dividend per investment unit]	2,814,656 [3,536 yen]	2,804,308 [3,523 yen]
III. Surplus brought forward	165	251
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 2,814,656 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 2,804,308 thousand yen, which is almost the entire amount of unappropriated surplus, as earnings dividends. Moreover, dividend in excess of earnings as stipulated in Article 38-2 of FRC's Articles of Incorporation will not be provided.

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

VIII. Cash Flow Statement

(thousands of yen)

	35th fiscal period (September 1, 2021 to February 28, 2022)	36th fiscal period (March 1, 2022 to August 31, 2022)
Net cash provided by (used in) operating activities		
Profit before income taxes	2,816,442	2,805,401
Depreciation and amortization expenses	1,486,407	1,514,524
Amortization of investment corporation bond issuance expenses	2,102	1,172
Interest received	(55)	(40)
Interest expenses	271,724	278,767
Decrease (increase) in operating accounts receivables	(19,216)	(176,146)
Decrease (increase) in consumption taxes refund receivable	(217,676)	92,727
Increase (decrease) in accrued consumption taxes	(705,556)	–
Increase (decrease) in operating accounts payable	(29,962)	73,784
Increase (decrease) in accounts payable-other	5,577	(6,115)
Increase (decrease) in accrued expenses	(3,258)	4,057
Increase (decrease) in advances received	(50,183)	77,805
Increase (decrease) in deposits expenses	(215,687)	329,077
Decrease (increase) in prepaid expenses	18,381	26,658
Decrease (increase) in long-term prepaid expenses	71,142	(32,961)
Others, net	(9,271)	1,417
Subtotal	3,420,911	4,990,132
Interest income received	55	40
Interest expenses paid	(273,972)	(275,746)
Income taxes paid	(952)	(1,665)
Net cash provided by (used in) operating activities	3,146,040	4,712,760
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(5,092)	(493)
Purchase of property, plant and equipment in trust	(522,327)	(5,911,512)
Proceeds from tenant leasehold and security deposits	176	290,149
Repayments of tenant leasehold and security deposits	(30)	(90)
Proceeds from tenant leasehold and security deposits in trust	109,679	309,878
Repayments of tenant leasehold and security deposits in trust	(239,871)	(183,714)
Proceeds from restricted trust deposits	4,978	3,634
Payments for restricted trust deposits	(6,343)	(6,099)
Net cash provided by (used in) investment activities	(658,830)	(5,498,246)
Net cash provided by (used in) financial activities		
Proceeds from short-term debt	–	4,000,000
Repayments of short-term debt	–	(4,000,000)
Proceeds from long-term debt	–	7,500,000
Repayments of long-term debt	–	(6,000,000)
Dividends paid	(2,816,432)	(2,814,517)
Net cash provided by (used in) financial activities	(2,816,432)	(1,314,517)
Net increase (decrease) in cash and cash equivalents	(329,222)	(2,100,003)
Balance of cash and cash equivalents at beginning of period	10,917,706	10,588,484
Balance of cash and cash equivalents at end of period	*1 10,588,484	*1 8,488,481

IX. Notes to Financial Statements

(Basis of presentation)

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

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

(Significant accounting policies)

1. Depreciation method for non-current assets	<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 style="margin-left: 20px;"> <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	Investment corporation bond issuance expenses Investment corporation bond issuance expenses are amortized utilizing the straight-line method over the period through redemption.										
3. Standards for recognition of revenues and expenses	<p>(1) Standards for revenue recognition The details of main performance obligations concerning revenues generated from contracts between FRC and its customers and the ordinary time to fulfil said performance obligations (ordinary time to recognize revenues) are as follows:</p> <p>① Sales of real estate property FRC recognizes revenues from sales of real estate property when the purchaser, who is a customer, obtains control of the relevant real estate property as a result of FRC fulfilling its delivery obligations stipulated in the transaction agreement of the real estate property.</p> <p>② Utilities income FRC recognizes utilities income in accordance with the supply of electricity and water, etc. to the lessee, who is a customer, based on the lease agreement of real estate, etc. and details of agreements incidental to it. Of the utilities income, in the case that FRC deems itself to be an agent, the net amount obtained by deducting the amount it pays to other parties from the amount it receives as charges for electricity and gas, etc. supplied by the said other parties is recognized as revenue.</p> <p>(2) Accounting treatment of property taxes, etc. In connection with property taxes, city planning taxes and depreciated asset taxes, FRC uses the method of charging the corresponding amounts of assessed taxes to the current fiscal period as expenses related to leasing business. The amount equivalent to property taxes, etc. for the initial fiscal year paid to the seller as settlement money upon acquisition of real estate or trust beneficiary interests in real estate as entrusted property is not expensed but capitalized as part of the acquisition cost of the relevant property. No amount equivalent to property taxes, etc. was capitalized in the acquisition cost of real estate, etc. for the 35th fiscal period. The amount equivalent to property taxes, etc. capitalized in the acquisition cost of real estate, etc. was 23,928 thousand yen for the 36th 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	The funds (cash and cash equivalents) in the cash flow statement consist of cash on hand and cash in trust; deposits that can be withdrawn at any time and deposits in trust; and short-term investments with a maturity of 3 months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of value fluctuation.
6. Other significant items fundamental to preparing the financial statements	Accounting methods for trust beneficiary interests in real estate as entrusted property Regarding trust beneficiary interests in owned real estate as entrusted property, all asset and liability accounts of the entrusted properties as well as all revenue and expense accounts generated by the entrusted properties are recorded in relevant accounts on the balance sheet and statement of income. Furthermore, the following material accounts are separately stated on the balance sheet for entrusted properties recorded in relevant accounts. ① Cash and deposits in trust ② Buildings in trust, structures in trust, machinery and equipment in trust, vehicles and transport equipment in trust, tools and fixtures in trust, lands in trust and construction in progress in trust ③ Leasehold right in trust ④ Other intangible assets in trust ⑤ Lease and guarantee deposits in trust ⑥ Tenant leasehold and security deposits received in trust

(Notes to balance sheet)

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

(thousands of yen)

	35th fiscal period as of February 28, 2022	36th fiscal period as of August 31, 2022
Buildings in trust	5,694,873	6,273,659
Lands in trust	16,101,020	16,101,020
Total	21,795,894	22,374,680

Secured liabilities are as follows:

(thousands of yen)

	35th fiscal period as of February 28, 2022	36th fiscal period as of August 31, 2022
Tenant leasehold and security deposits received in trust	821,462	821,462

2. Balance of unused committed line of credit

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

[Committed line of credit agreement 1]

(thousands of yen)

	35th fiscal period as of February 28, 2022	36th fiscal period as of August 31, 2022
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)

	35th fiscal period as of February 28, 2022	36th fiscal period as of August 31, 2022
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)

35th fiscal period as of February 28, 2022	36th fiscal period as of August 31, 2022
50,000	50,000

(Notes to statement of income)

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

(thousands of yen)

	35th fiscal period (September 1, 2021 to February 28, 2022)		36th fiscal period (March 1, 2022 to August 31, 2022)	
A. Real estate leasing business revenues				
Leasing revenues - real estate				
Rents	6,677,000		6,784,821	
Common charges	944,582		934,731	
Parking revenues	419,155	8,040,738	441,168	8,160,720
Other leasing revenues - real estate				
Incidental income	571,819		649,178	
Other miscellaneous income	46,277	618,096	20,750	669,929
Total real estate leasing business revenues		8,658,835		8,830,650
B. Expenses related to real estate leasing business				
Expenses related to leasing business				
Outsourcing fees	1,711,225		1,740,908	
Repair and maintenance expenses	121,025		119,524	
Taxes and other public charges	711,798		719,695	
Insurance premiums and trust compensation	41,708		42,669	
Utilities expenses	476,400		544,853	
Depreciation and amortization expenses	1,486,407		1,514,524	
Other expenses related to real estate leasing business	261,797	4,810,362	292,136	4,974,312
Total expenses related to real estate leasing business		4,810,362		4,974,312
C. Revenues and expenses related to real estate leasing business (A - B)		3,848,472		3,856,337

*2. Transactions with affiliated companies.

(thousands of yen)

	35th fiscal period (September 1, 2021 to February 28, 2022)	36th fiscal period (March 1, 2022 to August 31, 2022)
Expenses related to real estate leasing business	775,891	839,311

(Notes to statement of changes in net assets)

	35th fiscal period (September 1, 2021 to February 28, 2022)	36th fiscal period (March 1, 2022 to August 31, 2022)
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)

	35th fiscal period (September 1, 2021 to February 28, 2022)	36th fiscal period (March 1, 2022 to August 31, 2022)
Cash and deposits	6,860,969	4,203,346
Cash and deposits in trust	3,775,847	4,335,931
Restricted trust deposits (Note)	(48,332)	(50,796)
Cash and cash equivalents	10,588,484	8,488,481

(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)

	35th fiscal period (as of February 28, 2022)	36th fiscal period (as of August 31, 2022)
Due within 1 year	5,690,287	5,541,544
Due after 1 year	10,188,449	9,559,355
Total	15,878,736	15,100,900

(Notes to financial instruments)**1. Matters concerning status of financial instruments**

(1) Policy on handling financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

2. Matters concerning fair value of financial instruments

The following table includes the book values for financial instruments as recorded on the balance sheet, the corresponding fair values and the difference between these amounts as of February 28, 2022. Furthermore, notes to Cash and deposits and Cash and deposits in trust are omitted as these are settled with cash and within a short period of time, and thus the fair value is approximately the same as the book value.

(thousands of yen)

	Book value recorded on the balance sheet	Fair value (Note 1)	Difference
(1) Current maturities of long-term debt	6,000,000	6,018,611	18,611
(2) Investment corporation bonds	5,000,000	5,156,907	156,907
(3) Long-term debt	71,400,000	71,643,128	243,128
(4) Tenant leasehold and security deposits	450,958	331,704	(119,253)
(5) Tenant leasehold and security deposits received in trust	11,501,470	9,935,364	(1,566,106)
Total of liabilities	94,352,428	93,085,714	(1,266,713)
(6) 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, 2022. Furthermore, notes to Cash and deposits and Cash and deposits in trust are omitted as these are settled with cash and within a short period of time, and thus the fair value is approximately the same as the book value.

(thousands of yen)

	Book value recorded on the balance sheet	Fair value (Note 1)	Difference
(1) Current maturities of long-term debt	5,900,000	5,917,469	17,469
(2) Investment corporation bonds	5,000,000	5,047,370	47,370
(3) Long-term debt	73,000,000	72,556,892	(443,107)
(4) Tenant leasehold and security deposits	741,017	464,967	(276,050)
(5) Tenant leasehold and security deposits received in trust	11,627,634	9,527,497	(2,100,136)
Total of liabilities	96,268,652	93,514,198	(2,754,453)
(6) Derivative transactions	–	–	–
Total of derivative transactions	–	–	–

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

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

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

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

(6) Derivative transactions

Please refer to (Notes to derivative transactions).

(Note 2) Amount of repayment of long-term debt and investment corporation bonds scheduled to be due after closing of accounts (as of February 28, 2022)

(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	10,400,000	2,700,000	6,400,000	12,500,000	39,400,000
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, 2022)

(thousands of yen)

	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Long-term debt	5,900,000	5,200,000	3,900,000	11,100,000	12,900,000	39,900,000
Investment corporation bonds	–	2,000,000	–	–	–	3,000,000

(Notes to investment securities)

35th fiscal period (as of February 28, 2022)

Not applicable.

36th fiscal period (as of August 31, 2022)

Not applicable.

(Notes to derivative transactions)

1. Derivatives to which hedge accounting is not applied

35th fiscal period (as of February 28, 2022)

Not applicable.

36th fiscal period (as of August 31, 2022)

Not applicable.

2. Derivatives to which hedge accounting is applied

35th fiscal period (as of February 28, 2022)

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) (3)).

36th fiscal period (as of August 31, 2022)

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

(thousands of yen)

Method of hedge accounting	Type of derivative transactions, etc.	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Of which, exceeding 1 year		
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; Payable fixed	Long-term debt	21,100,000	19,200,000	(*)	–

(*) 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) (3)).

(Notes to retirement benefits)

35th fiscal period (as of February 28, 2022)

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

36th fiscal period (as of August 31, 2022)

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)

	35th fiscal period (as of February 28, 2022)	36th fiscal period (as of August 31, 2022)
Deferred tax assets		
Amount of accrued business taxes not deductible from taxable income	52	13
Total deferred tax assets	52	13
Deferred tax assets, net	52	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.
(%)

	35th fiscal period (as of February 28, 2022)	36th fiscal period (as of August 31, 2022)
Effective statutory income tax rate	31.25	31.25
Deductible dividend amount	(31.23)	(31.24)
Other	0.04	0.02
Effective income tax rate after application of tax effect accounting	0.06	0.04

(Notes to equity method income and earnings)

35th fiscal period (from September 1, 2021 to February 28, 2022)

Not applicable as FRC does not have any affiliated companies.

36th fiscal period (from March 1, 2022 to August 31, 2022)

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

35th fiscal period (from September 1, 2021 to February 28, 2022)

(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)	775,891 (Note 3)	Operating accounts payable	53,373 (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.

36th fiscal period (from March 1, 2022 to August 31, 2022)

(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 [0.84%]	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	839,311 (Note 3)	Operating accounts payable	66,850 (Note 3)

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

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

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

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

(2) Affiliated companies, etc.

35th fiscal period (from September 2021 to February 28, 2022)

Not applicable.

36th fiscal period (from March 1, 2022 to August 31, 2022)

Not applicable.

(3) Sister companies

35th fiscal period (from September 1, 2021 to February 28, 2022)

(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)	1,357,216 (Note 5)	Operating accounts payable	207,897 (Note 5)
Subsidiaries of other affiliates	Fukuoka Realty Co., Ltd.	Hakata Ward, Fukuoka City	200,000	Asset management of FRC and other businesses	–	Asset management of FRC, etc. (Note 3)	Payment of asset management fees (Note 4)	526,058 (Note 5)	Accrued expenses	306,190 (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) Although Etsuo Matsuyuki had been Executive Director of FRC as of the end of the 35th fiscal period, Zenji Koike was elected as Executive Director of FRC at its 10th General Meeting of Unitholders. As of the date of this document, Zenji Koike concurrently serves as President and CEO of Fukuoka Realty Co., Ltd.

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

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

36th fiscal period (from March 1, 2022 to August 31, 2022)

(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)	1,364,487 (Note 5)	Operating accounts payable	203,664 (Note 5)
Subsidiaries of other affiliates	Fukuoka Realty Co., Ltd.	Hakata Ward, Fukuoka City	200,000	Asset management of FRC and other businesses	—	Asset management of FRC, etc. (Note 3)	Payment of asset management fees (Note 4)	534,574 (Note 5)	Accrued expenses	309,516 (Note 5)

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

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

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

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

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

(4) Directors and major individual unitholders

35th fiscal period (from September 2021 to February 28, 2022)

Not applicable.

36th fiscal period (from March 1, 2022 to August 31, 2022)

Not applicable.

2. Parent company and major affiliated companies

35th fiscal period (from September 2021 to February 28, 2022)

Not applicable.

36th fiscal period (from March 1, 2022 to August 31, 2022)

Not applicable.

(Notes to asset retirement obligations)

35th fiscal period (from September 2021 to February 28, 2022)

Not applicable.

36th fiscal period (from March 1, 2022 to August 31, 2022)

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		35th fiscal period	36th fiscal period
		(September 1, 2021 to February 28, 2022)	(March 1, 2022 to August 31, 2022)
Retail	Amount recorded on the balance sheet		
	Balance at beginning of period	103,330,177	103,007,471
	Amount of change during period	(322,706)	863,811
	Balance at end of period	103,007,471	103,871,283
	Fair value at end of period	112,810,000	111,900,000
Office buildings	Amount recorded on the balance sheet		
	Balance at beginning of period	55,861,781	55,497,954
	Amount of change during period	(363,826)	3,809,161
	Balance at end of period	55,497,954	59,307,116
	Fair value at end of period	81,440,000	86,960,000
Others	Amount recorded on the balance sheet		
	Balance at beginning of period	27,376,522	27,173,149
	Amount of change during period	(203,372)	(179,922)
	Balance at end of period	27,173,149	26,993,227
	Fair value at end of period	33,740,000	34,330,000
Total	Amount recorded on the balance sheet		
	Balance at beginning of period	186,568,481	185,678,576
	Amount of change during period	(889,905)	4,493,050
	Balance at end of period	185,678,576	190,171,626
	Fair value at end of period	227,990,000	233,190,000

(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 35th fiscal period, the amount of increase is primarily attributable to capital expenditures (600 million yen), and the amount of decrease is primarily attributable to depreciation and amortization expenses (1,486 million yen). Of the amount of change during the 36th fiscal period, the amount of increase is primarily attributable to acquisition of Hakata Chikushi-Dori Center Building (4,069 million yen (excluding the deposit already paid in the 34th fiscal period from the acquisition price)) and capital expenditures (1,946 million yen), and the amount of decrease is primarily attributable to depreciation and amortization expenses (1,514 million yen).

(Note 3) The fair value at end of period is the appraisal value provided by outside real estate appraisers.

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

(thousands of yen)

Use		35th fiscal period	36th fiscal period
		(September 1, 2021 to February 28, 2022)	(March 1, 2022 to August 31, 2022)
Retail	Amount recorded on the statement of income		
	Real estate leasing business revenues	4,967,079	4,959,664
	Expenses related to real estate leasing business	3,185,087	3,269,668
	Revenues and expenses related to real estate leasing business	1,781,991	1,689,995
Office buildings	Amount recorded on the statement of income		
	Real estate leasing business revenues	2,762,339	2,924,332
	Expenses related to real estate leasing business	1,213,946	1,293,843
	Revenues and expenses related to real estate leasing business	1,548,392	1,630,489
Others	Amount recorded on the statement of income		
	Real estate leasing business revenues	929,416	946,653
	Expenses related to real estate leasing business	411,328	410,799
	Revenues and expenses related to real estate leasing business	518,087	535,853
Total	Amount recorded on the statement of income		
	Real estate leasing business revenues	8,658,835	8,830,650
	Expenses related to real estate leasing business	4,810,362	4,974,312
	Revenues and expenses related to real estate leasing business	3,848,472	3,856,337

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

(Notes to revenue recognition)

35th fiscal period (from September 1, 2021 to February 28, 2022)

Breakdown of information on revenue from contracts with customers

(thousands of yen)

	Revenues from contracts with customers (Note)	Sales to external customers
Proceeds from sales of real estate	–	–
Utilities income	427,510	427,510
Others	98,934	8,231,324
Total	526,445	8,658,835

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

36th fiscal period (from March 1, 2022 to August 31, 2022)

Breakdown information on revenue from contracts with customers

(thousands of yen)

	Revenues from contracts with customers (Note)	Sales to external customers
Proceeds from sales of real estate	–	–
Utilities income	491,383	491,383
Others	111,018	8,339,266
Total	602,401	8,830,650

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

(Notes to segment information)

[Segment information]

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

[Related information]

35th fiscal period (from September 2021 to February 28, 2022)

(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.

36th fiscal period (from March 1, 2022 to August 31, 2022)

(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)

	35th fiscal period (September 1, 2021 to February 28, 2022)	36th fiscal period (March 1, 2022 to August 31, 2022)
Net assets per unit (yen)	127,831	127,818
Profit per unit (yen)	3,536	3,523

(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:

	35th fiscal period (September 1, 2021 to February 28, 2022)	36th fiscal period (March 1, 2022 to August 31, 2022)
Profit (thousands of yen)	2,814,814	2,804,394
Amounts not attributable to ordinary unitholders (thousands of yen)	–	–
Profit attributable to ordinary investment units (thousands of yen)	2,814,814	2,804,394
Average number of units during the fiscal period (units)	796,000	796,000

(Notes to significant subsequent events)

Disposition of Asset

On October 26, 2022, FRC concluded a sales agreement regarding the disposal of a real estate trust beneficiary interest.

Asset to be disposed	Real estate trust beneficiary interest
Property name	Kurume Higashi Kushiwara SC
Use	Retail
Location	370-3 Higashi-Kushihara-cho, Kurume City, Fukuoka
Buyer	Undisclosed (Note 1)
Disposition price (planned)	2,740 million yen (Note 2)
Disposition date (planned)	1st (15% co-ownership interest): February 28, 2023 2nd (55% co-ownership interest): August 31, 2023 3rd (30% co-ownership interest): November 30, 2023
Impact on earnings (planned)	FRC plans to record gain on sales of real estate property as operating revenues by approximately 115 million yen for the 37th fiscal period, approximately 432 million yen for the 38th fiscal period and approximately 238 million yen in the 39th fiscal period.

(Note 1) The buyer is a domestic operating company but is not disclosed as no consent to disclosure has been obtained from the buyer. Furthermore, the buyer does not fall under the category of interested parties of FRC or the asset management company.

(Note 2) The disposition price (planned) does not include disposition expenses, the amount equivalent to the settlement of property taxes and city planning taxes, etc. and consumption taxes. FRC plans to dispose of the property through three separate co-ownership transactions, and the disposition price (planned) on the disposition date (planned) for each is as follows:

1st: 411 million yen (for 15% co-ownership interest of the trust beneficiary interest)
2nd: 1,507 million yen (for 55% co-ownership interest of the trust beneficiary interest)
3rd: 822 million yen (for 30% co-ownership interest of the trust beneficiary interest)

(Note 3) The beneficiary interest transfer agreement for the Property (the "Transfer Agreement") falls under the category of forward commitment, etc. (a postdated transaction agreement where the settlement and delivery are to take place one month or more after the conclusion of agreement as well as other similar agreements). In the Transfer Agreement, it has been set that FRC and the buyer, after mutually discussing and obtaining consent of the counterparty, can cancel the Transfer Agreement by paying the amount equivalent to 20% of the total purchase amount for the transaction not completed as of the said consent, to the counterparty. Moreover, in the event either FRC or the buyer breaches the contractual obligations set by the Transfer Agreement, the counterparty may cancel the Transfer Agreement in whole or in part, unless the breach is solved within 30days as a rule from the date when the breaching party receives notification from the counterparty. In this case, the breaching party shall pay to the counterparty a penalty fee equivalent to 20% of the total purchase price of the transaction not completed as of the date of cancellation. Notwithstanding the above provisions related to cancellation, however, after the transfer of ownership of each beneficiary interest is put in force, no cancellation of the Transfer Agreement shall be allowed in any case for the ownership of the beneficiary interest for which transfer has been put in force.

X. Supplementary Schedules

(Schedule of securities)

Not applicable.

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

(thousands of yen)

Category	Type	Contract amount, etc.		Fair value (Note 2)
		(Note 1)	Of which, exceeding 1 year	
Off-market transaction	Interest rate swap transaction Receivable floating; Payable fixed	21,100,000	19,200,000	123,010
Total		21,100,000	19,200,000	123,010

(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, 2022	Increase	Decrease	Balance as of August 31, 2022	Accumulated depreciation	Depreciation for the period	Net property and equipment	Remarks
Buildings	1,171,821	–	–	1,171,821	53,781	14,738	1,118,039	
Structures	20,698	–	–	20,698	709	193	19,988	
Tools and fixtures	1,571	–	–	1,571	430	117	1,140	
Land	989,124	–	–	989,124	–	–	989,124	
Buildings in trust	101,745,620	3,061,115	9,103	104,797,631	38,070,850	1,407,425	66,726,781	(Note)
Structures in trust	1,939,630	49,634	13,014	1,976,251	907,404	28,802	1,068,847	(Note)
Machinery and equipment in trust	1,461,684	21,827	–	1,483,511	745,401	38,258	738,110	(Note)
Vehicles and transport equipment in trust	626	–	–	626	594	–	31	
Tools and fixtures in trust	1,443,100	33,878	3,336	1,473,642	1,241,477	22,069	232,165	(Note)
Land in trust	110,373,363	3,341,901	–	113,715,265	–	–	113,715,265	(Note)
Construction in progress in trust	500,610	6,585	499,262	7,932	–	–	7,932	(Note)
Subtotal	219,647,851	6,514,941	524,716	225,638,076	41,020,649	1,511,604	184,617,427	
Leasehold right in trust	5,545,883	–	–	5,545,883	–	–	5,545,883	
Other intangible assets in trust	71,136	–	–	71,136	62,820	2,919	8,315	
Subtotal	5,617,019	–	–	5,617,019	62,820	2,919	5,554,198	
Total	225,264,870	6,514,941	524,716	231,255,095	41,083,469	1,514,524	190,171,626	

(Note) The main increase in the 36th fiscal period is due to the acquisition of Hakata Chikushi-Dori Center Building and construction work at properties.

(Schedule of other specified assets)

Not applicable.

(Schedule of investment corporation bonds)

Issue	Issue date	Balance as of March 1, 2022 (thousands of yen)	Decrease during the fiscal period (thousands of yen)	Balance as of August 31, 2022 (thousands of yen)	Coupon (%)	Maturity date	Maturity method	Use	Description
First Series of Unsecured Bonds	December 30, 2013	2,000,000	–	2,000,000	1.32	December 29, 2023	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)
Second Series of Unsecured Bonds	July 31, 2017	2,000,000	–	2,000,000	1.00	July 30, 2032	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)
Third Series of Unsecured Bonds	July 31, 2018	1,000,000	–	1,000,000	1.20	July 30, 2038	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)
Total		5,000,000	–	5,000,000					

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

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

(Note 3) Amount of redemption of investment corporation bonds scheduled to be due within 5 years after period end.

(thousands of yen)

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

(Schedule of debt)

(thousands of yen)

	Category	Balance as of March 1, 2022	Increase	Decrease	Balance as of August 31, 2022	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description
	Lender								
Short-term debt	The Bank of Fukuoka (Note 2)	–	833,333	833,333	–	0.435	March 31, 2022	Acquisition fund	No collateral/ No guarantee
	Resona Bank (Note 2)	–	166,666	166,666	–				
	The Nishi-Nippon City Bank (Note 2)	–	357,142	357,142	–				
	Resona Bank (Note 2)	–	50,000	50,000	–	0.435	March 31, 2022	Acquisition fund	No collateral/ No guarantee
	The Bank of Nagasaki, Ltd. (Note 2)	–	35,714	35,714	–				
	The Oita Bank (Note 2)	–	35,714	35,714	–				
	The Bank of Saga (Note 2)	–	21,428	21,428	–				
	The Nishi-Nippon City Bank (Note 2)	–	357,142	357,142	–				
	Resona Bank (Note 2)	–	50,000	50,000	–				
	The Bank of Nagasaki, Ltd. (Note 2)	–	35,714	35,714	–	0.435	April 28, 2022	Refinance fund	No collateral/ No guarantee
	The Oita Bank (Note 2)	–	35,714	35,714	–				
	The Bank of Saga (Note 2)	–	21,428	21,428	–				
	The Nishi-Nippon City Bank (Note 2)	–	357,142	357,142	–				
	Resona Bank (Note 2)	–	50,000	50,000	–	0.425	May 31, 2022	Refinance fund	No collateral/ No guarantee
	The Bank of Nagasaki, Ltd. (Note 2)	–	35,714	35,714	–				
	The Oita Bank (Note 2)	–	35,714	35,714	–				
	The Bank of Saga (Note 2)	–	21,428	21,428	–				
	The Nishi-Nippon City Bank (Note 2)	–	357,142	357,142	–				
	Resona Bank (Note 2)	–	50,000	50,000	–				
	The Bank of Nagasaki, Ltd. (Note 2)	–	35,714	35,714	–	0.422	June 30, 2022	Refinance fund	No collateral/ No guarantee
	The Oita Bank (Note 2)	–	35,714	35,714	–				
	The Bank of Saga (Note 2)	–	21,428	21,428	–				
	The Nishi-Nippon City Bank (Note 2)	–	357,142	357,142	–				
	Resona Bank (Note 2)	–	50,000	50,000	–				
	The Bank of Nagasaki, Ltd. (Note 2)	–	35,714	35,714	–				
	The Oita Bank (Note 2)	–	35,714	35,714	–	0.432	July 29, 2022	Refinance fund	No collateral/ No guarantee
	The Bank of Saga (Note 2)	–	21,428	21,428	–				
	The Nishi-Nippon City Bank (Note 2)	–	357,142	357,142	–				
	Resona Bank (Note 2)	–	50,000	50,000	–				
	The Bank of Nagasaki, Ltd. (Note 2)	–	35,714	35,714	–				
The Oita Bank (Note 2)	–	35,714	35,714	–					
The Bank of Saga (Note 2)	–	21,428	21,428	–	0.430	August 31, 2022	Refinance fund	No collateral/ No guarantee	
The Nishi-Nippon City Bank (Note 2)	–	357,142	357,142	–					
Resona Bank (Note 2)	–	50,000	50,000	–					
The Bank of Nagasaki, Ltd. (Note 2)	–	35,714	35,714	–					
The Oita Bank (Note 2)	–	35,714	35,714	–					
The Bank of Saga (Note 2)	–	21,428	21,428	–					
Subtotal	–	4,000,000	4,000,000	–					
Current maturities of long- term debt	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	–	0.417	August 31, 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 Nishi-Nippon City Bank	–	400,000	–	400,000	0.870	August 31, 2023	Refinance fund	No collateral/ No guarantee
	Subtotal	6,000,000	5,900,000	6,000,000	5,900,000				

	Category	Balance as of March 1, 2022	Increase	Decrease	Balance as of August 31, 2022	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description
	Lender								
Long-term debt	Sumitomo Mitsui Trust Bank	1,500,000	–	1,500,000	–	0.564	July 31, 2023	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	4,000,000	–	4,000,000	–	0.880	August 31, 2023	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	400,000	–	400,000	–	0.870	August 31, 2023	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	2,000,000	–	–	2,000,000	0.417	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	0.410	September 30, 2025	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	1,500,000	–	–	1,500,000	0.718	December 30, 2025	Refinance fund	No collateral/ No guarantee
	The Oita Bank	100,000	–	–	100,000				
	The Kagoshima Bank	100,000	–	–	100,000				
	The Kitakyushu Bank	100,000	–	–	100,000				
	The Juhachi-Shinwa Bank	200,000	–	–	200,000				
	The Hiroshima Bank	100,000	–	–	100,000				
	The Bank of Fukuoka	1,500,000	–	–	1,500,000	0.416	December 30, 2026	Refinance fund	No collateral/ No guarantee
	MUFG Bank	800,000	–	–	800,000	0.481	March 31, 2025	Refinance fund	No collateral/ No guarantee
	Resona Bank	600,000	–	–	600,000	0.658	March 31, 2027	Refinance fund	No collateral/ No guarantee
	The Higo Bank	300,000	–	–	300,000	0.481	March 31, 2025	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	1,300,000	–	–	1,300,000	0.777	June 30, 2026	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	1,000,000	–	–	1,000,000				
	The Oita Bank	700,000	–	–	700,000				
	The Kitakyushu Bank	700,000	–	–	700,000				
	The Miyazaki Bank	700,000	–	–	700,000				
	The Juhachi-Shinwa Bank	1,100,000	–	–	1,100,000				
	The Iyo Bank	500,000	–	–	500,000	0.650	December 31, 2026	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	1,800,000	–	–	1,800,000				
	The Bank of Fukuoka	2,000,000	–	–	2,000,000	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	0.493	September 30, 2027	Refinance fund	No collateral/ No guarantee	
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	

	Category	Balance as of March 1, 2022	Increase	Decrease	Balance as of August 31, 2022	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description
	Lender								
Long-term debt	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	0.417	January 31, 2029	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	300,000	–	–	300,000	0.417	January 31, 2029	Refinance fund	No collateral/ No guarantee
	The Oita Bank	200,000	–	–	200,000	0.334	February 27, 2026	Refinance fund	No collateral/ No guarantee
	The Kagoshima Bank	200,000	–	–	200,000	0.334	February 27, 2026	Refinance fund	No collateral/ No guarantee
	The Higo Bank	200,000	–	–	200,000	0.334	February 27, 2026	Refinance fund	No collateral/ No guarantee
	Resona Bank	200,000	–	–	200,000	0.488	February 28, 2029	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	1,200,000	–	–	1,200,000	0.521	July 31, 2029	Refinance fund	No collateral/ No guarantee
	The Bank of Saga	500,000	–	–	500,000				
	The Higo Bank	500,000	–	–	500,000				
	The Norinchukin Bank	1,500,000	–	–	1,500,000	0.303	January 29, 2027	Refinance fund	No collateral/ No guarantee
	MUFG Bank	500,000	–	–	500,000	0.480	September 29, 2028	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	2,500,000	–	–	2,500,000	0.480	February 28, 2030	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	1,700,000	–	–	1,700,000	0.420	February 28, 2030	Refinance fund	No collateral/ No guarantee
	Aozora Bank	1,000,000	–	–	1,000,000	0.569	June 28, 2030	Refinance fund	No collateral/ No guarantee
	Resona Bank	700,000	–	–	700,000	0.569	June 28, 2030	Acquisition fund	No collateral/ No guarantee
	MUFG Bank	500,000	–	–	500,000	0.600	June 29, 2029	Acquisition fund	No collateral/ No guarantee
	The Kagoshima Bank	500,000	–	–	500,000	0.465	June 30, 2028	Acquisition fund	No collateral/ No guarantee
	Development Bank of Japan	1,500,000	–	–	1,500,000	0.530	July 31, 2030	Refinance fund	No collateral/ No guarantee
Mizuho Bank	1,000,000	–	–	1,000,000	0.470	July 31, 2030	Refinance fund	No collateral/ No guarantee	
The Kitakyushu Bank	500,000	–	–	500,000	0.526	July 31, 2030	Refinance fund	No collateral/ No guarantee	
The Iyo Bank	200,000	–	–	200,000	0.526	July 31, 2030	Refinance fund	No collateral/ No guarantee	
The Juhachi-Shinwa Bank	1,000,000	–	–	1,000,000	0.590	March 31, 2031	Refinance fund	No collateral/ No guarantee	

	Category	Balance as of March 1, 2022	Increase	Decrease	Balance as of August 31, 2022	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description	
	Lender									
Long-term debt	Mizuho Bank	2,300,000	–	–	2,300,000	0.490	July 31, 2031	Refinance fund	No collateral/ No guarantee	
	The Hiroshima Bank	1,400,000	–	–	1,400,000					
	The Kitakyushu Bank	800,000	–	–	800,000					
	The Iyo Bank	500,000	–	–	500,000					
	The Higo Bank	300,000	–	–	300,000					
	Mizuho Trust & Banking Co., Ltd.	–	1,000,000	–	1,000,000	0.367	March 31, 2032	Refinance fund	No collateral/ No guarantee	
	Sumitomo Mitsui Banking Corporation	–	1,600,000	–	1,600,000	0.726	June 29, 2029	Refinance fund	No collateral/ No guarantee	
	Development Bank of Japan	–	4,000,000	–	4,000,000	0.919 (Note 3)	August 31, 2032	Refinance fund	No collateral/ No guarantee	
	The Nishi-Nippon City Bank	–	500,000	–	500,000					
	The Bank of Fukuoka	–	400,000	–	400,000					
	Subtotal		71,400,000	7,500,000	5,900,000	73,000,000				
	Total		77,400,000	17,400,000	15,900,000	78,900,000				

(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) These loans are based on commitment line agreements.

(Note 3) The borrowing is a Sustainability-Linked Loan in which it has been set as a Sustainability Performance Target (SPT) to reduce CO₂ emissions (in terms of intensity) by 35% compared with fiscal 2019 by February 28, 2031, and the achievement of the target is linked to the loan conditions. When the SPT is achieved, the contract will offer a preferential treatment for the interest rate determined at the time of borrowing, for the period from August 2031 to the repayment date.

(Note 4) 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	5,200,000	3,900,000	11,100,000	12,900,000