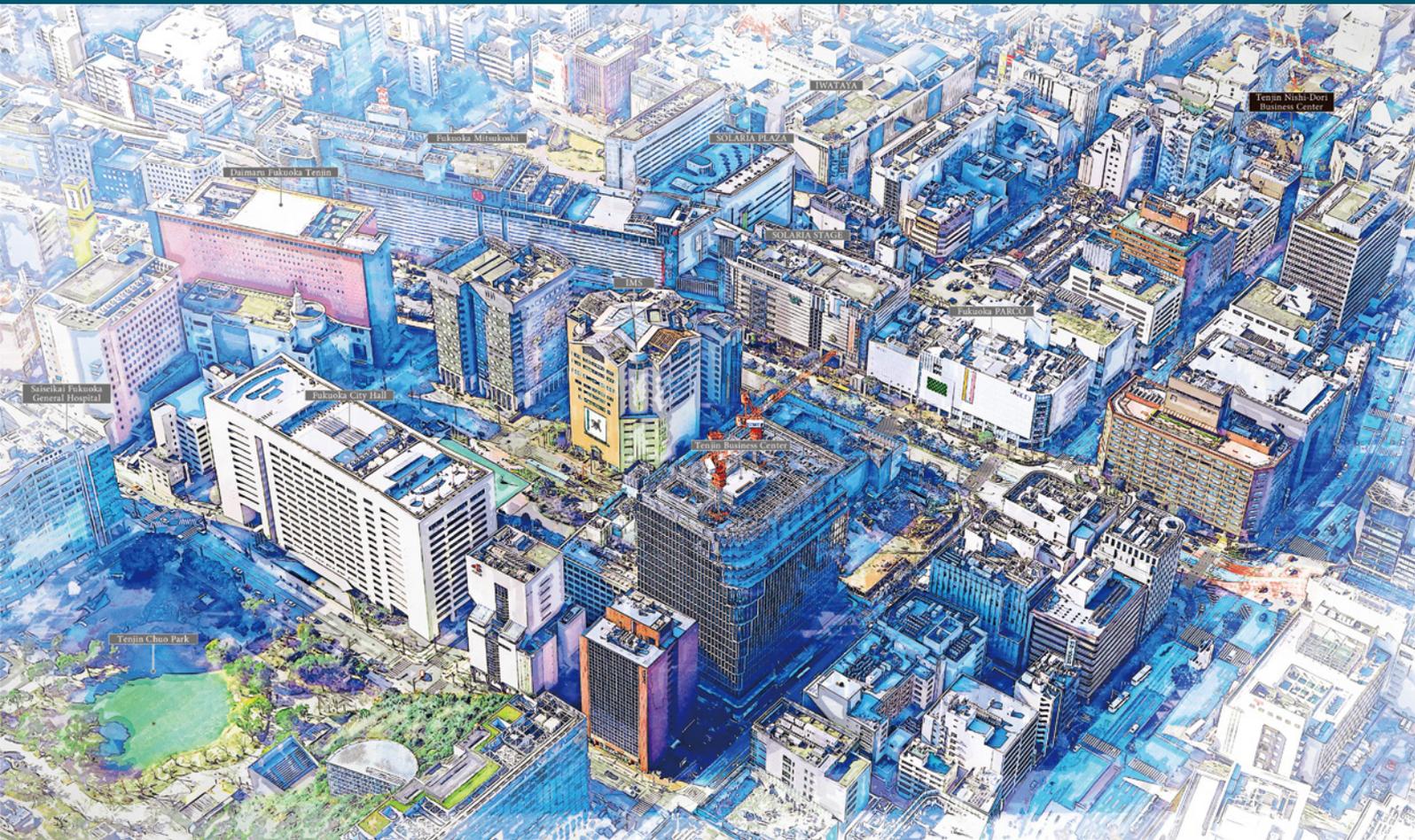


33rd Fiscal Period Report on Performance and Management Status (Semiannual Report)

September 1, 2020 to February 28, 2021



Security Code 8968



Fukuoka REIT Corporation

8968

I. Overview of Fukuoka REIT Corporation

To Our Unitholders

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

We are pleased to report on the performance results and management status of FRC for the thirty-third fiscal period (September 1, 2020 to February 28, 2021).

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

During the fiscal period under review (the 33rd fiscal period), the Japanese economy continued to show a pickup trend amid a severe situation still persisting under the impact of the novel coronavirus (COVID-19) infection despite weakness in some areas. As for the outlook, the economy is expected to further pick up due in part to the effects of various political measures, although attention should be paid to the impact of changes in the financial and capital markets, etc.

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

Under such circumstances, FRC's portfolio achieved solid performance in the asset types of office buildings, logistics facilities, and residential properties. Sales of Canal City Hakata and other major retail properties increased period-on-period, counter to the emergency declaration period against the spread of COVID-19 in the 32nd fiscal period, while hotels failed to recover as demand from tourists, etc. did not return strongly.

Against such a backdrop, FRC managed its assets steadily in the 33rd fiscal period and without any large-scale move-outs of tenants or major rent reductions, etc. Moreover, from a perspective of dispersing risks through diversification of the portfolio, FRC decided to dispose part of its co-ownership interest in Grand Building of Canal City Hakata-B, a commercial complex, and acquire land with leasehold interest of an office building located in Tenjin, an urban center of Fukuoka. The disposition and the acquisition will be conducted on June 1, 2021 (the 34th fiscal period). We will aim to achieve an asset size of 250.0 billion yen as the next target going forward, while working to reconsider the portfolio as a REIT with comprehensive asset types specializing in regional properties. We will also continue to flexibly investigate property replacement and other measures if we find any favorable opportunities.

Occupancy remained solid, with the average period-end occupancy rate of all properties FRC owns standing at 99.5%. FRC posted operating revenues of 8,904 million yen, operating income of 3,061 million yen, ordinary income of 2,677 million yen, and profit of 2,675 million yen for the fiscal period under review. The dividend per unit came to 3,361 yen. The actual dividend per unit for the period represents an increase by 111 yen from the previous fiscal period and by 61 yen from the dividend forecast at the time of the announcement of the financial results for the 32nd fiscal period. The increase is due to more customers attracted to our retail properties by such hit movies as Demon Slayer (Kimetsu-no-Yaiba) and the government's "Go To" campaigns, and due to better earnings through such factors as smooth recovery at our retail properties that serve people's daily needs. On top of these, we successfully achieved upward revision of rents for office buildings for the ninth consecutive fiscal period while maintaining high occupancy and continued endeavors to reduce costs including administration and operation expenses. These efforts also contributed to the increase. Looking ahead, we will continue our endeavors to maintain and increase dividends in a stable manner by acquiring excellent properties to generate stable cash flows and continuously taking strategic initiatives.

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

We greatly appreciate your continued support and cooperation.



Etsuo Matsuyuki
Executive Director
Fukuoka REIT Corporation

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Profile

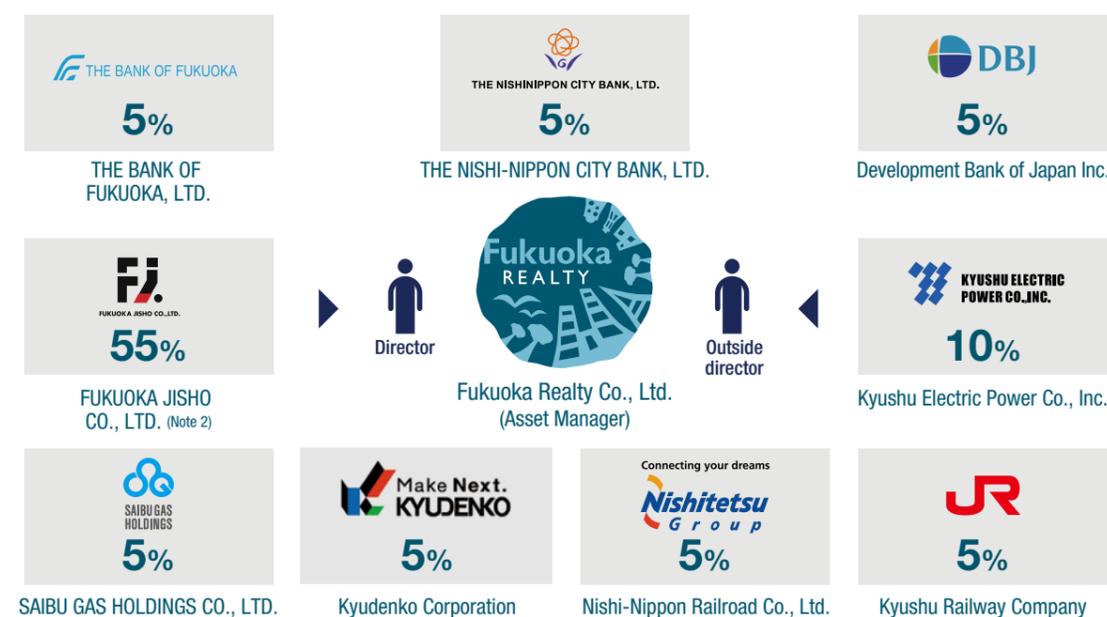
● Status of the Investment Corporation

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: Etsuo Matsuyuki, Executive Director
Asset manager: Fukuoka Realty Co., Ltd. (Fukuoka Local Finance Branch Bureau (financial instruments) No. 10)
Listed date: June 21, 2005 (Tokyo Stock Exchange, and Fukuoka Stock Exchange)

● Sponsors (Note 1)



● Overview of the Asset Manager

Name: Fukuoka Realty Co., Ltd.
Representative: Etsuo Matsuyuki, CEO & Representative Director
Address: 2-25, 1-Chome, 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)



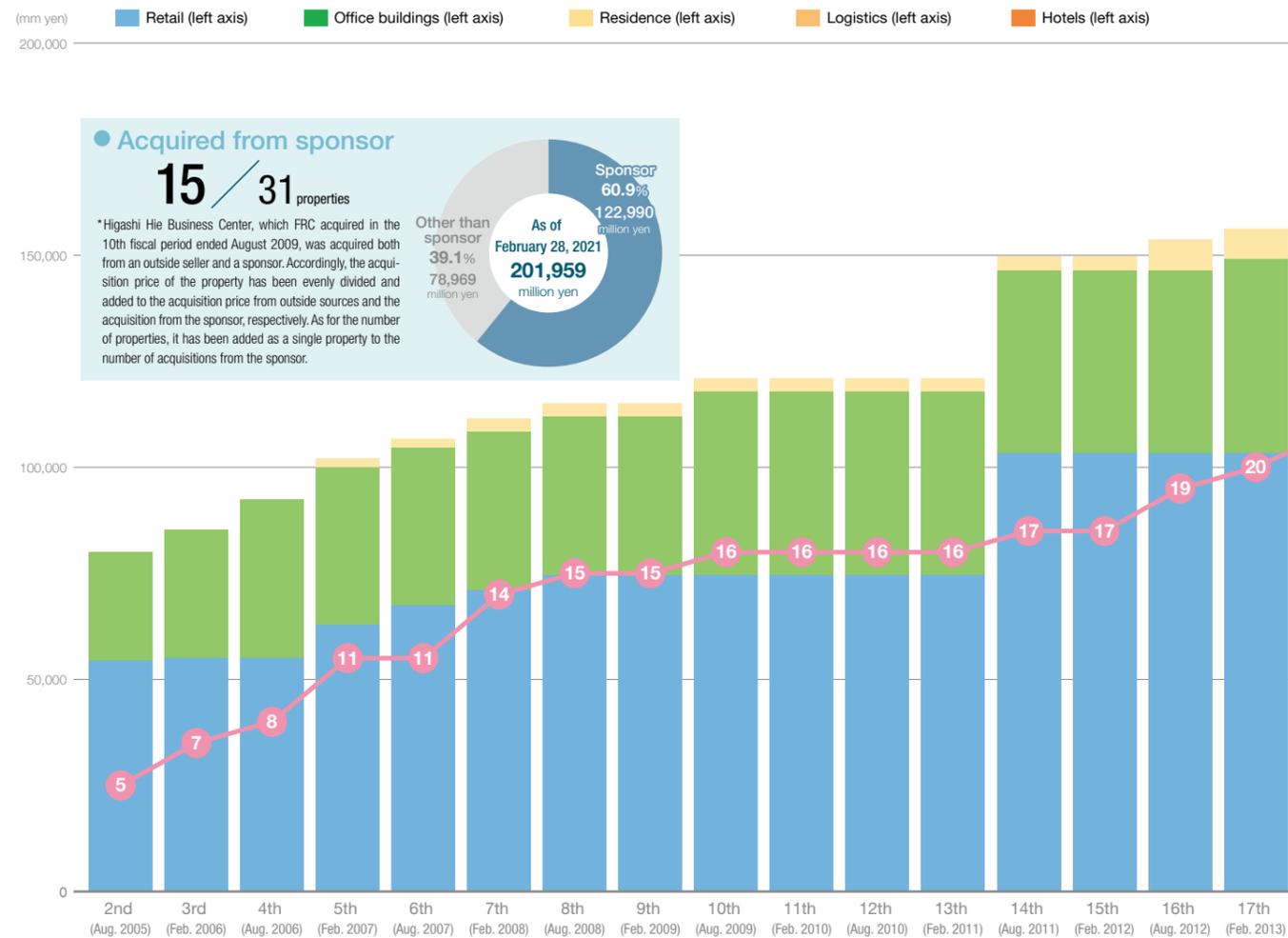
Total leasable floor space: 608,557.70 m²
Occupancy rate at end of period: 99.5%

*Figures are based on properties owned as of February 28, 2021.

Trend of Growth in Asset Size of FRC

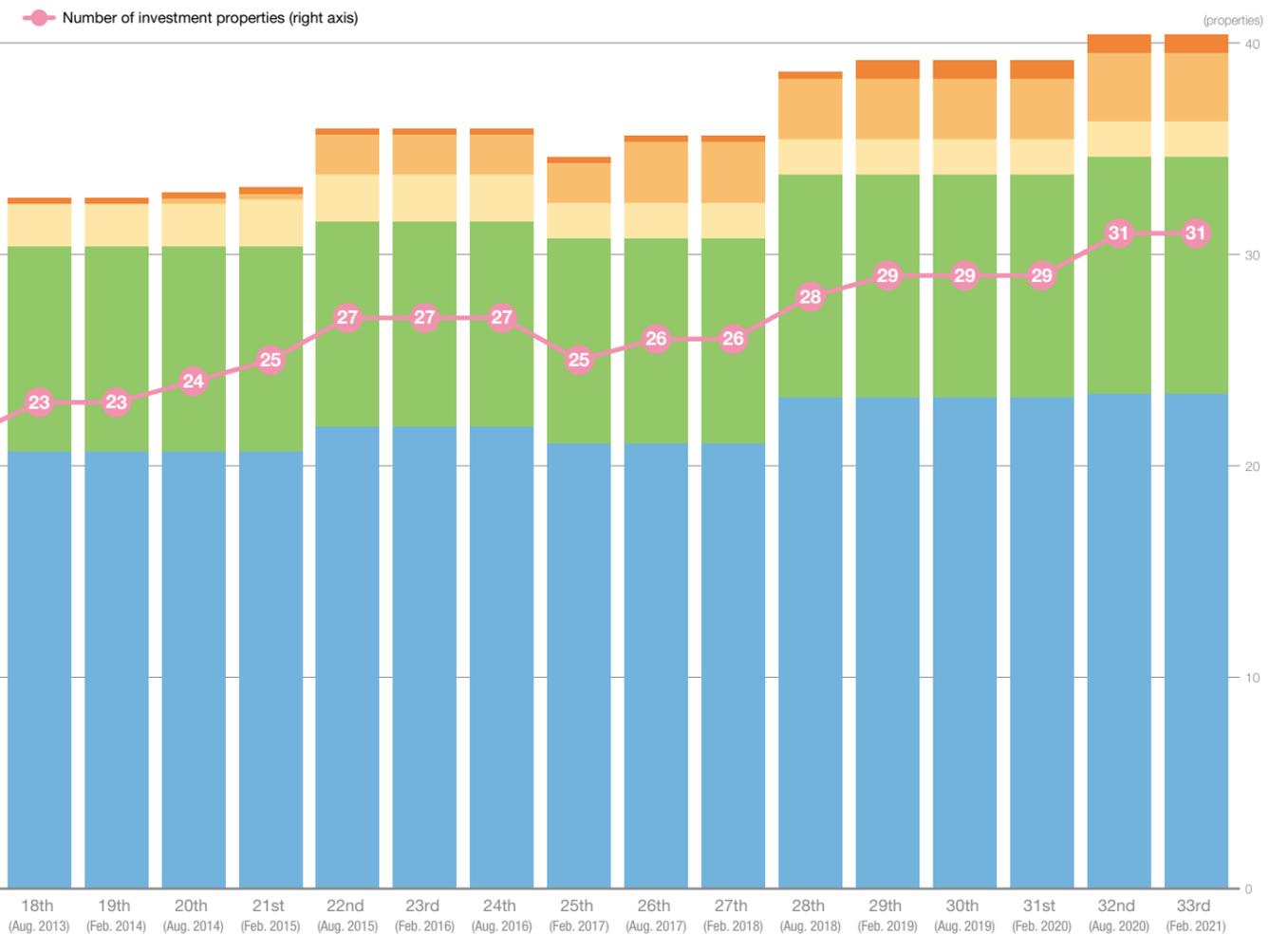
● FRC More than Doubled Asset Size and Diversified Investment Types Since

The asset size surpassed 200 billion yen to reach 201.9 billion yen (on an acquisition price basis) in the 32nd fiscal period. FRC aims



Listing

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



Financial Summary

● Financial Highlights for 33rd Fiscal Period and Business Forecasts for 34th and 35th Fiscal Periods

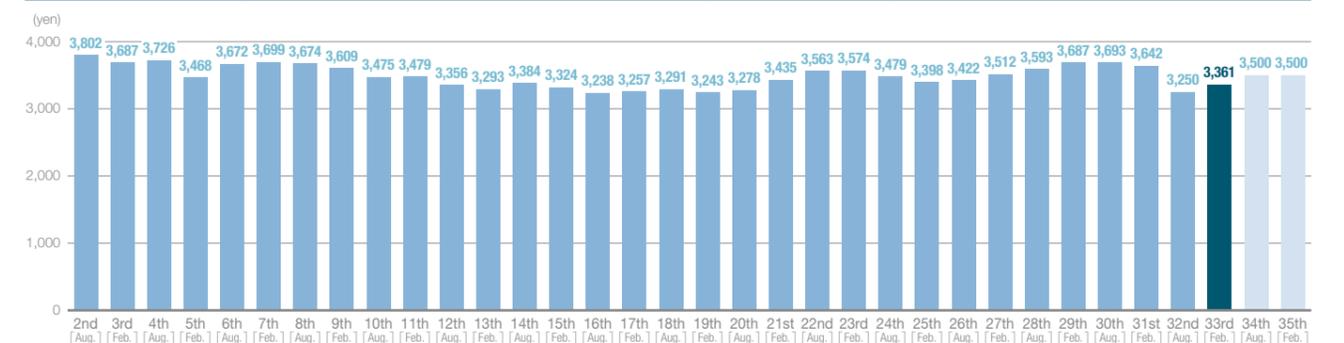
Category		33rd fiscal period	34th fiscal period	35th fiscal period
		(September 1, 2020 to February 28, 2021) Actual	(March 1, 2021 to August 31, 2021) Forecast	(September 1, 2021 to February 28, 2022) Forecast
Operating revenues	mm yen	8,904	8,979	8,724
Leasing NOI (Note)	mm yen	5,347	5,331	5,323
Depreciation and amortization expenses	mm yen	1,623	1,558	1,489
Operating income	mm yen	3,061	3,176	3,168
Ordinary income	mm yen	2,677	2,787	2,787
Profit	mm yen	2,675	2,786	2,786
Dividend per unit	yen (1)	3,361	—	—
Latest dividend forecast per unit	yen (2)	3,300	3,500	3,500
Difference from forecast	yen (1)-(2)	61	—	—
Total number of investment units outstanding (at end of period)	units	796,000	796,000	796,000

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

● Dividend Performance

Showing a recovery trend from the impact of COVID-19 in the 33rd fiscal period, FRC will keep its endeavors to maintain and stabilize dividends.

33rd fiscal period end	February 28, 2021 (semiannual periods ending every February and August)	33rd fiscal period days	181 days
33rd fiscal period dividend	3,361 yen per unit	Dividend yield	4.0% ((Dividend / Days × 365) / Unit price (as of February 28, 2021))



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

Portfolio Overview

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



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



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



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



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



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



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



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



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



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



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



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



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



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



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



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



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



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



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



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



20 Office Building
Higashi Hie Business Center III
FRC's 3rd office building in the Higashi Hie area, close to Higashi Hie subway station and a two-minute ride to Hakata Station



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



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



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



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



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



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



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



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



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

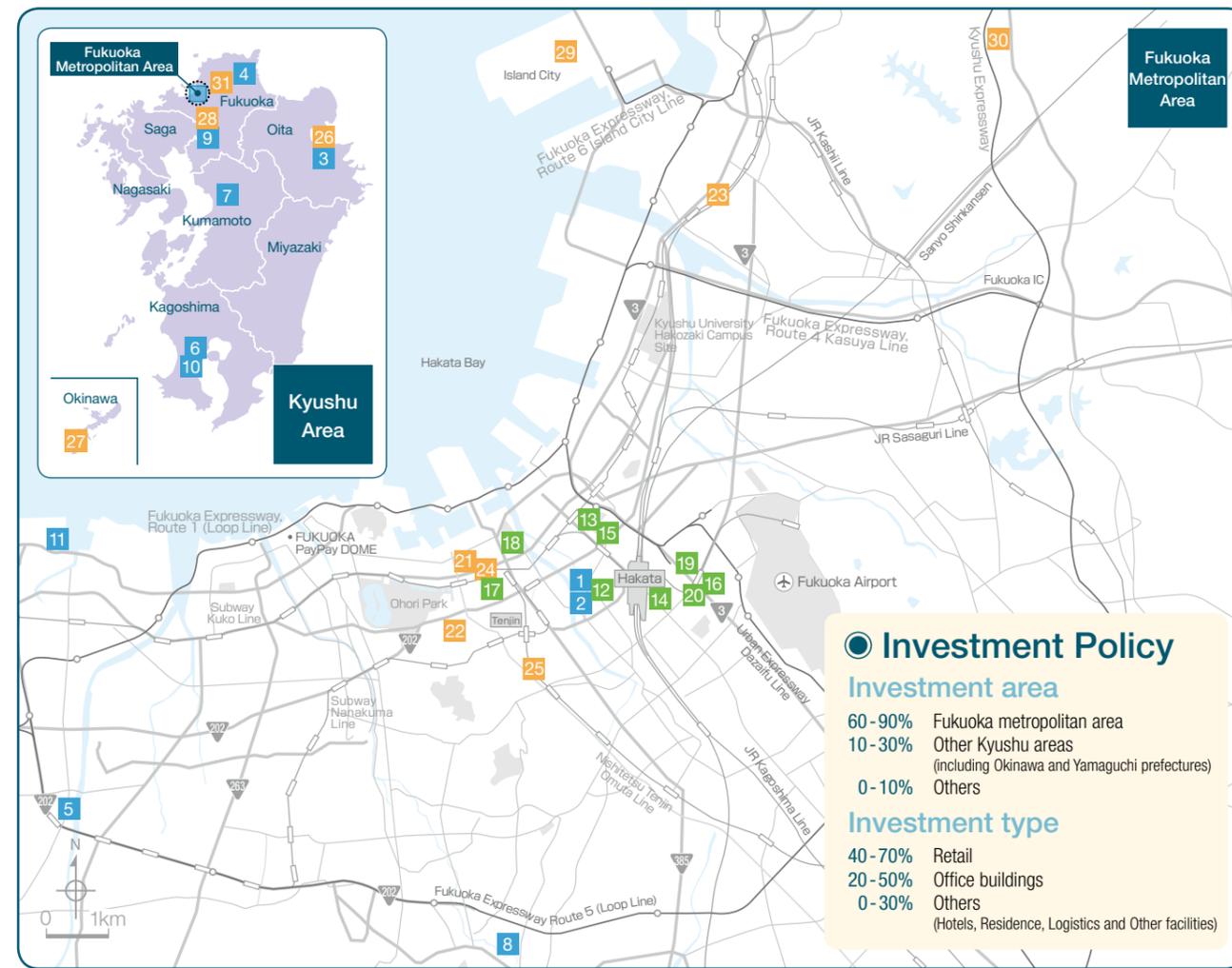


30 Others (logistics)
LOGICITY Hisayama
Approximately 5 km from the Fukuoka Interchange featuring traffic convenience, and has good general-purpose capabilities



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

Portfolio Map



Investment Policy

Investment area

- 60 - 90% Fukuoka metropolitan area
- 10 - 30% Other Kyushu areas (including Okinawa and Yamaguchi prefectures)
- 0 - 10% Others

Investment type

- 40 - 70% Retail
- 20 - 50% Office buildings
- 0 - 30% Others (Hotels, Residence, Logistics and Other facilities)

Overview of Asset Replacement

FRC decided to conduct asset replacement, scheduled for June 1, 2021, and issued press releases on the matter on March 18.

About the Asset Replacement

In March 2019, FRC changed the investment ratios by investment type in the basic policy of asset management (as designated in the Asset Management Guidelines). The change was made to allow FRC to more flexibly investigate acquisition of properties of investment types other than retail facilities. Based on this policy, FRC conducted the latest asset replacement.

Investment policy

(Investment ratios by investment type)

Investment policy changed in March 2019



Portfolio after asset replacement

(Investment ratio by investment type)



Overview of the Asset Replacement

	Asset to be acquired	Asset to be transferred
Property name	Tenjin Nishi-Dori Business Center (Land with leasehold interest)	Canal City Hakata-B Grand Building (88.28% co-ownership interest in Grand Building)
Investment type	Office building (Land with leasehold interest)	Retail
Acquisition/Disposition date (scheduled)	June 1, 2021	June 1, 2021
Seller/Buyer	Fukuoka Jisho Co., Ltd.	Hoshino Resorts REIT, Inc.
Acquisition/Disposition price (scheduled)	7,700 mm yen	7,700 mm yen
Appraisal value	7,790 mm yen	7,640 mm yen
Book value (Note 1)	—	7,510 mm yen
Difference between acquisition/disposition price (scheduled) and appraisal value	(90) mm yen	60 mm yen
NOI yield (Note 2)	3.5%	5.9%

(Note 1) The gain (loss) on disposition including expenses for the disposition, etc. is estimated to be 95 million yen.

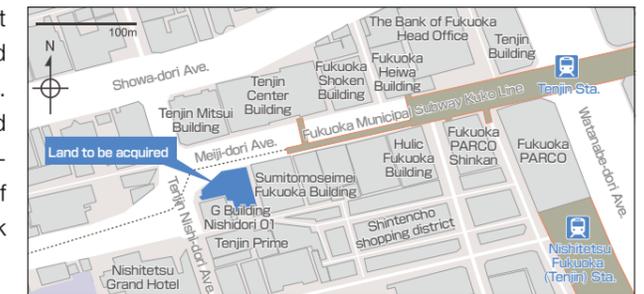
(Note 2) The figure is calculated based on the NOI of the appraisal value.

Aim of the Asset Replacement

- Conducted asset replacement based on investment policy changed in March 2019 (lowering the investment ratio of retail facilities and heightening the investment ratio of office buildings)
- Take in medium- to long-term office building market growth in the Tenjin area
- Realize continuous sponsor support
- Capture domestic demand further and contribute to future growth of Canal City Hakata as a whole
- Reduce risks of having a full-service hotel which is largely impacted by COVID-19
- Secure gain on sale by selling at a price above the appraisal value
- Improve stability in dividends

About the Asset to be Acquired

The property is located along Meiji-dori Avenue where the highest level of maturity among office districts in the area is seen, and near Tenjin Nishi-dori Avenue where retail facilities concentrate. Meiji-dori Avenue runs east-west through the Tenjin area, and there are many financial institutions located along the street including headquarters of local financial institutions, branches of major banks, branches of securities firms and the Fukuoka Stock Exchange, as well as retail facilities.



About the Asset to be Transferred

FRC decided to dispose the property based on the judgement that it would lead to the maximization of unitholder value over the medium to long term. Under the impact of the COVID-19 infection, FRC has considered various options including renewal of floors that are not accommodation-category floors, stabilizing earnings through change of use, as well as transfer of the property. As there was an offer to acquire the property from Hoshino Resorts REIT, Inc., the buyer, for some time, and upon comprehensively considering that the transfer would lead to medium- to long-term stability of the portfolio and that the transfer to Hoshino Resorts Group is expected to increase demand for the property from domestic customers as well as other factors.



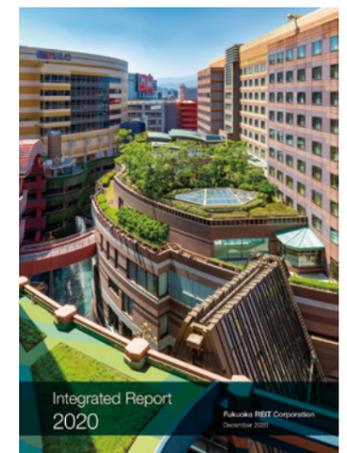
Canal City Hakata as a whole (portions owned by FRC)
(Note) FRC does not own Canal City Theater in the North Building and has no plans to acquire it as of May 31, 2021.

Initiatives on Sustainability

Publication of “Integrated Report 2020” (becoming the only J-REIT to do so)

FRC published the second issue “Integrated Report 2020,” which integrally provides its financial and non-financial information and encompasses its initiatives for sustainable growth and medium-to long-term corporate value creation. Aimed at demonstrating FRC’s value-creation process in an easy-to-understand manner, the Report presents its history, management philosophy, value-creation activities and the foundations underpinning management, etc. This report was compiled in reference to the “International Integrated Reporting Framework” by the International Integrated Reporting Council (IIRC) and “Guidance for Collaborative Value Creation” by the Ministry of Economy, Trade and Industry.

Integrated Report: <https://www.fukuoka-reit.jp/en/ir/index.html>



External Evaluation

The GRESB Survey 2020

Received the rating of “Green Star” and “3 Star” in the GRESB survey 2020



Green Building Certification

Green Building certificate acquisition ratio

*As of February 2021 (based on total floor space)



II. Semiannual Report

Overview of Asset Management

1. Changes in operating results and financial position

Fiscal Period		29th fiscal period (September 1, 2018 to February 28, 2019)	30th fiscal period (March 1, 2019 to August 31, 2019)	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)	33rd fiscal period (September 1, 2020 to February 28, 2021)
Operating revenues	mm yen	9,242	9,231	9,162	8,518	8,904
[Leasing business revenues]	mm yen	[9,242]	[9,231]	[9,162]	[8,518]	[8,904]
Operating expenses	mm yen	5,936	5,913	5,888	5,551	5,842
[Expenses related to leasing business]	mm yen	[5,274]	[5,250]	[5,226]	[4,897]	[5,180]
Operating income	mm yen	3,306	3,318	3,273	2,966	3,061
Ordinary income	mm yen	2,935	2,939	2,900	2,587	2,677
Profit	(a) mm yen	2,934	2,939	2,899	2,586	2,675
Total assets	(b) mm yen	195,433	195,106	194,795	199,004	199,559
[Change from previous period]	%	[1.2]	[(0.2)]	[(0.2)]	[2.2]	[0.3]
Interest-bearing debt	(c) mm yen	77,500	77,500	77,500	82,400	82,400
Net assets	(d) mm yen	101,874	101,878	101,837	101,525	101,614
[Change from previous period]	%	[0.1]	[0.0]	[(0.0)]	[(0.3)]	[0.1]
Unitholders' equity	mm yen	98,938	98,938	98,938	98,938	98,938
Total number of investment units outstanding	(e) units	796,000	796,000	796,000	796,000	796,000
Net assets per unit	(d)/(e) yen	127,982	127,987	127,937	127,544	127,656
Total dividend	(f) mm yen	2,934	2,939	2,899	2,587	2,675
Dividend per unit	(f)/(e) yen	3,687	3,693	3,642	3,250	3,361
[Earnings dividend per unit]	yen	[3,687]	[3,693]	[3,642]	[3,250]	[3,361]
[Dividend in excess of earnings per unit]	yen	[-]	[-]	[-]	[-]	[-]
Ratio of ordinary income to total assets	(Note 3) %	1.5 [3.0]	1.5 [3.0]	1.5 [3.0]	1.3 [2.6]	1.3 [2.7]
Return on net assets	(Note 3) %	2.9 [5.8]	2.9 [5.7]	2.8 [5.7]	2.5 [5.0]	2.6 [5.3]
Ratio of net assets to total assets	(d)/(b) %	52.1	52.2	52.3	51.0	50.9
[Change from previous period]	%	[(0.6)]	[0.1]	[0.1]	[(1.3)]	[(0.1)]
Payout ratio	(Note 3) %	100.0	100.0	100.0	100.0	100.0
Ratio of interest-bearing debt to total assets at end of period (LTV)	(c)/(b) %	39.7	39.7	39.8	41.4	41.3
[Other reference information]						
Number of investment properties (at end of period)	properties	29	29	29	31	31
Total leasable floor space (at end of period)	m ²	580,665.27	580,664.27	580,662.77	591,021.51	608,557.70
Occupancy rate (at end of period)	%	99.7	99.6	99.7	99.7	99.5
Depreciation and amortization expenses	mm yen	1,622	1,651	1,660	1,686	1,623
Capital expenditures	mm yen	947	476	465	790	687
Leasing NOI	(Note 3) mm yen	5,591	5,633	5,596	5,307	5,347
Days in fiscal period	days	181	184	182	184	181
FFO (Funds from Operation)	(g)/(Note 3) mm yen	4,557	4,591	4,559	4,273	4,299
FFO per unit	(g)/(e) yen	5,725	5,767	5,728	5,368	5,401

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

(Note 2) In the above table, monetary amounts are rounded down to the nearest specified unit and percentage figures are rounded off to one decimal place.

(Note 3) The indicators are calculated by using the following methods. Furthermore, the figures in square brackets represent annualized value based on the number of days in each fiscal period.

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

Overview of Asset Management

2. Management assessment

(1) Brief history of the investment corporation

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

FRC started asset management activities on November 9, 2004 after acquisition of four properties such as Retail in Canal City Hakata (excluding some areas of specialty shops, hotels, theaters, offices and common space), a commercial complex where specialty shops, cinema complex, theaters, amusement facilities, hotels and offices are integrally developed (hereinafter "Canal City Hakata"). As of the end of the 33rd fiscal period (February 28, 2021), FRC manages a total of 31 properties comprising 11 Retail, 9 Office buildings and 11 Others.

(2) Investment environment and portfolio performance

During the 33rd fiscal period, the Japanese economy continued to show signs of improvement despite the negative interference of the novel coronavirus (COVID-19). It is expected that the economy will continue to improve given the effects of various political measures, although attention should be paid to the impact of changes in the financial and capital markets, etc.

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

As for land price trends, the national average price in combined average for residential and commercial land took a downward turn for the first time in 6 years, with the residential land price and commercial land price dropping for the first time in 5 years and 7 years, respectively, according to the 2021 Land Market Value Publication. Meanwhile, in Fukuoka City, the central area of FRC's investment targets, land prices have continued to rise for 9 consecutive years, up 6.6% year-on-year for commercial land and up 3.3% year-on-year for residential land.

Under such circumstances, FRC's portfolio achieved solid performance in the asset types of office buildings, logistics facilities, and residential properties. Sales of Canal City Hakata and other major retail properties increased period-on-period, countering the negative influences of COVID-19 experienced during the 32nd fiscal period. Hotels, however, failed to recover given the decline in demand for tourism.

When analyzing FRC's portfolio (on an acquisition price basis) as of the end of the 33rd fiscal period by investment target area, the investment ratio in the Fukuoka urban area accounted for 76.6%; when analyzing by property type, Retail, Office buildings, and Others accounted for 58.0%, 27.7% and 14.3%, respectively.

On top of these efforts, FRC is engaged in promoting sustainability through environmental, social and governance (ESG) considerations based on its Sustainability Policy. For this purpose, the Sustainability Promotion Committee has been established at Fukuoka Realty Co., Ltd. to which FRC entrusts its asset management (the Asset Manager). The Committee, which comprises President/CEO and general managers of Property Management Department, Investment Department, Finance Department, Planning Department and Compliance Department of 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, FRC has established the Sustainability Promotion Office under the sustainability officer (general manager of the Planning Department), who is the person responsible for the practical aspects concerning the targets set at the Sustainability Promotion Committee, and the Office is engaged in continuous operations related to the GRESB Real Estate Assessment (with Green Star rating), the Principles for Responsible Investment (PRI) and the Principles for Financial Action for the 21st Century (PFA21) and other initiatives.

Overview of Asset Management

(3) Summary of fundraising

The balance of FRC's interest-bearing debt outstanding (including investment corporation bonds) at the end of the 33rd fiscal period totaled 82,400 million yen, with the loan-to-value ratio (ratio of interest-bearing debt (including investment corporation bonds) to total assets) at 41.3% and the ratio of fixed-interest rate debt (ratio of interest-bearing debt with fixed interest rates (including investment corporation bonds) to total interest-bearing debt) at 94.1% as of the same date. In addition, with regard to the commitment line agreement (credit limit: 7,000 million yen) with The Nishi-Nippon City Bank, Ltd. serving as the agent, FRC extended the commitment period by a year, lengthening the remaining term of commitment to three years.

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

Moreover, the credit ratings assigned to FRC as of the end of the 33rd 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 8,904 million yen and operating income after excluding operating expenses such as expenses related to leasing business and asset management fees totaled 3,061 million yen. Ordinary income was 2,677 million yen and profit amounted to 2,675 million yen. Management decided to make a dividend of 3,361 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 33rd 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	29th fiscal period (September 1, 2018 to February 28, 2019)	30th fiscal period (March 1, 2019 to August 31, 2019)	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)	33rd fiscal period (September 1, 2020 to February 28, 2021)
Highest	176,100 yen	182,500 yen	191,700 yen	169,900 yen	179,900 yen
Lowest	159,900 yen	166,000 yen	167,900 yen	72,500 yen	126,300 yen

4. Results of dividend, etc.

With respect to the dividend (excluding dividend in excess of earnings) for the 33rd 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 3,361 yen.

(thousands of yen)

Fiscal period	29th fiscal period (September 1, 2018 to February 28, 2019)	30th fiscal period (March 1, 2019 to August 31, 2019)	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)	33rd fiscal period (September 1, 2020 to February 28, 2021)
Profit	2,934,877	2,939,139	2,899,112	2,586,899	2,675,572
Unappropriated surplus	2,935,391	2,939,679	2,899,164	2,587,031	2,675,604
Undistributed earnings	539	51	132	31	248
Total dividends [Dividend per unit]	2,934,852 [3,687 yen]	2,939,628 [3,693 yen]	2,899,032 [3,642 yen]	2,587,000 [3,250 yen]	2,675,356 [3,361 yen]
Earnings dividends [Earnings dividend per unit]	2,934,852 [3,687 yen]	2,939,628 [3,693 yen]	2,899,032 [3,642 yen]	2,587,000 [3,250 yen]	2,675,356 [3,361 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 continue to 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 the 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 through its knowledge of the local land. FRC will acquire high quality properties through use of its advantages, such as information gathering ability in the areas, good knowledge of regional properties and close relations with the local business community and governments, so that investors can continue to invest in FRC with assurance.

Overview of Asset Management

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

6. Significant events that have occurred after the end of the 33rd fiscal period

(1) Disposition of Asset

On March 18, 2021, FRC concluded a sales agreement regarding disposal of real estate trust beneficiary interest.

Type of asset to be disposed	Property name	Use	Location	Buyer	Disposition price (planned)	Disposition date (planned)	Impact on earnings
Real estate trust beneficiary interest	Canal City Hakata-B Grand Building (Note 1)	Retail	2-82, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	Hoshino Resorts REIT, Inc.	7,700 million yen (Note 2)	June 1, 2021	FRC plans to record gain on sales of real estate of approximately 95 million yen as operating revenues for the fiscal period ending August 2021.

(Note 1) FRC will dispose of the beneficiary interest of a trust with 88.28% co-ownership interest in Grand Building, one of the compartmentalized buildings, as trust property. The trust will be arising by splitting the trust that has been established based on the real estate management and disposition trust agreement for Canal City Hakata-B.

(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.

(Note 3) The beneficiary interest disposition agreement for the property (the "Disposition 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 the agreement as well as other similar agreements). The Disposition Agreement states that, in the event either FRC or the buyer fails to fulfill the obligations of the Disposition Agreement and the affected party demands to fulfill it within a reasonable period of time and the other party fails to fulfill it within the specified period of time, the affected party may cancel the sales agreement as long as the property has not yet been transferred. In addition, FRC or the buyer will be liable to compensate for damages, etc. suffered by the other party in relation to the breach of the Disposition Agreement, but the compensation amount shall be up to 20% of the total sales price at a maximum.

(2) Acquisition of Asset

On March 18, 2021, FRC concluded a sales agreement regarding acquisition of real estate trust beneficiary interest.

Type of asset to be acquired	Property name	Use	Location	Seller	Acquisition price (planned)	Acquisition date (planned)
Real estate trust beneficiary interest	Tenjin Nishi-Dori Business Center (Land with leasehold interest)	Office	2-149, Tenjin, Chuo Ward, Fukuoka City and 4 other lots	Fukuoka Jisho Co., Ltd.	7,700 million yen (Note 1)	June 1, 2021

(Note 1) The acquisition price (planned) does not include acquisition expenses and the amount equivalent to the settlement of property taxes and city planning taxes, etc.

(Note 2) The beneficiary interest disposition agreement for the acquisition of the property (the "Acquisition 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 the agreement as well as other similar agreements). FRC shall be able to cancel the Acquisition Agreement without penalty if it becomes impossible to achieve the purpose of the agreement due to a cause not attributable to FRC. In the Transaction Agreement FRC will not pay any deposit.

Overview of the Investment Corporation

1. Summary of unitholders' capital

Fiscal period	29th fiscal period as of February 28, 2019	30th fiscal period as of August 31, 2019	31st fiscal period as of February 29, 2020	32nd fiscal period as of August 31, 2020	33rd fiscal period as of February 28, 2021
Total number of authorized investment units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units
Total number of investment units outstanding	796,000 units	796,000 units	796,000 units	796,000 units	796,000 units
Number of unitholders	10,478	10,551	10,473	14,468	13,817

Overview of the Investment Corporation

2. Matters related to investment units

The following table sets forth the major unitholders of FRC as of February 28, 2021.

Name	Investment units held (units)	Percentage of total number of investment units outstanding (%) (Note)
Custody Bank of Japan, Ltd. (Trust account)	173,018	21.73
The Master Trust Bank of Japan, Ltd. (Trust account)	101,398	12.73
Fukuoka Jisho Co., Ltd.	73,136	9.18
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	30,703	3.85
Custody Bank of Japan, Ltd. (Securities investment trust account)	19,847	2.49
NORTHERN TRUST CO. (AVFC) RE HCR00	15,518	1.94
The Shinkumi Federation Bank	14,760	1.85
STATE STREET BANK WEST CLIENT – TREATY 505234	11,976	1.50
MetLife, Inc.	10,227	1.28
Shikoku Railway Company	9,130	1.14
Total	459,713	57.75

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

3. Matters related to directors

(1) The names of FRC's directors, etc. and their fees for the 33rd fiscal period are as follows:

Title	Name of directors, etc.	Major concurrent assignments	Total fee for each title for the 33rd fiscal period (thousands of yen) (Note 2)
Executive Director	Etsuo Matsuyuki	CEO and Representative Director, Fukuoka Realty Co., Ltd.	6,000
Supervisory Directors	Takashi Tanabe	Representative attorney at law at Tanabe Law Office	3,600
	Yasuo Kawasho	Representative Partner, Kawasho Authorize Accountant Office	
Independent Auditor	PricewaterhouseCoopers Aarata LLC	–	8,500

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

(Note 2) The fees for the Executive Director and Supervisory Directors are the amounts paid to them in the 33rd fiscal period, and the fee to the Independent Auditor is the amount payable to it (estimate) for audits pertaining to the 33rd 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. Names of asset management company, asset custodian and general administrators as of the end of the 33rd fiscal period

The following table sets forth the asset management company, asset custodian and general administrators of FRC as of February 28, 2021.

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

Status of FRC's Assets under Management

1. FRC's asset structure

Type of asset	Use	Area (Note 1)	32nd fiscal period as of August 31, 2020		33rd fiscal period as of February 28, 2021	
			Total value of properties owned (mm of yen) (Note 2)	Percentage of total assets (%) (Note 3)	Total value of properties owned (mm of yen) (Note 2)	Percentage of total assets (%) (Note 3)
Real estate	Retail	Fukuoka metropolitan area	–	–	–	–
		Other Kyushu areas	–	–	–	–
	Office buildings	Fukuoka metropolitan area	–	–	–	–
		Other Kyushu areas	–	–	–	–
	Others	Fukuoka metropolitan area	–	–	–	–
Other Kyushu areas		1,821	0.9	2,167	1.1	
Real estate trust beneficiary interest	Retail	Fukuoka metropolitan area	74,852	37.6	74,583	37.4
		Other Kyushu areas	37,033	18.6	36,828	18.5
	Office buildings	Fukuoka metropolitan area	48,283	24.3	47,996	24.1
		Other Kyushu areas	–	–	–	–
	Others	Fukuoka metropolitan area	20,171	10.1	20,033	10.0
Other Kyushu areas		5,408	2.7	5,362	2.7	
Deposits and other assets			11,433	5.7	12,586	6.3
Total amount of assets (Note 4)			199,004 [187,589]	100.0 [94.3]	199,559 [186,988]	100.0 [93.7]

(Note 1) "Fukuoka metropolitan area" refers to cities, towns and villages where 10% or more of the population commute to Fukuoka City for school and work, according to the 2015 census, which states "the number of workers and students aged 15 years or older (students including those aged 14 years or younger: particular reference) commuting between their homes and places of work or school" conducted by Fukuoka City and the Statistics Bureau of the Ministry of Internal Affairs and Communications. "Other Kyushu areas" refers to all other parts of Kyushu (excluding the Fukuoka metropolitan area).

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

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

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

2. Major assets owned by FRC

The following is an overview of the major assets (top ten properties on a book value basis) owned by FRC as of February 28, 2021.

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	29,584	46,585.57	45,501.63	97.7	11.4	Retail
Canal City Hakata-B	28,701	68,824.95	68,473.81	99.5	16.1	Retail
Park Place Oita	20,195	121,212.26	121,198.96	100.0	13.5	Retail
Canal City Business Center Building	12,922	23,029.92	23,029.92	100.0	7.2	Office buildings
Konoha Mall Hashimoto	9,913	22,121.05	21,631.32	97.8	8.7	Retail
Gofukumachi Business Center	8,796	19,905.34	19,905.34	100.0	6.3	Office buildings
LOGICITY Minato Kashii	7,789	43,233.72	43,233.72	100.0	Undisclosed (Note 4)	Others
Taihaku Street Business Center	5,698	14,677.30	14,505.95	98.8	3.6	Office buildings
SunLive City Kokura	5,439	61,450.22	61,450.22	100.0	2.9	Retail
Marinoa City Fukuoka (Marina Side Building)	5,416	33,069.82	33,069.82	100.0	2.0	Retail
Total	134,458	454,110.15	452,000.69	99.5	–	–

(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 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 February 28, 2021.

Real estate property name	Location	Form of ownership	Total leasable floor space (m ²)	Period-end appraisal value (mm of yen) (Note)	Book value at end of period (mm of yen)	Real estate appraiser
Canal City Hakata	2-22, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	46,585.57	30,700	29,584	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata-B	2-1, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	68,824.95	28,900	28,701	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	1, 2-chome, Koen Dori Nishi, Oita City, Oita	Trust beneficiary interest	121,212.26	21,200	20,195	Japan Real Estate Institute
SunLive City Kokura	14-1, 2-chome, Kami Kuzuhara, Kokura Minami Ward, Kitakyushu City	Trust beneficiary interest	61,450.22	8,440	5,439	Japan Real Estate Institute
Konoha Mall Hashimoto	27-2, 2-chome, Hashimoto, Nishi Ward, Fukuoka City	Trust beneficiary interest	22,121.05	10,300	9,913	Tanizawa Sogo Appraisal Co., Ltd.
Square Mall Kagoshima Usuki	2-18, 2-chome, Usuki, Kagoshima City, Kagoshima	Trust beneficiary interest	14,602.88	4,960	4,296	Japan Real Estate Institute
Kumamoto Intercommunity SC	1-5, 1-chome, Kozono, Higashi Ward, Kumamoto City	Trust beneficiary interest	6,968.66	2,740	1,956	Japan Real Estate Institute
Hanahata SC	9-12, 4-chome, Hanahata, Minami Ward, Fukuoka City	Trust beneficiary interest	2,801.15	1,200	967	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	370-3 Higashi Kushiwara, Kurume City, Fukuoka	Trust beneficiary interest	6,467.80	2,740	2,010	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	4-12, Tokai-cho, Kagoshima City, Kagoshima	Trust beneficiary interest	7,296.17	3,660	2,930	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	6,080	5,416	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:			391,400.53	120,920	111,412	
Canal City Business Center Building	2-25, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	23,029.92	16,800	12,922	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	10-10, Kami Gofukumachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	19,905.34	15,200	8,796	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	1-23, 2-chome, Hakataeki Higashi, Hakata Ward, Fukuoka City	Trust beneficiary interest	6,293.75	6,510	3,763	Japan Real Estate Institute
Taihaku Street Business Center	3-21 Gokushomachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	14,677.30	9,180	5,698	Japan Real Estate Institute
Higashi Hie Business Center	1-2, 3-chome, Higashi Hie, Hakata Ward, Fukuoka City	Trust beneficiary interest	13,614.59	8,280	4,405	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	5-28, 2-chome, Tenjin, Chuo Ward, Fukuoka City	Trust beneficiary interest	3,339.32	3,140	2,663	Japan Real Estate Institute
Tenjin North Front Building	4-20, 4-chome, Tenjin, Chuo Ward, Fukuoka City	Trust beneficiary interest	5,252.41	4,400	2,447	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	4,580	4,023	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	3,320	3,275	Tanizawa Sogo Appraisal Co., Ltd.
Office buildings subtotal:			95,308.54	71,410	47,996	
Amex Akasakamon Tower	4-23, 2-chome, Maizuru, Chuo Ward, Fukuoka City	Trust beneficiary interest	4,821.25	1,840	1,652	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	1,030	891	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Chihaya	3-12, 4-chome, Chihaya, Higashi Ward, Fukuoka City	Trust beneficiary interest	5,619.69	1,900	1,157	Japan Real Estate Institute
D-Wing Tower	10-38, 2-chome, Daimyo, Chuo Ward, Fukuoka City	Trust beneficiary interest	7,187.59	3,580	2,652	Tanizawa Sogo Appraisal Co., Ltd.
Granfore Yakuin Minami	11-20, 1-chome, Hirao, Chuo Ward, Fukuoka City	Trust beneficiary interest	2,496.06	1,340	1,088	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	1,364	Japan Real Estate Institute
Tissage Hotel Naha	14-1, 2-chome, Nishi, Naha City, Okinawa	Trust beneficiary interest	3,758.76	2,860	2,834	Tanizawa Sogo Appraisal Co., Ltd.
Tosu Logistics Center	1607 Aza Momota, Himekata-cho, Tosu City, Saga	Trust beneficiary interest	4,173.29	1,320	1,162	Japan Real Estate Institute
LOGICITY Minato Kashii	3-4, 2-chome, Minato Kashii, Higashi Ward, Fukuoka City	Trust beneficiary interest	43,233.72	9,100	7,789	Tanizawa Sogo Appraisal Co., Ltd.
LOGICITY Hisayama	2335-3 Oaza Yamada, Hisayama-machi, Kasuya County, Fukuoka	Trust beneficiary interest	24,505.65	5,340	4,800	Tanizawa Sogo Appraisal Co., Ltd.
LOGICITY Wakamiya	1406 Shimoaruki, Miyawaka City, Fukuoka	Real estate	17,556.32	2,370	2,167	Tanizawa Sogo Appraisal Co., Ltd.
Others subtotal:			121,848.63	32,570	27,563	
Total			608,557.70	224,900	186,972	

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

Status of FRC's Assets under Management

Real estate property name	32nd fiscal period (March 1, 2020 to August 31, 2020)				33rd fiscal period (September 1, 2020 to February 28, 2021)			
	Number of tenants at end of period (Note 1)	Occupancy rate at end of period (%) (Note 3)	Total leasing business revenues during periods (mm of yen)	Percentage of total leasing business revenues (%) (Note 4)	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)	Percentage of total leasing business revenues (%) (Note 4)
Canal City Hakata	1 [50]	100.0	1,016	11.9	1 [46]	97.7	1,018	11.4
Canal City Hakata-B	1 [45]	99.5	1,306	15.3	1 [45]	99.5	1,429	16.1
Park Place Oita	1 [106]	100.0	1,113	13.1	1 [104]	100.0	1,198	13.5
SunLive City Kokura	1	100.0	262	3.1	1	100.0	262	2.9
Konoha Mall Hashimoto	1 [126]	100.0	710	8.3	1 [123]	97.8	778	8.7
Square Mall Kagoshima Usuki	13	100.0	253	3.0	13	100.0	252	2.8
Kumamoto Intercommunity SC	2	100.0	89	1.1	2	100.0	89	1.0
Hanahata SC	2	100.0	40	0.5	2	100.0	40	0.5
Kurume Higashi Kushiwara SC	1	100.0	88	1.0	1	100.0	88	1.0
K's Denki Kagoshima	1	100.0	111	1.3	1	100.0	112	1.3
Marinoa City Fukuoka (Marina Side Building)	1	100.0	165	1.9	1	100.0	178	2.0
Retail subtotal:	25 [348] (Note 2)	99.9	5,157	60.6	25 [339] (Note 2)	99.5	5,450	61.2
Canal City Business Center Building	1 [60]	99.2	624	7.3	1 [62]	100.0	641	7.2
Gofukumachi Business Center	36	100.0	554	6.5	36	100.0	557	6.3
Sanix Hakata Building	16	100.0	207	2.4	16	100.0	205	2.3
Taihaku Street Business Center	1 [67]	98.4	318	3.7	1 [68]	98.8	318	3.6
Higashi Hie Business Center	1 [27]	100.0	349	4.1	1 [27]	100.0	351	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	144	1.6
Higashi Hie Business Center II	2	100.0	164	1.9	2	100.0	162	1.8
Higashi Hie Business Center III	5	94.1	47	0.6	5	94.1	92	1.0
Office buildings subtotal:	74 [225] (Note 2)	99.4	2,497	29.3	74 [228] (Note 2)	99.6	2,560	28.8
Amex Akasakamon Tower	1 [61]	90.6	64	0.8	1 [66]	98.8	66	0.7
City House Keyaki Dori	1 [42]	100.0	38	0.4	1 [41]	97.8	39	0.4
Aqualia Chihaya	1 [103]	97.9	59	0.7	1 [103]	97.9	60	0.7
D-Wing Tower	1 [133]	96.7	117	1.4	1 [132]	95.1	112	1.3
Granfore Yakuin Minami	1 [98]	99.0	38	0.5	1 [95]	96.0	38	0.4
Hotel FORZA Oita	1	100.0	63	0.7	1	100.0	63	0.7
Tissage Hotel Naha	1	100.0	43	0.5	1	100.0	28	0.3
Tosu Logistics Center	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
LOGICITY Minato Kashii	2	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)	2	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
LOGICITY Hisayama	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
LOGICITY Wakamiya (Note 6)	—	—	—	—	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
Others subtotal:	11 [443] (Note 2)	99.2	863	10.1	12 [444] (Note 2)	99.4	892	10.0
Total	110 [1,016] (Note 2)	99.7	8,518	100.0	111 [1,011] (Note 2)	99.5	8,904	100.0

(Note 1) "Number of tenants" is based on the total number of sections stipulated in the tenancy agreements for retail and office buildings among relevant properties. For the number of tenants in pass-through master leasing properties, the number of sections stipulated in the tenancy agreements with end tenants is shown in square brackets. The Taihaku Street Business Center is an office building with a residential tower. Its number of tenants comprises 12 for the office building and 56 for the residence in the 33rd fiscal period (11 for the office building and 56 for the residence in the 32nd 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) "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 5) The figures are not disclosed as no consent to disclosure has been obtained from the tenants.

(Note 6) Since the repair work was carried out after the acquisition and the operation started in November 2020, no rent, etc. was incurred in the 32nd fiscal period.

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.

Status of FRC's Assets under Management

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 February 28, 2021.

Category	Type	Contract amount, etc. (mm of yen)		Fair value (mm of yen) (Note 2)
		(Note 1)	Of which, exceeding 1 year	
Off-market transaction	Interest rate swap transaction (Receivable floating; Payable fixed)	23,700	17,400	(137)
Total		23,700	17,400	(137)

(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 33rd fiscal period.

9. Status of owned assets by country and region

As of the end of the 33rd fiscal period, no overseas real estate properties in countries or regions other than Japan are incorporated into FRC's portfolio.

Capital Expenditures for Owned Real Estate

1. Planned capital expenditures

The following table provides amounts of major items of capital expenditures associated with currently planned renovations, etc. for real estate properties owned by FRC as of the date of this Semiannual Report. The planned construction costs indicated below may be partly classified as expenses. In addition, FRC will implement renewal construction work in order to maintain and improve the competitiveness of properties in the market as well as tenant satisfaction, on top of the construction, facilities and replacement work for which expenditures will be made regularly.

Real estate property name	Location	Purpose	Schedule	Planned construction cost (mm of yen)		
				Total	Construction cost	Amount already paid
Canal City Hakata	Hakata Ward, Fukuoka City	Replacement of mechanical security system monitoring terminals	From August 2021 to February 2022	28	—	—
Canal City Hakata-B	Hakata Ward, Fukuoka City	Replacement of mechanical security system monitoring terminals	From August 2021 to February 2022	57	—	—
Park Place Oita	Oita City, Oita	Rooftop painting	From April 2021 to May 2021	48	—	—
SunLive City Kokura	Kokura Minami Ward, Kitakyushu City	Renovation of common spaces	From June 2021 to September 2021	258	—	—
Square Mall Kagoshima Usuki	Kagoshima City, Kagoshima	Renovation of external walls	From October 2021 to February 2022	32	—	—
Sanix Hakata Building	Hakata Ward, Fukuoka City	Replacement of air-conditioning units	From March 2021 to April 2021	16	—	—

Capital Expenditures for Owned Real Estate

2. Capital expenditures during the 33rd fiscal period

Capital expenditures for the real estate properties owned by FRC totaled 687 million yen in the 33rd period. Furthermore, FRC incurred construction costs of 905 million yen in total in the period, including 211 million yen in repair and maintenance expenses classified as expenses on the Statement of Income and 7 million yen in expenses for restoration to former state. The following table provides the overview of major construction work that was completed in the 33rd fiscal period.

Real estate property name	Location	Purpose	Period	Construction cost (mm of yen)
Canal City Hakata	Hakata Ward, Fukuoka City	Formation of tenant sections	From August 2020 to January 2021	99
Canal City Hakata-B	Hakata Ward, Fukuoka City	Replacement of central monitoring equipment	From April 2020 to September 2020	27
Park Place Oita	Oita City, Oita	Replacement of air-conditioning units	November 2020	113
Square Mall Kagoshima Usuki	Kagoshima City, Kagoshima	Renovation of external walls	From November 2020 to February 2021	24
Gofukumachi Business Center	Hakata Ward, Fukuoka City	Replacement of air-conditioning units	February 2021	38
Sanix Hakata Building	Hakata Ward, Fukuoka City	Replacement of air-conditioning units	From October 2020 to December 2020	43

3. Reserves for long-term repair and maintenance plans

FRC has deposited the following amounts from the cash flows generated during the 33rd 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	29th fiscal period (September 1, 2018 to February 28, 2019)	30th fiscal period (March 1, 2019 to August 31, 2019)	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)	33rd fiscal period (September 1, 2020 to February 28, 2021)
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	32nd fiscal period (March 1, 2020 to August 31, 2019)	33rd fiscal period (September 1, 2020 to February 28, 2021)
(a) Asset management fees	520,263	524,777
(b) Asset custody fees	7,344	7,401
(c) Administrative service fees	57,100	58,665
(d) Directors' compensations	9,600	9,600
(e) Other operating expenses	60,308	61,374
Total	654,617	661,818

(Note) Aside from the amounts of the asset management fees shown above, 19,200 thousand yen was paid in the 32nd fiscal period for asset management, capitalized in the acquisition costs, related to the acquisition of Higashi Hie Business Center III, LOGICITY Wakamiya and Home Plaza NAFCO at Park Place Oita.

2. Status of debt

As of the end of the 33rd fiscal period (February 28, 2021), FRC has the following debt from respective financial institutions.

	Category	Drawdown date	Balance as of September 1, 2020 (mm of yen)	Balance as of February 28, 2021 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
	Lender								
Current maturities of long-term debt	Mizuho Bank	July 31, 2014	2,300	2,300	0.835	July 30, 2021	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Norinchukin Bank		1,000	1,000					
	The Hiroshima Bank		1,400	1,400					
	The Kitakyushu Bank		800	800					
	The Iyo Bank		500	500					
	The Higo Bank		300	300					
	Subtotal		6,300	6,300					
Long-term debt	Development Bank of Japan	August 29, 2014	4,000	4,000	1.010	August 31, 2022	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	June 30, 2015	1,600	1,600	0.790	June 30, 2022	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	July 31, 2015	1,500	1,500	0.564	July 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	August 31, 2015	4,000	4,000	0.880	August 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	August 31, 2015	400	400	0.424	August 31, 2022	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	August 31, 2015	400	400	0.870	August 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	February 29, 2016	2,000	2,000	0.424	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	February 29, 2016	2,000	2,000	0.440	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	February 29, 2016	2,000	2,000	0.620	February 28, 2025	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	February 29, 2016	500	500	0.440	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Shinsei Bank	July 29, 2016	700	700	0.400	July 31, 2024	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	September 30, 2016	300	300	0.416	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 (Note 2)		200	200					
	The Hiroshima Bank		100	100					
	The Bank of Fukuoka	December 30, 2016	1,500	1,500	0.422	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	

Expenses and Liabilities

Category	Lender	Drawdown date	Balance as of September 1, 2020 (mm of yen)	Balance as of February 28, 2021 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
Long-term debt	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 (Note 2)		1,100	1,100					
	The Iyo Bank		500	500					
	Development Bank of Japan	June 30, 2017	1,800	1,800	0.650	December 31, 2026	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	July 31, 2017	2,000	2,000	0.792	July 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	July 31, 2017	2,000	2,000	0.892	July 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	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 (Note 2)		200	200					
	The Hiroshima Bank		100	100					
	Resona Bank		September 29, 2017	2,000					
	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	0.426	January 31, 2029	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
The Bank of Fukuoka	January 31, 2019	300	300	0.426	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	

Expenses and Liabilities

Category	Lender	Drawdown date	Balance as of September 1, 2020 (mm of yen)	Balance as of February 28, 2021 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description	
Long-term debt	Mizuho Bank	July 31, 2019	1,200	1,200	0.521	July 31, 2029	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	The Bank of Saga		500	500						
	The Higo Bank		500	500						
	The Norinchukin Bank	July 31, 2019	1,500	1,500	0.303	January 29, 2027	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	MUFG Bank	September 25, 2019	500	500	0.480	September 29, 2028	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	The Nishi-Nippon City Bank	February 28, 2020	2,500	2,500	0.480	February 28, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	Mizuho Bank	February 28, 2020	1,700	1,700	0.420	February 28, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	Aozora Bank	June 30, 2020	1,000	1,000	0.569	June 28, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	Resona Bank	June 30, 2020	700	700	0.569	June 28, 2030	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee	
	MUFG Bank	June 30, 2020	500	500	0.600	June 29, 2029	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee	
	The Kagoshima Bank	June 30, 2020	500	500	0.465	June 30, 2028	Lump-sum upon maturity	Acquisition fund	No collateral/ No guarantee	
	Development Bank of Japan	July 31, 2020	1,500	1,500	0.530	July 31, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	Mizuho Bank	July 31, 2020	1,000	1,000	0.470	July 31, 2030	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee	
	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	
	Subtotal			71,100	71,100					
	Total			77,400	77,400					

(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 Shinwa Bank and The Eighteenth Bank merged on October 1, 2020 to become The Juhachi-Shinwa Bank.

3. Investment corporation bonds

As of the end of the 33rd fiscal period (February 28, 2021), FRC has the following investment corporation bonds outstanding.

Issue	Issue date	Balance as of September 1, 2020 (mm of yen)	Decrease during the fiscal period (mm of yen)	Balance as of February 28, 2021 (mm of yen)	Coupon (%)	Maturity date	Maturity method	Use	Description
First Series of Unsecured Bonds	December 30, 2013	2,000	–	2,000	1.32	December 29, 2023	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)
Second Series of Unsecured Bonds	July 31, 2017	2,000	–	2,000	1.00	July 30, 2032	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)
Third Series of Unsecured Bonds	July 31, 2018	1,000	–	1,000	1.20	July 30, 2038	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)
Total		5,000	–	5,000					

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

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

4. Short-term investment corporation bonds

No relevant items.

5. Subscription rights to shares

No relevant items.

Acquisitions and Sales during the 33rd Fiscal Period

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

No relevant items.

2. Acquisition and sale of other assets

No relevant items.

3. Survey on prices of specified assets, etc.

(1) Real estate, etc.

No relevant items.

(2) Other

FRC carried out no transaction that was required to have the value, etc. reviewed pursuant to the provisions of Article 201 of the Investment Trusts Act.

4. Transactions with interested parties, etc.

(1) Transaction status

No relevant items.

(2) Amount of fees paid, etc.

FRC paid the following fees to the interested parties, etc. during the 33rd 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 Act on Investment Trusts and Investment Corporations. Of these interested parties, etc., the below table indicates the business partners to which FRC paid fees, etc. during the 33rd 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)	12,454	Fukuoka Jisho Co., Ltd.	5,582	44.8
		F.J. Entertainment Works Ltd.	2,571	20.6
Property management fees (Note 3)	344,128	Fukuoka Jisho Co., Ltd.	69,320	20.1
		F.J. Entertainment Works Ltd.	265,583	77.2
Outsourcing fees (Note 2) (Note 4)	1,526,435	Fukuoka Jisho Co., Ltd.	672,955	44.1
		F.J. Entertainment Works Ltd.	702,866	46.0
		Sunlife Co., Ltd.	91,217	6.0
Other operating expenses (Note 2)	1,366,844	Fukuoka Jisho Co., Ltd.	161,540	11.8
		F.J. Entertainment Works Ltd.	276,460	20.2
		Sunlife Co., Ltd.	1,843	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 33rd fiscal period. The amounts include construction work fees paid to third parties through interested parties, etc.

Fukuoka Jisho Co., Ltd. 278,430 thousand yen
F.J. Entertainment Works Ltd. 438,163 thousand yen
Sunlife Co., Ltd. 83,437 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. 8,395 thousand yen
F.J. Entertainment Works Ltd. 20,453 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.

Acquisitions and Sales during the 33rd Fiscal Period

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

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

Overview of Accounting

1. Assets, liabilities, principal and profits/loss

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

2. Changes in calculation method of depreciation

No relevant items.

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

No relevant items.

4. Overview of self-managed investment trust beneficiary certificates

No relevant items.

5. Disclosure on corporation owning foreign real estate

No relevant items.

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

No relevant items.

Other

1. Handling of fractions of monetary amounts and percentage figures

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

III. Independent Auditor's Report



Independent Auditor's Report

To the Board of Directors of Fukuoka REIT Corporation

Opinion

We have audited the financial statements of Fukuoka REIT Corporation (the Company), which comprise the balance sheet as of February 28, 2021, and the statement of income, statement of changes in net assets and cash flow statement for the six months period then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2021, and its financial performance and its cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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



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

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

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

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

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

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

Mitsuo Tsuruta
Designated Engagement Partner
Certified Public Accountant

Takashi Yabutani
Designated Engagement Partner
Certified Public Accountant

PricewaterhouseCoopers Aarata LLC

May 24, 2021

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IV. Balance Sheet

(thousands of yen)

Account	32nd fiscal period (as of August 31, 2020)	33rd fiscal period (as of February 28, 2021)
Assets		
Current assets		
Cash and deposits	3,733,612	6,596,412
Cash and deposits in trust	4,660,047	3,742,580
Operating accounts receivable	1,043,924	528,707
Prepaid expenses	282,717	287,185
Consumption taxes receivable	177,613	–
Others	3,570	3,007
Total current assets	9,901,484	11,157,893
Non-current assets		
Property, plant and equipment		
Buildings	974,393	1,166,235
Accumulated depreciation	–	(9,712)
Buildings, net	974,393	1,156,522
Structures	17,045	20,698
Accumulated depreciation	–	(129)
Structures, net	17,045	20,569
Tools and fixtures	–	1,571
Accumulated depreciation	–	(78)
Tools and fixtures, net	–	1,492
Lands	830,254	989,124
Buildings in trust	*1 103,899,463	*1 104,526,979
Accumulated depreciation	(33,495,971)	(34,998,550)
Buildings in trust, net	70,403,492	69,528,428
Structures in trust	2,047,268	2,049,545
Accumulated depreciation	(817,728)	(848,800)
Structures in trust, net	1,229,539	1,200,744
Machinery and equipment in trust	1,487,396	1,509,292
Accumulated depreciation	(595,564)	(639,038)
Machinery and equipment in trust, net	891,831	870,254
Vehicles and transport equipment in trust	747	747
Accumulated depreciation	(676)	(709)
Vehicles and transport equipment in trust, net	70	37
Tools and fixtures in trust	1,391,058	1,393,755
Accumulated depreciation	(1,194,239)	(1,210,954)
Tools and fixtures in trust, net	196,818	182,801
Lands in trust	*1 107,452,281	*1 107,452,281
Construction in progress in trust	18,319	16,791
Total property, plant and equipment	182,014,046	181,419,047
Intangible assets		
Leasehold right in trust	5,545,883	5,545,883
Other intangible assets in trust	29,519	24,044
Total intangible assets	5,575,402	5,569,927
Investment and other assets		
Deferred tax assets	14	63
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	327,135	327,135
Long-term prepaid expenses	1,138,352	1,042,944
Total investment and other assets	1,475,502	1,380,143
Total non-current assets	189,064,950	188,369,118
Deferred assets		
Investment corporation bond issuance expenses	34,142	32,040
Investment unit issuance expenses	3,835	–
Total deferred assets	37,978	32,040
Total assets	199,004,413	199,559,052

(thousands of yen)

Account	32nd fiscal period (as of August 31, 2020)	33rd fiscal period (as of February 28, 2021)
Liabilities		
Current liabilities		
Operating accounts payable	340,991	561,673
Current maturities of long-term debt	6,300,000	6,300,000
Accounts payable-other	12,612	22,905
Accrued expenses	355,374	415,653
Income taxes payable	967	1,835
Accrued consumption taxes	–	316,581
Advances received	1,123,558	1,088,923
Deposits received	894,072	793,952
Total current liabilities	9,027,577	9,501,526
Non-current liabilities		
Investment corporation bonds	5,000,000	5,000,000
Long-term debt	71,100,000	71,100,000
Tenant leasehold and security deposits	366,654	450,791
Tenant leasehold and security deposits received in trust	*1 11,984,384	*1 11,892,365
Total non-current liabilities	88,451,039	88,443,156
Total liabilities	97,478,617	97,944,683
Net assets		
Unitholders' equity		
Unitholders' capital	98,938,764	98,938,764
Surplus		
Unappropriated surplus	2,587,031	2,675,604
Total surplus	2,587,031	2,675,604
Total unitholders' equity	101,525,796	101,614,369
Total net assets	*3 101,525,796	*3 101,614,369
Total liabilities and net assets	199,004,413	199,559,052

V. Statement of Income

(thousands of yen)

Account	32nd fiscal period (March 1, 2020 to August 31, 2020)		33rd fiscal period (September 1, 2020 to February 28, 2021)	
Operating revenues				
Leasing revenues – real estate	*1	7,912,804	*1	8,306,678
Other leasing revenues – real estate	*1	605,527	*1	597,438
Total operating revenues		8,518,332		8,904,117
Operating expenses				
Expenses related to leasing business	*1 *2	4,897,107	*1 *2	5,180,315
Asset management fees		520,263		524,777
Asset custody fees		7,344		7,401
Administrative service fees		57,100		58,665
Director's compensations		9,600		9,600
Other operating expenses		60,308		61,374
Total operating expenses		5,551,725		5,842,134
Operating income		2,966,606		3,061,982
Non-operating revenues				
Interest received		44		47
Others		502		1,357
Total non-operating revenues		546		1,404
Non-operating expenses				
Interest expenses		249,252		253,182
Interest expenses on investment corporation bonds		29,200		29,200
Amortization of investment corporation bond issuance expenses		2,102		2,102
Amortization of investment unit issuance expenses		3,835		3,835
Financing related expenses		94,848		97,663
Others		37		37
Total non-operating expenses		379,275		386,021
Ordinary income		2,587,877		2,677,366
Profit before income taxes		2,587,877		2,677,366
Income taxes-current		974		1,842
Income taxes-deferred		3		(49)
Total income taxes		978		1,793
Profit		2,586,899		2,675,572
Surplus brought forward		132		31
Unappropriated surplus		2,587,031		2,675,604

VI. Statement of Changes in Net Assets

32nd fiscal period (March 1, 2020 to August 31, 2020)

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus		Total unitholders' equity
Balance as of March 1, 2020	98,938,764	2,899,164		101,837,928
Changes in the current fiscal period				
Dividend of surplus		(2,899,032)		(2,899,032)
Profit		2,586,899		2,586,899
Total of changes in the current fiscal period	–	(312,132)		(312,132)
Balance as of August 31, 2020	98,938,764	2,587,031		101,525,796

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

(thousands of yen)

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

VII. Cash Flow Statement

(thousands of yen)

Account	32nd fiscal period (March 1, 2020 to August 31, 2020)	33rd fiscal period (September 1, 2020 to February 28, 2021)
Net cash provided by (used in) operating activities		
Profit before income taxes	2,587,877	2,677,366
Depreciation and amortization expenses	1,686,347	1,623,716
Amortization of investment corporation bond issuance expenses	2,102	2,102
Amortization of investment unit issuance expenses	3,835	3,835
Interest received	(44)	(47)
Interest expenses	278,452	282,382
Decrease (increase) in operating accounts receivables	(384,662)	515,217
Decrease (increase) in consumption taxes refund receivable	(177,613)	177,613
Increase (decrease) in accrued consumption taxes	(191,370)	316,581
Increase (decrease) in operating accounts payable	(3,385)	25,185
Increase (decrease) in accounts payable-other	(6,241)	10,287
Increase (decrease) in accrued expenses	(20,452)	60,503
Increase (decrease) in advances received	40,659	(34,635)
Increase (decrease) in deposits expenses	26,365	(100,119)
Decrease (increase) in prepaid expenses	5,534	(4,468)
Decrease (increase) in long-term prepaid expenses	(123,914)	95,407
Others, net	3,154	6,766
Subtotal	3,726,644	5,657,694
Interest income received	44	47
Interest expenses paid	(274,651)	(282,607)
Income taxes paid	(1,048)	(974)
Net cash provided by (used in) operating activities	3,450,990	5,374,159
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(1,809,655)	(355,262)
Purchase of property, plant and equipment in trust	(5,371,496)	(479,144)
Proceeds from tenant leasehold and security deposits	29,788	84,136
Repayments of tenant leasehold and security deposits	(66,382)	–
Proceeds from tenant leasehold and security deposits in trust	316,851	122,888
Repayments of tenant leasehold and security deposits in trust	(238,343)	(214,907)
Proceeds from restricted trust deposits	5,296	2,016
Payments for restricted trust deposits	(2,074)	(2,470)
Net cash provided by (used in) investment activities	(7,136,015)	(842,743)
Net cash provided by (used in) financial activities		
Proceeds from short-term debt	6,400,000	–
Repayments of short-term debt	(6,400,000)	–
Proceeds from long-term debt	5,900,000	–
Repayments of long-term debt	(1,000,000)	–
Dividends paid	(2,899,126)	(2,586,536)
Net cash provided by (used in) financial activities	2,000,873	(2,586,536)
Net increase (decrease) in cash and cash equivalents	(1,684,151)	1,944,879
Balance of cash and cash equivalents at beginning of period	10,032,589	8,348,438
Balance of cash and cash equivalents at end of period	*1 8,348,438	*1 10,293,317

VIII. Notes to Financial Statements

(Significant accounting policies)

1. Depreciation method for non-current assets	<p>(1) Property, plant and equipment Depreciation is calculated using the straight-line method. The useful lives of major categories of property, plant and equipment including trust assets are as follows: 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</p> <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>
2. Accounting for deferred assets	<p>Investment unit issuance expenses Investment unit issuance expenses are amortized utilizing the straight-line method over three years.</p> <p>Investment corporation bond issuance expenses Investment corporation bond issuance expenses are amortized utilizing the straight-line method over the period through redemption.</p>
3. Standards for recognition of revenues and expenses	<p>Accounting treatment of property taxes, etc. In connection with property taxes, city planning taxes and depreciated asset taxes, FRC uses the method of charging the corresponding amounts of assessed taxes to the current fiscal period as expenses related to leasing business. The amount equivalent to property taxes, etc. for the initial fiscal year paid to the seller as settlement money upon acquisition of real estate or trust beneficiary interests in real estate as entrusted property are not expensed but capitalized as part of the acquisition cost of the relevant property. The amount equivalent to property taxes, etc. capitalized in the acquisition cost of real estate, etc. was 12,272 thousand yen for the 32nd fiscal period. No amount equivalent to property taxes, etc. was capitalized in the acquisition cost of real estate, etc. for the 33rd fiscal period.</p>
4. Method of hedge accounting	<p>(1) Method of hedge accounting Deferred hedge accounting is applied for interest rate swap transactions. However, special accounting is applied for interest rate swap transactions that satisfy the requirements for special accounting.</p> <p>(2) Hedging instruments and hedged items Hedging instrument: interest rate swap transactions Hedged items: interest rates of borrowings</p> <p>(3) Hedging policy FRC conducts derivative transactions to hedge interest rate fluctuation risks for floating-rate borrowings based on FRC's Articles of Incorporation.</p> <p>(4) Method for assessing the effectiveness of hedging Assessment of the effectiveness of hedging is omitted as requirements are satisfied for special accounting for interest rate swap transactions.</p>
5. Scope of funds (cash and cash equivalents) in cash flow statement	<p>The funds (cash and cash equivalents) in the cash flow statement consist of cash on hand and cash in trust; deposits that can be withdrawn at any time and deposits in trust; and short-term investments with a maturity of 3 months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of value fluctuation.</p>
6. Other significant items fundamental to preparing the financial statements	<p>(1) Accounting methods for trust beneficiary interests in real estate as entrusted property Regarding trust beneficiary interests in owned real estate as entrusted property, all asset and liability accounts of the entrusted properties as well as all revenue and expense accounts generated by the entrusted properties are recorded in relevant accounts on the balance sheet and statement of income. Furthermore, the following material accounts are separately stated on the balance sheet for entrusted properties recorded in relevant accounts. 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</p> <p>(2) Accounting for consumption taxes National and local consumption taxes are accounted with the consumption taxes excluded.</p>

(Notes to accounting standards not yet adopted)

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 (revised 2020) issued by the Accounting Standards Board of Japan (ASBJ) on March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30 (revised 2020) issued by ASBJ on March 31, 2020)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 (revised 2020) issued by ASBJ on March 31, 2020)

(1) Overview

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

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

(2) Scheduled date of adoption

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

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

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

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

(1) Overview

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

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

(2) Scheduled date of adoption

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

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

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

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31 issued by ASBJ on March 31, 2020)

(1) Overview

With regard to the "sources of estimation uncertainty" for which disclosure is required under Paragraph 125 of the International Accounting Standards ("IAS") 1 "Presentation of Financial Statements" ("IAS 1") issued by IASB in 2003, requests were made for the ASBJ to investigate the requirement of disclosure of such information in the form of notes under the Japanese GAAP as useful information for users of financial statements. Accordingly, the ASBJ has developed and published the Accounting Standard for Disclosure of Accounting Estimates (the "Accounting Standard").

The basic policy of the ASBJ for the development of the accounting standard was to provide general principles (disclosure objectives), instead of expanding required information in the notes, and let companies determine specific disclosure contents in light of the disclosure objectives. In developing the Standard, the ASBJ referred to the provisions of the Paragraph 125 of the IAS 1.

(2) Scheduled date of adoption

FRC will adopt the accounting standard from the end of the fiscal period ending August 2021.

- Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24 (revised 2020) issued by ASBJ on March 31, 2020)

(1) Overview

Given the recommendation to investigate enhancement of note information regarding the "accounting principles and procedures adopted in cases when provisions of relevant accounting standards are not clear," the ASBJ has made necessary amendments and published the Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.

Furthermore, the ASBJ has determined that, when enhancing the note information regarding the "accounting principles and procedures adopted in cases when provisions of relevant accounting standards are not clear," the provisions in the Notes on Corporate Accounting Principles (Note 1-2) shall be followed as before in order to avoid any impact on the practices taken to date when the provisions of relevant accounting standards are clear.

(2) Scheduled date of adoption

FRC will adopt the accounting standard from the end of the fiscal period ending August 2021.

(Notes to balance sheet)

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

(thousands of yen)

	32nd fiscal period as of August 31, 2020	33rd fiscal period as of February 28, 2021
Buildings in trust	5,973,107	5,914,267
Lands in trust	16,101,020	16,101,020
Total	22,074,128	22,015,288

Secured liabilities are as follows:

(thousands of yen)

	32nd fiscal period as of August 31, 2020	33rd fiscal period as of February 28, 2021
Tenant leasehold and security deposits received in trust	1,089,814	1,057,440

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)

	32nd fiscal period as of August 31, 2020	33rd fiscal period as of February 28, 2021
Credit limit	6,000,000	6,000,000
Outstanding debt at end of period	—	—
Unused committed line of credit at end of period	6,000,000	6,000,000

[Committed line of credit agreement 2]

(thousands of yen)

	32nd fiscal period as of August 31, 2020	33rd fiscal period as of February 28, 2021
Credit limit	7,000,000	7,000,000
Outstanding debt at end of period	—	—
Unused committed line of credit at end of period	7,000,000	7,000,000

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

32nd fiscal period as of August 31, 2020	33rd fiscal period as of February 28, 2021
50,000	50,000

(Notes to statement of income)

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

(thousands of yen)

	32nd fiscal period (March 1, 2020 to August 31, 2020)		33rd fiscal period (September 1, 2020 to February 28, 2021)	
A. Real estate leasing business revenues				
Leasing revenues - real estate				
Rents	6,531,941		6,830,181	
Common charges	1,056,349		1,075,140	
Parking revenues	324,513	7,912,804	401,356	8,306,678
Other leasing revenues - real estate				
Incidental income	568,375		552,811	
Other miscellaneous income	37,152	605,527	44,627	597,438
Total real estate leasing business revenues		8,518,332		8,904,117
B. Expenses related to real estate leasing business				
Expenses related to leasing business				
Outsourcing fees	1,611,755		1,870,563	
Repair and maintenance expenses	92,463		211,326	
Taxes and other public charges	743,726		743,094	
Insurance premiums and trust compensation	49,290		45,880	
Utilities expenses	479,907		452,048	
Depreciation and amortization expenses	1,686,347		1,623,716	
Other expenses related to real estate leasing business	233,617	4,897,107	233,685	5,180,315
Total expenses related to real estate leasing business		4,897,107		5,180,315
C. Revenues and expenses related to real estate leasing business (A - B)		3,621,224		3,723,801

- *2. Transactions with affiliated companies.

(thousands of yen)

Item	32nd fiscal period (March 1, 2020 to August 31, 2020)	33rd fiscal period (September 1, 2020 to February 28, 2021)
Expenses related to real estate leasing business	970,797	966,563

(Notes to statement of changes in net assets)

	32nd fiscal period (March 1, 2020 to August 31, 2020)	33rd fiscal period (September 1, 2020 to February 28, 2021)
Total number of authorized investment units and total number of investment units outstanding		
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units outstanding	796,000 units	796,000 units

(Notes to cash flow statement)

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

(thousands of yen)

	32nd fiscal period (March 1, 2020 to August 31, 2020)	33rd fiscal period (September 1, 2020 to February 28, 2021)
Cash and deposits	3,733,612	6,596,412
Cash and deposits in trust	4,660,047	3,742,580
Restricted trust deposits (Note)	(45,221)	(45,674)
Cash and cash equivalents	8,348,438	10,293,317

(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)

	32nd fiscal period (as of August 31, 2020)	33rd fiscal period (as of February 28, 2021)
Due within 1 year	6,332,101	6,202,348
Due after 1 year	15,549,606	12,349,940
Total	21,881,707	18,552,289

(Notes to financial instruments)

1. Matters concerning status of financial instruments

(1) Policy on handling financial instruments

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

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

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

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

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

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

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

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

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

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

The fair value of financial instruments, aside from values based on market price, may include values based on reasonable calculations when there is no market price. Certain assumptions are made in calculating those values, and there may be cases where the values will vary when different assumptions are used.

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

2. Matters concerning fair value of financial instruments

The following table includes the book values for financial instruments as recorded on the balance sheet, the corresponding fair values and the difference between these amounts as of August 31, 2020. Please note that the following table does not include those financial instruments for which determination of fair value is considered to be extremely difficult (refer to (Note 2)).

(thousands of yen)

	Book value recorded on the balance sheet	Fair value (Note 1)	Difference
(1) Cash and deposits	3,733,612	3,733,612	–
(2) Cash and deposits in trust	4,660,047	4,660,047	–
Total of assets	8,393,659	8,393,659	–
(3) Short-term debt	–	–	–
(4) Current maturities of long-term debt	6,300,000	6,324,877	24,877
(5) Investment corporation bonds	5,000,000	5,221,458	221,458
(6) Long-term debt	71,100,000	73,501,725	2,401,725
(7) Tenant leasehold and security deposits received in trust	378,477	378,068	(408)
Total of liabilities	82,778,477	85,426,130	2,647,653
(8) Derivative transactions	–	–	–
Total of derivative transactions	–	–	–

The following table includes the book values for financial instruments as recorded on the balance sheet, the corresponding fair values and the difference between these amounts as of February 28, 2021. Please note that the following table does not include those financial instruments for which determination of fair value is considered to be extremely difficult (refer to (Note 2)).

(thousands of yen)

	Book value recorded on the balance sheet	Fair value (Note 1)	Difference
(1) Cash and deposits	6,596,412	6,596,412	–
(2) Cash and deposits in trust	3,742,580	3,742,580	–
Total of assets	10,338,992	10,338,992	–
(3) Short-term debt	–	–	–
(4) Current maturities of long-term debt	6,300,000	6,314,330	14,330
(5) Investment corporation bonds	5,000,000	5,197,533	197,533
(6) Long-term debt	71,100,000	71,721,079	621,079
(7) Tenant leasehold and security deposits received in trust	232,943	232,664	(279)
Total of liabilities	82,632,943	83,465,608	832,665
(8) Derivative transactions	–	–	–
Total of derivative transactions	–	–	–

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

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

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

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

The fair value of long-term debt with fixed interest rates (including debt with practical fixed interest rates through interest rate swaps) and investment corporation bonds (the “debt, etc.”) is calculated by discounting the total amount of principal and interest by the rate assumed as being applicable in the event of a new drawdown of similar debt, etc.

The fair value of long-term debt with floating interest rates is based on the book value, as the contract terms require the interest rates to be revised in a certain period of time (within six months) and thus is considered to be nearly equal to the book value.

(7) Tenant leasehold and security deposits received in trust

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

(8) Derivative transactions

Please refer to (Notes to derivative transactions)

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

(thousands of yen)

	32nd fiscal period (as of August 31, 2020)	33rd fiscal period (as of February 28, 2021)
Tenant leasehold and security deposits received in trust (*)	11,605,906	11,659,421

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

(Note 3) Amount of redemption of monetary claims scheduled to be due after closing of accounts (as of August 31, 2020)

(thousands of yen)

	Due in 1 year or less
Cash and deposits	3,733,612
Cash and deposits in trust	4,660,047
Total	8,393,659

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

(thousands of yen)

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

(Note 4) Amount of repayment of long-term debt and investment corporation bonds scheduled to be due after closing of accounts (as of August 31, 2020)

(thousands of yen)

	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Long-term debt	6,300,000	6,000,000	5,900,000	5,200,000	3,900,000	50,100,000
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 February 28, 2021)

(thousands of yen)

	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Long-term debt	6,300,000	6,000,000	10,400,000	2,700,000	6,400,000	45,600,000
Investment corporation bonds	–	–	2,000,000	–	–	3,000,000

(Notes to investment securities)

32nd fiscal period (as of August 31, 2020)

Not applicable.

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

Not applicable.

(Notes to derivative transactions)

1. Derivatives to which hedge accounting is not applied

32nd fiscal period (as of August 31, 2020)

Not applicable.

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

Not applicable.

2. Derivatives to which hedge accounting is applied

32nd fiscal period (as of August 31, 2020)

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

(thousands of yen)

Method of hedge accounting	Type of derivative transactions, etc.	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Of which, exceeding 1 year		
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; Payable fixed	Long-term debt	23,700,000	17,400,000	(*)	–

(*) Transactions for which special accounting for interest rate swaps is applied are combined with long-term debt for accounting purposes. Accordingly, their fair value is included in the fair value of the relevant long-term debt (refer to Notes to financial instruments, 2. Matters concerning fair value of financial instruments, (Note 1) (6)).

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

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

(thousands of yen)

Method of hedge accounting	Type of derivative transactions, etc.	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Of which, exceeding 1 year		
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; Payable fixed	Long-term debt	23,700,000	17,400,000	(*)	–

(*) Transactions for which special accounting for interest rate swaps is applied are combined with long-term debt for accounting purposes. Accordingly, their fair value is included in the fair value of the relevant long-term debt (refer to Notes to financial instruments, 2. Matters concerning fair value of financial instruments, (Note 1) (6)).

(Notes to retirement benefits)

32nd fiscal period (as of August 31, 2020)

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

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

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

(Notes to tax effect accounting)

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

(thousands of yen)

	32nd fiscal period (as of August 31, 2020)	33rd fiscal period (as of February 28, 2021)
Deferred tax assets		
Amount of accrued business taxes not deductible from taxable income	14	63
Total deferred tax assets	14	63
Deferred tax assets, net	14	63

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.
(%)

	32nd fiscal period (as of August 31, 2020)	33rd fiscal period (as of February 28, 2021)
Effective statutory income tax rate	31.25	31.25
Deductible dividend amount	(31.24)	(31.23)
Other	0.03	0.04
Effective income tax rate after application of tax effect accounting	0.04	0.07

(Notes to equity method income and earnings)

32nd fiscal period (from March 1, 2020 to August 31, 2020)

Not applicable as FRC does not have any affiliated companies.

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

Not applicable as FRC does not have any affiliated companies.

(Notes to transactions with related parties)**1. Transactions with related parties****(1) Parent company and major corporate unitholders**

32nd fiscal period (from March 1, 2020 to August 31, 2020)

(thousands of yen)

Classification	Name	Location	Capital	Business description	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Other affiliates	Fukuoka Jisho Co., Ltd. (Note 3)	Hakata Ward, Fukuoka City	100,000	General real estate business	Ownership in FRC Direct [9.19%] Indirect [0.76%]	Consignment of real estate management, etc.	Purchase of real estate, etc. (Note 1)	4,280,000 (Note 4)	—	—
							Consignment of real estate management, etc. (Note 2)	970,797 (Note 4)	Operating accounts payable	49,000 (Note 4)

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

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

(Note 3) FRC has concluded a building lease and management consignment agreement with Fukuoka Jisho Co., Ltd. for Taihaku Street Business Center. The lease contract is a master lease type with pass-through rent, in which rents and other proceeds from end tenants are directly related to an increase or decrease of FRC's revenues.

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

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

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

(thousands of yen)

Classification	Name	Location	Capital	Business description	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Other affiliates	Fukuoka Jisho Co., Ltd. (Note 2)	Hakata Ward, Fukuoka City	100,000	General real estate business	Ownership in FRC Direct [9.19%] Indirect [0.76%]	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	966,563 (Note 3)	Operating accounts payable	71,773 (Note 3)

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

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

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

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

(2) Affiliated companies, etc.

32nd fiscal period (from March 1, 2020 to August 31, 2020)

Not applicable.

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

Not applicable.

(3) Sister companies

32nd fiscal period (from March 1, 2020 to August 31, 2020)

(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)	1,018,539 (Note 6)	Operating accounts payable	171,911 (Note 6)
Subsidiaries of other affiliates	Fukuoka Realty Co., Ltd.	Hakata Ward, Fukuoka City	200,000	Asset management of FRC and other businesses	—	Asset management of FRC, etc. and concurrent service of officer (Note 4)	Payment of asset management fees (Note 5)	520,263 (Note 6)	Accrued expenses	245,498 (Note 6)

(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) For Canal City Hakata, Canal City Hakata-B and Canal City Business Center Building indicated in (Note 2), the master lease and property management company was changed from Fukuoka Jisho Co., Ltd. to FJ. Entertainment Works Ltd. as of June 1, 2020.

(Note 4) Etsuo Matsuyuki, Executive Director of FRC, concurrently serves as a CEO & Representative Director of Fukuoka Realty Co., Ltd.

(Note 5) The amount of the asset management fees is decided based on the asset management consignment agreement following discussion between the concerned parties.

(Note 6) Consumption taxes are not included in the transaction amount but are included in the balance at end of period.

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

(thousands of yen)

Classification	Name	Location	Capital	Business description	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Subsidiaries of other affiliates	FJ. Entertainment Works Ltd. (Note 2)	Hakata Ward, Fukuoka City	20,000	Real estate business	—	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	1,367,224 (Note 5)	Operating accounts payable	183,290 (Note 5)
Subsidiaries of other affiliates	Fukuoka Realty Co., Ltd.	Hakata Ward, Fukuoka City	200,000	Asset management of FRC and other businesses	—	Asset management of FRC, etc. and concurrent service of officer (Note 3)	Payment of asset management fees (Note 4)	524,777 (Note 5)	Accrued expenses	305,873 (Note 5)

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

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

(Note 3) Etsuo Matsuyuki, Executive Director of FRC, concurrently serves as a CEO & Representative Director of Fukuoka Realty Co., Ltd.

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

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

(4) Directors and major individual unitholders

32nd fiscal period (from March 1, 2020 to August 31, 2020)

Not applicable.

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

Not applicable.

2. Parent company and major affiliated companies

32nd fiscal period (from March 1, 2020 to August 31, 2020)

Not applicable.

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

Not applicable.

(Notes to asset retirement obligations)

32nd fiscal period (from March 1, 2020 to August 31, 2020)

Not applicable.

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

Not applicable.

(Notes to properties for lease)

FRC owns retail, office buildings and residential 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		32nd fiscal period	33rd fiscal period
		(March 1, 2020 to August 31, 2020)	(September 1, 2020 to February 28, 2021)
Retail	Amount recorded on the balance sheet		
	Balance at beginning of period	111,234,313	111,898,617
	Amount of change during period	664,304	(475,229)
	Balance at end of period	111,898,617	111,423,388
	Fair value at end of period	122,860,000	120,920,000
Office buildings	Amount recorded on the balance sheet		
	Balance at beginning of period	45,345,497	48,284,259
	Amount of change during period	2,938,761	(286,884)
	Balance at end of period	48,284,259	47,997,375
	Fair value at end of period	70,410,000	71,410,000
Others	Amount recorded on the balance sheet		
	Balance at beginning of period	25,772,812	27,406,571
	Amount of change during period	1,633,758	161,640
	Balance at end of period	27,406,571	27,568,211
	Fair value at end of period	32,270,000	32,570,000
Total	Amount recorded on the balance sheet		
	Balance at beginning of period	182,352,623	187,589,448
	Amount of change during period	5,236,824	(600,473)
	Balance at end of period	187,589,448	186,988,974
	Fair value at end of period	225,540,000	224,900,000

(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 32nd fiscal period, the amount of increase is primarily attributable to acquisition of three properties (Higashi Hie Business Center III, LOGICITY Wakamiya and Home Plaza NAFCO at Park Place Oita) (6,132 million yen in total) and capital expenditures (790 million yen), and the amount of decrease is primarily attributable to depreciation and amortization expenses (1,686 million yen). Of the amount of change during the 33rd fiscal period, the amount of increase is primarily attributable to renovation, etc. of LOGICITY Wakamiya (345 million yen) and capital expenditures (687 million yen), and the amount of decrease is primarily attributable to depreciation and amortization expenses (1,623 million yen).

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

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

(thousands of yen)

Use		32nd fiscal period	33rd fiscal period
		(March 1, 2020 to August 31, 2020)	(September 1, 2020 to February 28, 2021)
Retail	Amount recorded on the statement of income		
	Real estate leasing business revenues	5,157,908	5,450,777
	Expenses related to real estate leasing business	3,266,262	3,551,333
	Revenues and expenses related to real estate leasing business	1,891,645	1,899,443
Office buildings	Amount recorded on the statement of income		
	Real estate leasing business revenues	2,497,317	2,560,881
	Expenses related to real estate leasing business	1,241,579	1,234,805
	Revenues and expenses related to real estate leasing business	1,255,738	1,326,075
Others	Amount recorded on the statement of income		
	Real estate leasing business revenues	863,106	892,457
	Expenses related to real estate leasing business	389,265	394,175
	Revenues and expenses related to real estate leasing business	473,840	498,281
Total	Amount recorded on the statement of income		
	Real estate leasing business revenues	8,518,332	8,904,117
	Expenses related to real estate leasing business	4,897,107	5,180,315
	Revenues and expenses related to real estate leasing business	3,621,224	3,723,801

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

(Notes to segment information)

[Segment information]

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

[Related information]

32nd fiscal period (from March 1, 2020 to August 31, 2020)

(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.

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

(1) Information by product and service

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

(2) Information by region

(a) Operating revenues

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

(b) Property, plant and equipment

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

(3) Information by major customer

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

(Notes to per unit information)

	32nd fiscal period (March 1, 2020 to August 31, 2020)	33rd fiscal period (September 1, 2020 to February 28, 2021)
Net assets per unit (yen)	127,544	127,656
Profit per unit (yen)	3,249	3,361

(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:

	32nd fiscal period (March 1, 2020 to August 31, 2020)	33rd fiscal period (September 1, 2020 to February 28, 2021)
Profit (thousands of yen)	2,586,899	2,675,572
Amounts not attributable to ordinary unitholders (thousands of yen)	–	–
Profit attributable to ordinary investment units (thousands of yen)	2,586,899	2,675,572
Average number of units during the fiscal period (units)	796,000	796,000

(Notes to cash distributions)

(thousands of yen)

Account	32nd fiscal period (March 1, 2020 to August 31, 2020)	33rd fiscal period (September 1, 2020 to February 28, 2021)
I. Unappropriated surplus	2,587,031	2,675,604
II. Total dividend [Dividend per investment unit]	2,587,000 [3,250 yen]	2,675,356 [3,361 yen]
III. Surplus brought forward	31	248
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 2,587,000 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 2,675,356 thousand yen, which is almost the entire amount of unappropriated surplus, as earnings dividends. Moreover, dividend in excess of earnings as stipulated in Article 38-2 of FRC's Articles of Incorporation will not be provided.

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

(Notes to significant subsequent events)**(1) Disposition of Asset**

On March 18, 2021, FRC concluded a sales agreement regarding disposal of real estate trust beneficiary interest.

Type of asset to be disposed	Property name	Use	Location	Buyer	Disposition price (planned)	Disposition date (planned)	Impact on earnings
Real estate trust beneficiary interest	Canal City Hakata-B Grand Building (Note 1)	Retail	2-82, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	Hoshino Resorts REIT, Inc.	7,700 million yen (Note 2)	June 1, 2021	FRC plans to record gain on sales of real estate of approximately 95 million yen as operating revenues for the fiscal period ending August 2021.

(Note 1) FRC will dispose of the beneficiary interest of a trust with 88.28% co-ownership interest in Grand Building, one of the compartmentalized buildings, as trust property. The trust will be arising by splitting the trust that has been established based on the real estate management and disposition trust agreement for Canal City Hakata-B.

(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.

(Note 3) The beneficiary interest disposition agreement for the property (the "Disposition 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 the agreement as well as other similar agreements). The Disposition Agreement states that, in the event either FRC or the buyer fails to fulfill the obligations of the Disposition Agreement and the affected party demands to fulfill it within a reasonable period of time and the other party fails to fulfill it within the specified period of time, the affected party may cancel the sales agreement as long as the property has not yet been transferred. In addition, FRC or the buyer will be liable to compensate for damages, etc. suffered by the other party in relation to the breach of the Disposition Agreement, but the compensation amount shall be up to 20% of the total sales price at a maximum.

(2) Acquisition of Asset

On March 18, 2021, FRC concluded a sales agreement regarding acquisition of real estate trust beneficiary interest.

Type of asset to be acquired	Property name	Use	Location	Seller	Acquisition price (planned)	Acquisition date (planned)
Real estate trust beneficiary interest	Tenjin Nishi-Dori Business Center (Land with leasehold interest)	Office	2-149, Tenjin, Chuo Ward, Fukuoka City and 4 other lots	Fukuoka Jisho Co., Ltd.	7,700 million yen (Note 1)	June 1, 2021

(Note 1) The acquisition price (planned) does not include acquisition expenses and the amount equivalent to the settlement of property taxes and city planning taxes, etc.

(Note 2) The beneficiary interest disposition agreement for the acquisition of the property (the "Acquisition 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 the agreement as well as other similar agreements). FRC shall be able to cancel the Acquisition Agreement without penalty if it becomes impossible to achieve the purpose of the agreement due to a cause not attributable to FRC. In the Transaction Agreement FRC will not pay any deposit.

(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	23,700,000	17,400,000	(137,711)
Total		23,700,000	17,400,000	(137,711)

(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 September 1, 2020	Increase	Decrease	Balance as of February 28, 2021	Accumulated depreciation	Depreciation for the period	Net property and equipment	Remarks
Total property, plant and equipment	Buildings	974,393	191,841	–	1,166,235	9,712	9,712	1,156,522 (Note 1)
	Structures	17,045	3,653	–	20,698	129	129	20,569 (Note 1)
	Tools and fixtures	–	1,571	–	1,571	78	78	1,492 (Note 1)
	Land	830,254	158,869	–	989,124	–	–	989,124 (Note 1)
	Buildings in trust	103,899,463	642,593	15,078	104,526,979	34,998,550	1,511,219	69,528,428 (Note 2)
	Structures in trust	2,047,268	2,277	–	2,049,545	848,800	31,072	1,200,744 (Note 2)
	Machinery and equipment in trust	1,487,396	21,895	–	1,509,292	639,038	43,473	870,254 (Note 2)
	Vehicles and transport equipment in trust	747	–	–	747	709	33	37
	Tools and fixtures in trust	1,391,058	8,812	6,115	1,393,755	1,210,954	22,524	182,801 (Note 2)
	Land in trust	107,452,281	–	–	107,452,281	–	–	107,452,281
	Construction in progress in trust	18,319	1,800	3,328	16,791	–	–	16,791
	Subtotal	218,118,227	1,033,315	24,522	219,127,021	37,707,974	1,618,242	181,419,047
Total intangible assets	Leasehold right in trust	5,545,883	–	–	5,545,883	–	–	5,545,883
	Other intangible assets in trust	81,417	–	–	81,417	57,373	5,474	24,044
	Subtotal	5,627,301	–	–	5,627,301	57,373	5,474	5,569,927
Total	223,745,528	1,033,315	24,522	224,754,322	37,765,347	1,623,716	186,988,974	

(Note 1) The main increase in the 33rd fiscal period is due to renovation of LOGICITY Wakayama.

(Note 2) The main increase in the 33rd fiscal period is due to construction work at properties.

(Schedule of other specified assets)

Not applicable.

(Schedule of investment corporation bonds)

Issue	Issue date	Balance as of September 1, 2020 (thousands of yen)	Decrease during the fiscal period (thousands of yen)	Balance as of February 28, 2021 (thousands of yen)	Coupon (%)	Maturity date	Maturity method	Use	Description
First Series of Unsecured Bonds	December 30, 2013	2,000,000	–	2,000,000	1.32	December 29, 2023	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/No guarantee (Note 2)
Second Series of Unsecured Bonds	July 31, 2017	2,000,000	–	2,000,000	1.00	July 30, 2032	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/No guarantee (Note 2)
Third Series of Unsecured Bonds	July 31, 2018	1,000,000	–	1,000,000	1.20	July 30, 2038	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/No guarantee (Note 2)
Total		5,000,000	–	5,000,000					

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

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

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

(thousands of yen)

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

(Schedule of debt)

(thousands of yen)

Category	Lender	Balance as of September 1, 2020	Increase	Decrease	Balance as of February 28, 2021	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description
Current maturities of long-term debt	Mizuho Bank	2,300,000	–	–	2,300,000	0.835	July 30, 2021	Refinance fund	No collateral/No guarantee
	The Norinchukin Bank	1,000,000	–	–	1,000,000				
	The Hiroshima Bank	1,400,000	–	–	1,400,000				
	The Kitakyushu Bank	800,000	–	–	800,000				
	The Iyo Bank	500,000	–	–	500,000				
	The Higo Bank	300,000	–	–	300,000				
	Subtotal	6,300,000	–	–	6,300,000				
	Long-term debt								
Long-term debt	Development Bank of Japan	4,000,000	–	–	4,000,000	1.010	August 31, 2022	Refinance fund	No collateral/No guarantee
	Sumitomo Mitsui Banking Corporation	1,600,000	–	–	1,600,000	0.790	June 30, 2022	Refinance fund	No collateral/No guarantee
	Sumitomo Mitsui Trust Bank	1,500,000	–	–	1,500,000	0.564	July 31, 2023	Refinance fund	No collateral/No guarantee
	Development Bank of Japan	4,000,000	–	–	4,000,000	0.880	August 31, 2023	Refinance fund	No collateral/No guarantee
	The Bank of Fukuoka	400,000	–	–	400,000	0.424	August 31, 2022	Refinance fund	No collateral/No guarantee
	The Nishi-Nippon City Bank	400,000	–	–	400,000	0.870	August 31, 2023	Refinance fund	No collateral/No guarantee
	The Bank of Fukuoka	2,000,000	–	–	2,000,000	0.424	February 29, 2024	Refinance fund	No collateral/No guarantee
	The Nishi-Nippon City Bank	2,000,000	–	–	2,000,000	0.440	February 29, 2024	Refinance fund	No collateral/No guarantee
	Development Bank of Japan	2,000,000	–	–	2,000,000	0.620	February 28, 2025	Refinance fund	No collateral/No guarantee
	Mizuho Bank	500,000	–	–	500,000	0.440	February 29, 2024	Refinance fund	No collateral/No guarantee
	Shinsei Bank	700,000	–	–	700,000	0.400	July 31, 2024	Refinance fund	No collateral/No guarantee
	Sumitomo Mitsui Trust Bank	300,000	–	–	300,000	0.416	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 (Note 2)	200,000	–	–	200,000				
	The Hiroshima Bank	100,000	–	–	100,000				
	The Bank of Fukuoka	1,500,000	–	–	1,500,000				
	MUFG Bank	800,000	–	–	800,000				
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 (Note 2)	1,100,000	–	–	1,100,000					
The Iyo Bank	500,000	–	–	500,000					
Development Bank of Japan	1,800,000	–	–	1,800,000					0.650
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	

	Category	Balance as of September 1, 2020	Increase	Decrease	Balance as of February 28, 2021	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description
	Lender								
Long-term debt	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 (Note 2)	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
	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	0.426	January 31, 2029	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	300,000	–	–	300,000	0.426	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	

	Category	Balance as of September 1, 2020	Increase	Decrease	Balance as of February 28, 2021	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description
	Lender								
Long-term debt	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
	Subtotal	71,100,000	–	–	71,100,000				
	Total	77,400,000	–	–	77,400,000				

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

(Note 2) The Shinwa Bank and The Eighteenth Bank merged on October 1, 2020 to become The Juhachi-Shinwa Bank.

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

(thousands of yen)

Category	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term debt	6,000,000	10,400,000	2,700,000	6,400,000