

**EARNINGS BRIEFING FOR THE PERIOD ENDED FEBRUARY 2018**

**Name of issuer:** Fukuoka REIT Corporation (FRC)  
**Code number:** 8968  
**URL:** <http://www.fukuoka-reit.jp/eng/>  
**Stock listings:** Tokyo Stock Exchange, and Fukuoka Stock Exchange

**Representative:** Etsuo Matsuyuki CEO & Representative Director

**Asset manager:** Fukuoka Realty Co., Ltd.  
**Representative:** Etsuo Matsuyuki CEO & Representative Director  
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Expected date for submitting securities report: May 29, 2018  
 Expected commencement date of dividend payments: May 18, 2018  
 Supplementary documents for earnings briefing: Yes  
 Analyst meeting (for institutional investors and analysts): Yes

(Figures rounded down to nearest mm yen)

### 1. Performance and situation of assets for the period ended February 2018 (September 1, 2017 to February 28, 2018)

**(1) Performance**

(% shows percentage change from previous period)

	Operating revenues		Operating income		Ordinary income		Profit	
	mm of yen	%	mm of yen	%	mm of yen	%	mm of yen	%
Period ended February 2018	8,194	0.9	2,965	1.6	2,624	2.4	2,623	2.6
Period ended August 2017	8,122	(16.5)	2,920	(36.3)	2,562	(39.0)	2,556	(39.1)

	Profit per unit	Return on net assets	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
Period ended February 2018	3,512 yen	2.8%	1.5%	32.0%
Period ended August 2017	3,422 yen	2.7%	1.5%	31.5%

**(2) Dividends**

	Dividend per unit (excl. dividend in excess of earnings)	Total dividend (excl. dividend in excess of earnings)	Dividend in excess of earnings per unit	Total dividend in excess of earnings	Dividend per unit (incl. dividend in excess of earnings)	Total dividend (incl. dividend in excess of earnings)	Payout ratio	Ratio of dividend to net assets
Period ended February 2018	3,512 yen	2,623 mm yen	0 yen	0 mm yen	3,512 yen	2,623 mm yen	100.0%	2.8%
Period ended August 2017	3,422 yen	2,556 mm yen	0 yen	0 mm yen	3,422 yen	2,556 mm yen	100.0%	2.7%

**(3) Financial condition**

	Total assets	Net assets	Ratio of net assets to total assets	Net assets per unit
Period ended February 2018	177,283 mm yen	93,766 mm yen	52.9%	125,524 yen
Period ended August 2017	178,063 mm yen	93,699 mm yen	52.6%	125,434 yen

**(4) Cash flows condition**

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents at end of period
Period ended February 2018	4,292 mm yen	(478) mm yen	(3,555) mm yen	7,392 mm yen
Period ended August 2017	3,590 mm yen	(6,029) mm yen	667 mm yen	7,134 mm yen

## 2. Forecast of performance for the period ending August 2018 (March 1, 2018 to August 31, 2018) and the period ending February 2019 (September 1, 2018 to February 28, 2019)

(% shows percentage change from previous period)

	Operating revenues		Operating income		Ordinary income		Profit		Dividend per unit (excl. dividend in excess of earnings)	Dividend in excess of earnings per unit
	mm of yen	%	mm of yen	%	mm of yen	%	mm of yen	%		
Period ending August 2018	9,173	12.0	3,235	9.1	2,842	8.3	2,841	8.3	3,570 yen	0 yen
Period ending February 2019	9,116	(0.6)	3,224	(0.3)	2,843	0.0	2,842	0.0	3,570 yen	0 yen

(Reference) Forecast profit per unit: Period ending August 2018 3,570 yen  
Forecast profit per unit: Period ending February 2019 3,570 yen

## 3. Other

### (1) Changes in accounting policies, changes in accounting estimates and restatement of accounting errors

- (i) Changes in accounting policies accompanying amendments to accounting standards, etc.: No
- (ii) Changes in accounting policies other than above (i): No
- (iii) Changes in accounting estimates: No
- (iv) Restatement of accounting errors: No

### (2) Number of investment units outstanding

- (i) Number of investment units outstanding at end of period (including treasury investment units):
  - As of February 2018 747,000 units
  - As of August 2017 747,000 units
- (ii) Treasury investment units at end of period:
  - As of February 2018 0 unit
  - As of August 2017 0 unit

Note: Regarding the number of investment units, a basis for calculating profit per unit, please refer to "Per unit information," on page 11.

#### \* Statement on Implementation Status of Audit Procedure

This Earnings Briefing ("Kessan Tanshin" in Japanese) report is outside the scope of the auditing procedure under the Financial Instruments and Exchange Act. As of the publication of this report, no auditing procedure under the Financial Instruments and Exchange Act has been completed for the financial statements.

#### \* On the adequate use of performance forecasts and other items warranting special mention

Forecast figures are calculated based on information available on the date of release of the forecast and contain uncertain factors to a large extent. Actual operating revenues, operating income, ordinary income, profit, and dividend per unit may differ due to changes in the business environment. The forecast should not be construed as a guarantee of actual dividend. Concerning details of the preconditions for the above forecast figures please refer to "2. Portfolio Management Policy and Management Situation, (2) Management situation – Preconditions for the performance forecast for the period ending August 2018 (March 1, 2018 to August 31, 2018) and the period ending February 2019 (September 1, 2018 to February 28, 2019)" on page 4.

Concerning the contents hereinafter, items that FRC judges “can be omitted from the disclosure from the standpoint of importance” are not shown in conformity with the “Format and Guidance for Preparation of Earnings Briefing for REITs” (February 2018).

## 1. Investment Corporation-Related Organizations

The disclosure is omitted, since there are no significant changes from the “Structure of the investment corporation” disclosed by the latest securities report (submitted on November 28, 2017).

## 2. Portfolio Management Policy and Management Situation

### (1) Portfolio management policy

The disclosure is omitted, since there are no significant changes from “Investment policy,” “Investment target” and “Dividend policy” disclosed by the latest securities report (submitted on November 28, 2017).

### (2) Management situation

#### (i) Summary of the current fiscal period

##### (a) Brief history of the investment corporation

Fukuoka REIT Corporation (hereinafter “FRC”) was established on July 2, 2004 based on the “Act on Investment Trusts and Investment Corporations” (Act No. 198 in 1951 including later revisions) and listed on the Tokyo Stock Exchange Group Inc. and the Fukuoka Stock Exchange on June 21, 2005 as the nation’s first real estate investment trust specializing in regional properties (code number: 8968). FRC invests in real estate throughout all of Kyushu (including Okinawa Prefecture) with a central focus on Fukuoka City and Yamaguchi Prefecture (hereinafter the “Fukuoka/Kyushu area”) by turning regional characteristics in the real estate industry into strengths.

FRC started asset management activities on November 9, 2004 after acquisition of four properties such as Retail in Canal City Hakata (excluding some areas of specialty shops, hotels, theaters, offices and common space), a commercial complex where specialty shops, cinema complex, theaters, amusement facilities, hotels and offices are integrally developed (hereinafter “Canal City Hakata”). As of the end of the current fiscal period (February 28, 2018), FRC manages a total of 26 properties comprising 10 Retail, 7 Office buildings and 9 Others.

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

During the fiscal period under review (the 27th fiscal period), the Japanese economy showed a modest recovery. Looking ahead, with the employment and income environment continuing to improve, the economy is expected to continue recovering moderately due to various political measures proving effective, among other factors.

In the Fukuoka and Kyushu area, the core investment target area for FRC, the economy is expanding moderately. With regard to the outlook, the area is expected to see strong overseas demand and solid domestic demand continue going forward.

As for land price trends, the average rate of change in national average for residential land price took an upward turn for the first time in ten years, while commercial land price and combined average price for residential and commercial land continued to rise for three consecutive years, according to the 2018 Land Market Value Publication. In Fukuoka City, the central area of FRC’s investment targets, land prices continued rising for six consecutive years, up 10.6% year-on-year for commercial land and up 4.3% year-on-year for residential land, marking higher rates of increase.

Under such circumstances, FRC continued its efforts to reinforce competitive advantages and customer drawing ability at Canal City Hakata and other major retail properties, and focused on maintaining and increasing the occupancy rate of its owned properties. As a result of these endeavors, the average occupancy rate of all properties FRC owns was 99.6% at the end of the 27th fiscal period.

When analyzing FRC’s portfolio (on an acquisition price basis) by investment target area, the investment ratio in the Fukuoka urban area accounted for 77.0%; when analyzing by property type, Retail, Office buildings, and Others accounted for 59.1%, 27.2% and 13.7%, respectively.

##### (c) Summary of fundraising

As FRC conducted refinancing in the 27th fiscal period, the balance of its interest-bearing debt outstanding (including investment corporation bonds) at the end of the period totaled 68,900 mm yen, with the loan-to-value ratio (ratio of interest-bearing debt (including investment corporation bonds) to total assets) at 38.9% 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 89.1% as of the same date. Going forward, FRC will continue its endeavors for dispersion of debt repayment dates and extension of debt duration, in an effort to reduce refinancing risks. 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.

Furthermore, FRC made a resolution on February 9, 2018 on the issuance of new investment units (49,000 units) in order to fund acquisition of new specified assets.

Moreover, the credit ratings assigned to FRC as of the end of the current fiscal period are as follows.

Credit Rating Agency	Rating Type	Rating	Rating Outlook
S&P Global Rating Japan Inc. (S&P)	Long-term Corporate Credit Rating	A-	Positive
	Short-term Corporate Credit Rating	A-2	—
Rating and Investment Information, Inc. (R&I)	Issuer Rating	A+	Stable
Japan Credit Rating Agency, Ltd. (JCR)	Long-term Issuer Rating	AA-	Stable

(d) Summary of performance and dividend

As a result of these management efforts, operating revenues totaled 8,194 mm yen and operating income after excluding operating expenses such as expenses related to leasing business and asset management fees totaled 2,965 mm yen. Ordinary income was 2,624 mm yen and profit amounted to 2,623 mm yen. Management decided to make a dividend of 3,512 yen per investment 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 law, an investment corporation is allowed to deduct the maximum amount of dividends paid to investors from its taxable income.

(ii) Forecast for the next fiscal period

(A) Portfolio management policy

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

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

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

(B) Significant events that have occurred after the end of the current fiscal period:

Issuance of new investment units

FRC issued new investment units through public offering, which was resolved at its Board of Directors meeting held on February 9, 2018, with the aim of acquiring real estate trust beneficiary interests. Payment completed on March 1, 2018 for the new investment units issued.

As a result, FRC's unitholders' capital came to 98,938,764,550 yen as of April 12, 2018, with the total number of investment units outstanding at 796,000 units as of the same date.

Issuance of new investment units through public offering

Number of investment units offered: 49,000 units

Issue price: 164,414 yen

Total issue price: 8,056,286,000 yen

Paid-in amount: 159,102 yen

Total paid-in amount: 7,795,998,000 yen

Payment date: March 1, 2018

Base date for distribution: March 1, 2018

Furthermore, FRC already acquired the real estate trust beneficiary interests of the following two properties as of March 1, 2018 by using the proceeds obtained from the issuance of new investment units through public offering to partly fund the acquisition.

Property name	Use	Location	Seller	Acquisition price (mm of yen) (Note)
Konoha Mall Hashimoto	Retail	2-chome, Hashimoto, Nishi Ward, Fukuoka City	Fukuoka Jisho Co., Ltd.	10,000
Higashi Hie Business Center II	Office buildings	1-chome, Higashi Hie, Hakata Ward, Fukuoka City		4,230

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

(c) Performance forecast for the next fiscal period

FRC aims to achieve the following performance goals for the period ending August 2018 (March 1, 2018 to August 31, 2018) and the period ending February 2019 (September 1, 2018 to February 28, 2019). Concerning preconditions for the forecast, please refer to "Preconditions for the performance forecast for the period ending August 2018 (March 1, 2018 to August 31, 2018) and the February 28, 2019 (September 1, 2018 to February 28, 2019)" on page 4.

Period ending August 2018

Operating revenues	9,173 mm yen
Operating income	3,235 mm yen
Ordinary income	2,842 mm yen
Profit	2,841 mm yen
Dividend per unit	3,570 yen
Dividend in excess of earnings per unit	0 yen

Period ending February 2019

Operating revenues	9,116 mm yen
Operating income	3,224 mm yen
Ordinary income	2,843 mm yen
Profit	2,842 mm yen
Dividend per unit	3,570 yen
Dividend in excess of earnings per unit	0 yen

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

Preconditions for the performance forecast for the period ending August 2018 (March 1, 2018 to August 31, 2018) and the period ending February 2019 (September 1, 2018 to February 28, 2019)

Item	Preconditions
Calculation period	28th fiscal period: March 1, 2018 to August 31, 2018 (184 days) 29th fiscal period: September 1, 2018 to February 28, 2019 (181 days)
Assets under management	<ul style="list-style-type: none"> <li>It is assumed that there will be 28 investment properties comprising the 26 properties FRC owns as of February 28, 2018 plus Konoha Mall Hashimoto and Higashi Hie Business Center II, which FRC acquired on March 1, 2018.</li> <li>In practice, the number may fluctuate due to changes in assets under management.</li> </ul>
Total number of investment units outstanding	<ul style="list-style-type: none"> <li>The total number of investment units outstanding is assumed to be 796,000 units, which includes the new investment units (49,000 units) for which payment was completed by March 1, 2018.</li> </ul>
Interest-bearing debt and refinancing	<ul style="list-style-type: none"> <li>The balance of interest-bearing debt outstanding at the end of the 28th fiscal period (August 31, 2018) is expected to total 75,500 mm yen, an increase of 6,600 mm yen from the end of the current period (February 28, 2018). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 39.1% (as of February 28, 2018, the loan-to-value ratio stands at 38.9%).</li> <li>The balance of interest-bearing debt outstanding at the end of the 29th fiscal period (February 28, 2019) is expected to total 75,500 mm yen, same as the end of the 28th fiscal period (August 31, 2018). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 39.1%.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>Of leasing revenues – real estate, revenues from properties FRC has already acquired are calculated based on tenancy agreements that are valid as of April 12, 2018 by taking into account the competitiveness of the properties the market environment, etc.</li> <li>Of leasing revenues– real estate, revenues from percentage lease contracts are calculated based on past results by taking into account sales fluctuation factors of the relevant tenants.</li> <li>For leasing revenues – real estate, tenant vacancies are taken into account to a certain extent. It is assumed that there will be no rent arrears or non-payments by tenants.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>When acquiring investment properties, the property taxes and city planning taxes for the assets will be proportionally calculated according to the holding period and adjusted with the former owner. However, the adjusted amount of the property taxes and city planning taxes to be borne by FRC for the initial year will not be written off since they will be included in the acquisition cost.</li> <li>FRC writes off estimated repair costs expected to be required for buildings for the calculation periods (the 28th and 29th fiscal periods). Actual repair costs may differ significantly from the estimated amounts since there is the possibility that repair costs are incurred urgently due to damages to buildings caused by unforeseeable factors, repair costs generally differ largely from period to period, and repair costs are not regularly incurred.</li> <li>Concerning outsourcing expenses, FRC anticipates 1,914 mm yen for the 28th fiscal period and 1,901 mm yen for the 29th fiscal period.</li> <li>Concerning taxes and other public charges, FRC anticipates 666 mm yen for the 28th fiscal period and 666 mm yen for the 29th fiscal period.</li> <li>Concerning depreciation and amortization expenses, FRC anticipates 1,600 mm yen for the 28th fiscal period and 1,607 mm yen for the 29th fiscal period.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>Concerning interest expenses (including interest expenses on investment corporation bonds) and expenses related to financing, FRC anticipates 385 mm yen for the 28th fiscal period and 375 mm yen for the 29th fiscal period.</li> </ul>
Dividend per unit	<ul style="list-style-type: none"> <li>Dividend (dividend per unit) is calculated based on the dividend policy stipulated in FRC's Articles of Incorporation.</li> <li>Dividend per unit may fluctuate due to fluctuations in leasing revenues caused by changes in assets under management and tenants or various factors including unexpected occurrences of repair.</li> </ul>
Dividend in excess of earnings per unit	<ul style="list-style-type: none"> <li>Dividend in excess of earnings (dividend in excess of earnings per unit) is not planned at the moment.</li> </ul>
Other	<ul style="list-style-type: none"> <li>It is assumed that there will be no significant revisions to laws and regulations, the tax system, and accounting standards that may influence the forecast figures.</li> <li>It is also assumed that there will be no significant unexpected changes in general economic conditions and the real estate market.</li> </ul>

### (3) Investment risks

The disclosure is omitted, since there are no significant changes from the "Investment risks" disclosed in the latest securities report (submitted on November 28, 2017).

## 3. Financial Statements

## (1) Balance sheet

(thousands of yen)

Account	26th fiscal period (as of August 31, 2017)		27th fiscal period (as of February 28, 2018)	
<b>Assets</b>				
<b>Current assets</b>				
Cash and deposits		2,253,209		2,924,449
Cash and deposits in trust		4,926,483		4,514,534
Operating accounts receivable		431,417		459,948
Prepaid expenses		248,026		260,790
Consumption taxes receivable		258,416		-
Deferred tax assets		-		16
Others		13,219		40,863
<b>Total current assets</b>		<b>8,130,772</b>		<b>8,200,604</b>
<b>Non-current assets</b>				
<b>Property, plant and equipment</b>				
Buildings in trust	87,978,370		88,537,835	
Accumulated depreciation	(24,412,671)	63,565,699	(25,801,859)	62,735,975
Structures in trust	1,579,329		1,583,500	
Accumulated depreciation	(635,047)	944,282	(667,932)	915,568
Machinery and equipment in trust	1,264,341		1,273,527	
Accumulated depreciation	(344,218)	920,123	(383,133)	890,394
Vehicles and transport equipment in trust	747		747	
Accumulated depreciation	(389)	357	(437)	309
Tools and fixtures in trust	1,297,196		1,319,583	
Accumulated depreciation	(1,026,204)	270,991	(1,050,837)	268,745
Lands in trust		101,545,140		101,545,140
Construction in progress in trust		21,825		6,780
<b>Total property, plant and equipment</b>		<b>167,268,420</b>		<b>166,362,914</b>
<b>Intangible assets</b>				
Leasehold right in trust		1,765,318		1,765,318
Other intangible assets in trust		19,551		16,970
<b>Total intangible assets</b>		<b>1,784,869</b>		<b>1,782,289</b>
<b>Investment and other assets</b>				
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		110,000		110,000
Long-term prepaid expenses		720,744		786,412
<b>Total investment and other assets</b>		<b>840,744</b>		<b>906,412</b>
<b>Total non-current assets</b>		<b>169,894,034</b>		<b>169,051,616</b>
<b>Deferred assets</b>				
Investment corporation bond issuance expenses		32,259		30,612
Investment unit issuance expenses		6,547		935
<b>Total deferred assets</b>		<b>38,806</b>		<b>31,548</b>
<b>Total assets</b>		<b>178,063,613</b>		<b>177,283,768</b>

(thousands of yen)

Account	26th fiscal period (as of August 31, 2017)		27th fiscal period (as of February 28, 2018)	
<b>Liabilities</b>				
<b>Current liabilities</b>				
Operating accounts payable		387,054		602,374
Short-term debt		1,500,000		-
Current maturities of long-term debt		10,200,000		2,100,000
Accounts payable-other		21,833		21,345
Accrued expenses		327,884		328,477
Income taxes payable		666		772
Accrued consumption taxes		-		298,500
Advances received		997,414		990,174
Deposits received		1,054,757		768,735
<b>Total current liabilities</b>		14,489,611		5,110,380
<b>Non-current liabilities</b>				
Investment corporation bonds		4,000,000		4,000,000
Long-term debt payable		54,200,000		62,800,000
Tenant leasehold and security deposits		368,837		373,423
Tenant leasehold and security deposits received in trust		11,305,882		11,233,280
<b>Total non-current liabilities</b>		69,874,720		78,406,704
<b>Total liabilities</b>		84,364,331		83,517,084
<b>Net assets</b>				
<b>Unitholders' equity</b>				
Unitholders' capital		91,142,766		91,142,766
<b>Surplus</b>				
Unappropriated surplus		2,556,515		2,623,917
<b>Total surplus</b>		2,556,515		2,623,917
<b>Total unitholders' equity</b>		93,699,282		93,766,684
<b>Total net assets</b>		93,699,282		93,766,684
<b>Total liabilities and net assets</b>		178,063,613		177,283,768

## (2) Statement of income

(thousands of yen)

Account	26th fiscal period (March 1, 2017 to August 31, 2017)		27th fiscal period (September 1, 2017 to February 28, 2018)	
Operating revenues				
Leasing revenues – real estate	7,605,973		7,725,449	
Other leasing revenues – real estate	511,797		468,871	
Dividends income	4,873	8,122,643	-	8,194,321
Operating expenses				
Expenses related to leasing business	4,593,665		4,614,437	
Asset management fees	479,496		482,350	
Asset custody fees	6,618		6,622	
Administrative service fees	51,583		51,813	
Director's compensations	9,600		9,600	
Other operating expenses	61,643	5,202,607	63,610	5,228,434
Operating income		2,920,036		2,965,887
Non-operating revenues				
Interest received	35		36	
Appropriation of balance related to amended return	7,833		-	
Others	672	8,541	2,426	2,463
Non-operating expenses				
Interest expenses	253,565		228,998	
Interest expenses on investment corporation bonds	14,866		23,200	
Amortization of investment corporation bond issuance expenses	1,093		1,646	
Amortization of investment unit issuance expenses	5,612		5,612	
Financing related expenses	87,187		84,211	
Others	4,093	366,418	30	343,698
Ordinary income		2,562,159		2,624,651
<del>Profit</del> <u>Net income</u> before income taxes		2,562,159		2,624,651
Income taxes-current	666		1,032	
Income taxes based on amended return	5,189		-	
Income taxes-deferred	9	5,864	(16)	1,015
Profit		2,556,294		2,623,635
Surplus brought forward		221		281
Unappropriated surplus		2,556,515		2,623,917

## (3) Statement of changes in net assets

26th fiscal period (March 1, 2017 to August 31, 2017)

(thousands of yen)

Item	Unitholders' Equity							Total net assets
	Unitholders' capital				Surplus		Total unitholders' equity	
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated surplus	Total surplus		
		Reserve for temporary difference adjustments	Total deduction from unitholders' capital					
Balance as of March 1, 2017	91,142,766	(1,660,581)	(1,660,581)	89,482,185	4,199,108	4,199,108	93,681,293	93,681,293
Changes in the current fiscal period								
Dividend of surplus					(2,538,306)	(2,538,306)	(2,538,306)	(2,538,306)
Reversal of reverse for temporary difference adjustment		1,660,581	1,660,581	1,660,581	(1,660,581)	(1,660,581)	-	-
Profit					2,556,294	2,556,294	2,556,294	2,556,294
Total of changes in the current fiscal period	-	1,660,581	1,660,581	1,660,581	(1,642,592)	(1,642,592)	17,988	17,988
Balance as of August 31, 2017	91,142,766	-	-	91,142,766	2,556,515	2,556,515	93,699,282	93,699,282

27th fiscal period (September 1, 2017 to February 28, 2018)

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus	Total unitholders' equity	
Balance as of September 1, 2017	91,142,766	2,556,515	93,699,282	93,699,282
Changes in the current fiscal period				
Dividend of surplus		(2,556,234)	(2,556,234)	(2,556,234)
Profit		2,623,635	2,623,635	2,623,635
Total of changes in the current fiscal period	-	67,401	67,401	67,401
Balance as of February 28, 2018	91,142,766	2,623,917	93,766,684	93,766,684

## (4) Dividend statement

Account	26th fiscal period (March 1, 2017 to August 31, 2017)	27th fiscal period (September 1, 2017 to February 28, 2018)
I. Unappropriated surplus	2,556,515 thousand yen	2,623,917 thousand yen
II. Total	2,556,234 thousand yen	2,623,464 thousand yen
[Dividend per investment unit]	[3,422 yen]	[3,512 yen]
III. Surplus brought forward	281 thousand yen	453 thousand yen

Method for calculating dividends	The amount of dividends shall be decided in accordance with the dividend policy stipulated in Article 38-1-1 of FRC's Articles of Incorporation and must exceed 90% of FRC's distributable profits as stipulated in Article 67-15-1 of the Special Taxation Measures Act. Following the above policy, FRC shall decide to distribute 2,556,234 thousand yen, which is almost the entire amount of unappropriated surplus, as earnings dividends. Moreover, dividend in excess of earnings as stipulated in Article 38-2 of FRC's Articles of Incorporation will not be provided.	The amount of dividends shall be decided in accordance with the dividend policy stipulated in Article 38-1-1 of FRC's Articles of Incorporation and must exceed 90% of FRC's distributable profits as stipulated in Article 67-15-1 of the Special Taxation Measures Act. Following the above policy, FRC shall decide to distribute 2,623,464 thousand yen, which is almost the entire amount of unappropriated surplus, as earnings dividends. Moreover, dividend in excess of earnings as stipulated in Article 38-2 of FRC's Articles of Incorporation will not be provided.
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(Note) Amounts other than the amounts of dividend per investment units are rounded off to the nearest thousand yen.

## (5) Cash flows statement

(thousands of yen)

Account	26th fiscal period (March 1, 2017 to August 31, 2017)	27th fiscal period (September 1, 2017 to February 28, 2018)
Net cash provided by (used in) operating activities		
<del>Profit</del> Net income before income taxes	2,562,159	2,624,651
Depreciation and amortization expenses	1,474,387	1,500,084
Amortization of investment corporation bond issuance expenses	1,093	1,646
Amortization of investment unit issuance expenses	5,612	5,612
Interest received	(35)	(36)
Interest expenses	268,432	252,198
Decrease (increase) in operating accounts receivables	(54,967)	(28,531)
Decrease (increase) in consumption taxes refund receivable	(258,416)	258,416
Increase (decrease) in accrued consumption taxes	(239,564)	298,500
Increase (decrease) in operating accounts payable	(15,854)	24,657
Increase (decrease) in accounts payable-other	(3,248)	(233)
Increase (decrease) in accrued expenses	1,124	2,954
Increase (decrease) in advances received	24,101	(7,240)
Increase (decrease) in deposits expenses	302,485	(286,022)
Decrease (increase) in prepaid expenses	3,846	(12,764)
Decrease (increase) in long-term prepaid expenses	(192,196)	(65,668)
Others, net	(4,514)	(20,758)
Subtotal	3,874,444	4,547,465
Interest income received	35	36
Interest expenses paid	(277,213)	(254,559)
Income taxes paid	(6,604)	(1,311)
Income taxes refund	-	517
Net cash provided by (used in) operating activities	3,590,662	4,292,149
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment in trust	(5,995,095)	(409,429)
Purchase of intangible assets in trust	(20,197)	-
Proceeds from tenant leasehold and security deposits	-	34,621
Repayments of tenant leasehold and security deposits	(60)	(30,035)
Proceeds from tenant leasehold and security deposits in trust	144,468	42,265
Repayments of tenant leasehold and security deposits in trust	(255,520)	(114,867)
Proceeds from redemption of investment securities	100,000	-
Purchase of investment securities	(150)	-
Proceeds from restricted trust deposits	3,819	3,058
Payments for restricted trust deposits	(7,078)	(3,938)
Net cash provided by (used in) investment activities	(6,029,813)	(478,325)
Net cash provided by (used in) financial activities		
Proceeds from short-term debt	14,500,000	4,500,000
Repayments of short-term debt	(13,000,000)	(6,000,000)
Proceeds from long-term debt	15,000,000	9,100,000
Repayments of long-term debt	(15,275,000)	(8,600,000)
Proceeds from issuance of investment corporation bonds	2,000,000	-
Payments of investment corporation bond issuance expenses	(19,924)	-
Dividends paid	(2,537,240)	(2,555,413)
Net cash provided by (used in) financial activities	667,834	(3,555,413)
Net increase (decrease) in cash and cash equivalents	(1,771,317)	258,410
Balance of cash and cash equivalents at beginning of period	8,905,823	7,134,506
Balance of cash and cash equivalents at end of period	7,134,506	7,392,916

## (6) Notes on the going concern assumption

No relevant items.

## (7) Significant accounting policies

The disclosure is omitted, since there are no significant changes from contents disclosed by the latest securities report (submitted on November 28, 2017).

## (8) Notes to financial statements

FRC omits the disclosure of notes to balance sheet, statement of income, statement of changes in net assets, and cash flows statement, as well as notes on lease transactions, financial instruments, securities, derivative transactions, related-party transactions, tax-effect accounting, retirement benefits, asset retirement obligations, rental properties, segment information and equity method income, etc. since it does not find substantial need for disclosure in the earnings briefing.

## (Per unit information)

26th fiscal period (March 1, 2017 to August 31, 2017)	27th fiscal period (September 1, 2017 to February 28, 2018)
Net assets per investment unit: 125,434 yen	Net assets per investment unit: 125,524 yen
Profit per investment unit: 3,422 yen	Profit per investment unit: 3,512 yen

Note 1: Profit per investment unit is calculated by dividing profit by the weighted average number of investment units outstanding during the fiscal period. Diluted profit per investment unit is not shown since there are no potential investment units.

Note 2: Calculation of profit per investment unit is based on the following.

Account	26th fiscal period (March 1, 2017 to August 31, 2017)	27th fiscal period (September 1, 2017 to February 28, 2018)
Profit (thousands of yen)	2,556,294	2,623,635
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to common investment units (thousands of yen)	2,556,294	2,623,635
Average number of investment units during the fiscal period (units)	747,000	747,000

## (Significant subsequent events)

## Issuance of new investment units

FRC issued new investment units through public offering, which was resolved at its Board of Directors meeting held on February 9, 2018, with the aim of acquiring real estate trust beneficiary interests. Payment completed on March 1, 2018 for the new investment units issued.

As a result, FRC's unitholders' capital came to 98,938,764,550 yen as of April 12, 2018, with the total number of investment units outstanding at 796,000 units as of the same date.

## Issuance of new investment units through public offering

Number of investment units offered:	49,000 units
Issue price:	164,414 yen
Total issue price:	8,056,286,000 yen
Paid-in amount:	159,102 yen
Total paid-in amount:	7,795,998,000 yen
Payment date:	March 1, 2018
Base date for distribution:	March 1, 2018

Furthermore, FRC already acquired the real estate trust beneficiary interests of the following two properties as of March 1, 2018 by using the proceeds obtained from the issuance of new investment units through public offering to partly fund the acquisition.

Property name	Use	Location	Seller	Acquisition price (mm of yen) (Note)
Konoha Mall Hashimoto	Retail	2-chome, Hashimoto, Nishi Ward, Fukuoka City	Fukuoka Jisho Co., Ltd.	10,000
Higashi Hie Business Center II	Office buildings	1-chome, Higashi Hie, Hakata Ward, Fukuoka City		4,230

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

## (9) Change in the number of investment units outstanding

No relevant items.

**4. Change in Directors**

(1) Change in directors in FRC

No relevant items.

(2) Change in directors at Fukuoka Realty Co., Ltd.

No relevant items.

**5. Reference Information**

(1) Investment situation

(as of February 28, 2018)

Type of asset	Use	Location (Note 1)	Total value of properties owned (mm of yen) (Note 2)	Percentage of total assets (%) (Note 3)
Real estate in Trust	Retail	Fukuoka urban area	65,886	37.2
		Other Kyushu areas	36,338	20.5
	Office buildings	Fukuoka urban area	42,497	24.0
		Other Kyushu areas	-	-
	Others	Fukuoka urban area	20,770	11.7
		Other Kyushu areas	2,645	1.5
Subtotal			168,138	94.8
Deposits and other assets			9,145	5.2
Total amount of assets (Note 4)			177,283 [168,145]	100.0 [94.8]

Note 1: "Fukuoka urban area" refers to cities, towns and villages where 10% or more of the population commute to Fukuoka City for school and work, according to the 2010 census, which states "the number of workers and students aged 15 years or older (students including those aged 14 years or younger: particular reference) including commuting between their homes and places of work or school" conducted by Fukuoka City and the Statistics Bureau of the Ministry of Internal Affairs and Communications. "Other Kyushu areas" refers to all other parts of Kyushu (excluding the Fukuoka urban area).

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

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

Note 4: Figures in parentheses for "Total amount of assets" refer to the value and percentage of real estate owned in effect to the total amount of assets.

(as of February 28, 2018)

	Value on balance sheet (mm of yen)	Percentage of total amount of assets (%)
Total amount of liabilities	83,517	47.1
Total amount of net assets	93,766	52.9

(2) Investment assets

(i) Primary issues of investment securities

No relevant items.

(ii) Real estate investment portfolio

No relevant items.

## (iii) Other primary investment assets

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

(as of February 28, 2018)

Real estate property name	Acquisition value (mm of yen) (Note 1)	Value on balance sheet (mm of yen)	Period-end appraisal value (mm of yen) (Note 2)	Investment ratio (%) (Note 3)	Real estate appraiser
Canal City Hakata	32,000	30,326	31,800	18.0	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata・B	28,700	29,101	29,700	16.1	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	17,760	18,919	19,400	10.0	Japan Real Estate Institute
SunLive City Kokura	6,633	5,723	8,150	3.7	Japan Real Estate Institute
Square Mall Kagoshima Usuki	5,300	4,489	5,450	3.0	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	2,030	2,760	1.3	Japan Real Estate Institute
Hanahata SC	1,130	1,001	1,250	0.6	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	2,500	2,109	2,780	1.4	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	3,550	3,066	3,710	2.0	Tanizawa Sogo Appraisal Co., Ltd.
Marinoa City Fukuoka (Marina Side Building)	5,250	5,456	5,940	2.9	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:	105,223	102,225	110,940	59.1	
Canal City Business Center Building	14,600	13,342	15,200	8.2	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	11,200	9,233	13,700	6.3	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	4,400	3,896	5,510	2.5	Japan Real Estate Institute
Taihaku Street Business Center	7,000	6,146	7,740	3.9	Japan Real Estate Institute
Higashi Hie Business Center	5,900	4,569	7,090	3.3	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	2,600	2,700	3,030	1.5	Japan Real Estate Institute
Tenjin North Front Building	2,800	2,606	3,730	1.6	Japan Real Estate Institute
Office buildings subtotal:	48,500	42,497	56,000	27.2	
Amex Akasakamon Tower	2,060	1,747	1,940	1.2	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	1,111	946	1,090	0.6	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Chihaya	1,280	1,200	1,640	0.7	Japan Real Estate Institute
D-Wing Tower	2,800	2,733	3,480	1.6	Tanizawa Sogo Appraisal Co., Ltd.
Granfore Yakuin Minami	1,100	1,145	1,290	0.6	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	1,530	1,431	1,860	0.9	Japan Real Estate Institute
Tosu Logistics Center	1,250	1,214	1,420	0.7	Japan Real Estate Institute
LOGICITY Minato Kashii	8,150	7,971	8,800	4.6	Tanizawa Sogo Appraisal Co., Ltd.
LOGICITY Hisayama	5,050	5,024	5,220	2.8	Tanizawa Sogo Appraisal Co., Ltd.
Others subtotal:	24,331	23,415	26,740	13.7	
Total	178,054	168,138	193,680	100.0	

Note 1: "Acquisition value" refers to the amount (purchasing prices shown on the purchasing contracts) not including expenses for the acquisition of relevant properties (agency fees and taxes and other public charges).

Note 2: "Period-end appraisal value" refers to the evaluation value based on appraisals by a real estate appraiser in conformity with the method and standards for asset evaluation stipulated in FRC's Articles of Incorporation and rules stipulated by the Investment Trusts Association, Japan.

Note 3: "Investment ratio" is obtained by dividing each property's acquisition value by the total acquisition value. The total of individual percentages in the above table may not equal 100%, since the figures are rounded off to one decimal place.

## (B) Summary of the real estate leasing business

(as of February 28, 2018)

Real estate property name	Number of tenants (Note 1)	Occupancy rate (%) (Note 3)	Total leasable floor space (m <sup>2</sup> )	Total leased floor space (m <sup>2</sup> )	Total leasing revenues (mm of yen) (Note 4)	Percentage of total leasing revenues (%) (Note 5)
Canal City Hakata	1 [49]	99.1	46,602.94	46,194.14	1,275	15.6
Canal City Hakata・B	1 [47]	99.4	68,820.27	68,411.30	1,638	20.0
Park Place Oita	1 [104]	99.7	113,837.70	113,510.64	1,191	14.5
SunLive City Kokura	1	100.0	61,450.22	61,450.22	292	3.6
Square Mall Kagoshima Usuki	12	100.0	14,602.88	14,602.88	254	3.1
Kumamoto Intercommunity SC	2	100.0	6,968.66	6,968.66	90	1.1
Hanahata SC	2	100.0	2,801.15	2,801.15	40	0.5
Kurume Higashi Kushiwara SC	1	100.0	6,467.80	6,467.80	88	1.1
K's Denki Kagoshima	1	100.0	7,296.17	7,296.17	111	1.4
Marinoa City Fukuoka (Marina Side Building)	1	100.0	33,069.82	33,069.82	177	2.2
Retail subtotal:	23 [220] (Note 2)	99.7	361,917.61	360,772.78	5,160	63.0
Canal City Business Center Building	1 [59]	98.0	23,031.09	22,577.76	624	7.6
Gofukumachi Business Center	35	100.0	19,905.34	19,905.34	537	6.6
Sanix Hakata Building	16	100.0	6,293.75	6,293.75	198	2.4
Taihaku Street Business Center	1 [69]	99.2	14,677.27	14,554.68	300	3.7
Higashi Hie Business Center	1 [25]	100.0	13,614.59	13,614.59	333	4.1
Tenjin Nishi-Dori Center Building	1	100.0	3,339.32	3,339.32	86	1.1
Tenjin North Front Building	11	100.0	5,252.41	5,252.41	140	1.7
Office buildings subtotal:	66 [216] (Note 2)	99.3	86,113.77	85,537.85	2,221	27.1
Amex Akasakamon Tower	1 [66]	96.7	4,821.25	4,662.13	69	0.8
City House Keyaki Dori	1 [42]	100.0	2,710.86	2,710.86	38	0.5
Aqualia Chihaya	1 [97]	92.9	5,619.69	5,220.81	58	0.7
D-Wing Tower	1 [134]	97.6	7,187.59	7,017.65	116	1.4
Granfore Yakuin Minami	1 [99]	100.0	2,496.06	2,496.06	38	0.5
Hotel FORZA Oita	1	100.0	5,785.44	5,785.44	63	0.8
Tosu Logistics Center	1	100.0	4,173.29	4,173.29	Undisclosed (Note 6)	Undisclosed (Note 6)
LOGICITY Minato Kashii	2	100.0	43,233.72	43,233.72	Undisclosed (Note 6)	Undisclosed (Note 6)
LOGICITY Hisayama	1	100.0	24,505.65	24,505.65	Undisclosed (Note 6)	Undisclosed (Note 6)
Others subtotal:	10 [443] (Note 2)	99.3	100,533.55	99,805.61	812	9.9
Total	99 [879] (Note 2)	99.6	548,564.93	546,116.24	8,194	100.0

Note 1: "Number of tenants" is based on the total number of sections stipulated in the tenancy agreements for retail and office buildings among relevant properties. For the number of tenants in pass-through master leasing properties, the number of sections stipulated in the tenancy agreements with end tenants is shown in parentheses. The Taihaku Street Business Center is an office building with a residential tower. Its number of tenants comprises 12 offices and 57 residences.

Note 2: The subtotal and total of all the tenants in other than pass-through master leasing properties and the number of sections stipulated in the tenancy agreements with end tenants for pass-through master leasing properties is shown in parentheses in the totals column for "Number of tenants."

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

Note 4: "Total leasing revenues" is the total of real estate leasing revenues and other revenues from real estate rent in the current fiscal period.

Note 5: "Percentage of total leasing revenues" is obtained by dividing each property's total leasing revenues by the total amount of total leasing revenues. The total of individual percentages in the above table may not equal 100%, since the figures are rounded off to one decimal place.

Note 6: The figures are not disclosed as no consent to disclosure has been obtained from the tenants.

## (3) Investment target

The disclosure is omitted, since there are no significant changes from the "Investment target" disclosed by the latest securities report (submitted on November 28, 2017).