

Fukuoka REIT Corporation

Overview of the 29th fiscal period performance [8968] Security code September 1st, 2018~February 28th, 2019



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[Security code 8968] September 1st, 2018~February 28th, 2019

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*Regarding rounding of amounts, percentage, and ratios: unless otherwise noted, in these materials, monetary amounts are rounded down to the nearest whole unit, and percentages and ratios are rounded off to one decimal places.

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Topics of the 29th fiscal period

Continuous dividends' growth by external and internal growth

External Growth

◎Acquisition of Tissage Hotel Naha

Acquisition timing	December 7, 2018
Location	2-chome, Nishi, Naha City, Okinawa
Acquisition Price	2,835 mm yen
NOI yield (*1)	5.5%
Built	February, 2018



◎Changes in investment ratios by investment type (changes in investment policy)

Internal Growth

◎Canal City Hakata

Valuable rents increased due to strong movie and hotel sales

◎Konoha Mall Hashimoto

Maintained sales in line the previous year thanks to effective sales promotion activities and initiatives to enhance facilities

◎Office buildings

Cumulative amount since the 25th fiscal period

《From the 30th fiscal period onwards》

◎LOGICITY Minato Kashii

Will achieve rent increase with renewal of major tenant's contracts

◎Property profitability enhanced through utility expense reductions

Rent increase rate
for tenants renewing contracts:
9.7%

Financial Management

◎In the 29th fiscal period, procured 2,500 million yen at an average annual interest rate(*2) of 0.49% for an average borrowing period of 9.1 years

Average interest rate paid (*2)	Average remaining duration to maturity	Fixed rate	LTV
0.73%	6.0 years	90.2%	39.7%

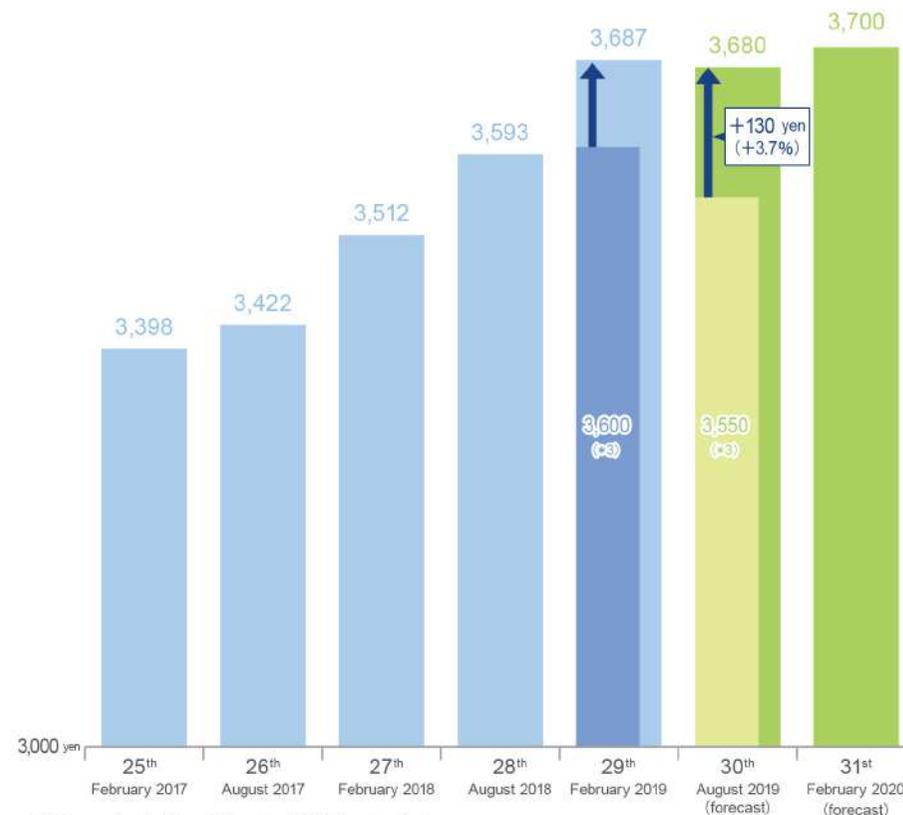
(*1) The figure is calculated NOI based on appraisal value as of acquisition timing.
(*2) Interest rates are rounded off to the second decimal place.

Dividend per unit

The actual of 29th FP (Feb. 2019) **3,687 yen**

compared with previous fiscal period **+94 yen (+2.6%)**

compared with forecast **+87 yen (+2.4%)**



(*3) Forecast at the financial results of 28th fiscal period

Changes in investment ratios by investment type

Changes in investment policy

- Ensured investment flexibility by pursuing investment types other than retail facilities, such as office buildings and other properties we consider to be outstanding, and created an optimal portfolio that facilitates flexibility in response to changes in the market environment.
- The upper and lower limits of the investment ratio of retail facilities will be changed from 80% to 70% and from 60% to 40%, respectively.
- The upper limit of the investment ratio of office buildings will be changed from 40% to 50%.
- The upper limit of the investment ratio of the other types will be changed from 20% to 30%.

Investment ratios by investment type

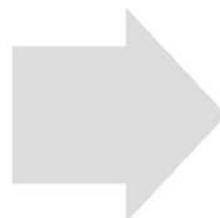
Before

Retail 60-80%

Office buildings 20-40%

Others 0-20%

(Hotel, Residence, Logistics and Other facilities)



After

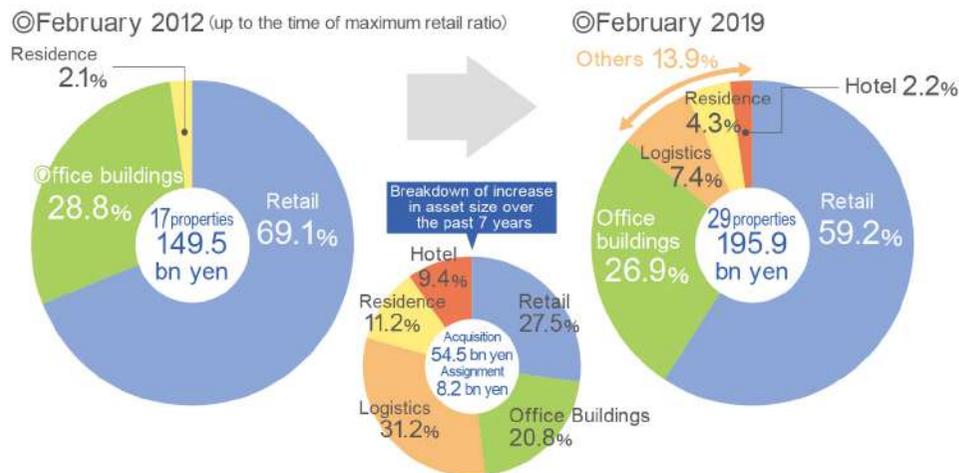
Retail 40-70%

Office buildings 20-50%

Others 0-30%

(Hotel, Residence, Logistics and Other facilities)

Changes in investment ratios over the past 7 years (on an acquisition price basis)



Dividend's track record

Steady growth of dividends

The 29 th fiscal period end	February 28, 2019 <small>(semi-annual periods ending every February and August)</small>	Days in fiscal period	181
Dividend (actual)	3,687 yen per unit	Dividend yield	4.4% <small>{{(Dividend / days in fiscal period × 365) / Unit price} (as of February 28, 2019)</small>



*A 5-for-1 split of investment unit was effectuated on March 1, 2014. A 5-for-1 split of dividends and NAV per units before the 19th FP.

Statements of Income (compared with previous fiscal period)

The dividend was 3,687 yen, up 94 yen compared to the previous fiscal period, thanks to external and internal growth

- unit : mm yen (Figures rounded down to the nearest mm yen)

Sign indicates impact on profit (unit : mm yen)

Account		28 th A ~Aug. 31, 2018	29 th B ~Feb. 28, 2019	Difference B-A
Ordinary profit and loss	Total operating revenues	9,178	9,242	① 64
	Leasing revenues-real estate	8,478	8,604	126
	Other leasing revenues-real estate	699	637	(61)
	Total operating expenses	5,940	5,936	(3)
	Expenses related to leasing business	5,287	5,274	② (13)
	Asset management fees	520	532	11
	Asset custody fees	6	7	0
	Administrative service fees	53	54	0
	Director's compensations	9	9	-
	Other operating expenses	61	59	(2)
Operating income	3,238	3,306	68	
Non-Operating profit and loss	Total non-operating revenues	0	2	1
	Total non-operating expenses	377	372	③ (5)
	Interest expenses (incl. investment corporation bonds)	279	275	(4)
	Financing related expenses	91	91	(0)
	Others	6	5	(0)
Ordinary income	2,861	2,935	74	
Profit before income taxes	2,861	2,935	74	
Total income taxes	1	1	0	
Profit	2,860	2,934	74	
Dividend	Total dividends	2,860	2,934	74
	Dividend per unit (yen)	3,593	3,687	94

Operating profit and loss

① Acquired a property at 29 th FP	+39
(Acquired Tissage Hotel Naha in December 2018)	
Canal City Hakata	+37
[-of which, a seasonal factor of variable rents	+32]
Canal City Hakata-B	+41
[-of which, a seasonal factor of variable rents	+37]
Park Place Oita	(30)
[-of which, decrease in income from utilities	(17)]
Konoha Mall Hashimoto	(0)
Office buildings	(10)
[-of which, increase in leasing revenues-real estate	+7]
[-of which, decrease in income from utilities, etc	(17)]
Others	(13)
Total	+64
② Acquired a property at 29 th FP	(12)
Decrease in expenses from utilities	+26
Increase in other expenses	(1)
Total	+13

Non-Operating profit and loss

③ Decrease in non-operating expenses	+5
[-of which, decrease in debt-related expenses	+4]

Statements of Income (compared with forecast)

The dividend exceeded the forecast, reflecting acquisition of a new property and strong sales at Canal City Hakata and Konoha Mall Hashimoto

- unit : mm yen (Figures rounded down to the nearest mm yen)

Sign indicates impact on profit (unit : mm yen)

Account		29 th A Previous Forecast	29 th B ~Feb. 28, 2019	Difference B-A
Ordinary profit and loss	Total operating revenues	9,121	9,242	① 121
	Leasing revenues-real estate		8,604	
	Other leasing revenues-real estate		637	
	Total operating expenses	5,886	5,936	② 49
	Expenses related to leasing business		5,274	
	Asset management fees		532	
	Asset custody fees		7	
	Administrative service fees		54	
	Director's compensations		9	
	Other operating expenses		59	
	Operating income	3,234	3,306	71
Non-Operating profit and loss	Total non-operating revenues	3	2	(1)
	Total non-operating expenses	371	372	1
	Interest expenses (incl. investment corporation bonds)		275	
	Financing related expenses		91	
	Others		5	
	Ordinary income	2,866	2,935	69
	Profit before income taxes	2,866	2,935	69
	Total income taxes	1	1	0
	Profit	2,865	2,934	69
Dividend	Total dividends	2,865	2,934	69
	Dividend per unit (yen)	3,600	3,687	87

Operating profit and loss

① Acquired a property at 29 th FP	+39
(Acquired Tissage Hotel Naha in December 2018)	
Canal City Hakata	+40
Canal City Hakata-B	+15
Konoha Mall Hashimoto	+30
Others	(3)
Total :	+121
② Acquired a property at 29 th FP	(12)
Increase in repair & maintenance expenses	(25)
Increase in other expenses	(12)
Total :	(49)

Business forecast (the 30th fiscal period, Aug. 2019)

The dividend will be 3,680 yen despite the onset of municipal property tax on properties acquired in the 28th and 29th fiscal period

Forecast in the 30th fiscal period

- unit : mm yen (Figures rounded down to the nearest mm yen)

Account	29 th Actual A	30 th Forecast at 28 th B	30 th Forecast at 29 th C	29 th Actual difference C-A	30 th Forecast difference C-B
Operating revenues	9,242	9,160	9,305	① 62	145
Operating expenses	5,936	5,959	5,993	② 57	34
Operating income	3,306	3,200	3,311	5	110
Non-operating revenues	2	0	0	(1)	-
Non-operating expenses	372	374	381	③ 8	6
Ordinary income	2,935	2,826	2,930	(5)	103
Profit	2,934	2,825	2,929	(5)	103
Total dividends	2,934	2,825	2,929	(5)	103
Dividend per unit (yen)	3,687	3,550	3,680	(7)	130

Sign indicates impact on profit (unit : mm yen)

■ Difference between the 29th FP actual and the 30th FP forecast

① Full-period contribution of Tissage Hotel Naha	+54
Canal City Hakata	(49)
[-of which, a seasonal factor of variable rents	(32)]
Canal City Hakata・B	(10)
[-of which, a seasonal factor of variable rents	(37)]
Park Place Oita	+22
[-of which, increase in income from utilities	+23]
Office buildings	+34
[-of which, increase in leasing revenues-real estate	+14]
[-of which, increase in income from utilities, etc	+20]
Others	+11
[-of which, LOGICITY Minato Kashii	+7]
Total :	+62
② Increase in expenses from utilities	(15)
Decrease in repair & maintenance expenses	+79
Increase in taxes and other public charges	(72)
[-of which, acquired properties at 28 th FP and 29 th FP	(59)]
Increase in depreciation and amortization expenses	(32)
Increase in selling general and administrative expenses	(13)
Increase in other expenses	(4)
Total :	(57)
③ Increase in non-operating expenses	(8)
[-of which, increase in debt-related expenses	(8)]

Business forecast (the 31st fiscal period, Feb. 2020)

The forecast dividend is at the 3,700 yen level for the first time since the 4th fiscal period

Forecast in the 31st fiscal period

- unit : mm yen (Figures rounded down to the nearest mm yen)

Account	30 th Forecast at 29 th A	31 st Forecast at 29 th B	30 th Forecast difference B-A
Operating revenues	9,305	9,321	① 16
Operating expenses	5,993	5,993	② (0)
Operating income	3,311	3,328	16
Non-operating revenues	0	0	-
Non-operating expenses	381	382	1
Ordinary income	2,930	2,946	15
Profit	2,929	2,945	15
Total dividends	2,929	2,945	15
Dividend per unit (yen)	3,680	3,700	20

Sign indicates impact on profit (unit : mm yen)

■ Variance from updated the 30th FP forecast

① Canal City Hakata	+35
Canal City Hakata•B	+41
[-of which, a seasonal factor of variable rents	+39]
Park Place Oita	(12)
[-of which, decrease in income from utilities	(23)]
Konoha Mall Hashimoto	(22)
[-of which, decrease in income from utilities	(13)]
Office buildings	(11)
[-of which, increase in leasing revenues-real estate	+2]
[-of which, decrease in income from utilities	(13)]
Others	(15)
Total :	+16
② Decrease in expenses from utilities	+61
Increase in repair & maintenance expenses	(68)
Decrease in other expenses	+7
Total :	(0)

New acquisition property of 29th fiscal period

First investment in the Okinawa prefecture and acquired a newly constructed hotel in Naha city from the outside party

Tissage Hotel Naha [Acquisition Price:2,835 mm yen, Acquisition timing:Dec. 7, 2018]



©Property overview

Location	2-chome, Nishi, Naha City
Total floor area	3,758.76㎡
Total rooms	132
Built timing	February 2018
Appraisal value	3,030 mm yen
NOI yield (*1)	5.5%
Tenant's name	Nest Hotel Japan Corporation
Type of contract	Fixed term lease
Contract term (remaining years)	10 years (9 years)
Early cancellation & rent revision	Not available
Rents type	Minimum guarantee rent + variable rent

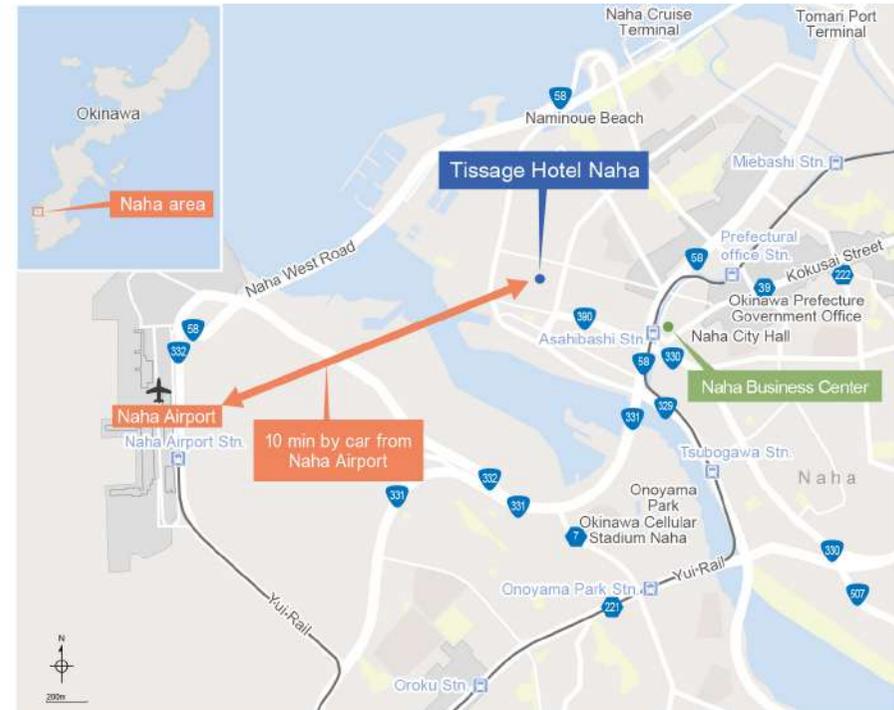
- Approximately a 10-minute car ride from Naha Airport and approximately a 9-minute walk from Asahibashi Station on the Yui Rail. Built in Feb. 2018.
- Guestrooms are comprised mainly of twin/double rooms of 18㎡ or larger, sizes large enough to take in leisure demand often requiring use of a room by several people.
- A rent system incorporating variable rents has been adopted. The contract format makes it possible to benefit from the upside potential of strong growth in the hotel market in Okinawa prefecture.

(*1) Based on the NOI in the appraisal report as of acquisition timing.

©ADR(*2) and RevPAR(*3) for the last six-months (September 2018 to February 2019)

ADR (*2)	9,378 yen	RevPAR (*3)	8,123 yen
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(*2) Average Daily Rate = Total accommodation-category sales over a certain period of time divided by the total number of guest rooms sold over the same period.
 (*3) Revenue Per Available Room = Total accommodation-category sales over a certain period of time divided by the total number of guest rooms available for sale for the same period. Note that RevPAR can also be calculated by multiplying ADR with the number of occupied guest rooms.



©Room occupancy rates since the hotel's opening in April 2018



Source: Prepared by Fukuoka Realty Co., Ltd. based on data from "Overview of Statistical Survey on Overnight Travel" by Japan Tourism Agency
 Hotel's occupancy rates in Naha city and Okinawa prefecture (Apr. 2018 - Jan. 2019)

Potential of hotel market in Okinawa prefecture

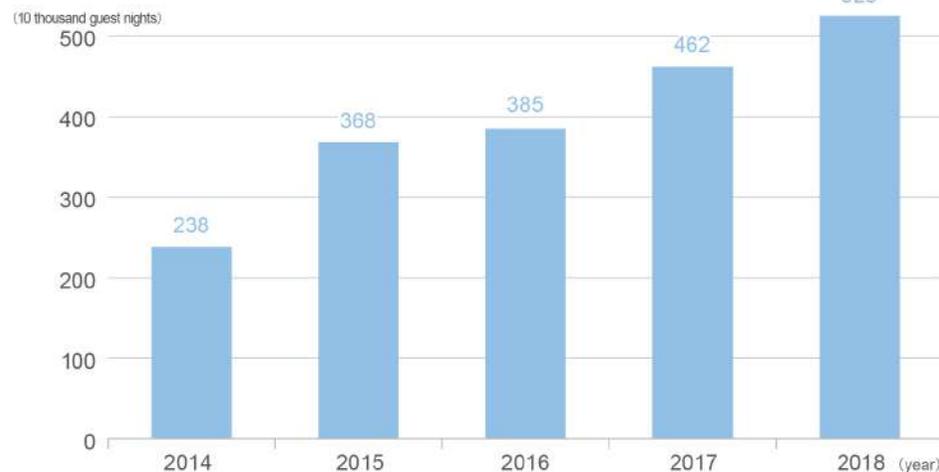
An area expected to continue to enjoy high growth rates

Change in number of tourists to Okinawa prefecture



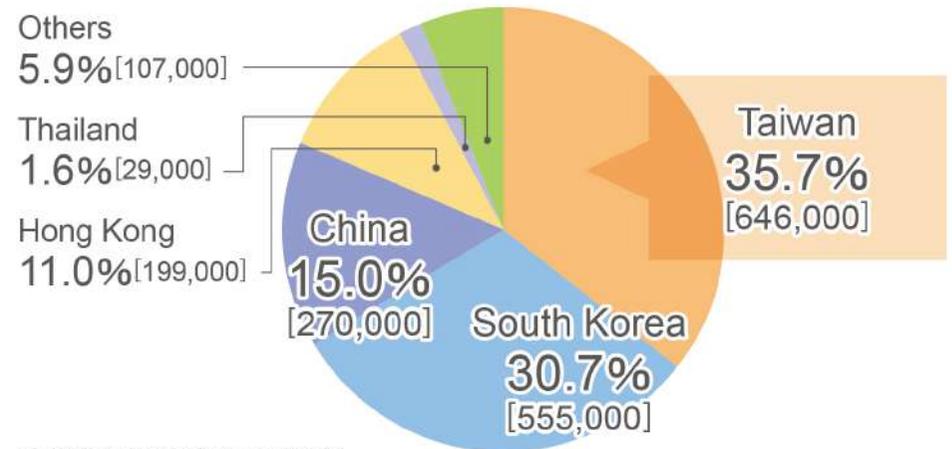
Source: Prepared by Fukuoka Realty Co., Ltd based on data from "Statistics of tourists in Okinawa" by Okinawa Prefecture

Change in the total number of foreign lodgers to Okinawa prefecture



Source: Prepared by Fukuoka Realty Co., Ltd. based on data from "Overview of Statistical Survey on Overnight Travel" by Japan Tourism Agency

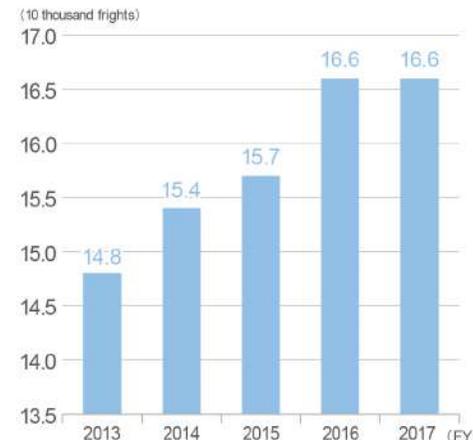
Ratio of foreign visitors to Okinawa prefecture [2018]



*Cruise ship tourist landing figures are not included.

Source: Prepared by Fukuoka Realty Co., Ltd based on data from Statistics on Legal Migrants (Ministry of Justice)

Annual number of takeoffs and landings at Naha Airport and overview of new runway construction



*The number of takeoffs and landings is calculated by multiplying the number of landings by two.
Source: Prepared by Fukuoka Realty Co. Ltd. based on data from the Ministry of Land, Infrastructure, Transport and Tourism's Airport Management Status Survey Report.

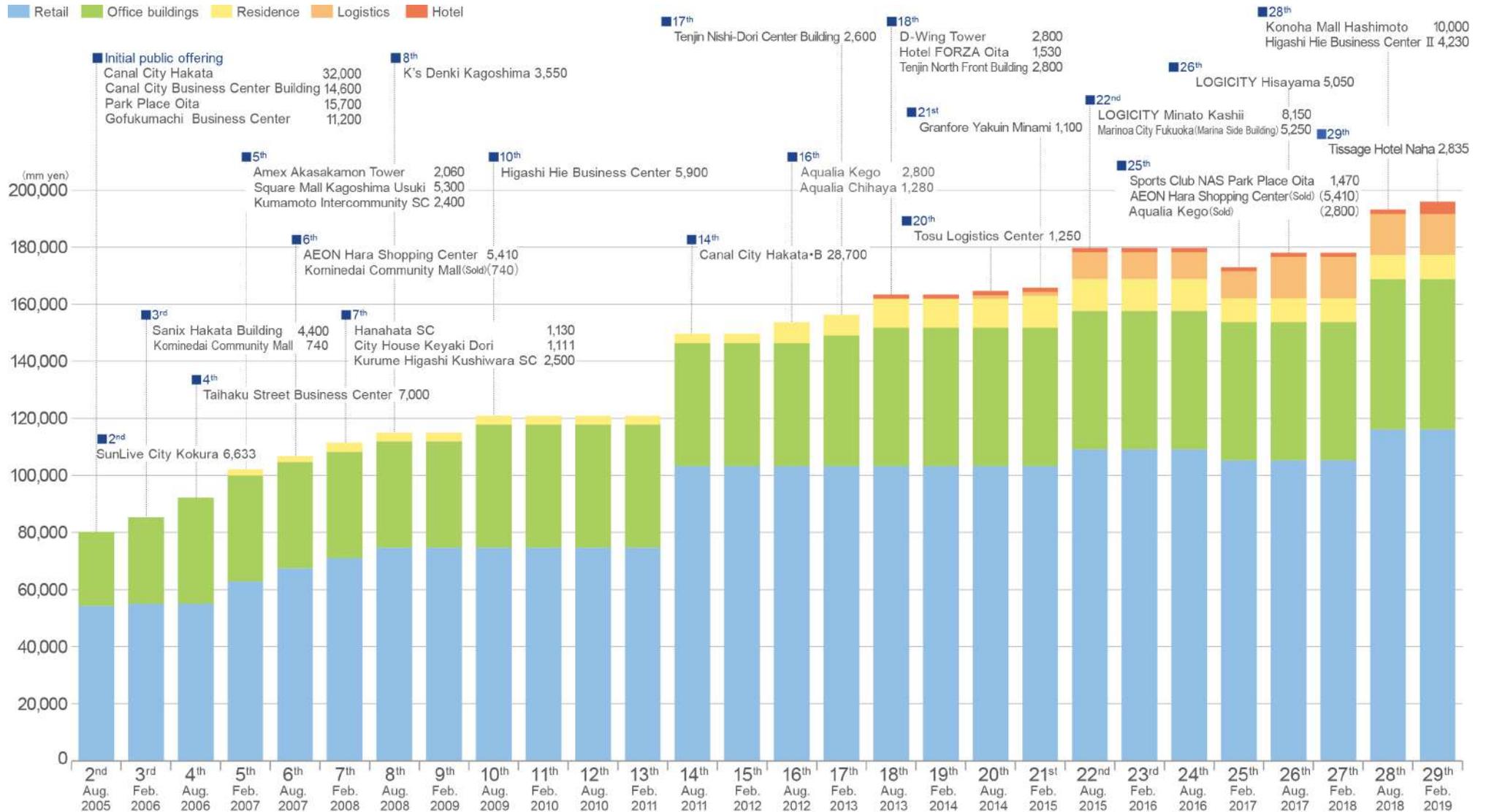
- Scheduled to open at the end of March 2020
- Annual number of takeoffs and landings to increase to 185,000



Source: Prepared by Fukuoka Realty Co., Ltd. based on data from the Naha Airport Project Office, Okinawa General Bureau, Cabinet Office.

Historical trends of asset's size by investment type

Expansion of asset size to 195,979 million yen (29 properties)

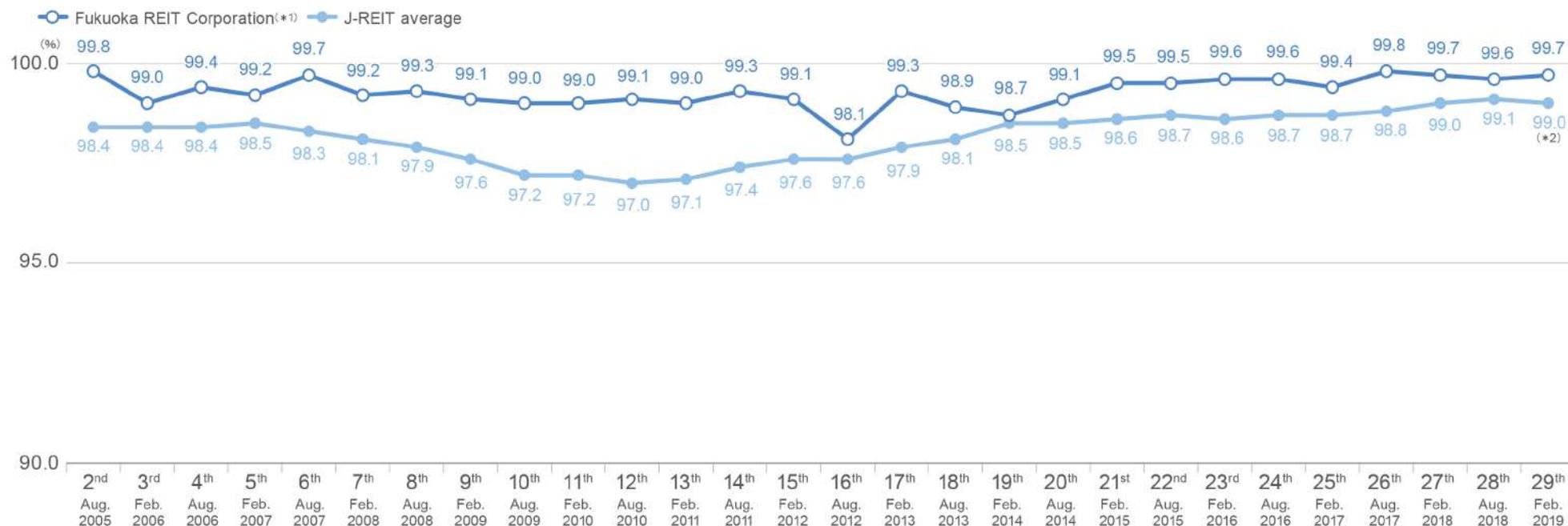


* As the senior equity interest in an anonymous partnership managed by CCH Bridge Y.K. was redeemed in the 14th FP, it is excluded from total acquired assets from the 14th FP onward. Since interest in the anonymous partnership managed by Limited Liability Company FRC1 was redeemed on in the 26th FP, it is excluded from total acquired assets from the 26th FP on ward.

Portfolio properties' occupancy rates

Maintained high occupancy rates

Historical occupancy rates [the weighted average during the period]



(*1) The investment corporation's occupancy rates in the 2nd fiscal period through the 4th fiscal period were the occupancy rates at the end of each fiscal period. For the 5th fiscal period through the 29th fiscal period, the occupancy rates are the weighted average occupancy rates during the fiscal periods. The ratio of total leased floor area to leasable floor area is shown.

(*2) The J-REIT average for the 29th fiscal period is the November 2018 (preliminary figures).

Source: J-REIT averages prepared by Fukuoka Realty Co., Ltd., based on the Association for Real Estate Securitization's (ARES) "AJPI-J-REIT Databook."

Occupancy rates [the weighted average during the period]

Category	Investment ratio (based on acquisition price)	25 th	26 th	27 th	28 th	29 th
		~ Feb. 28, 2017	~ Aug. 31, 2017	~ Feb. 28, 2018	~ Aug. 31, 2018	~ Feb. 28, 2019
Retail	59.2%	99.6%	100.0%	99.8%	99.8%	99.8%
Office buildings	26.9%	99.7%	99.9%	99.3%	99.5%	99.8%
Others	13.9%	98.6%	98.9%	99.3%	99.1%	99.1%
Total	100.0%	99.4%	99.8%	99.7%	99.6%	99.7%

Active retail

Stable rent levels maintained over the long term



Canal City Hakata
Canal City Hakata・B

Sales (annual total (*3))
Mar. 2017–Feb. 2018 → Mar. 2018–Feb. 2019
32.1 bn yen → **31.0 bn yen**

Sales for the most recent calendar year declined due to the closing of a section of the South Building for refurbishment by major tenants. Sales for the entire property excluding the South Building, were up 106.7% compared with the preceding year reflecting a facility management approach with focus on creating experiential value.



Park Place Oita

Sales (annual total)
Mar. 2017–Feb. 2018 → Mar. 2018–Feb. 2019
25.2 bn yen → **25.1 bn yen**

Sales remained solid thanks to the provision of experiential value and the holding of events that were highly successful in attracting customers. Customer loyalty was strengthened by refurbishing the parking lots, which 90% of visitors use, to enhance their user-friendliness.



SunLive City Kokura

Sales (annual total (*4))
Mar. 2017–Feb. 2018 → Mar. 2018–Feb. 2019
(3.2)%

Sales temporarily decreased due to the impact of the heaviest-ever-recorded rainfall in Kitakyushu City, and a major sale by a local department store (from January 11 to February 28) prior to the closure of its commercial facility in front of JR Kokura Station.



Konoha Mall Hashimoto

Sales (annual total (*5))
Mar. 2017–Feb. 2018 → Mar. 2018–Feb. 2019
16.2 bn yen → **16.2 bn yen**

Steady sales were maintained thanks to the ripple effects of the introduction of Tobanne (a mid-air playground), and smooth parking lot operations due to the introduction of a new parking management system. The anticipated impact from the opening of competing stores was negligible.

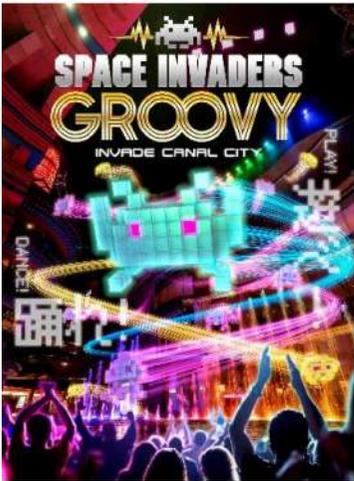


*Sales figures are rounded down to the nearest 100 mm yen. *Active Retail - properties with variable rents such as Canal City Hakata, Canal City Hakata・B, Park Place Oita, SunLive City Kokura, Konoha Mall Hashimoto.
 (*1) The fixed rent is the total of (among the real estate leasing revenue), ① Fixed monthly rent; ② Of the tenant rents with a revenue ratio (calculated by multiplying the ratio to the monthly revenue of applicable tenants) established, GOP rents and the minimum guaranteed rent portion in the case that minimum guaranteed rent has been established; ③ Common expenses; and ④ Amount paid by Park Place Oita and Konoha Mall Hashimoto's parking lot tenants.
 (*2) Variable rents are the sum of the portion of rents collected from tenants with variable and GOP rents that varies as a function of the tenants' sales. (*3) Combined sales of Canal City Hakata and Canal City Hakata・B, properties owned by Fukuoka REIT.
 (*4) Sales figures are omitted because SunLive did not consent to their disclosure. (*5) Konoha Mall Hashimoto was acquired on March 1, 2018, and prior revenues are included as reference values.

Current situation at Canal City Hakata (overall)

Aiming to be an international SC (shopping center) that is the most fun in Asia

Aqua Panorama's 9th "SPACE INVADERS GROOVY"



For the 9th installment of the Canal Aqua Panorama show, which was launched on Saturday, January 12, 2019, we collaborated with Taito Corporation to produce a new form of entertainment combining fountains, music, light, and images based on Taito Corporation's famous Space Invader game, which is marking its 40th anniversary this year.



Aqua panorama's 10th "EVANGELION APOSTLE | HAKATA ATTACK" is decided in June 2019

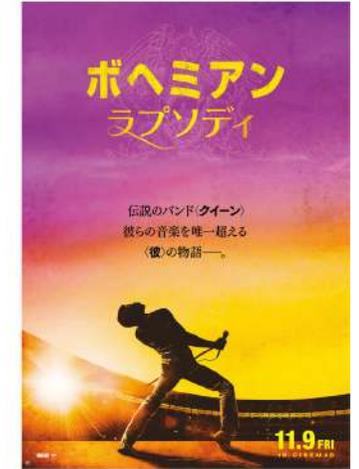
New tenants and hot topics

Due to popular demand the period of operation of the Harry Potter and Fantastic Beasts-themed Wizarding World Café was extended and it underwent a major refurbishment. The products' lineup was expanded and creating new menu from March 20, 2019.



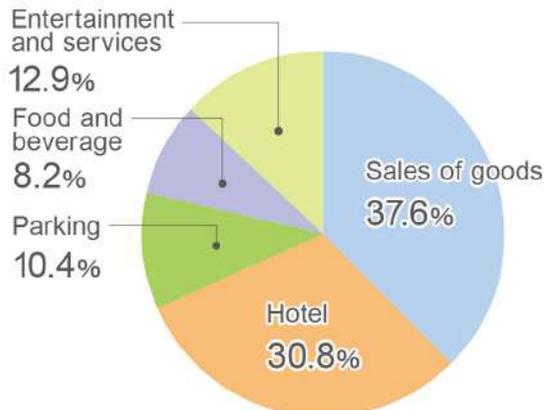
Blessed with many hit movies including "Bohemian Rhapsody" and "Fantastic Beasts: The Crimes of Grindelwald."

UNITED CINEMAS ユナイテッド・シネマキャナルシティ13



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Leasing revenue-real estate by industry at Canal City Hakata in the 29th FP^(*)



(*) The figures are included the leasing revenue-real estate of Canal City Hakata and Canal City Hakata-B.

Condition of Grand Hyatt Fukuoka and Canal City Fukuoka Washington Hotel

©RevPAR rates of increase over the last calendar year [Jan. 2018 to Dec. 2018]



(*) Figures based on comparison with results from Jan. 2017 to Dec. 2017. The respective results for Grand Hyatt Fukuoka and Canal City Washington Hotel are shown as weighted averages.

The Lion King musical returns to Fukuoka for the first time in 10 years!



December 2018 marked the 20th anniversary of the first performance in Japan of the musical, which enjoys enduring and widespread popularity across several generations. It opened once again at the Canal City Theater on Sunday, March 24, 2019.

Situation of Park Place Oita and Konoha Mall Hashimoto

Providing experiential value plus enhancing user-friendliness through parking lot improvements

Park Place Oita

◎Implement of events such as Halloween, Christmas and New Year

- October 21, 2018
—Halloween Show
- November 3, 2018
—light-up Illumination
Celemony2018
- December 22, 2018
—Christmas Celebration Party
- January 1・2・3, 2019
—New Year Special Live event
“DRUM TAO”

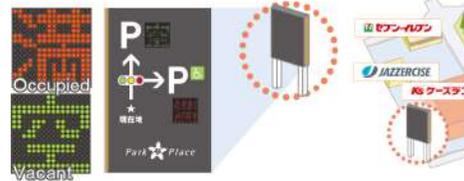


◎Parking lots refurbished to enhance user-friendliness from March 1, 2019

Improvements have been made to make it easy to discover vacant parking spots at a glance

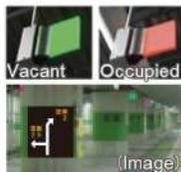
①Advance notification through guidance signs

No more hesitation, as you can ascertain whether there are vacant spots before entering.



②Guidance lights lead you to vacant spots

The guidance lights in underground parking lot “G” are proving to be useful in helping people to discover vacant spots.



③Parking spot information also available online

Parking information is updated in real time on the Park Place Oita website. Customers can easily obtain parking information on their smartphones.



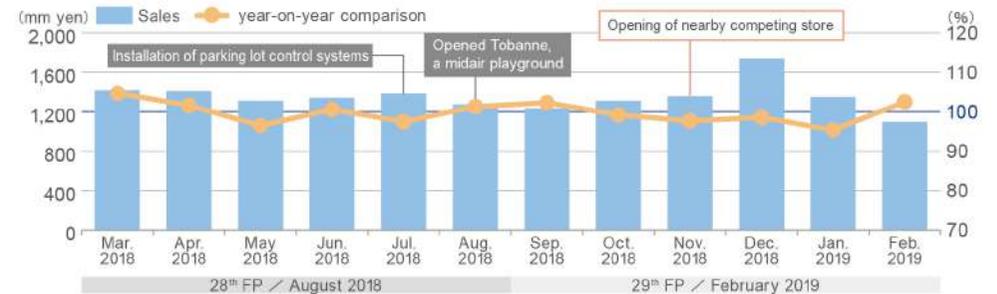
Konoha Mall Hashimoto

◎Opened in August 2018

A giant hammock about 17m wide and 13m high. In the six-month period since its opening approximately 5,000 children have used it per month on average. There has been a confirmed increase in new customers to the second-floor open-air area where one of the entrances is located. Play equipment etc. was installed in the newly renovated Garden Court to encourage more customers to visit by providing a place for children to play energetically outside even in winter.



◎Historical sales and year-on-year comparison



◎New parking management system to facilitate full utilization of the entire 1,500-vehicle capacity of the parking lot.

Upgraded parking management system helps enhance user-friendliness by reducing congestion on weekends and holidays. Aiming to further enhance customer satisfaction.



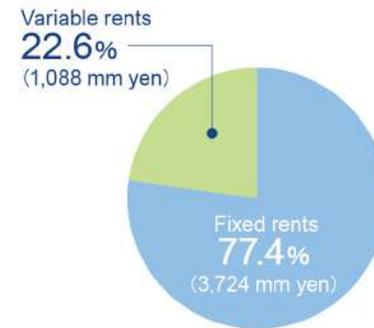
Breakdown of variable rents

Breakdown of active retail rents by property



Breakdown of active retail rents

©29th



Portfolio overall

©28th



Breakdown of Tissage Hotel Naha



©29th

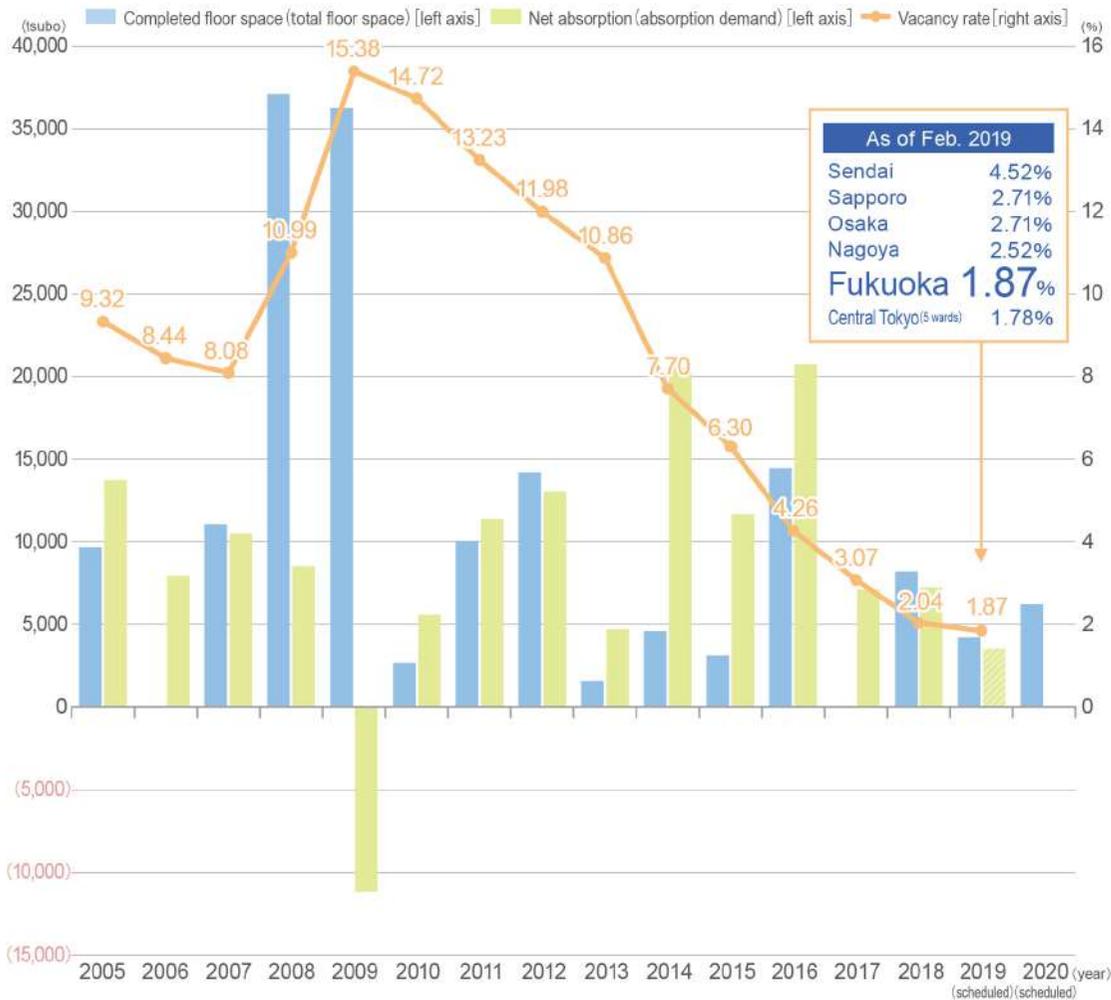


* Variable rents are included Canal City Hakata, Canal City Hakata-B, Park Place Oita, SunLive City Kokura, Konoha Mall Hashimoto and Tissage Hotel Naha.
 (*) The figures are included parking fee in variable rents of Canal City Hakata / Canal City Hakata-B.

Fukuoka office market

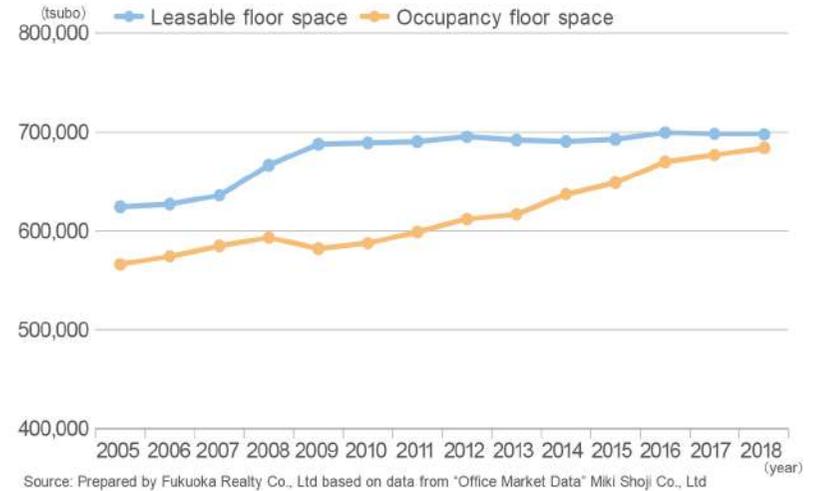
Supported by firm demand, the vacancy rate fell to the 1% level

Fukuoka business district / Vacancy rates and supply and demand of office buildings



* Statistics from 2005 to 2018 are based on the figures at the end of December.
 * Office building-related data for each city are data for areas and buildings included in surveys conducted by Miki Shoji Co., Ltd.
 * Net absorption (absorption demand) shows the change in the occupied floor space during a specific period. It is calculated by subtracting the occupied floor space on December 31 of the previous year from the occupied floor space on December 31 of the applicable year. For 2019, net absorption (absorption demand) was calculated using February-end values.
 Source: Prepared by Fukuoka Realty Co., Ltd based on data from "Office Market Data" Miki Shoji Co., Ltd

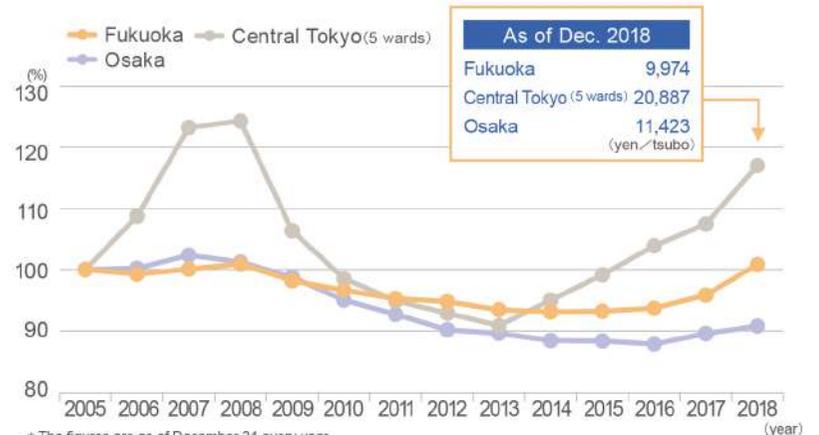
Fukuoka business district / Trend of leasable floor space and occupancy floor space



Source: Prepared by Fukuoka Realty Co., Ltd based on data from "Office Market Data" Miki Shoji Co., Ltd

Fukuoka business district / Average asking rents

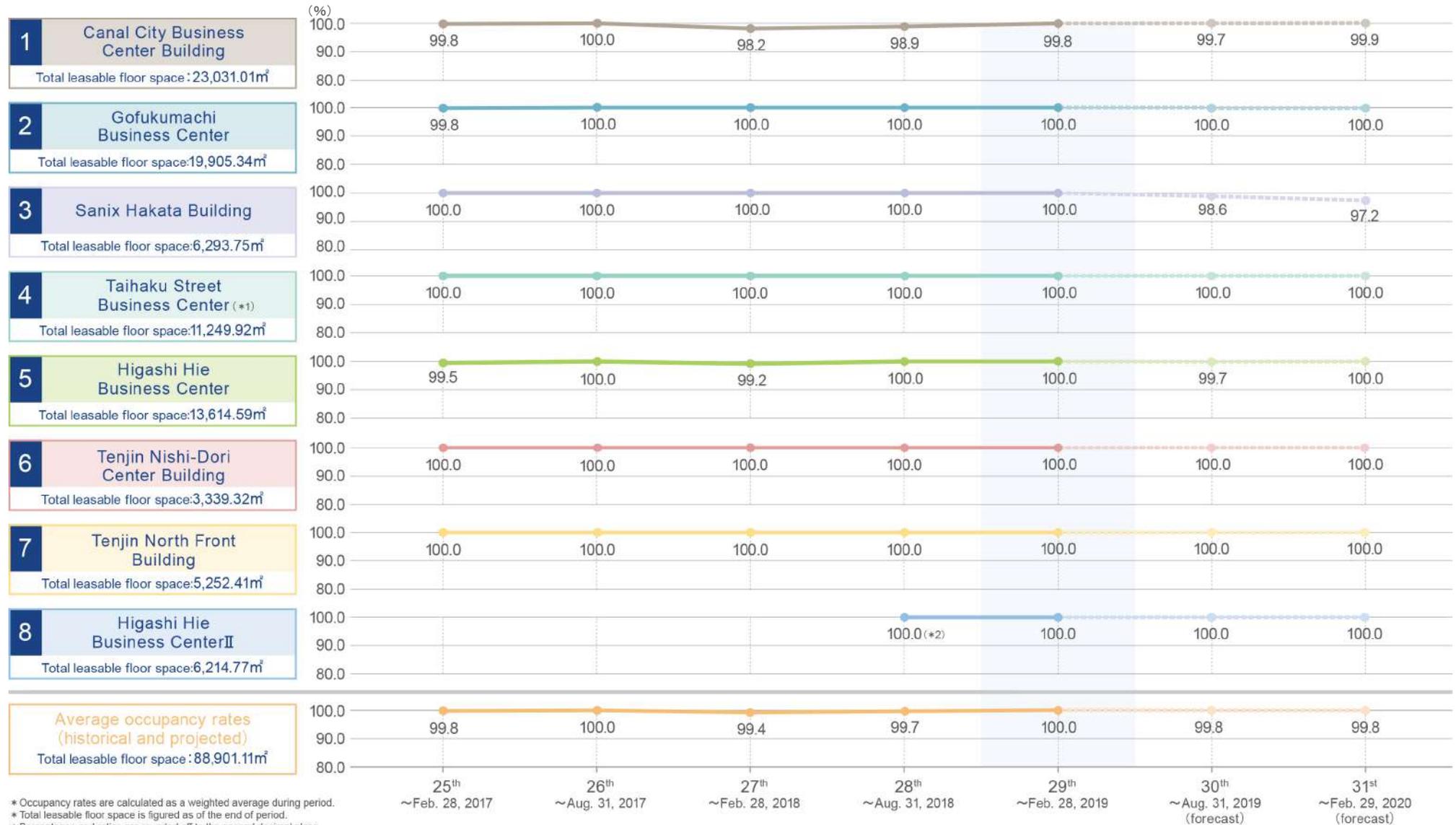
◎ Average asking rents during the past year [Y2005=100]



* The figures are as of December 31 every year
 Source: Prepared by Fukuoka Realty Co., Ltd based on data from "Office Market Data" Miki Shoji Co., Ltd

Historical and projected office buildings' occupancy rates

Keeping to maintain well occupancy rate



* Occupancy rates are calculated as a weighted average during period.

* Total leasable floor space is figured as of the end of period.

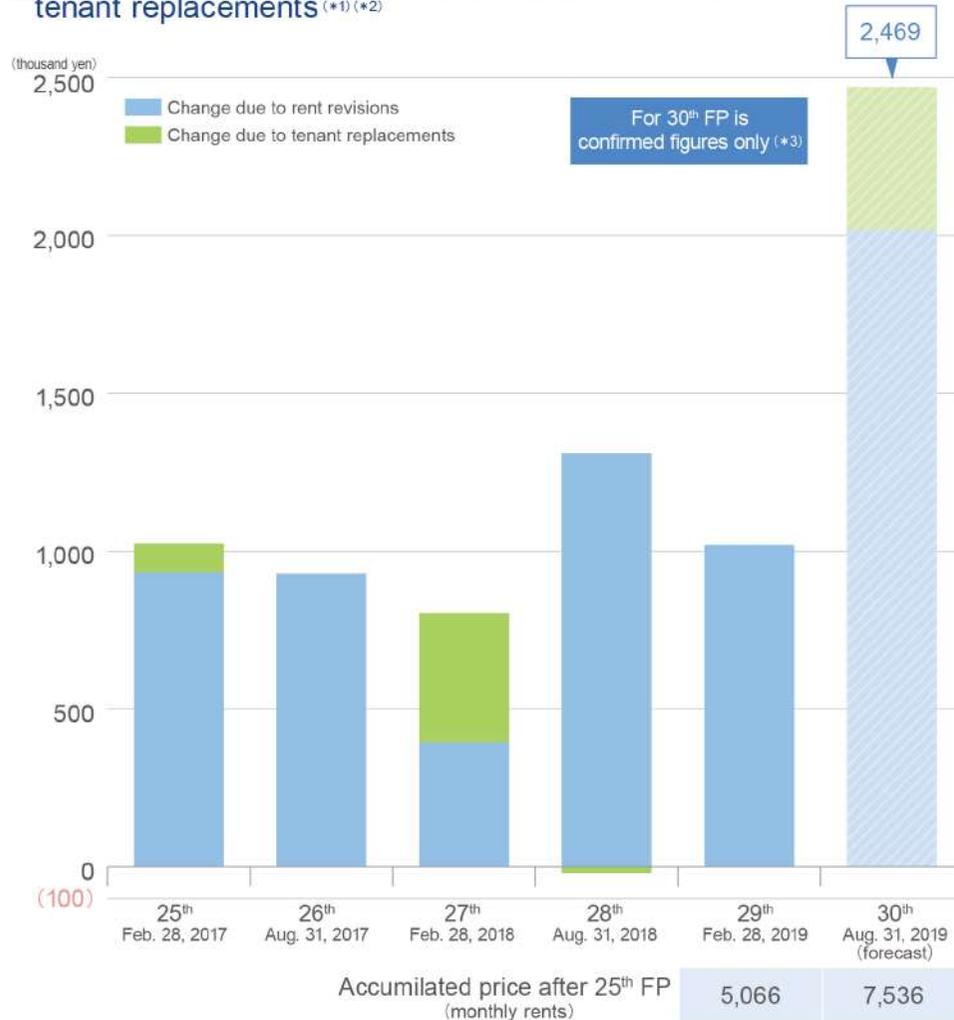
* Percentages and ratios are rounded off to the second decimal place.

(*1) Residential floor spaces are removed from the total leasable floor space of Taihaku Street Business Center. (*2) The occupancy rate is shown from the 28th FP due to the acquisition of Higashi Hie Business Center II on March 1, 2018.

Office building rent revisions and tenant replacement situation

Sustained upward rent revisions from the 25th fiscal period onwards

Change in monthly rent due to rent revisions and tenant replacements (*1) (*2)



(*1) Covers all office buildings owned at the end of each fiscal period. (However, for Canal City Business Center, only the spaces from the 2nd floor and above are covered).
 (*2) There were no revisions to the rent reductions.
 (*3) The figures are confirmed as of April 12, 2019.

Floor space subject to rent increase and number of properties subject to rent increases (*1) (*2)



Newly occupied floor space and number of new occupants (*1)



(*4) Rate of increase/decrease calculated based on the rent paid by the previous tenant at the time of tenant replacement.

Key financing events in the 29th fiscal period

Achievement of both interest cost reduction, borrowing term extension and diversification

29th fiscal period long-term financing and repayments

Date	Lender	Amount (mm yen)	Term	Interest rate	Fixed/Floating
January 31, 2019	Sumitomo Mitsui Banking Corporation	500	10-year	0.65528%	Fixed
	MUFG Bank	500	9-year	0.59000%	Fixed
	The Nishi-Nippon City Bank	400	10-year	0.41909% (*1)	Floating
	The Bank of Fukuoka	300	10-year	0.41909% (*1)	Floating
February 28, 2019	The Oita Bank	200	7-year	0.33380%	Fixed
	The Kagoshima Bank	200	7-year	0.33380%	Fixed
	The Higo Bank	200	7-year	0.33380%	Fixed
	Resona Bank	200	10-year	0.48845% (*2)	Fixed
Total and the weighted average rates(*3)		2,500	9.1-year	0.48559%	

(*1) For floating-rate debts, the interest applicable as of Feb.28, 2019 are indicated.

(*2) FRC has concluded a swap agreement to practically fix interest rate on debt. The indicated interest rate reflects the effect of the swap agreement.

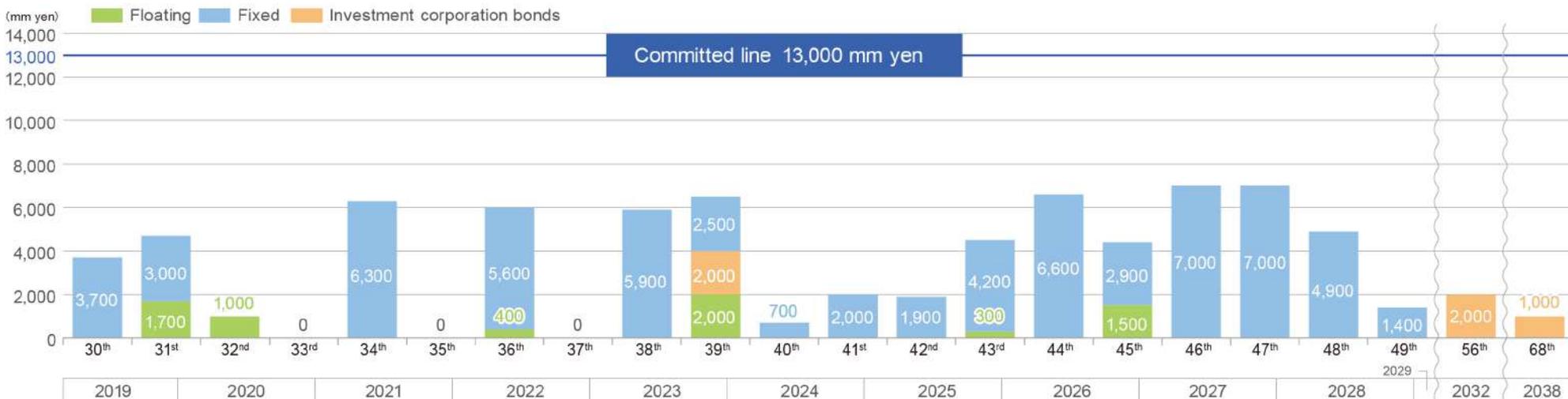
(*3) Amounts are totals, and terms and interest rates are weighted averages.

Average interest rate (*4) and duration



(*4) Interest rates are rounded off to the second decimal place.

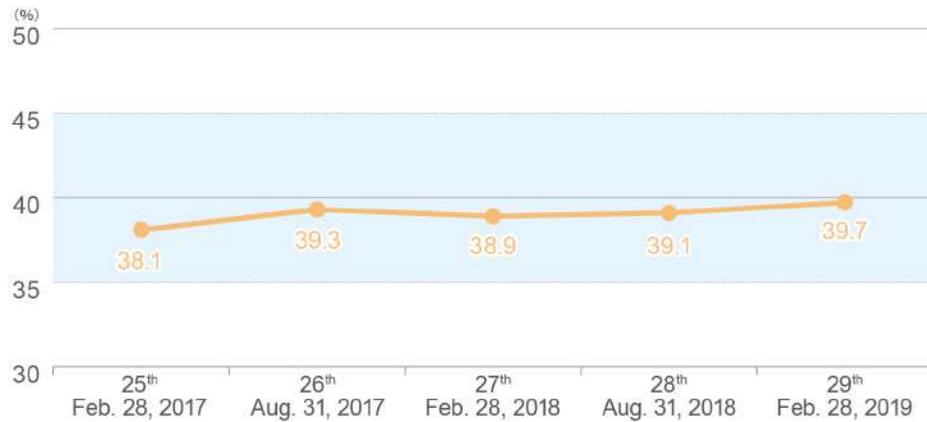
Diversification of debt maturities [As of February 28, 2019]



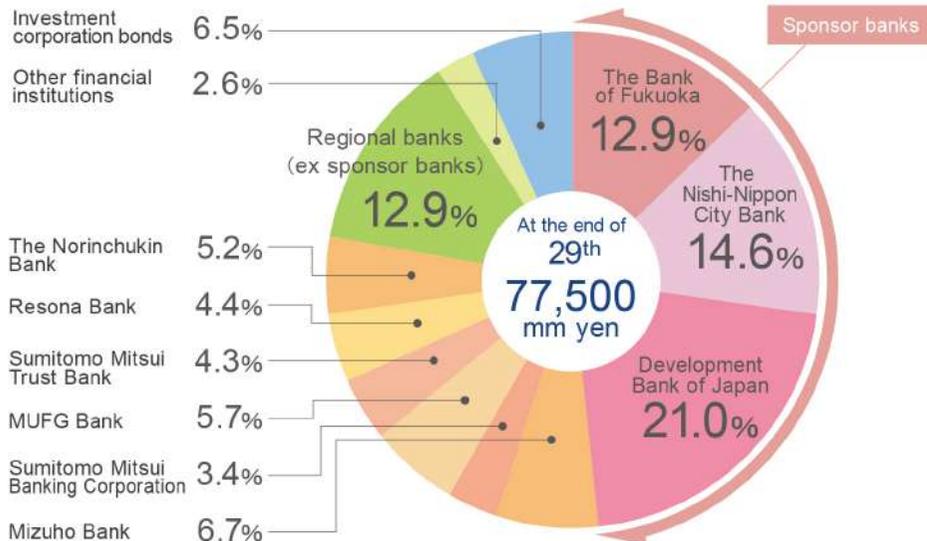
Financing condition

A stable network of sponsor banks and other lenders

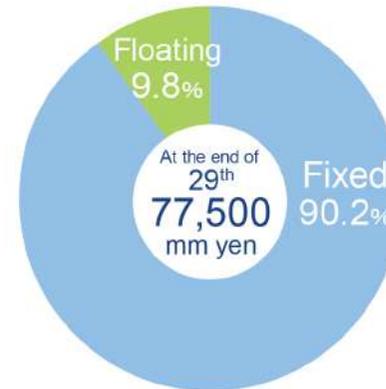
LTV



Breakdown of debt by lenders



Fixed and floating rate



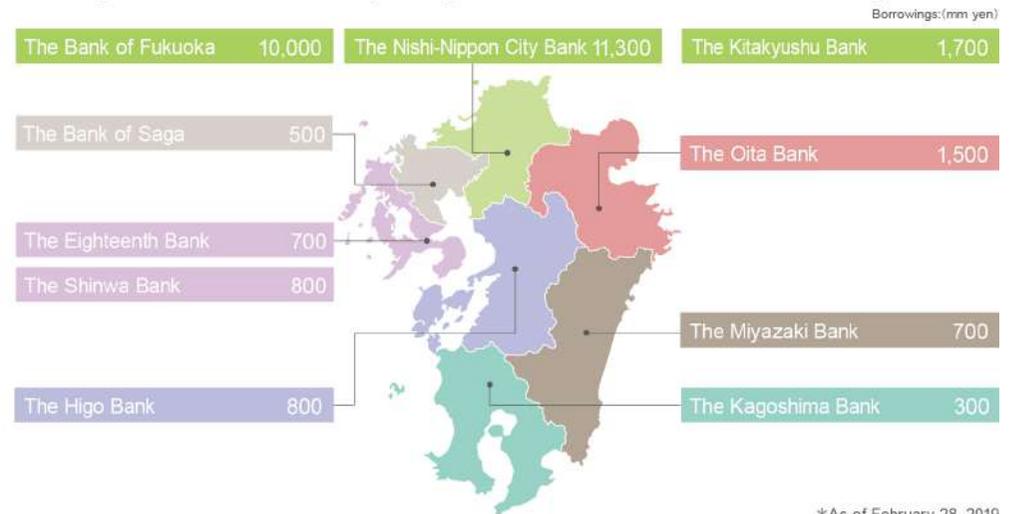
Credit ratings (*)



(*) JCR: long-term issuer rating obtained from Japan Credit Rating Agency, Ltd.
R&I: issuer rating obtained from Rating and Investment

A regional bank transaction network

©Sharing of information networks unique to regional banks to utilize for our investment strategy in the area



*As of February 28, 2019

Appraisal value

Maintained unrealized gains ^(*) for all properties

- unit : mm yen (Figures rounded down to the nearest mm yen)

Property name	Acquisition price (*2)	Acquisition cap rate	Appraisal value		Book value at 29	Difference		Direct capitalization values			Appraiser
			29 th Feb. 28, 2019	28 th Aug. 31, 2018		From Appraisal value at 28 th	From Book value at 29 th	29 th Cap rate	28 th Cap rate	Difference (%)	
			①	②		③	①-②	①-③	④	⑤	
Retail											
Canal City Hakata	32,000	6.0%	32,000	32,000	30,107	0	1,892	4.5%	4.5%	0.0	Tanizawa Sogo Appraisal
Canal City Hakata・B	28,700	5.4%	30,000	30,000	29,139	0	860	4.7%	4.7%	0.0	Tanizawa Sogo Appraisal
Park Place Oita	18,620	6.0%	19,800	19,900	19,557	(100)	242	5.5%	5.6%	(0.1)	Japan Real Estate Institute
SunLive City Kokura	6,633	6.6%	8,340	8,160	5,628	180	2,711	5.9%	6.0%	(0.1)	Japan Real Estate Institute
Konoha Mall Hashimoto	10,000	5.3%	10,600	10,500	10,197	100	402	5.1%	5.2%	(0.1)	Tanizawa Sogo Appraisal
Square Mall Kagoshima Usuki	5,300	6.3%	5,620	5,550	4,411	70	1,208	5.8%	5.9%	(0.1)	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	6.5%	2,860	2,810	2,005	50	854	5.6%	5.7%	(0.1)	Japan Real Estate Institute
Hanahata SC	1,130	6.4%	1,250	1,250	990	0	259	5.4%	5.4%	0.0	Tanizawa Sogo Appraisal
Kurume Higashi Kushiwara SC	2,500	6.1%	2,790	2,790	2,075	0	714	5.5%	5.5%	0.0	Tanizawa Sogo Appraisal
K's Denki Kagoshima	3,550	5.7%	3,710	3,710	3,019	0	690	5.4%	5.4%	0.0	Tanizawa Sogo Appraisal
Marinoa City Fukuoka (Marina Side Building)	5,250	5.5%	6,060	6,060	5,455	0	604	4.8%	4.8%	0.0	Tanizawa Sogo Appraisal
Total of retail	116,083	-	123,030	122,730	112,587	300	10,442	-	-	-	
Office buildings											
Canal City Business Center Building	14,600	6.3%	15,800	15,400	13,226	400	2,573	4.5%	4.6%	(0.1)	Tanizawa Sogo Appraisal
Gofukumachi Business Center	11,200	6.3%	14,300	14,000	9,036	300	5,263	4.4%	4.5%	(0.1)	Tanizawa Sogo Appraisal
Sanix Hakata Building	4,400	5.9%	5,980	5,840	3,845	140	2,134	4.2%	4.3%	(0.1)	Japan Real Estate Institute
Taihaku Street Business Center	7,000	6.0%	8,410	8,180	5,995	230	2,414	4.6%	4.7%	(0.1)	Japan Real Estate Institute
Higashi Hie Business Center	5,900	6.0%	7,580	7,400	4,505	180	3,074	4.6%	4.7%	(0.1)	Tanizawa Sogo Appraisal
Tenjin Nishi-Dori Center Building	2,600	5.4%	3,100	3,030	2,694	70	405	4.1%	4.2%	(0.1)	Japan Real Estate Institute
Tenjin North Front Building	2,800	6.1%	3,900	3,880	2,543	20	1,356	4.3%	4.5%	(0.2)	Japan Real Estate Institute
Higashi Hie Business Center II	4,230	4.9%	4,440	4,340	4,187	100	252	4.6%	4.7%	(0.1)	Tanizawa Sogo Appraisal
Total of office buildings	52,730	-	63,510	62,070	46,035	1,440	17,474	-	-	-	
Others											
Amex Akasakamon Tower (Residence)	2,060	5.4%	1,840	1,940	1,720	(100)	119	4.5%	4.6%	(0.1)	Daiwa Real Estate Appraisal
City House Keyaki Dori (Residence)	1,111	5.5%	1,140	1,110	927	30	212	4.5%	4.6%	(0.1)	Daiwa Real Estate Appraisal
Aqualia Chihaya (Residence)	1,280	6.8%	1,720	1,680	1,206	40	513	5.0%	5.1%	(0.1)	Japan Real Estate Institute
D-Wing Tower (Residence)	2,800	5.9%	3,560	3,550	2,710	10	849	4.5%	4.5%	0.0	Tanizawa Sogo Appraisal
Granfore Yakuin Minami (Residence)	1,100	5.6%	1,310	1,310	1,126	0	183	4.4%	4.4%	0.0	Tanizawa Sogo Appraisal
Hotel FORZA Oita (Hotel)	1,530	6.6%	1,820	1,870	1,433	(50)	386	5.3%	5.4%	(0.1)	Japan Real Estate Institute
Tissage Hotel Naha (*3) (Hotel)	2,835	5.3%	3,030	3,030	2,924	0	105	4.9%	4.9%	0.0	Tanizawa Sogo Appraisal
Tosu Logistics Center (Logistics)	1,250	5.9%	1,430	1,430	1,195	0	234	5.2%	5.2%	0.0	Japan Real Estate Institute
LOGICITY Minato Kashii (Logistics)	8,150	5.2%	8,880	8,880	7,897	0	982	4.4%	4.4%	0.0	Tanizawa Sogo Appraisal
LOGICITY Hisayama (Logistics)	5,050	5.1%	5,250	5,250	4,949	0	300	4.6%	4.6%	0.0	Tanizawa Sogo Appraisal
Total of others	27,166	-	29,980	30,050	26,092	(70)	3,887	-	-	-	
Total properties	195,979	-	216,520	214,850	184,715	1,670	31,804	-	-	-	

(*1) It does not include "construction in progress in trust" in book value in balance sheet at the end of period.

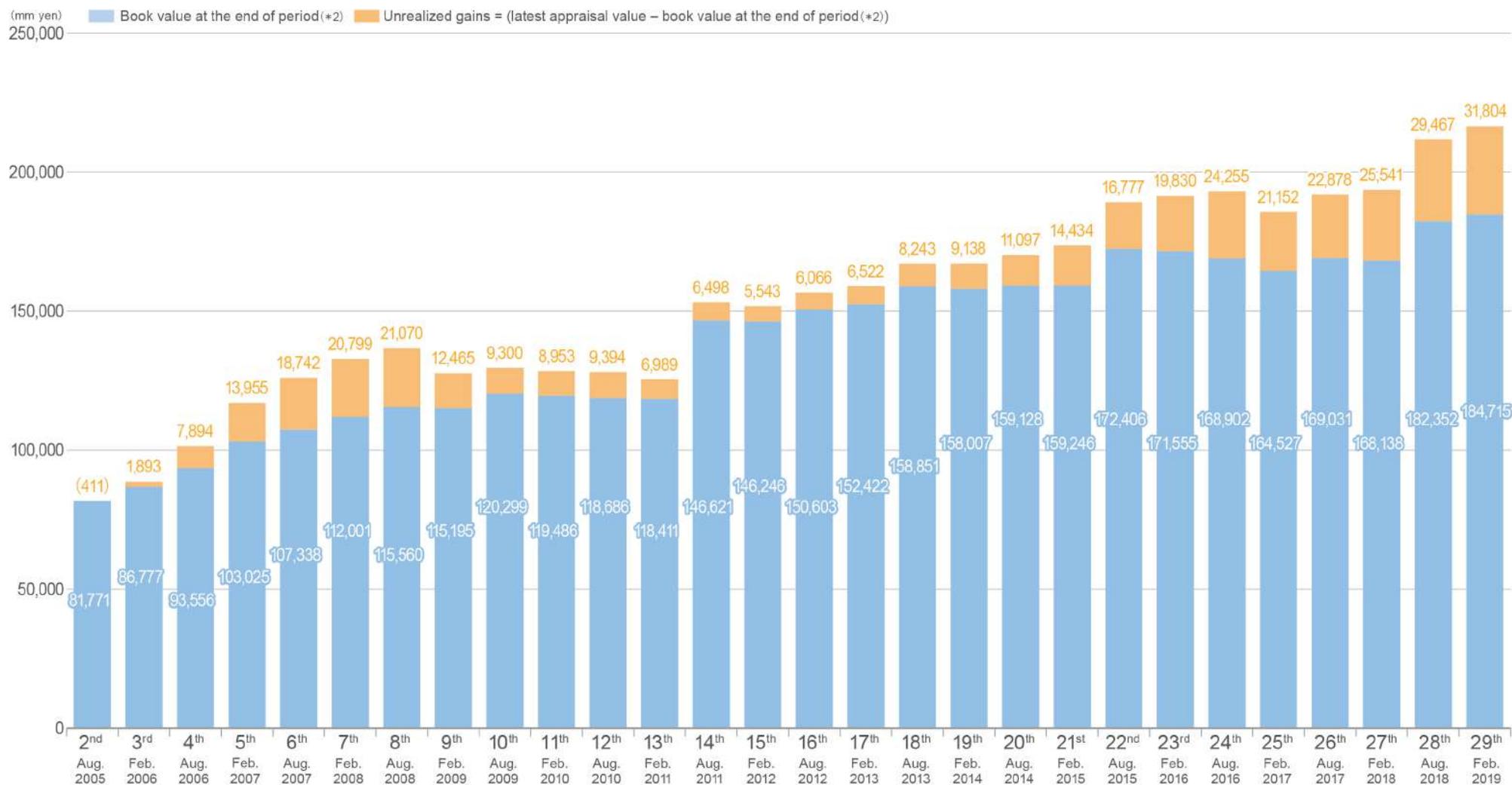
(*2) "Acquisition price" does not include fees, public charge and expenses.

(*3) The previous fiscal period's appraisal value and direct capitalization method's Cap Rate were the figures based on the appraisal value at the time of property acquisition.

Historical appraisal values (unrealized gains)

Maintained continuously since the 3rd fiscal period (Unrealized gains 31,804 mm yen, 17.2% ratio of unrealized gains^(*) at the 29th)

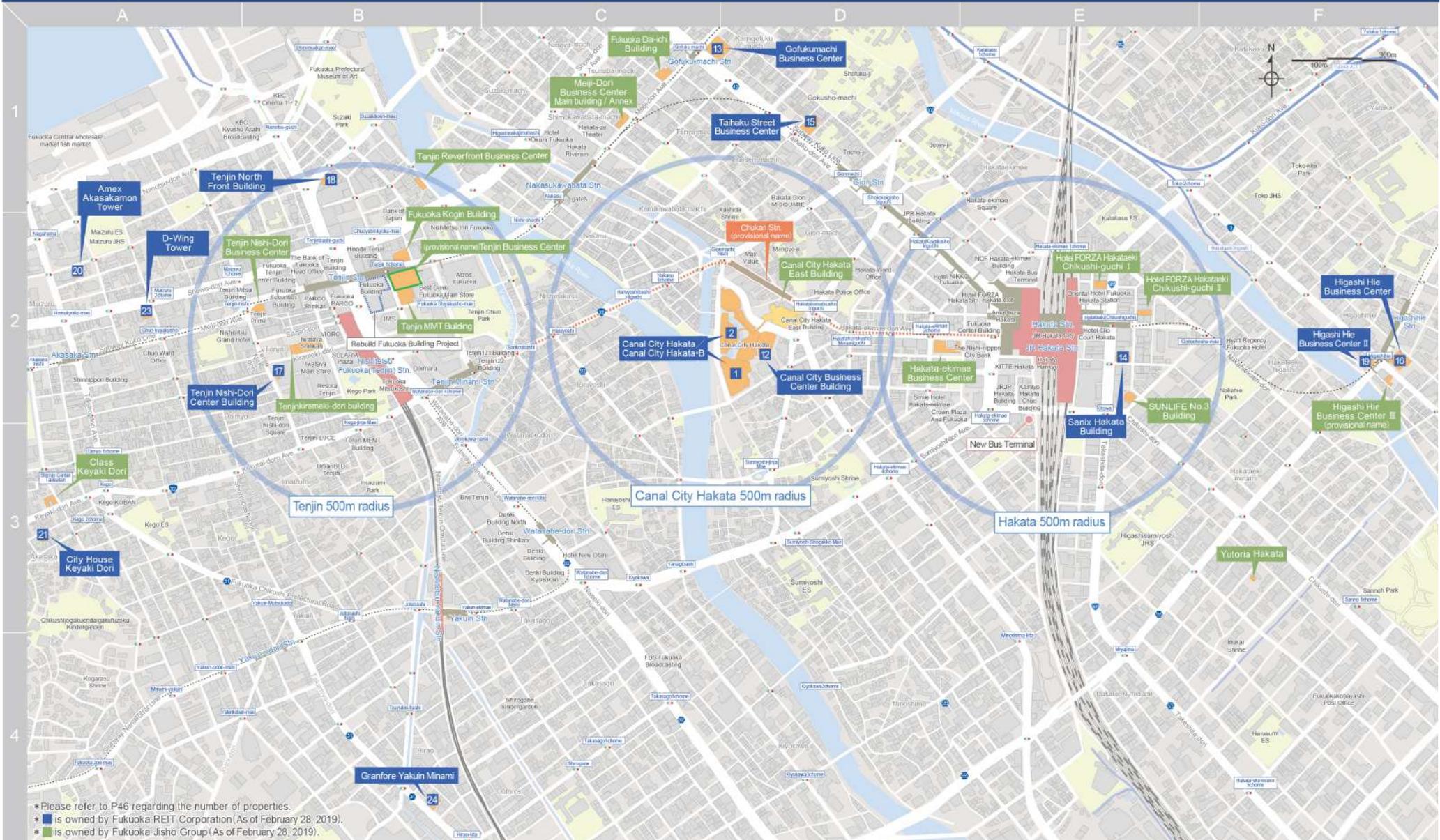
Historical appraisal values



(*) Ratio of unrealized gains = (latest appraisal value – book value at the end of period^(*)) / book value at the end of period.
 (**) Book value at the end of period does not include construction in progress.

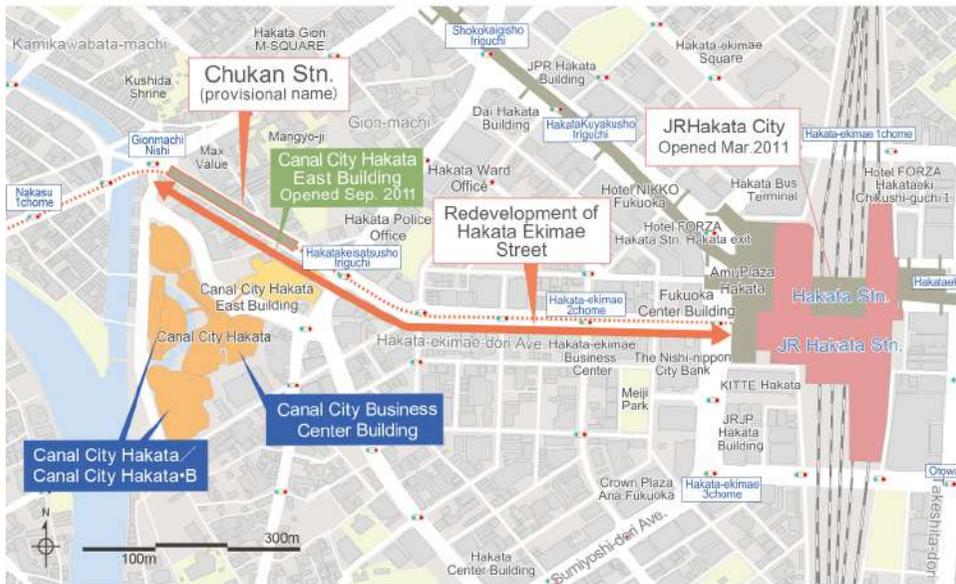
The condition of Fukuoka city center

Nanakuma subway line extension project will be completed by FY2022



Connection from Hakata area / Tenjin area

Enhanced accessibility between Hakata Station and Canal City Hakata



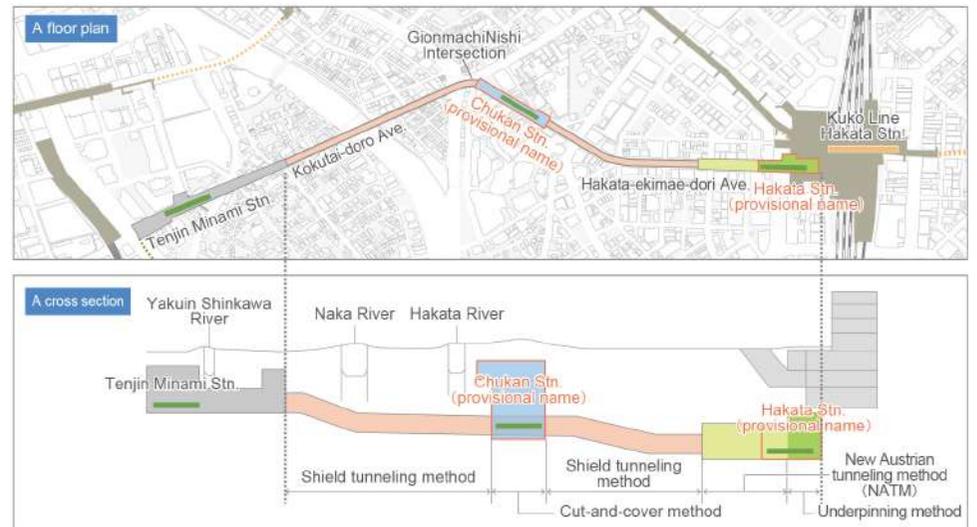
- Canal City Hakata East Building opened in September 2011
- Redevelopment of Hakata Ekimae Street
Number of lanes to be reduced from 5 lanes to 3, and sidewalks to be widened and enhanced
- The Hakata Town Planning Promotion Council's "Activities to make the area around Hakata Station more appealing to explore on foot"
Hakata Street Bar (National Strategic Road Occupancy Project), etc.

© Pedestrian traffic volume on Hakata Ekimae Street (unit: people)



Source: Prepared by Fukuoka Realty Co., Ltd. based on the Hakata Town Planning Promotion Council's FY2018 Business Report

Impact of Nanakuma subway line extension [scheduled to commence operations in FY2022]



《Travel to Hakata Station from the southwest》

- Travel time to Hakata Station reduced by 14 minutes
- Direct connection to Hakata Station with no need to change trains at Tenjin
- Convenient for transferring to JR lines and Fukuoka Airport

《Traveling within the inner-city area》

Subways are reliably punctual and especially effective in inner-city areas where there is heavy traffic congestion.

◎ Estimated daily Nanakuma line passenger volume [including connecting passengers]

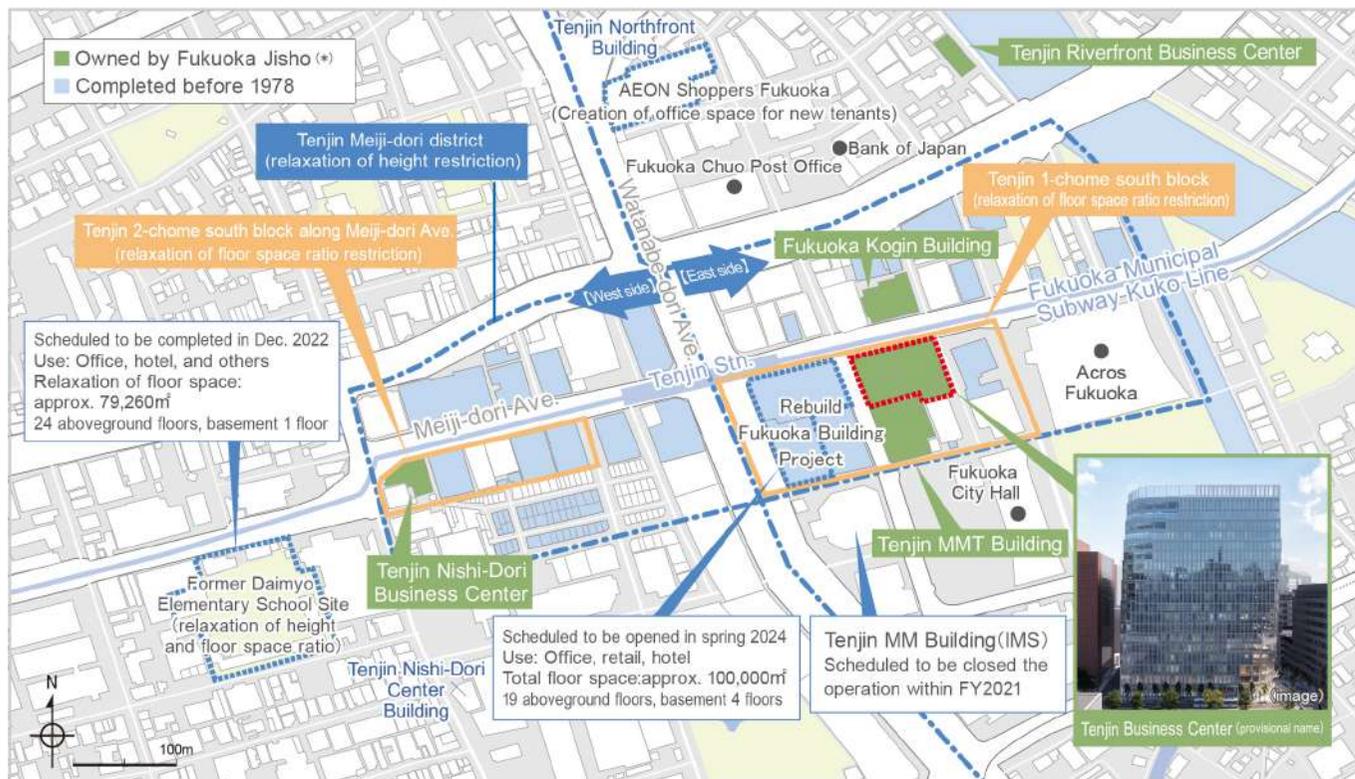
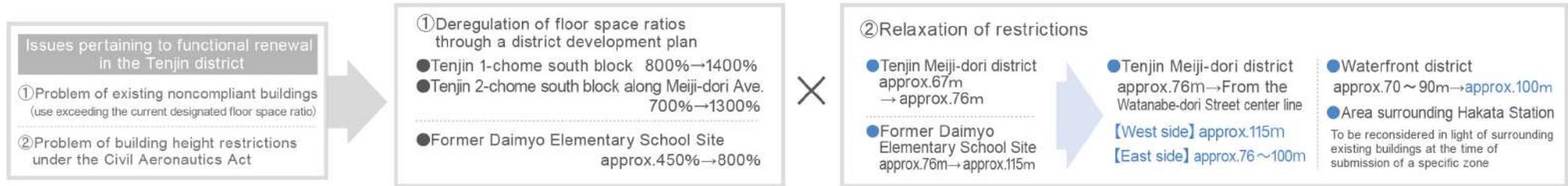


Source: Prepared by Fukuoka Realty Co., Ltd. based on the Fukuoka City Transportation Bureau's FY2019 to FY2028 Fukuoka

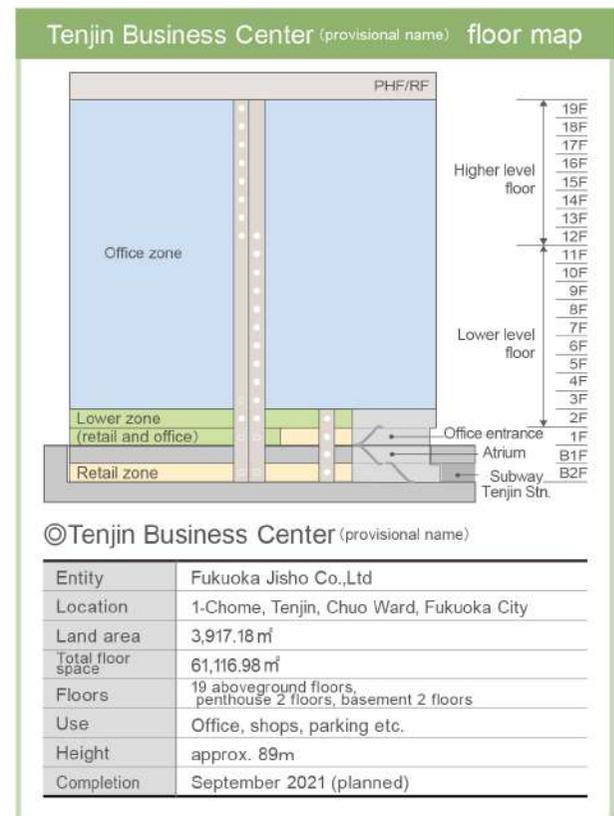
Redevelopment in Tenjin area (Tenjin Big Bang)

Preparation made for functional renewal of buildings in the Tenjin district

◎Creation of an attractive environment that promotes Tenjin as a start-up location



(*) Includes properties co-owned with other companies
Source: Prepared by Fukuoka Realty Co., Ltd. based on Tenjin Meiji-dori Avenue Grand Design 2009 authored by the Tenjin Meiji-dori Development Council



The condition of suburb area in Fukuoka



	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 and beyond	
Infrastructure	<ul style="list-style-type: none"> Start of Fukuoka Airport operation business Completion of new passenger terminal building Duplication of Fukuoka Airport parallel taxiway 	<ul style="list-style-type: none"> Completion of construction of Fukuoka Urban Expressway Route 6 (Island City Line) 	<ul style="list-style-type: none"> Completion of Phase 2 of exhibition center 	<ul style="list-style-type: none"> Extension of the subway's Nanakuma Line 			<ul style="list-style-type: none"> Addition of runways at Fukuoka Airport Extension of Fukuoka Urban Expressway Route 3 (Airport Line) 	<ul style="list-style-type: none"> Redevelopment of waterfront district
Redevelopment (Tenjin area)	<ul style="list-style-type: none"> Demolition of Fukuoka Building to commence 	<ul style="list-style-type: none"> Demolition of Tenjin Core Building to commence 	<ul style="list-style-type: none"> Tenjin IMS to close Completion of Tenjin Business Center 	<ul style="list-style-type: none"> Completion of Daimyo Elementary School site redevelopment construction work 	<ul style="list-style-type: none"> Completion of phase 1 of reconstruction of city block where Fukuoka Building is located 	<ul style="list-style-type: none"> Completion of Tenjin IMS site construction work 		
Events	<ul style="list-style-type: none"> Rugby World Cup 2019 World Figure Skating individual country competitions Fukuoka the venue for the meeting of G20 finance ministers and Central Bank Governors' Meeting 	<ul style="list-style-type: none"> Tokyo 2020 Olympic Games 	<ul style="list-style-type: none"> FINA World Aquatics Championships 					

Reference:Fukuoka Jisho Group

Major properties owned by Fukuoka Jisho Group

Use	No.	Name	Year of completion	Total floor space
Office buildings	1	Fukuoka Daiichi Building	1961	9,962㎡
	2	Fukuoka Kogin Building	1970	15,408㎡
	3	Meiji-Dori Business Center	1974(Main Building) / 1986(Annex)	9,844㎡
	4	Sun Life No. 3 Building	1978	8,302㎡
	5	Tenjin Nishi-Dori Business Center	1978	10,394㎡
	6	Tenjin MMT Building	1979	19,874㎡
	7	Tenjin Riverfront Business Center	1999	4,106㎡
	8	Hakata Ekimae Business Center	1999	24,731㎡
	9	Naha Business Center(Office)	2018	9,054㎡
	10	Higashi Hie Business Center III (provisional name)	FY2019(planned)	4,677㎡
	11	Tenjin Business Center (provisional name)	FY2021(planned)	61,116㎡
Retail	12	Marinoa City Fukuoka (Outlet Building)	2000(Building I) / 2004(Building II) / 2007(Building III)	48,330㎡
	13	Tenjin Kirameki Dori Building	2003	25,284㎡
	14	Canal City Hakata East Building	2011	17,007㎡
Residence	15	Class Keyaki Dori	2008	5,492㎡
Hotel	16	Hotel FORZA Hakataeki Chikushi-guchi I	2012 / 2017 (Annex Building)	7,359㎡
	17	Hotel FORZA Sapporo Ekimae (provisional name)	FY2019(planned)	11,346㎡
	18	Hotel FORZA Hakataeki Chikushi-guchi II	FY2019(planned)	4,876㎡
Logistics	19	Island City Logistics Development Project	FY2019(planned)	47,258㎡

*Includes properties owned by the Fukuoka Jisho Group and properties co-owned with other companies.

Development plan of Fukuoka Jisho Group

planned completion	FY2019	FY2021
Property name	Higashi Hie Business Center III (provisional name) Hotel FORZA Sapporo Ekimae (provisional name) Hotel FORZA Hakataeki Chikushi-guchi II Island City Logistics Development Project	Tenjin Business Center (provisional name)

*The fiscal year reflects the fiscal year of Fukuoka Jisho Co., Ltd. (June 1-May 31)



*Prepared by Fukuoka Realty based on data from Fukuoka Jisho Co., Ltd.

Hotel FORZA operated by Fukuoka Jisho Group



* ■ is owned by Fukuoka REIT Corporation
 * ■ is owned by Fukuoka Jisho Group
 * Properties that Fukuoka Jisho Group only handles operations (including properties for which it plans to conduct operations)/(As of February 28, 2019)

Sustainability

Sustainability Policy

As the asset management company for Fukuoka REIT Corporation, Fukuoka Realty Co., Ltd. ("the Company") is engaged in maximizing unitholder interests over the medium to long term as its mission. To achieve this mission, the Company considers it essential to promote sustainability through securing environmental, social and governance (ESG) awareness, on top of pursuing profitability as its first objective. Accordingly, the Company believes that it is important to reflect awareness for various ESG issues in its real estate investment and management processes. As a policy for specifically implementing this thinking, the Company has established its Sustainability Policy ("the Policy").

Internal Framework for Promoting Sustainability

Fukuoka Realty has established a Sustainability Promotion Committee on which the CEO and Representative Director (the company's top decision maker) sits as well as a Sustainability Promotion Committee Secretariat, to promote ESG-related (environment, society, and governance) initiatives in accordance with the company's Sustainability Policy. Meetings are held on a regular basis and the Secretariat reports on progress with targets that have been set and the related actions being taken.

Institution of signatory

Signing of the PRI and PFA21 as of September 2018

©Principles for Responsible Investment (PRI)

Signatory of:



©Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century)



Initiatives of the 29th fiscal period

◎Reacquisition of DBJ Green Building Certification (6 properties out of 9 properties)



DBJ Green Building
2018

On March 25, the company once again obtained DBJ Green Building certification from the Development Bank of Japan Inc. The ranking was raised from 4 stars to 5 stars in recognition of the following points that were rated positively for Canal City Hakata and Canal City Hakata • B.

- Working to reduce environmental load through energy and resource conservation
- Consideration given to the diversity and comfort of the visitors
- Consideration given to disaster prevention, crime prevention measures, greening, biodiversity, etc.

External evaluation

◎the GRESB survey



G R E S B
★ ★ ★ ★ ★ 2018

Received the rating of "Green Star" and "4 star" in the first time participation of GRESB 2018

◎Green Building certificate acquisition ratio [as of March 31, 2019]
Green Building certification obtained for 68.7% of entire portfolio



- DBJ Green Building certification : total 9 properties
- BELS : total 4 properties



DBJ Green Building



(based on total floor space)

◎Certified as a "Fukuoka 'Work Style Reform' Promotion Company"



Certified on August 28, 2018, as a "Fukuoka 'Work Style Reform' Promotion Company" under an initiative aimed at promoting work style reforms at companies in Fukuoka City. Points recognized included implementation of campaigns such as "no overtime promotion month", encouraging employees to take annual paid holidays, helping employees to balance childrearing and work, simplification or elimination of internal documents, reviews of meeting durations, etc.