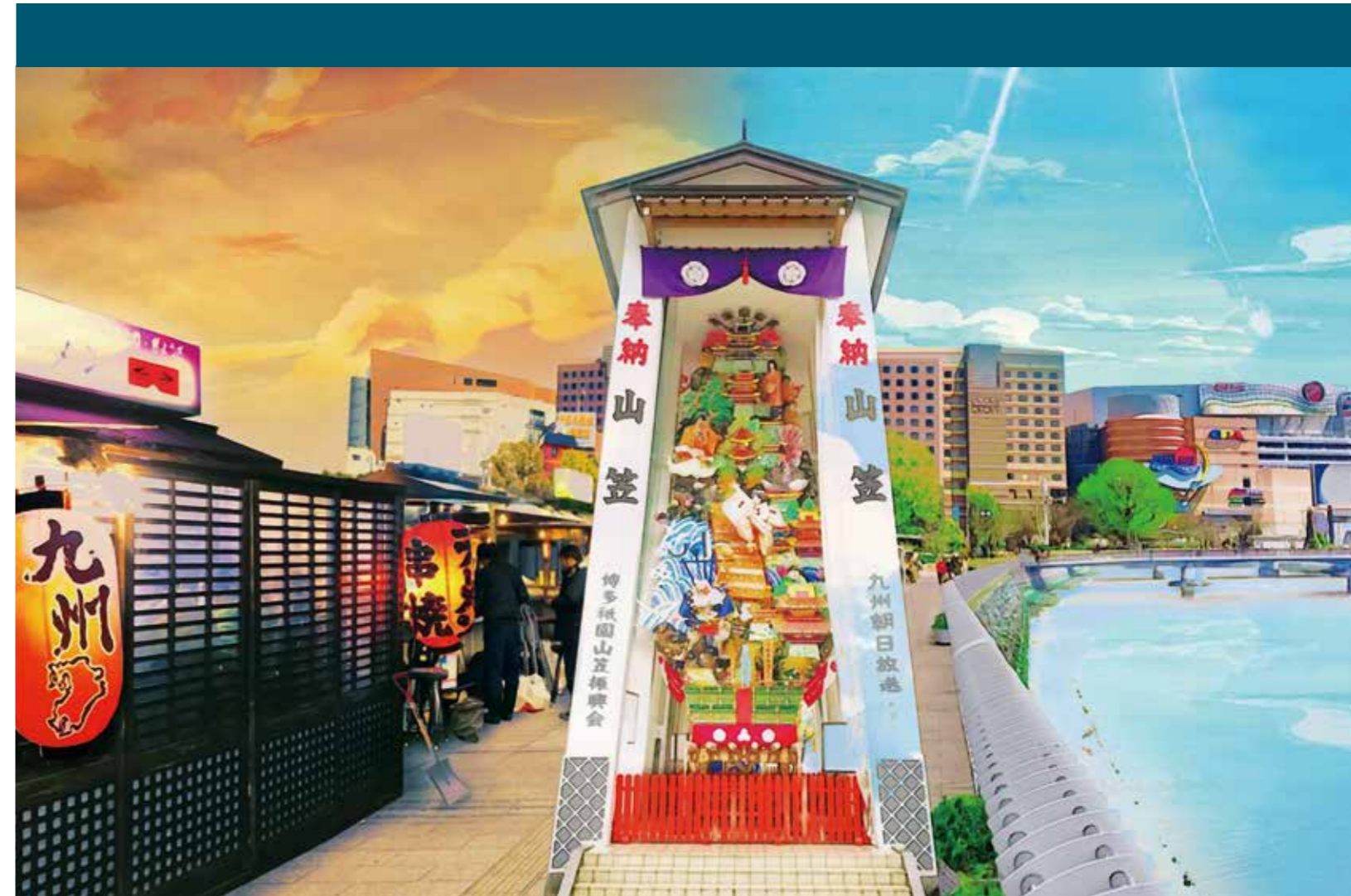


25th Fiscal Period
Report on Performance and
Management Status (Semiannual Report)
September 1, 2016 to February 28, 2017



Fukuoka REIT Corporation



Fukuoka REIT
Corporation

8968

I. Overview of Fukuoka REIT Corporation

To Our Unitholders



CEO & Representative Director,
Fukuoka REIT Corporation
Etsuo Matsuyuki

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

We are pleased to report on the performance results and management status of FRC for the 25th fiscal period (September 1, 2016 to February 28, 2017).

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

The business conditions of the Fukuoka and Kyushu area are recovering as a whole.

In the Fukuoka and Kyushu area, the core investment target area for FRC, the economy is recovering as a whole, as replacement demand for durable goods continues to be strong primarily in the areas struck by the Kumamoto Earthquake (Note 1), and sales of luxury goods have started to increase in accordance with improvements in consumer sentiments, although recovery has come to a temporary stop in the tourism sector.

FRC disposed two properties and acquired a property as well as equity interests in a silent partnership in the 25th fiscal period.

In the fiscal period under review, FRC disposed AEON Hara Shopping Center at this time while the real estate market is still brisk.

At the same time, FRC disposed Aqualia Kego for a price that generated gain on sales significantly higher than the assumed unrealized gain.

In September 2016, we acquired Sports Club NAS Park Place Oita by utilizing a sponsor pipeline, in an effort to secure stable earnings by concluding a long-term contract with a fixed-rent scheme. Moreover, in December 2016, we acquired silent partnership equity interests in LOGICITY Hisayama, a logistics facility located near the Fukuoka Interchange as property held in trust.

Fountains renewed and projection mapping system introduced at Canal City Hakata.

At Canal City Hakata, the flagship of FRC, a water show with projection mapping started in November 2016 after the fountains were renewed.

Thanks to collaborations using content also popular in Japan and the timing of attention being paid to "spending on events," such as experiential consumption by foreign tourists visiting Japan, the show helped attract 16.38 million people (Note 2) to Canal City Hakata in fiscal 2016, a level nearing the past record high of 16.48 million in fiscal 2015.

Occupancy remained solid, with the average occupancy rate of all properties FRC owns at 99.4%.

In the business districts of Fukuoka City, the vacancy rate of office buildings has dropped to as low as the 3% level (Note 3), while supply in the future will be limited. Bolstered by the strong office market, the average occupancy rate of office buildings owned by FRC came to 99.8% (Note 4). With other assets also operating in good shape, the average occupancy rate of the entirety of properties FRC owns as of the end of the 25th fiscal period stood at 99.4%. Standing on these asset management operations, we decided to deliver 3,398 yen as dividend per unit for the fiscal period, up 98 yen from the forecast.

FRC decided to acquire LOGICITY Hisayama in the 26th fiscal period.

Moreover, FRC has decided to acquire LOGICITY Hisayama in June 2017. With the acquisition, FRC forecasts the dividend per unit for the 26th fiscal period to be 3,400 yen.

Going forward, FRC will continue to exert its strengths as a REIT specializing in regional properties and quickly respond to market changes, while receiving support and cooperation from powerful sponsors leading the Kyushu business world.

As we do so, we will strive to achieve growth of our portfolio in the medium to long term and secure stable earnings through steady asset management. We at FRC are also resolved to pursue our mission of maximizing investor interests based on our management philosophy of "Act Local, Think Global."

We greatly appreciate your continued support and cooperation.

(Note 1) The earthquake refers to the 2016 Kumamoto Earthquake, named by the Japan Meteorological Agency, in April 2016.

(Note 2) The figures include visitors to Canal City Hakata East Building.

(Note 3) The figure is based on the data publicized by Miki Shoji Co., Ltd.

(Note 4) The figure has been rounded to the second decimal place. For Taihaku Street Business Center, the occupancy rate does not include the property's residential portion.

Highlights for 25th Fiscal Period

(as of February 28, 2017)

Financial Highlights

LTV

38.1 %

Credit ratings

S&P **A-**
(Positive)

R&I **A+**
(Stable)

JCR **AA-**
(Stable)

Stable Dividend

Dividend per unit

3,398 yen

Latest dividend forecast per unit 3,300 yen

Dividend forecasts

26th fiscal period:
3,400 yen per unit

27th fiscal period:
3,470 yen per unit

Steady Growth

Total assets

175,063 mm yen

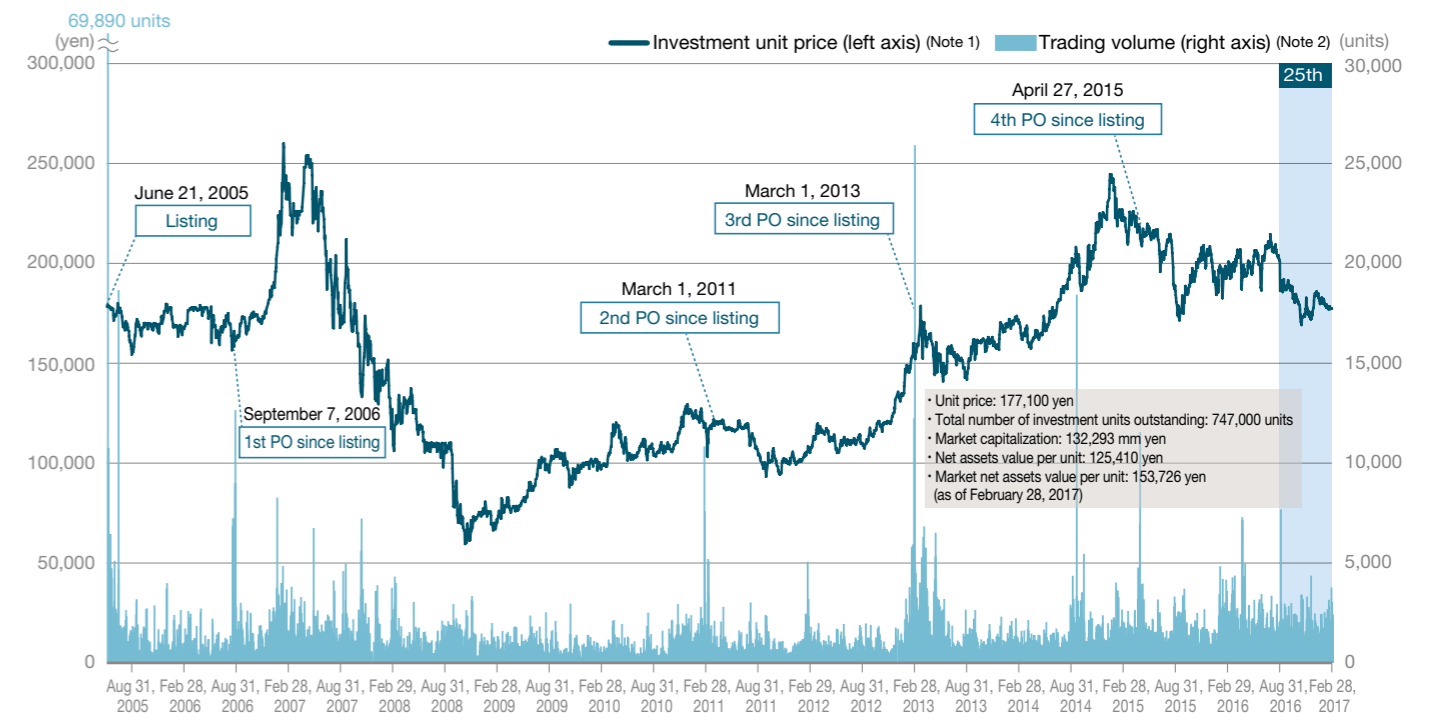
Number of investment
properties at end of period

25 properties

Occupancy rate (at end of period)

99.4 %

Changes in Investment Unit Price



*Each figure is as of the end of each month.

*FRC implemented a 5-for-1 split of its investment units with March 1, 2014 as the effective date.

(Note 1) The investment unit prices through February 25, 2014 have been modified to the figures after the 5-for-1 split.

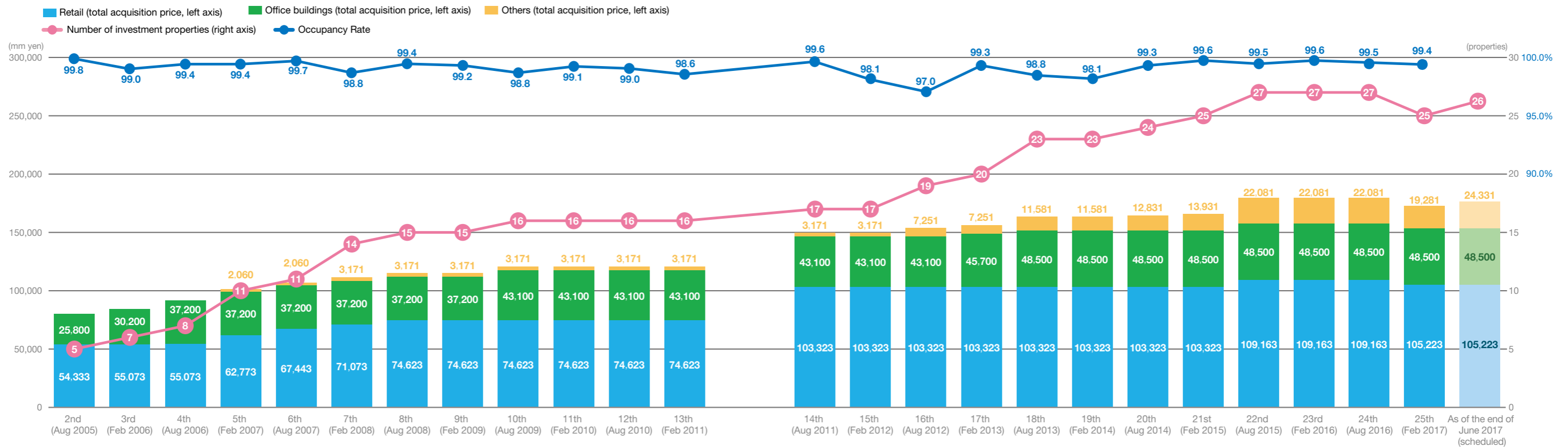
(Note 2) The trading volumes through February 25, 2014 have been modified to the figures obtained by multiplying the original figures by 5.

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Trend of Growth in the Asset's Size of FRC

● Since listing, FRC has expanded its asset's size by more than double, while diversifying its investment types



Financial Summary

● Financial Highlights for 25th Fiscal Period and Business Forecasts for 26th and 27th Fiscal Periods

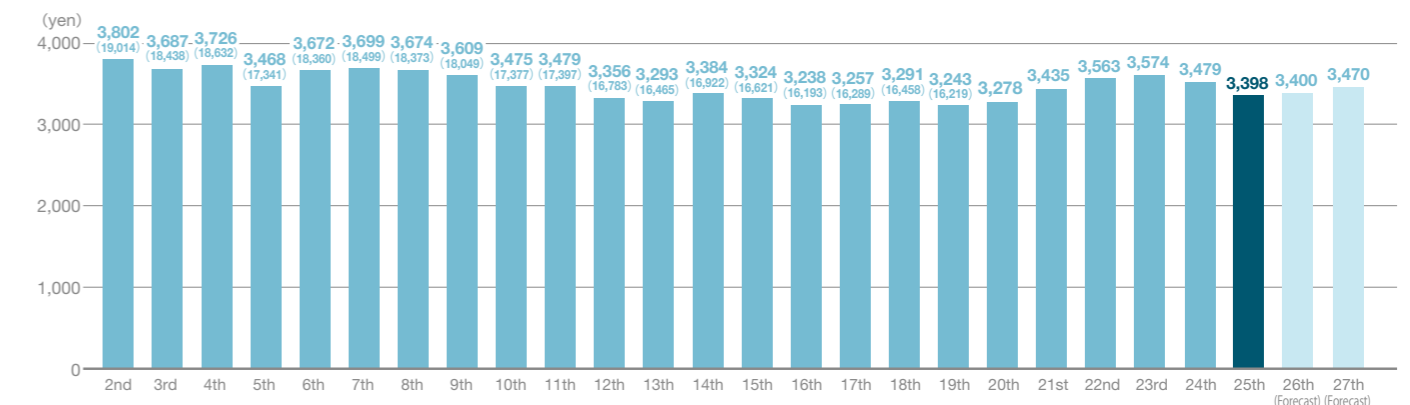
FRC forecasts that distribution per unit will regain to the 3,400 yen level due to property acquisition and other factors.

Category	(unit)	25th fiscal period (September 1, 2016 to February 28, 2017) Results	26th fiscal period (March 1, 2017 to August 31, 2017) Forecast	27th fiscal period (September 1, 2017 to February 28, 2018) Forecast
Operating revenues	mm yen	9,730	8,109	8,125
Leasing NOI (Note 1)	mm yen	5,010	4,993	5,060
Depreciation and amortization expenses	mm yen	1,455	1,477	1,501
Operating income	mm yen	4,585	2,908	2,946
Ordinary income	mm yen	4,199	2,540	2,593
Profit (Note 2)	mm yen	4,198	2,539	2,592
Dividend per unit (Note 2)	yen (1)	3,398	-	-
Latest dividend forecast per unit	yen (2)	3,300	3,400	3,470
Difference from forecast	yen (1)-(2)	+98	-	-
Total number of investment units outstanding (at end of period)	units	747,000	747,000	747,000

(Note 1) "Leasing NOI" is calculated using "Leasing business revenues - Expenses related to leasing business + Depreciation and amortization expenses."
 (Note 2) The gain and loss on sales that accrued upon disposition of two properties are handled differently for accounting purposes and for tax purposes. Accordingly, FRC recorded a reserve for temporary difference adjustments for the 24th fiscal period and reversed the reserve for temporary difference adjustments in the 25th fiscal period.

● Dividend Performance

25th fiscal period end	February 28, 2017 (semiannual periods ending every February and August)	25th fiscal period days	181 days
25th fiscal period dividend	3,398 yen per unit	Dividend yield	3.9% ((Dividend / Days × 365) / Unit price (as of February 28, 2017))



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

Portfolio Overview



1 Retail
Canal City Hakata
 One of the largest entertainment-type retail facilities in Japan and a typical tourist destination in Fukuoka



2 Retail
Canal City Hakata B
 One of the largest entertainment-type retail facilities in Japan and a typical tourist destination in Fukuoka



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



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



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



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



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



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



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



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



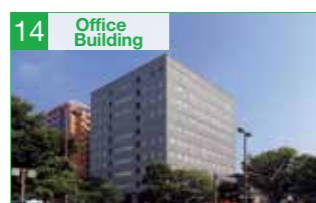
11 Office Building
Canal City Business Center Building
 An office building expected to exert synergy with Canal City Hakata, with showroom functions



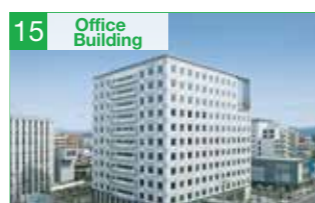
12 Office Building
Gofukumachi Business Center Building
 An office building facing major arterial roads and directly connected to Gofukumachi Station on the city subway



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



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



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



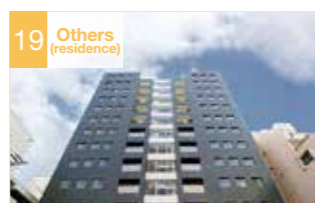
16 Office Building
Tenjin Nishi-Dori Center Building
 An office building facing Tenjin Nishi-dori Street where commercial facilities are concentrated



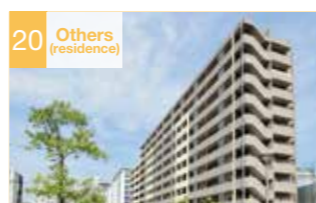
17 Office Building
Tenjin North Front Building
 A relatively new office building scarce in the Tenjin area that features Kyushu's largest integration of urban functions



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



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



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



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



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



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



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



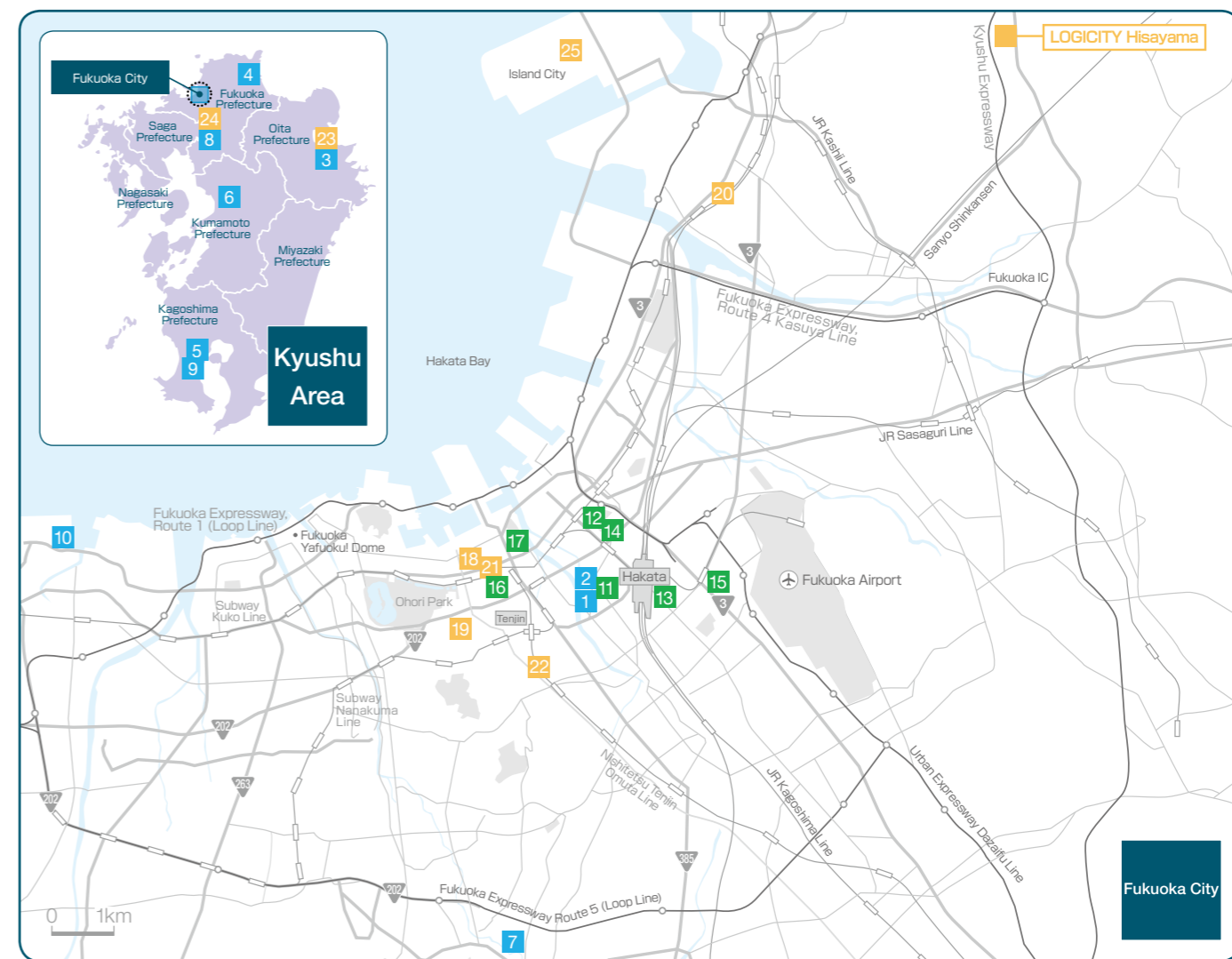
25 Others (logistics)
LOGICITY Minato Kashii
 A logistics facility among the largest in the Fukuoka area, with a location featuring traffic convenience and concentration of such facilities



LOGICITY Hisayama
 Approximately 5km from the Fukuoka Interchange featuring traffic convenience, with good general-purpose capabilities
 FRC decided to acquire a logistics facility in a good location, situated near the Fukuoka Interchange.
 Planned acquisition price: 5.05 billion yen
 Planned acquisition date: June 1, 2017

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

Portfolio Map



● Status of the Investment Corporation

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

● Overview of the Investment Corporation

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

● Sponsors

(Note 1) Concluded MOU with Fukuoka REIT Corporation and Fukuoka Realty Co., Ltd. concerning pipeline support.

● Overview of the Asset Manager

Name: Fukuoka Realty Co., Ltd.
 Representative: Etsuo Matsuyuki
 CEO & Representative Director
 Address: 2-25, 1-Chome, Sumiyoshi, Hakata Ward, Fukuoka City
 TEL: +81-92-272-3900
 Established: December 26, 2003
 Capital: 200,000,000 yen

● Portfolio (Note)

Investment type (based on acquisition price)



Investment area (based on acquisition price)



Total leasable floor space

523,817.31m²

Occupancy rate at end of period

99.4%

*Figures are based on properties owned as of February 28, 2017.

II. Semiannual Report

Overview of Asset Management

1. Changes in operating results and financial position

Fiscal Period		21st fiscal period (September 1, 2014 to February 28, 2015)	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (Note 6) (September 1, 2016 to February 28, 2017)
Operating revenues	mm yen	7,789	8,423	8,343	8,234	9,730
[Leasing business revenues]	mm yen	[7,789]	[8,423]	[8,343]	[8,234]	[8,072]
Operating expenses	mm yen	4,928	5,256	5,201	5,165	5,145
[Expenses related to leasing business]	mm yen	[4,350]	[4,651]	[4,577]	[4,540]	[4,517]
Operating income	mm yen	2,860	3,167	3,141	3,069	4,585
Ordinary income	mm yen	2,370	2,663	2,670	2,616	4,199
Profit	(a) mm yen	2,369	2,661	2,669	938	4,198
Total assets	(b) mm yen	167,369	181,597	181,445	179,513	175,063
[Change from previous period]	%	[(0.3)]	[8.5]	[(0.1)]	[(1.1)]	[(2.5)]
Net assets	(c) mm yen	81,811	93,804	93,812	92,081	93,681
[Change from previous period]	%	[0.1]	[14.7]	[0.0]	[(1.8)]	[1.7]
Unitholders' equity	(Note 3) mm yen	79,441	91,142	91,142	91,142	91,142
Total number of investment units outstanding	(d) units	690,000	747,000	747,000	747,000	747,000
Net assets per unit	(c)/(d) yen	118,567	125,574	125,585	123,267	125,410
Total dividend	(e) mm yen	2,370	2,661	2,669	2,598	2,538
Dividend per unit	(e)/(d) yen	3,435	3,563	3,574	3,479	3,398
[Earnings dividend per unit]	yen	[3,435]	[3,563]	[3,574]	[1,256]	[3,398]
[Dividend in excess of earnings per unit]	(Note 4) yen	[-]	[-]	[-]	[2,223]	[-]
Ratio of ordinary income to total assets	(Note 5) %	1.4 [2.9]	1.5 [3.0]	1.5 [3.0]	1.4 [2.9]	2.4 [4.8]
Return on net assets	(Note 5) %	2.9 [5.8]	3.0 [6.0]	2.8 [5.7]	1.0 [2.0]	4.5 [9.1]
Ratio of net assets to total assets	(c)/(b) %	48.9	51.7	51.7	51.3	53.5
[Change from previous period]	%	[0.2]	[2.8]	[0.0]	[(0.4)]	[2.2]
Payout ratio	(Note 5) %	100.0	100.0	100.0	100.0	60.5
[Other reference information]						
Number of investment properties	properties	25	27	27	27	25
Total leasable floor space	m ²	478,197.10	554,464.84	554,549.65	554,541.30	523,817.31
Occupancy rate	%	99.6	99.5	99.6	99.5	99.4
Depreciation and amortization expenses	mm yen	1,390	1,458	1,471	1,470	1,455
Capital expenditures	mm yen	328	445	630	665	1,789
Leasing NOI	(Note 5) mm yen	4,829	5,229	5,237	5,164	5,010
Days in fiscal period	days	181	184	182	184	181

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

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

(Note 3) No consideration has been given to the change in unitholders' equity due to distribution of dividend in excess of earnings that came from reserve for temporary difference adjustments. The same shall apply hereafter.

(Note 4) The dividend in excess of earnings per unit for the 24th fiscal period came from the reserve for temporary difference adjustments.

(Note 5) The indicators are calculated by using the following methods. Furthermore, the figures in square brackets represent annualized value based on the number of days in each fiscal period.

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

(Note 6) For the 25th fiscal period, profit amounted to 4,198 million yen as a result of recording 1,657 million yen from gain on sales of real estate. However, because 1,660 million yen in reserve for temporary difference adjustments was reversed, the total dividend obtained by deducting the amount of the reserve for temporary difference adjustments from unappropriated surplus of 4,199 million yen came to 2,538 million yen. The payout ratio after taking into account the reversal of the reserve for temporary difference adjustments stands at 100.0%.

Overview of Asset Management

2. Management assessment

(1) Brief history of the investment corporation

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

FRC started asset management activities on November 9, 2004 after acquisition of four properties such as Retail in Canal City Hakata (excluding some areas of specialty shops, hotels, theaters, offices and common space), a commercial complex where specialty shops, cinema complex, theaters, amusement facilities, hotels and offices are integrally developed (hereinafter “Canal City Hakata”). As of the end of the 25th fiscal period (February 28, 2017), FRC manages a total of 25 properties comprising 10 Retail, 7 Office buildings and 8 Others.

(2) Investment environment and portfolio performance

During the fiscal period under review (the 25th fiscal period), the Japanese economy remained on course for a modest recovery despite delayed improvements in some areas. Looking ahead, with employment and average income showing continual improvement, the economy is expected to recover moderately while being aided by complementary government policies.

In the Fukuoka and Kyushu area, the core investment target area for FRC, the economy is recovering as a whole, as replacement demand for durable goods continues to be strong primarily in the areas struck by the Kumamoto Earthquake, and sales of luxury goods have started to increase in line with rising consumer sentiment in most areas excluding tourism.

As for land price trends, the combined national average for residential and commercial land over the past year from January 2016 increased for two consecutive years. By land type, the national average for residential land price stopped decreasing and turned to a level-off for the first time in nine years, according to the 2017 Land Price Survey. In Fukuoka City, the central area of FRC’s investment targets, land prices continued rising for the fifth consecutive year, up 8.5% year-on-year for commercial land and up 3.5% year-on-year for residential land, marking higher rates of increase.

Under such circumstances in the 25th fiscal period, FRC acquired Sports Club NAS Park Place Oita on September 1, 2016. Moreover, FRC disposed AEON Hara Shopping Center on September 30, 2016 and Aqualia Kego on November 29, 2016, respectively. Additionally, 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 99.4% at the end of the 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 76.3%; when analyzing by property type, Retail, Office buildings, and Others accounted for 60.8%, 28.0% and 11.1%, respectively.

(3) Summary of fundraising

In the 25th fiscal period, FRC utilized the proceeds obtained from the disposition of two properties to fully repay 4,000 million yen in short-term debt on the repayment date and repay 1,200 million yen for the long-term debt that matured in the period (totaling 5,100 million yen). As a result, the balance of interest-bearing debt outstanding (including investment corporation bonds) at the end of the period totaled 66,675 million yen, with the loan-to-value ratio (ratio of interest-bearing debt (including investment corporation bonds) to total assets) at 38.1% and the ratio of fixed-interest rate debt (including investment corporation bonds) at 78.9% as of the same date. Going forward, FRC will continue its efforts to reduce refinancing risks by dispersing the debt repayment dates and increasing the average length of time until debt maturity, and to mitigate risks of rising interest rates by shifting to fixed-interest rate borrowings and through other measures.

Overview of Asset Management

Moreover, the credit ratings assigned to FRC as of the end of the 25th fiscal period are as follows:

Credit Rating Agency	Rating Type	Rating	Rating Outlook
Standard & Poor’s Ratings Japan K.K. (Note) (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

(Note) Standard & Poor’s Ratings Japan K.K. was renamed to S&P Global Ratings Japan Inc. as of April 1, 2017.

(4) Summary of performance and dividend

As a result of these management efforts, operating revenues totaled 9,730 million yen and operating income after excluding operating expenses such as expenses related to leasing business and asset management fees totaled 4,585 million yen. Ordinary income was 4,199 million yen and profit amounted to 4,198 million yen.

Dividend per unit came to 3,398 yen, as FRC decided to reverse the reserve for temporary difference adjustments (as set forth in Article 2-2-30 of the Regulations on Calculations of Investment Corporations; the same shall apply hereafter) at 1,660 million yen.

3. Change in the number of investment units issued

Changes in unitholders’ capital from the incorporation of FRC to the end of the 25th fiscal period are as follows:

Date	Item	Number of investment units issued (units)		Unitholders’ capital (mm of yen)		Remarks
		Increase	Balance	Increase	Balance	
July 2, 2004	Established through private placement	250	250	125	125	(Note 1)
November 8, 2004	Additional issue of investment units through private offering	82,800	83,050	41,400	41,525	(Note 2)
June 20, 2005	Additional issue of new investment units through public offering	7,000	90,050	5,944	47,469	(Note 3)
July 21, 2005	Additional issue of new investment units through third-party allotment	2,000	92,050	1,698	49,167	(Note 4)
September 7, 2006	Additional issue of new investment units through public offering	15,000	107,050	11,096	60,264	(Note 5)
March 1, 2011	Additional issue of new investment units through public offering	16,000	123,050	8,913	69,177	(Note 6)
March 1, 2013	Additional issue of new investment units through public offering	14,950	138,000	10,263	79,441	(Note 7)
March 1, 2014	Split of investment units	552,000	690,000	-	79,441	(Note 8)
April 27, 2015	Additional issue of new investment units through public offering	57,000	747,000	11,701	91,142	(Note 9)

(Note 1) FRC was established with an issue of investment units at 500,000 yen per unit.

(Note 2) New investment units were issued through private offering at the issue price of 500,000 yen per unit for the purpose of procuring funds for acquiring new properties, etc.

(Note 3) New investment units were issued through public offering at the issue price of 880,000 yen per unit (purchase price of 849,200 yen) for the purpose of procuring funds for acquiring new properties, etc.

(Note 4) New investment units were issued through third-party allotment at the purchase price of 849,200 yen per unit.

(Note 5) New investment units were issued through public offering at the issue price of 766,360 yen per unit (purchase price of 739,772 yen) for the purpose of procuring funds for acquiring new properties, etc.

(Note 6) New investment units were issued through public offering at the issue price of 576,083 yen per unit (purchase price of 557,078 yen) for the purpose of procuring funds for acquiring new properties, etc.

(Note 7) New investment units were issued through public offering at the issue price of 710,580 yen per unit (purchase price of 686,529 yen) for the purpose of procuring funds for acquiring new properties, etc.

(Note 8) FRC implemented a 5-for-1 split of its investment units.

(Note 9) New investment units were issued through public offering at the issue price of 212,257 yen per unit (purchase price of 205,290 yen) for the purpose of procuring funds for acquiring new properties, etc.

[Changes in market price of investment certificates]

The highest and lowest (closing price) market prices on the Real Estate Investment Trust Section of the Tokyo Stock Exchange, Inc., on which FRC’s investment certificates are listed, in each fiscal period are as follows:

Fiscal period	21st fiscal period (September 1, 2014 to February 28, 2015)	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
Highest	244,400 yen	226,000 yen	209,000 yen	214,500 yen	192,000 yen
Lowest	186,200 yen	187,100 yen	171,300 yen	186,100 yen	169,000 yen

Overview of Asset Management

4. Results of dividend, etc.

With respect to the dividend (excluding dividend in excess of earnings) for the 25th fiscal period, FRC determined to distribute the whole amount obtained by deducting the reversal of reserve for temporary difference adjustments from unappropriated surplus (except for the fraction amount, which is the dividend per unit of less than 1 yen) to be eligible for special tax measures for an investment corporation (as stipulated in Article 67-15-1 of the Special Taxation Measures Act) that allow FRC to deduct the maximum amount of earnings dividend from its taxable income. Accordingly, the earnings dividend per unit (exclusive of dividend in excess of earnings) for the fiscal period was 3,398 yen. (thousands of yen)

Fiscal period	21st fiscal period (September 1, 2014 to February 28, 2015)	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
Profit	2,369,872	2,661,683	2,669,627	938,400	4,198,931
Unappropriated surplus	2,370,187	2,661,720	2,669,786	938,409	4,199,108
Undistributed earnings	37	159	8	177	221
Total dividends (Dividend per unit)	2,370,150 [3,435 yen]	2,661,561 [3,563 yen]	2,669,778 [3,574 yen]	2,598,813 [3,479 yen]	2,538,306 [3,398 yen]
Earnings dividends (Earnings dividend per unit)	2,370,150 [3,435 yen]	2,661,561 [3,563 yen]	2,669,778 [3,574 yen]	938,232 [1,256 yen]	2,538,306 [3,398 yen]
Contribution refund (Contribution refund per unit)	— [—]	— [—]	— [—]	1,660,581 [2,223 yen]	— [—]
Of the contribution refund, distribution of the reserve for temporary difference adjustments (Of the contribution refund per unit, distribution per unit of the reserve for temporary difference adjustments)	— [—]	— [—]	— [—]	1,660,581 [2,223 yen]	— [—]
Of the contribution refund, distribution through the reduction in unitholders' capital for tax purposes (Of the contribution refund per unit, distribution per unit through the reduction in unitholders' capital for tax purposes)	— [—]	— [—]	— [—]	— [—]	— [—]

5. Future portfolio management policy and vital issues

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

FRC will continue to make investments based on the basic policy stipulated in its Articles of Incorporation and its basic philosophy: focusing on “specialized areas in which FRC can demonstrate its competitive edge” that are in “high growth potential markets.” By geographic location, of the Fukuoka and Kyushu areas, FRC will invest 60% to 90% of its assets in the Fukuoka 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 through its knowledge of the local land. FRC will acquire high quality properties through use of its advantages, such as information gathering ability in the areas, good knowledge of regional properties and close relations with the local business community and governments, so that investors can continue to invest in FRC with assurance.

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

6. Significant events that have occurred after the end of the 25th fiscal period

No relevant items.

Overview of the Investment Corporation

1. Summary of unitholders' capital

Fiscal period	21st fiscal period as of February 28, 2015	22nd fiscal period as of August 31, 2015	23rd fiscal period as of February 29, 2016	24th fiscal period as of August 31, 2016	25th fiscal period as of February 28, 2017
Total number of authorized investment units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units
Total number of investment units outstanding	690,000 units	747,000 units	747,000 units	747,000 units	747,000 units
Number of unitholders	7,350	10,524	10,330	9,722	10,259

2. Matters related to investment units

The following table sets forth the major unitholders of FRC as of February 28, 2017.

Name	Investment units held (units)	Percentage of total number of investment units outstanding (%) (Note)
Japan Trustee Service Bank, Ltd. (Trust account)	208,573	27.92
Fukuoka Jisho Co., Ltd.	66,075	8.84
The Master Trust Bank of Japan, Ltd. (Trust account)	63,834	8.54
Trust & Custody Service Bank, Ltd. (Securities investment trust account)	41,511	5.55
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	26,230	3.51
Kazuhiko Enomoto	11,985	1.60
STATE STREET BANK AND TRUST COMPANY 505223	11,945	1.59
MetLife, Inc.	11,872	1.58
STATE STREET BANK – WEST PENSION FUND CLIENTS – EXEMPT 505223	10,086	1.35
Shikoku Railway Company	9,130	1.22
Total	461,241	61.74

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

3. Matters related to directors

(1) The names of FRC's directors, etc. and their fees for the 25th fiscal period are as follows:

Title	Name of directors, etc.	Major concurrent assignments	Total fee for each title for the 25th fiscal period (thousands of yen) (Note 2)
CEO and Representative Director	Etsuo Matsuyuki	CEO and Representative Director, Fukuoka Realty Co., Ltd.	6,000
Supervisory Directors	Hiroyasu Shindo	Representative Council, Shindo Law Firm	3,600
	Yasuo Kawasho	Representative Partner, Kawasho Authorize Accountant Office	
Independent Auditor	PricewaterhouseCoopers Aarata LLC	—	8,500

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

(Note 2) The fees for the CEO and Representative Director and Supervisory Directors are the amounts paid to them in the 25th fiscal period, and the fee to the Independent Auditor is the amount payable to it (estimate) for audits pertaining to the 25th fiscal period.

(2) Policy on deciding to dismiss and not to reappoint the Independent Auditor

FRC will review at its Board of Directors meetings decisions regarding the dismissal of the Independent Auditor in accordance with the provisions of the Investment Trusts Act, and review decisions not to reappoint the Independent Auditor following the comprehensive consideration of the audit quality, audit fee and other various conditions.

Overview of the Investment Corporation

4. Names of asset management company, asset custodian and general administrators as of the end of the 25th fiscal period

The following table sets forth the asset management company, asset custodian and general administrators of FRC as of February 28, 2017

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

Status of FRC's Assets under Management

1. FRC's asset structure

Type of asset	Use	Area (Note 1)	24th fiscal period as of August 31, 2016		25th fiscal period as of February 28, 2017	
			Total value of properties held (mm of yen) (Note 2)	Percentage of total assets (%) (Note 3)	Total value of properties held (mm of yen) (Note 2)	Percentage of total assets (%) (Note 3)
Real estate trust beneficiary interest	Retail	Fukuoka urban area	68,692	38.3	66,011	37.7
		Other Kyushu areas	35,581	19.8	36,763	21.0
	Office buildings	Fukuoka urban area	43,292	24.1	43,168	24.7
		Other Kyushu areas	—	—	—	—
	Others	Fukuoka urban area	18,640	10.4	15,907	9.1
Other Kyushu areas		2,696	1.5	2,676	1.5	
Silent partnership equity interests (Note 4)			—	—	104	0.1
Deposits and other assets			10,610	5.9	10,432	6.0
Total amount of assets (Note 5)			179,513 [169,109]	100.0 [94.2]	175,063 [164,809]	100.0 [94.1]

(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) 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 the Fukuoka and Kyushu area excluding the Fukuoka urban area.

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

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

(Note 4) Silent partnership equity interests represent FRC's equity investment in an SPC (Limited Liability Company FRC1) that operates with LOGICITY Hisayama as the investment property.

(Note 5) Figures in square brackets for "Total amount of assets" refer to the value and percentage of real estate held in effect to the total amount of assets.

Status of FRC's Assets under Management

2. Major assets owned by FRC

The following is an overview of the major assets (top ten properties on a book value basis) owned by FRC as of February 28, 2017.

Real estate property name (Note 1)	Book value (mm of yen)	Total leasable floor space (m ²)	Total leased floor space (m ²)	Occupancy rate (%) (Note 2)	Percentage of total leasing business revenues (%) (Note 3)	Main use
Canal City Hakata	30,572	46,602.94	46,377.56	99.5	15.6	Retail
Canal City Hakata-B	29,135	68,822.21	68,651.39	99.8	20.0	Retail
Park Place Oita (Note 4)	19,067	113,593.79	111,739.81	98.4	14.7	Retail
Canal City Business Center Building	13,456	23,031.09	23,031.09	100.0	7.8	Office building
Gofukumachi Business Center	9,410	19,905.34	19,905.34	100.0	6.6	Office building
LOGICITY Minato Kashii	8,045	43,233.72	43,233.72	100.0	Undisclosed (Note 5)	Others
Taihaku Street Business Center	6,277	14,677.27	14,463.62	98.5	3.7	Office building
SunLive City Kokura	5,816	61,450.22	61,450.22	100.0	3.6	Retail
Marinoa City Fukuoka (Marina Side Building)	5,287	33,069.82	33,069.82	100.0	2.2	Retail
Higashi Hie Business Center	4,715	13,614.59	13,614.59	100.0	4.1	Office building
Total	131,785	438,000.99	435,537.16	99.4	—	

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

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

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

(Note 4) Park Place Oita includes Sports Club NAS Park Place Oita that FRC acquired on September 1, 2016. The same shall apply hereafter.

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

Status of FRC's Assets under Management

3. Details of real estate properties in the portfolio

The following table provides details of the real estate properties owned by FRC as of February 28, 2017.

Real estate property name	Location	Form of ownership	Total leasable floor space (m ²)	Period-end appraisal value (mm of yen) (Note)	Book value at end of period (mm of yen)	Real estate appraiser
Canal City Hakata-B	2-1, 1-Chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	68,822.21	29,900	29,135	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	1, 2-Chome, Koen Dori Nishi, Oita City, Oita	Trust beneficiary interest	113,593.79	19,200	19,067	Japan Real Estate Institute
SunLive City Kokura	14-1, 2-Chome, Kami Kuzuhara, Kokura Minami Ward, Kitakyushu City	Trust beneficiary interest	61,450.22	7,930	5,816	Japan Real Estate Institute
Square Mall Kagoshima Usuki	2-18, 2-Chome, Usuki, Kagoshima City, Kagoshima	Trust beneficiary interest	14,602.88	5,330	4,560	Japan Real Estate Institute
Kumamoto Intercommunity SC	1-5, 1-Chome, Kozono, Higashi-Ward, Kumamoto City	Trust beneficiary interest	6,968.66	2,670	2,056	Japan Real Estate Institute
Hanahata SC	9-12, 4-Chome, Hanahata, Minami Ward, Fukuoka City	Trust beneficiary interest	2,801.15	1,250	1,015	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	370-3 Higashi Kushiwara, Kurume City, Fukuoka	Trust beneficiary interest	6,467.80	2,790	2,145	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	4-12, Tokai-cho, Kagoshima City, Kagoshima	Trust beneficiary interest	7,296.17	3,710	3,116	Tanizawa Sogo Appraisal Co., Ltd.
Marinoa City Fukuoka (Marina Side Building)	12-30, 2-Chome, Odo, Nishi Ward, Fukuoka City	Trust beneficiary interest	33,069.82	5,600	5,287	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:			361,675.64	110,280	102,774	
Canal City Business Center Building	2-25, 1-Chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	23,031.09	14,900	13,456	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	10-10, Kami Gofukumachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	19,905.34	13,600	9,410	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	1-23, 2-Chome, Hakataeki Higashi, Hakata Ward, Fukuoka City	Trust beneficiary interest	6,293.75	5,300	3,942	Japan Real Estate Institute
Taihaku Street Business Center	3-21 Gokushomachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	14,677.27	7,330	6,277	Japan Real Estate Institute
Higashi Hie Business Center	1-2, 3-Chome, Higashi Hie, Hakata Ward, Fukuoka City	Trust beneficiary interest	13,614.59	6,620	4,715	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	5-28, 2-Chome, Tenjin, Chuo Ward, Fukuoka City	Trust beneficiary interest	3,339.32	2,890	2,717	Japan Real Estate Institute
Tenjin North Front Building	4-20, 4-Chome, Tenjin, Chuo Ward, Fukuoka City	Trust beneficiary interest	5,252.41	3,510	2,647	Japan Real Estate Institute
Office buildings subtotal:			86,113.77	54,150	43,168	
Amex Akasakamon Tower	4-23, 2-Chome, Maizuru, Chuo Ward, Fukuoka City	Trust beneficiary interest	4,821.25	1,910	1,782	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	16-21, 2-Chome, Kego, Chuo Ward, Fukuoka City	Trust beneficiary interest	2,710.86	1,080	960	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Chihaya	3-12, 4-Chome, Chihaya, Higashi Ward, Fukuoka City	Trust beneficiary interest	5,619.69	1,600	1,196	Japan Real Estate Institute
D-Wing Tower	10-38, 2-Chome, Daimyo, Chuo Ward, Fukuoka City	Trust beneficiary interest	7,187.59	3,380	2,765	Tanizawa Sogo Appraisal Co., Ltd.
Granfore Yakuin Minami	11-20, 1-Chome, Hirao, Chuo Ward, Fukuoka City	Trust beneficiary interest	2,496.06	1,280	1,157	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	5-18, 1-Chome, Chuo-cho, Oita City, Oita	Trust beneficiary interest	5,785.44	1,860	1,443	Japan Real Estate Institute
Tosu Logistics Center	1607 Momota, Himekata-cho Aza, Tosu City, Saga	Trust beneficiary interest	4,173.29	1,390	1,232	Japan Real Estate Institute
LOGICITY Minato Kashii	3-4, 2-Chome, Minato Kashii, Higashi Ward, Fukuoka City	Trust beneficiary interest	43,233.72	8,750	8,045	Tanizawa Sogo Appraisal Co., Ltd.
Others subtotal:			76,027.90	21,250	18,584	
Total			523,817.31	185,680	164,527	

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

Status of FRC's Assets under Management

Real estate property name	24th fiscal period (March 1, 2016 to August 31, 2016)				25th fiscal period (September 1, 2016 to February 28, 2017)			
	Number of tenants at end of period (Note 1)	Occupancy rate at end of period (%) (Note 3)	Total leasing business revenues during period (mm of yen)	Percentage of total leasing business revenues (%) (Note 4)	Number of tenants at end of period (Note 1)	Occupancy rate at end of period (%) (Note 3)	Total leasing business revenues during periods (mm of yen)	Percentage of total leasing business revenues (%) (Note 4)
Canal City Hakata	1 [48]	100.0	1,273	15.5	1 [45]	99.5	1,256	15.6
Canal City Hakata-B	1 [49]	99.4	1,598	19.4	1 [48]	99.8	1,611	20.0
Park Place Oita	1 [104]	99.7	1,138	13.8	1 [101]	98.4	1,186	14.7
SunLive City Kokura	1	100.0	292	3.6	1	100.0	292	3.6
Square Mall Kagoshima Usuki	12	100.0	269	3.3	12	100.0	252	3.1
Kumamoto Intercommunity SC	2	100.0	32	0.4	2	100.0	88	1.1
AEON Hara Shopping Center (Note 5)	1	100.0	212	2.6	-	-	34	0.4
Hanahata SC	2	100.0	41	0.5	2	100.0	40	0.5
Kurume Higashi Kushiwara SC	1	100.0	88	1.1	1	100.0	88	1.1
K's Denki Kagoshima	1	100.0	111	1.4	1	100.0	111	1.4
Marinoa City Fukuoka (Marina Side Building)	1	100.0	182	2.2	1	100.0	177	2.2
Retail subtotal:	24 [222] (Note 2)	99.8	5,240	63.6	23 [214] (Note 2)	99.4	5,138	63.7
Canal City Business Center Building	1 [61]	100.0	628	7.6	1 [61]	100.0	631	7.8
Gofukumachi Business Center	35	99.5	533	6.5	35	100.0	531	6.6
Sanix Hakata Building	16	100.0	197	2.4	16	100.0	196	2.4
Taihaku Street Business Center	1 [70]	99.2	297	3.6	1 [67]	98.5	298	3.7
Higashi Hie Business Center	1 [25]	100.0	327	4.0	1 [25]	100.0	329	4.1
Tenjin Nishi-Dori Center Building	1	100.0	86	1.1	1	100.0	86	1.1
Tenjin North Front Building	11	100.0	136	1.7	11	100.0	135	1.7
Office buildings subtotal:	66 [219] (Note 2)	99.7	2,207	26.8	66 [216] (Note 2)	99.8	2,210	27.4
Amex Akasakamon Tower	1 [63]	92.8	67	0.8	1 [67]	100.0	67	0.8
City House Keyaki Dori	1 [39]	91.7	36	0.4	1 [40]	95.5	37	0.5
Aqualia Kego (Note 6)	1 [124]	95.7	118	1.4	-	-	55	0.7
Aqualia Chihaya	1 [99]	93.6	57	0.7	1 [103]	98.2	58	0.7
D-Wing Tower	1 [131]	96.0	114	1.4	1 [133]	97.0	113	1.4
Granfore Yakuin Minami	1 [96]	97.0	39	0.5	1 [94]	94.9	38	0.5
Hotel FORZA Oita	1	100.0	63	0.8	1	100.0	63	0.8
Tosu Logistics Center	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
LOGICITY Minato Kashii	2	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	2	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
Others subtotal:	10 [556] (Note 2)	98.1	786	9.6	9 [441] (Note 2)	99.3	723	9.0
Total	100 [997] (Note 2)	99.5	8,234	100.0	98 [871] (Note 2)	99.4	8,072	100.0

(Note 1) "Number of tenants" is based on the total number of sections stipulated in the tenancy agreements for retail and office buildings among relevant properties. For the number of tenants in pass-through master leasing properties, the number of sections stipulated in the tenancy agreements with end tenants is shown in square brackets. The Taihaku Street Business Center is an office building with a residential tower. Its number of tenants comprises 12 for the office building and 55 for the residence in the 25th fiscal period (13 for the office building and 57 for the residence in the 24th fiscal period).

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

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

(Note 4) "Percentage of total leasing business revenues" is rounded off to one decimal place, and the total of individual percentages in the above table may not equal 100%.

(Note 5) FRC disposed the property on September 30, 2016.

(Note 6) FRC disposed the property on November 29, 2016.

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

4. Details of renewable energy generation facilities in the portfolio

No relevant items.

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

No relevant items.

6. Securities incorporated in the portfolio

As of the end of the 25th fiscal period, FRC has the following securities incorporated in the portfolio.

Issue	Type of asset	Quantity	Book value		Appraisal value (Note 1)		Profit or loss from valuation (mm of yen)	Remarks
			Unit price	Amount (mm of yen)	Unit price	Amount (mm of yen)		
Silent partnership equity interests in Limited Liability Company FRC1	Silent partnership equity interests	-	-	104	-	100	(4)	(Note 2)
Total		-	-	104	-	100	(4)	

(Note 1) The appraisal value indicates the value provided by the operator of the silent partnership, based on the rules stipulated by The Investment Trusts Association, Japan.

(Note 2) Limited Liability Company FRC1 manages the trust beneficiary interest in LOGICITY Hisayama.

Status of FRC's Assets under Management

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

The following table provides the contract amount of FRC's specific transactions and the status of its fair value as of February 28, 2017.

Category	Type	Contract amount, etc. (mm of yen)		Fair value (mm of yen) (Note 2)
		(Note 1)	Of which, exceeding 1 year	
Off-market transaction	Interest rate swap transaction (Payable fixed; Receivable floating)	24,500	18,500	(166)
Total		24,500	18,500	(166)

(Note 1) The contract amount, etc. of the interest rate swap transaction is based on the notional principal amount.

(Note 2) The fair value is calculated by the counterparty of the transaction contract based on the actual interest rate on the market and other factors.

8. Status of other assets

All real estate trust beneficiary interests owned by FRC have been entered under "3. Details of real estate properties in the portfolio" on page 15. There is no incorporation of other specified assets as of the end of the 25th fiscal period.

9. Status of owned assets by country and region

As of the end of the 25th fiscal period, no overseas real estate properties in countries or regions other than Japan are incorporated into FRC's portfolio.

Capital Expenditures for Owned Real Estate

1. Planned capital expenditures

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

Real estate property name	Location	Purpose	Schedule	Planned construction cost (mm of yen)		
				Total	Conduction cost	Amount already paid
Canal City Hakata	Hakata Ward, Fukuoka City	Renovation of external walls of Canal City Business Center building	From February 2016 To May 2017	122	53	53
Canal City Hakata	Hakata Ward, Fukuoka City	Repair of external walls of South Building	From August 2017 To February 2018	37	-	-
Canal City Hakata-B	Hakata Ward, Fukuoka City	Renovation of external walls of Canal City Business Center building	From February 2016 To May 2017	242	106	106
Canal City Hakata-B	Hakata Ward, Fukuoka City	Repair of external walls of South Building	From August 2017 To February 2018	75	-	-
Park Place Oita	Oita City, Oita	Improvement of food terrace environment	From February 2017 To April 2017	69	-	-
Marinoa City Fukuoka (Marina Side Building)	Nishi Ward, Fukuoka City	Painting of external walls	From February 2017 To July 2017	29	-	-
LOGICITY Minato Kashii	Higashi Ward, Fukuoka City	Floor renovation on the 2nd floor	From September 2017 To February 2018	77	-	-

Capital Expenditures for Owned Real Estate

2. Capital expenditures during the 25th fiscal period

The following table provides the overview of major construction work that was completed in the 25th fiscal period out of the capital expenditures totaling 1,789 million yen. Furthermore, FRC incurred construction costs of 2,021 million yen in total in the period, including 222 million yen in repair and maintenance expenses classified as expenses on the statement of income and 9 million yen in expenses for restoration to former state.

Real estate property name	Location	Purpose	Period	Construction cost (mm of yen)
Canal City Hakata	Hakata Ward, Fukuoka City	Introduction of attraction devices for new customers	From June 2016 To February 2017	425
Canal City Hakata-B	Hakata Ward, Fukuoka City	Introduction of attraction devices for new customers	From June 2016 To February 2017	844
Park Place Oita	Oita City, Oita	Replacement of industrial televisions	October 2016	30
Canal City Business Center Building	Hakata Ward, Fukuoka City	Introduction of attraction devices for new customers	From June 2016 To February 2017	108
Gofukumachi Business Center	Hakata Ward, Fukuoka City	Renovation of external walls	From May 2016 To December 2016	137

3. Reserves for long-term repair and maintenance plans

FRC has deposited the following amounts from the cash flows generated during the 25th fiscal period in order to fund large-scale repair and maintenance work in the medium- to long-term, based on long-term repairs and maintenance plans prepared for respective properties.

(millions of yen)

Fiscal period	21st fiscal period (September 1, 2014 to February 28, 2015)	22nd fiscal period (March 1, 2015 to August 31, 2015)	23rd fiscal period (September 1, 2015 to February 29, 2016)	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
Balance of deposits at beginning of period	800	800	800	800	800
Deposits during the period	-	-	-	-	200
Amounts used from deposits during the period	-	-	-	-	-
Deposits carried forward to the next period	800	800	800	800	1,000

Expenses and Liabilities

Expenses and Liabilities

1. Details of expenses related to asset management

(thousands of yen)

Item	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
(a) Asset management fees	492,164	476,894
(b) Asset custody fees	6,841	6,676
(c) Administrative service fees	54,537	51,646
(d) Directors' compensations	9,600	9,600
(e) Other operating expenses	61,153	83,042
Total	624,297	627,860

(Note) Aside from the amounts of the asset management fees shown above, 4,175 thousand yen was paid for asset management, capitalized in the acquisition costs, related to the acquisition of Sports Club NAS Park Place Oita and silent partnership equity interests in the 25th fiscal period.

2. Status of debt

As of the end of the 25th fiscal period (February 28, 2017), FRC has the following debt from respective financial institutions.

Category	Lender	Drawdown date	Balance as of September 1, 2016 (mm of yen)	Balance as of February 28, 2017 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
The Bank of Fukuoka (Note 2)	August 31, 2016	1,500	–	0.382	September 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
		300	–						
	August 31, 2016	1,571	–	0.382	September 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
		220	–						
		157	–						
		157	–						
		94	–						
Subtotal		4,000	–						
Current maturities of long-term debt									
The Bank of Fukuoka	December 30, 2010	1,500	–	0.508	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Hiroshima Bank	December 30, 2011	500	–	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Oita Bank	December 30, 2011	500	–	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Eighteenth Bank	December 30, 2011	500	–	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Shinwa Bank	December 30, 2011	500	–	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Kitakyushu Bank	December 30, 2011	500	–	1.182	December 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Kagoshima Bank	January 31, 2012	100	–	1.168	January 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Resona Bank	January 31, 2012	400	–	1.218	January 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Sumitomo Mitsui Trust Bank	September 28, 2012	600	–	0.462	September 30, 2016	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Development Bank of Japan	June 30, 2009	1,950	1,875	2.200	June 30, 2017	(Note 3)	Refinance fund	No collateral/No guarantee	
The Bank of Fukuoka	July 29, 2011	2,000	2,000	1.305	July 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Nishi-Nippon City Bank	July 29, 2011	2,000	2,000	1.305	July 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Mitsubishi UFJ Trust and Banking Corporation	March 1, 2012	2,000	2,000	1.170	March 31, 2017	Lump-sum upon maturity	Acquisition fund	No collateral/No guarantee	
Sumitomo Mitsui Banking Corporation	March 30, 2012	500	500	1.203	March 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Resona Bank	March 30, 2012	600	600	1.253	March 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Higo Bank	March 30, 2012	300	300	1.203	March 31, 2017	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Bank of Fukuoka	June 29, 2012	1,000	1,000	0.858	June 30, 2017	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Nishi-Nippon City Bank		1,000	1,000						
The Oita Bank		700	700						
The Miyazaki Bank		700	700						
The Shinwa Bank		600	600						
The Iyo Bank		500	500						
The Bank of Saga		500	500						
The Eighteenth Bank		500	500						
The Kitakyushu Bank		500	500						

Category	Lender	Drawdown date	Balance as of September 1, 2016 (mm of yen)	Balance as of February 28, 2017 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
The Bank of Fukuoka	December 30, 2011	–	1,500	0.658	December 30, 2017	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
	September 28, 2012	–	2,000	1.033	September 29, 2017	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
	February 28, 2013	–	1,900	0.559	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
	February 28, 2013	–	1,100	0.609	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
	February 28, 2013	–	1,500	0.409	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
	February 28, 2013	–	600	0.409	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
	Subtotal		20,450	23,875					
	Long-term debt								
The Dai-ichi Life Insurance Company	July 29, 2011	1,000	1,000	1.800	July 31, 2018	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Bank of Fukuoka	December 30, 2011	1,500	–	0.658	December 30, 2017	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Sumitomo Mitsui Banking Corporation	January 31, 2012	500	500	1.338	January 31, 2019	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Resona Bank	September 28, 2012	2,000	–	1.033	September 29, 2017	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Nishi-Nippon City Bank	February 1, 2013	2,500	2,500	0.775	February 29, 2020	Lump-sum upon maturity	Acquisition fund	No collateral/No guarantee	
The Nishi-Nippon City Bank	February 28, 2013	1,900	–	0.559	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Mizuho Bank	February 28, 2013	1,700	1,700	0.559	February 29, 2020	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Sumitomo Mitsui Trust Bank	February 28, 2013	1,100	–	0.609	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Mitsubishi UFJ Trust and Banking Corporation	February 28, 2013	1,500	–	0.409	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Aozora Bank	February 28, 2013	600	–	0.409	February 28, 2018	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Mitsubishi UFJ Trust and Banking Corporation	March 29, 2013	600	600	0.408	March 30, 2018	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Aozora Bank	June 28, 2013	1,000	1,000	0.458	June 30, 2020	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Mizuho Bank	July 31, 2014	200	200	0.538	July 31, 2019	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Norinchukin Bank		3,000	3,000						
The Bank of Saga	July 31, 2014	500	500	0.835	July 30, 2021	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Mizuho Bank		2,300	2,300						
The Norinchukin Bank		1,000	1,000						
The Hiroshima Bank		1,400	1,400						
The Kitakyushu Bank		800	800						
The Iyo Bank		500	500						
The Higo Bank	300	300							
Development Bank of Japan	August 29, 2014	4,000	4,000	1.010	August 31, 2022	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Bank of Tokyo- Mitsubishi UFJ	September 25, 2014	500	500	0.520	September 25, 2019	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Sumitomo Mitsui Banking Corporation	June 30, 2015	1,600	1,600	0.790	June 30, 2022	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Sumitomo Mitsui Trust Bank	July 31, 2015	1,500	1,500	0.564	July 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Development Bank of Japan	August 31, 2015	4,000	4,000	0.880	August 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Bank of Fukuoka	August 31, 2015	400	400	0.409	August 31, 2022	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Nishi-Nippon City Bank	August 31, 2015	400	400	0.870	August 31, 2023	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Bank of Fukuoka	February 29, 2016	2,000	2,000	0.409	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Nishi-Nippon City Bank	February 29, 2016	2,000	2,000	0.440	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Development Bank of Japan	February 29, 2016	2,000	2,000	0.620	February 28, 2025	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Mizuho Bank	February 29, 2016	500	500	0.440	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	

Expenses and Liabilities

Category	Lender	Drawdown date	Balance as of September 1, 2016 (mm of yen)	Balance as of February 28, 2017 (mm of yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of funds	Description
Long-term debt	Shinsei Bank	July 29, 2016	700	700	0.400	July 31, 2024	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Sumitomo Mitsui Trust Bank	September 30, 2016	–	300	0.401	September 30, 2025	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	Development Bank of Japan	December 30, 2016	–	1,500	0.718	December 30, 2025	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
	The Oita Bank		–	100					
	The Kagoshima Bank		–	100					
	The Kitakyushu Bank		–	100					
	The Eighteenth Bank		–	100					
	The Shinwa Bank	–	100						
	The Hiroshima Bank	–	100						
	The Bank of Fukuoka	December 30, 2016	–	1,500	0.407	December 30, 2026	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
Subtotal			45,500	40,800					
Total			69,950	64,675					

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

(Note 2) The debts were made based on the commitment line agreements between FRC and respective banks.

(Note 3) The debt is subject to repayment of 75 million yen on the final day of every 6 months following the final day of December 2009 as the initial repayment date, with 1,875 million yen to be repaid on the final repayment date.

3. Investment corporation bonds

As of February 28, 2017, FRC has the following investment corporation bonds outstanding.

Issue	Issue date	Balance as of September 1, 2016 (mm of yen)	Decrease during the fiscal period (mm of yen)	Balance as of February 28, 2017 (mm of yen)	Coupon (%)	Maturity date	Maturity method	Use	Description
First Series of Unsecured Bonds	December 30, 2013	2,000	–	2,000	1.32	December 29, 2023	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/No guarantee (Note 2)

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

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

4. Short-term investment corporation bonds

No relevant items.

5. Subscription rights to shares

No relevant items.

Acquisitions and Sales during the 25th Fiscal Period

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

Property name	Acquisition		Disposition			
	Acquisition date	Acquisition price (mm of yen)	Disposition date	Disposition price (mm of yen)	Book value (mm of yen)	Gain or loss on sale (mm of yen)
AEON Hara Shopping Center	–	–	September 30, 2016	3,700	3,584	3
Aqualia Kego	–	–	November 29, 2016	4,320	2,620	1,654
Sports Club NAS Park Place Oita	September 1, 2016	1,470	–	–	–	–
Silent partnership equity interests in Limited Liability Company FRC1	November 30, 2016	100	–	–	–	–
Total	–	1,570	–	8,020	6,204	1,657

(Note) Acquisition price or disposition price are amounts (transaction price indicated in the sales agreement) excluding expenses (transaction brokerage fees, taxes and other public charges, etc.) required for the acquisition or disposition of the relevant properties and silent partnership equity interests.

2. Acquisition and sale of other assets

No relevant items.

3. Survey on prices of specified assets, etc.

(1) Real estate, etc.

Acquisition or disposition	Property name	Type of asset	Transaction date	Acquisition price or disposition price (Note 1) (mm of yen)	Real estate appraisal value (Note 2) (mm of yen)	Real estate appraiser	Appraisal date
Disposition	AEON Hara Shopping Center	Trust beneficiary interest	September 30, 2016	3,700	4,030	Japan Real Estate Institute	August 1, 2016
Disposition	Aqualia Kego	Trust beneficiary interest	November 29, 2016	4,320	3,670	Japan Real Estate Institute	August 1, 2016
Acquisition	Sports Club NAS Park Place Oita	Trust beneficiary interest	September 1, 2016	1,470	1,470	Japan Real Estate Institute	August 1, 2016

(Note 1) Acquisition price or disposition price is the amount (transaction price indicated in the sales agreement) excluding related expenses (transaction brokerage fees, taxes and other public charges, etc.) required for the acquisition or disposition of the relevant property.

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

(2) Silent partnership equity interests

Acquisition or disposition	Property name	Acquisition date	Acquisition price (mm of yen) (Note 1)	Survey value of specified assets (mm of yen) (Note 2)
Acquisition	Silent partnership equity interests in Limited Liability Company FRC1	November 30, 2016	100	100

(Note 1) Acquisition price indicates the amount excluding related expenses incurred on the acquisition of the silent partnership equity interests.

(Note 2) The above survey on the value of specified assets was conducted by PricewaterhouseCoopers Aarata LLC based on the Survey on Prices of Specified Assets for Investment Trusts and Investment Corporations, Committee Practical Guidelines No. 23, Japanese Institute of Certified Public Accountants. Moreover, aside from the above survey value, FRC has received a survey report on matters required for identifying the items related to the business properties for the relevant silent partnership agreement.

(3) Other

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

Acquisitions and Sales during the 25th Fiscal Period

4. Transactions with interested parties, etc.

(1) Transaction status

Category	Transaction amount, etc.	
	Purchase amount, etc. (thousands of yen)	Sale amount, etc. (thousands of yen)
Total	1,570,000 (100.0%)	8,020,000 (100.0%)

Breakdown of transactions with interested parties, etc.

Fukuoka Jisho Co., Ltd	1,470,000 (93.6%)	- (-)
Total	1,470,000 (93.6%)	- (-)

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

(Note 2) Interested parties, etc. refer to the interested parties of the asset management company who have concluded an asset management agreement with FRC and are designated in Article 123 of the Enforcement Order of the Act on Investment Trusts and Investment Corporations. Of these interested parties, etc., the above table indicates the business partners with which FRC conducted transaction during the 25th fiscal period.

(2) Amount of fees paid, etc.

FRC paid the following fees to the interested parties, etc. during the 25th fiscal period.

Category	Total paid fees (A) (thousands of yen)	Breakdown of transactions with interested parties, etc.		(B)/(A) (%)
		Paid party	Paid amount (B) (thousands of yen)	
Property leasing brokerage fees (Note 2)	16,296	Fukuoka Jisho Co., Ltd.	9,178	56.3
		Park Place Oita Co., Ltd.	870	5.3
Property management fees (Note 3)	285,745	Fukuoka Jisho Co., Ltd.	173,193	60.6
		Park Place Oita Co., Ltd.	101,814	35.6
Outsourcing fees (Note 2) (Note 5)	1,280,971	Fukuoka Jisho Co., Ltd.	930,200	72.6
		Park Place Oita Co., Ltd.	190,152	14.8
		Sunlife Co., Ltd.	59,913	4.7
Other operating expenses (Note 2)	1,213,873	Fukuoka Jisho Co., Ltd.	217,850	17.9
		Park Place Oita Co., Ltd.	184,155	15.2
		Sunlife Co., Ltd.	555	0.0

(Note 1) Interested parties, etc. refer to the interested parties, etc. of the asset management company who has concluded an asset management agreement with FRC, as designated in Article 123 of the Enforcement Order of the Act on Investment Trusts and Investment Corporations. Of these interested parties, etc., the above table indicates the paid parties to which FRC paid fees during the 25th fiscal period.

(Note 2) The property leasing brokerage fees, outsourcing fees and other operating expenses include property leasing brokerage fees, etc. paid to third parties through interested parties, etc.

(Note 3) The property management fees do not include the following construction supervision fees. In addition, of the fees below, the construction supervision fees paid upon acquiring real estate are included in the acquisition cost of the relevant real estate.

Fukuoka Jisho Co., Ltd.	16,388 thousand yen
Park Place Oita Co., Ltd.	5,974 thousand yen

(Note 4) Aside from the paid fees shown above, FRC paid the following amounts for repairs, etc. that were ordered to interested parties, etc. during the 25th fiscal period. The amounts include construction work fees paid to third parties through interested parties, etc.

Fukuoka Jisho Co., Ltd.	1,600,590 thousand yen
Park Place Oita Co., Ltd.	151,478 thousand yen
Sunlife Co., Ltd.	52,799 thousand yen

(Note 5) The outsourcing fees shown above are paid fees, etc. regarding building management outsourcing fees, and do not coincide with the Outsourcing fees described in VIII. Notes to Financial Statements (Notes to statement of income) that include property management fees and others.

Acquisitions and Sales during the 25th Fiscal Period

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

The asset management company (Fukuoka Realty Co., Ltd.) concurrently conducts land and building transaction business but there was no relevant transaction conducted in the 25th fiscal period. Moreover, the asset management company does not concurrently conduct any class 1 financial instruments transaction business, class 2 financial instruments transaction business or real estate syndication business, and has no such transactions with FRC.

Overview of Accounting

1. Assets, liabilities, principal and profits/loss

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

2. Changes in calculation method of depreciation

No relevant items.

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

No relevant items.

4. Overview of self-managed investment trust beneficiary certificates

No relevant items.

5. Disclosure on corporation owning foreign real estate

No relevant items.

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

No relevant items.

Other

1. Handling of fractions of monetary amounts and percentage figures

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

III. Independent Auditor's Report



Independent Auditor's Report

To the Board of Directors of Fukuoka REIT Corporation

We have audited the accompanying financial statements of Fukuoka REIT Corporation ("the Company"), which comprise the balance sheet as at February 28, 2017, and the statement of income, statement of changes in net assets and cash flow statement for the six months then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2017, and its financial performance and cash flows for the six months then ended in accordance with accounting principles generally accepted in Japan.

PriceWaterhouseCoopers Aarata LLC

May 24, 2017

PriceWaterhouseCoopers Aarata LLC

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IV. Balance Sheet

(thousands of yen)

Account	24th fiscal period (as of August 31, 2016)	25th fiscal period (as of February 28, 2017)
Assets		
Current assets		
Cash and deposits	4,165,198	4,434,396
Cash and deposits in trust	4,775,377	4,513,353
Operating accounts receivable	491,196	376,449
Prepaid expenses	262,218	251,873
Deferred tax assets	26	9
Others	7,859	3,836
Total current assets	9,701,876	9,579,918
Non-current assets		
Property, plant and equipment		
Buildings in trust	*1 84,816,296	*1 84,307,621
Accumulated depreciation	(22,332,561)	(23,045,241)
Buildings in trust, net	62,483,734	61,262,379
Structures in trust	1,486,567	1,473,234
Accumulated depreciation	(597,379)	(601,047)
Structures in trust, net	889,187	872,187
Machinery and equipment in trust	674,893	1,008,869
Accumulated depreciation	(308,433)	(308,501)
Machinery and equipment in trust, net	366,459	700,368
Vehicles and transport equipment in trust	747	747
Accumulated depreciation	(294)	(342)
Vehicles and transport equipment in trust, net	452	405
Tools and fixtures in trust	1,313,384	1,280,623
Accumulated depreciation	(1,014,927)	(1,005,845)
Tools and fixtures in trust, net	298,456	274,777
Lands in trust	*1 103,095,432	*1 99,631,188
Construction in progress in trust	206,478	178,535
Total property, plant and equipment	167,340,202	162,919,841
Intangible assets		
Leasehold right in trust	1,765,318	1,765,318
Other intangible assets in trust	3,610	20,605
Total intangible assets	1,768,928	1,785,924
Investment and other assets		
Investment securities	–	104,078
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	110,000	110,000
Long-term prepaid expenses	549,999	528,547
Total investment and other assets	669,999	752,626
Total non-current assets	169,779,131	165,458,391
Deferred assets		
Investment corporation bond issuance expenses	14,410	13,427
Investment unit issuance expenses	17,771	12,159
Total deferred assets	32,181	25,587
Total assets	179,513,189	175,063,897

(thousands of yen)

Account	24th fiscal period (as of August 31, 2016)	25th fiscal period (as of February 28, 2017)
Liabilities		
Current liabilities		
Operating accounts payable	639,486	595,539
Short-term debt	4,000,000	–
Current maturities of long-term debt	20,450,000	23,875,000
Accounts payable-other	12,451	24,687
Accrued expenses	348,865	335,540
Income taxes payable	1,242	854
Accrued consumption taxes	107,177	239,564
Advances received	1,070,989	973,313
Deposits received	1,202,954	752,271
Total current liabilities	27,833,167	26,796,772
Non-current liabilities		
Investment corporation bonds	2,000,000	2,000,000
Long-term debt	45,500,000	40,800,000
Tenant leasehold and security deposits	371,765	368,897
Tenant leasehold and security deposits received in trust	*1 11,727,080	*1 11,416,934
Total non-current liabilities	59,598,846	54,585,831
Total liabilities	87,432,014	81,382,604
Net assets		
Unitholders' equity		
Unitholders' capital	91,142,766	91,142,766
Deduction from unitholders' capital		
Reserve for temporary difference adjustments	–	*4 (1,660,581)
Total deduction from unitholders' capital	–	(1,660,581)
Unitholders' capital, net	91,142,766	89,482,185
Surplus		
Unappropriated surplus	938,409	4,199,108
Total surplus	938,409	4,199,108
Total unitholders' equity	92,081,175	93,681,293
Total net assets	*3 92,081,175	*3 93,681,293
Total liabilities and net assets	179,513,189	175,063,897

V. Statement of Income

(thousands of yen)

Account	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
Operating revenues		
Leasing revenues – real estate	*1 7,701,123	*1 7,603,068
Other leasing revenues – real estate	*1 533,107	*1 469,211
Gain on sales of real estate	–	*6 1,657,588
Dividend income	–	974
Total operating revenues	8,234,231	9,730,842
Operating expenses		
Expenses related to leasing business	*1 *2 4,540,803	*1 *2 4,517,495
Asset management fees	492,164	476,894
Asset custody fees	6,841	6,676
Administrative service fees	54,537	51,646
Director's compensations	9,600	9,600
Other operating expenses	61,153	83,042
Total operating expenses	5,165,100	5,145,355
Operating income	3,069,130	4,585,487
Non-operating revenues		
Interest received	114	40
Others	893	946
Total non-operating revenues	1,007	987
Non-operating expenses		
Interest expenses	333,165	276,464
Interest expenses on investment corporation bonds	13,200	13,200
Amortization of investment corporation bond issuance expenses	982	982
Amortization of investment unit issuance expenses	5,612	5,612
Financing related expenses	100,963	90,391
Others	15	15
Total non-operating expenses	453,938	386,664
Ordinary income	2,616,200	4,199,809
Extraordinary income		
Insurance income	*3 75,052	–
Total extraordinary income	75,052	–
Extraordinary losses		
Impairment loss	*4 1,660,964	–
Loss on disaster	*2 *5 90,646	–
Total extraordinary losses	1,751,611	–
Net income before income taxes	939,641	4,199,809
Income taxes-current	1,259	860
Income taxes-deferred	(18)	17
Total income taxes	1,241	878
Profit	938,400	4,198,931
Surplus brought forward	8	177
Unappropriated surplus	938,409	4,199,108

VI. Statement of Changes in Net Assets

24th fiscal period (March 1, 2016 to August 31, 2016)

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus		
Total unitholders' equity				
Balance as of March 1, 2016	91,142,766	2,669,786	93,812,553	93,812,553
Changes in the current fiscal period				
Dividend of surplus		(2,669,778)	(2,669,778)	(2,669,778)
Profit		938,400	938,400	938,400
Total of changes in the current fiscal period	–	(1,731,377)	(1,731,377)	(1,731,377)
Balance as of August 31, 2016	91,142,766	938,409	92,081,175	92,081,175

25th fiscal period (September 1, 2016 to February 28, 2017)

(thousands of yen)

Item	Unitholders' Equity							Total net assets
	Unitholders' capital			Surplus		Total unitholders' equity	Total net assets	
	Unitholders' capital	Deduction from unitholders' capital		Unappropriated surplus	Total surplus			
		Reserve for temporary difference adjustments	Total deduction from unitholders' capital					
Balance as of September 1, 2016	91,142,766	–	–	91,142,766	938,409	938,409	92,081,175	92,081,175
Changes in the current fiscal period								
Dividend of surplus					(938,232)	(938,232)	(938,232)	(938,232)
Dividend in excess of earnings using reserve for temporary difference adjustments		(1,660,581)	(1,660,581)	(1,660,581)			(1,660,581)	(1,660,581)
Profit					4,198,931	4,198,931	4,198,931	4,198,931
Total of changes in the current fiscal period	–	(1,660,581)	(1,660,581)	(1,660,581)	3,260,699	3,260,699	1,600,118	1,600,118
Balance as of February 28, 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

VII. Cash Flow Statement

(thousands of yen)

Account	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
Net cash provided by (used in) operating activities		
Net income before income taxes	939,641	4,199,809
Depreciation and amortization expenses	1,470,912	1,455,895
Amortization of investment corporation bond issuance expenses	982	982
Amortization of investment unit issuance expenses	5,612	5,612
Impairment loss	1,660,964	–
Interest received	(114)	(40)
Interest expenses	346,365	289,664
Gain on sales of real estate	–	(1,657,588)
Insurance income	(75,052)	–
Loss on disaster	90,646	–
Decrease (increase) in operating accounts receivables	(43,230)	39,693
Increase (decrease) in accrued consumption taxes	(214,372)	132,386
Increase (decrease) in operating accounts payable	(76,677)	3,547
Increase (decrease) in accounts payable-other	(11,623)	11,659
Increase (decrease) in accrued expenses	(3,346)	(6,027)
Increase (decrease) in advances received	66,789	(97,675)
Increase (decrease) in deposits expenses	425,087	(450,682)
Decrease (increase) in prepaid expenses	22,919	9,282
Decrease (increase) in long-term prepaid expenses	83,034	17,379
Others, net	(2,310)	20,251
Subtotal	4,686,229	3,974,151
Interest income received	114	40
Interest expenses paid	(347,154)	(296,961)
Proceeds from Insurance income	–	75,052
Payments for loss on disaster	(1,857)	(65,923)
Income taxes paid	(753)	(1,248)
Net cash provided by (used in) operating activities	4,336,578	3,685,111
Net cash provided by (used in) investment activities		
Proceeds from sales of property, plant and equipment in trust	–	7,862,034
Purchase of property, plant and equipment in trust	(710,811)	(3,250,588)
Proceeds from tenant leasehold and security deposits	87,129	5,208
Repayments of tenant leasehold and security deposits	(46,606)	(8,077)
Proceeds from tenant leasehold and security deposits in trust	124,063	172,380
Repayments of tenant leasehold and security deposits in trust	(225,255)	(482,527)
Purchase of investment securities	–	(103,928)
Proceeds from restricted trust deposits	5,569	29,511
Payments for restricted trust deposits	(6,972)	(4,010)
Net cash provided by (used in) investment activities	(772,883)	4,220,004
Net cash provided by (used in) financial activities		
Proceeds from short-term debt payable	4,000,000	3,000,000
Repayments of short-term debt payable	–	(7,000,000)
Proceeds from long-term debt payable	700,000	3,900,000
Repayments of long-term debt payable	(5,075,000)	(5,175,000)
Dividends paid	(2,668,773)	(2,597,440)
Net cash provided by (used in) financial activities	(3,043,773)	(7,872,440)
Net increase (decrease) in cash and cash equivalents	519,920	32,676
Balance of cash and cash equivalents at beginning of period	8,353,226	8,873,147
Balance of cash and cash equivalents at end of period	*1 8,873,147	*1 8,905,823

VIII. Notes to Financial Statements

(Significant accounting policies)

1. Valuation standard and method for assets	Securities Other securities Securities without fair value Silent partnership equity interests are stated at their net asset value corresponding to the equity interests in the silent partnership.
2. Depreciation method for non-current assets	(1) Property, plant and equipment Depreciation is calculated using the straight-line method. The useful lives of major categories of property, plant and equipment are as follows: Buildings in trust: 10 – 60 years Structures in trust: 15 – 60 years Machinery and equipment in trust: 15 – 30 years Vehicles and transport equipment in trust: 7 years Tools and fixtures in trust: 5 – 20 years (2) Intangible assets Intangible assets are amortized utilizing the straight-line method. (3) Long-term prepaid expenses Long-term prepaid expenses are amortized utilizing the straight-line method.
3. Accounting for deferred assets	Investment unit issuance expenses Investment unit issuance expenses are amortized utilizing the straight-line method over three years. Investment corporation bond issuance expenses Investment corporation bond issuance expenses are amortized utilizing the straight-line method over the period through redemption.
4. Standards for recognition of revenues and expenses	Accounting treatment of property taxes, etc. In connection with property taxes, city planning taxes and depreciated asset taxes, FRC uses the method of charging the corresponding amounts of assessed taxes to the current fiscal period as expenses related to leasing business. The amount equivalent to property taxes, etc. for the initial fiscal year paid to the seller as settlement money upon acquisition of real estate or trust beneficiary interests in real estate as entrusted property are not expensed but capitalized as part of the acquisition cost of the relevant property. No amount equivalent to property taxes, etc. was capitalized in the acquisition cost of real estate, etc. for the 24th fiscal period. The amount equivalent to property taxes, etc. capitalized in the acquisition cost of real estate, etc. was 3,310 thousand yen for the 25th fiscal period.
5. Method of hedge accounting	(1) Method of hedge accounting Deferred hedge accounting is applied for interest rate swap transactions. However, special accounting is applied for interest rate swap transactions that satisfy the requirements for special accounting. (2) Hedging instruments and hedged items Hedging instrument: interest rate swap transactions Hedged items: interest rates of borrowings (3) Hedging policy FRC conducts derivative transactions to hedge interest rate fluctuation risks for floating-rate borrowings based on FRC's Articles of Incorporation. (4) Method for assessing the effectiveness of hedging Assessment of the effectiveness of hedging is omitted as requirements are satisfied for special accounting for interest rate swap transactions.
6. Scope of funds (cash and cash equivalents) in cash flow statement	The funds (cash and cash equivalents) in the cash flow statement consist of cash on hand and cash in trust; deposits that can be withdrawn at any time and deposits in trust; and short-term investments with a maturity of 3 months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of value fluctuation.
7. Other significant items fundamental to preparing the financial statements	(1) Accounting methods for trust beneficiary interests in real estate as entrusted property Regarding trust beneficiary interests in owned real estate as entrusted property, all asset and liability accounts of the entrusted properties as well as all revenue and expense accounts generated by the entrusted properties are recorded in relevant accounts on the balance sheet and statement of income. Furthermore, the following material accounts are separately stated on the balance sheet for entrusted properties recorded in relevant accounts. ① Cash and deposits in trust ② Buildings in trust, structures in trust, machinery and equipment in trust, vehicles and transport equipment in trust, tools and fixtures in trust, lands in trust and construction in progress in trust ③ Leasehold right in trust ④ Other intangible assets in trust ⑤ Lease and guarantee deposits in trust ⑥ Tenant leasehold and security deposits received in trust (2) Accounting for consumption taxes National and local consumption taxes are accounted with the consumption taxes excluded.

[Additional information]

(Notes to provision and reversal of reserve for temporary difference adjustments)

24th fiscal period (from March 1, 2016 to August 31, 2016)

In accordance with the FRC incurred reserve for temporary difference adjustments (1,660,581 thousand yen) in accordance with the recording of impairment loss for land in trust of AEON Hara Shopping Center.

For the reserve for temporary difference adjustments, FRC plans to reverse the due amount upon the transfer of the said property as of September 30, 2016.

25th fiscal period (from September 1, 2016 to February 28, 2017)

In accordance with the sale of AEON Hara Shopping Center, FRC will reverse the reserve for temporary difference adjustments amounting to 1,660,581 thousand yen.

(Notes to balance sheet)

*1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows:

(thousands of yen)

	24th fiscal period as of August 31, 2016	25th fiscal period as of February 28, 2017
Buildings in trust	6,459,725	6,324,579
Lands in trust	16,101,020	16,101,020
Total	22,560,746	22,425,600

Secured liabilities are as follows:

(thousands of yen)

	24th fiscal period as of August 31, 2016	25th fiscal period as of February 28, 2017
Tenant leasehold and security deposits received in trust	1,803,529	1,794,675

2. Balance of unused committed line of credit

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

[Committed line of credit agreement 1]

(thousands of yen)

	24th fiscal period as of August 31, 2016	25th fiscal period as of February 28, 2017
Credit limit	6,000,000	6,000,000
Outstanding debt at end of period	1,800,000	–
Unused committed line of credit at end of period	4,200,000	6,000,000

[Committed line of credit agreement 2]

(thousands of yen)

	24th fiscal period as of August 31, 2016	25th fiscal period as of February 28, 2017
Credit limit	7,000,000	7,000,000
Outstanding debt at end of period	2,200,000	–
Unused committed line of credit at end of period	4,800,000	7,000,000

*3. Minimum net assets designated in Article 67- 4 in the Act on Investment Trusts and Investment Corporations.

(thousands of yen)

24th fiscal period as of August 31, 2016	25th fiscal period as of February 28, 2017
50,000	50,000

*4. 24th fiscal period (from March 1, 2016 to August 31, 2016)

Not applicable.

25th fiscal period (from September 1, 2016 to February 28, 2017)

(1) Reason for recording reserve, relevant assets, initial difference and reserve amount

(thousands of yen)

Relevant assets	Reason for recording	Initial difference	Balance as of September 1, 2016	Reserve for the 25th fiscal period	Reversal for the 25th fiscal period	Balance as of February 28, 2017	Reason for reversal
Land in trust	Incurrence of impairment loss	1,660,581	–	1,660,581	–	1,660,581	–

(2) Specific method of reversal

Item	Specific method of reversal
Land in trust	FRC plans to reverse the corresponding amount when it disposes the land in trust.

(Notes to statement of income)

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

(thousands of yen)

	24th fiscal period (March 1, 2016 to August 31, 2016)		25th fiscal period (September 1, 2016 to February 28, 2017)	
A. Real estate leasing business revenues				
Leasing revenues - real estate				
Rents	6,197,134		6,115,241	
Common charges	1,072,028		1,069,876	
Parking revenues	431,961	7,701,123	417,950	7,603,068
Other leasing revenues - real estate				
Incidental income	481,292		437,211	
Other miscellaneous income	51,814	533,107	32,000	469,211
Total real estate leasing business revenues		8,234,231		8,072,279
B. Expenses related to real estate leasing business				
Expenses related to leasing business				
Outsourcing fees	1,601,187		1,566,717	
Repair and maintenance expenses	148,457		222,809	
Taxes and other public charges	650,839		643,149	
Insurance premiums and trust compensation	58,054		57,483	
Utilities expenses	437,664		401,794	
Depreciation and amortization expenses	1,470,912		1,455,895	
Other expenses related to real estate leasing business	173,687	4,540,803	169,646	4,517,495
Total expenses related to real estate leasing business		4,540,803		4,517,495
C. Revenues and expenses related to real estate leasing business (A - B)		3,693,427		3,554,784

*2. Transactions with affiliated companies.

(thousands of yen)

Item	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
Expenses related to real estate leasing business	1,470,349	1,410,591
Loss on disaster	90,561	-

*3. Insurance income

24th fiscal period (from March 1, 2016 to August 31, 2016)

FRC recorded the insurance claim settled for the damage caused by the Kumamoto Earthquake as insurance income.

25th fiscal period (from September 1, 2016 to February 28, 2017)

Not applicable.

*4. Impairment loss

24th fiscal period (from March 1, 2016 to August 31, 2016)

(thousands of yen)

Use	Location	Type	Impairment loss
Retail	Sawara Ward, Fukuoka City	Land in trust	1,660,964

In calculating impairment loss, each property is classified as a single asset group. For the single asset group that FRC plans to dispose, FRC reduced the book value to a recoverable amount and recorded an impairment loss on the land in trust under extraordinary losses. The recoverable amount was estimated based on the net sale price, which is calculated by deducting the estimated disposal expenses from the actual sale price.

25th fiscal period (from September 1, 2016 to February 28, 2017)

Not applicable.

*5. Loss on disaster

24th fiscal period (from March 1, 2016 to August 31, 2016)

FRC recorded the costs for restoration work for the assets damaged by the Kumamoto Earthquake as loss on disaster

25th fiscal period (from September 1, 2016 to February 28, 2017)

Not applicable.

*6. Breakdown of gain on sales of real estate

24th fiscal period (from March 1, 2016 to August 31, 2016)

Not applicable.

25th fiscal period (from September 1, 2016 to February 28, 2017)

(1) AEON Hara Shopping Center (thousands of yen)

Proceeds from sales of real estate	3,700,000
Costs of sale of real estate	3,584,343
Other selling expenses	112,157
Gain on sales of real estate	3,498

(2) Aqualia Kego (thousands of yen)

Proceeds from sales of real estate	4,320,000
Costs of sale of real estate	2,620,102
Other selling expenses	45,807
Gain on sales of real estate	1,654,089

(Notes to statement of changes in net assets)

	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
Total number of authorized investment units and total number of investment units issued		
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued	747,000 units	747,000 units

(Notes to cash flow statement)

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

(thousands of yen)

	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
Cash and deposits	4,165,198	4,434,396
Cash and deposits in trust	4,775,377	4,513,353
Restricted trust deposits (Note)	(67,428)	(41,926)
Cash and cash equivalents	8,873,147	8,905,823

(Note) Restricted trust deposits are trust deposits reserved for refunding tenant leasehold and security deposits deposited by tenants and for other purposes.

(Notes to leases)

The future lease revenues under the non-cancellable operating leases are as follows:

(thousands of yen)

	24th fiscal period (as of August 31, 2016)	25th fiscal period (as of February 28, 2017)
Due within 1 year	5,614,647	5,283,926
Due after 1 year	26,684,202	25,843,983
Total	32,298,850	31,127,909

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

(1) Policy on handling financial instruments

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

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

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

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

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

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

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

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

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

Investment securities are exposed to credit risks of the issuer and value fluctuation risks of the real estate, etc. owned by the issuer. FRC mitigates these risks by periodically investigating the financial situation of the issuer and the value of the real estate, etc., among other measures.

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

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

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

2. Matters concerning fair value of financial instruments

The following table includes the book values for financial instruments as recorded on the balance sheet, the corresponding fair values and the difference between these amounts as of August 31, 2016. Please note that the following table does not include those financial instruments for which determination of fair value is considered to be extremely difficult (refer to (Note 2)).

(thousands of yen)

	Book value recorded on the balance sheet	Fair value (Note 1)	Difference
(1) Cash and deposits	4,165,198	4,165,198	–
(2) Cash and deposits in trust	4,775,377	4,775,377	–
Total of assets	8,940,576	8,940,576	–
(3) Short-term debt	4,000,000	4,000,000	–
(4) Current maturities of long-term debt	20,450,000	20,576,623	126,623
(5) Investment corporation bonds	2,000,000	2,115,549	115,549
(6) Long-term debt	45,500,000	45,927,020	427,020
(7) Tenant leasehold and security deposits received in trust	1,045,178	1,043,654	(1,523)
Total of liabilities	72,995,178	73,662,847	667,670
(8) Derivative transactions	–	–	–
Total of derivative transactions	–	–	–

The following table includes the book values for financial instruments as recorded on the balance sheet, the corresponding fair values and the difference between these amounts as of February 28, 2017. Please note that the following table does not include those financial instruments for which determination of fair value is considered to be extremely difficult (refer to (Note 2)).

(thousands of yen)

	Book value recorded on the balance sheet	Fair value (Note 1)	Difference
(1) Cash and deposits	4,434,396	4,434,396	–
(2) Cash and deposits in trust	4,513,353	4,513,353	–
Total of assets	8,947,750	8,947,750	–
(3) Short-term debt	–	–	–
(4) Current maturities of long-term debt	23,875,000	23,941,727	66,727
(5) Investment corporation bonds	2,000,000	2,093,670	93,670
(6) Long-term debt	40,800,000	41,143,636	343,636
(7) Tenant leasehold and security deposits received in trust	1,027,991	1,026,108	(1,882)
Total of liabilities	67,702,991	68,205,143	502,152
(8) Derivative transactions	–	–	–
Total of derivative transactions	–	–	–

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

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

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

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

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

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

(7) Tenant leasehold and security deposits received in trust

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

(8) Derivative transactions

Please refer to (Notes to derivative transactions)

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

(thousands of yen)

	24th fiscal period (as of August 31, 2016)	25th fiscal period (as of February 28, 2017)
(1) Investment securities	–	104,078
(2) Tenant leasehold and security deposits received in trust	10,681,902	10,388,943

(1) Investment securities are not subject to the requirement to disclose fair value, as it is considered extremely difficult to determine the fair value. This is because there is no market price for investment securities and future cash flows cannot be estimated.

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

(Note 3) Amount of redemption of monetary claims scheduled to be due after closing of accounts (August 31, 2016)

(thousands of yen)

	Due in 1 year or less
Cash and deposits	4,165,198
Cash and deposits in trust	4,775,377
Total	8,940,576

Amount of redemption of monetary claims scheduled to be due after closing of accounts (February 28, 2017)

(thousands of yen)

	Due in 1 year or less
Cash and deposits	4,434,396
Cash and deposits in trust	4,513,353
Total	8,947,750

(Note 4) Amount of repayment of long-term debt and investment corporation bonds scheduled to be due after closing of accounts (as of August 31, 2016).

(thousands of yen)

	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Long-term debt	20,450,000	10,200,000	4,200,000	5,700,000	6,300,000	19,100,000
Investment corporation bonds	–	–	–	–	–	2,000,000

Amount of repayment of long-term debt and investment corporation bonds scheduled to be due after closing of accounts (as of February 28, 2017).

(thousands of yen)

	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Long-term debt	23,875,000	2,100,000	8,400,000	1,000,000	6,300,000	23,000,000
Investment corporation bonds	–	–	–	–	–	2,000,000

(Notes to investment securities)**24th fiscal period (as of August 31, 2016)**

Not applicable as FRC does not conduct any transaction of securities.

25th fiscal period (as of February 28, 2017)

Silent partnership equity interests (recorded on the balance sheet at 104,078 thousand yen) are not described, as it is considered extremely difficult to determine the fair value. This is because there is no market price and future cash flows cannot be estimated.

(Notes to derivative transactions)**1. Derivatives to which hedge accounting is not applied****24th fiscal period (as of August 31, 2016)**

Not applicable.

25th fiscal period (as of February 28, 2017)

Not applicable.

2. Derivatives to which hedge accounting is applied**24th fiscal period (as of August 31, 2016)**

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

(thousands of yen)

Method of hedge accounting	Type of derivative transactions, etc.	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Of which, exceeding 1 year		
Special accounting for interest rate swaps	Interest rate swap transaction Payable fixed; Receivable floating	Long-term debt	24,500,000	18,500,000	(*)	–

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

25th fiscal period (as of February 28, 2017)

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

(thousands of yen)

Method of hedge accounting	Type of derivative transactions, etc.	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Of which, exceeding 1 year		
Special accounting for interest rate swaps	Interest rate swap transaction Payable fixed; Receivable floating	Long-term debt	24,500,000	18,500,000	(*)	–

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

(Notes to tax effect accounting)**1. Breakdown of primary causes for occurrence of deferred tax assets and deferred tax liabilities.**

(thousands of yen)

	24th fiscal period as of August 31, 2016	25th fiscal period as of February 28, 2017
Deferred tax assets		
Amount of accrued business taxes not deductible from taxable income	26	9
Impairment loss	520,747	–
Subtotal deferred tax assets	520,774	9
Valuation reserve	(520,747)	–
Total deferred tax assets	26	9
Deferred tax assets, net	26	9

2. Breakdown of significant causes of the difference between the effective statutory income tax rate and the effective income tax rate after application of tax effect accounting.

(%)

	24th fiscal period as of August 31, 2016	25th fiscal period as of February 28, 2017
Effective statutory income tax rate (Note)	32.11	31.53
Deductible dividend amount	(88.79)	(19.06)
Increase (decrease) in valuation reserve	56.75	(12.47)
Other	0.07	0.02
Effective income tax rate after application of tax effect accounting	0.13	0.02

(Note) With the Prefectural Ordinance to Partially Amend the Fukuoka Prefectural Tax Ordinance (Fukuoka Prefectural Ordinance No. 38 of 2016) disclosed on October 11, 2016, the applicable period of the excessive taxation of prefectural tax on corporations was extended from the period covering through the end of the fiscal year starting on January 31, 2017 to the period covering through the fiscal year starting on January 31, 2022. In accordance with this, the effective statutory tax rate used for the fiscal year starting on September 1, 2016 and thereafter is 31.53%.

(Notes to transactions with related parties)**1. Transactions with related parties****(1) Parent company and major corporate unitholders****24th fiscal period (from March 1, 2016 to August 31, 2016)**

(thousands of yen)

Classification	Name	Location	Capital	Business description	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Other affiliates	Fukuoka Jisho Co., Ltd. (Note 2)	Hakata Ward, Fukuoka City	4,000,000	General real estate business	Ownership in FRC Direct [8.85%] Indirect [1.00%]	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	1,560,911 (Note 3)	Operating accounts payable	197,206 (Note 3)

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

(Note 2) FRC has concluded a building lease and management consignment agreement with Fukuoka Jisho Co., Ltd. for Canal City Hakata, Canal City Hakata-B, Canal City Business Center and Taihaku Street Business Center. The lease contract is a master lease type with pass-through rent, in which rents and other proceeds from end tenants are directly related to an increase or decrease of FRC's revenues. For properties covered by the said type of agreements, the above table shows figures that regard end tenants as direct lessees.

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

25th fiscal period (from September 1, 2016 to February 28, 2017)

(thousands of yen)

Classification	Name	Location	Capital	Business description	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Other affiliates	Fukuoka Jisho Co., Ltd. (Note 3)	Hakata Ward, Fukuoka City	4,000,000	General real estate business	Ownership in FRC Direct [8.85%] Indirect [1.00%]	Consignment of real estate management, etc.	Purchase of real estate (Note 1) Consignment of real estate management, etc. (Note 2)	1,470,000 1,410,591 (Note 4)	– Operating accounts payable	– 115,601 (Note 4)

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

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

(Note 3) FRC has concluded a building lease and management consignment agreement with Fukuoka Jisho Co., Ltd. for Canal City Hakata, Canal City Hakata-B, Canal City Business Center and Taihaku Street Business Center. The lease contract is a master lease type with pass-through rent, in which rents and other proceeds from end tenants are directly related to an increase or decrease of FRC's revenues. For properties covered by the said type of agreements, the above table shows figures that regard end tenants as direct lessees.

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

(2) Affiliated companies, etc.

24th fiscal period (from March 1, 2016 to August 31, 2016)

Not applicable.

25th fiscal period (from September 1, 2016 to February 28, 2017)

Not applicable.

(3) Sister companies

24th fiscal period (from March 1, 2016 to August 31, 2016)

(thousands of yen)

Classification	Name	Location	Capital	Business description	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Subsidiaries of other affiliates	Park Place Oita Co., Ltd (Note 2)	Oita City, Oita	400,000	Real estate business	—	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	531,305 (Note 5)	Operating accounts payable	109,567 (Note 5)
Subsidiaries of other affiliates	Fukuoka Realty Co., Ltd.	Hakata Ward, Fukuoka City	200,000	Asset management of FRC and other businesses	—	Asset management of FRC, etc. and concurrent service of officer (Note 3)	Payment of asset management fees (Note 4)	492,164 (Note 5)	Accrued expenses	235,178 (Note 5)

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

(Note 2) FRC has concluded a real estate lease and management consignment agreement with Park Place Oita Co., Ltd. for Park Place Oita. The lease contract is a master lease type with pass-through rent, in which rents and other proceeds from end tenants are directly related to an increase or decrease of FRC's revenues. For the property covered by the said type of agreement, the above table shows figures that regard end tenants as direct lessees.

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

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

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

25th fiscal period (from September 1, 2016 to February 28, 2017)

(thousands of yen)

Classification	Name	Location	Capital	Business description	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Subsidiaries of other affiliates	Park Place Oita Co., Ltd (Note 2)	Oita City, Oita	400,000	Real estate business	—	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	570,992 (Note 5)	Operating accounts payable	143,179 (Note 5)
Subsidiaries of other affiliates	Fukuoka Realty Co., Ltd.	Hakata Ward, Fukuoka City	200,000	Asset management of FRC and other businesses	—	Asset management of FRC, etc. and concurrent service of officer (Note 3)	Payment of asset management fees (Note 4)	476,894 (Note 5)	Operating accounts payable	230,340 (Note 5)

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

(Note 2) FRC has concluded a real estate lease and management consignment agreement with Park Place Oita Co., Ltd. for Park Place Oita. The lease contract is a master lease type with pass-through rent, in which rents and other proceeds from end tenants are directly related to an increase or decrease of FRC's revenues. For the property covered by the said type of agreement, the above table shows figures that regard end tenants as direct lessees.

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

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

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

(4) Directors and major individual unitholders

24th fiscal period (from March 1, 2016 to August 31, 2016)

Not applicable.

25th fiscal period (from September 1, 2016 to February 28, 2017)

Not applicable.

2. Parent company and major affiliated companies

24th fiscal period (from March 1, 2016 to August 31, 2016)

Not applicable.

25th fiscal period (from September 1, 2016 to February 28, 2017)

Not applicable.

(Notes to properties for lease)

FRC owns retail, office buildings and residential properties for lease in the Kyushu area centering on Fukuoka Prefecture. The following table provides the book value recorded on the balance sheet, amount of change during the period and fair value of these properties for lease.

(thousands of yen)

Use	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
Retail	Amount recorded on the balance sheet	
	Balance at beginning of period	106,454,683
	Amount of change during period	(1,992,971)
	Balance at end of period	104,461,711
	Fair value at end of period	114,038,000
Office buildings	Amount recorded on the balance sheet	
	Balance at beginning of period	43,635,457
	Amount of change during period	(330,267)
	Balance at end of period	43,308,190
	Fair value at end of period	54,250,000
Others	Amount recorded on the balance sheet	
	Balance at beginning of period	21,482,301
	Amount of change during period	(143,071)
	Balance at end of period	21,339,229
	Fair value at end of period	25,190,000
Total	Amount recorded on the balance sheet	
	Balance at beginning of period	171,575,442
	Amount of change during period	(2,466,311)
	Balance at end of period	169,109,131
	Fair value at end of period	193,478,000

(Note 1) Amount recorded on the balance sheet is the cost of acquisition less accumulated depreciation.

(Note 2) Of the amount of change during the 24th fiscal period, the amount of increase is primarily attributable to capital expenditures (665 million yen), and the amount of decrease is primarily attributable to impairment loss (1,660 million yen) and depreciation and amortization expenses (1,470 million yen). Of the amount of change during the 25th fiscal period, the amount of increase is primarily attributable to acquisition of Sports Club NAS Park Place Oita (1,484 million yen) and capital expenditures (1,789 million yen), and the amount of decrease is primarily attributable to disposition of two properties (AEON Hara Shopping Center and Aqualia Kego) (6,204 million yen in total) and depreciation and amortization expenses (1,455 million yen).

(Note 3) The fair value at end of period is the appraisal value provided by outside real estate appraisers. The fair values of AEON Hara Shopping Center and Aqualia Kego for the 24th fiscal period are based on the transfer prices stated in the sales agreements dated August 31, 2016.

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

(thousands of yen)

Use		24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
Retail	Amount recorded on the statement of income		
	Real estate leasing business revenues	5,240,380	5,138,156
	Expenses related to real estate leasing business	3,002,665	3,030,216
	Revenues and expenses related to real estate leasing business	2,237,714	2,107,940
Office buildings	Amount recorded on the statement of income		
	Real estate leasing business revenues	2,207,157	2,210,415
	Expenses related to real estate leasing business	1,162,679	1,165,023
	Revenues and expenses related to real estate leasing business	1,044,477	1,045,392
Others	Amount recorded on the statement of income		
	Real estate leasing business revenues	786,693	723,707
	Expenses related to real estate leasing business	375,458	322,256
	Revenues and expenses related to real estate leasing business	411,235	401,451
Total	Amount recorded on the statement of income		
	Real estate leasing business revenues	8,234,231	8,072,279
	Expenses related to real estate leasing business	4,540,803	4,517,495
	Revenues and expenses related to real estate leasing business	3,693,427	3,554,784

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

(Notes to segment information)

[Segment information]

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

24th fiscal period (from March 1, 2016 to August 31, 2016)

(1) Information by product and service

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

(2) Information by region

(a) Operating revenues

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

(b) Property, plant and equipment

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

(3) Information by major customer

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

25th fiscal period (from September 1, 2016 to February 28, 2017)

(1) Information by product and service

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

(2) Information by region

(a) Operating revenues

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

(b) Property, plant and equipment

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

(3) Information by major customer

(thousands of yen)

Customer's name	Operating revenues	Related segment
Undisclosed (Note)	1,654,089	Real estate leasing business

(Note) The customer's name is not disclosed as no consent to disclosure has been obtained from the customer. Furthermore, the customer does not fall under the category of related parties or interested parties, etc. under the Investment Trusts Act.

(Notes to per unit information)

	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
Net assets per unit (yen)	123,267	125,410
Profit per unit (yen)	1,256	5,621

(Note 1) Profit per unit was calculated by dividing the profit by the daily weighted average number of investment units. Diluted profit per unit is not stated as there are no dilutive investment units.

(Note 2) Profit per unit was calculated based on the following data:

	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
Profit (thousands of yen)	938,400	4,198,931
Amounts not attributable to ordinary unitholders (thousands of yen)	–	–
Profit attributable to ordinary investment units (thousands of yen)	938,400	4,198,931
Average number of units during the fiscal period (units)	747,000	747,000

(Notes to cash distributions)

(thousands of yen)

Account	24th fiscal period (March 1, 2016 to August 31, 2016)	25th fiscal period (September 1, 2016 to February 28, 2017)
I. Unappropriated surplus	938,409	4,199,108
II. Addition of dividend in excess of earnings Of which, reserve for temporary difference adjustments	1,660,581 1,660,581	– –
III. Addition to unitholders' capital Of which, reversal of reserve for temporary difference adjustments	– –	1,660,581 1,660,581
IV. Total dividend [Dividend per investment unit] Of which, earnings dividend [Of which, earnings dividend per unit] Of which, dividend in excess of earnings [Of which, dividend in excess of earnings per unit (using reserve for temporary difference adjustments)]	2,598,813 [3,479 yen] 938,232 [1,256 yen] 1,660,581 [2,223 yen]	2,538,306 [3,398 yen] 2,538,306 [3,398 yen] – [–]
V. Surplus brought forward	177	221

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 shall 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 proposed to distribute 938,232 thousand yen, which is almost the entire amount of unappropriated surplus, as earnings dividends. Moreover, FRC proposed to provide dividend in excess of earnings as stipulated in Article 38-2 of its Articles of Incorporation, using reserve for temporary difference adjustments totaling 1,660,581 thousand yen, which is the maximum value arrived at when the total number of investment units outstanding (747,000 units) is multiplied by an integer, to the extent not surpassing the amount equivalent to the impairment loss recorded for the fiscal period.	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 shall 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 proposed to distribute 2,538,306 thousand yen, which is almost the entire amount obtained by deducting the reversal of reserve for temporary difference adjustments from unappropriated surplus (4,199,108 thousand yen), 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 unit are rounded down to the nearest thousand yen.

(Notes to significant subsequent events)

No relevant items.

(Schedule of securities)

(1) Stocks

Not applicable.

(2) Securities other than stocks

(thousands of yen)

Type	Issue	Total face value	Book value	Interest receivable	Prepaid accrued interest	Appraisal value (Note 2)	Profit or loss from valuation	Remarks
Silent partnership equity interests	Silent partnership equity interests in Limited Liability Company FRC1	–	104,078	–	–	100,000	(4,078)	–
		–	104,078	–	–	100,000	(4,078)	–

(Note 1) The silent partnership equity interests represent FRC's equity investment in an SPC (Limited Liability Company FRC1) that operates with LOGICITY Hisayama as the investment property.

(Note 2) The appraisal value indicates the value provided by the operator of the silent partnership, based on the rules stipulated by The Investment Trusts Association, Japan.

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

(thousands of yen)

Category	Type	Contract amount, etc.		Fair value (Note 2)
		(Note 1)	Of which, exceeding 1 year	
Special accounting for interest rate swaps	Interest rate swap transaction Payable fixed; Receivable floating	24,500,000	18,500,000	(166,841)
	Total	24,500,000	18,500,000	(166,841)

(Note 1) The contract amount, etc. of the interest rate swap transaction is based on the notional principal amount.

(Note 2) The fair value is calculated by the counterparty of the transaction contract based on the actual interest rate on the market and other factors.

(Schedule of property, plant and equipment, and intangible assets)

(thousands of yen)

Type of asset	Balance as of September 1, 2016	Increase (Note 1)	Decrease (Note 2)	Balance as of February 28, 2017	Accumulated depreciation	Depreciation for the period	Net property and equipment
Total property, plant and equipment	Buildings in trust	84,816,296	2,158,576	2,667,251	84,307,621	23,045,241	61,262,379
	Structures in trust	1,486,567	35,973	49,305	1,473,234	601,047	872,187
	Machinery and equipment in trust	674,893	405,310	71,334	1,008,869	308,501	700,368
	Vehicles and transport equipment in trust	747	–	–	747	342	405
	Tools and fixtures in trust	1,313,384	26,895	59,656	1,280,623	1,005,845	274,777
	Land in trust	103,095,432	658,184	4,122,429	99,631,188	–	99,631,188
	Construction in progress in trust	206,478	175,664	203,608	178,535	–	178,535
	Subtotal	191,593,799	3,460,604	7,173,584	187,880,819	24,960,978	162,919,841
Total intangible assets	Leasehold right in trust	1,765,318	–	–	1,765,318	–	1,765,318
	Other intangible assets in trust	33,426	18,683	6,752	45,357	24,752	20,605
	Subtotal	1,798,744	18,683	6,752	1,810,676	24,752	1,785,924
Total	193,392,544	3,479,288	7,180,336	189,691,496	24,985,730	1,455,895	164,705,765

(Note 1) The main increase in the 25th fiscal period is due to construction work at properties and acquisition of Sports Club NAS Park Place Oita.

(Note 2) The main decrease in the 25th fiscal period is due to disposition of AEON Hara Shopping Center and Aqualia Kego.

(Schedule of other specified assets)

No relevant items.

(Schedule of investment corporation bonds)

Issue	Issue date	Balance as of September 1, 2016 (thousands of yen)	Decrease during the fiscal period (thousands of yen)	Balance as of February 28, 2017 (thousands of yen)	Coupon (%)	Maturity date	Maturity method	Use	Description
First Series of Unsecured Bonds	December 30, 2013	2,000,000	–	2,000,000	1.32	December 29, 2023	Lump-sum upon maturity (Note 1)	Repayment of debt	No collateral/ No guarantee (Note 2)

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

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

(Schedule of debt)

Category	Lender	Balance as of September 1, 2016 (thousands of yen)	Increase (thousands of yen)	Decrease (thousands of yen)	Balance as of February 28, 2017 (thousands of yen)	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description
		Short-term debt	The Bank of Fukuoka (Note 2)	1,500,000	–	1,500,000	–	0.382	September 30, 2016
Resona Bank (Note 2)	300,000		–	300,000	–				
The Nishi-Nippon City Bank (Note 2)	1,571,428		–	1,571,428	–	0.382	September 30, 2016	Refinance fund	No collateral/ No guarantee
Resona Bank (Note 2)	220,000		–	220,000	–				
The Bank of Nagasaki (Note 2)	157,142		–	157,142	–				
The Oita Bank (Note 2)	157,142		–	157,142	–				
The Bank of Saga (Note 2)	94,285		–	94,285	–	0.380	November 30, 2016	Refinance fund	No collateral/ No guarantee
The Bank of Fukuoka (Note 2)	–		583,333	583,333	–				
Resona Bank (Note 2)	–		116,666	116,666	–	0.380	November 30, 2016	Refinance fund	No collateral/ No guarantee
The Nishi-Nippon City Bank (Note 2)	–		571,428	571,428	–				
Resona Bank (Note 2)	–		80,000	80,000	–				
The Bank of Nagasaki (Note 2)	–		57,142	57,142	–				
The Oita Bank (Note 2)	–		57,142	57,142	–	–	–	–	–
The Bank of Saga (Note 2)	–		34,285	34,285	–				
Subtotal	4,000,000	1,500,000	5,500,000	–	–	–	–	–	–
Current maturities of long-term debt	The Bank of Fukuoka	1,500,000	–	1,500,000	–	0.508	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Hiroshima Bank	500,000	–	500,000	–	1.182	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Oita Bank	500,000	–	500,000	–	1.182	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Eighteenth Bank	500,000	–	500,000	–	1.182	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Shinwa Bank	500,000	–	500,000	–	1.182	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Kitakyushu Bank	500,000	–	500,000	–	1.182	December 30, 2016	Refinance fund	No collateral/ No guarantee
	The Kagoshima Bank	100,000	–	100,000	–	1.168	January 31, 2017	Refinance fund	No collateral/ No guarantee
	Resona Bank	400,000	–	400,000	–	1.218	January 31, 2017	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	600,000	–	600,000	–	0.462	September 30, 2016	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	1,950,000	–	75,000	1,875,000	2.200	(Note 3)	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	2,000,000	–	–	2,000,000	1.305	July 31, 2017	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	2,000,000	–	–	2,000,000	1.305	July 31, 2017	Refinance fund	No collateral/ No guarantee
	Mitsubishi UFJ Trust and Banking Corporation	2,000,000	–	–	2,000,000	1.170	March 31, 2017	Acquisition fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	500,000	–	–	500,000	1.203	March 31, 2017	Refinance fund	No collateral/ No guarantee
	Resona Bank	600,000	–	–	600,000	1.253	March 31, 2017	Refinance fund	No collateral/ No guarantee
	The Higo Bank	300,000	–	–	300,000	1.203	March 31, 2017	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	1,000,000	–	–	1,000,000	0.858	June 30, 2017	Refinance fund	No collateral/ No guarantee
The Nishi-Nippon City Bank	1,000,000	–	–	1,000,000					
The Oita Bank	700,000	–	–	700,000					
The Miyazaki Bank	700,000	–	–	700,000					
The Shinwa Bank	600,000	–	–	600,000					
The Iyo Bank	500,000	–	–	500,000					
The Bank of Saga	500,000	–	–	500,000					
The Eighteenth Bank	500,000	–	–	500,000					
The Kitakyushu Bank	500,000	–	–	500,000					
The Bank of Fukuoka	–	1,500,000	–	1,500,000	0.658				

Category	Lender	Balance as of	Increase	Decrease	Balance as of	Average	Repayment date	Use of funds	Description
		September 1, 2016 (thousands of yen)	(thousands of yen)	(thousands of yen)	February 28, 2017 (thousands of yen)	interest rate (%) (Note 1)			
Current maturities of long-term debt	Resona Bank	–	2,000,000	–	2,000,000	1.033	September 29, 2017	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	–	1,900,000	–	1,900,000	0.559	February 28, 2018	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	–	1,100,000	–	1,100,000	0.609	February 28, 2018	Refinance fund	No collateral/ No guarantee
	Mitsubishi UFJ Trust and Banking Corporation	–	1,500,000	–	1,500,000	0.409	February 28, 2018	Refinance fund	No collateral/ No guarantee
	Aozora Bank	–	600,000	–	600,000	0.409	February 28, 2018	Refinance fund	No collateral/ No guarantee
	Subtotal	20,450,000	8,600,000	5,175,000	23,875,000				
Long-term debt	The Dai-ichi Life Insurance Company	1,000,000	–	–	1,000,000	1.800	July 31, 2018	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	1,500,000	–	1,500,000	–	0.658	December 30, 2017	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	500,000	–	–	500,000	1.338	January 31, 2019	Refinance fund	No collateral/ No guarantee
	Resona Bank	2,000,000	–	2,000,000	–	1.033	September 29, 2017	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	2,500,000	–	–	2,500,000	0.775	February 29, 2020	Acquisition fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	1,900,000	–	1,900,000	–	0.559	February 28, 2018	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	1,700,000	–	–	1,700,000	0.559	February 29, 2020	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	1,100,000	–	1,100,000	–	0.609	February 28, 2018	Refinance fund	No collateral/ No guarantee
	Mitsubishi UFJ Trust and Banking Corporation	1,500,000	–	1,500,000	–	0.409	February 28, 2018	Refinance fund	No collateral/ No guarantee
	Aozora Bank	600,000	–	600,000	–	0.409	February 28, 2018	Refinance fund	No collateral/ No guarantee
	Mitsubishi UFJ Trust and Banking Corporation	600,000	–	–	600,000	0.408	March 30, 2018	Refinance fund	No collateral/ No guarantee
	Aozora Bank	1,000,000	–	–	1,000,000	0.458	June 30, 2020	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	200,000	–	–	200,000				
	The Norinchukin Bank	3,000,000	–	–	3,000,000	0.538	July 31, 2019	Refinance fund	No collateral/ No guarantee
	The Bank of Saga	500,000	–	–	500,000				
	Mizuho Bank	2,300,000	–	–	2,300,000				
	The Norinchukin Bank	1,000,000	–	–	1,000,000				
	The Hiroshima Bank	1,400,000	–	–	1,400,000	0.835	July 30, 2021	Refinance fund	No collateral/ No guarantee
	The Kitakyushu Bank	800,000	–	–	800,000				
	The Iyo Bank	500,000	–	–	500,000				
	The Higo Bank	300,000	–	–	300,000				
	Development Bank of Japan	4,000,000	–	–	4,000,000	1.010	August 31, 2022	Refinance fund	No collateral/ No guarantee
	The Bank of Tokyo-Mitsubishi UFJ	500,000	–	–	500,000	0.520	September 25, 2019	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	1,600,000	–	–	1,600,000	0.790	June 30, 2022	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	1,500,000	–	–	1,500,000	0.564	July 31, 2023	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	4,000,000	–	–	4,000,000	0.880	August 31, 2023	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	400,000	–	–	400,000	0.409	August 31, 2022	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	400,000	–	–	400,000	0.870	August 31, 2023	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	2,000,000	–	–	2,000,000	0.409	February 29, 2024	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	2,000,000	–	–	2,000,000	0.440	February 29, 2024	Refinance fund	No collateral/ No guarantee
Development Bank of Japan	2,000,000	–	–	2,000,000	0.620	February 28, 2025	Refinance fund	No collateral/ No guarantee	
Mizuho Bank	500,000	–	–	500,000	0.440	February 29, 2024	Refinance fund	No collateral/ No guarantee	
Shinsei Bank	700,000	–	–	700,000	0.400	July 31, 2024	Refinance fund	No collateral/ No guarantee	
Sumitomo Mitsui Trust Bank	–	300,000	–	300,000	0.401	September 30, 2025	Refinance fund	No collateral/ No guarantee	

Category	Lender	Balance as of	Increase	Decrease	Balance as of	Average	Repayment date	Use of funds	Description
		September 1, 2016 (thousands of yen)	(thousands of yen)	(thousands of yen)	February 28, 2017 (thousands of yen)	interest rate (%) (Note 1)			
Long-term debt	Development Bank of Japan	–	1,500,000	–	1,500,000				
	The Oita Bank	–	100,000	–	100,000				
	The Kagoshima Ban	–	100,000	–	100,000				
	The Kitakyushu Bank	–	100,000	–	100,000	0.718	December 30, 2025	Refinance fund	No collateral/ No guarantee
	The Eighteenth Bank	–	100,000	–	100,000				
	The Shinwa Bank	–	100,000	–	100,000				
	The Hiroshima Bank	–	100,000	–	100,000				
	The Bank of Fukuoka	–	1,500,000	–	1,500,000	0.407	December 30, 2026	Refinance fund	No collateral/ No guarantee
	Subtotal	45,500,000	3,900,000	8,600,000	40,800,000				
Total	69,950,000	14,000,000	19,275,000	64,675,000					

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

(Note 2) The debts were made based on the commitment line agreements between FRC and respective banks.

(Note 3) The debt is subject to repayment of 75 million yen on the final day of every 6 months following the final day of December 2009 as the initial repayment date, with 1,875 million yen to be repaid on June 30, 2017, the final repayment date.

(Note 4) Amount of repayment of long-term debt scheduled to be due within 5 years after period end.

(thousands of yen)

Category	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term debt	2,100,000	8,400,000	1,000,000	6,300,000