

32nd Fiscal Period Report on Performance and Management Status (Semiannual Report)

March 1, 2020 to August 31, 2020



Security Code 8968



Fukuoka REIT Corporation

8968

I. Overview of Fukuoka REIT Corporation

To Our Unitholders

We would like to extend our heartfelt sympathies to those who have been stricken with the COVID-19 infection as well as to their families and related persons.

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

We are pleased to report on the performance results and management status of FRC for the thirty-second fiscal period (March 1, 2020 to August 31, 2020).

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.

In the fiscal period under review, the spread of the novel coronavirus (COVID-19) infection caused the government to announce the declaration of a state of emergency in Japan, posing a significant impact on daily lives and economic activities throughout society. As we foresee, the Japanese economy is expected to continue picking up due to various political measures proving effective, although full attention should be paid to the COVID-19 trends and fluctuations in the financial and capital markets. Given the emergency declaration in April, some of the retail properties FRC owns suspended operations throughout the buildings (excluding certain stores), taking the security and safety of the community residents and the tenants' employees into consideration first. Operations were resumed after the emergency declaration was lifted, but sales of Canal City Hakata have decreased year-on-year as the decline of inbound tourism continues to have an affect. As our operation policy under the COVID-19 pandemic, we plan to implement measures to encourage customers in neighboring and wider areas in Japan to visit the facilities, while thoroughly taking measures against the infection.

Under such circumstances, FRC newly acquired three properties, including an office building, for 5,980 million yen in total in the 32nd fiscal period. With the acquisitions, the asset size of FRC reached 200.0 billion yen. We will aim to achieve 250.0 billion yen as the next target going forward, while working to dissipate risks by diversifying the portfolio as a REIT with comprehensive asset types specializing in regional properties. We will also flexibly investigate property replacement and other measures if we find any favorable opportunities.

Occupancy remained solid, with the average period-end occupancy rate of all properties FRC owns standing at 99.7%. FRC posted

operating revenues of 8,518 million yen, operating income of 2,966 million yen, ordinary income of 2,587 million yen and profit of 2,586 million yen for the fiscal period under review. The dividend per unit came to 3,250 yen. The actual dividend for the period increased by 100 yen per unit from the forecast at the time of the announcement of the financial results for the 31st fiscal period. The increase was attained due to sales of community-based retail facilities recovering successfully thanks to demand from stay at home; upward revision of rents for office buildings was achieved for eight straight fiscal periods while keeping them at high occupancy; and our endeavors to reduce costs including administration and operation expenses. Looking ahead, we will keep our endeavors to maintain and increase dividends in a stable manner by acquiring blue-chip properties to generate stable cash flows and continuously taking strategic initiatives.

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

We greatly appreciate your continued support and cooperation.



Etsuo Matsuyuki
Executive Director
Fukuoka REIT Corporation

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Profile

● Status of the Investment Corporation

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

● Overview of the Investment Corporation

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

● Sponsors

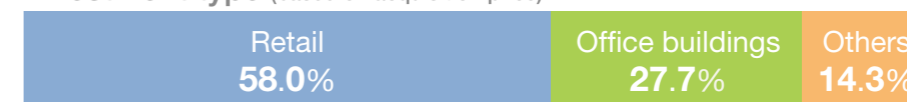


● Overview of the Asset Manager

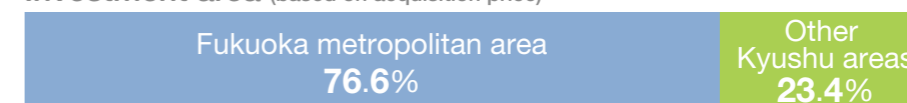
Name: Fukuoka Realty Co., Ltd.
Representative: Etsuo Matsuyuki, CEO & Representative Director
Address: 2-25, 1-Chome, Sumiyoshi, Hakata Ward, Fukuoka City
Telephone: +81-92-272-3900
Established: December 26, 2003
Capital: 200,000,000 yen

● Portfolio

Investment type (based on acquisition price)



Investment area (based on acquisition price)



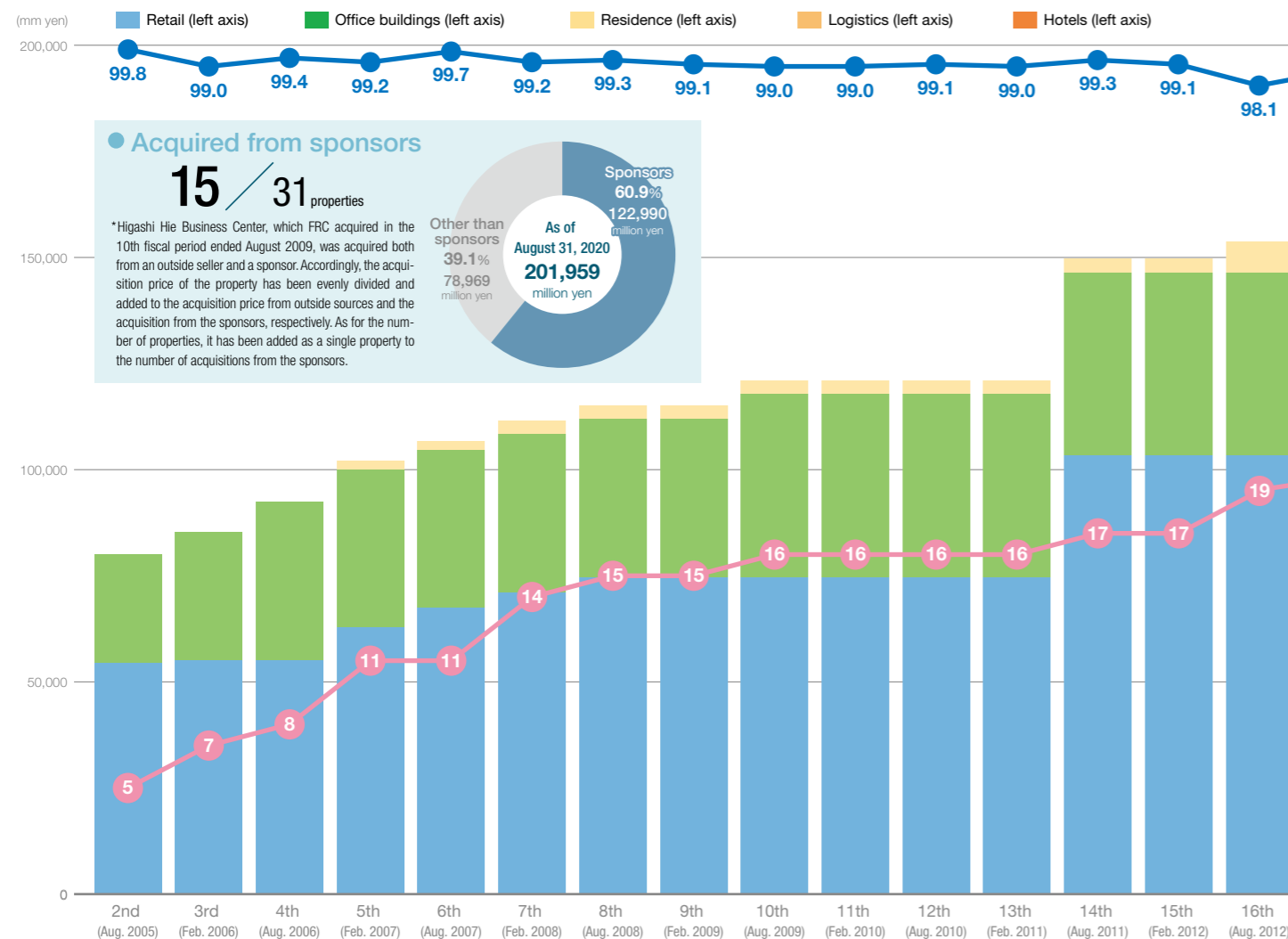
Total leasable floor space: 591,021.51 m²
Occupancy rate at end of period: 99.7%

*Figures are based on properties owned as of August 31, 2020.

Trend of Growth in Asset Size of FRC

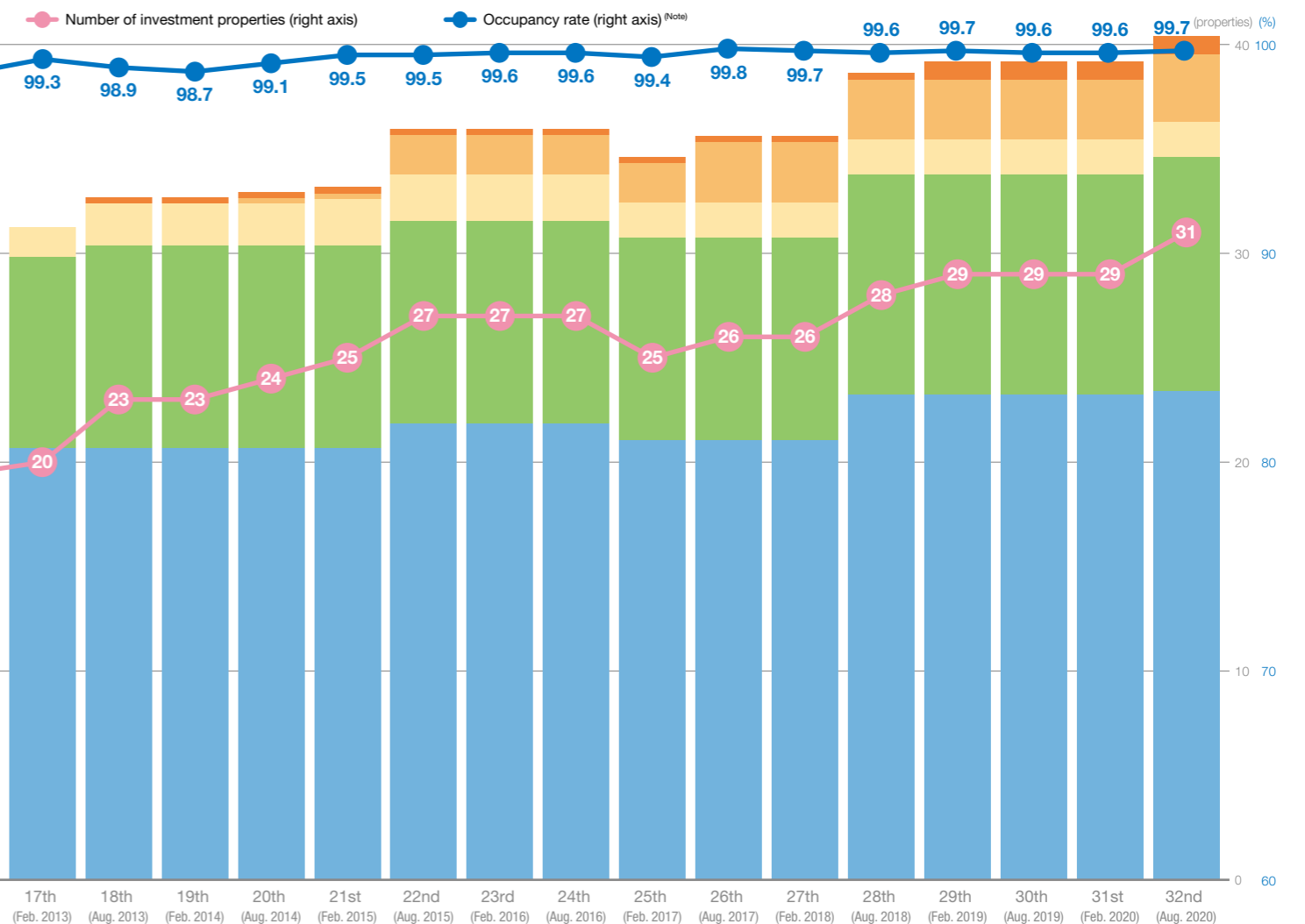
● FRC More than Doubled Asset Size and Diversified Investment Types Since

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



Listing

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



(Note) The occupancy rate indicates the figures at the end of each fiscal period for the 2nd fiscal period through the 4th fiscal period and the weighted average occupancy rate during the fiscal period for the 5th fiscal period through the 32nd fiscal period. The figures indicate the ratio of total leased floor space to leasable floor space.

Financial Summary

● Financial Highlights for 32nd Fiscal Period and Business Forecasts for 33rd and 34th Fiscal Periods

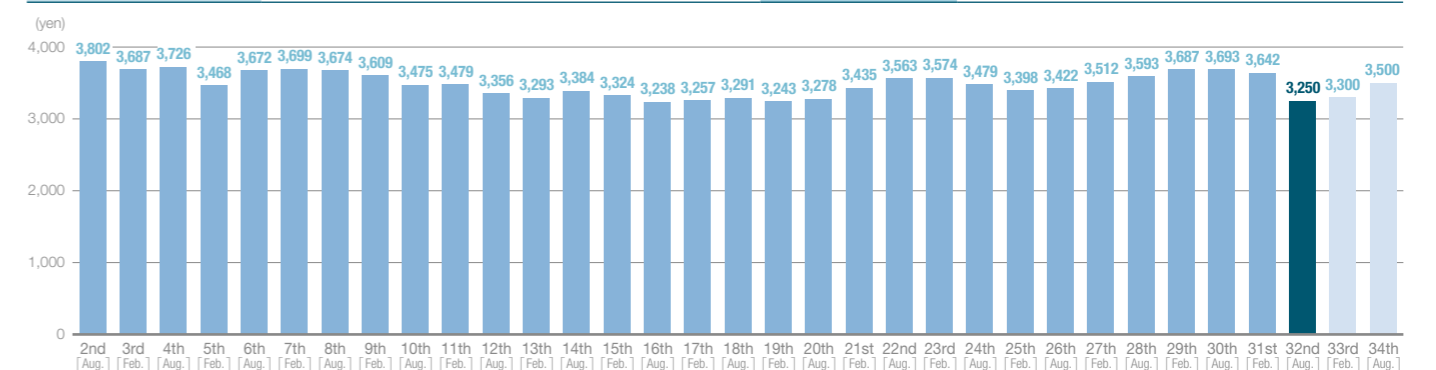
Category		32nd fiscal period	33rd fiscal period	34th fiscal period
		(March 1, 2020 to August 31, 2020) Actual	(September 1, 2020 to February 28, 2021) Forecast	(March 1, 2021 to August 31, 2021) Forecast
Operating revenues	mm yen	8,518	8,903	9,127
Leasing NOI (Note)	mm yen	5,307	5,299	5,448
Depreciation and amortization expenses	mm yen	1,686	1,631	1,607
Operating income	mm yen	2,966	3,013	3,174
Ordinary income	mm yen	2,587	2,628	2,787
Profit	mm yen	2,586	2,627	2,786
Dividend per unit	yen (1)	3,250	-	-
Latest dividend forecast per unit	yen (2)	3,150	3,300	3,500
Difference from forecast	yen (1)-(2)	100	-	-
Total number of investment units outstanding (at end of period)	units	796,000	796,000	796,000

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

● Dividend Performance

FRC has stably maintained its dividends since listing, despite a decrease in the 32nd fiscal period because of the impact of the COVID-19 infection.

32nd fiscal period end	August 31, 2020 (semiannual periods ending every February and August)	32nd fiscal period days	184 days
32nd fiscal period dividend	3,250 yen per unit	Dividend yield	4.7% ((Dividend / Days × 365) / Unit price (as of August 31, 2020))



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

Portfolio Overview

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



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



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



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



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



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



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



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



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



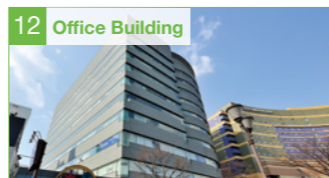
9 Retail
Kurume Higashi Kushiwara SC
Located on a corner of a heavy-traffic intersection and comprising Sports Depo and Golf 5



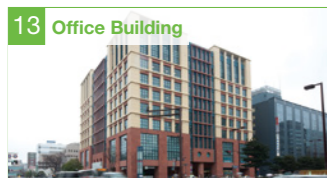
10 Retail
K's Denki Kagoshima
Having a large floor area and tenanted by an electric appliance store widely attracting customers from nearby cities



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



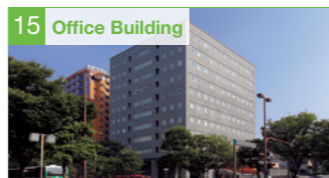
12 Office Building
Canal City Business Center Building
An office building expected to exert synergy with Canal City Hakata, with showroom functions



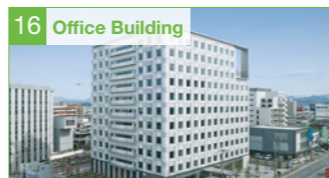
13 Office Building
Gofukumachi Business Center
An office building facing major arterial roads Meiji-dori Street and Taihaku-dori Street, and directly connected to Gofukumachi Station on the city subway



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



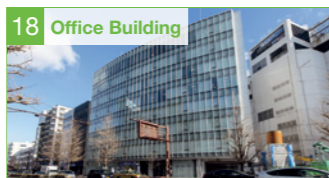
15 Office Building
Taihaku Street Business Center
Good location along Taihaku-dori Street, a two-minute walk from Gion subway station and ten-minute walk from Hakata Station



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



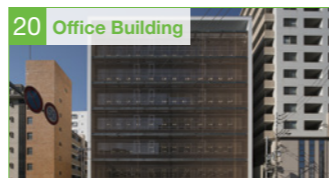
17 Office Building
Tenjin Nishi-Dori Center Building
An office building facing Tenjin Nishi-dori Street where commercial facilities are concentrated



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



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



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



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



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



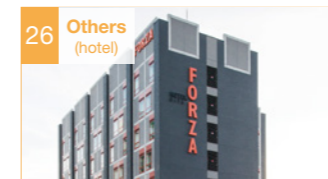
23 Others (residence)
Aqualia Chihaya
A rental condominium comprised of units mainly for singles and small families to match the local characteristics



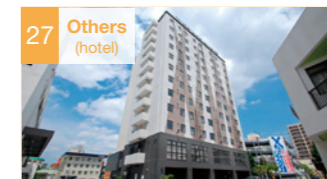
24 Others (residence)
D-Wing Tower
A large, high-rise (20-story) rental condominium, approximately a seven-minute walk from Tenjin subway station



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



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



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



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



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

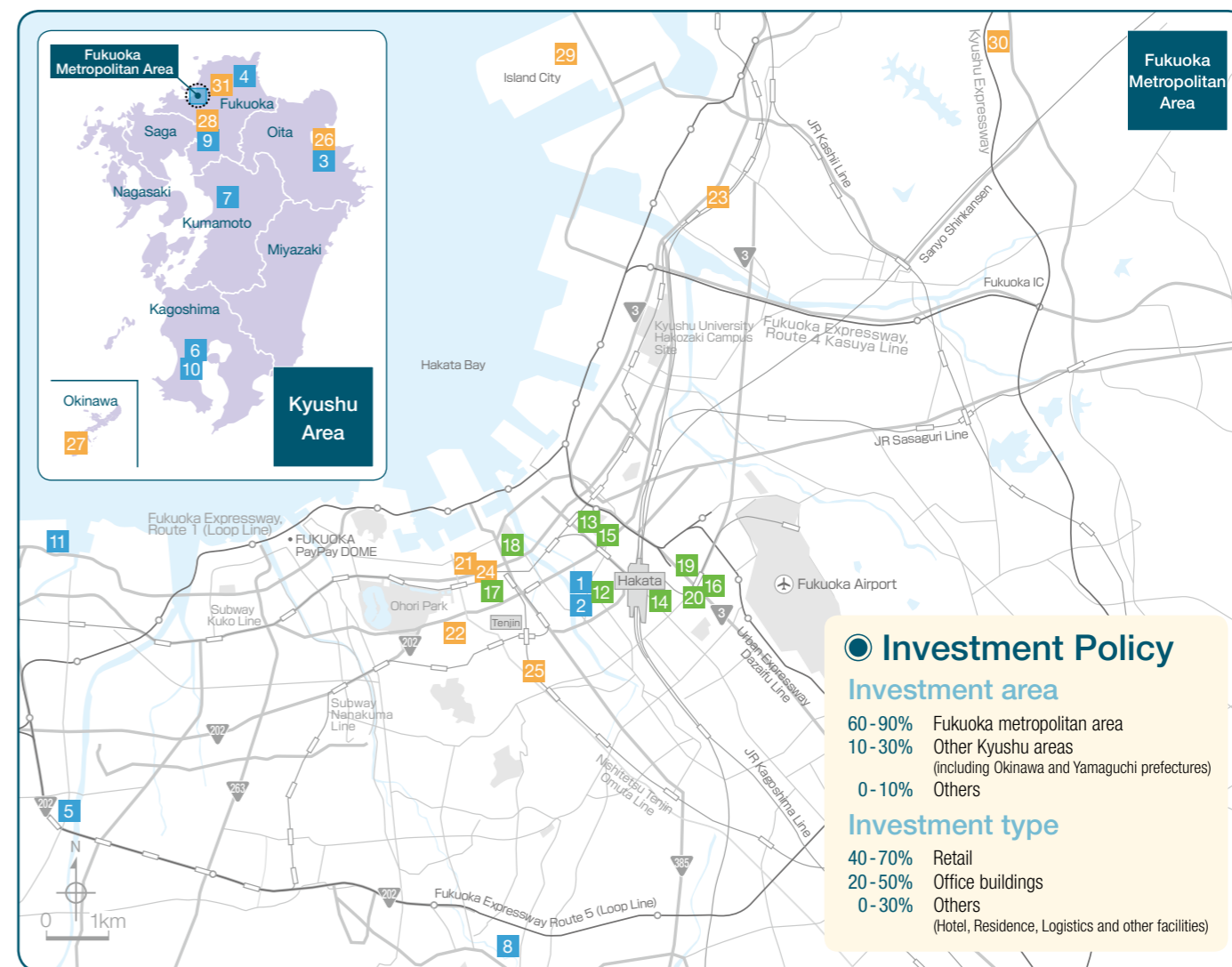


30 Others (logistics)
LOGICITY Hisayama
Approximately 5 km from the Fukuoka Interchange featuring traffic convenience, and has good general-purpose capabilities



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

Portfolio Map



Initiatives on Sustainability

● Institution of Signatory

Signing of the PRI and PFA21 as of September 2018

● Principles for Responsible Investment (PRI)

Signatory of:



● Principles for Financial Action Towards a Sustainable Society

(Principles for Financial Action for the 21st Century)



● Green Building Certification

● DBJ Green Building Certification

Fukuoka REIT has obtained DBJ Green Building Certification, a system by Development Bank of Japan Inc. (DBJ) to certify real estate properties evincing high environmental and social awareness for the following 11 properties.



5-star	Canal City Hakata (2018), Canal City Hakata • B (2018)
4-star	Park Place Oita (2018), Canal City Business Center Building (2018), LOGICITY Hisayama (2017), Konoha Mall Hashimoto (2017)
3-star	Gofukumachi Business Center (2018), Higashi Hie Business Center (2018), Higashi Hie Business Center II (2017)
1-star	SunLive City Kokura (2019), Marinao City Fukuoka (Marina Side Building) (2019)

● Green Building Certificate Acquisition Ratio [as of August 31, 2020] Green Building Certification Obtained for 79.8% of Entire Portfolio



(based on total floor space)

Aim to enhance the environmental performance of owned properties through external evaluation in order to help realize a sustainable society and maximize unitholder value over a medium to long term.

● External Evaluation

● The GRESB Survey 2020



For the third consecutive year, we participated in GRESB Real Estate Assessment of GRESB (Global Real Estate Sustainability Benchmark) conducted in 2020, Received the rating of “Green Star” and “3 star” in the GRESB survey 2020.

● BELS (Building-Housing Energy-efficiency Labeling System) Evaluation



This is a system in which a third party evaluates and announces the energy-conservation performance of non-residential buildings based on the “Guidelines for Evaluation of Energy Conservation Performance of Non-residential Buildings (2013).” Four properties owned by the Fukuoka REIT corporation were certified.



Higashi Hie Business Center II



Higashi Hie Business Center



LOGICITY Minato Kashii



LOGICITY Hisayama

● Changes to the Asset Management Fee Structure

The Management Fees 1 and 3 were reviewed for the purpose of further reinforcing the linkage between unitholder interest and the asset management fee structure, and the following changes were resolved at the ninth General Meeting of Unitholders held on May 26, 2020 for further enhancing unitholder value. The changes became effective on September 1, 2020 (beginning of the 33rd fiscal period)

Asset management fees	Calculation method
Management Fee 1 (based on total assets)	[3 months from the day following the last day of the immediately preceding fiscal period] Total assets at the end of the immediately preceding fiscal period × 0.25% (previously 0.3%) × number of days / 365 [From the day following the last day of the period above to the end of the fiscal period] (Total assets at the end of the immediately preceding fiscal period + value of acquired assets - value of disposed assets) × 0.25% (previously 0.3%) × number of days / 365
Management Fee 2 (based on operating revenue)	Operating revenue for the immediately preceding fiscal period × 2.0%
Management Fee 3 (based on distributable profit)	(Distributable amount before paying Management Fee 3 for the immediately preceding fiscal period) × 3.6% (previously 2.0%)
Management Fee 4 (acquisition fee)	Value of acquired assets × 0.5% (Value of acquired assets × 0.25% in the case of acquisition from interested parties)
Management Fee 5 (transfer fee)	Value of transferred assets × 0.5% (Value of transferred assets × 0.25% in the case of transfer to interested parties)

II. Semiannual Report

Overview of Asset Management

1. Changes in operating results and financial position

Fiscal Period		28th fiscal period (March 1, 2018 to August 31, 2018)	29th fiscal period (September 1, 2018 to February 28, 2019)	30th fiscal period (March 1, 2019 to August 31, 2019)	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)
Operating revenues	mm yen	9,178	9,242	9,231	9,162	8,518
[Leasing business revenues]	mm yen	[9,178]	[9,242]	[9,231]	[9,162]	[8,518]
Operating expenses	mm yen	5,940	5,936	5,913	5,888	5,551
[Expenses related to leasing business]	mm yen	[5,287]	[5,274]	[5,250]	[5,226]	[4,897]
Operating income	mm yen	3,238	3,306	3,318	3,273	2,966
Ordinary income	mm yen	2,861	2,935	2,939	2,900	2,587
Profit	(a) mm yen	2,860	2,934	2,939	2,899	2,586
Total assets	(b) mm yen	193,112	195,433	195,106	194,795	199,004
[Change from previous period]	%	[8.9]	[1.2]	[(0.2)]	[(0.2)]	[2.2]
Interest-bearing debt	(c) mm yen	75,500	77,500	77,500	77,500	82,400
Net assets	(d) mm yen	101,799	101,874	101,878	101,837	101,525
[Change from previous period]	%	[8.6]	[0.1]	[0.0]	[(0.0)]	[(0.3)]
Unitholders' equity	mm yen	98,938	98,938	98,938	98,938	98,938
Total number of investment units outstanding	(e) units	796,000	796,000	796,000	796,000	796,000
Net assets per unit	(d)/(e) yen	127,888	127,982	127,987	127,937	127,544
Total dividend	(f) mm yen	2,860	2,934	2,939	2,899	2,587
Dividend per unit	(f)/(e) yen	3,593	3,687	3,693	3,642	3,250
[Earnings dividend per unit]	yen	[3,593]	[3,687]	[3,693]	[3,642]	[3,250]
[Dividend in excess of earnings per unit]	yen	[-]	[-]	[-]	[-]	[-]
Ratio of ordinary income to total assets	(Note 3) %	1.5 [3.1]	1.5 [3.0]	1.5 [3.0]	1.5 [3.0]	1.3 [2.6]
Return on net assets	(Note 3) %	2.9 [5.8]	2.9 [5.8]	2.9 [5.7]	2.8 [5.7]	2.5 [5.0]
Ratio of net assets to total assets	(d)/(b) %	52.7	52.1	52.2	52.3	51.0
[Change from previous period]	%	[(0.2)]	[(0.6)]	[0.1]	[0.1]	[(1.3)]
Payout ratio	(Note 3) %	100.0	100.0	100.0	100.0	100.0
Ratio of interest-bearing debt to total assets at end of period (LTV)	(c)/(b) %	39.1	39.7	39.7	39.8	41.4
[Other reference information]						
Number of investment properties (at end of period)	properties	28	29	29	29	31
Total leasable floor space (at end of period)	m ²	576,907.98	580,665.27	580,664.27	580,662.77	591,021.51
Occupancy rate (at end of period)	%	99.6	99.7	99.6	99.7	99.7
Depreciation and amortization expenses	mm yen	1,602	1,622	1,651	1,660	1,686
Capital expenditures	mm yen	657	947	476	465	790
Leasing NOI	(Note 3) mm yen	5,493	5,591	5,633	5,596	5,307
Days in fiscal period	days	184	181	184	182	184
FFO (Funds from Operation)	(g)/(Note 3) mm yen	4,462	4,557	4,591	4,559	4,273
FFO per unit	(g)/(e) yen	5,606	5,725	5,767	5,728	5,368

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

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

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

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

Overview of Asset Management

2. Management assessment

(1) Brief history of the investment corporation

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

FRC started asset management activities on November 9, 2004 after acquisition of four properties such as Retail in Canal City Hakata (excluding some areas of specialty shops, hotels, theaters, offices and common space), a commercial complex where specialty shops, cinema complex, theaters, amusement facilities, hotels and offices are integrally developed (hereinafter "Canal City Hakata"). In the fiscal period under review (the 32nd fiscal period), FRC acquired three properties in total (Higashi Hie Business Center III on May 29, 2020, LOGICITY Wakamiya on June 30, 2020 and Home Plaza NAFCO at Park Place Oita on July 1, 2020). As of the end of the 32nd fiscal period (August 31, 2020), FRC manages a total of 31 properties comprising 11 Retail, 9 Office buildings and 11 Others.

(2) Investment environment and portfolio performance

During the 32nd fiscal period, the Japanese economy continued to stay in a severe situation under the impact of the novel coronavirus (COVID-19) infection. Looking ahead, the economy is expected to continue picking up partly due to various political measures proving effective, although full attention should be paid to the COVID-19 trends as well as fluctuations in the financial and capital markets.

In the Fukuoka and Kyushu area, the core investment target area for FRC, the economy was in a situation in which consumer spending was starting to pick up but exports and production decreased while labor supply - demand conditions and compensation of employees were both on a somewhat weak note. With regard to the outlook, attention should be paid to the impact of the COVID-19 trends on the corporate and household sentiments, among other factors.

As for land price trends, the national average price in combined average for residential and commercial land took a downward turn for the first time in 3 years, according to the 2020 Land Market Value Publication. By land type, residential land price showed a higher rate of decrease and commercial land price dropped for the first time in 5 years. Meanwhile, in Fukuoka City, the central area of FRC's investment targets, land prices continued rising for eight consecutive years, up 7.5% year-on-year for commercial land and up 3.5% year-on-year for residential land.

Under such circumstances, FRC's portfolio achieved a solid performance in the asset types of office buildings, logistics facilities and residential properties. On the other hand, monthly sales of Canal City Hakata and other major retail properties as well as hotels have kept falling below the year-earlier level since March 2020.

When analyzing FRC's portfolio (on an acquisition price basis) as of the end of the 32nd fiscal period by investment target area, the investment ratio in the Fukuoka urban area accounted for 76.6%; when analyzing by property type, Retail, Office buildings, and Others accounted for 58.0%, 27.7% and 14.3%, respectively.

On top of these efforts, FRC is engaged in promoting sustainability through environmental, social and governance (ESG) considerations based on its Sustainability Policy. For this purpose, it has established the Sustainability Promotion Committee (comprising President/CEO and general managers, Property Management Department, Investment Department, Finance Department, Planning Department and Compliance Department of the Asset Manager), which investigates specific targets and measures and supervises the progress in implementation of the measures with regard to the internal system, cooperation with related parties outside the company and information disclosure policy, etc. On the implementation side, FRC has established the Sustainability Promotion Office under the sustainability officer (general manager of the Planning Department), who is the person responsible for the practical aspects concerning the targets set at the Sustainability Committee, and the Office is engaged in continuous operations related to the GRESB Real Estate Assessment (with Green Star rating), the Principles for Responsible Investment (PRI) and the Principles for Financial Action for the 21st Century (PFA21) continuing operations and other initiatives.

Overview of Asset Management

(3) Summary of fundraising

As FRC conducted refinancing of 1,000 million yen as well as new financing of 4,900 million yen in the 32nd fiscal period, the balance of its interest-bearing debt outstanding (including investment corporation bonds) at the end of the period totaled 82,400 million yen, with the loan-to-value ratio (ratio of interest-bearing debt (including investment corporation bonds) to total assets) at 41.4% and the ratio of fixed-interest rate debt (ratio of interest-bearing debt with fixed interest rates (including investment corporation bonds) to total interest-bearing debt) at 94.1% as of the same date. In addition, with regard to the commitment line agreement (credit limit: 6,000 million yen) with The Bank of Fukuoka, Ltd. serving as the agent, FRC extended the commitment period by two years, lengthening the remaining term of commitment to three years.

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

Moreover, the credit ratings assigned to FRC as of the end of the 32nd fiscal period are as follows:

Credit Rating Agency	Rating Type	Rating	Rating Outlook
Rating and Investment Information, Inc. (R&I)	Issuer Rating	A+	Stable
Japan Credit Rating Agency, Ltd. (JCR)	Long-term Issuer Rating	AA-	Stable

(4) Summary of performance and dividend

As a result of these management efforts, operating revenues totaled 8,518 million yen and operating income after excluding operating expenses such as expenses related to leasing business and asset management fees totaled 2,966 million yen. Ordinary income was 2,587 million yen and profit amounted to 2,586 million yen. Management decided to make a dividend of 3,250 yen per unit to meet the requirements of special tax measures for an investment corporation (as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation of Japan [Act No. 26 in 1957 including later revisions]). Under this act, an investment corporation is allowed to deduct the maximum amount of dividends paid to investors from its taxable income.

3. Change in the number of investment units issued

Changes in unitholders' capital from the incorporation of FRC to the end of the 32nd fiscal period are as follows:

Date	Item	Number of investment units issued (units)		Unitholders' capital (mm of yen) (Note 11)		Remarks
		Increase	Balance	Increase	Balance	
July 2, 2004	Established through private placement	250	250	125	125	(Note 1)
November 8, 2004	Additional issue of investment units through private offering	82,800	83,050	41,400	41,525	(Note 2)
June 20, 2005	Additional issue of new investment units through public offering	7,000	90,050	5,944	47,469	(Note 3)
July 21, 2005	Additional issue of new investment units through third-party allotment	2,000	92,050	1,698	49,167	(Note 4)
September 7, 2006	Additional issue of new investment units through public offering	15,000	107,050	11,096	60,264	(Note 5)
March 1, 2011	Additional issue of new investment units through public offering	16,000	123,050	8,913	69,177	(Note 6)
March 1, 2013	Additional issue of new investment units through public offering	14,950	138,000	10,263	79,441	(Note 7)
March 1, 2014	Split of investment units	552,000	690,000	–	79,441	(Note 8)
April 27, 2015	Additional issue of new investment units through public offering	57,000	747,000	11,701	91,142	(Note 9)
March 1, 2018	Additional issue of new investment units through public offering	49,000	796,000	7,795	98,938	(Note 10)

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

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

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

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

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

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

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

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

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

(Note 10) New investment units were issued through public offering at the issue price of 164,414 yen per unit (purchase price of 159,102 yen) for the purpose of procuring funds for acquiring new properties, etc.

(Note 11) No consideration has been given to the change in unitholders' equity due to distribution of dividend in excess of earnings that came from reserve for temporary difference adjustments.

Overview of Asset Management

[Changes in market price of investment certificates]

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

Fiscal period	28th fiscal period (March 1, 2018 to August 31, 2018)	29th fiscal period (September 1, 2018 to February 28, 2019)	30th fiscal period (March 1, 2019 to August 31, 2019)	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)
Highest	177,600 yen	176,100 yen	182,500 yen	191,700 yen	169,900 yen
Lowest	162,600 yen	159,900 yen	166,000 yen	167,900 yen	72,500 yen

4. Results of dividend, etc.

With respect to the dividend (excluding dividend in excess of earnings) for the 32nd fiscal period, FRC determined to distribute the whole unappropriated surplus (except for the fraction amount, which is the dividend per unit of less than 1 yen) to be eligible for special tax measures for an investment corporation (as stipulated in Article 67-15-1 of the Special Taxation Measures Act) that allow FRC to deduct the maximum amount of earnings dividend from its taxable income. Accordingly, dividend per unit for the fiscal period was 3,250 yen.

(thousands of yen)

Fiscal period	28th fiscal period (March 1, 2018 to August 31, 2018)	29th fiscal period (September 1, 2018 to February 28, 2019)	30th fiscal period (March 1, 2019 to August 31, 2019)	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)
Profit	2,860,088	2,934,877	2,939,139	2,899,112	2,586,899
Unappropriated surplus	2,860,542	2,935,391	2,939,679	2,899,164	2,587,031
Undistributed earnings	514	539	51	132	31
Total dividends [Dividend per unit]	2,860,028 [3,593 yen]	2,934,852 [3,687 yen]	2,939,628 [3,693 yen]	2,899,032 [3,642 yen]	2,587,000 [3,250 yen]
Earnings dividends [Earnings dividend per unit]	2,860,028 [3,593 yen]	2,934,852 [3,687 yen]	2,939,628 [3,693 yen]	2,899,032 [3,642 yen]	2,587,000 [3,250 yen]
Contribution refund [Contribution refund per unit]	– [–]	– [–]	– [–]	– [–]	– [–]
Of the contribution refund, distribution of the reserve for temporary difference adjustments (Of the contribution refund per unit, distribution per unit of the reserve for temporary difference adjustments)	– [–]	– [–]	– [–]	– [–]	– [–]
Of the contribution refund, distribution through the reduction in unitholders' capital for tax purposes (Of the contribution refund per unit, distribution per unit through the reduction in unitholders' capital for tax purposes)	– [–]	– [–]	– [–]	– [–]	– [–]

5. Future portfolio management policy and vital issues

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

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

Overview of Asset Management

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

6. Significant events that have occurred after the end of the 32nd fiscal period

No relevant items.

Overview of the Investment Corporation

1. Summary of unitholders' capital

Fiscal period	28th fiscal period as of August 31, 2018	29th fiscal period as of February 28, 2019	30th fiscal period as of August 31, 2019	31st fiscal period as of February 29, 2020	32nd fiscal period as of August 31, 2020
Total number of authorized investment units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units	10,000,000 units
Total number of investment units outstanding	796,000 units	796,000 units	796,000 units	796,000 units	796,000 units
Number of unitholders	10,499	10,478	10,551	10,473	14,468

2. Matters related to investment units

The following table sets forth the major unitholders of FRC as of August 31, 2020.

Name	Investment units held (units)	Percentage of total number of investment units outstanding (%) (Note)
Custody Bank of Japan, Ltd. (Trust account)	169,654	21.31
The Master Trust Bank of Japan, Ltd. (Trust account)	86,221	10.83
Fukuoka Jisho Co., Ltd.	73,136	9.18
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	37,002	4.64
Custody Bank of Japan, Ltd. (Securities investment trust account)	19,059	2.39
NORTHERN TRUST CO. (AVFC) RE HCROO	14,083	1.76
STATE STREET BANK WEST CLIENT – TREATY 505234	11,597	1.45
MetLife, Inc.	10,227	1.28
Shikoku Railway Company	9,130	1.14
Nomura Securities Co., Ltd.	8,961	1.12
Total	439,070	55.15

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

Overview of the Investment Corporation

3. Matters related to directors

(1) The names of FRC's directors, etc. and their fees for the 32nd fiscal period are as follows:

Title	Name of directors, etc.	Major concurrent assignments	Total fee for each title for the 32nd fiscal period (thousands of yen) (Note 2)
Executive Director	Etsuo Matsuyuki	CEO and Representative Director, Fukuoka Realty Co., Ltd.	6,000
Supervisory Directors	Hiroyasu Shindo	Representative Council, Shindo Law Firm	3,600
	Takashi Tanabe	Representative attorney at law at Tanabe Law Office	
	Yasuo Kawasho	Representative Partner, Kawasho Authorize Accountant Office	
Independent Auditor	PricewaterhouseCoopers Aarata LLC	–	9,000

(Note 1) The Executive 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 Executive Director and Supervisory Directors are the amounts paid to them in the 32nd fiscal period, and the fee to the Independent Auditor is the amount payable to it (estimate) for audits pertaining to the 32nd fiscal period.

(Note 3) Appointments of Executive Director and Supervisory Directors of FRC due to the expiration of their terms of office were made at the Ninth General Meeting of Unitholders held on May 26, 2020. Etsuo Matsuyuki was reappointed as Executive Director. As for Supervisory Directors, Yasuo Kawasho was reappointed and Takashi Tanabe was newly appointed to the position as of May 29, 2020 in accordance with the resignation of Hiroyasu Shindo as of May 28, 2020 due to the expiration of his term of office.

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

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

4. Names of asset management company, asset custodian and general administrators as of the end of the 32nd fiscal period

The following table sets forth the asset management company, asset custodian and general administrators of FRC as of August 31, 2020.

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

Status of FRC's Assets under Management

1. FRC's asset structure

Type of asset	Use	Area (Note 1)	31st fiscal period as of February 29, 2020		32nd fiscal period as of August 31, 2020	
			Total value of properties owned (mm of yen) (Note 2)	Percentage of total assets (%) (Note 3)	Total value of properties owned (mm of yen) (Note 2)	Percentage of total assets (%) (Note 3)
Real estate	Retail	Fukuoka metropolitan area	–	–	–	–
		Other Kyushu areas	–	–	–	–
	Office buildings	Fukuoka metropolitan area	–	–	–	–
		Other Kyushu areas	–	–	–	–
	Others	Fukuoka metropolitan area	–	–	–	–
		Other Kyushu areas	–	–	1,821	0.9
Real estate trust beneficiary interest	Retail	Fukuoka metropolitan area	75,026	38.5	74,852	37.6
		Other Kyushu areas	36,198	18.6	37,033	18.6
	Office buildings	Fukuoka metropolitan area	45,344	23.3	48,283	24.3
		Other Kyushu areas	–	–	–	–
	Others	Fukuoka metropolitan area	20,303	10.4	20,171	10.1
		Other Kyushu areas	5,464	2.8	5,408	2.7
Deposits and other assets			12,458	6.4	11,433	5.7
Total amount of assets (Note 4)			194,795 [182,352]	100.0 [93.6]	199,004 [187,589]	100.0 [94.3]

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

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

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

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

2. Major assets owned by FRC

The following is an overview of the major assets (top ten properties on a book value basis) owned by FRC as of August 31, 2020.

Real estate property name (Note 1)	Book value (mm of yen)	Total leasable floor space (m ²)	Total leased floor space (m ²)	Occupancy rate (%) (Note 2)	Percentage of total leasing business revenues (%) (Note 3)	Main use
Canal City Hakata	29,616	46,604.75	46,604.75	100.0	11.9	Retail
Canal City Hakata-B	28,858	68,825.90	68,474.76	99.5	15.3	Retail
Park Place Oita (Note 4)	20,290	121,212.26	121,212.26	100.0	13.1	Retail
Canal City Business Center Building	12,989	23,029.92	22,834.52	99.2	7.3	Office buildings
Konoha Mall Hashimoto	9,979	22,121.05	22,121.05	100.0	8.3	Retail
Gofukumachi Business Center	8,819	19,905.34	19,905.34	100.0	6.5	Office buildings
LOGICITY Minato Kashii	7,824	43,233.72	43,233.72	100.0	Undisclosed (Note 5)	Others
Taihaku Street Business Center	5,774	14,677.30	14,444.57	98.4	3.7	Office buildings
SunLive City Kokura	5,487	61,450.22	61,450.22	100.0	3.1	Retail
Marinoa City Fukuoka (Marina Side Building)	5,425	33,069.82	33,069.82	100.0	1.9	Retail
Total	135,064	454,130.28	453,351.01	99.8	–	–

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

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

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

(Note 4) The figures include Home Plaza NAFCO at Park Place Oita, which FRC acquired on July 1, 2020. The same shall apply hereafter.

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

Status of FRC's Assets under Management

3. Details of real estate properties in the portfolio

The following table provides details of the real estate properties owned by FRC as of August 31, 2020.

Real estate property name	Location	Form of ownership	Total leasable floor space (m ²)	Period-end appraisal value (mm of yen) (Note 1)	Book value at end of period (mm of yen)	Real estate appraiser
Canal City Hakata	2-22, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	46,604.75	31,500	29,616	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata-B	2-1, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	68,825.90	29,700	28,858	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	1, 2-chome, Koen Dori Nishi, Oita City, Oita	Trust beneficiary interest	121,212.26	21,300	20,290	Japan Real Estate Institute
SunLive City Kokura	14-1, 2-chome, Kami Kuzuhara, Kokura Minami Ward, Kitakyushu City	Trust beneficiary interest	61,450.22	8,440	5,487	Japan Real Estate Institute
Konoha Mall Hashimoto	27-2, 2-chome, Hashimoto, Nishi Ward, Fukuoka City	Trust beneficiary interest	22,121.05	10,400	9,979	Tanizawa Sogo Appraisal Co., Ltd.
Square Mall Kagoshima Usuki	2-18, 2-chome, Usuki, Kagoshima City, Kagoshima	Trust beneficiary interest	14,602.88	4,940	4,307	Japan Real Estate Institute
Kumamoto Intercommunity SC	1-5, 1-chome, Kozono, Higashi Ward, Kumamoto City	Trust beneficiary interest	6,968.66	2,750	1,968	Japan Real Estate Institute
Hanahata SC	9-12, 4-chome, Hanahata, Minami Ward, Fukuoka City	Trust beneficiary interest	2,801.15	1,250	973	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	370-3 Higashi Kushiwara, Kurume City, Fukuoka	Trust beneficiary interest	6,467.80	2,790	2,026	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	4-12, Tokai-cho, Kagoshima City, Kagoshima	Trust beneficiary interest	7,296.17	3,710	2,952	Tanizawa Sogo Appraisal Co., Ltd.
Marinoa City Fukuoka (Marina Side Building)	12-30, 2-chome, Odo, Nishi Ward, Fukuoka City	Trust beneficiary interest	33,069.82	6,080	5,425	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:			391,420.66	122,860	111,885	
Canal City Business Center Building	2-25, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	Trust beneficiary interest	23,029.92	16,600	12,989	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	10-10, Kami Gofukumachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	19,905.34	14,900	8,819	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	1-23, 2-chome, Hakataeki Higashi, Hakata Ward, Fukuoka City	Trust beneficiary interest	6,293.75	6,410	3,756	Japan Real Estate Institute
Taihaku Street Business Center	3-21 Gokushomachi, Hakata Ward, Fukuoka City	Trust beneficiary interest	14,677.30	9,090	5,774	Japan Real Estate Institute
Higashi Hie Business Center	1-2, 3-chome, Higashi Hie, Hakata Ward, Fukuoka City	Trust beneficiary interest	13,614.59	8,030	4,444	Tanizawa Sogo Appraisal Co., Ltd.
Tenjin Nishi-Dori Center Building	5-28, 2-chome, Tenjin, Chuo Ward, Fukuoka City	Trust beneficiary interest	3,339.32	3,100	2,669	Japan Real Estate Institute
Tenjin North Front Building	4-20, 4-chome, Tenjin, Chuo Ward, Fukuoka City	Trust beneficiary interest	5,252.41	4,380	2,469	Japan Real Estate Institute
Higashi Hie Business Center II	5-13, 1-chome, Higashi Hie, Hakata Ward, Fukuoka City	Trust beneficiary interest	6,214.77	4,600	4,064	Tanizawa Sogo Appraisal Co., Ltd.
Higashi Hie Business Center III	45, 4-chome, Higashi Hie, Hakata Ward, Fukuoka City	Trust beneficiary interest	2,981.14	3,300	3,294	Tanizawa Sogo Appraisal Co., Ltd.
Office buildings subtotal:			95,308.54	70,410	48,283	
Amex Akasakamon Tower	4-23, 2-chome, Maizuru, Chuo Ward, Fukuoka City	Trust beneficiary interest	4,821.25	1,840	1,668	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	1,140	901	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Chihaya	3-12, 4-chome, Chihaya, Higashi Ward, Fukuoka City	Trust beneficiary interest	5,619.69	1,860	1,169	Japan Real Estate Institute
D-Wing Tower	10-38, 2-chome, Daimyo, Chuo Ward, Fukuoka City	Trust beneficiary interest	7,187.59	3,500	2,669	Tanizawa Sogo Appraisal Co., Ltd.
Granfore Yakuin Minami	11-20, 1-chome, Hirao, Chuo Ward, Fukuoka City	Trust beneficiary interest	2,496.06	1,320	1,098	Tanizawa Sogo Appraisal Co., Ltd.
Hotel FORZA Oita	5-18, 1-chome, Chuo-cho, Oita City, Oita	Trust beneficiary interest	5,785.44	1,890	1,386	Japan Real Estate Institute
Tissage Hotel Naha	14-1, 2-chome, Nishi, Naha City, Okinawa	Trust beneficiary interest	3,758.76	2,880	2,853	Tanizawa Sogo Appraisal Co., Ltd.
Tosu Logistics Center	1607 Aza Momota, Himekata-cho, Tosu City, Saga	Trust beneficiary interest	4,173.29	1,300	1,168	Japan Real Estate Institute
LOGICITY Minato Kashii	3-4, 2-chome, Minato Kashii, Higashi Ward, Fukuoka City	Trust beneficiary interest	43,233.72	8,910	7,824	Tanizawa Sogo Appraisal Co., Ltd.
LOGICITY Hisayama	2335-3 Oaza Yamada, Hisayama-machi, Kasuya County, Fukuoka	Trust beneficiary interest	24,505.65	5,270	4,838	Tanizawa Sogo Appraisal Co., Ltd.
LOGICITY Wakamiya	1406 Shimoaruki, Miyawaka City, Fukuoka	Real estate	(Note 2) –	(Note 3) 2,360	1,821	Tanizawa Sogo Appraisal Co., Ltd.
Others subtotal:			104,292.31	32,270	27,401	
Total			591,021.51	225,540	187,571	

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

(Note 2) The figure is not indicated as repair work is carried out after the acquisition and the operation is scheduled to start around November 2020.

(Note 3) It is assumed that the repair work which was under way at the time of appraisal has been completed and the lease agreement based on the fixed-term lease option agreement has come into effect.

Status of FRC's Assets under Management

Real estate property name	31st fiscal period (September 1, 2019 to February 29, 2020)				32nd fiscal period (March 1, 2020 to August 31, 2020)			
	Number of tenants at end of period (Note 1)	Occupancy rate at end of period (%) (Note 3)	Total leasing business revenues during periods (mm of yen)	Percentage of total leasing business revenues (%) (Note 4)	Number of tenants at end of period (Note 1)	Occupancy rate at end of period (%) (Note 3)	Total leasing business revenues during periods (mm of yen)	Percentage of total leasing business revenues (%) (Note 4)
Canal City Hakata	1 [48]	99.8	1,238	13.5	1 [50]	100.0	1,016	11.9
Canal City Hakata-B	1 [46]	99.5	1,586	17.3	1 [45]	99.5	1,306	15.3
Park Place Oita	1 [103]	99.9	1,181	12.9	1 [106]	100.0	1,113	13.1
SunLive City Kokura	1	100.0	281	3.1	1	100.0	262	3.1
Konoha Mall Hashimoto	1 [124]	98.7	821	9.0	1 [126]	100.0	710	8.3
Square Mall Kagoshima Usuki	12	100.0	256	2.8	13	100.0	253	3.0
Kumamoto Intercommunity SC	2	100.0	90	1.0	2	100.0	89	1.1
Hanahata SC	2	100.0	41	0.4	2	100.0	40	0.5
Kurume Higashi Kushiwara SC	1	100.0	89	1.0	1	100.0	88	1.0
K's Denki Kagoshima	1	100.0	111	1.2	1	100.0	111	1.3
Marinoa City Fukuoka (Marina Side Building)	1	100.0	178	1.9	1	100.0	165	1.9
Retail subtotal:	24 [341] (Note 2)	99.8	5,876	64.1	25 [348] (Note 2)	99.9	5,157	60.6
Canal City Business Center Building	1 [63]	100.0	607	6.6	1 [60]	99.2	624	7.3
Gofukumachi Business Center	36	100.0	545	5.9	36	100.0	554	6.5
Sanix Hakata Building	16	100.0	205	2.2	16	100.0	207	2.4
Taihaku Street Business Center	1 [69]	99.1	311	3.4	1 [67]	98.4	318	3.7
Higashi Hie Business Center	1 [27]	100.0	342	3.7	1 [27]	100.0	349	4.1
Tenjin Nishi-Dori Center Building	1	100.0	86	0.9	1	100.0	86	1.0
Tenjin North Front Building	11	100.0	143	1.6	11	100.0	145	1.7
Higashi Hie Business Center II	2	100.0	164	1.8	2	100.0	164	1.9
Higashi Hie Business Center III	—	—	—	—	5	94.1	47	0.6
Office buildings subtotal:	69 [225] (Note 2)	99.9	2,406	26.3	74 [225] (Note 2)	99.4	2,497	29.3
Amex Akasakamon Tower	1 [63]	95.0	65	0.7	1 [61]	90.6	64	0.8
City House Keyaki Dori	1 [39]	93.3	36	0.4	1 [42]	100.0	38	0.4
Aqualia Chihaya	1 [103]	97.9	59	0.6	1 [103]	97.9	59	0.7
D-Wing Tower	1 [134]	97.7	114	1.3	1 [133]	96.7	117	1.4
Granfore Yakuin Minami	1 [96]	97.0	39	0.4	1 [98]	99.0	38	0.5
Hotel FORZA Oita	1	100.0	63	0.7	1	100.0	63	0.7
Tissage Hotel Naha	1	100.0	68	0.8	1	100.0	43	0.5
Tosu Logistics Center	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
LOGICITY Minato Kashii	2	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)	2	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
LOGICITY Hisayama	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
LOGICITY Wakamiya (Note 6)	—	—	—	—	—	—	—	—
Others subtotal:	11 [441] (Note 2)	99.2	879	9.6	11 [443] (Note 2)	99.2	863	10.1
Total	104 [1,007] (Note 2)	99.7	9,162	100.0	110 [1,016] (Note 2)	99.7	8,518	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 11 for the office building and 56 for the residence in the 32nd fiscal period (12 for the office building and 57 for the residence in the 31st fiscal period).

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

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

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

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

(Note 6) Since the repair work is carried out after the acquisition and the operation is scheduled to start around November 2020, no rent, etc. have been incurred in the 32nd fiscal period.

4. Details of renewable energy generation facilities in the portfolio

No relevant items.

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

No relevant items.

6. Securities incorporated in the portfolio

No relevant items.

Status of FRC's Assets under Management

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

The following table provides the contract amount of FRC's specific transactions and the status of its fair value as of August 31, 2020.

Category	Type	Contract amount, etc. (mm of yen)		Fair value (mm of yen) (Note 2)
		(Note 1)	Of which, exceeding 1 year	
Off-market transaction	Interest rate swap transaction (Receivable floating; Payable fixed)	23,700	17,400	(214)
Total		23,700	17,400	(214)

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

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

8. Status of other assets

All real estate and real estate trust beneficiary interests owned by FRC have been entered under "3. Details of real estate properties in the portfolio" on page 16. There is no incorporation of other specified assets as of the end of the 32nd fiscal period.

9. Status of owned assets by country and region

As of the end of the 32nd fiscal period, no overseas real estate properties in countries or regions other than Japan are incorporated into FRC's portfolio.

Capital Expenditures for Owned Real Estate

1. Planned capital expenditures

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

Real estate property name	Location	Purpose	Schedule	Planned construction cost (mm of yen)		
				Total	Construction cost	Amount already paid
Canal City Hakata	Hakata Ward, Fukuoka City	Formation of tenant sections	From August 2020 to January 2021	99	—	—
Canal City Hakata-B	Hakata Ward, Fukuoka City	Replacement of mechanical security system monitoring terminals	From December 2020 to August 2021	57	—	—
Park Place Oita	Oita City, Oita	Replacement of air-conditioning units	From October 2020 to November 2020	114	—	—
Taihaku Street Business Center	Hakata Ward, Fukuoka City	Renovation of external walls	From May 2021 to August 2021	120	—	—

Capital Expenditures for Owned Real Estate

2. Capital expenditures during the 32nd fiscal period

Capital expenditures for the real estate properties owned by FRC totaled 790 million yen in the 32nd period. Furthermore, FRC incurred construction costs of 895 million yen in total in the period, including 92 million yen in repair and maintenance expenses classified as expenses on the Statement of Income and 12 million yen in expenses for restoration to former state. The following table provides the overview of major construction work that was completed in the 32nd fiscal period.

Real estate property name	Location	Purpose	Period	Construction cost (mm of yen)
Canal City Hakata	Hakata Ward, Fukuoka City	Renovation of external walls	From August 2019 to July 2020	88
Canal City Hakata-B	Hakata Ward, Fukuoka City	Renovation of external walls	From August 2019 to July 2020	176
Canal City Hakata-B	Hakata Ward, Fukuoka City	Replacement of tide embankment (Seawall (water stops))	From April 2020 to July 2020	57
Park Place Oita	Oita City, Oita	Renovation of external walls	From March 2020 to May 2020	81
Park Place Oita	Oita City, Oita	Rooftop waterproofing	From April 2020 to May 2020	48
Sanix Hakata Building	Hakata Ward, Fukuoka City	Replacement of air-conditioning units	April 2020	29

3. Reserves for long-term repair and maintenance plans

FRC has deposited the following amounts from the cash flows generated during the 32nd 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	28th fiscal period (March 1, 2018 to August 31, 2018)	29th fiscal period (September 1, 2018 to February 28, 2019)	30th fiscal period (March 1, 2019 to August 31, 2019)	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)
Balance of deposits at beginning of period	1,000	1,000	1,000	1,000	1,000
Deposits during the period	—	—	—	—	—
Amounts used from deposits during the period	—	—	—	—	—
Deposits carried forward to the next period	1,000	1,000	1,000	1,000	1,000

Expenses and Liabilities

1. Details of expenses related to asset management

(thousands of yen)

Item	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2019)
(a) Asset management fees	534,300	520,263
(b) Asset custody fees	7,276	7,344
(c) Administrative service fees	55,030	57,100
(d) Directors' compensations	9,600	9,600
(e) Other operating expenses	55,888	60,308
Total	662,096	654,617

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

2. Status of debt

As of the end of the 32nd fiscal period (August 31, 2020), FRC has the following debt from respective financial institutions.

Category	Lender	Drawdown date	Balance as of March 1, 2020 (mm of yen)	Balance as of August 31, 2020 (mm of yen)	Average interest rate (%) (Note)	Repayment date	Repayment method	Use of funds	Description
Current maturities of long-term debt	Aozora Bank	June 28, 2013	1,000	—	0.469	June 30, 2020	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	July 31, 2014	—	2,300	0.835	July 30, 2021	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Norinchukin Bank		—	1,000					
	The Hiroshima Bank		—	1,400					
	The Kitakyushu Bank		—	800					
	The Iyo Bank		—	500					
	The Higo Bank		—	300					
Subtotal		1,000	6,300						
Long-term debt	Mizuho Bank	July 31, 2014	2,300	—	0.835	July 30, 2021	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Norinchukin Bank		1,000	—					
	The Hiroshima Bank		1,400	—					
	The Kitakyushu Bank		800	—					
	The Iyo Bank		500	—					
	The Higo Bank		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
	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	0.419	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	0.419	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	February 29, 2016	2,000	2,000	0.440	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	February 29, 2016	2,000	2,000	0.620	February 28, 2025	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	February 29, 2016	500	500	0.440	February 29, 2024	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Shinsei Bank	July 29, 2016	700	700	0.400	July 31, 2024	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	September 30, 2016	300	300	0.413	September 30, 2025	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	December 30, 2016	1,500	1,500	0.718	December 30, 2025	Lump-sum upon maturity	Refinance fund	No collateral/ No guarantee
	The Oita Bank		100	100					
The Kagoshima Bank	100		100						
The Kitakyushu Bank	100		100						
The Eighteenth Bank	100		100						
The Shinwa Bank	100		100						
The Hiroshima Bank	100	100							

Expenses and Liabilities

Category	Lender	Drawdown date	Balance as of March 1, 2020 (mm of yen)	Balance as of August 31, 2020 (mm of yen)	Average interest rate (%) (Note)	Repayment date	Repayment method	Use of funds	Description					
										The Bank of Fukuoka	December 30, 2016	1,500	1,500	0.419
MUFG Bank	March 31, 2017	800	800	0.481	March 31, 2025	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
Resona Bank	March 31, 2017	600	600	0.658	March 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
The Higo Bank	March 31, 2017	300	300	0.481	March 31, 2025	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
The Bank of Fukuoka	June 30, 2017	1,300	1,300	0.777	June 30, 2026	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
The Nishi-Nippon City Bank		1,000	1,000											
The Oita Bank		700	700											
The Kitakyushu Bank		700	700											
The Miyazaki Bank		700	700											
The Shinwa Bank		600	600											
The Iyo Bank		500	500											
The Eighteenth Bank		500	500											
Development Bank of Japan		June 30, 2017	1,800						1,800	0.650	December 31, 2026	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
The Bank of Fukuoka		July 31, 2017	2,000						2,000	0.792	July 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
The Nishi-Nippon City Bank	July 31, 2017	2,000	2,000	0.892	July 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
The Nishi-Nippon City Bank	August 31, 2017	500	500	0.850	August 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
The Bank of Fukuoka		500	500											
The Oita Bank		100	100											
The Kitakyushu Bank		100	100											
The Eighteenth Bank		100	100											
The Shinwa Bank		100	100											
The Hiroshima Bank		100	100											
Resona Bank		September 29, 2017	2,000						2,000	0.493	September 30, 2027	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee
The Bank of Fukuoka	December 29, 2017	1,500	1,500	0.812	December 30, 2027	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
Development Bank of Japan	December 29, 2017	500	500	0.680	December 30, 2027	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
The Nishi-Nippon City Bank	February 28, 2018	1,900	1,900	0.750	February 29, 2028	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
Sumitomo Mitsui Trust Bank	February 28, 2018	1,100	1,100	0.600	February 26, 2027	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
MUFG Bank	February 28, 2018	1,500	1,500	0.500	February 27, 2026	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
Resona Bank	February 28, 2018	600	600	0.567	February 29, 2028	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
Development Bank of Japan	March 1, 2018	2,500	2,500	0.720	March 1, 2028	Lump-sum upon maturity	Acquisition fund	No collateral/No guarantee						
MUFG Bank	March 30, 2018	600	600	0.480	March 31, 2026	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
The Nishi-Nippon City Bank	March 30, 2018	600	600	0.802	March 31, 2028	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
The Bank of Fukuoka	March 30, 2018	500	500	0.802	March 31, 2028	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
Mizuho Bank	March 30, 2018	500	500	0.630	March 31, 2028	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
Sumitomo Mitsui Banking Corporation	March 30, 2018	500	500	0.504	March 31, 2025	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
MUFG Bank	March 30, 2018	500	500	0.490	March 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
Sumitomo Mitsui Trust Bank	March 30, 2018	400	400	0.576	March 31, 2027	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
The Oita Bank	March 30, 2018	400	400	0.646	March 31, 2028	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
The Hiroshima Bank	March 30, 2018	400	400	0.646	March 31, 2028	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
Shinsei Bank	March 30, 2018	300	300	0.400	March 31, 2025	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
Sumitomo Mitsui Banking Corporation	January 31, 2019	500	500	0.655	January 31, 2029	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
MUFG Bank	January 31, 2019	500	500	0.590	January 31, 2028	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
The Nishi-Nippon City Bank	January 31, 2019	400	400	0.419	January 31, 2029	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
The Bank of Fukuoka	January 31, 2019	300	300	0.419	January 31, 2029	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						
The Oita Bank	February 28, 2019	200	200	0.334	February 27, 2026	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee						

Expenses and Liabilities

Category	Lender	Drawdown date	Balance as of March 1, 2020 (mm of yen)	Balance as of August 31, 2020 (mm of yen)	Average interest rate (%) (Note)	Repayment date	Repayment method	Use of funds	Description
The Higo Bank	February 28, 2019	200	200	0.334	February 27, 2026	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Resona Bank	February 28, 2019	200	200	0.488	February 28, 2029	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Mizuho Bank	July 31, 2019	1,200	1,200	0.521	July 31, 2029	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Bank of Saga		500	500						
The Higo Bank		500	500						
The Norinchukin Bank	July 31, 2019	1,500	1,500	0.303	January 29, 2027	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
MUFG Bank	September 25, 2019	500	500	0.480	September 29, 2028	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Nishi-Nippon City Bank	February 28, 2020	2,500	2,500	0.480	February 28, 2030	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Mizuho Bank	February 28, 2020	1,700	1,700	0.420	February 28, 2030	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Aozora Bank	June 30, 2020	–	1,000	0.569	June 28, 2030	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Resona Bank	June 30, 2020	–	700	0.569	June 28, 2030	Lump-sum upon maturity	Acquisition fund	No collateral/No guarantee	
MUFG Bank	June 30, 2020	–	500	0.600	June 29, 2029	Lump-sum upon maturity	Acquisition fund	No collateral/No guarantee	
The Kagoshima Bank	June 30, 2020	–	500	0.465	June 30, 2028	Lump-sum upon maturity	Acquisition fund	No collateral/No guarantee	
Development Bank of Japan	July 31, 2020	–	1,500	0.530	July 31, 2030	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Mizuho Bank	July 31, 2020	–	1,000	0.470	July 31, 2030	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Kitakyushu Bank	July 31, 2020	–	500	0.526	July 31, 2030	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
The Iyo Bank	July 31, 2020	–	200	0.526	July 31, 2030	Lump-sum upon maturity	Refinance fund	No collateral/No guarantee	
Subtotal			71,500	71,100					
Total			72,500	77,400					

(Note) 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

3. Investment corporation bonds

As of the end of the 32nd fiscal period (August 31, 2020), FRC has the following investment corporation bonds outstanding.

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

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

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

4. Short-term investment corporation bonds

No relevant items.

5. Subscription rights to shares

No relevant items.

Acquisitions and Sales during the 32nd 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 (Note) (mm of yen)	Disposition date	Disposition price (mm of yen)	Book value (mm of yen)	Gain or loss on sale (mm of yen)
Higashi Hie Business Center III	May 29, 2020	3,290	—	—	—	—
LOGICITY Wakamiya	June 30, 2020	1,700	—	—	—	—
Home Plaza NAFCO at Park Place Oita	July 1, 2020	990	—	—	—	—
Total	—	5,980	—	—	—	—

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

2. Acquisition and sale of other assets

No relevant items.

3. Survey on prices of specified assets, etc.

(1) Real estate, etc.

Acquisition or disposition	Property name	Type of asset	Transaction date	Acquisition price or disposition price (Note 1) (mm of yen)	Real estate appraisal value (Note 2) (mm of yen)	Real estate appraiser	Appraisal date
Acquisition	Higashi Hie Business Center III	Real estate in trust	May 29, 2020	3,290	3,290	Tanizawa Sogo Appraisal Co., Ltd.	April 1, 2020
Acquisition	LOGICITY Wakamiya	Real estate	June 30, 2020	1,700	2,350	Tanizawa Sogo Appraisal Co., Ltd.	October 1, 2019
Acquisition	Home Plaza NAFCO at Park Place Oita	Real estate in trust	July 1, 2020	990	1,100	Japan Real Estate Institute	June 1, 2020

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

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

(2) Other

Other than the transactions described in "(1) Real estate, etc." above, 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 32nd 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	5,980,000 (100.0%)	— (—)
Breakdown of transactions with interested parties, etc.		
Fukuoka Jisho Co., Ltd.	4,280,000 (71.6%)	— (—)
Total	4,280,000 (71.6%)	— (—)

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

(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 partner with which FRC conducted transaction during the 32nd fiscal period.

(2) Amount of fees paid, etc.

FRC paid the following fees to the interested parties, etc. during the 32nd fiscal period. Furthermore, interested parties, etc. refer to the interested parties of the asset management company who have concluded an asset management agreement with FRC and are designated in Article 123 of the Enforcement Order of the Act on Investment Trusts and Investment Corporations. Of these interested parties, etc., the below table indicates the business partners to which FRC paid fees, etc. during the 32nd fiscal period.

Category	Total paid fees (A) (thousands of yen) (Note 1)	Breakdown of transactions with interested parties, etc.		Percentage of total amount (B) / (A) (%)
		Paid party	Paid amount (B) (thousands of yen)	
Property leasing brokerage fees (Note 2)	22,082	Fukuoka Jisho Co., Ltd.	8,789	39.8
		F.J. Entertainment Works Ltd.	7,515	34.0
Property management fees (Note 3)	317,668	Fukuoka Jisho Co., Ltd.	119,674	37.7
		F.J. Entertainment Works Ltd.	188,769	59.4
Outsourcing fees (Note 2) (Note 4)	1,294,087	Fukuoka Jisho Co., Ltd.	610,957	47.2
		F.J. Entertainment Works Ltd.	533,104	41.2
		Sunlife Co., Ltd.	90,844	7.0
Other operating expenses (Note 2)	1,382,901	Fukuoka Jisho Co., Ltd.	189,547	13.7
		F.J. Entertainment Works Ltd.	259,805	18.8

(Note 1) Aside from the paid fees shown above, FRC paid the following amounts for repairs, etc. that were ordered to interested parties, etc. during the 32nd fiscal period. The amounts include construction work fees paid to third parties through interested parties, etc.

Fukuoka Jisho Co., Ltd.	573,854 thousand yen
F.J. Entertainment Works Ltd.	319,167 thousand yen
Sunlife Co., Ltd.	48,418 thousand yen

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

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

Fukuoka Jisho Co., Ltd.	4,609 thousand yen
F.J. Entertainment Works Ltd.	15,222 thousand yen

(Note 4) The outsourcing fees shown above are paid fees, etc. regarding building management outsourcing fees, and do not coincide with the outsourcing fees described in VIII. Notes to Financial Statements (Notes to statement of income) that include property management fees and others.

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

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

Overview of Accounting

1. Assets, liabilities, principal and profits/loss

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

2. Changes in calculation method of depreciation

No relevant items.

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

No relevant items.

4. Overview of self-managed investment trust beneficiary certificates

No relevant items.

5. Disclosure on corporation owning foreign real estate

No relevant items.

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

No relevant items.

Other

1. Handling of fractions of monetary amounts and percentage figures

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

III. Independent Auditor's Report

Independent Auditor's Report

To the Board of Directors of Fukuoka REIT Corporation

Opinion

We have audited the financial statements of Fukuoka REIT Corporation (the Company), which comprise the balance sheet as of August 31, 2020, and the statement of income, statement of changes in net assets and cash flow statement for the six months period then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2020, and its financial performance and its cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Mitsuo Tsuruta
Designated Engagement Partner
Certified Public Accountant

Takashi Yabutani
Designated Engagement Partner
Certified Public Accountant

PricewaterhouseCoopers Aarata LLC

November 24, 2020

IV. Balance Sheet

(thousands of yen)

Account	31st fiscal period (as of February 29, 2020)	32nd fiscal period (as of August 31, 2020)
Assets		
Current assets		
Cash and deposits	5,417,020	3,733,612
Cash and deposits in trust	4,664,012	4,660,047
Operating accounts receivable	659,262	1,043,924
Prepaid expenses	288,251	282,717
Consumption taxes receivable	–	177,613
Others	19,263	3,570
Total current assets	11,047,811	9,901,484
Non-current assets		
Property, plant and equipment		
Buildings	–	974,393
Accumulated depreciation	–	–
Buildings, net	–	974,393
Structures	–	17,045
Accumulated depreciation	–	–
Structures, net	–	17,045
Lands	–	830,254
Buildings in trust	*1 101,501,588	*1 103,899,463
Accumulated depreciation	(31,914,629)	(33,495,971)
Buildings in trust, net	69,586,959	70,403,492
Structures in trust	1,888,802	2,047,268
Accumulated depreciation	(787,507)	(817,728)
Structures in trust, net	1,101,295	1,229,539
Machinery and equipment in trust	1,480,805	1,487,396
Accumulated depreciation	(549,601)	(595,564)
Machinery and equipment in trust, net	931,204	891,831
Vehicles and transport equipment in trust	747	747
Accumulated depreciation	(628)	(676)
Vehicles and transport equipment in trust, net	118	70
Tools and fixtures in trust	1,388,990	1,391,058
Accumulated depreciation	(1,170,941)	(1,194,239)
Tools and fixtures in trust, net	218,048	196,818
Lands in trust	*1 104,918,451	*1 107,452,281
Construction in progress in trust	15,669	18,319
Total property, plant and equipment	176,771,746	182,014,046
Intangible assets		
Leasehold right in trust	5,545,883	5,545,883
Other intangible assets in trust	34,993	29,519
Total intangible assets	5,580,876	5,575,402
Investment and other assets		
Deferred tax assets	17	14
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	327,135	327,135
Long-term prepaid expenses	1,014,438	1,138,352
Total investment and other assets	1,351,591	1,475,502
Total non-current assets	183,704,215	189,064,950
Deferred assets		
Investment corporation bond issuance expenses	36,244	34,142
Investment unit issuance expenses	7,671	3,835
Total deferred assets	43,915	37,978
Total assets	194,795,942	199,004,413

IV. Balance Sheet

(thousands of yen)

Account	31st fiscal period (as of February 29, 2020)	32nd fiscal period (as of August 31, 2020)
Liabilities		
Current liabilities		
Operating accounts payable	614,394	340,991
Current maturities of long-term debt	1,000,000	6,300,000
Accounts payable-other	19,450	12,612
Accrued expenses	372,025	355,374
Income taxes payable	1,041	967
Accrued consumption taxes	191,370	–
Advances received	1,082,899	1,123,558
Deposits received	867,707	894,072
Total current liabilities	4,148,889	9,027,577
Non-current liabilities		
Investment corporation bonds	5,000,000	5,000,000
Long-term debt	71,500,000	71,100,000
Tenant leasehold and security deposits	403,248	366,654
Tenant leasehold and security deposits received in trust	*1 11,905,875	*1 11,984,384
Total non-current liabilities	88,809,124	88,451,039
Total liabilities	92,958,013	97,478,617
Net assets		
Unitholders' equity		
Unitholders' capital	98,938,764	98,938,764
Surplus		
Unappropriated surplus	2,899,164	2,587,031
Total surplus	2,899,164	2,587,031
Total unitholders' equity	101,837,928	101,525,796
Total net assets	*3 101,837,928	*3 101,525,796
Total liabilities and net assets	194,795,942	199,004,413

V. Statement of Income

(thousands of yen)

Account	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)
Operating revenues		
Leasing revenues – real estate	*1 8,515,052	*1 7,912,804
Other leasing revenues – real estate	*1 647,685	*1 605,527
Total operating revenues	9,162,738	8,518,332
Operating expenses		
Expenses related to leasing business	*1 *2 5,226,888	*1 *2 4,897,107
Asset management fees	534,300	520,263
Asset custody fees	7,276	7,344
Administrative service fees	55,030	57,100
Director's compensations	9,600	9,600
Other operating expenses	55,888	60,308
Total operating expenses	5,888,984	5,551,725
Operating income	3,273,754	2,966,606
Non-operating revenues		
Interest received	47	44
Others	674	502
Total non-operating revenues	722	546
Non-operating expenses		
Interest expenses	246,018	249,252
Interest expenses on investment corporation bonds	29,200	29,200
Amortization of investment corporation bond issuance expenses	2,102	2,102
Amortization of investment unit issuance expenses	3,835	3,835
Financing related expenses	93,136	94,848
Others	37	37
Total non-operating expenses	374,330	379,275
Ordinary income	2,900,146	2,587,877
Profit before income taxes	2,900,146	2,587,877
Income taxes-current	1,048	974
Income taxes-deferred	(14)	3
Total income taxes	1,033	978
Profit	2,899,112	2,586,899
Surplus brought forward	51	132
Unappropriated surplus	2,899,164	2,587,031

VI. Statement of Changes in Net Assets

31st fiscal period (September 1, 2019 to February 29, 2020)

(thousands of yen)

Item	Unitholders' Equity			Total net assets
	Unitholders' capital	Surplus		
		Unappropriated surplus	Total unitholders' equity	
Balance as of September 1, 2019	98,938,764	2,939,679	101,878,444	101,878,444
Changes in the current fiscal period				
Dividend of surplus		(2,939,628)	(2,939,628)	(2,939,628)
Profit		2,899,112	2,899,112	2,899,112
Total of changes in the current fiscal period	–	(40,515)	(40,515)	(40,515)
Balance as of February 29, 2020	98,938,764	2,899,164	101,837,928	101,837,928

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

(thousands of yen)

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

VII. Cash Flow Statement

(thousands of yen)

Account	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)
Net cash provided by (used in) operating activities		
Profit before income taxes	2,900,146	2,587,877
Depreciation and amortization expenses	1,660,510	1,686,347
Amortization of investment corporation bond issuance expenses	2,102	2,102
Amortization of investment unit issuance expenses	3,835	3,835
Interest received	(47)	(44)
Interest expenses	275,218	278,452
Decrease (increase) in operating accounts receivables	45,437	(384,662)
Decrease (increase) in consumption taxes refund receivable	–	(177,613)
Increase (decrease) in accrued consumption taxes	(70,509)	(191,370)
Increase (decrease) in operating accounts payable	9,652	(3,385)
Increase (decrease) in accounts payable-other	8,530	(6,241)
Increase (decrease) in accrued expenses	2,509	(20,452)
Increase (decrease) in advances received	28,440	40,659
Increase (decrease) in deposits expenses	(493,780)	26,365
Decrease (increase) in prepaid expenses	(16,638)	5,534
Decrease (increase) in long-term prepaid expenses	(76,811)	(123,914)
Others, net	(14,848)	3,154
Subtotal	4,263,749	3,726,644
Interest income received	47	44
Interest expenses paid	(277,320)	(274,651)
Income taxes paid	(733)	(1,048)
Net cash provided by (used in) operating activities	3,985,742	3,450,990
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	–	(1,809,655)
Purchase of property, plant and equipment in trust	(289,074)	(5,371,496)
Proceeds from tenant leasehold and security deposits	24,513	29,788
Repayments of tenant leasehold and security deposits	(13,906)	(66,382)
Proceeds from tenant leasehold and security deposits in trust	198,619	316,851
Repayments of tenant leasehold and security deposits in trust	(139,812)	(238,343)
Proceeds from restricted trust deposits	1,315	5,296
Payments for restricted trust deposits	(2,339)	(2,074)
Net cash provided by (used in) investment activities	(220,683)	(7,136,015)
Net cash provided by (used in) financial activities		
Proceeds from short-term debt	–	6,400,000
Repayments of short-term debt	–	(6,400,000)
Proceeds from long-term debt	4,700,000	5,900,000
Repayments of long-term debt	(4,700,000)	(1,000,000)
Dividends paid	(2,938,346)	(2,899,126)
Net cash provided by (used in) financial activities	(2,938,346)	2,000,873
Net increase (decrease) in cash and cash equivalents	826,711	(1,684,151)
Balance of cash and cash equivalents at beginning of period	9,205,877	10,032,589
Balance of cash and cash equivalents at end of period	*1 10,032,589	*1 8,348,438

VIII. Notes to Financial Statements

(Significant accounting policies)

1. Depreciation method for non-current assets	<p>(1) Property, plant and equipment Depreciation is calculated using the straight-line method. The useful lives of major categories of property, plant and equipment including trust assets are as follows:</p> <table border="0" data-bbox="617 348 1026 478"> <tr> <td>Buildings:</td> <td>10 – 65 years</td> </tr> <tr> <td>Structures:</td> <td>15 – 60 years</td> </tr> <tr> <td>Machinery and equipment:</td> <td>15 – 30 years</td> </tr> <tr> <td>Vehicles and transport equipment:</td> <td>7 years</td> </tr> <tr> <td>Tools and fixtures:</td> <td>5 – 20 years</td> </tr> </table> <p>(2) Intangible assets Intangible assets are amortized utilizing the straight-line method.</p> <p>(3) Long-term prepaid expenses Long-term prepaid expenses are amortized utilizing the straight-line method.</p>	Buildings:	10 – 65 years	Structures:	15 – 60 years	Machinery and equipment:	15 – 30 years	Vehicles and transport equipment:	7 years	Tools and fixtures:	5 – 20 years
Buildings:	10 – 65 years										
Structures:	15 – 60 years										
Machinery and equipment:	15 – 30 years										
Vehicles and transport equipment:	7 years										
Tools and fixtures:	5 – 20 years										
2. Accounting for deferred assets	<p>Investment unit issuance expenses Investment unit issuance expenses are amortized utilizing the straight-line method over three years.</p> <p>Investment corporation bond issuance expenses Investment corporation bond issuance expenses are amortized utilizing the straight-line method over the period through redemption.</p>										
3. Standards for recognition of revenues and expenses	<p>Accounting treatment of property taxes, etc. In connection with property taxes, city planning taxes and depreciated asset taxes, FRC uses the method of charging the corresponding amounts of assessed taxes to the current fiscal period as expenses related to leasing business. The amount equivalent to property taxes, etc. for the initial fiscal year paid to the seller as settlement money upon acquisition of real estate or trust beneficiary interests in real estate as entrusted property are not expensed but capitalized as part of the acquisition cost of the relevant property. No amount equivalent to property taxes, etc. was capitalized in the acquisition cost of real estate, etc. for the 31st fiscal period. The amount equivalent to property taxes, etc. capitalized in the acquisition cost of real estate, etc. was 12,272 thousand yen for the 32nd fiscal period.</p>										
4. Method of hedge accounting	<p>(1) Method of hedge accounting Deferred hedge accounting is applied for interest rate swap transactions. However, special accounting is applied for interest rate swap transactions that satisfy the requirements for special accounting.</p> <p>(2) Hedging instruments and hedged items Hedging instrument: interest rate swap transactions Hedged items: interest rates of borrowings</p> <p>(3) Hedging policy FRC conducts derivative transactions to hedge interest rate fluctuation risks for floating-rate borrowings based on FRC's Articles of Incorporation.</p> <p>(4) Method for assessing the effectiveness of hedging Assessment of the effectiveness of hedging is omitted as requirements are satisfied for special accounting for interest rate swap transactions.</p>										
5. Scope of funds (cash and cash equivalents) in cash flow statement	<p>The funds (cash and cash equivalents) in the cash flow statement consist of cash on hand and cash in trust; deposits that can be withdrawn at any time and deposits in trust; and short-term investments with a maturity of 3 months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of value fluctuation.</p>										
6. Other significant items fundamental to preparing the financial statements	<p>(1) Accounting methods for trust beneficiary interests in real estate as entrusted property Regarding trust beneficiary interests in owned real estate as entrusted property, all asset and liability accounts of the entrusted properties as well as all revenue and expense accounts generated by the entrusted properties are recorded in relevant accounts on the balance sheet and statement of income. Furthermore, the following material accounts are separately stated on the balance sheet for entrusted properties recorded in relevant accounts.</p> <ol style="list-style-type: none"> ① Cash and deposits in trust ② Buildings in trust, structures in trust, machinery and equipment in trust, vehicles and transport equipment in trust, tools and fixtures in trust, lands in trust and construction in progress in trust ③ Leasehold right in trust ④ Other intangible assets in trust ⑤ Lease and guarantee deposits in trust ⑥ Tenant leasehold and security deposits received in trust <p>(2) Accounting for consumption taxes National and local consumption taxes are accounted with the consumption taxes excluded.</p>										

(Notes to accounting standards not yet adopted)

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

(1) Overview

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

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

(2) Scheduled date of adoption

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

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

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

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

(1) Overview

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

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

(2) Scheduled date of adoption

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

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

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

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

(1) Overview

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

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

(2) Scheduled date of adoption

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

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

(1) Overview

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

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

(2) Scheduled date of adoption

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

(Notes to balance sheet)

*1. Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows:

(thousands of yen)

	31st fiscal period as of February 29, 2020	32nd fiscal period as of August 31, 2020
Buildings in trust	5,969,526	5,973,107
Lands in trust	16,101,020	16,101,020
Total	22,070,547	22,074,128

Secured liabilities are as follows:

(thousands of yen)

	31st fiscal period as of February 29, 2020	32nd fiscal period as of August 31, 2020
Tenant leasehold and security deposits received in trust	1,235,869	1,089,814

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)

	31st fiscal period as of February 29, 2020	32nd fiscal period as of August 31, 2020
Credit limit	6,000,000	6,000,000
Outstanding debt at end of period	—	—
Unused committed line of credit at end of period	6,000,000	6,000,000

[Committed line of credit agreement 2]

(thousands of yen)

	31st fiscal period as of February 29, 2020	32nd fiscal period as of August 31, 2020
Credit limit	7,000,000	7,000,000
Outstanding debt at end of period	—	—
Unused committed line of credit at end of period	7,000,000	7,000,000

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

(thousands of yen)

31st fiscal period as of February 29, 2020	32nd fiscal period as of August 31, 2020
50,000	50,000

(Notes to statement of income)

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

(thousands of yen)

	31st fiscal period (September 1, 2019 to February 29, 2020)		32nd fiscal period (March 1, 2020 to August 31, 2020)	
A. Real estate leasing business revenues				
Leasing revenues - real estate				
Rents	6,968,555		6,531,941	
Common charges	1,095,890		1,056,349	
Parking revenues	450,606	8,515,052	324,513	7,912,804
Other leasing revenues - real estate				
Incidental income	610,648		568,375	
Other miscellaneous income	37,037	647,685	37,152	605,527
Total real estate leasing business revenues		9,162,738		8,518,332
B. Expenses related to real estate leasing business				
Expenses related to leasing business				
Outsourcing fees	1,898,749		1,611,755	
Repair and maintenance expenses	116,285		92,463	
Taxes and other public charges	734,254		743,726	
Insurance premiums and trust compensation	51,676		49,290	
Utilities expenses	505,975		479,907	
Depreciation and amortization expenses	1,660,510		1,686,347	
Other expenses related to real estate leasing business	259,435	5,226,888	233,617	4,897,107
Total expenses related to real estate leasing business		5,226,888		4,897,107
C. Revenues and expenses related to real estate leasing business (A - B)		3,935,850		3,621,224

*2. Transactions with affiliated companies.

(thousands of yen)

Item	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)
Expenses related to real estate leasing business	1,430,201	970,797

(Notes to statement of changes in net assets)

	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)
Total number of authorized investment units and total number of investment units outstanding		
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units outstanding	796,000 units	796,000 units

(Notes to cash flow statement)

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

(thousands of yen)

	31st fiscal period (September 1, 2019 to February 29, 2020)	32nd fiscal period (March 1, 2020 to August 31, 2020)
Cash and deposits	5,417,020	3,733,612
Cash and deposits in trust	4,664,012	4,660,047
Restricted trust deposits (Note)	(48,444)	(45,221)
Cash and cash equivalents	10,032,589	8,348,438

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

(Notes to leases)

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

(thousands of yen)

	31st fiscal period (as of February 29, 2020)	32nd fiscal period (as of August 31, 2020)
Due within 1 year	5,695,320	6,332,101
Due after 1 year	15,560,264	15,549,606
Total	21,255,584	21,881,707

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

(1) Policy on handling financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

2. Matters concerning fair value of financial instruments

The following table includes the book values for financial instruments as recorded on the balance sheet, the corresponding fair values and the difference between these amounts as of February 29, 2020. Please note that the following table does not include those financial instruments for which determination of fair value is considered to be extremely difficult (refer to (Note 2)).

(thousands of yen)

	Book value recorded on the balance sheet	Fair value (Note 1)	Difference
(1) Cash and deposits	5,417,020	5,417,020	–
(2) Cash and deposits in trust	4,664,012	4,664,012	–
Total of assets	10,081,033	10,081,033	–
(3) Short-term debt	–	–	–
(4) Current maturities of long-term debt	1,000,000	1,000,000	–
(5) Investment corporation bonds	5,000,000	5,337,675	337,675
(6) Long-term debt	71,500,000	74,470,281	2,970,281
(7) Tenant leasehold and security deposits received in trust	419,185	419,185	–
Total of liabilities	77,919,185	81,227,141	3,307,956
(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 August 31, 2020. Please note that the following table does not include those financial instruments for which determination of fair value is considered to be extremely difficult (refer to (Note 2)).

(thousands of yen)

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

(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)

	31st fiscal period (as of February 29, 2020)	32nd fiscal period (as of August 31, 2020)
Tenant leasehold and security deposits received in trust (*)	11,486,690	11,605,906

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

(Note 3) Amount of redemption of monetary claims scheduled to be due after closing of accounts (as of February 29, 2020)

(thousands of yen)

	Due in 1 year or less
Cash and deposits	5,417,020
Cash and deposits in trust	4,664,012
Total	10,081,033

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

(thousands of yen)

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

(Note 4) Amount of repayment of long-term debt and investment corporation bonds scheduled to be due after closing of accounts (as of February 29, 2020)

(thousands of yen)

	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Long-term debt	1,000,000	6,300,000	6,000,000	10,400,000	2,700,000	46,100,000
Investment corporation bonds	–	–	–	2,000,000	–	3,000,000

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

(thousands of yen)

	Due in 1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due after 5 years
Long-term debt	6,300,000	6,000,000	5,900,000	5,200,000	3,900,000	50,100,000
Investment corporation bonds	–	–	–	2,000,000	–	3,000,000

(Notes to investment securities)

31st fiscal period (as of February 29, 2020)

Not applicable.

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

Not applicable.

(Notes to derivative transactions)

1. Derivatives to which hedge accounting is not applied

31st fiscal period (as of February 29, 2020)

Not applicable.

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

Not applicable.

2. Derivatives to which hedge accounting is applied

31st fiscal period (as of February 29, 2020)

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

(thousands of yen)

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

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

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

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

(thousands of yen)

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

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

(Notes to retirement benefits)

31st fiscal period (as of February 29, 2020)

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

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

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

(Notes to tax effect accounting)

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

(thousands of yen)

	31st fiscal period (as of February 29, 2020)	32nd fiscal period (as of August 31, 2020)
Deferred tax assets		
Amount of accrued business taxes not deductible from taxable income	17	14
Total deferred tax assets	17	14
Deferred tax assets, net	17	14

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.

(%)

	31st fiscal period (as of February 29, 2020)	32nd fiscal period (as of August 31, 2020)
Effective statutory income tax rate	31.30	31.25
Deductible dividend amount	(31.29)	(31.24)
Other	0.02	0.03
Effective income tax rate after application of tax effect accounting	0.04	0.04

(Notes to equity method income and earnings)

31st fiscal period (from September 1, 2019 to February 29, 2020)

Not applicable as FRC does not have any affiliated companies.

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

Not applicable as FRC does not have any affiliated companies.

(Notes to transactions with related parties)

1. Transactions with related parties

(1) Parent company and major corporate unitholders

31st fiscal period (from September 1, 2019 to February 29, 2020)

(thousands of yen)

Classification	Name	Location	Capital	Business description	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Other affiliates	Fukuoka Jisho Co., Ltd. (Note 2)	Hakata Ward, Fukuoka City	100,000	General real estate business	Ownership in FRC Direct [9.09%] Indirect [0.86%]	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	1,430,201 (Note 3)	Operating accounts payable	80,427 (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.

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

(thousands of yen)

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

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

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

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

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

(2) Affiliated companies, etc.

31st fiscal period (from September 1, 2019 to February 29, 2020)

Not applicable.

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

Not applicable.

(3) Sister companies**31st fiscal period (from September 1, 2019 to February 29, 2020)**

(thousands of yen)

Classification	Name	Location	Capital	Business description	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Subsidiaries of other affiliates	FJ. Entertainment Works Ltd. (Note 2)	Hakata Ward, Fukuoka City	20,000	Real estate business	—	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	920,425 (Note 5)	Operating accounts payable	157,315 (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)	534,300 (Note 5)	Accrued expenses	266,685 (Note 5)

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

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

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

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

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

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

(thousands of yen)

Classification	Name	Location	Capital	Business description	FRC's share of voting rights, etc. [or ownership of such in FRC]	Description of relationship	Description of transaction	Transaction amount	Category	Balance at end of period
Subsidiaries of other affiliates	FJ. Entertainment Works Ltd. (Note 2)	Hakata Ward, Fukuoka City	20,000	Real estate business	—	Consignment of real estate management, etc.	Consignment of real estate management, etc. (Note 1)	1,018,539 (Note 6)	Operating accounts payable	171,911 (Note 6)
Subsidiaries of other affiliates	Fukuoka Realty Co., Ltd.	Hakata Ward, Fukuoka City	200,000	Asset management of FRC and other businesses	—	Asset management of FRC, etc. and concurrent service of officer (Note 4)	Payment of asset management fees (Note 5)	520,263 (Note 6)	Accrued expenses	245,498 (Note 6)

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

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

(Note 3) For Canal City Hakata, Canal City Hakata-B and Canal City Business Center indicated in (Note 2), the master lease and property management company was changed from Fukuoka Jisho Co., Ltd. to FJ. Entertainment Works Ltd. as of June 1, 2020.

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

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

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

(4) Directors and major individual unitholders**31st fiscal period (from September 1, 2019 to February 29, 2020)**

Not applicable.

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

Not applicable.

2. Parent company and major affiliated companies**31st fiscal period (from September 1, 2019 to February 29, 2020)**

Not applicable.

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

Not applicable.

(Notes to asset retirement obligations)**31st fiscal period (from September 1, 2019 to February 29, 2020)**

Not applicable.

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

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	Amount recorded on the balance sheet	31st fiscal period	32nd fiscal period
		(September 1, 2019 to February 29, 2020)	(March 1, 2020 to August 31, 2020)
Retail	Amount recorded on the balance sheet		
	Balance at beginning of period	111,944,592	111,234,313
	Amount of change during period	(710,278)	664,304
	Balance at end of period	111,234,313	111,898,617
	Fair value at end of period	123,000,000	122,860,000
Office buildings	Amount recorded on the balance sheet		
	Balance at beginning of period	45,654,752	45,345,497
	Amount of change during period	(309,254)	2,938,761
	Balance at end of period	45,345,497	48,284,259
	Fair value at end of period	66,100,000	70,410,000
Others	Amount recorded on the balance sheet		
	Balance at beginning of period	25,948,258	25,772,812
	Amount of change during period	(175,446)	1,633,758
	Balance at end of period	25,772,812	27,406,571
	Fair value at end of period	30,160,000	32,270,000
Total	Amount recorded on the balance sheet		
	Balance at beginning of period	183,547,603	182,352,623
	Amount of change during period	(1,194,979)	5,236,824
	Balance at end of period	182,352,623	187,589,448
	Fair value at end of period	219,260,000	225,540,000

(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 31st fiscal period, the amount of increase is primarily attributable to capital expenditures (465 million yen), and the amount of decrease is primarily attributable to depreciation and amortization expenses (1,660 million yen). Of the amount of change during the 32nd fiscal period, the amount of increase is primarily attributable to acquisition of three properties (Higashi Hie Business Center III, LOGICITY Wakamiya and Home Plaza NAFCO at Park Place Oita) (6,132 million yen in total) and capital expenditures (790 million yen), and the amount of decrease is primarily attributable to depreciation and amortization expenses (1,686 million yen).

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

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

(thousands of yen)

Use	Amount recorded on the statement of income	31st fiscal period	32nd fiscal period
		(September 1, 2019 to February 29, 2020)	(March 1, 2020 to August 31, 2020)
Retail	Real estate leasing business revenues	5,876,637	5,157,908
	Expenses related to real estate leasing business	3,617,050	3,266,262
	Revenues and expenses related to real estate leasing business	2,259,586	1,891,645
Office buildings	Real estate leasing business revenues	2,406,720	2,497,317
	Expenses related to real estate leasing business	1,233,266	1,241,579
	Revenues and expenses related to real estate leasing business	1,173,453	1,255,738
Others	Real estate leasing business revenues	879,380	863,106
	Expenses related to real estate leasing business	376,570	389,265
	Revenues and expenses related to real estate leasing business	502,809	473,840
Total	Real estate leasing business revenues	9,162,738	8,518,332
	Expenses related to real estate leasing business	5,226,888	4,897,107
	Revenues and expenses related to real estate leasing business	3,935,850	3,621,224

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

(Notes to segment information)

[Segment information]

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

[Related information]

31st fiscal period (from September 1, 2019 to February 29, 2020)

(1) Information by product and service

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

(2) Information by region

(a) Operating revenues

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

(b) Property, plant and equipment

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

(3) Information by major customer

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

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

(1) Information by product and service

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

(2) Information by region

(a) Operating revenues

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

(b) Property, plant and equipment

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

(3) Information by major customer

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

(Notes to per unit information)

	31st fiscal period	32nd fiscal period
	(September 1, 2019 to February 29, 2020)	(March 1, 2020 to August 31, 2020)
Net assets per unit (yen)	127,937	127,544
Profit per unit (yen)	3,642	3,249

(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:

	31st fiscal period	32nd fiscal period
	(September 1, 2019 to February 29, 2020)	(March 1, 2020 to August 31, 2020)
Profit (thousands of yen)	2,899,112	2,586,899
Amounts not attributable to ordinary unitholders (thousands of yen)	-	-
Profit attributable to ordinary investment units (thousands of yen)	2,899,112	2,586,899
Average number of units during the fiscal period (units)	796,000	796,000

(Notes to cash distributions)

(thousands of yen)

Account	31st fiscal period	32nd fiscal period
	(September 1, 2019 to February 29, 2020)	(March 1, 2020 to August 31, 2020)
I. Unappropriated surplus	2,899,164	2,587,031
II. Total dividend [Dividend per investment unit]	2,899,032 [3,642 yen]	2,587,000 [3,250 yen]
III. Surplus brought forward	132	31
Method for calculating dividends	The amount of dividends shall be decided in accordance with the dividend policy stipulated in Article 38-1-2 of FRC's Articles of Incorporation and must exceed 90% of FRC's distributable profits as stipulated in Article 67-15-1 of the Special Taxation Measures Act. Following the above policy, FRC shall decide to distribute 2,899,032 thousand yen, which is almost the entire amount of unappropriated surplus, as earnings dividends. Moreover, dividend in excess of earnings as stipulated in Article 38-2 of FRC's Articles of Incorporation will not be provided.	The amount of dividends shall be decided in accordance with the dividend policy stipulated in Article 38-1-2 of FRC's Articles of Incorporation and must exceed 90% of FRC's distributable profits as stipulated in Article 67-15-1 of the Special Taxation Measures Act. Following the above policy, FRC shall decide to distribute 2,587,000 thousand yen, which is almost the entire amount of unappropriated surplus, as earnings dividends. Moreover, dividend in excess of earnings as stipulated in Article 38-2 of FRC's Articles of Incorporation will not be provided.

(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)

Not applicable.

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

(thousands of yen)

Category	Type	Contract amount, etc.		Fair value (Note 2)
		(Note 1)	Of which, exceeding 1 year	
Off-market transaction	Interest rate swap transaction Receivable floating; Payable fixed	23,700,000	17,400,000	(214,158)
Total		23,700,000	17,400,000	(214,158)

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

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

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

(thousands of yen)

Type of asset	Balance as of March 1, 2020	Increase	Decrease	Balance as of August 31, 2020	Accumulated depreciation	Depreciation for the period	Net property and equipment	Remarks
Buildings	–	974,393	–	974,393	–	–	974,393	(Note)
Structures	–	17,045	–	17,045	–	–	17,045	(Note)
Land	–	830,254	–	830,254	–	–	830,254	(Note)
Buildings in trust	101,501,588	2,397,874	–	103,899,463	33,495,971	1,581,342	70,403,492	(Note)
Structures in trust	1,888,802	158,465	–	2,047,268	817,728	30,221	1,229,539	(Note)
Machinery and equipment in trust	1,480,805	6,591	–	1,487,396	595,564	45,963	891,831	(Note)
Vehicles and transport equipment in trust	747	–	–	747	676	47	70	
Tools and fixtures in trust	1,388,990	2,067	–	1,391,058	1,194,239	23,297	196,818	(Note)
Land in trust	104,918,451	2,533,829	–	107,452,281	–	–	107,452,281	(Note)
Construction in progress in trust	15,669	2,978	327	18,319	–	–	18,319	
Subtotal	211,195,055	6,923,499	327	218,118,227	36,104,181	1,680,872	182,014,046	
Leasehold right in trust	5,545,883	–	–	5,545,883	–	–	5,545,883	
Other intangible assets in trust	81,417	–	–	81,417	51,898	5,474	29,519	
Subtotal	5,627,301	–	–	5,627,301	51,898	5,474	5,575,402	
Total	216,822,356	6,923,499	327	223,745,528	36,156,080	1,686,347	187,589,448	

(Note) The main increase in the 32nd fiscal period is due to acquisition of Higashi Hie Business Center III, LOGICITY Wakamiya and Home Plaza NAFCO at Park Place Oita and construction work at properties.

(Schedule of other specified assets)

Not applicable.

(Schedule of investment corporation bonds)

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

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

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

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

(thousands of yen)

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

(Schedule of debt)

(thousands of yen)

Category	Lender	Balance as of March 1, 2020	Increase	Decrease	Balance as of August 31, 2020	Average interest rate (%) (Note 1)	Repayment date	Use of funds	Description
Short-term debt	The Bank of Fukuoka (Note 2)	–	1,250,000	1,250,000	–	0.391	June 30, 2020	Acquisition fund	No collateral/ No guarantee
	Resona Bank (Note 2)	–	250,000	250,000	–				
	The Nishi-Nippon City Bank (Note 2)	–	1,214,285	1,214,285	–	0.391	June 30, 2020	Acquisition fund	No collateral/ No guarantee
	Resona Bank (Note 2)	–	170,000	170,000	–				
	The Bank of Nagasaki (Note 2)	–	121,428	121,428	–				
	The Oita Bank (Note 2)	–	121,428	121,428	–				
	The Bank of Saga (Note 2)	–	72,857	72,857	–				
	The Bank of Fukuoka (Note 2)	–	1,250,000	1,250,000	–				
	Resona Bank (Note 2)	–	250,000	250,000	–				
	The Nishi-Nippon City Bank (Note 2)	–	1,214,285	1,214,285	–	0.411	July 31, 2020	Refinance fund	No collateral/ No guarantee
	Resona Bank (Note 2)	–	170,000	170,000	–				
	The Bank of Nagasaki (Note 2)	–	121,428	121,428	–				
	The Oita Bank (Note 2)	–	121,428	121,428	–				
	The Bank of Saga (Note 2)	–	72,857	72,857	–				
Subtotal	–	6,400,000	6,400,000	–					
Current maturities of long-term debt									
Current maturities of long- term debt	Aozora Bank	1,000,000	–	1,000,000	–	0.469	June 30, 2020	Refinance fund	No collateral/ No guarantee
	Mizuho Bank	–	2,300,000	–	2,300,000	0.835	July 30, 2021	Refinance fund	No collateral/ No guarantee
	The Norinchukin Bank	–	1,000,000	–	1,000,000				
	The Hiroshima Bank	–	1,400,000	–	1,400,000				
	The Kitakyushu Bank	–	800,000	–	800,000				
	The Iyo Bank	–	500,000	–	500,000				
	The Higo Bank	–	300,000	–	300,000				
Subtotal	1,000,000	6,300,000	1,000,000	6,300,000					
Long-term debt									
Long-term debt	Mizuho Bank	2,300,000	–	2,300,000	–	0.835	July 30, 2021	Refinance fund	No collateral/ No guarantee
	The Norinchukin Bank	1,000,000	–	1,000,000	–				
	The Hiroshima Bank	1,400,000	–	1,400,000	–				
	The Kitakyushu Bank	800,000	–	800,000	–				
	The Iyo Bank	500,000	–	500,000	–				
	The Higo Bank	300,000	–	300,000	–				
	Development Bank of Japan	4,000,000	–	–	4,000,000	1.010	August 31, 2022	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Banking Corporation	1,600,000	–	–	1,600,000	0.790	June 30, 2022	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	1,500,000	–	–	1,500,000	0.564	July 31, 2023	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	4,000,000	–	–	4,000,000	0.880	August 31, 2023	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	400,000	–	–	400,000	0.419	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	0.419	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	

Category	Lender	Balance as of	Increase	Decrease	Balance as of	Average	Repayment	Use of funds	Description
		March 1, 2020			August 31, 2020				
Long-term debt	Sumitomo Mitsui Trust Bank	300,000	–	–	300,000	0.413	September 30, 2025	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	1,500,000	–	–	1,500,000	0.718	December 30, 2025	Refinance fund	No collateral/ No guarantee
	The Oita Bank	100,000	–	–	100,000				
	The Kagoshima Bank	100,000	–	–	100,000				
	The Kitakyushu Bank	100,000	–	–	100,000				
	The 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				
	MUFG Bank	800,000	–	–	800,000	0.481	March 31, 2025	Refinance fund	No collateral/ No guarantee
	Resona Bank	600,000	–	–	600,000	0.658	March 31, 2027	Refinance fund	No collateral/ No guarantee
	The Higo Bank	300,000	–	–	300,000	0.481	March 31, 2025	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	1,300,000	–	–	1,300,000	0.777	June 30, 2026	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	1,000,000	–	–	1,000,000				
	The Oita Bank	700,000	–	–	700,000				
	The Kitakyushu Bank	700,000	–	–	700,000				
	The Miyazaki Bank	700,000	–	–	700,000				
	The Shinwa Bank	600,000	–	–	600,000				
	The Iyo Bank	500,000	–	–	500,000				
	The Eighteenth Bank	500,000	–	–	500,000				
	Development Bank of Japan	1,800,000	–	–	1,800,000	0.650	December 31, 2026	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	2,000,000	–	–	2,000,000	0.792	July 31, 2027	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	2,000,000	–	–	2,000,000	0.892	July 31, 2027	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	500,000	–	–	500,000	0.850	August 31, 2027	Refinance fund	No collateral/ No guarantee
	The Bank of Fukuoka	500,000	–	–	500,000				
	The Oita Bank	100,000	–	–	100,000				
	The Kitakyushu Bank	100,000	–	–	100,000				
	The Eighteenth Bank	100,000	–	–	100,000				
	The Shinwa Bank	100,000	–	–	100,000				
	The Hiroshima Bank	100,000	–	–	100,000				
	Resona Bank	2,000,000	–	–	2,000,000				
	The Bank of Fukuoka	1,500,000	–	–	1,500,000	0.812	December 30, 2027	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	500,000	–	–	500,000	0.680	December 30, 2027	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	1,900,000	–	–	1,900,000	0.750	February 29, 2028	Refinance fund	No collateral/ No guarantee
	Sumitomo Mitsui Trust Bank	1,100,000	–	–	1,100,000	0.600	February 26, 2027	Refinance fund	No collateral/ No guarantee
	MUFG Bank	1,500,000	–	–	1,500,000	0.500	February 27, 2026	Refinance fund	No collateral/ No guarantee
	Resona Bank	600,000	–	–	600,000	0.567	February 29, 2028	Refinance fund	No collateral/ No guarantee
	Development Bank of Japan	2,500,000	–	–	2,500,000	0.720	March 1, 2028	Acquisition fund	No collateral/ No guarantee
	MUFG Bank	600,000	–	–	600,000	0.480	March 31, 2026	Refinance fund	No collateral/ No guarantee
	The Nishi-Nippon City Bank	600,000	–	–	600,000	0.802	March 31, 2028	Refinance fund	No collateral/ No guarantee
The Bank of Fukuoka	500,000	–	–	500,000	0.802	March 31, 2028	Refinance fund	No collateral/ No guarantee	

Category	Lender	Balance as of	Increase	Decrease	Balance as of	Average	Repayment	Use of funds	Description	
		March 1, 2020			August 31, 2020					interest rate (%) (Note 1)
Long-term debt	Mizuho Bank	500,000	–	–	500,000	0.630	March 31, 2028	Refinance fund	No collateral/ No guarantee	
	Sumitomo Mitsui Banking Corporation	500,000	–	–	500,000	0.504	March 31, 2025	Refinance fund	No collateral/ No guarantee	
	MUFG Bank	500,000	–	–	500,000	0.490	March 31, 2027	Refinance fund	No collateral/ No guarantee	
	Sumitomo Mitsui Trust Bank	400,000	–	–	400,000	0.576	March 31, 2027	Refinance fund	No collateral/ No guarantee	
	The Oita Bank	400,000	–	–	400,000	0.646	March 31, 2028	Refinance fund	No collateral/ No guarantee	
	The Hiroshima Bank	400,000	–	–	400,000	0.646	March 31, 2028	Refinance fund	No collateral/ No guarantee	
	Shinsei Bank	300,000	–	–	300,000	0.400	March 31, 2025	Refinance fund	No collateral/ No guarantee	
	Sumitomo Mitsui Banking Corporation	500,000	–	–	500,000	0.655	January 31, 2029	Refinance fund	No collateral/ No guarantee	
	MUFG Bank	500,000	–	–	500,000	0.590	January 31, 2028	Refinance fund	No collateral/ No guarantee	
	The Nishi-Nippon City Bank	400,000	–	–	400,000	0.419	January 31, 2029	Refinance fund	No collateral/ No guarantee	
	The Bank of Fukuoka	300,000	–	–	300,000	0.419	January 31, 2029	Refinance fund	No collateral/ No guarantee	
	The Oita Bank	200,000	–	–	200,000	0.334	February 27, 2026	Refinance fund	No collateral/ No guarantee	
	The Kagoshima Bank	200,000	–	–	200,000	0.334	February 27, 2026	Refinance fund	No collateral/ No guarantee	
	The Higo Bank	200,000	–	–	200,000	0.334	February 27, 2026	Refinance fund	No collateral/ No guarantee	
	Resona Bank	200,000	–	–	200,000	0.488	February 28, 2029	Refinance fund	No collateral/ No guarantee	
	Mizuho Bank	1,200,000	–	–	1,200,000	0.521	July 31, 2029	Refinance fund	No collateral/ No guarantee	
	The Bank of Saga	500,000	–	–	500,000					
	The Higo Bank	500,000	–	–	500,000					
	The Norinchukin Bank	1,500,000	–	–	1,500,000	0.303	January 29, 2027	Refinance fund	No collateral/ No guarantee	
	MUFG Bank	500,000	–	–	500,000	0.480	September 29, 2028	Refinance fund	No collateral/ No guarantee	
	The Nishi-Nippon City Bank	2,500,000	–	–	2,500,000	0.480	February 28, 2030	Refinance fund	No collateral/ No guarantee	
	Mizuho Bank	1,700,000	–	–	1,700,000	0.420	February 28, 2030	Refinance fund	No collateral/ No guarantee	
	Aozora Bank	–	1,000,000	–	1,000,000	0.569	June 28, 2030	Refinance fund	No collateral/ No guarantee	
	Resona Bank	–	700,000	–	700,000	0.569	June 28, 2030	Acquisition fund	No collateral/ No guarantee	
	MUFG Bank	–	500,000	–	500,000	0.600	June 29, 2029	Acquisition fund	No collateral/ No guarantee	
	The Kagoshima Bank	–	500,000	–	500,000	0.465	June 30, 2028	Acquisition fund	No collateral/ No guarantee	
	Development Bank of Japan	–	1,500,000	–	1,500,000	0.530	July 31, 2030	Refinance fund	No collateral/ No guarantee	
	Mizuho Bank	–	1,000,000	–	1,000,000	0.470	July 31, 2030	Refinance fund	No collateral/ No guarantee	
	The Kitakyushu Bank	–	500,000	–	500,000	0.526	July 31, 2030	Refinance fund	No collateral/ No guarantee	
	The Iyo Bank	–	200,000	–	200,000	0.526	July 31, 2030	Refinance fund	No collateral/ No guarantee	
	Subtotal		71,500,000	5,900,000	6,300,000	71,100,000				
	Total		72,500,000	18,600,000	13,700,000	77,400,000				

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

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

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

(thousands of yen)

Category	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term debt	6,000,000	5,900,000	5,200,000	3,900,000