

EARNINGS BRIEFING FOR THE PERIOD ENDED AUGUST 2018

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

Representative: Etsuo Matsuyuki CEO & Representative Director

Asset manager: Fukuoka Realty Co., Ltd.
Representative: Etsuo Matsuyuki CEO & Representative Director
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Expected date for submitting securities report: November 29, 2018
 Expected commencement date of dividend payments: November 16, 2018
 Supplementary documents for earnings briefing: Yes
 Analyst meeting (for institutional investors and analysts): Yes

(Figures rounded down to nearest mm yen)

1. Performance and situation of assets for the period ended August 2018 (March 1, 2018 to August 31, 2018)

(1) Performance

(% shows percentage change from previous period)

| | Operating revenues | | Operating income | | Ordinary income | | Profit | |
|----------------------------|--------------------|------|------------------|-----|-----------------|-----|-----------|-----|
| | mm of yen | % | mm of yen | % | mm of yen | % | mm of yen | % |
| Period ended August 2018 | 9,178 | 12.0 | 3,238 | 9.2 | 2,861 | 9.0 | 2,860 | 9.0 |
| Period ended February 2018 | 8,194 | 0.9 | 2,965 | 1.6 | 2,624 | 2.4 | 2,623 | 2.6 |

| | Profit per unit | Return on net assets | Ratio of ordinary income to total assets | Ratio of ordinary income to operating revenues |
|----------------------------|-----------------|----------------------|--|--|
| Period ended August 2018 | 3,593 yen | 2.9% | 1.5% | 31.2% |
| Period ended February 2018 | 3,512 yen | 2.8% | 1.5% | 32.0% |

(2) Dividends

| | Dividend per unit (excl. dividend in excess of earnings) | Total dividend (excl. dividend in excess of earnings) | Dividend in excess of earnings per unit | Total dividend in excess of earnings | Dividend per unit (incl. dividend in excess of earnings) | Total dividend (incl. dividend in excess of earnings) | Payout ratio | Ratio of dividend to net assets |
|----------------------------|---|--|---|--------------------------------------|---|--|--------------|---------------------------------|
| Period ended August 2018 | 3,593 yen | 2,860 mm yen | 0 yen | 0 mm yen | 3,593 yen | 2,860 mm yen | 100.0% | 2.8% |
| Period ended February 2018 | 3,512 yen | 2,623 mm yen | 0 yen | 0 mm yen | 3,512 yen | 2,623 mm yen | 100.0% | 2.8% |

(3) Financial condition

| | Total assets | Net assets | Ratio of net assets to total assets | Net assets per unit |
|----------------------------|----------------|----------------|-------------------------------------|---------------------|
| Period ended August 2018 | 193,112 mm yen | 101,799 mm yen | 52.7% | 127,888 yen |
| Period ended February 2018 | 177,283 mm yen | 93,766 mm yen | 52.9% | 125,524 yen |

(4) Cash flows condition

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Balance of cash and cash equivalents at end of period |
|----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---|
| Period ended August 2018 | 4,149 mm yen | (15,326) mm yen | 11,734 mm yen | 7,950 mm yen |
| Period ended February 2018 | 4,292 mm yen | (478) mm yen | (3,555) mm yen | 7,392 mm yen |

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

(% shows percentage change from previous period)

| | Operating revenues | | Operating income | | Ordinary income | | Profit | | Dividend per unit (excl. dividend in excess of earnings) | Dividend in excess of earnings per unit |
|-----------------------------|--------------------|-------|------------------|-------|-----------------|-------|-----------|-------|---|---|
| | mm of yen | % | mm of yen | % | mm of yen | % | mm of yen | % | | |
| Period ending February 2019 | 9,121 | (0.6) | 3,234 | (0.1) | 2,866 | 0.2 | 2,865 | 0.2 | 3,600 yen | 0 yen |
| Period ending August 2019 | 9,160 | 0.4 | 3,200 | (1.0) | 2,826 | (1.4) | 2,825 | (1.4) | 3,550 yen | 0 yen |

(Reference) Forecast profit per unit: Period ending February 2019 3,600 yen
Forecast profit per unit: Period ending August 2019 3,550 yen

3. Other

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

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

(2) Number of investment units outstanding

- (i) Number of investment units outstanding at end of period (including treasury investment units):
 - As of August 2018 796,000 units
 - As of February 2018 747,000 units
- (ii) Treasury investment units at end of period:
 - As of August 2018 0 unit
 - As of February 2018 0 unit

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

* Statement on Implementation Status of Audit Procedure

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

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

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

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

1. Investment Corporation-Related Organizations

The disclosure is omitted, since there are no significant changes from the “Structure of the investment corporation” disclosed by the latest securities report (submitted on May 29, 2018).

2. Portfolio Management Policy and Management Situation

(1) Portfolio management policy

The disclosure is omitted, since there are no significant changes from “Investment policy,” “Investment target” and “Dividend policy” disclosed by the latest securities report (submitted on May 29, 2018).

(2) Management situation

(i) Summary of the current fiscal period

(a) Brief history of the investment corporation

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

FRC started asset management activities on November 9, 2004 after acquisition of four properties such as Retail in Canal City Hakata (excluding some areas of specialty shops, hotels, theaters, offices and common space), a commercial complex where specialty shops, cinema complex, theaters, amusement facilities, hotels and offices are integrally developed (hereinafter “Canal City Hakata”). As of the end of the current fiscal period (August 31, 2018), FRC manages a total of 28 properties comprising 11 Retail, 8 Office buildings and 9 Others.

(b) Investment environment and portfolio performance

During the fiscal period under review (the 28th fiscal period), the Japanese economy showed a modest recovery. Looking ahead, with the employment and income environment continuing to improve, the economy is expected to continue recovering moderately due to various political measures proving effective, among other factors.

In the Fukuoka and Kyushu area, the core investment target area for FRC, the economy is expanding moderately at a solid pace. With regard to the outlook, a virtuous cycle is expected to continue, bolstered by demand in and outside Japan.

As for land price trends, the national average price in combined average for residential and commercial land took an upward turn for the first time in 27 years, according to the 2018 Land Market Value Publication. By land type, residential land price continued to show a decelerating pace of decrease and commercial land price rose for the second consecutive year, reinforcing its upward trend. In Fukuoka City, the central area of FRC's investment targets, land prices continued rising for six consecutive years, up 11.1% year-on-year for commercial land and up 4.4% year-on-year for residential land, marking higher rates of increase than the last year.

Under such circumstances, FRC acquired Konoha Mall Hashimoto and Higashi Hie Business Center II on March 1, 2018 as well as Park Place Oita Daiichi Parking on July 6, 2018. Park Place Oita Daiichi Parking is part of the parking lots for customers at Park Place Oita, a property already owned by FRC, and is located nearest to the center of Park Place Oita among the parking lots outside the property's premises.

As for existing properties, FRC continued its efforts to reinforce competitive advantages and customer drawing ability at Canal City Hakata and other major retail properties, and focused on maintaining and increasing the occupancy rate of its owned properties. As a result of these endeavors, the average occupancy rate of all properties FRC owns was 99.6% at the end of the 28th fiscal period.

When analyzing FRC's portfolio (on an acquisition price basis) as of the end of the 28th fiscal period by investment target area, the investment ratio in the Fukuoka urban area accounted for 78.4%; when analyzing by property type, Retail, Office buildings, and Others accounted for 60.1%, 27.3% and 12.6%, respectively.

(c) Summary of fundraising

In the 28th fiscal period, FRC issued new investment units (49,000 units) on March 1, 2018 to raise 7,795 mm yen. FRC also borrowed funds to acquire the above-mentioned properties, among other purposes, and conducted refinancing. As a result, the balance of its interest-bearing debt outstanding (including investment corporation bonds) at the end of the period totaled 75,500 mm yen, with the loan-to-value ratio (ratio of

interest-bearing debt (including investment corporation bonds) to total assets) at 39.1% 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 90.9% as of the same date.

In the fiscal period under review, FRC issued its third series of investment corporation bonds with debt maturity of 20 years, in pursuit of dispersion of debt repayment dates and extension of the average remaining years to maturity. In like manner, FRC will continue its endeavors going forward 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 current 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 |

Furthermore, as announced in the “Notification Concerning the Withdrawal of Credit Rating” dated August 31, 2018, FRC requested S&P Global Ratings Japan Inc. (S&P) to withdraw the long-term issuer rating and short-term issuer rating granted to FRC by the agency.

(d) Summary of performance and dividend

As a result of these management efforts, operating revenues totaled 9,178 mm yen and operating income after excluding operating expenses such as expenses related to leasing business and asset management fees totaled 3,238 mm yen. Ordinary income was 2,861 mm yen and profit amounted to 2,860 mm yen. Management decided to make a dividend of 3,593 yen per investment unit to meet the requirements of special tax measures for an investment corporation (as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation of Japan [Act No. 26 in 1957 including later revisions]). Under this law, an investment corporation is allowed to deduct the maximum amount of dividends paid to investors from its taxable income.

(ii) Forecast for the next fiscal period

(a) Portfolio management policy

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

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

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

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

No relevant items.

(c) Performance forecast for the next fiscal period

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

Period ending February 2019

| | |
|---|--------------|
| Operating revenues | 9,121 mm yen |
| Operating income | 3,234 mm yen |
| Ordinary income | 2,866 mm yen |
| Profit | 2,865 mm yen |
| Dividend per unit | 3,600 yen |
| Dividend in excess of earnings per unit | 0 yen |

Period ending August 2019

| | |
|---|--------------|
| Operating revenues | 9,160 mm yen |
| Operating income | 3,200 mm yen |
| Ordinary income | 2,826 mm yen |
| Profit | 2,825 mm yen |
| Dividend per unit | 3,550 yen |
| Dividend in excess of earnings per unit | 0 yen |

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

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

| Item | Preconditions |
|--|--|
| Calculation period | 29th fiscal period: September 1, 2018 to February 28, 2019 (181 days) 30th fiscal period: March 1, 2019 to August 31, 2019 (184 days) |
| Assets under management | <ul style="list-style-type: none"> It is assumed that there will be 28 properties FRC owns as of August 31, 2018. In practice, the number may fluctuate due to changes in assets under management. |
| Total number of investment units outstanding | <ul style="list-style-type: none"> It is assumed that there will be no issuance of new investment units until August 31, 2019. |
| Interest-bearing debt and refinancing | <ul style="list-style-type: none"> The balance of interest-bearing debt outstanding at the end of the 29th fiscal period (February 28, 2019) is expected to total 75,500 mm yen, the same as that at the end of the 28th fiscal period (August 31, 2018). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 39.3% (as of August 31, 2018, the loan-to-value ratio stands at 39.1%). The balance of interest-bearing debt outstanding at the end of the 30th fiscal period (August 31, 2019) is expected to total 75,500 mm yen, same as the end of the 29th fiscal period (February 28, 2019). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 39.3%. |
| Operating revenues | <ul style="list-style-type: none"> Of leasing revenues – real estate, revenues from properties FRC has already acquired are calculated based on tenancy agreements that are valid as of October 16, 2018 by taking into account the competitiveness of the properties the market environment, etc. Of leasing revenues– real estate, revenues from percentage lease contracts are calculated based on past results by taking into account sales fluctuation factors of the relevant tenants. For leasing revenues – real estate, tenant vacancies are taken into account to a certain extent. It is assumed that there will be no rent arrears or non-payments by tenants. |
| Operating expenses | <ul style="list-style-type: none"> When acquiring properties, the property taxes and city planning taxes for the assets will be proportionally calculated according to the holding period and adjusted with the former owner. However, the adjusted amount of the property taxes and city planning taxes to be borne by FRC for the initial year will not be written off since they will be included in the acquisition cost. FRC writes off estimated repair costs expected to be required for buildings for the calculation periods (the 29th and 30th fiscal periods). Actual repair costs may differ significantly from the estimated amounts since there is the possibility that repair costs are incurred urgently due to damages to buildings caused by unforeseeable factors, repair costs generally differ largely from period to period, and repair costs are not regularly incurred. Concerning outsourcing expenses, FRC anticipates 1,911 mm yen for the 29th fiscal period and 1,923 mm yen for the 30th fiscal period. Concerning taxes and other public charges, FRC anticipates 661 mm yen for the 29th fiscal period and 726 mm yen for the 30th fiscal period. Concerning depreciation and amortization expenses, FRC anticipates 1,611 mm yen for the 29th fiscal period and 1,625 mm yen for the 30th fiscal period. |
| Non-operating expenses | <ul style="list-style-type: none"> Concerning interest expenses (including interest expenses on investment corporation bonds) and expenses related to financing, FRC anticipates 365 mm yen for the 29th fiscal period and 368 mm yen for the 30th fiscal period. |
| Dividend per unit | <ul style="list-style-type: none"> Dividend (dividend per unit) is calculated based on the dividend policy stipulated in FRC's Articles of Incorporation. Dividend per unit may fluctuate due to fluctuations in leasing revenues caused by changes in assets under management and tenants or various factors including unexpected occurrences of repair. |
| Dividend in excess of earnings per unit | <ul style="list-style-type: none"> Dividend in excess of earnings (dividend in excess of earnings per unit) is not planned at the moment. |
| Other | <ul style="list-style-type: none"> It is assumed that there will be no significant revisions to laws and regulations, the tax system, and accounting standards that may influence the forecast figures. It is also assumed that there will be no significant unexpected changes in general economic conditions and the real estate market. |

(3) Investment risks

The disclosure is omitted, since there are no significant changes from the "Investment risks" disclosed in the latest securities report (submitted on May 29, 2018).

3. Financial Statements

(1) Balance sheet

(thousands of yen)

| Account | 27th fiscal period (as of February 28, 2018) | | 28th fiscal period (as of August 31, 2018) | |
|---|---|--------------------|---|--------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and deposits | | 2,924,449 | | 2,609,937 |
| Cash and deposits in trust | | 4,514,534 | | 5,386,980 |
| Operating accounts receivable | | 459,948 | | 542,640 |
| Prepaid expenses | | 260,790 | | 254,144 |
| Consumption taxes receivable | | - | | 598,560 |
| Deferred tax assets | | 16 | | 15 |
| Others | | 40,863 | | 4,737 |
| Total current assets | | 8,200,604 | | 9,397,015 |
| Non-current assets | | | | |
| Property, plant and equipment | | | | |
| Buildings in trust | 88,537,835 | | 98,000,220 | |
| Accumulated depreciation | (25,801,859) | 62,735,975 | (27,296,476) | 70,703,743 |
| Structures in trust | 1,583,500 | | 1,855,414 | |
| Accumulated depreciation | (667,932) | 915,568 | (700,178) | 1,155,236 |
| Machinery and equipment in trust | 1,273,527 | | 1,295,492 | |
| Accumulated depreciation | (383,133) | 890,394 | (422,173) | 873,319 |
| Vehicles and transport equipment in trust | 747 | | 747 | |
| Accumulated depreciation | (437) | 309 | (485) | 261 |
| Tools and fixtures in trust | 1,319,583 | | 1,328,883 | |
| Accumulated depreciation | (1,050,837) | 268,745 | (1,083,830) | 245,052 |
| Lands in trust | | 101,545,140 | | 103,814,610 |
| Construction in progress in trust | | 6,780 | | 113,234 |
| Total property, plant and equipment | | 166,362,914 | | 176,905,458 |
| Intangible assets | | | | |
| Leasehold right in trust | | 1,765,318 | | 5,545,883 |
| Other intangible assets in trust | | 16,970 | | 14,390 |
| Total intangible assets | | 1,782,289 | | 5,560,273 |
| Investment and other assets | | | | |
| Lease and guarantee deposits | | 10,000 | | 10,000 |
| Lease and guarantee deposits in trust | | 110,000 | | 327,135 |
| Long-term prepaid expenses | | 786,412 | | 850,645 |
| Total investment and other assets | | 906,412 | | 1,187,780 |
| Total non-current assets | | 169,051,616 | | 183,653,513 |
| Deferred assets | | | | |
| Investment corporation bond issuance expenses | | 30,612 | | 42,551 |
| Investment unit issuance expenses | | 935 | | 19,177 |
| Total deferred assets | | 31,548 | | 61,728 |
| Total assets | | 177,283,768 | | 193,112,257 |

(thousands of yen)

| Account | 27th fiscal period (as of February 28, 2018) | | 28th fiscal period (as of August 31, 2018) | |
|--|---|-------------|---|-------------|
| Liabilities | | | | |
| Current liabilities | | | | |
| Operating accounts payable | | 602,374 | | 649,469 |
| Current maturities of long-term debt | | 2,100,000 | | 4,200,000 |
| Accounts payable-other | | 21,345 | | 18,856 |
| Accrued expenses | | 328,477 | | 363,618 |
| Income taxes payable | | 772 | | 992 |
| Accrued consumption taxes | | 298,500 | | — |
| Advances received | | 990,174 | | 1,049,850 |
| Deposits received | | 768,735 | | 1,327,250 |
| Total current liabilities | | 5,110,380 | | 7,610,038 |
| Non-current liabilities | | | | |
| Investment corporation bonds | | 4,000,000 | | 5,000,000 |
| Long-term debt | | 62,800,000 | | 66,300,000 |
| Tenant leasehold and security deposits | | 373,423 | | 375,422 |
| Tenant leasehold and security deposits received in trust | | 11,233,280 | | 12,027,489 |
| Total non-current liabilities | | 78,406,704 | | 83,702,912 |
| Total liabilities | | 83,517,084 | | 91,312,950 |
| Net assets | | | | |
| Unitholders' equity | | | | |
| Unitholders' capital | | 91,142,766 | | 98,938,764 |
| Surplus | | | | |
| Unappropriated surplus | | 2,623,917 | | 2,860,542 |
| Total surplus | | 2,623,917 | | 2,860,542 |
| Total unitholders' equity | | 93,766,684 | | 101,799,306 |
| Total net assets | | 93,766,684 | | 101,799,306 |
| Total liabilities and net assets | | 177,283,768 | | 193,112,257 |

(2) Statement of income

(thousands of yen)

| Account | 27th fiscal period (September 1, 2017 to February 28, 2018) | | 28th fiscal period (March 1, 2018 to August 31, 2018) | |
|---|---|-----------|---|-----------|
| | | | | |
| Operating revenues | | | | |
| Leasing revenues – real estate | 7,725,449 | | 8,478,614 | |
| Other leasing revenues – real estate | 468,871 | 8,194,321 | 699,815 | 9,178,430 |
| Operating expenses | | | | |
| Expenses related to leasing business | 4,614,437 | | 5,287,625 | |
| Asset management fees | 482,350 | | 520,829 | |
| Asset custody fees | 6,622 | | 6,702 | |
| Administrative service fees | 51,813 | | 53,872 | |
| Director's compensations | 9,600 | | 9,600 | |
| Other operating expenses | 63,610 | 5,228,434 | 61,761 | 5,940,392 |
| Operating income | | 2,965,887 | | 3,238,038 |
| Non-operating revenues | | | | |
| Interest received | 36 | | 37 | |
| Others | 2,426 | 2,463 | 531 | 569 |
| Non-operating expenses | | | | |
| Interest expenses | 228,998 | | 254,894 | |
| Interest expenses on investment corporation bonds | 23,200 | | 24,200 | |
| Amortization of investment corporation bond issuance expenses | 1,646 | | 1,722 | |
| Amortization of investment unit issuance expenses | 5,612 | | 4,770 | |
| Financing related expenses | 84,211 | | 91,901 | |
| Others | 30 | 343,698 | 30 | 377,518 |
| Ordinary income | | 2,624,651 | | 2,861,088 |
| Profit before income taxes | | 2,624,651 | | 2,861,088 |
| Income taxes-current | 1,032 | | 998 | |
| Income taxes-deferred | (16) | 1,015 | 1 | 1,000 |
| Profit | | 2,623,635 | | 2,860,088 |
| Surplus brought forward | | 281 | | 453 |
| Unappropriated surplus | | 2,623,917 | | 2,860,542 |

(3) Statement of changes in net assets

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

(thousands of yen)

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

28th fiscal period (March 1, 2018 to August 31, 2018)

(thousands of yen)

| Item | Unitholders' Equity | | | Total net assets |
|---|----------------------|------------------------|--|------------------|
| | Unitholders' capital | Surplus | | |
| | | Unappropriated surplus | | |
| Balance as of March 1, 2018 | 91,142,766 | 2,623,917 | | 93,766,684 |
| Changes in the current fiscal period | | | | |
| Issuance of new investment units | 7,795,998 | | | 7,795,998 |
| Dividend of surplus | | (2,623,464) | | (2,623,464) |
| Profit | | 2,860,088 | | 2,860,088 |
| Total of changes in the current fiscal period | 7,795,998 | 236,624 | | 8,032,622 |
| Balance as of August 31, 2018 | 98,938,764 | 2,860,542 | | 101,799,306 |

(4) Dividend statement

| Account | 27th fiscal period (September 1, 2017 to February 28, 2018) | 28th fiscal period (March 1, 2018 to August 31, 2018) |
|--------------------------------|--|--|
| I. Unappropriated surplus | 2,623,917 thousand yen | 2,860,542 thousand yen |
| II. Total | 2,623,464 thousand yen | 2,860,028 thousand yen |
| [Dividend per investment unit] | [3,512 yen] | [3,593 yen] |
| III. Surplus brought forward | 453 thousand yen | 514 thousand yen |

| | | |
|----------------------------------|--|--|
| Method for calculating dividends | The amount of dividends shall be decided in accordance with the dividend policy stipulated in Article 38-1-1 of FRC's Articles of Incorporation and must exceed 90% of FRC's distributable profits as stipulated in Article 67-15-1 of the Special Taxation Measures Act. Following the above policy, FRC shall decide to distribute 2,623,464 thousand yen, which is almost the entire amount of unappropriated surplus, as earnings dividends. Moreover, dividend in excess of earnings as stipulated in Article 38-2 of FRC's Articles of Incorporation will not be provided. | The amount of dividends shall be decided in accordance with the dividend policy stipulated in Article 38-1-1 of FRC's Articles of Incorporation and must exceed 90% of FRC's distributable profits as stipulated in Article 67-15-1 of the Special Taxation Measures Act. Following the above policy, FRC shall decide to distribute 2,860,028 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 investment units are rounded off to the nearest thousand yen.

(5) Cash flows statement

(thousands of yen)

| Account | 27th fiscal period (September 1, 2017 to February 28, 2018) | 28th fiscal period (March 1, 2018 to August 31, 2018) |
|---|---|---|
| Net cash provided by (used in) operating activities | | |
| Profit before income taxes | 2,624,651 | 2,861,088 |
| Depreciation and amortization expenses | 1,500,084 | 1,602,568 |
| Amortization of investment corporation bond issuance expenses | 1,646 | 1,722 |
| Amortization of investment unit issuance expenses | 5,612 | 4,770 |
| Interest received | (36) | (37) |
| Interest expenses | 252,198 | 279,094 |
| Decrease (increase) in operating accounts receivables | (28,531) | (82,691) |
| Decrease (increase) in consumption taxes refund receivable | 258,416 | (598,560) |
| Increase (decrease) in accrued consumption taxes | 298,500 | (298,500) |
| Increase (decrease) in operating accounts payable | 24,657 | 61,299 |
| Increase (decrease) in accounts payable-other | (233) | (638) |
| Increase (decrease) in accrued expenses | 2,954 | 27,103 |
| Increase (decrease) in advances received | (7,240) | 59,676 |
| Increase (decrease) in deposits expenses | (286,022) | 558,514 |
| Decrease (increase) in prepaid expenses | (12,764) | 6,646 |
| Decrease (increase) in long-term prepaid expenses | (65,668) | (64,233) |
| Others, net | (20,758) | 3,314 |
| Subtotal | 4,547,465 | 4,421,137 |
| Interest income received | 36 | 37 |
| Interest expenses paid | (254,559) | (271,057) |
| Income taxes paid | (1,311) | (778) |
| Income taxes refund | 517 | 428 |
| Net cash provided by (used in) operating activities | 4,292,149 | 4,149,768 |
| Net cash provided by (used in) investment activities | | |
| Purchase of property, plant and equipment in trust | (409,429) | (12,130,191) |
| Purchase of intangible assets in trust | - | (3,775,257) |
| Proceeds from tenant leasehold and security deposits | 34,621 | 8,534 |
| Repayments of tenant leasehold and security deposits | (30,035) | (6,536) |
| Proceeds from tenant leasehold and security deposits in trust | 42,265 | 1,023,194 |
| Repayments of tenant leasehold and security deposits in trust | (114,867) | (228,985) |
| Payments of tenant leasehold and security deposits in trust | - | (217,135) |
| Proceeds from restricted trust deposits | 3,058 | 2,872 |
| Payments for restricted trust deposits | (3,938) | (2,751) |
| Net cash provided by (used in) investment activities | (478,325) | (15,326,254) |
| Net cash provided by (used in) financial activities | | |
| Proceeds from short-term debt | 4,500,000 | 4,100,000 |
| Repayments of short-term debt | (6,000,000) | (4,100,000) |
| Proceeds from long-term debt | 9,100,000 | 7,200,000 |
| Repayments of long-term debt | (8,600,000) | (1,600,000) |
| Proceeds from issuance of investment corporation bonds | - | 1,000,000 |
| Proceeds from issuance of investment units | - | 7,795,998 |
| Payments of investment corporation bond issuance expenses | - | (13,660) |
| Payment of investment unit issuance expenses | - | (23,013) |
| Dividends paid | (2,555,413) | (2,624,781) |
| Net cash provided by (used in) financial activities | (3,555,413) | 11,734,542 |
| Net increase (decrease) in cash and cash equivalents | 258,410 | 558,055 |
| Balance of cash and cash equivalents at beginning of period | 7,134,506 | 7,392,916 |
| Balance of cash and cash equivalents at end of period | 7,392,916 | 7,950,972 |

(6) Notes on the going concern assumption

No relevant items.

(7) Significant accounting policies

The disclosure is omitted, since there are no significant changes from contents disclosed by the latest securities report (submitted on May 29, 2018).

(8) Notes to financial statements

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

(Per unit information)

| 27th fiscal period (September 1, 2017 to February 28, 2018) | | 28th fiscal period (March 1, 2018 to August 31, 2018) | |
|--|-------------|--|-------------|
| Net assets per investment unit: | 125,524 yen | Net assets per investment unit: | 127,888 yen |
| Profit per investment unit: | 3,512 yen | Profit per investment unit: | 3,593 yen |

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

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

| Account | 27th fiscal period (September 1, 2017 to February 28, 2018) | 28th fiscal period (March 1, 2018 to August 31, 2018) |
|--|---|---|
| Profit (thousands of yen) | 2,623,635 | 2,860,088 |
| Amount not attributable to common shareholders (thousands of yen) | — | — |
| Profit attributable to common investment units (thousands of yen) | 2,623,635 | 2,860,088 |
| Average number of investment units during the fiscal period (units) | 747,000 | 796,000 |

(Significant subsequent events)

No relevant items.

(9) Change in the number of investment units outstanding

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

(Note 1) FRC was established with an issuance 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 (paid-in amount 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 paid-in amount 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 (paid-in

amount 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 (paid-in amount of 557,078 yen) for the purpose of procuring funds for acquiring new properties.

(Note 7) New investment units were issued through public offering at the issue price of 710,580 yen per unit (paid-in amount 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 (paid-in amount 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 (paid-in amount of 159,102 yen) for the purpose of procuring funds for acquiring new properties, etc.

4. Change in Directors

(1) Change in directors in FRC

No relevant items.

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

Tomoyuki Aramaki retired from the post of Director (as of June 22, 2018).

Yoshiro Watanabe was newly appointed as Director (as of June 22, 2018).

Officers of Fukuoka Realty as of October 16 are listed below.

| Title | Name | Career summary | | Number of units owned |
|-------------------------------|-----------------|----------------|---|-----------------------|
| CEO & Representative Director | Etsuo Matsuyuki | April 1980 | Joined Japan Development Bank (currently Development Bank of Japan) | 0 |
| | | June 2004 | Appointed as Manager of Human Resources Division | |
| | | April 2005 | Appointed as General Manager of Management Division | |
| | | July 2006 | Seconded to Fukuoka Jisho Co., Ltd. Appointed as Deputy General Manager of Development Business Group | |
| | | July 2009 | Joined Fukuoka Jisho Co., Ltd. Appointed as Executive Officer and Deputy General Manager of Development Business Group and General Manager of Building Division | |
| | | August 2010 | Appointed as Executive Officer and General Manager of Accounting & Finance Division and in charge of General Affairs Division and Finance Division | |
| | | June 2011 | Appointed as Senior Managing Director and General Manager of Planning Dept., Fukuoka Realty Co., Ltd. | |
| | | January 2012 | Appointed as Senior Executive Officer of Fukuoka Jisho Co., Ltd. | |
| | | June 2012 | Appointed as CEO & Representative Director of Fukuoka Realty Co., Ltd. (current position) | |
| | | May 2014 | Appointed as CEO & Representative Director of Fukuoka REIT Corporation (current position) | |
| Executive Managing Director | Akira Eguchi | April 1982 | Joined Okumura Corporation | 0 |
| | | March 1989 | Joined Fukuoka Jisho Co., Ltd. Assigned to Housing Business Division | |
| | | July 2002 | Appointed as Assistant General Manager of Construction Division | |
| | | October 2005 | Appointed as General Manager of Construction Division | |
| | | August 2010 | Appointed as Executive Officer in charge of Construction Division | |
| | | June 2012 | Appointed Senior Executive Officer in charge of Construction Division | |
| | | June 2017 | Joined Fukuoka Realty Co., Ltd. Appointed as General Manager of Planning Dept. | |
| | | June 2017 | Appointed as Executive Managing Director and General Manager of Planning Dept., Fukuoka Realty Co., Ltd. (current position) | |
| Director | Hiroshi Shimuta | October 2000 | Registered as attorney at law | 0 |
| | | December 2003 | Appointed as Auditor of Fukuoka Realty Co., Ltd. | |
| | | April 2004 | Appointed as Head of Compliance Office | |
| | | April 2005 | Appointed as General Manager of Compliance Dept. | |
| | | June 2007 | Joined Nishimura Tokiwa Law Office (currently, Nishimura Asahi Law Office) | |
| | | June 2007 | Appointed as Director of Fukuoka Realty Co., Ltd. (current position) | |
| | | September 2013 | Appointed as General Manager of Fukuoka Jisho Co., Ltd. Legal Division | |
| | | August 2017 | Appointed as Vice President Board of Directors and General Manager of Legal Division, Fukuoka Jisho Co., Ltd. (current position) | |

| Title | Name | Career summary | | Number of units owned |
|----------|------------------|--|---|-----------------------|
| Director | Hidenori Hara | April 1985 June 1990 August 2005 August 2009 June 2012 June 2014 September 2014 September 2014 February 2015 June 2017 June 2017 | Joined the Bank of Fukuoka Joined Sumitomo Realty & Development Co., Ltd. Joined Fukuoka Jisho Co., Ltd. Appointed as General Manager of Development Business Group Appointed as Executive Officer and General Manager of Housing Business Division Appointed as Executive Officer in charge of Housing Business Division Appointed as Executive Officer Seconded to Fukuoka Realty Co., Ltd. Appointed as Senior Managing Director Appointed as Senior Managing Director and General Manager of Planning Dept. Appointed as Senior Executive Officer in charge of Retail Business Group and Housing Business Division of Fukuoka Jisho Co., Ltd. (current position) Appointed as Director of Fukuoka Realty Co., Ltd. (current position) | 0 |
| Director | Yoshiro Watanabe | April 1977 July 2008 June 2010 June 2011 June 2012 June 2014 June 2015 July 2015 April 2017 June 2018 June 2018 | Joined Kyushu Electric Power Co., Inc. Appointed as General Manager of Corporate Sales Dept. Appointed as General Manager of Sales Dept. Appointed as Senior Officer, General Manager of Sales Dept., Customer Services Division Appointed as Executive Officer and General Manager of Kumamoto Branch Office Appointed as Managing Executive Officer and General Manager of Corporate Administration Division Appointed as Senior Managing Executive Officer and Director of Customer Services Division Appointed as Senior Managing Executive Officer and Director of Sales Division Appointed as Senior Managing Executive Officer, Deputy Executive Director of Energy Service Headquarters and Director of Marketing Division (current position) Appointed as Director of Fukuoka Realty Co., Ltd. (current position) Appointed as Vice-Presidential Executive Officer of Kyushu Electric Power Co., Inc., Deputy Executive Director & Director of Marketing Division of Energy Service Headquarters | 0 |
| Auditor | Masanori Tasaka | April 1978 August 2000 July 2003 October 2004 April 2005 April 2006 June 2006 | Joined Fukuoka Sogo Bank, Ltd. (currently, The Nishi-Nippon City Bank, Ltd.) Appointed as Deputy General Manager of Planning Division Appointed as General Manager of Planning Division and Manager of Risk Management Office Appointed as Senior Manager supporting Business Planning Division Seconded to NCB Management Information Service Co., Ltd. (currently, NCB Research & Consulting Co., Ltd.) and appointed as General Manager of Business Alliance Division Opened Masanori Tasaka Tax & Accounting Office (current position) Appointed as Auditor of Fukuoka Realty Co., Ltd. (current position) | 0 |

(Note) Etsuo Matsuyuki concurrently serves as CEO & Representative Director of Fukuoka Realty Co., Ltd., the asset management company for FRC, and as CEO & Representative Director of FRC. A notification regarding the concurrent office has been filed to the Commissioner of the Financial Services Agency, based on the provisions of Article 31-4-1 of the Financial Instruments and Exchange Act.

5. Reference Information

(1) Investment situation

(as of August 31, 2018)

| Type of asset | Use | Location (Note 1) | Total value of properties owned (mm of yen) (Note 2) | Percentage of total assets (%) (Note 3) |
|---------------------------------|------------------|--------------------|--|---|
| Real estate in Trust | Retail | Fukuoka urban area | 75,833 | 39.3 |
| | | Other Kyushu areas | 36,889 | 19.1 |
| | Office buildings | Fukuoka urban area | 46,357 | 24.0 |
| | | Other Kyushu areas | - | - |
| | Others | Fukuoka urban area | 20,639 | 10.7 |
| | | Other Kyushu areas | 2,632 | 1.4 |
| | Subtotal | | | 182,352 |
| Deposits and other assets | | | 10,759 | 5.6 |
| Total amount of assets (Note 4) | | | 193,112 [182,465] | 100.0 [94.5] |

Note 1: "Fukuoka urban area" refers to cities, towns and villages where 10% or more of the population commute to Fukuoka City for school and work, according to the 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) including commuting between their homes and places of work or school" conducted by Fukuoka City and the Statistics Bureau of the Ministry of Internal Affairs and Communications. "Other Kyushu areas" refers to all other parts of Kyushu (excluding the Fukuoka urban area).

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

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

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

(as of August 31, 2018)

| | Value on balance sheet (mm of yen) | Percentage of total amount of assets (%) |
|-----------------------------|------------------------------------|--|
| Total amount of liabilities | 91,312 | 47.3 |
| Total amount of net assets | 101,799 | 52.7 |

(2) Investment assets

(i) Primary issues of investment securities

No relevant items.

(ii) Real estate investment portfolio

No relevant items.

(iii) Other primary investment assets

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

(as of August 31, 2018)

| Real estate property name | Acquisition value (mm of yen) (Note 1) | Value on balance sheet (mm of yen) | Period-end appraisal value (mm of yen) (Note 2) | Investment ratio (%) (Note 3) | Real estate appraiser |
|---|--|--|--|-------------------------------------|---------------------------------------|
| Canal City Hakata | 32,000 | 30,169 | 32,000 | 16.6 | Tanizawa Sogo Appraisal Co., Ltd. |
| Canal City Hakata・B | 28,700 | 28,977 | 30,000 | 14.9 | Tanizawa Sogo Appraisal Co., Ltd. |
| Park Place Oita (Note 4) | 18,620 | 19,611 | 19,900 | 9.6 | Japan Real Estate Institute |
| SunLive City Kokura | 6,633 | 5,675 | 8,160 | 3.4 | Japan Real Estate Institute |
| Konoha Mall Hashimoto | 10,000 | 10,250 | 10,500 | 5.2 | Tanizawa Sogo Appraisal Co., Ltd. |
| Square Mall Kagoshima Usuki | 5,300 | 4,450 | 5,550 | 2.7 | Japan Real Estate Institute |
| Kumamoto Intercommunity SC | 2,400 | 2,017 | 2,810 | 1.2 | Japan Real Estate Institute |
| Hanahata SC | 1,130 | 996 | 1,250 | 0.6 | Tanizawa Sogo Appraisal Co., Ltd. |
| Kurume Higashi Kushiwara SC | 2,500 | 2,091 | 2,790 | 1.3 | Tanizawa Sogo Appraisal Co., Ltd. |
| K's Denki Kagoshima | 3,550 | 3,042 | 3,710 | 1.8 | Tanizawa Sogo Appraisal Co., Ltd. |
| Marinoa City Fukuoka (Marina Side Building) | 5,250 | 5,440 | 6,060 | 2.7 | Tanizawa Sogo Appraisal Co., Ltd. |
| Retail subtotal: | 116,083 | 112,722 | 122,730 | 60.1 | |
| Canal City Business Center Building | 14,600 | 13,255 | 15,400 | 7.6 | Tanizawa Sogo Appraisal Co., Ltd. |
| Gofukumachi Business Center | 11,200 | 9,132 | 14,000 | 5.8 | Tanizawa Sogo Appraisal Co., Ltd. |
| Sanix Hakata Building | 4,400 | 3,871 | 5,840 | 2.3 | Japan Real Estate Institute |
| Taihaku Street Business Center | 7,000 | 6,071 | 8,180 | 3.6 | Japan Real Estate Institute |
| Higashi Hie Business Center | 5,900 | 4,530 | 7,400 | 3.1 | Tanizawa Sogo Appraisal Co., Ltd. |
| Tenjin Nishi-Dori Center Building | 2,600 | 2,692 | 3,030 | 1.3 | Japan Real Estate Institute |
| Tenjin North Front Building | 2,800 | 2,573 | 3,880 | 1.4 | Japan Real Estate Institute |
| Higashi Hie Business Center II | 4,230 | 4,228 | 4,340 | 2.2 | Tanizawa Sogo Appraisal Co., Ltd. |
| Office buildings subtotal: | 52,730 | 46,357 | 62,070 | 27.3 | |
| Amex Akasakamon Tower | 2,060 | 1,737 | 1,940 | 1.1 | Daiwa Real Estate Appraisal Co., Ltd. |
| City House Keyaki Dori | 1,111 | 937 | 1,110 | 0.6 | Daiwa Real Estate Appraisal Co., Ltd. |
| Aqualia Chihaya | 1,280 | 1,189 | 1,680 | 0.7 | Japan Real Estate Institute |
| D-Wing Tower | 2,800 | 2,717 | 3,550 | 1.4 | Tanizawa Sogo Appraisal Co., Ltd. |
| Granfore Yakuin Minami | 1,100 | 1,136 | 1,310 | 0.6 | Tanizawa Sogo Appraisal Co., Ltd. |
| Hotel FORZA Oita | 1,530 | 1,427 | 1,870 | 0.8 | Japan Real Estate Institute |
| Tosu Logistics Center | 1,250 | 1,205 | 1,430 | 0.6 | Japan Real Estate Institute |
| LOGICITY Minato Kashii | 8,150 | 7,934 | 8,880 | 4.2 | Tanizawa Sogo Appraisal Co., Ltd. |
| LOGICITY Hisayama | 5,050 | 4,986 | 5,250 | 2.6 | Tanizawa Sogo Appraisal Co., Ltd. |
| Others subtotal: | 24,331 | 23,272 | 27,020 | 12.6 | |
| Total | 193,144 | 182,352 | 211,820 | 100.0 | |

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

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

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

Note 4: Park Place Oita Daiichi Parking, which FRC acquired on July 6, 2018, is included. The same shall apply hereafter.

(B) Summary of the real estate leasing business

(as of August 31, 2018)

| Real estate property name | Number of tenants (Note 1) | Occupancy rate (%) (Note 3) | Total leasable floor space (m ²) | Total leased floor space (m ²) | Total leasing revenues (mm of yen) (Note 4) | Percentage of total leasing revenues (%) (Note 5) |
|---|----------------------------|-----------------------------|--|--|---|---|
| Canal City Hakata | 1 [50] | 99.9 | 46,604.75 | 46,567.92 | 1,256 | 13.7 |
| Canal City Hakata・B | 1 [47] | 99.0 | 68,828.79 | 68,129.95 | 1,576 | 17.2 |
| Park Place Oita | 1 [104] | 99.8 | 113,834.59 | 113,657.62 | 1,207 | 13.2 |
| SunLive City Kokura | 1 | 100.0 | 61,450.22 | 61,450.22 | 292 | 3.2 |
| Konoha Mall Hashimoto | 1 [127] | 100.0 | 22,121.03 | 22,121.03 | 838 | 9.1 |
| Square Mall Kagoshima Usuki | 12 | 100.0 | 14,602.88 | 14,602.88 | 257 | 2.8 |
| Kumamoto Intercommunity SC | 2 | 100.0 | 6,968.66 | 6,968.66 | 90 | 1.0 |
| Hanahata SC | 2 | 100.0 | 2,801.15 | 2,801.15 | 40 | 0.4 |
| Kurume Higashi Kushiwara SC | 1 | 100.0 | 6,467.80 | 6,467.80 | 88 | 1.0 |
| K's Denki Kagoshima | 1 | 100.0 | 7,296.17 | 7,296.17 | 111 | 1.2 |
| Marinoa City Fukuoka (Marina Side Building) | 1 | 100.0 | 33,069.82 | 33,069.82 | 177 | 1.9 |
| Retail subtotal: | 24 [348] (Note 2) | 99.8 | 384,045.86 | 383,133.22 | 5,937 | 64.7 |
| Canal City Business Center Building | 1 [61] | 99.1 | 23,031.09 | 22,821.31 | 633 | 6.9 |
| Gofukumachi Business Center | 35 | 100.0 | 19,905.34 | 19,905.34 | 544 | 5.9 |
| Sanix Hakata Building | 16 | 100.0 | 6,293.75 | 6,293.75 | 201 | 2.2 |
| Taihaku Street Business Center | 1 [67] | 98.2 | 14,677.30 | 14,420.16 | 300 | 3.3 |
| Higashi Hie Business Center | 1 [25] | 100.0 | 13,614.59 | 13,614.59 | 338 | 3.7 |
| Tenjin Nishi-Dori Center Building | 1 | 100.0 | 3,339.32 | 3,339.32 | 86 | 0.9 |
| Tenjin North Front Building | 11 | 100.0 | 5,252.41 | 5,252.41 | 143 | 1.6 |
| Higashi Hie Business Center II | 2 | 100.0 | 6,214.77 | 6,214.77 | 167 | 1.8 |
| Office buildings subtotal: | 68 [218] (Note 2) | 99.5 | 92,328.57 | 91,861.65 | 2,415 | 26.3 |
| Amex Akasakamon Tower | 1 [64] | 93.7 | 4,821.25 | 4,519.72 | 66 | 0.7 |
| City House Keyaki Dori | 1 [40] | 95.5 | 2,710.86 | 2,588.24 | 37 | 0.4 |
| Aqualia Chihaya | 1 [103] | 98.6 | 5,619.69 | 5,539.83 | 60 | 0.7 |
| D-Wing Tower | 1 [131] | 95.1 | 7,187.59 | 6,838.82 | 116 | 1.3 |
| Granfore Yakuin Minami | 1 [94] | 95.0 | 2,496.06 | 2,371.90 | 38 | 0.4 |
| Hotel FORZA Oita | 1 | 100.0 | 5,785.44 | 5,785.44 | 63 | 0.7 |
| Tosu Logistics Center | 1 | 100.0 | 4,173.29 | 4,173.29 | Undisclosed (Note 6) | Undisclosed (Note 6) |
| LOGICITY Minato Kashii | 2 | 100.0 | 43,233.72 | 43,233.72 | Undisclosed (Note 6) | Undisclosed (Note 6) |
| LOGICITY Hisayama | 1 | 100.0 | 24,505.65 | 24,505.65 | Undisclosed (Note 6) | Undisclosed (Note 6) |
| Others subtotal: | 10 [437] (Note 2) | 99.0 | 100,533.55 | 99,556.61 | 824 | 9.0 |
| Total | 102 [1,003] (Note 2) | 99.6 | 576,907.98 | 574,551.48 | 9,178 | 100.0 |

Note 1: "Number of tenants" is based on the total number of sections stipulated in the tenancy agreements for retail and office buildings among relevant properties. For the number of tenants in pass-through master leasing properties, the number of sections stipulated in the tenancy agreements with end tenants is shown in parentheses. The Taihaku Street Business Center is an office building with a residential tower. Its number of end tenants comprises 12 offices and 55 residences.

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

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

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

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

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

(3) Investment target

The disclosure is omitted, since there are no significant changes from the “Investment target” disclosed by the latest securities report (submitted on May 29, 2018).