



# Fukuoka REIT Corporation

Overview of the 28<sup>th</sup> fiscal period performance Security code [8968] March 1<sup>st</sup>, 2018~August 31<sup>st</sup>, 2018



# Fukuoka REIT Corporation

Overview of the 28<sup>th</sup> fiscal period performance

[Security code 8968] March 1<sup>st</sup>, 2018~August 31<sup>st</sup>, 2018

Financial statements .....	1
Business forecasts .....	9
Overview of retail operation .....	11
Overview of office buildings operation .....	16
Financial strategy .....	19
Asset's growth .....	22
Current situation of Fukuoka and Kyushu .....	23
Sustainability .....	30
Appendix .....	31

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

These materials may contain future performance, plans, management targets and strategies. These forward-looking descriptions are based on present assumptions on future events and trends in the business environment, but such assumptions may not necessarily be accurate. Actual results may differ materially due to various factors. Neither Fukuoka REIT Corporation nor Fukuoka Realty shall be liable for the accuracy, rationality and completeness of information contained in these materials, whether they were prepared by Fukuoka REIT Corporation or Fukuoka Realty or provided by a third party. These materials have not been prepared to entice investment. When applying to purchase investment units issued by Fukuoka REIT Corporation, do so based on your own judgment and responsibility.

# Topics of the 28<sup>th</sup> fiscal period

## Dividend Growth by acquiring new properties

### ■ Acquisition of New properties

◎ Assets grew to 193.1 bn yen due to the acquisition of new properties, closing in on the 200.0 bn yen mark

● Acquired Konoha Mall Hashimoto and Higashi Hie Business Center II from sponsor in March 2018

Property name	Acquisition price	NOI yield
Konoha Mall Hashimoto	10,000 mm yen	5.6% (*1)
Higashi Hie Business Center II	4,230 mm yen	5.0% (*1)



(\*1) Based on the NOI in the appraisal report as of December 1, 2017.

### ■ Initiatives to bolster portfolio

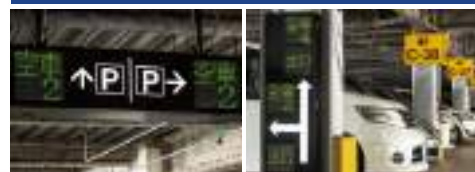
◎ Carried out additional capex initiatives in order to increase our ability to attract visitors at Konoha Mall Hashimoto

● Opened and Installed a giant hammock. This is the first installation of a hammock at a commercial property in Kyushu.

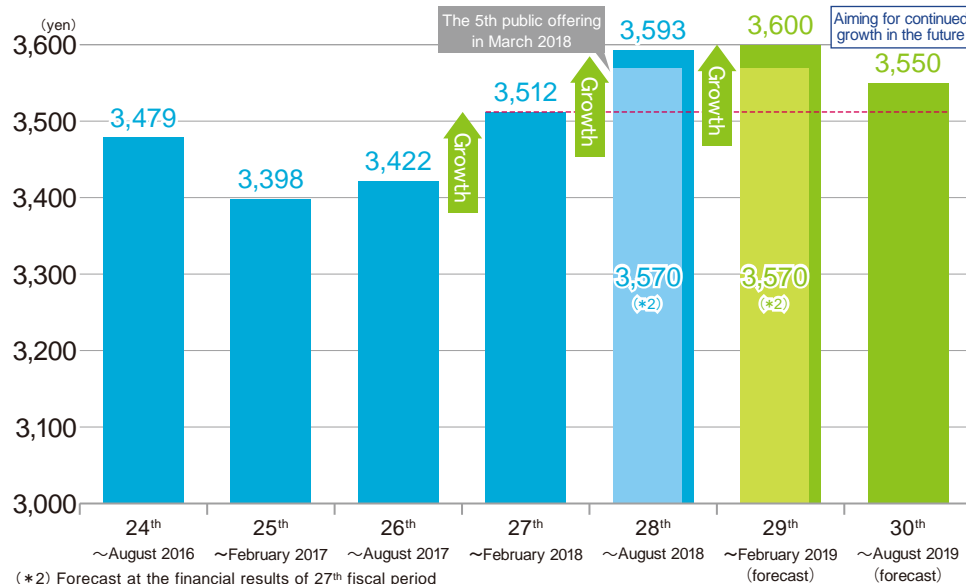
● Increased convenience for guests by updating the parking lot control systems



#### Parking lot control systems



### ■ Dividend Growth



### ■ Conservative financial operations

◎ Issued super-long-term investment corporation bonds two years in a row

Name	Price	Date of issue	Term	Yield
The third series of unsecured bonds	1,000 mm yen	Jul.31, 2018	20 years	1.200%
The second series of unsecured bonds	2,000 mm yen	Jul.31, 2017	15 years	1.000%

◎ Balancing the reduction in interest costs with the lengthening of borrowing periods

● In the 28th fiscal period, new borrowings and refinanced debt totaled 7,200 mm yen

Average interest rate paid	Average remaining duration to maturity	Fixed rate	LTV
0.73%	6.4 years	90.9%	39.1% (At period-end)

# Financial highlights

Dividend per unit was 3,593 yen

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

Category	24 <sup>th</sup> ~ Aug. 31, 2016	25 <sup>th</sup> ~ Feb. 28, 2017	26 <sup>th</sup> ~ Aug. 31, 2017	27 <sup>th</sup> ~ Feb. 28, 2018 A	28 <sup>th</sup> ~ Aug. 31, 2018 B	Difference B-A	29 <sup>th</sup> ~ Feb. 28, 2019 (forecast)	30 <sup>th</sup> ~ Aug. 31, 2019 (forecast)
Operating revenues	8,234	9,730	8,122	8,194	9,178	+984	9,121	9,160
Leasing NOI	5,164	5,010	4,998	5,079	5,493	+413	5,503	5,488
Depreciation and amortization expenses	1,470	1,455	1,474	1,500	1,602	+102	1,611	1,625
Operating income	3,069	4,585	2,920	2,965	3,238	+272	3,234	3,200
Ordinary income	2,616	4,199	2,562	2,624	2,861	+236	2,866	2,826
Profit	(*3) 938	(*3) 4,198	2,556	2,623	2,860	+236	2,865	2,825

<b>Dividend per unit (yen) ①</b>	<b>(*3) 3,479</b>	<b>(*3) 3,398</b>	<b>3,422</b>	<b>3,512</b>	<b>3,593</b>			
Latest dividend forecast per unit (yen) ②	3,430	3,300	3,400	3,470	3,570		3,600	3,550
Difference from forecast (yen) ②-①	+49	+98	+22	+42	+23		-	-
Total number of investment units outstanding(at period-end)(units)	747,000	747,000	747,000	747,000	796,000		796,000	796,000

Total assets (at period-end) (mm yen)	179,513	175,063	178,063	177,283	193,112
Total liabilities (at period-end) (mm yen)	87,432	81,382	84,364	83,517	91,312
Total net assets (at period-end) (mm yen)	92,081	93,681	93,699	93,766	101,799

Days in fiscal period (days)	184	181	184	181	184
Number of investment properties (at period-end)	27	25	26	26	28
Number of tenants (at period-end)(*1)	997	871	877	879	1,003
Total leasable floor space (at period-end) (m <sup>2</sup> )	554,541.30	523,817.31	548,564.96	548,564.93	576,907.98
Occupancy rate (at period-end) (%)(*2)	99.5	99.4	99.8	99.6	99.6

(\*1) The number of tenants shown is based on the total for properties Fukuoka REIT owns. As for the number of tenants in pass-through master leasing properties, the total number of sections stipulated in the tenancy agreements with end tenants is shown.

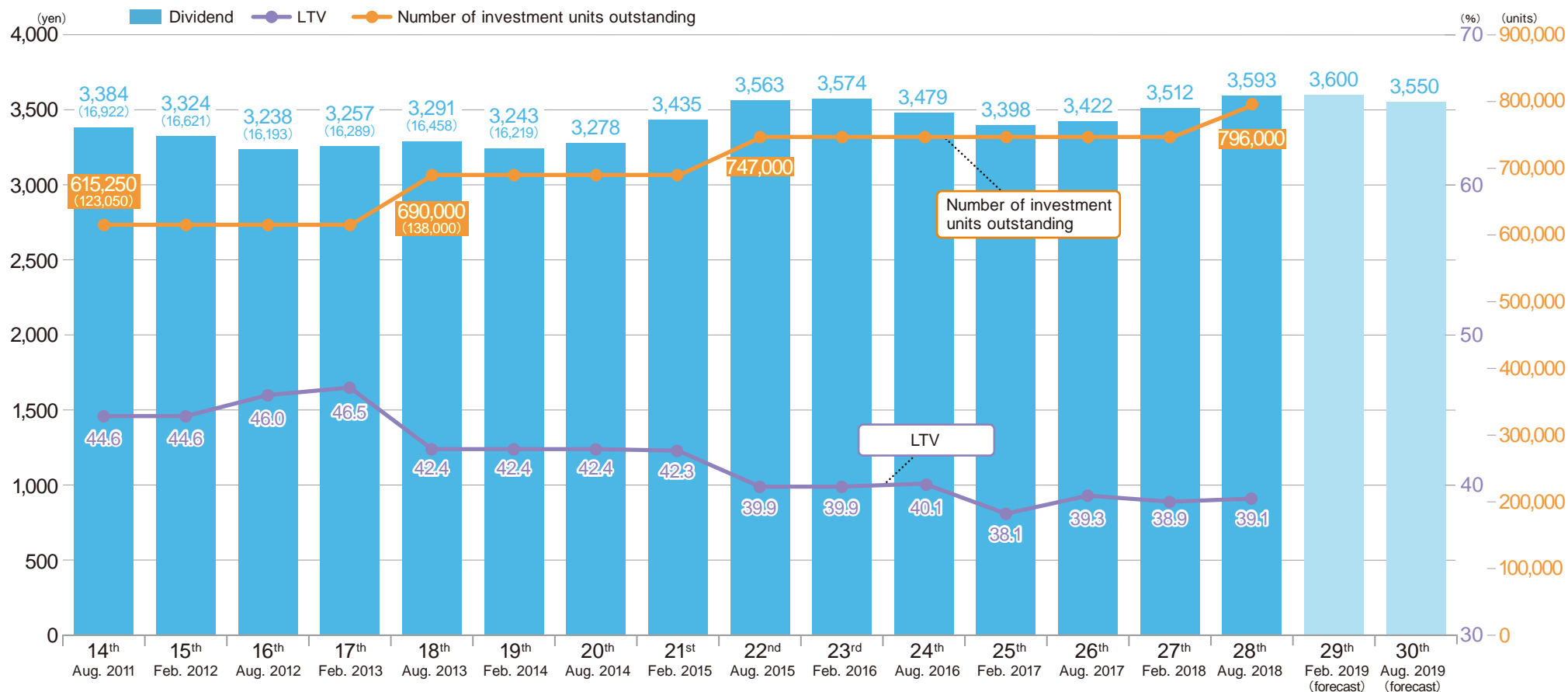
(\*2) "Occupancy rate"="Total leased floor space at period-end"/"Total leasable floor space at period-end"

(\*3) With regard to the disposition of AEON Hara Shopping Center ("AEON Hara") and Aqualia Kego ("Kego") (sale agreement concluded in the 24<sup>th</sup> FP and delivery of property in the 25<sup>th</sup> FP for both properties), due to the recording of the amount corresponding to the loss on the sale of AEON Hara as an impairment loss in the 24<sup>th</sup> FP and a gain on the sale of Kego in the 25<sup>th</sup> FP for accounting purposes, differences from tax treatment (recording of a gain or loss on the sale of AEON Hara and Kego in the 25<sup>th</sup> FP) occurred (The difference between accounting and taxation). For this reason, the impact of the difference between accounting and taxation on the dividend was reversed by means of the recording and reversal of a reserve for temporary difference adjustments on the dividend statement.

# Dividend's track record

Keeping a stable dividend

<b>The 28<sup>th</sup> fiscal period end</b>	August 31, 2018 (semi-annual periods ending every February and August)	<b>Days in fiscal period</b>	184
<b>Dividend (actual)</b>	3,593 yen per unit	<b>Dividend yield</b>	4.2% {(Dividend / days in fiscal period x 365) / Unit price} (as of August 31, 2018)



\*Dividend reflect the 5-for-1 split of investment unit, ( )=before 5-for-1 split.

\*Investment units reflect the 5-for-1 split at period-end, the figures at the end of each fiscal period. ( )=before 5-for-1 split.

# Statements of Income (compared with previous fiscal period)

## Increase in income and profit by new acquisition

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

Sign indicates impact on profit (unit : mm yen)

Account		27 <sup>th</sup> ~ Feb. 28, 2018 A	28 <sup>th</sup> ~ Aug. 31, 2018 B	Difference B-A
Operating profit and loss	<b>Total operating revenues</b>	8,194	9,178	① 984
	Leasing revenues-real estate	7,725	8,478	753
	Other leasing revenues-real estate	468	699	230
	<b>Total operating expenses</b>	5,228	5,940	② 711
	Expenses related to leasing business	4,614	5,287	673
	Asset management fees	482	520	38
	Asset custody fees	6	6	0
	Administrative service fees	51	53	2
	Director's compensations	9	9	-
	Other operating expenses	63	61	(1)
	<b>Operating income</b>	2,965	3,238	272
Non-Operating profit and loss	<b>Total non-operating revenues</b>	2	0	(1)
	<b>Total non-operating expenses</b>	343	377	③ 33
	Interest expenses (incl. investment corporation bonds)	252	279	26
	Financing related expenses	84	91	7
	Others	7	6	(0)
<b>Ordinary income</b>	2,624	2,861	236	
<b>Profit before income taxes</b>	2,624	2,861	236	
<b>Total income taxes</b>	1	1	(0)	
<b>Profit</b>	2,623	2,860	236	

Dividend	<b>Total dividends</b>	2,623	2,860	236
	<b>Dividend per unit (yen)</b>	3,512	3,593	81

### Operating profit and loss

① Acquired properties at 28 <sup>th</sup> FP	+1,006
[ -of which, Konoha Mall Hashimoto	+838]
[ -of which, Higashi Hie Business Center II	+167]
Canal City Hakata	(18)
[ -of which, a seasonal factor of variable rents	(20)]
Canal City Hakata-B	(61)
[ -of which, a seasonal factor of variable rents	(30)]
Park Place Oita	+16
[ -of which, increase in income from utilities	+16]
Office buildings	+26
[ -of which, rent increase in leasing revenues-real estate	+14]
[ -of which, increase in income from utilities	+12]
Increase in other revenues	+15
<b>Total : +984</b>	
② Acquired properties at 28 <sup>th</sup> FP	(690)
Increase in outsourcing fees	(17)
[ -of which, Park Place Oita	(11)]
Increase in expenses from utilities	(33)
Increase in repair & maintenance expenses	+60
Increase in taxes and fees	(17)
[ -of which, LOGICITY Hisayama	(11)]
Decrease in depreciation and amortization expenses	+19
Increase in selling general and administrative expenses	(38)
Decrease in other expenses	+5
<b>Total : (711)</b>	

### Non-Operating profit and loss

③ Decrease in non-operating expenses	(33)
[ -of which, decrease in debt-related expenses	(33)]

# Statements of Income (compared with forecast)

Dividend was 3,593 yen, 23 yen more than forecast

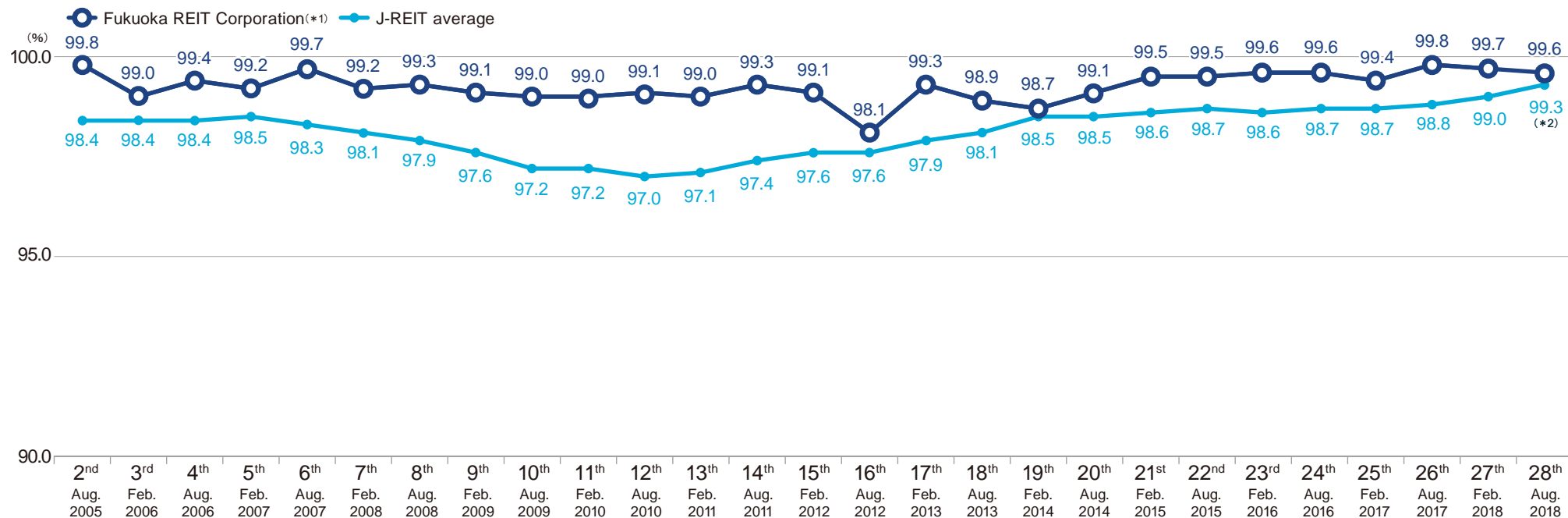
- unit : mm yen (Figures rounded down to the nearest mm yen)

Account		Previous Forecast A	28 <sup>th</sup> ~ Aug. 31, 2018 B	Difference B-A
Ordinary profit and loss	<b>Total operating revenues</b>	9,173	9,178	4
	Leasing revenues-real estate		8,478	
	Other leasing revenues-real estate		699	
	<b>Total operating expenses</b>	5,938	5,940	2
	Expenses related to leasing business		5,287	
	Asset management fees		520	
	Asset custody fees		6	
	Administrative service fees		53	
	Director's compensations		9	
	Other operating expenses		61	
	<b>Operating income</b>	3,235	3,238	2
Non-Operating profit and loss	<b>Total non-operating revenues</b>	0	0	(0)
	<b>Total non-operating expenses</b>	393	377	(15)
	Interest expenses (incl. investment corporation bonds)		279	
	Financing related expenses		91	
	Others		6	
	<b>Ordinary income</b>	2,842	2,861	18
	<b>Profit before income taxes</b>	2,842	2,861	18
	<b>Total income taxes</b>	1	1	0
	<b>Profit</b>	2,841	2,860	18
Dividend	<b>Total dividends</b>	2,841	2,860	18
	<b>Dividend per unit (yen)</b>	3,570	3,593	23

# Portfolio properties' occupancy rates

## Maintained high occupancy rates

### Historical occupancy rates (the weighted average during the period)



(\*1) The investment corporation's occupancy rates in the 2nd fiscal period through the 4th fiscal period were the occupancy rates at the end of each fiscal period. For the 5th fiscal period through the 28th fiscal period, the occupancy rates are the weighted average occupancy rates during the fiscal periods. The ratio of total leased floor area to leasable floor area is shown.

(\*2) The J-REIT average for the 28th fiscal period is the June 2018 (preliminary figures).

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

### Occupancy rates (the weighted average during the period)

Category	Investment ratio (based on acquisition price)	24 <sup>th</sup>	25 <sup>th</sup>	26 <sup>th</sup>	27 <sup>th</sup>	28 <sup>th</sup>
		~ Aug. 31, 2016	~ Feb. 28, 2017	~ Aug. 31, 2017	~ Feb. 28, 2018	~ Aug. 31, 2018
Retail	60.1%	99.8%	99.6%	100.0%	99.8%	99.8%
Office buildings	27.3%	99.8%	99.7%	99.9%	99.3%	99.5%
Others	12.6%	98.3%	98.6%	98.9%	99.3%	99.1%
<b>Total</b>	<b>100.0%</b>	<b>99.6%</b>	<b>99.4%</b>	<b>99.8%</b>	<b>99.7%</b>	<b>99.6%</b>



# Appraisal value

Maintained unrealized gains <sup>(\*)1</sup> for all properties

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

	Property name	Acquisition price (*2)	Acquisition cap rate	Appraisal value		Book value at 28 <sup>th</sup>	Difference		Direct capitalization values			Name of appraiser
				28 <sup>th</sup> Aug. 31, 2018	27 <sup>th</sup> Feb. 28 2018		From Appraisal value at 27 <sup>th</sup>	From Book value at 28 <sup>th</sup>	28 <sup>th</sup> Cap rate	27 <sup>th</sup> Cap rate	Difference (%)	
				①	②		③	①-②	①-③	④	⑤	
Retail	Canal City Hakata	32,000	6.0%	32,000	31,800	30,169	200	1,830	4.5%	4.5%	0.0	Tanizawa Sogo Appraisal
	Canal City Hakata・B	28,700	5.4%	30,000	29,700	28,977	300	1,022	4.7%	4.7%	0.0	Tanizawa Sogo Appraisal
	Park Place Oita (*3)	18,620	6.0%	19,900	19,400	19,611	500	288	5.6%	5.7%	(0.1)	Japan Real Estate Institute
	SunLive City Kokura	6,633	6.6%	8,160	8,150	5,675	10	2,484	6.0%	6.0%	0.0	Japan Real Estate Institute
	Konoha Mall Hashimoto (*4)	10,000	5.3%	10,500	10,000	10,250	500	249	5.2%	5.3%	(0.1)	Tanizawa Sogo Appraisal
	Square Mall Kagoshima Usuki	5,300	6.3%	5,550	5,450	4,450	100	1,099	5.9%	6.0%	(0.1)	Japan Real Estate Institute
	Kumamoto Intercommunity SC	2,400	6.5%	2,810	2,760	2,017	50	792	5.7%	5.8%	(0.1)	Japan Real Estate Institute
	Hanahata SC	1,130	6.4%	1,250	1,250	996	0	253	5.4%	5.4%	0.0	Tanizawa Sogo Appraisal
	Kurume Higashi Kushiwara SC	2,500	6.1%	2,790	2,780	2,091	10	698	5.5%	5.5%	0.0	Tanizawa Sogo Appraisal
	K's Denki Kagoshima	3,550	5.7%	3,710	3,710	3,042	0	667	5.4%	5.4%	0.0	Tanizawa Sogo Appraisal
Marinoa City Fukuoka (Marina Side Building)	5,250	5.5%	6,060	5,940	5,440	120	619	4.8%	4.9%	(0.1)	Tanizawa Sogo Appraisal	
	<b>Total of retail</b>	<b>116,083</b>	-	<b>122,730</b>	<b>120,940</b>	<b>112,722</b>	<b>1,790</b>	<b>10,007</b>	-	-	-	
Office buildings	Canal City Business Center Building	14,600	6.3%	15,400	15,200	13,255	200	2,144	4.6%	4.7%	(0.1)	Tanizawa Sogo Appraisal
	Gofukumachi Business Center	11,200	6.3%	14,000	13,700	9,132	300	4,867	4.5%	4.6%	(0.1)	Tanizawa Sogo Appraisal
	Sanix Hakata Building	4,400	5.9%	5,840	5,510	3,871	330	1,968	4.3%	4.4%	(0.1)	Japan Real Estate Institute
	Taihaku Street Business Center	7,000	6.0%	8,180	7,740	6,071	440	2,108	4.7%	4.8%	(0.1)	Japan Real Estate Institute
	Higashi Hie Business Center	5,900	6.0%	7,400	7,090	4,530	310	2,869	4.7%	4.9%	(0.2)	Tanizawa Sogo Appraisal
	Tenjin Nishi-Dori Center Building	2,600	5.4%	3,030	3,030	2,692	0	337	4.2%	4.3%	(0.1)	Japan Real Estate Institute
	Tenjin North Front Building	2,800	6.1%	3,880	3,730	2,573	150	1,306	4.5%	4.7%	(0.2)	Japan Real Estate Institute
	Higashi Hie Business Center II (*4)	4,230	4.9%	4,340	4,230	4,228	110	111	4.7%	4.8%	(0.1)	Tanizawa Sogo Appraisal
	<b>Total of office buildings</b>	<b>52,730</b>	-	<b>62,070</b>	<b>60,230</b>	<b>46,357</b>	<b>1,840</b>	<b>15,712</b>	-	-	-	
Others	Amex Akasakamon Tower (Residence)	2,060	5.4%	1,940	1,940	1,737	0	202	4.6%	4.7%	(0.1)	Daiwa Real Estate Appraisal
	City House Keyaki Dori (Residence)	1,111	5.5%	1,110	1,090	937	20	172	4.6%	4.7%	(0.1)	Daiwa Real Estate Appraisal
	Aqualia Chihaya (Residence)	1,280	6.8%	1,680	1,640	1,189	40	490	5.1%	5.2%	(0.1)	Japan Real Estate Institute
	D-Wing Tower (Residence)	2,800	5.9%	3,550	3,480	2,717	70	832	4.5%	4.6%	(0.1)	Tanizawa Sogo Appraisal
	Granfore Yakuin Minami (Residence)	1,100	5.6%	1,310	1,290	1,136	20	173	4.4%	4.5%	(0.1)	Tanizawa Sogo Appraisal
	Hotel FORZA Oita (Hotel)	1,530	6.6%	1,870	1,860	1,427	10	442	5.4%	5.4%	0.0	Japan Real Estate Institute
	Tosu Logistics Center (Logistics)	1,250	5.9%	1,430	1,420	1,205	10	224	5.2%	5.2%	0.0	Japan Real Estate Institute
	LOGICITY Minato Kashii (Logistics)	8,150	5.2%	8,880	8,800	7,934	80	945	4.4%	4.5%	(0.1)	Tanizawa Sogo Appraisal
LOGICITY Hisayama (Logistics)	5,050	5.1%	5,250	5,220	4,986	30	263	4.6%	4.7%	(0.1)	Tanizawa Sogo Appraisal	
	<b>Total of others</b>	<b>24,331</b>	-	<b>27,020</b>	<b>26,740</b>	<b>23,272</b>	<b>280</b>	<b>3,747</b>	-	-	-	
	<b>Total properties</b>	<b>193,144</b>	-	<b>211,820</b>	<b>207,910</b>	<b>182,352</b>	<b>3,910</b>	<b>29,467</b>	-	-	-	

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

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

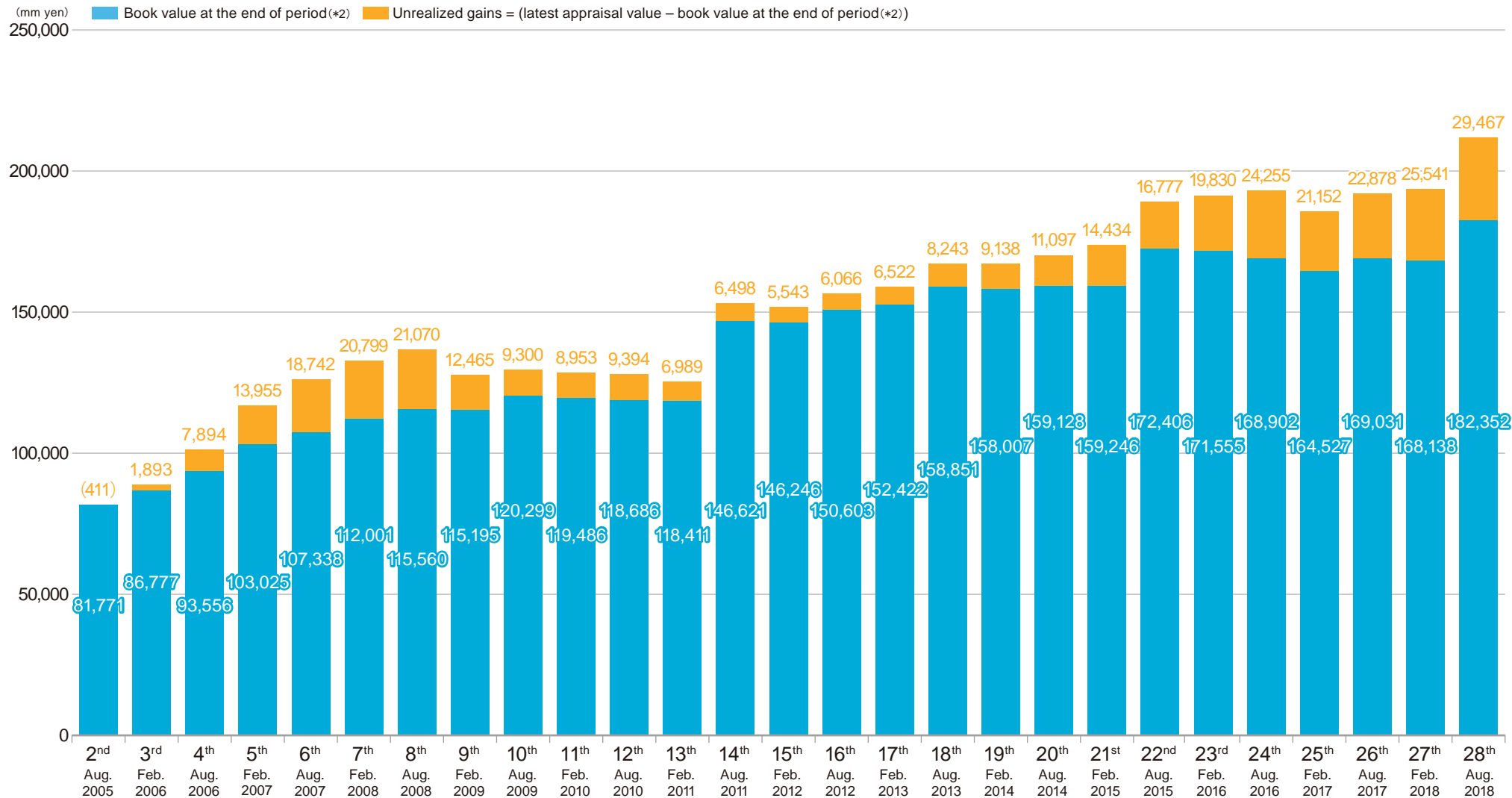
(\*3) The figures are included Park Place Oita Daiichi Parking, acquired in the 28<sup>th</sup> fiscal period.

(\*4) The previous fiscal period's appraisal value and direct capitalization method's Cap Rate were the figures based on the appraisal value at the time of property acquisition.

# Historical appraisal values (unrealized gains)

Maintained continuously since the 3<sup>rd</sup> fiscal period (Unrealized gains totaled 29,467 mm yen, 16.2% ratio of unrealized gains (\*1) at the 28<sup>th</sup>)

## Historical appraisal values



(\*1) Ratio of unrealized gains = (latest appraisal value – book value at the end of period(\*2)) / book value at the end of period.

(\*2) Book value at the end of period does not include construction in progress.

# Business forecast (the 29<sup>th</sup> fiscal period, Feb. 2019)

The forecast dividend is at the 3,600 yen level for the first time since the 9<sup>th</sup> fiscal period

## Forecast in the 29<sup>th</sup> fiscal period

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

Account	28 <sup>th</sup> Actual A	29 <sup>th</sup> Forecast at 27 <sup>th</sup> B	29 <sup>th</sup> Forecast at 28 <sup>th</sup> C	28 <sup>th</sup> Actual difference C-A	29 <sup>th</sup> Forecast difference C-B
Operating revenues	9,178	9,116	9,121	① (57)	4
Operating expenses	5,940	5,891	5,886	② (53)	(4)
Operating income	3,238	3,224	3,234	(3)	9
Non-operating revenues	0	1	3	3	2
Non-operating expenses	377	382	371	③ (6)	(11)
Ordinary income	2,861	2,843	2,866	5	23
Profit	2,860	2,842	2,865	5	23
<b>Total dividends</b>	<b>2,860</b>	<b>2,841</b>	<b>2,865</b>	<b>5</b>	<b>23</b>
<b>Dividend per unit (yen)</b>	<b>3,593</b>	<b>3,570</b>	<b>3,600</b>	<b>7</b>	<b>30</b>

Sign indicates impact on profit (unit : mm yen)

### Difference between the 28<sup>th</sup> FP actual and the 29<sup>th</sup> FP forecast

① Canal City Hakata・B	+25
[ -of which, a seasonal factor of variable rents	+33]
Park Place Oita	(20)
[ -of which, decrease in income from utilities	(15)]
Konoha Mall Hashimoto	(30)
[ -of which, decrease in income from utilities	(7)]
Office buildings	(9)
[ -of which, rent increase in leasing revenues-real estate	+4]
[ -of which, decrease in income from utilities	(12)]
Decrease in other revenues	(23)
<b>Total : (57)</b>	
② Decrease in expenses from utilities	+30
[ -of which, Park Place Oita	+13]
[ -of which, Office buildings	+9]
Decrease in repair & maintenance expenses	+24
Increase in other expenses	(1)
<b>Total : +53</b>	
③ Decrease in non-operating expenses	+6
[ -of which, decrease in debt-related expenses	+5]

# Business forecast (the 30<sup>th</sup> fiscal period, Aug. 2019)

The dividend will be 3,550 yen despite the onset of municipal property tax on properties acquired in the 28<sup>th</sup> fiscal period

## Forecast in the 30<sup>th</sup> fiscal period

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

Account	29 <sup>th</sup> Forecast at 28 <sup>th</sup> A	30 <sup>th</sup> Forecast at 28 <sup>th</sup> B	29 <sup>th</sup> forecast Difference B-A
Operating revenues	9,121	9,160	① 39
Operating expenses	5,886	5,959	② 72
Operating income	3,234	3,200	(33)
Non-operating revenues	3	0	(3)
Non-operating expenses	371	374	3
Ordinary income	2,866	2,826	(39)
Profit	2,865	2,825	(39)
<b>Total dividends</b>	<b>2,865</b>	<b>2,825</b>	<b>(39)</b>
<b>Dividend per unit (yen)</b>	<b>3,600</b>	<b>3,550</b>	<b>(50)</b>

Sign indicates impact on profit (unit : mm yen)

## Variance from updated the 29<sup>th</sup> FP forecast

① Canal City Hakata	(10)
Canal City Hakata·B	(25)
[ -of which, a seasonal factor of variable rents	(33)]
Park Place Oita	+23
[ -of which, Increase in income from utilities	+28]
Konoha Mall Hashimoto	+15
[ -of which, Increase in income from utilities	+8]
Office buildings	+19
[ -of which, rent increase in leasing revenues-real estate	+8]
[ -of which, Increase in income from utilities	+11]
Increase in other revenues	+17
<b>Total : +39</b>	
② Increase in outsourcing fees	(12)
[ -of which, Park Place Oita	(8)]
Increase in expenses from utilities	(43)
Decrease in repair & maintenance expenses	+63
Increase in taxes and fees	(64)
[ -of which, new properties acquired in the 28 <sup>th</sup> FP	(51)]
Increase in depreciation and amortization expenses	(14)
Increase in other expenses	(2)
<b>Total : (72)</b>	

# Active retail

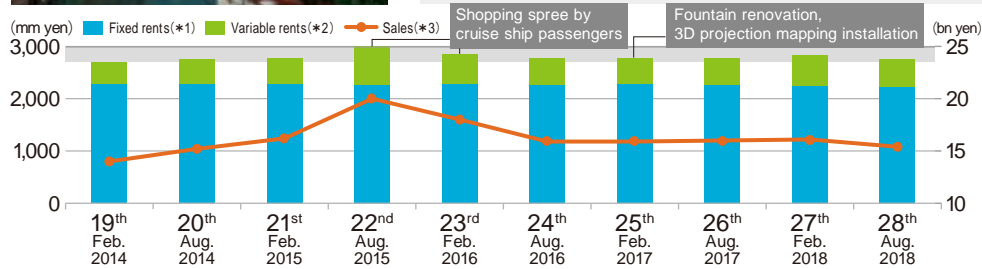
## Stable rent levels maintained over the long term

### Canal City Hakata Canal City Hakata・B



Sales (annual total>(\*3))  
 Sep. 2016–Aug. 2017 **31.8 bn yen** → Sep. 2017–Aug. 2018 **31.5 bn yen**

Continuing to maintain solid revenue and rent levels based on facilities operations that create experiential value and emotionally-satisfying consumption as well as inbound demand centered on FIT. Room revenue of the Grand Hyatt Fukuoka and other hotels within the facility is also trending favorably. A tenant entering the Japanese market for the first time has also been signed on.

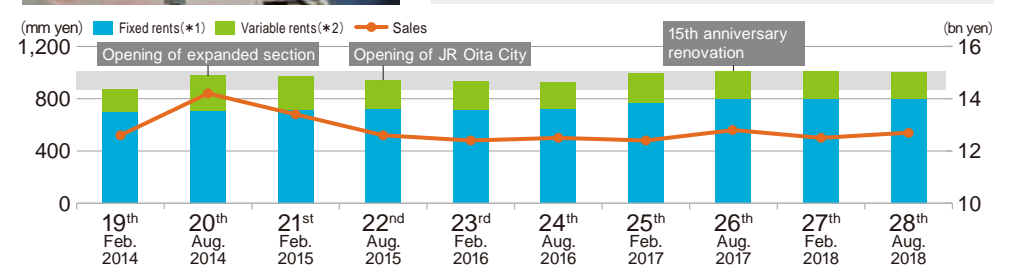


### Park Place Oita



Sales (annual total)  
 Sep. 2016–Aug. 2017 **25.2 bn yen** → Sep. 2017–Aug. 2018 **25.1 bn yen**

At Park Place Oita, 90% of visitors come by car. We acquired Park Place Oita Daiichi Parking and continued to secure the needed number of parking spots. Partially thanks to the effect of having tenants who are opening stores in Oita Prefecture for the first time, roughly the same level of revenue was maintained as in the previous year, when the 15 year renovation was carried out.

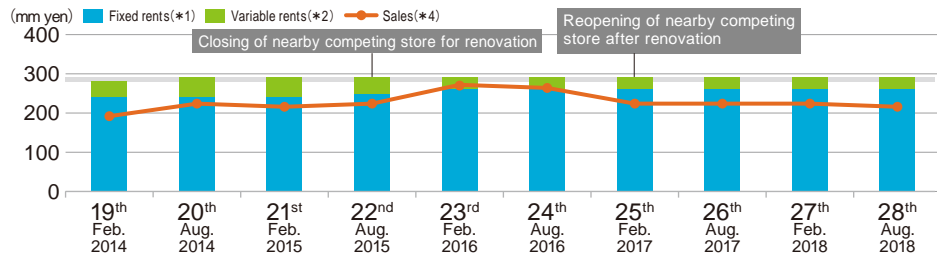


### SunLive City Kokura



Sales (annual total>(\*4))  
 Sep. 2016–Aug. 2017 **(0.6) %** → Sep. 2017–Aug. 2018 **(0.6) %**

Continued to maintain stable revenue and rent levels. In the 28th fiscal period, the impacts of typhoons and torrential rains caused revenues to temporarily decline year on year.

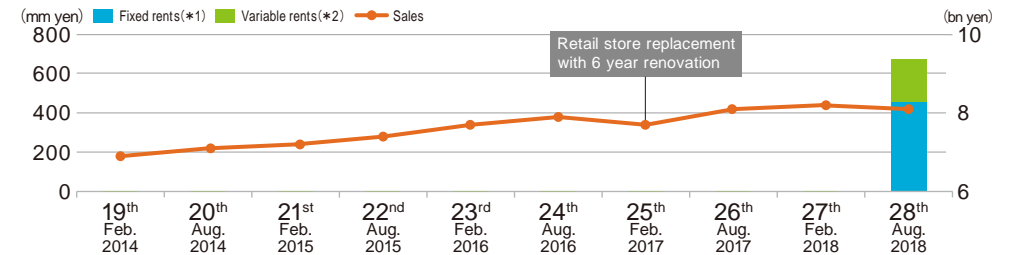


### Konoha Mall Hashimoto



Sales (annual total)  
 Sep. 2016–Aug. 2017 **15.8 bn yen** → Sep. 2017–Aug. 2018 **16.3 bn yen**

Since its opening in 2011, revenues have grown steadily, with most recent year-on-year revenue growth of 3.2%. While continuing to operate as a community-based property, the property is working to increase the level of customer satisfaction by adding a giant hammock and by introducing parking lot control systems.



\*Sales figures are rounded down to the nearest 100 mm yen. \*Active Retail : properties with variable rents such as Canal City Hakata, Canal City Hakata・B, Park Place Oita, SunLive City Kokura, Konoha Mall Hashimoto.

\*Konoha Mall Hashimoto was acquired on March 1, 2018, and prior revenues are included as reference values.

(\*1) The fixed rent is the total of (among the real estate leasing revenue), ①Fixed monthly rent; ②Of the tenant rents with a revenue ratio (calculated by multiplying the ratio to the monthly revenue of applicable tenants) established, the minimum guaranteed rent portion in the case that minimum guaranteed rent has been established; ③Common expenses; and ④Amount paid by Park Place Oita and Konoha Mall Hashimoto's parking lot tenants. (\*2) Variable rents are the sum of the portion of rents collected from tenants with variable rents that varies as a function of the tenants' sales. (\*3) Combined sales of Canal City Hakata and Canal City Hakata・B, properties owned by Fukuoka REIT. (\*4) Sales figures are omitted because SunLive did not consent to their disclosure.

# Current situation at Canal City Hakata (overall)

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

## ■“Canal defense operation! Protect the canal with your smartphone!”

◎Aqua Panorama’s 6th

“Godzilla comes onshore in Hakata. CANAL CITY HAKATA GODZILLA - The Destroy Mapping Show”

Aqua Panorama’s first interactive game in which visitors participate opened on June 1, 2018.

In this interactive game, visitors use their own smartphones to launch missiles. The missiles are equipped with cooling agents, and Godzilla gradually cools down as he is hit by the missiles. By increasing the hit ratio, the player can freeze Godzilla and successfully defend the canal! Successful defense! In addition to the projection mapping, the experiential value has been further increased with the fountain, sound effects, light production, and making it an attraction that people participate in.



## ■Sales of Canal City Hakata (16<sup>th</sup> FP [Aug. 2012] ~ 28<sup>th</sup> FP [Aug. 2018])



\*Combined sales of Canal City Hakata and Canal City Hakata-B properties owned Fukuoka REIT.

## ■Dragon Ball Super “Canal Splash!”

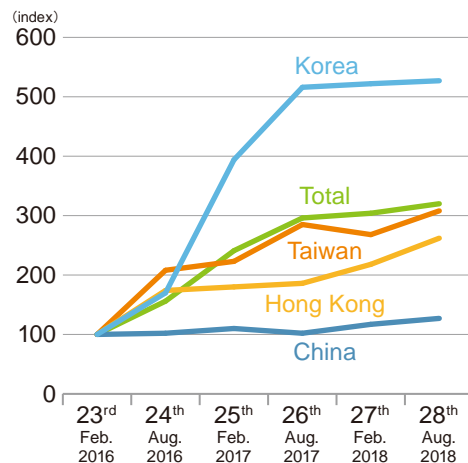
◎Experience the world of the movie “Dragon Ball Super: Broly” all over Canal City Hakata!

In commemoration of the movie’s opening, the summer’s popular event “Canal Water Splash” had a hands-on spray special show using the theme song of the animation. A giant dragon balloon was put up in South Building’s atrium space.



© Bird Studio / Shueisha  
© 2018 Dragon Ball Super Production Committee

## ■Tax-free counter users by country



\*The graph was plotted taking the 23<sup>rd</sup> fiscal period (Feb.2016) number as 100. Source: Prepared by Fukuoka Realty based on data from Fukuoka Jisho Co., Ltd.

## ■New tenants and hot topics

◎Opening December 1st

Hamleys, world’s happiest toy store based in the U.K. comes to Japan for the first time

Hamleys is the U.K.’s oldest toy store with more than 258 years of history. The store has a unique sales style featuring exciting toy demonstrations and attractions that the entire family can enjoy, thereby creating a distinctive atmosphere.



\*The photograph is an image.

◎Canal City Hakata

6th Green Social Contribution Award Received

Canal City Hakata received the award in recognition of the following three points:

- ①Creation of a space where visitors can rest and spend time, especially at the man-made canal.
- ②Carrying out one of the largest wall greening initiatives in Japan in East Building, which opened in 2011, and consideration of the environment enhancing the entire facility’s exhaust gas purification function.
- ③Creation of communication spaces, including the hotel’s rooftop garden and workshop.



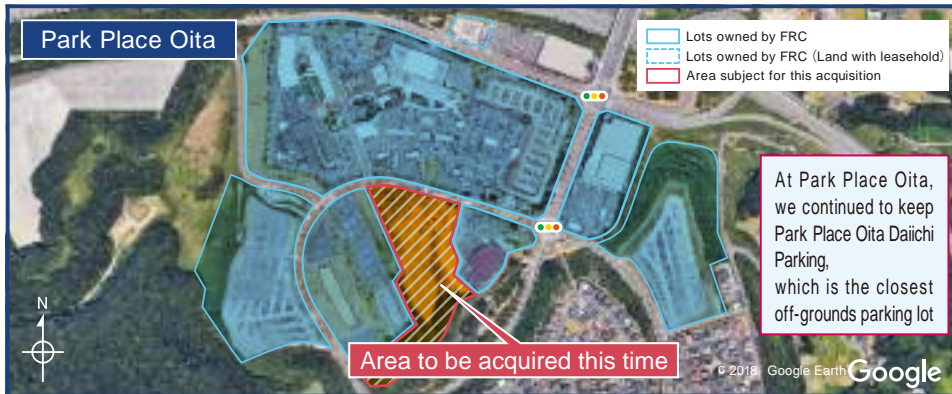
\*Hotel rooftop greening



\*Green area around the canal

# Current situation at Park Place Oita

## Acquisition of Park Place Oita Daiichi Parking



Area	Acquisition price	Date of acquisition
26,018 m <sup>2</sup>	860 mm yen	July 6, 2018

## New tenants' conditions and Events

©IKINARI STEAK opens in Park Place Oita;  
the restaurant's first opening in Oita Prefecture!

On March 22, 2018, the restaurant Ikinari Steak opened its first location in Oita Prefecture. Since the opening day, long, winding lines of people have been forming each day to eat there, helping draw people to the facility.



©Summer events

- June
  - Very Best Fireworks Festival 2018
  - Father's Day Fair
- July
  - Water Circus 2018
- August
  - Bungotakada City tie-up "Showa Town Summer Festival"

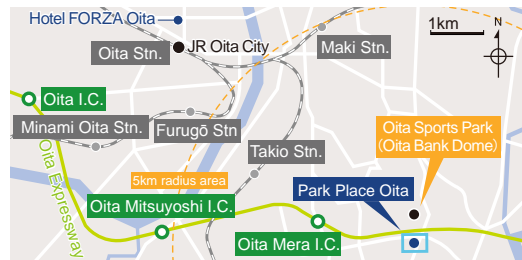


## 2019 Rugby World Cup

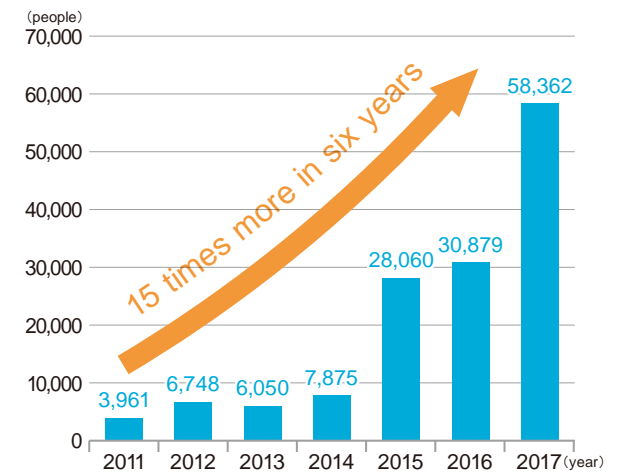
©Opening on September 20, 2019

- Rugby World Cup 2019 starts in September
- Match schedule at the Oita Stadium (Oita Bank Dome)

October 2, 2019 New Zealand vs. Losing team that won the qualifying match  
 October 5, 2019 Australia vs. Uruguay  
 October 9, 2019 Wales vs. Fiji  
 October 19, 2019 Quarterfinal match  
 October 20, 2019 Quarterfinal match



## Change in number of overseas visitors to Oita airport

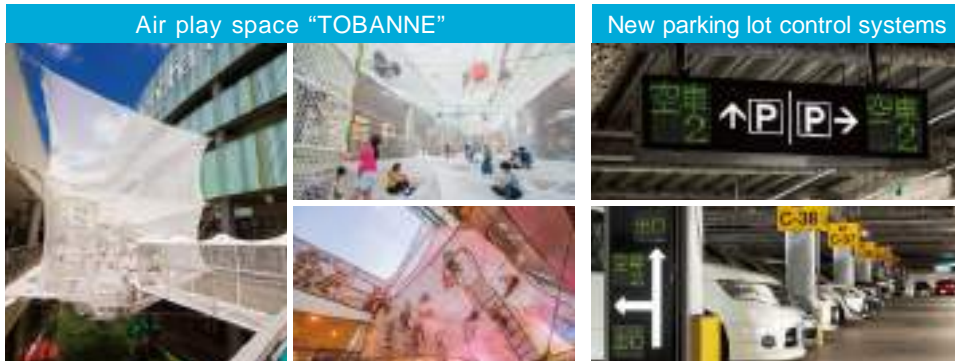


Source: Prepared by Fukuoka Realty based on data from Ministry of Justice "Immigration control statistics table"

# Current situation at Konoha Mall Hashimoto

Aiming to become a commercial property that is more rooted in the community with additional capex initiatives

## Additional new capex initiatives



### Highlights of additional capex initiatives

- Installed a giant hammock roughly 17m wide and 13m high. This is the first installation of a hammock at a commercial property in Kyushu.
- By creating a new play space for children up to elementary school students and effectively utilizing the expanded grass square, we are providing motivation for the main customer target to visit and aim to increase the mall's ability to attract visitors.
- Updating the parking lot control systems has eased parking lot congestion on weekends and holidays, and increased convenience for guests.

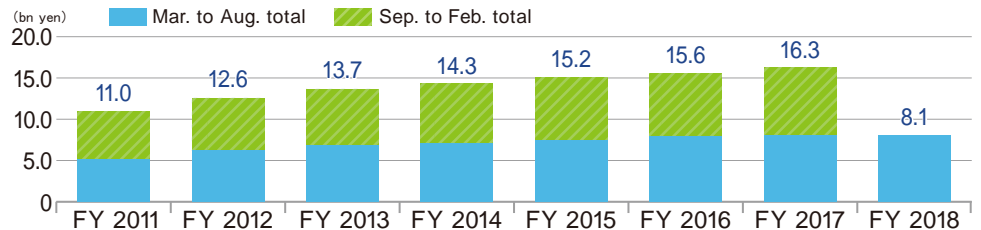
## Events

<p><b>Morning exercise</b></p>	<p><b>Garden theater</b></p>	<p><b>Hashimoto night market</b></p>	<p><b>Rice planting experience</b></p>
<p>Annual events in summer vacation "Exercise in Konoha Mall"</p>	<p>Free movie showing at a "garden theater" by setting a large-screen on Garden Court lawn. Drew a total of roughly 4,000 people over a 6-day period</p>	<p>Shooting gallery, ring toss, and other 100 yen game area. This night market is only held on Saturdays and Sundays during summer vacation</p>	<p>Receiving instruction from local producers, children and their parents can try planting rice in a nearby rice paddy</p>

## Historical sales · Characteristics of visitors

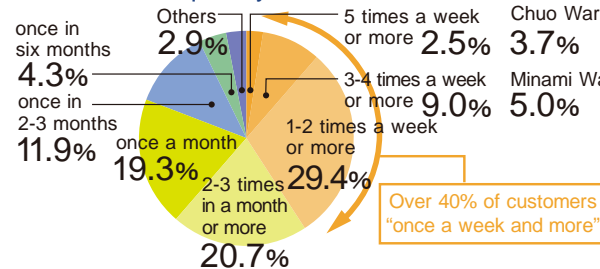
### Historical sales of Konoha Mall Hashimoto

Well recognized as a community-based commercial facility, revenues have been growing steadily since its opening in 2011.

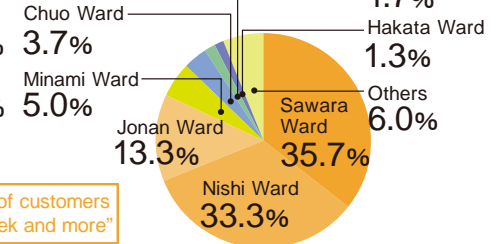


\*The sales of FY2011 is the total figures from April to August since its opening in April, 2011.

### Visitors' frequency



### Address



## Floor map

**1F**

**Fashion & Delicious Life**

Trendy and stylish fashion and sundries along with a selective range of gourmet dining options

**2F**

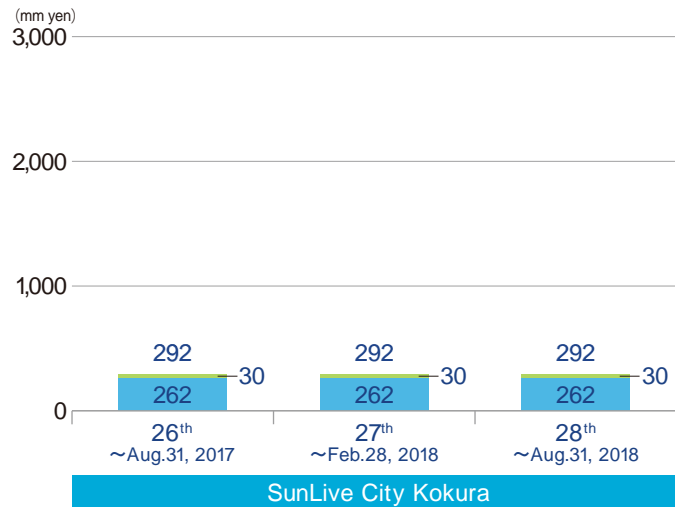
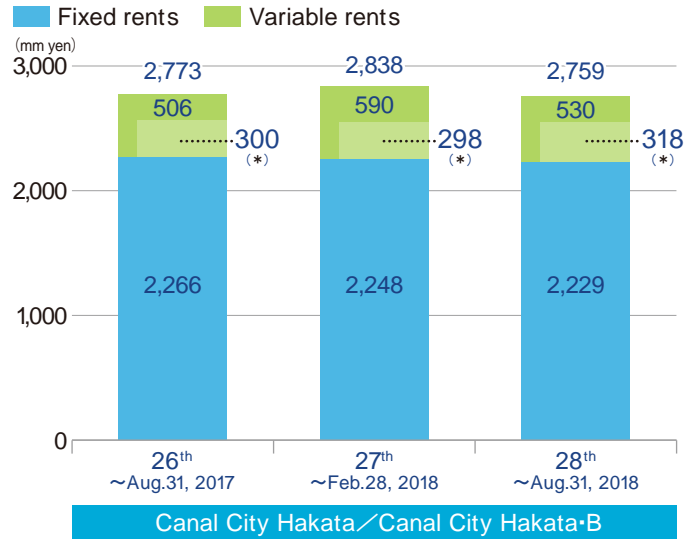
**Family & Life**

Shopping floors with something fun for every day of the week, from family fashion to exciting shops

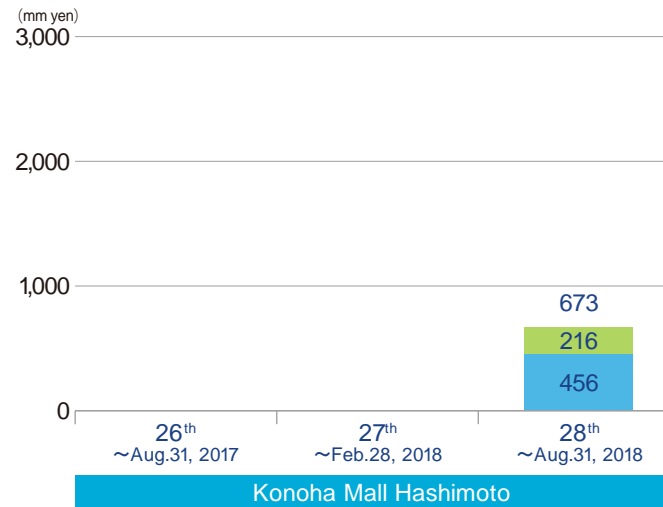
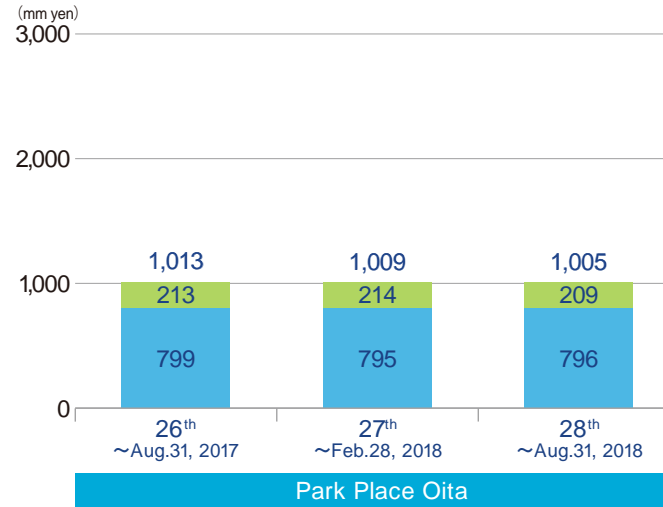


# Breakdown of active retail rents

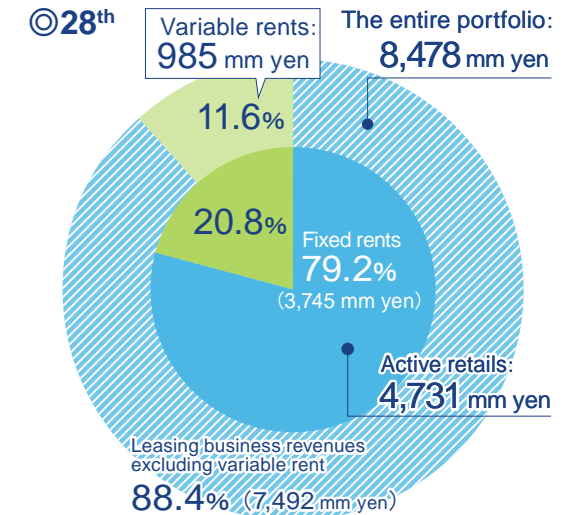
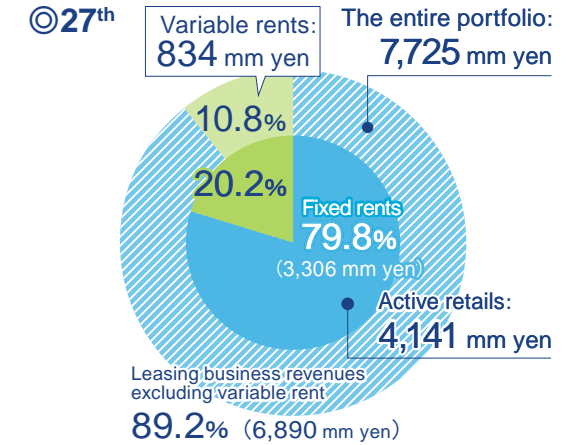
## Breakdown of rents by property



(\*) The figures are included parking fee in variable rents of Canal City Hakata / Canal City Hakata-B.

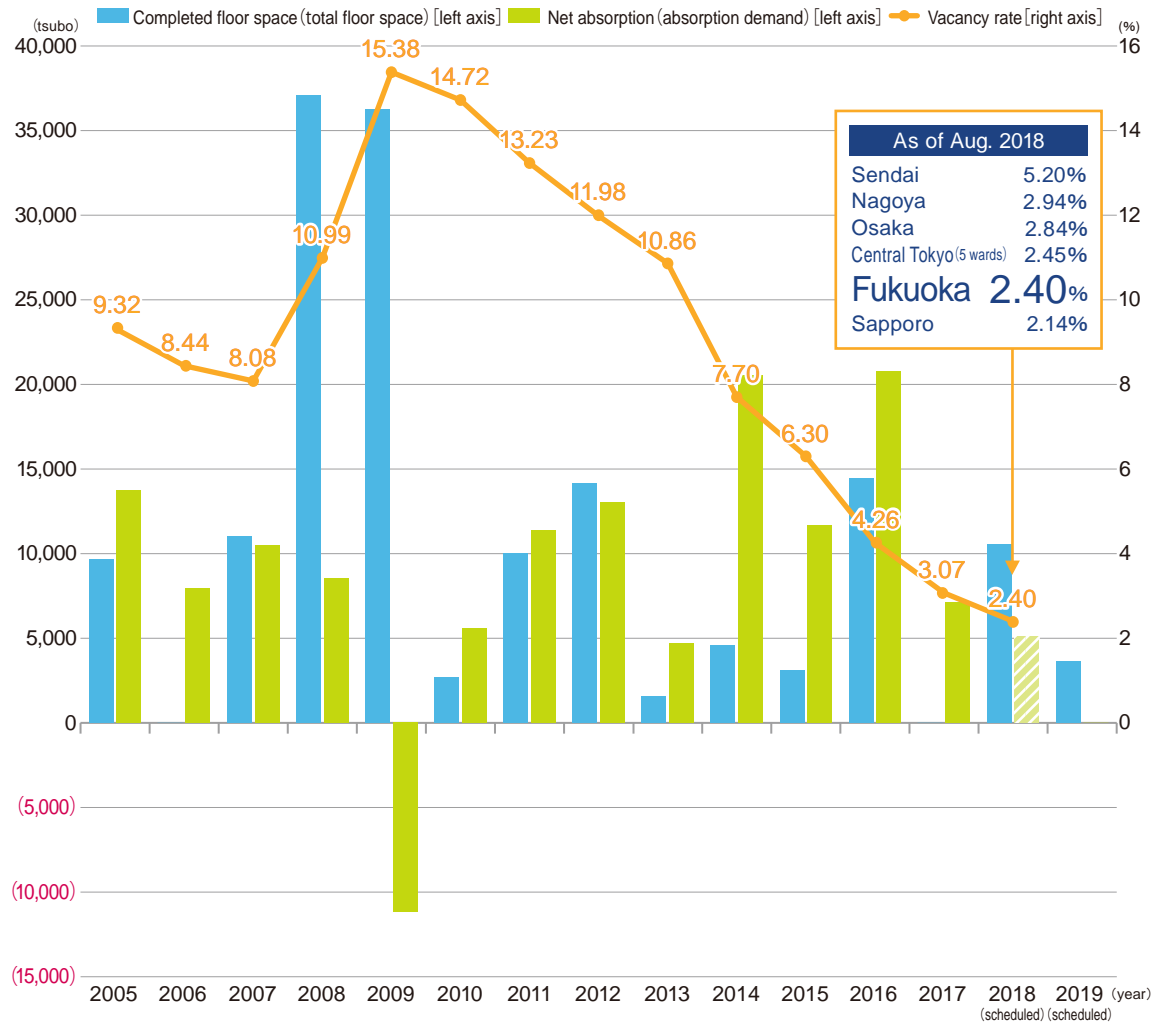


## Breakdown of variable rents



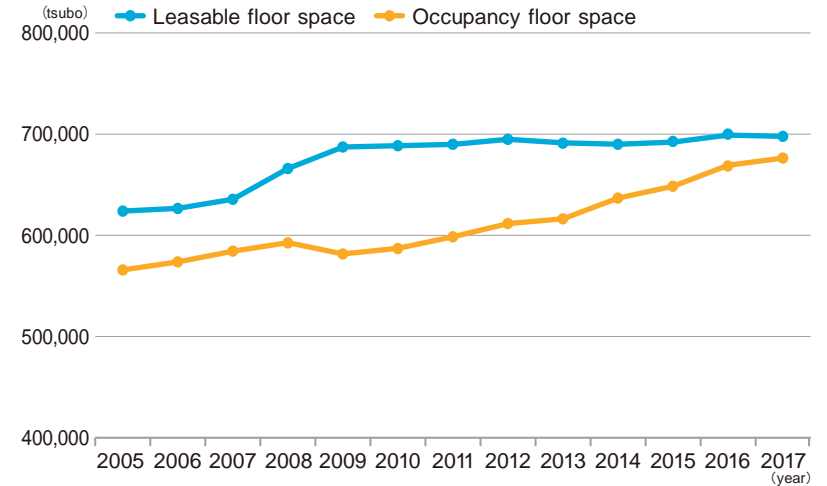
# Fukuoka office market

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



\*Statistics from 2005 to 2017 are based on the figures at the end of December.  
 \*Office building-related data for each city are data for areas and buildings included in surveys conducted by Miki Shoji Co., Ltd.  
 \*Net absorption (absorption demand) shows the change in the occupied floor space during a specific period. It is calculated by subtracting the occupied floor space on December 31 of the previous year from the occupied floor space on December 31 of the applicable year. For 2018, net absorption (absorption demand) was calculated using August-end values.  
 Source: Fukuoka Realty, based on data published by Miki Shoji Co., Ltd.

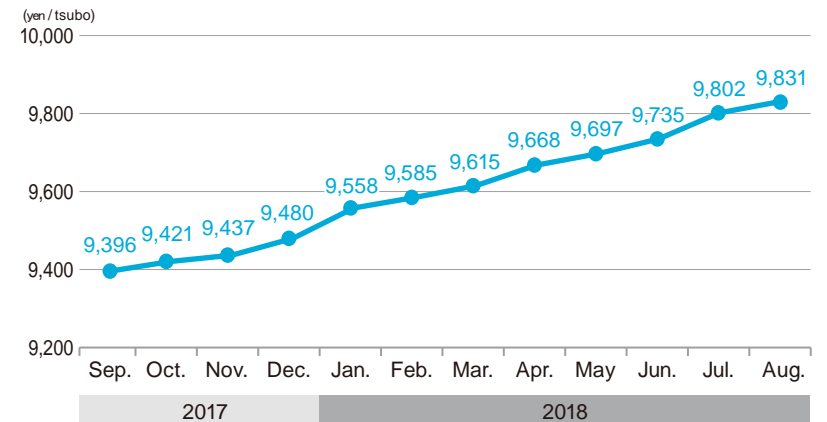
## Fukuoka office market / Trend of leasable floor space and occupancy floor space



Source: Fukuoka Realty, based on data published by Miki Shoji Co., Ltd.

## Fukuoka office market / Average asking rents

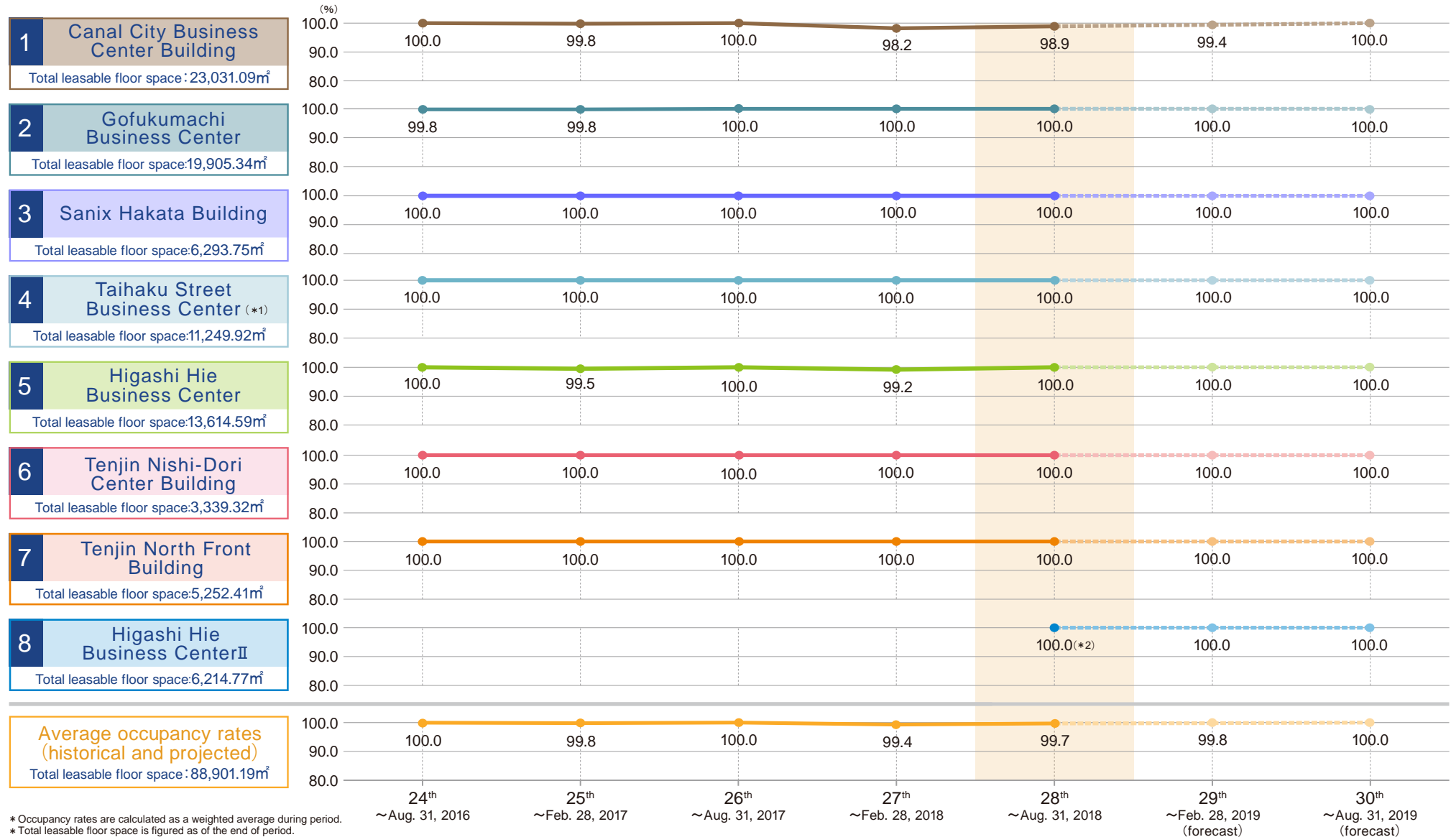
©Average asking rents during the past year (September 2017 to August 2018)



Source: Fukuoka Realty, based on data published by Miki Shoji Co., Ltd.

# Historical and projected office buildings' occupancy rates

Keeping to maintain well occupancy rate

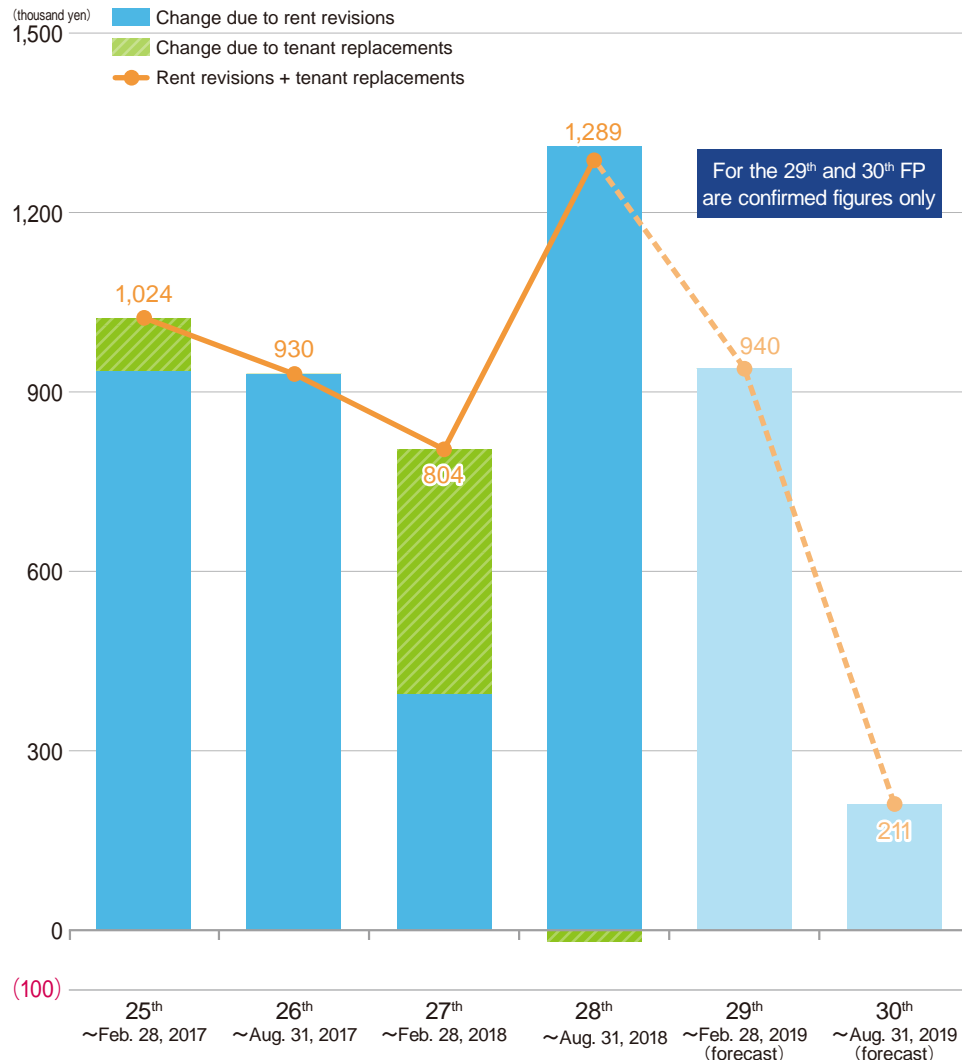


\* Occupancy rates are calculated as a weighted average during period.  
 \* Total leasable floor space is figured as of the end of period.  
 \* Percentages and ratios are rounded off to the second decimal place.  
 (\* 1) Residential floor spaces are removed from the total leasable floor space of Taihaku Street Business Center. (\* 2) Higashi Hie Business Center II was acquired on March 1, 2018, so the occupancy rate is shown from the 28<sup>th</sup> fiscal period.

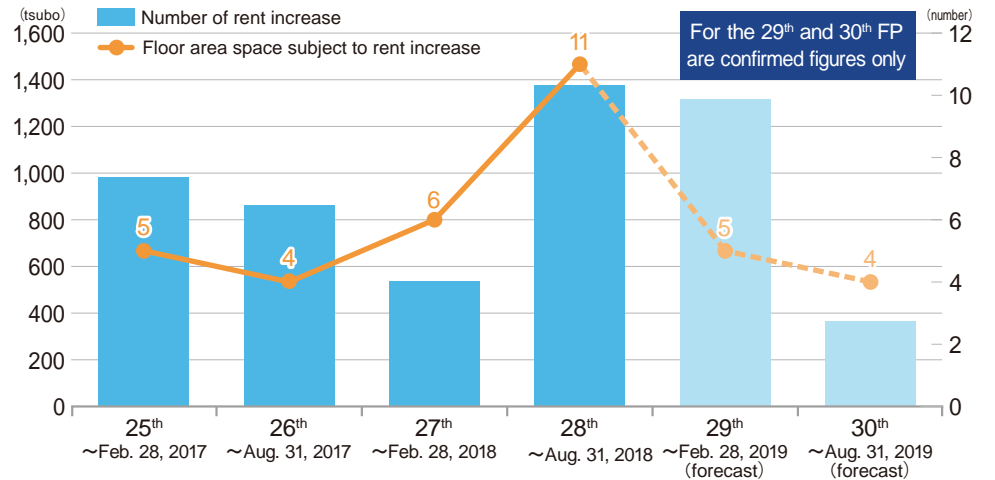
# Office building rent revisions and tenant replacement situation

Upward trend in revenues has continued due to the increase in rent per unit area

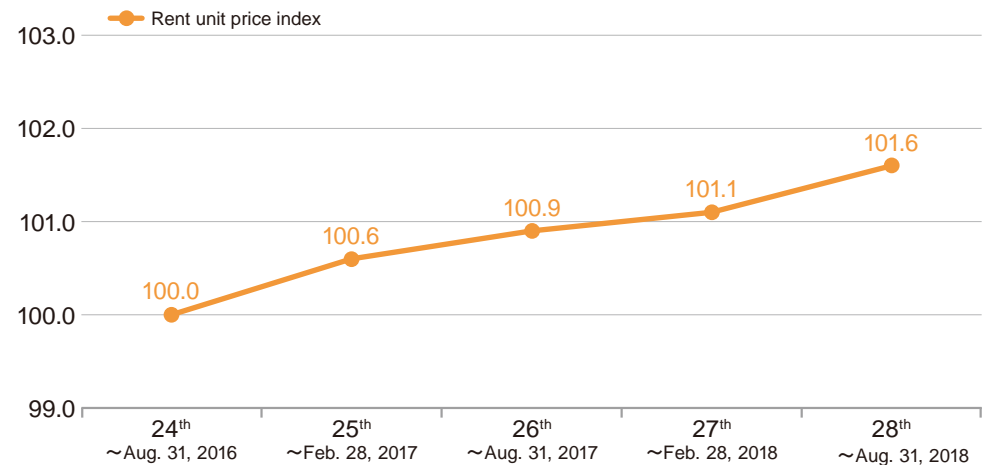
Change in monthly rent due to rent revisions and tenant replacements (\*1)(\*2)



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



Rent unit price index for held properties (\*3)



(\* 1) Covers all office buildings owned at the end of each fiscal period (However, for Canal City Business Center, only the spaces from the 2nd floor and above are covered).

(\* 2) There were no revisions to the rent reductions.

(\* 3) Rent unit price index has been indexed using the rent per unit area as of the end of the 24<sup>th</sup> fiscal period (the period ending August 2016) as 100. This covers all office building properties excluding Higashi Hie Business Center II (But, for Canal City Business Center, only the spaces from the 2nd floor and above are covered).

# Key financing events in the 28th fiscal period

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

## ■ 28<sup>th</sup> fiscal period long-term financing and repayments

	Financing overview	Repayment overview
Average term (*1)	10.7-year	6.3-year
Average interest (*1)(*2)	0.71%	1.28%

(\*1) It is calculated using weighted averages.

(\*2) Average interest rates are rounded to the second decimal place.

Date	Lender	Amount (mm yen)	Term	Interest rate	Fixed/Floating
<b>March 1, 2018</b>	Development Bank of Japan	2,500	10.0-year	0.72000%	Fixed
	The Nishi-Nippon City Bank	600	10.0-year	0.80219%	Fixed
	The Bank of Fukuoka	500	10.0-year	0.80219%	Fixed
	Mizuho Bank	500	10.0-year	0.63000%	Fixed
	Sumitomo Mitsui Banking Corporation	500	7.0-year	0.50400%(*3)	Fixed
<b>March 30, 2018</b>	MUFG Bank	500	9.0-year	0.49000%	Fixed
	Sumitomo Mitsui Trust Bank	400	9.0-year	0.57600%(*3)	Fixed
	The Oita Bank	400	10.0-year	0.64630%	Fixed
	The Hiroshima Bank	400	10.0-year	0.64630%	Fixed
	Shinsei Bank	300	7.0-year	0.40000%	Fixed
	Mitsubishi UFJ Trust and Banking Corporation	600	8.0-year	0.48000%	Fixed
	<b>July 31, 2018</b>	The third series unsecured investment corporation bonds	1,000	20.0-year	1.20000%
<b>Total and the weighted average rates(*4)</b>		<b>8,200</b>	<b>10.7-year</b>	<b>0.71340%</b>	

(\*3) FRC has concluded a swap agreement to practically fix interest rate on debt. The indicated interest rate reflects the effect of the swap agreement.

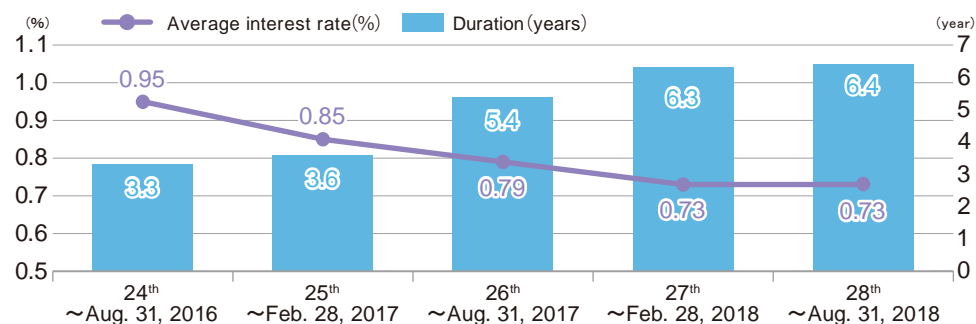
(\*4) Amounts are totals, and terms and interest rates are weighted averages.

## ■ Issuance of investment corporation bonds

◎ Issued 20-year super-long-term bonds in third issuance

	Latest issue	Previous issue
Name	The third series unsecured bonds	The second series unsecured bonds
Amount	1,000 mm yen	2,000 mm yen
Issue date	July 31, 2018	July 31, 2017
Term	20.0-year	15.0-year
Coupon	1.20000%	1.00000%
JGB spread	71.0bp	65.7bp

## ■ Average interest rate(\*5) and duration



(\*5) Interest rates are rounded off to the second decimal place.

## ■ Credit ratings(\*6)

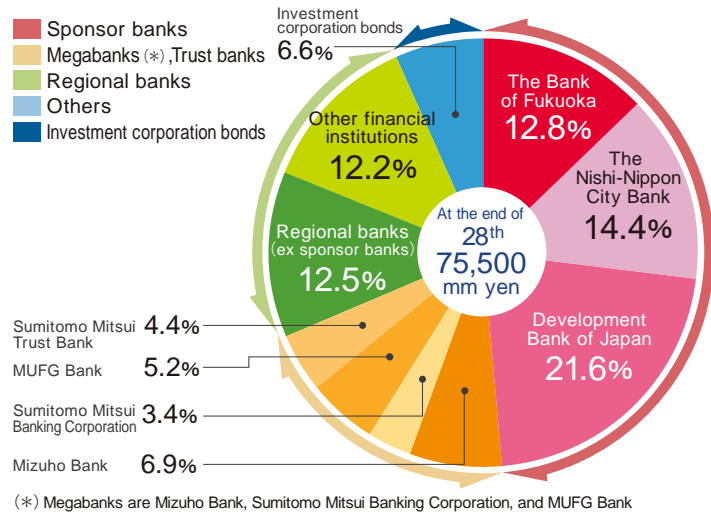
JCR	AA- (Stable)	R&I	A+ (Stable)
-----	-----------------	-----	----------------

(\*6) JCR: long-term issuer rating obtained from Japan Credit Rating Agency, Ltd. R&I: issuer rating obtained from Rating and Investment Information, Inc. On August 31, 2018, the company asked S&P Global Ratings Japan Inc. to withdraw the rating.

# Financing condition

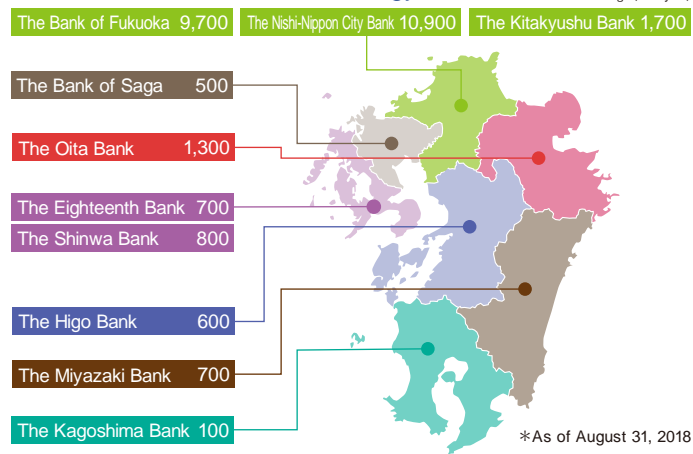
A stable network of sponsor banks and other lenders

## Breakdown of debt by lenders

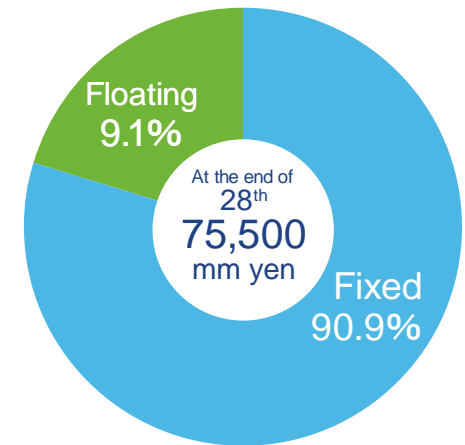


## A regional bank transaction network

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

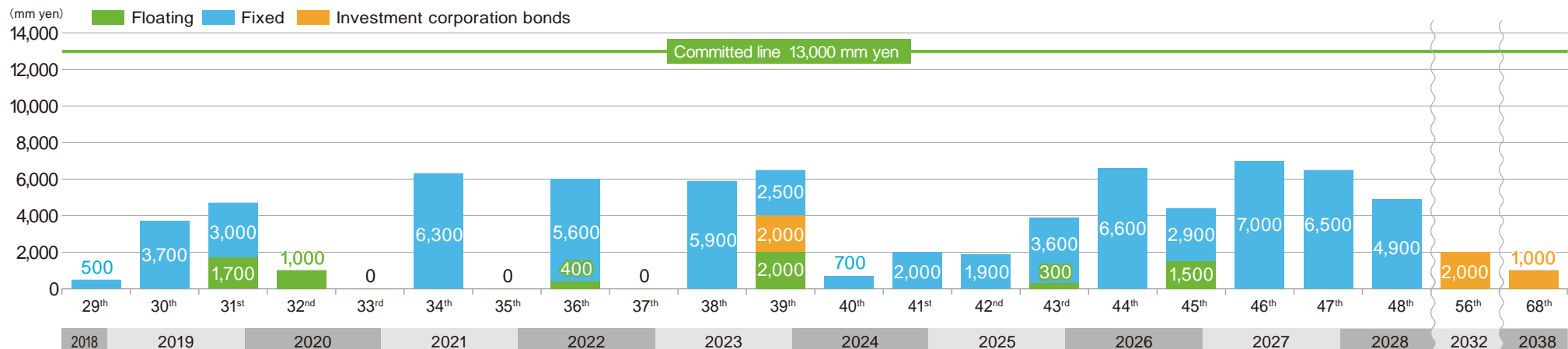


## Fixed and floating rate



## Diversification of debt maturities (As of August 31, 2018)

Extended the commitment line agreement period with The Bank of Fukuoka as agent from one year to two years



# List of borrowings

Category	Lender	Balance (mm yen)	Drawdown Date	Repayment Date	Term (year)	Fixed/Floating	Average Interest Rate
Current maturities of long-term debt	Sumitomo Mitsui Banking Corporation	500	Jan.31, 2012	Jan.31, 2019	7.0	Fixed	1.33830%
	Mizuho Bank, and others (*1)	3,700	Jul.31, 2014	Jul.31, 2019	5.0	Fixed	0.53800% (*2)
	<b>Subtotal</b>	<b>4,200</b>					
Long-term debt	The Nishi-Nippon City Bank	2,500	Feb.1, 2013	Feb.29, 2020	7.1	Fixed	0.77500% (*2)
	Mizuho Bank	1,700	Feb.28, 2013	Feb.29, 2020	7.0	Floating	0.56909%
	Aozora Bank	1,000	Jun.28, 2013	Jun.30, 2020	7.0	Floating	0.46909%
	Mizuho Bank, and others (*3)	6,300	Jul.31, 2014	Jul.30, 2021	7.0	Fixed	0.83500% (*2)
	Development Bank of Japan	4,000	Aug.29, 2014	Aug.31, 2022	8.0	Fixed	1.01000%
	MUFG Bank	500	Sep.25, 2014	Sep.25, 2019	5.0	Fixed	0.52000%
	Sumitomo Mitsui Banking Corporation	1,600	Jun.30, 2015	Jun.30, 2022	7.0	Fixed	0.79000% (*2)
	Sumitomo Mitsui Trust Bank	1,500	Jul.31, 2015	Jul.31, 2023	8.0	Fixed	0.56400% (*2)
	Development Bank of Japan	4,000	Aug.31, 2015	Aug.31, 2023	8.0	Fixed	0.88000%
	The Bank of Fukuoka	400	Aug.31, 2015	Aug.31, 2022	7.0	Floating	0.41909%
	The Nishi-Nippon City Bank	400	Aug.31, 2015	Aug.31, 2023	8.0	Fixed	0.87000% (*2)
	Development Bank of Japan	2,000	Feb.29, 2016	Feb.28, 2025	9.0	Fixed	0.62000%
	The Bank of Fukuoka	2,000	Feb.29, 2016	Feb.29, 2024	8.0	Floating	0.41909%
	The Nishi-Nippon City Bank	2,000	Feb.29, 2016	Feb.29, 2024	8.0	Fixed	0.44000% (*2)
	Mizuho Bank	500	Feb.29, 2016	Feb.29, 2024	8.0	Fixed	0.44000% (*2)
	Shinsei Bank	700	Jul.29, 2016	Jul.31, 2024	8.0	Fixed	0.40000%
	Sumitomo Mitsui Trust Bank	300	Sep.30, 2016	Sep.30, 2025	9.0	Floating	0.41309%
	Development Bank of Japan, and others (*4)	2,100	Dec.30, 2016	Dec.30, 2025	9.0	Fixed	0.71750%
	The Bank of Fukuoka	1,500	Dec.30, 2016	Dec.30, 2026	10.0	Floating	0.41909%
	Resona Bank	600	Mar.31, 2017	Mar.31, 2027	10.0	Fixed	0.65846%
	The Higo Bank	300	Mar.31, 2017	Mar.31, 2025	8.0	Fixed	0.48130%
	MUFG Bank	800	Mar.31, 2017	Mar.31, 2025	8.0	Fixed	0.48130%
	The Bank of Fukuoka, and others (*5)	6,000	Jun.30, 2017	Jun.30, 2026	9.0	Fixed	0.77677%
	Development Bank of Japan	1,800	Jun.30, 2017	Dec.31, 2026	9.5	Fixed	0.65000%
	The Bank of Fukuoka	2,000	Jul.31, 2017	Jul.31, 2027	10.0	Fixed	0.79195%
	The Nishi-Nippon City Bank	2,000	Jul.31, 2017	Jul.31, 2027	10.0	Fixed	0.89195%
	The Nishi-Nippon City Bank, and others (*6)	1,500	Aug.31, 2017	Aug.31, 2027	10.0	Fixed	0.84952%
Resona Bank	2,000	Sep.29, 2017	Sep.30, 2027	10.0	Fixed	0.49350% (*2)	
The Bank of Fukuoka	1,500	Dec.29, 2017	Dec.30, 2027	10.0	Fixed	0.81209%	
Development Bank of Japan	500	Dec.29, 2017	Dec.30, 2027	10.0	Fixed	0.68000%	

\* For floating-rate debts, the interest rates applicable as of August 31, 2018 are indicated. \*All debts have been borrowed with no collateral and no guarantee, to be repaid in lump-sum upon maturity.

(\*1) The lenders are Mizuho Bank · The Norinchukin Bank · The Bank of Saga (\*2) FRC has concluded a swap agreement to practically fix interest rate on debt. The indicated interest rate reflects the effect of the swap agreement. (\*3) The lenders are Mizuho Bank · The Norinchukin Bank · The Hiroshima Bank · The Kitakyushu Bank · The Iyo Bank · The Higo Bank (\*4) The lenders are Development Bank of Japan · The Oita Bank · The Kagoshima Bank · The Kitakyushu Bank · The Eighteenth Bank · The Shinwa Bank · The Hiroshima Bank

(\*5) The lenders are The Bank of Fukuoka · The Nishi-Nippon City Bank · The Oita Bank · The Kitakyushu Bank · The Miyazaki Bank · The Shinwa Bank · The Iyo Bank · The Eighteenth Bank (\*6) The lenders are The Nishi-Nippon City Bank · The Bank of Fukuoka · The Oita Bank · The Kitakyushu Bank · The Eighteenth Bank · The Shinwa Bank · The Hiroshima Bank (\*7) The lenders are The Bank of Fukuoka · Resona Bank (\*8) The lenders are The Nishi-Nippon City Bank · Resona Bank · The Oita Bank · The Bank of Nagasaki · The Bank of Saga

(As of August 31, 2018)

Category	Lender	Balance (mm yen)	Drawdown Date	Repayment Date	Term (year)	Fixed/Floating	Average Interest Rate
Long-term debt	The Nishi-Nippon City Bank	1,900	Feb.28, 2018	Feb.29, 2028	10.0	Fixed	0.75000% (*2)
	Sumitomo Mitsui Trust Bank	1,100	Feb.28, 2018	Feb.26, 2027	9.0	Fixed	0.60000% (*2)
	MUFG Bank	1,500	Feb.28, 2018	Feb.27, 2026	8.0	Fixed	0.50000%
	Resona Bank	600	Feb.28, 2018	Feb.29, 2028	10.0	Fixed	0.56700% (*2)
	Development Bank of Japan	2,500	Mar. 1, 2018	Mar. 1, 2028	10.0	Fixed	0.72000%
	MUFG Bank	600	Mar.30, 2018	Mar.31, 2026	8.0	Fixed	0.48000%
	The Nishi-Nippon City Bank	600	Mar.30, 2018	Mar.31, 2028	10.0	Fixed	0.80219%
	The Bank of Fukuoka	500	Mar.30, 2018	Mar.31, 2028	10.0	Fixed	0.80219%
	Mizuho Bank	500	Mar.30, 2018	Mar.31, 2028	10.0	Fixed	0.63000%
	Sumitomo Mitsui Banking Corporation	500	Mar.30, 2018	Mar.31, 2025	7.0	Fixed	0.50400% (*2)
	MUFG Bank	500	Mar.30, 2018	Mar.31, 2027	9.0	Fixed	0.49000%
	Sumitomo Mitsui Trust Bank	400	Mar.30, 2018	Mar.31, 2027	9.0	Fixed	0.57600% (*2)
	The Oita Bank	400	Mar.30, 2018	Mar.31, 2028	10.0	Fixed	0.64630%
	The Hiroshima Bank	400	Mar.30, 2018	Mar.31, 2028	10.0	Fixed	0.64630%
	Shinsei Bank	300	Mar.30, 2018	Mar.31, 2025	7.0	Fixed	0.40000%
	<b>Subtotal</b>		<b>66,300</b>				
<b>Total</b>		<b>70,500</b>					

## Investment corporation bonds

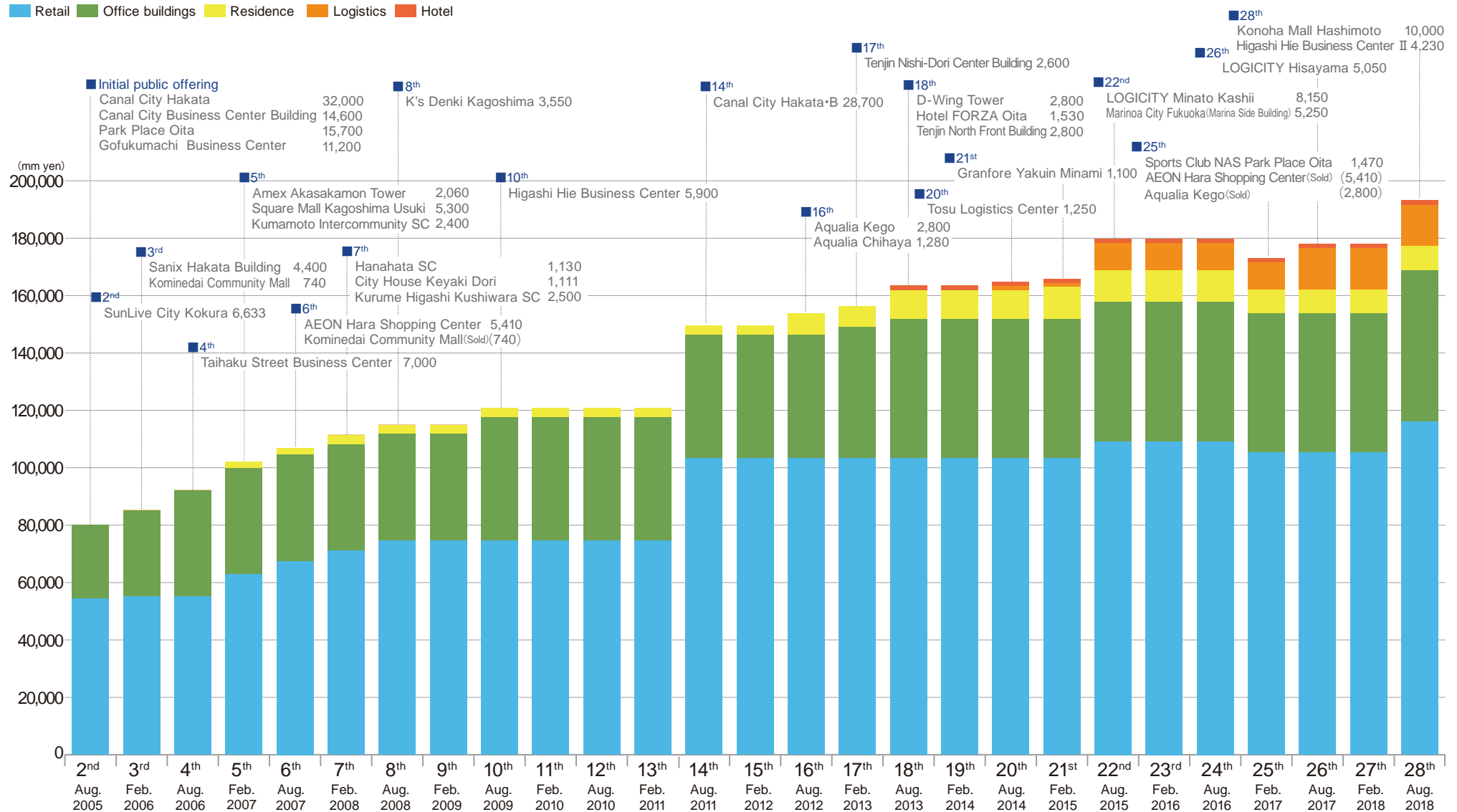
Category	Issue	Balance (mm yen)	Issue date	Maturity Date	Term (year)	Coupon
Investment corporation bonds	The first series of unsecured bonds	2,000	Dec.30,2013	Dec.29, 2023	10.0	1.32000%
	The second series of unsecured bonds	2,000	Jul.31, 2017	Jul.30, 2032	15.0	1.00000%
	The third series of unsecured bonds	1,000	Jul.31, 2018	Jul.30, 2038	20.0	1.20000%
<b>Total</b>		<b>5,000</b>				

## Committed line of credit

Category	Lender	Credit Limit (mm yen)	Period	
			Start	End
Committed line of credit 1	The Bank of Fukuoka, and others (*7)	6,000	Aug.1, 2018	Jul.31, 2020
Committed line of credit 2	The Nishi-Nippon City Bank and others (*8)	7,000	Mar.1, 2018	Feb.28, 2020
<b>Total</b>		<b>13,000</b>		

# Historical trends of asset's size by investment type

Expansion of asset size to 193,144 million yen (28 properties)



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

Asset's growth

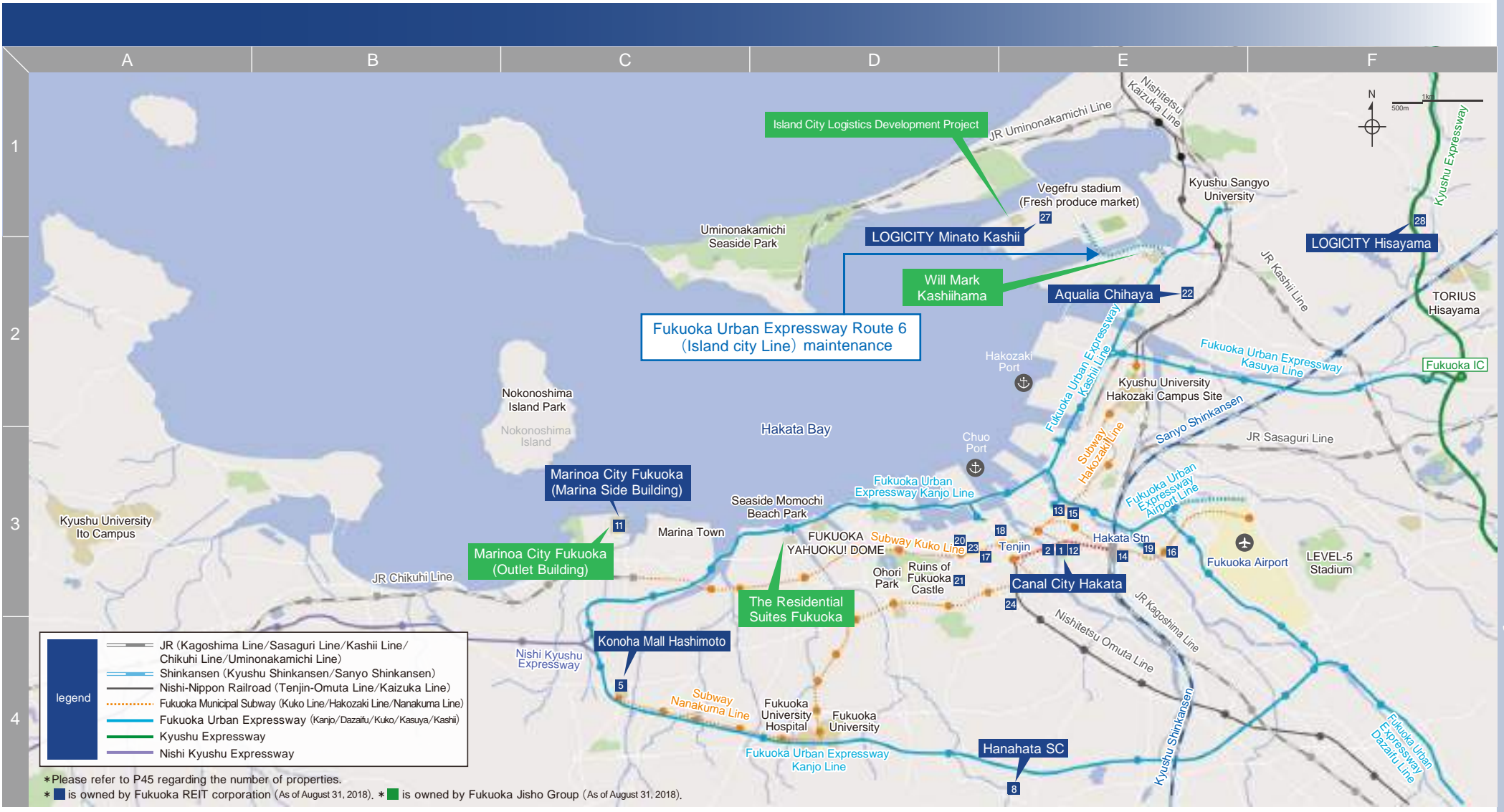


# The condition of Fukuoka City Center

Nanakuma Subway Line extension project will be completed by FY2022



# The condition of suburb area in Fukuoka



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 and beyond
Events		<ul style="list-style-type: none"> <li>● Rugby World Cup 2019</li> <li>● World Figure Skating individual country competitions</li> <li>● Fukuoka the venue for the meeting of G20 finance ministers and Central Bank Governors' Meeting</li> </ul>	<ul style="list-style-type: none"> <li>● Tokyo 2020 Olympic Games</li> </ul>	<ul style="list-style-type: none"> <li>● FINA World Aquatics Championships</li> </ul>				
Infrastructure	<ul style="list-style-type: none"> <li>● Extension of Cruise Pier (Chuo Wharf)</li> <li>● Completion of new building of Ropponmatsu Court</li> </ul>	<ul style="list-style-type: none"> <li>● Start of Fukuoka Airport operation business</li> <li>● Completion of new passenger terminal building</li> <li>● Duplication of Fukuoka Airport parallel taxiway</li> </ul>	<ul style="list-style-type: none"> <li>● Completion of construction of Fukuoka Urban Expressway Route 6 (Island City Line)</li> </ul>	<ul style="list-style-type: none"> <li>● Completion of Phase 2 of exhibition center</li> </ul>	<ul style="list-style-type: none"> <li>● Extension of the subway's Nanakuma Line</li> </ul>		<ul style="list-style-type: none"> <li>● Addition of runways at Fukuoka Airport</li> <li>● Extension of Fukuoka Urban Expressway Route 3 (Airport Line)</li> </ul>	<ul style="list-style-type: none"> <li>● Redevelopment of waterfront district</li> </ul>

# Redevelopment in Tenjin area (Tenjin Big Bang)

## ■ Preparation made for functional renewal of buildings in the Tenjin district

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

Issues pertaining to functional renewal in the Tenjin district

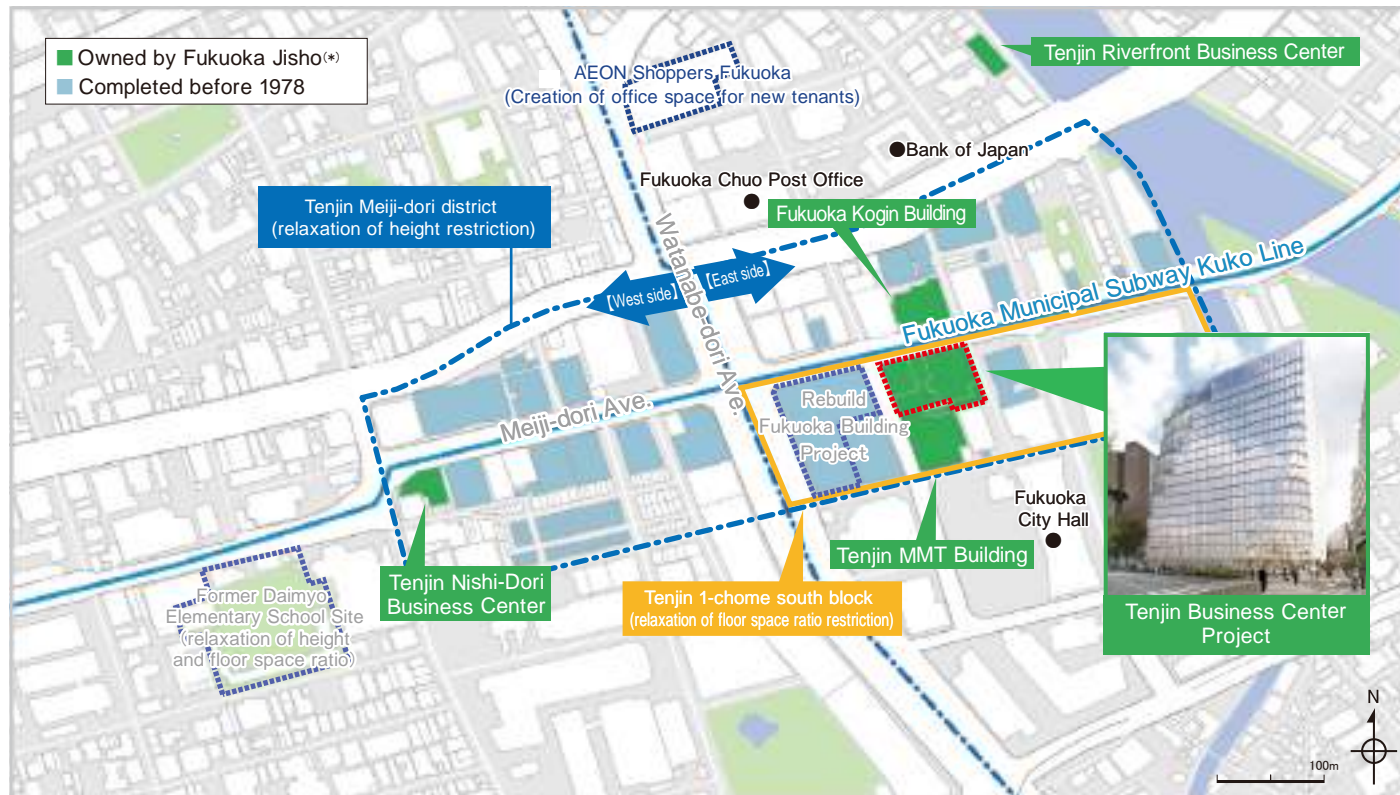
- ① Problem of existing noncompliant buildings (use exceeding the current designated floor space ratio)
- ② Problem of building height restrictions under the Civil Aeronautics Act

#### ① Deregulation of floor space ratios through a district development plan

- Tenjin 1-chome south block 800%→1400%
- Former Daimyo Elementary School Site approx.450%→800%
- Tenjin Meiji-dori district approx.67m→approx.76m
- Former Daimyo Elementary School Site approx.76m→approx.115m

#### ② Relaxation of restrictions

- Tenjin Meiji-dori district approx.76m→From the Watanabe-dori Street center line  
[West side] approx.115m  
[East side] approx.76~100m
- Waterfront district approx.70~90m→approx.100m
- Area surrounding Hakata Station To be reconsidered in light of surrounding existing buildings at the time of submission of a specific zone



(\*) Includes properties co-owned with other companies

Source: Prepared by Fukuoka Realty Co., Ltd. based on Tenjin Meiji-dori Avenue Grand Design 2009 authored by the Tenjin Meiji-dori Development Council

## Efforts of Fukuoka Jisho Co., Ltd concerning Tenjin Big Bang

### ◎ AEON Shoppers Fukuoka

As a place for tenants moving in in conjunction with the Tenjin Big Bang, at AEON Shoppers Fukuoka (operated by AEON Kyushu) we plan to rent out floors 5-8 and turn this space into office space and manage it (Scheduled to open in summer 2019)

8F	Renovate as office floors (App. 11,570 m <sup>2</sup> )
7F	
6F	
5F	Renovate as retail zone
4F	
3F	
2F	
1F	
B1F	
B2F (Parking)	

### ◎ Fukuoka Growth Next

Public-private collaborative start-up support facility (Former Daimyo Elementary School Site)



# Reference : Fukuoka Jisho Group

## Major properties owned by Fukuoka Jisho Group

Use	Name	Year of completion	Total floor space
Office buildings	Hakata Ekimae Business Center	1999	24,731m <sup>2</sup>
	Tenjin MMT Building	1979	19,874m <sup>2</sup>
	Fukuoka Kogin Building	1970	15,408m <sup>2</sup>
	Tenjin Nishi-Dori Business Center	1978	10,394m <sup>2</sup>
	Fukuoka Daiichi Building	1961	9,962m <sup>2</sup>
	Meiji-Dori Business Center	1974(Main Building) / 1986(Annex)	9,844m <sup>2</sup>
	Sun Life No. 3 Building	1978	8,302m <sup>2</sup>
	Tenjin Riverfront Business Center	1999	4,106m <sup>2</sup>
	Naha Business Center(Office)	2018	9,054m <sup>2</sup>
	Higashi Hie Business Center III (provisional name)	FY2019(planned)	4,636m <sup>2</sup>
	Tenjin Business Center Project	FY2021(planned)	60,250m <sup>2</sup>
Retail	Marinoa City Fukuoka(Outlet Building)	2000(Building I) / 2004(Building II) / 2007(Building III)	48,330m <sup>2</sup>
	Tenjin Kirameki Dori Building	2003	25,284m <sup>2</sup>
	Canal City Hakata East Building	2011	17,007m <sup>2</sup>
Residence	Class Keyaki Dori	2008	5,492m <sup>2</sup>
Hotel	Hotel FORZA Hakata(Chikushi-guchi)	2012 / 2017 (Annex Building)	7,359m <sup>2</sup>
	Hotel FORZA Sapporo Ekimae (provisional name)	FY2019(planned)	11,346m <sup>2</sup>
	Hotel FORZA Hakataekihigashi (provisional name)	FY2019(planned)	4,800m <sup>2</sup>
Logistics	Island City Logistics Development Project	FY2019(planned)	47,258m <sup>2</sup>

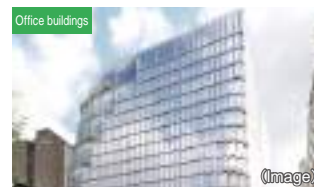
\*Includes properties owned by the Fukuoka Jisho Group and properties co-owned with other companies.

## Development plan of Fukuoka Jisho Group

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

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

### Tenjin Business Center Project



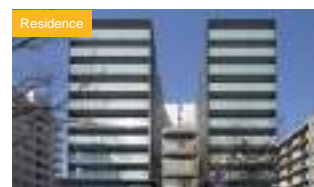
### Naha Business Center



### Canal City Hakata East Building



### Class Keyaki Dori



### Hotel FORZA Sapporo Ekimae (provisional name)

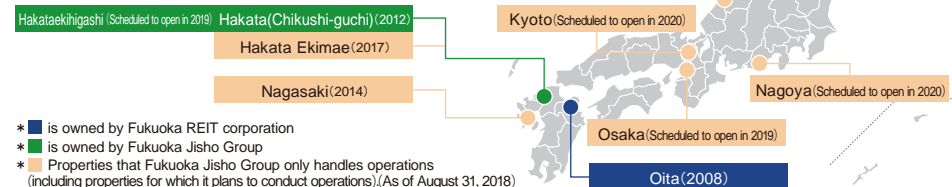
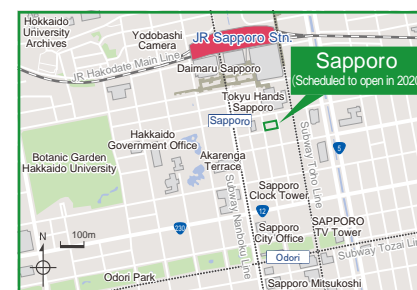


### Island City Logistics Development Project



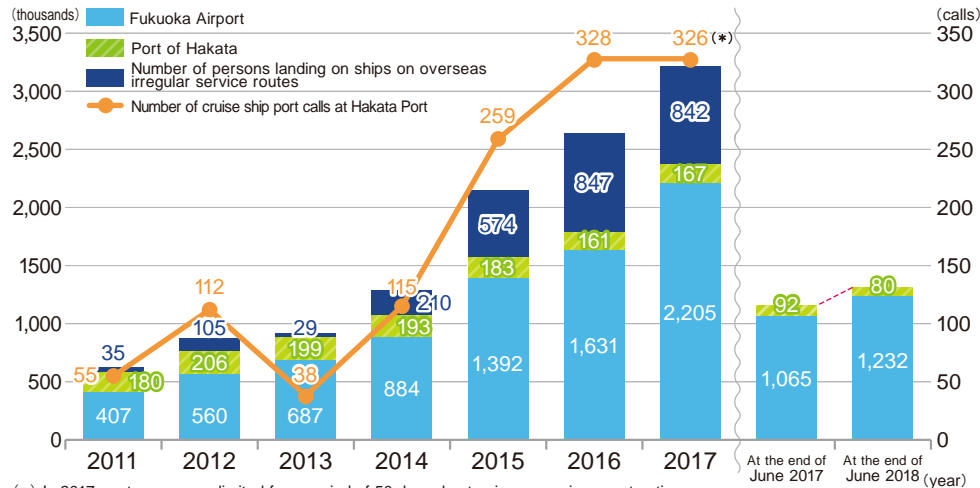
\*Prepared by Fukuoka Realty based on data from Fukuoka Jisho Co., Ltd.

## Hotel FORZA operated by Fukuoka Jisho Group



# Current situation of Fukuoka and Kyushu①

## Change in number of overseas visitors [Fukuoka City]



(\*) In 2017, port usage was limited for a period of 50 days due to pier expansion construction.  
 Source: Prepared by Fukuoka Realty based on data from Statistics on Legal Migrants (Ministry of Justice) and "Port of Hakata Number of Cruise Ship Port Calls" and "Number of International Vessel Passengers," published by Fukuoka City Port and Airport Bureau

## Change in number of international flights at Fukuoka Airport [Summer]

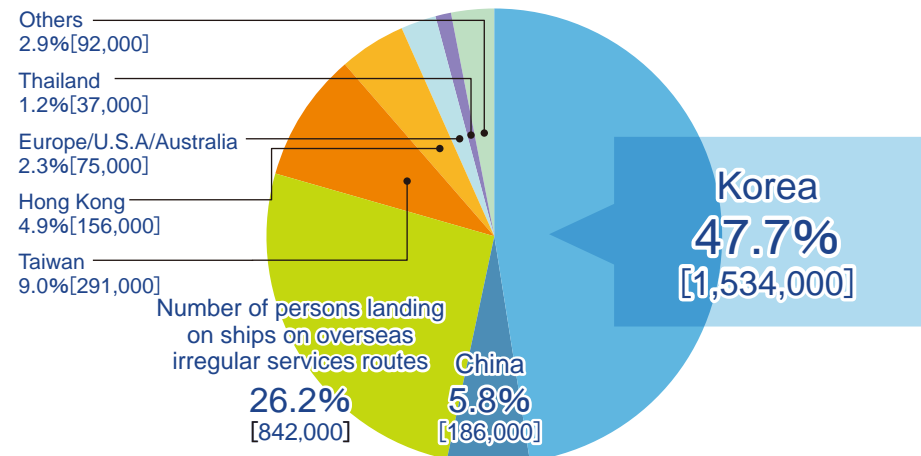
	(flights / week)			
	2015	2016	2017	2018
Korea	108.5	123.5	185	202
Taiwan	33	47	37	48
China	62	62	42	42
Hong Kong	14	20.5	21	32
U.S.A	14	12	12	12
Other Asia	34	39	31	34
Others	3	0	0	0
<b>Total</b>	<b>268.5</b>	<b>304</b>	<b>328</b>	<b>370</b>

	(flights / week)			
	2015	2016	2017	2018
<b>[Of which, Korean LCC flights]</b>				
Korea	52.5	68	129	146

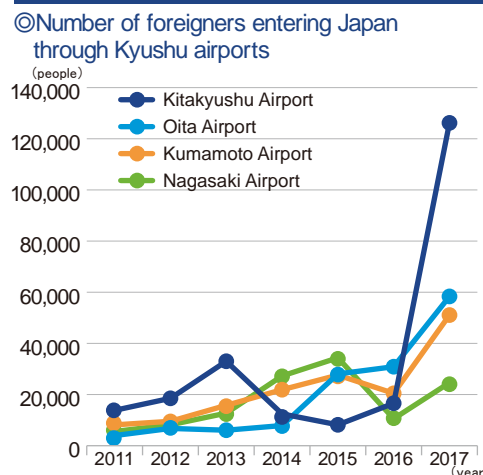
Source: Prepared by Fukuoka Realty Co., Ltd. based on data from Overview of Regularly Scheduled International Flights (Ministry of Land, Infrastructure, Transport and Tourism)

## Breakdown of overseas visitors [2017]

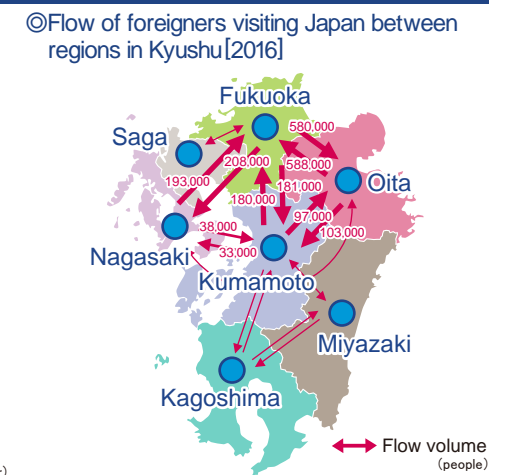


Source: Prepared by Fukuoka Realty based on data from Statistics on Legal Migrants (Ministry of Justice) and Fukuoka City Port and Airport Bureau "Number of International Vessel Passengers"

## Number of visitors to the Kyushu region and flow between regions in Kyushu



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



Source: Prepared by Fukuoka Realty Co., Ltd. based on data from the Ministry of Land, Infrastructure, Transport and Tourism "FF-Data."

# Current situation of Fukuoka and Kyushu②

## Increasing number of international conventions

◎Ranked 2nd for eight consecutive years

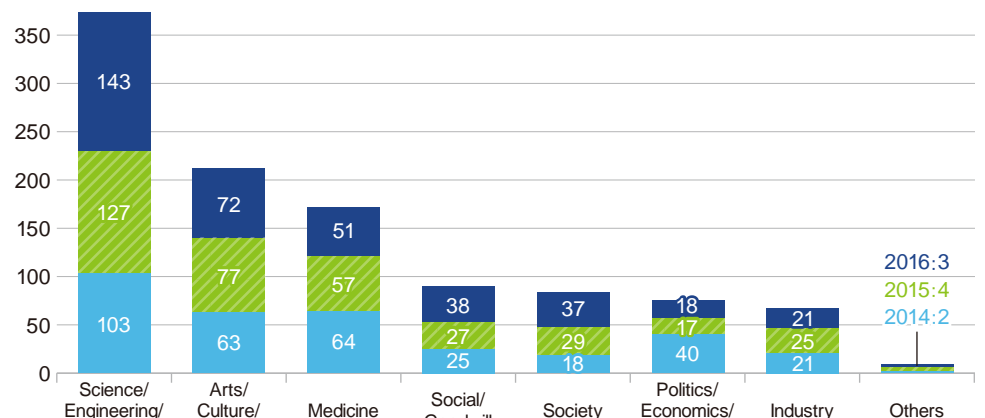
(Number of conventions)

Rank	2009	2010	2011	2012	2013	2014	2015	2016
1	Tokyo [497]	Tokyo [491]	Tokyo [470]	Tokyo [500]	Tokyo [531]	Tokyo [543]	Tokyo [557]	Tokyo [574]
2	Fukuoka [206]	Fukuoka [216]	Fukuoka [221]	Fukuoka [252]	Fukuoka [253]	Fukuoka [336]	Fukuoka [363]	Fukuoka [383]
3	Yokohama [179]	Yokohama [174]	Yokohama [169]	Kyoto [196]	Yokohama [226]	Kyoto [202]	Sendai [221]	Kyoto [278]
4	Kyoto [164]	Kyoto [155]	Kyoto [137]	Yokohama [191]	Kyoto [176]	Yokohama [200]	Kyoto [218]	Kobe [260]
5	Nagoya [124]	Nagoya [122]	Nagoya [112]	Osaka [140]	Osaka [172]	Nagoya [163]	Yokohama [190]	Nagoya [203]

Source: Prepared by Fukuoka Realty based on data from Japan National Tourism Organization (JNTO)

## Number of International Conventions in Fukuoka City by Field

(Number of conventions) 2014[336] 2015[363] 2016[383]

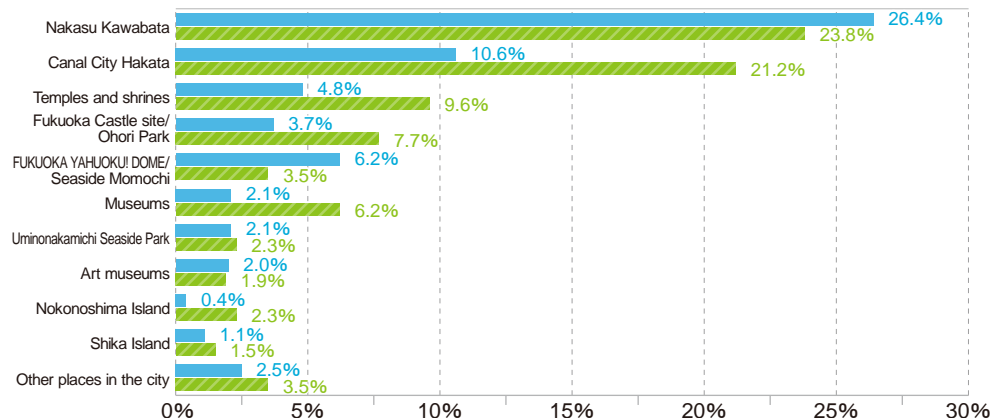


Source: Prepared by Fukuoka Realty Co., Ltd., based on data from Fukuoka City Economy, Tourism & Culture Bureau "Fukuoka City Tourism/MICE" 2018 edition (Fukuoka City Tourism Statistics) "

## Convention Ripple Effect

◎Places visited before/after conventions (2015 survey)

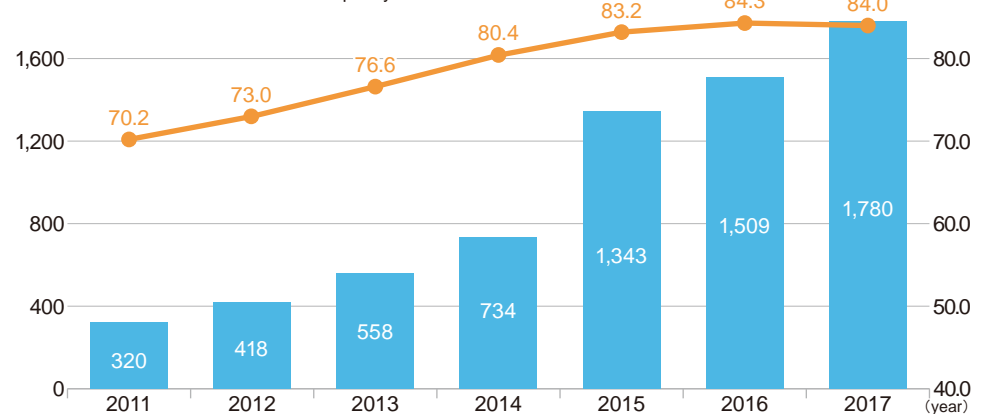
Domestic conventions/academic conventions  
International conventions/academic conventions



Source: Prepared by Fukuoka Realty Co., Ltd., based on the Fukuoka Convention Center's "Survey of the Economic Ripple Effect in the Fukuoka City Convention Zone" (March 2016)

## Change in the Total Number of Foreign Lodgers and hotel occupancy rate in Fukuoka City

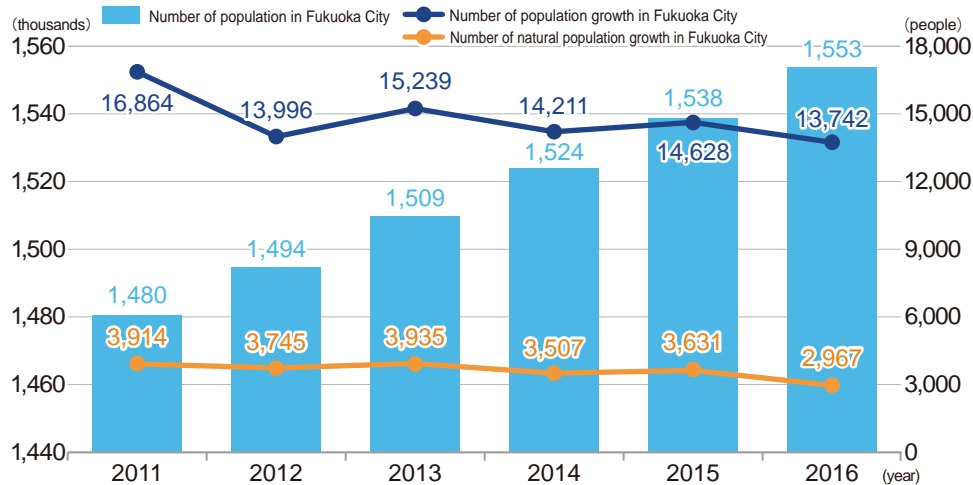
(1,000 guest nights) Number of Foreign Lodgers Hotel occupancy rate (%)



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

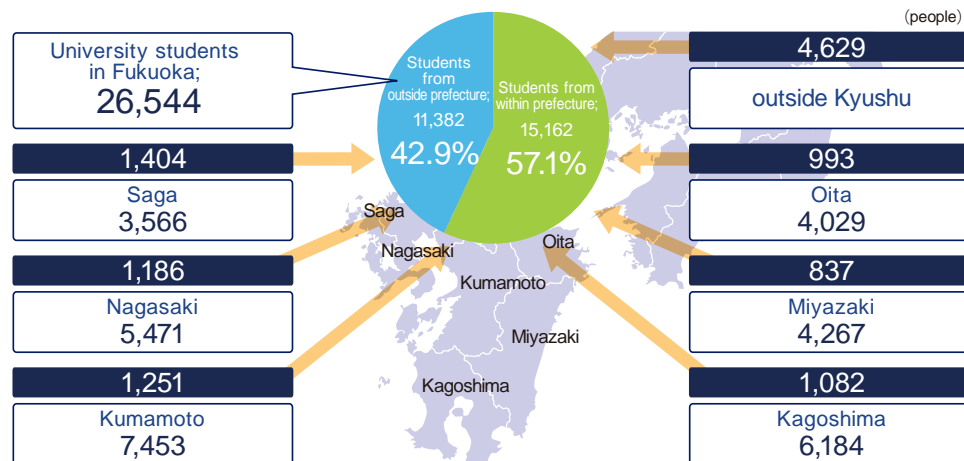
# Current situation of Fukuoka and Kyushu③

## Number of population growth in Fukuoka City



Source: Prepared by Fukuoka Realty Co., Ltd. based on data from the Statistics Bureau, Ministry of Internal Affairs and Communications, "Estimated Population" (Fukuoka City General Affairs and Planning Bureau), and "Natural Dynamics of the Population" (Fukuoka City Public Health & Welfare Bureau)

## Interregional migration of university students in Kyushu



Source: Prepared by Fukuoka Realty Co., Ltd. based on data from FY2017 School Basic Survey (Preliminary Results) (Statistics Bureau, Ministry of Internal Affairs and Communications)

## Top-ranking cities for growth potential

Rank	City
1	Fukuoka
2	Kagoshima
3	Tsukuba
4	Matsuyama
5	Kurume
6	Matsumoto
7	Sapporo
8	Miyazaki
9	Naha
10	Kumamoto

### Rank 1 Fukuoka City

Fukuoka City has a culture conducive to innovation, and even companies that will lead the industries of tomorrow may emerge. Further start-up support and fostering of industries are expected.

### Rank 2 Kagoshima City

The level of development of the community, energetic atmosphere, and city pride were highly rated, and the city offers a high quality of life for residents.

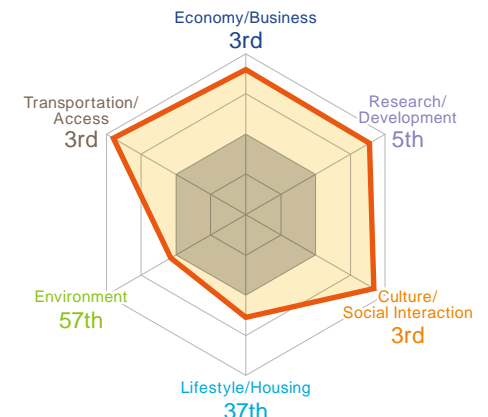
Source: Prepared by Fukuoka Realty Co., Ltd. based on data from Visualization of the Growth Potential of Cities According to Rankings (Nomura Research Institute, Ltd.)

## "Japan Power Cities 2018" Institute for Urban Strategies, The Mori Memorial Foundation

◎A balanced city full of business energy Fukuoka

◎Ranking by Category

Rank	City
1	Kyoto
2	Fukuoka
3	Osaka
4	Nagoya
5	Yokohama
6	Kobe
7	Sapporo
8	Sendai
9	Tsukuba
10	Hamamatsu



Source: Prepared by Fukuoka Realty Co., Ltd. based on data from "Japan Power Cities 2018" (released October 2018) published by the Institute for Urban Strategies, The Mori Memorial Foundation.

## ■ Sustainability Policy

### ◎ Sustainability Policy

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

As a policy for specifically implementing this thinking, the Company has established its Sustainability Policy (“the Policy”) as described below.

### <Sustainability Policy>

1. Promoting energy conservation of portfolio properties
2. Responding to climate change risks
3. Contributing to creation of a recycling society
4. Pursuing well-being and safety
5. Utilizing green building certifications
6. Enlightening employees
7. Collaboration with tenants and suppliers
8. Establishing internal organizations
9. Monitoring and disclosing environmental and social performances

\*Please refer to the detail of sustainability policy on the website of Fukuoka Realty Co., Ltd.

## ■ Initiatives of the 28<sup>th</sup> fiscal period

### ◎ Receiving the ratings of “Green Star” and “4 Stars (5-star scale)” in the GRESB survey



The Global Real Estate Benchmark (“GRESB”) survey is an annual assessment regarding the sustainability performance of the real estate sector with respect to environmental, social and governance (ESG) issues. It was founded in 2009 by a group of leading European pension funds who took initiative in the establishment of “Principles for Responsible Investment” advocated by the United Nations. FRC received the ratings of “Green Star” and “4 Stars (5-star scale)” in the GRESB survey.

## ■ Other initiatives

### ◎ Signing of the Principles for Responsible Investment (PRI)

*Signatory of:*



### ◎ ESG Initiatives

### ◎ Signing of the Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century)



### 【Environment】

- Newly acquired two DBJ Green Building certified properties in the 28<sup>th</sup> fiscal period (Konoha Mall Hashimoto, Higashi Hie Business Center II) ; total of 9 properties
- Acquired 4 BELS certified properties

### 【Society】

- Certified as a “Fukuoka ‘Work Style Reform’ Promotion Company” (as of August 28, 2018)

### 【Governance】

- Formulated a basic policy to realize customer-oriented business operations on September 20, 2017
- Strengthened the decision-making process (Basic Policy on Compliance and Compliance Regulations)





Fukuoka REIT

# Appendix

# Profile

## Special features of Fukuoka REIT Corporation

- 1 **Proven track record over 28 fiscal periods as a region-specific REIT**  
Asset management leveraging our in-depth knowledge of the real estate environment of Fukuoka and Kyushu region, one of our greatest strengths
- 2 **Excellent portfolio centered on Fukuoka metropolitan area**  
A portfolio of carefully selected investments in the high growth area of Fukuoka City attention from around Japan and overseas
- 3 **Solid support from a sponsor company involved in property development**  
Asset portfolio expansion and high occupancy rates facilitated through coordination with our sponsors
- 4 **Establishment of stable financial base**  
Conservative control of interest-bearing debt ratio, long-term diversification of repayment deadlines
- 5 **DPU kept at a constant level ever since the IPO**  
Maintain and improve of the dividend provision through effective asset management

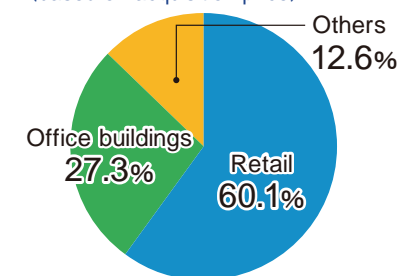
## Overview of Fukuoka REIT Corporation

Name	Fukuoka REIT Corporation
Security code	8968
Listed date	June 21, 2005 (Tokyo Stock Exchange, Fukuoka Stock Exchange)
Fiscal period	February - August
Asset manager	Fukuoka Realty Co., Ltd.
Sponsors	Fukuoka Jisho Co., Ltd., Kyushu Electric Power Co., Inc., Nishi-Nippon Railroad Co., Ltd., ROYAL HOLDINGS Co., Ltd., THE BANK OF FUKUOKA, LTD., THE NISHI-NIPPON CITY BANK, LTD., SAIBU GAS CO., LTD., Kyudenko Corporation, Kyushu Railway Company, Development Bank of Japan Inc.

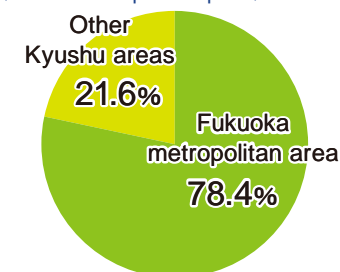
Portfolio summary <sup>(*)1</sup>	
Number of properties / Asset size <sup>(*)2</sup>	28 / 193,144 mm yen
Of which, acquisition from sponsors	14 / 121,660 mm yen
Unrealized gains	29,467 mm yen
Total leasable floor space	576,907.98 m <sup>2</sup>
Occupancy rate	99.6%

Financial highlight <sup>(*)1</sup>	
Total debt	75,500 mm yen
LTV	39.1%
Fixed and floating rate	90.9%
Average interest rate	0.73%
Credit ratings	JCR AA-(Stable) R & I A+ (Stable)

◎Investment type  
(based on acquisition price)



◎Investment area  
(based on acquisition price)



## Investment unit price <sup>(\*)1</sup>

Unit price	170,400 yen
Outstanding units	796,000 unit
Market capitalization	135,638 mm yen (unit price * outstanding units)
Net assets value per unit	127,888 yen
Market net assets value per unit <sup>(*)2</sup>	164,908 yen
Dividend (actual)	3,593 yen per unit (Days in fiscal period 184days)
Dividend yield <sup>(*)3</sup>	4.2% { (Dividend / days in fiscal period * 365) / Unit price}

<sup>(\*)1</sup> The figures are as of August 31, 2018 (excl. average interest rate)

<sup>(\*)2</sup> The figures are total of acquisition price.

<sup>(\*)3</sup> Market net assets value per unit = { (Total appraisal value at the end of period based on appraisal reports - Total book value at the end of period based on balance sheet) + (Net assets at the end of period) } / (Total number of investment units outstanding)

# A real estate investment trust specializing in regional properties

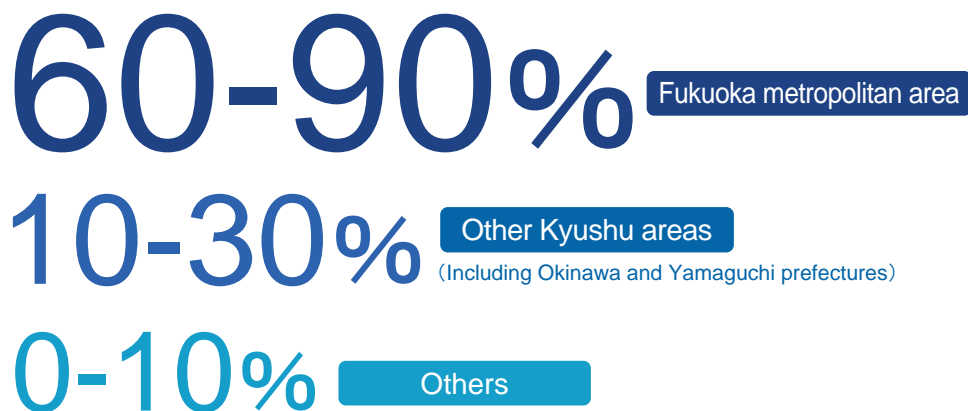
## ■ Sponsors



(\*) Concluded MOU with Fukuoka REIT and Fukuoka Realty concerning pipeline support.

## ■ Investment policy

### ◎ Investment area



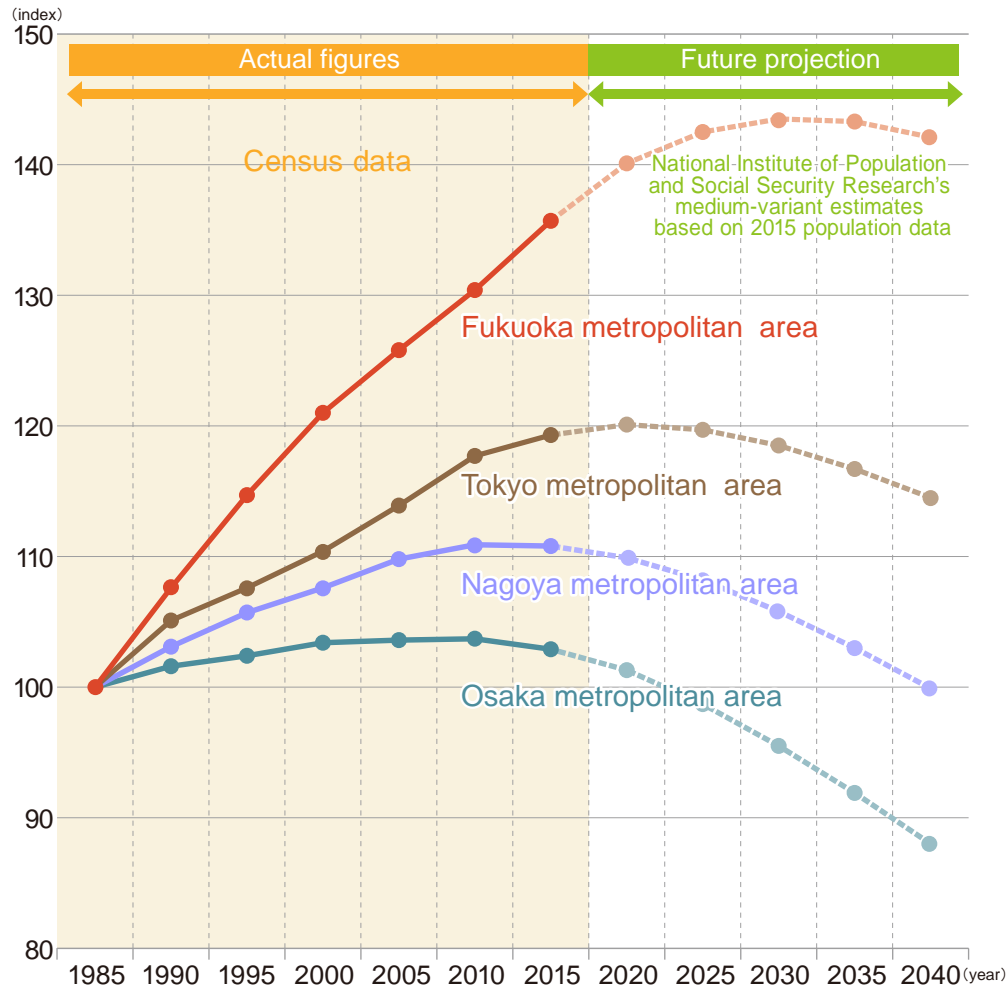
### ◎ Investment type



# Population movement of Fukuoka metropolitan area

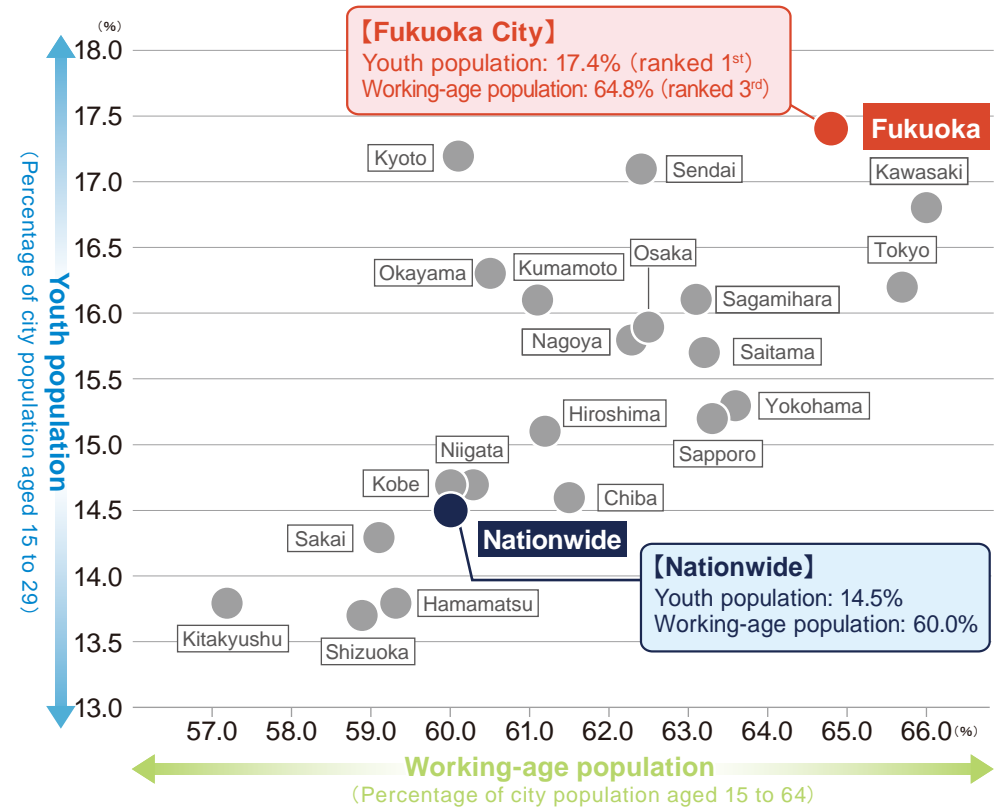
The population of Fukuoka metropolitan area continues to increase

## Population trends of major metropolitan areas



\* The graph was plotted taking the 1985 population of each urban area as 100.  
 \* "Fukuoka metropolitan area" refers to Fukuoka City, Chikushino City, Kasuga City, Onojo City, Munakata City, Dazaifu City, Koga City, Fukuetsu City, Itoshima City, Nakagawa City, Umi Town, Sasaguri Town, Shime Town, Shingu Town, Hisayama Town, and Kasuya Town.  
 \* "Greater Tokyo area" refers to Tokyo Metropolis, Kanagawa Prefecture, Saitama Prefecture, and Chiba Prefecture. "Nagoya urban area" refers to Aichi Prefecture, Gifu Prefecture, and Mie Prefecture. "Osaka urban area" refers to Osaka Prefecture, Kyoto Prefecture, Hyogo Prefecture, and Nara Prefecture.  
 Source: Prepared by Fukuoka Realty Co., Ltd., based on data from the Ministry of Internal Affairs and Communications, Statistics Bureau "Population Census of Japan," and National Institute of Population and Social Security Research "Population Projection for Japan by Prefecture" (2018 estimate), and March 2012 Fukuoka City General Affairs and Planning Bureau "Fukuoka City as Seen by Data."

## Youth and working-age population ratios of nationwide and major cities [2015]



Source: Prepared by Fukuoka Realty based on Ministry of Internal Affairs and Communications "Population Census of Japan"

## Population of Fukuoka City in 2010 and 2015



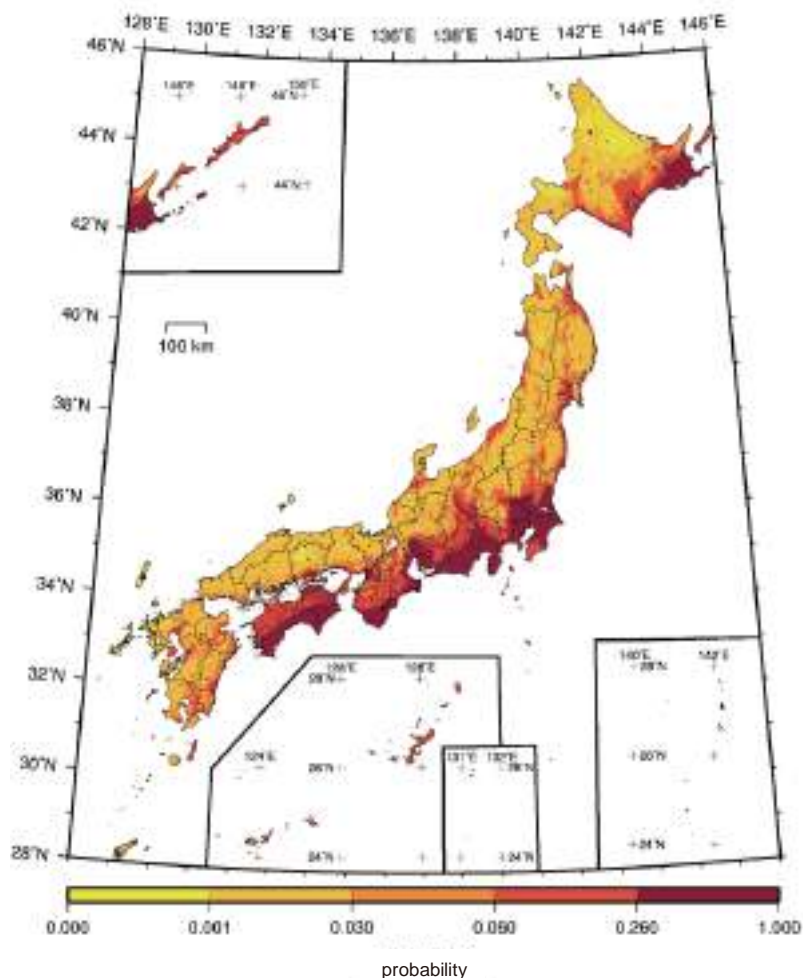
Source: Prepared by Fukuoka Realty based on Ministry of Internal Affairs and Communications "Population Census of Japan"

# Analysis of earthquake risk in Fukuoka

All properties owned by Fukuoka REIT are covered by earthquake insurance

## ■ Probabilistic earthquake prediction map

Probability of occurrence of an earthquake with a magnitude of nearly 6 or higher in the next 30 years [Average case / all earthquakes] [Reference date: January 1, 2018]



Note: The mesh for zero probability based on the model calculation conditions is shown in white.  
Source: Office of the Headquarters for Earthquake Research Promotion, Earthquake and Disaster-Reduction Research Division, Research and Development Bureau, Ministry of Education, Culture, Sports, Science and Technology

## ■ Overview of earthquake risk analysis

Property	Inspector	Report date	PML (%) (*1)
Canal City Hakata (*2)	Takenaka Corporation	Nov. 30, 2010 Jan. 21, 2011	(A) 8.0
			(B) 7.6
			(C) 5.3
			(D) 11.1
Canal City Hakata・B (*3)	Takenaka Corporation	Jan. 21, 2011	(A) 8.2
			(B) 6.1
			(C) 11.1
Park Place Oita (*4)	Takenaka Corporation, Tokyo Marine & Nichido Risk Consulting	Nov. 30, 2010 Jun. 21, 2012 Apr. 11, 2014 Aug.10, 2016	(A)13.7
			(B)11.2
			(C) 9.1
			(D) 15.1
			(E) 11.2
SunLive City Kokura	Takenaka Corporation	Aug. 31, 2011	6.7
Konoha Mall Hashimoto	Tokyo Marine & Nichido Risk Consulting	Dec. 28, 2017	2.0
Square Mall Kagoshima Usuki	Takenaka Corporation	Feb. 28, 2013	9.2
Kumamoto Intercommunity SC	Takenaka Corporation	Feb. 28, 2013	15.8
Hanahata SC	Takenaka Corporation	Feb. 28, 2014	5.4
Kurume Higashi Kushiwara SC	Takenaka Corporation	Aug. 31, 2014	8.9
K's Denki Kagoshima	Takenaka Corporation	Aug. 31, 2014	6.5
Marinoa City Fukuoka (Marina side building)	Tokyo Marine & Nichido Risk Consulting	Mar. 13, 2015	4.3
Canal City Business Center Building (*5)	Takenaka Corporation	Nov. 30, 2010 Jan. 21, 2011	(A) 6.9
			(B) 11.1
Gofukumachi Business Center	Takenaka Corporation	Nov. 30, 2010	4.0
Sanix Hakata Building	Takenaka Corporation	Aug. 31, 2011	4.3
Taihaku Street Business Center	Takenaka Corporation	Feb. 28, 2013	6.7
Higashi Hie Business Center	Tokyo Marine & Nichido Risk Consulting	Feb. 27, 2015	1.7
Tenjin Nishi-Dori Center Building	Tokyo Marine & Nichido Risk Consulting	Dec. 20, 2012	5.4
Tenjin North Front Building	Tokyo Marine & Nichido Risk Consulting	Feb. 5, 2013	3.6
Higashi Hie Business Center II	Tokyo Marine & Nichido Risk Consulting	Dec. 28, 2017	1.8
Amex Akasakamon Tower	Takenaka Corporation	Feb. 28, 2013	11.1
City House Keyaki Dori	Takenaka Corporation	Aug. 31, 2014	1.9
Aqualia Chihaya	Takenaka Corporation	Sep. 1, 2011	7.5
D-wing Tower	NIPPON KANZAI Corporation	Dec. 20, 2012	3.8
Granfore Yakuin Minami	Tokyo Marine & Nichido Risk Consulting	Sep. 15, 2014	2.7
Hotel FORZA Oita	Takenaka Corporation	Dec. 28, 2012	14.5
Tosu Logistics Center	Tokyo Marine & Nichido Risk Consulting	Jan. 16, 2014	8.9
LOGICITY Minato Kashii	Engineering and Risk Services Corporation, OYO RMS Corporation	Feb. 13, 2015	1.3
LOGICITY Hisayama	Tokyo Marine & Nichido Risk Consulting	Mar. 23, 2017	0.6
Overall portfolio (*6)	Takenaka Corporation	Aug. 31, 2018	5.0

(\*1) PML: probable maximum loss [maximum expected loss due to earthquake expressed as a percentage of the total replacement cost of the building].

(\*2) Canal City Hakata was divided into four segments [A, B, C and D], each of which was inspected separately.

Segment A is Center Walk [Washington Hotel], B is Center Walk [former amusement building], C is the South Building, and D is common area.

(\*3) Canal City Hakata・B was divided into three segments [A, B and C], each of which was inspected separately.

Segment A is the Grand Hyatt Fukuoka, B is the North Building, and C is common area.

(\*4) Park Place Oita was divided into five segments [A, B, C, D and E], each of which was inspected separately. Segment A is the areas other than B, C, D and E, B is a 7-Eleven store, C is Magnolia Court, D is K's Denki, and E is Sports Club NAS Park Place Oita.

(\*5) Canal City Business Center Building was divided into two segments [A and B], each of which was inspected separately.

Segment A is the Canal City Business Center Building and B is common area.

(\*6) It is the portfolio PML when earthquakes beneath the inland area occurred in central Fukuoka City among multiple assumed scenarios.

# ESG (Environment)

## Environment Initiatives of owned properties

### Major initiatives by each property

#### Canal City Hakata



#### Canal Water Filtration System

Canal City Hakata's symbolic canal has both a recreational function and as a source of water to fight fires in the case of an emergency. At all times, this canal holds roughly 1,200 tons of water, and this water uses rainwater in order to conserve resources.



#### Groundwater Purification System (RO treatment system)

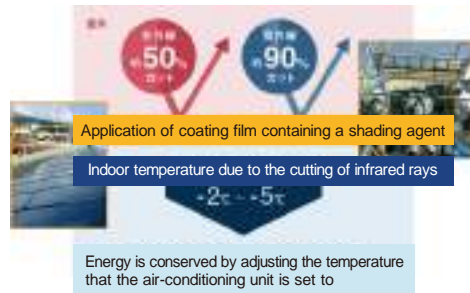
Canal City Hakata uses a water treatment system employing a special RO (reverse osmosis) membrane (\*) to reuse on-site groundwater and produce tap water used at the property.

(\*) RO membrane: A membrane with extremely small holes that allows basically only water to pass through and eliminates impurities and harmful substances. This membrane makes it possible to generate drinking water from both seawater and muddy water.

#### Park Place Oita

#### Reduction in Air Conditioning Load

In the facility, coating film containing a shading agent has been applied to the skylights in the food court passageway and in the dining terrace.



#### Konoha Mall Hashimoto

#### Solar Power Generation System

Solar panels have been installed on top of the symbolic leaf-shaped structural objects, and a solar power generation system integrating building design and environment has been installed.



### DBJ Green Building Certification



#### DBJ Green Building

2017

- Konoha Mall Hashimoto
- LOGICITY Hisayama

2017

- Higashi Hie Business Center II

2016

- Canal City Hakata
- Canal City Hakata · B
- Park Place Oita
- Canal City Business Center Building

2016

- Gofukumachi Business Center
- Higashi Hie Business Center

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 nine properties it owns as "Properties with exceptionally high (or excellent) environmental & social awareness." (62.4% certification rate (based on total floor area))



Awarded by Yamagi Kyushu Branch Manager, Development Bank of Japan



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



# ESG (Society)

## ■ Asset management company's work style reform

On August 28, 2018, Fukuoka Realty Co., Ltd. was certified as a "Fukuoka 'Work Style Reform' Promotion Company."

This is a system to recognize companies that have achieved at least a certain number of the "initiative items" selected by Fukuoka City as indicators to advance work style reforms.



Awarded by the Fukuoka City Economy, Tourism & Culture Bureau chief

### ◎Recognized initiatives

- There is a training system for employees
- There is a support system for self-development initiatives
- There is a system to support the setting of career advancement goals and to consult about career-building
- There is a certification acquisition support system, English training system, and a bookkeeping learning (support) system
- The company has measures in place to encourage the shortening of working times
- There is a system allowing employees to take time off in increments of hours and half-days
- There is a personnel development system, including training that contributes to career advancement

### ◎Fukuoka Realty Co., Ltd. (August 31, 2018)

This asset management company has 39 employees (46.1% women), and the average number of years of continuous service of permanent employees is 7 years, 6 months.

■ Full-time personnel: 39 [Male: 21 Female: 18]

■ Employees seconded from sponsors: 2

■ Employees seconded to a sponsor: 3

■ Number of credentialed personnel

- Real estate brokers: 24, • Certified Building Administrators: 4
- First-class registered architect: 1, • Administrative Scrivener: 1
- MBA: 1, • ARES Certified Masters: 16, • Attorneys: 2
- Real estate appraisers: 2, • SME management consultant: 1

## ■ Initiatives to local communities

### Environment promotion event



At Canal City Hakata, Employees participate in sprinkling water events to cool down sidewalks and streets to promote well-being.

### Safety Town Council



At Park Place Oita, we established a "Safety Town Council" that partners with related institutions and groups to conduct crime-prevention patrols and proactively strives to prevent youth misconduct.

### Clean-up days



Employees actively participate in community clean-up activities.

### Participation of local communities' events



We participated in the 2018 Hakata Gion Yamakasa. (Company CEO Etsuo Matsuyuki sat on the Hachiban Yamakasa Kamikawabatoridori float and directed the team carrying it.)

### Supporting local vitalization



OnRAMP was established by DOGAN Advisors, Inc. and Fukuoka Realty Corporation and is operated by General Incorporated Association OnRAMP.

# ESG (Governance①)

## ■ Formulation of a basic policy on customer-oriented business conduct

Fukuoka Realty Co., Ltd. has adopted all seven principles set forth in the Principles for Customer-Oriented Business Conduct, announced by the Financial Services Agency on March 30, 2017, and formulated a basic policy to realize customer-oriented business operations on September 20, 2017.

### Fukuoka Realty's Basic Policy

1	Fukuoka Realty is a financial business operator that operates listed REITs. We will constantly strive to provide high-quality services so that we can meet the investment needs of unitholders.
2	Fukuoka Realty, as an asset management company knowledgeable about the particular circumstances of the region, strives to maximize the interest of unitholders by utilizing information and expertise.
3	Fukuoka Realty will make the fiduciary duty entrusted to us by unitholders the primary consideration and appropriately manage conflicts of interest.
4	Fukuoka Realty's executives and employees daily engage in honest and fair operation and act responsibly toward the Company's investors and other stakeholders.
5	Fukuoka Realty will proactively engage in voluntary IR activities in addition to statutory disclosure and timely disclosure and increase the fairness and transparency of information disclosure.

## ■ Governance structure



Supervisory Director  
Yasuo Kawasho

CEO and Representative Director  
Etsuo Matsuyuki

Supervisory Director  
Hiroyasu Shindo



### Fukuoka REIT Corporation

■ Ordinary Board of Executive Officers meeting: 10 times ( total of the 27<sup>th</sup> FP and the 28<sup>th</sup> FP )



Director  
(Non-Executive)  
Hidenori Hara

Director  
(Non-Executive)  
Yoshiro Watanabe

CEO and  
Representative Director  
Etsuo Matsuyuki

Executive Managing Director  
and General Manager  
of Planning Dept.  
Akira Eguchi

Director  
(Non-Executive)  
Hiroshi Shimuta

Auditor  
(Non-Executive)  
Masanori Tasaka

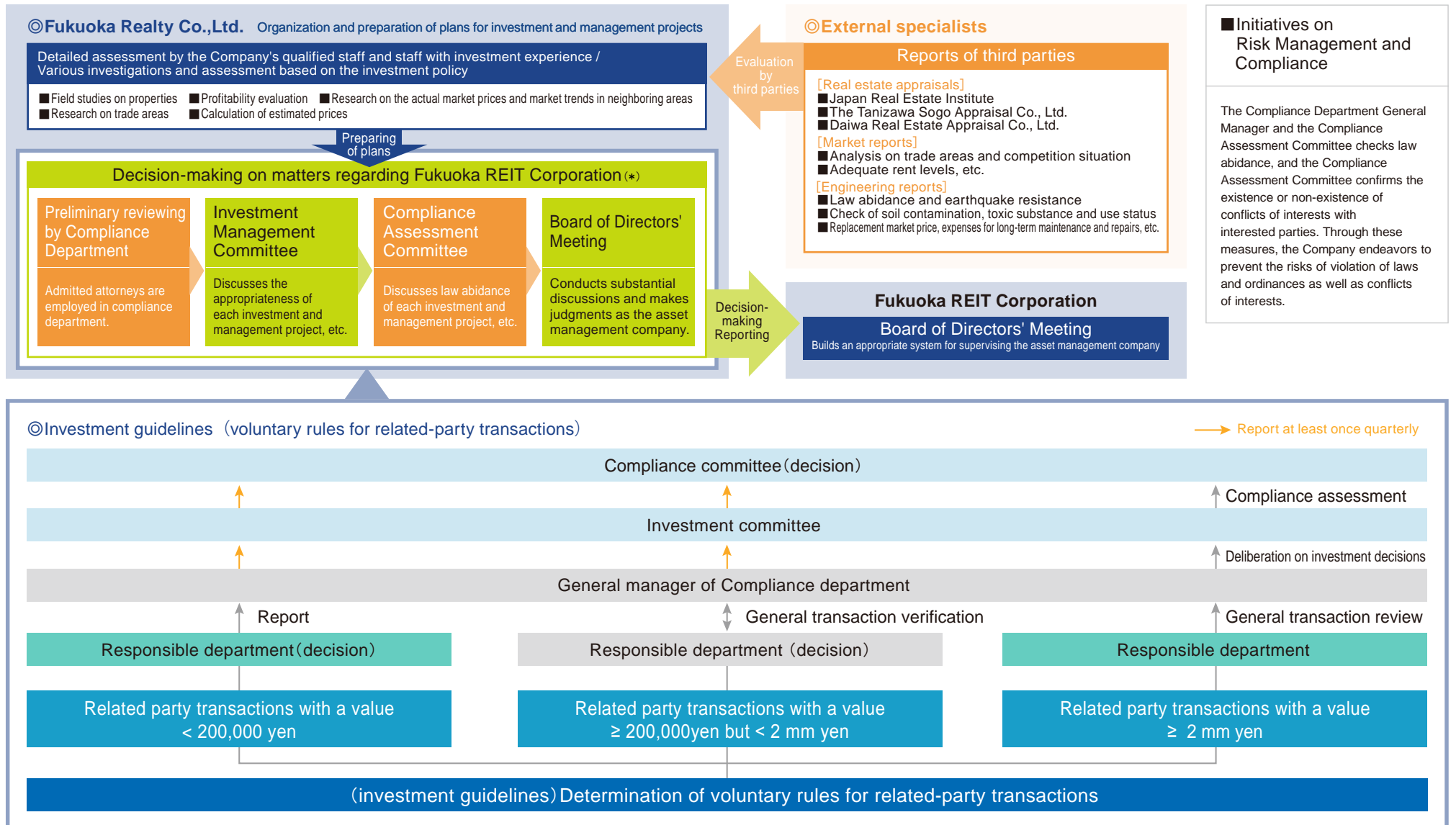


### Fukuoka Realty Co., Ltd.

■ Ordinary Board of Directors meeting: 12 times (total of FY 2017)



# ESG (Governance②)



(\*) The prior consent of the investment corporation's Board of Directors is obtained in cases falling under the provisions of Article 201-2 (1) of the Act on Investment Trusts and Investment Corporations.

# IR initiatives

## IR activities

### ◎The 8th General meeting of unitholders

(May 24, 2018)



#### ■ Resolved Matters

- Partial amendments to the Articles of Incorporation
- Election of one CEO and Representative Director
- Election of two Supervisory Directors
- Election of one Substitute CEO and Representative Director
- Election of one Substitute Supervisory Director

### ● Start of results briefing video distribution



(\*) Total from September 1, 2017~August 31, 2018

### ◎For institutional investors

- Results briefing (Tokyo)
- Domestic roadshows: 232 times (\*)
- Property tours



Analysts and institutional investors meeting

### ◎For overseas investors

- Participation of domestic global conference (Tokyo, Fukuoka)
- Overseas roadshows: 34 times (\*)
- Property tours
- Expansion of English version disclosures (ESG summary etc)



Semi-annual report

### ◎For individual investors 10 times (\*)

- Kyushu IR fair
- Participation to nationwide caravan to popularize J-REIT 2018 (Otsu City, Shiga Prefecture)
- FSE IR Festa, etc.



Kyushu IR fair

## Other IR, Publicity activities

### ◎IR Kyushu Workshop

The 8th IR Workshop series, which was started in fiscal 2011. Fukuoka REIT, together with listed companies having their head offices in Fukuoka or Kyushu for the purpose of engaging in research in the latest IR theories and techniques with IR representatives.

#### 【FY 2017】

Part 1	“The Latest Trends in IR and Corporate IR Activities” — Ms. Yoshiko Sato, Executive Managing Director, Japan Investor Relations Association
Part 2	“Marui Group’s Joint Creation IR activities” — Ms. Asumi Kantake, Section Manager, Corporate Planning Department, Marui Group Co., Ltd.
Part 3	“Fair Disclosure Rules and IR” — Ms. Yoshiko Sato, Executive Managing Director, Japan Investor Relations Association

#### 【FY 2018】

Part 1 (July 6, 2018)	“GPIF’s Investment Chain and ESG Initiatives” — Government Pension Investment Fund Hiroshi Komori, Stewardship & ESG, Public Market Investment Department
--------------------------	---

### ◎Internal IR activities

#### Live streaming of financial results presentation



- Live streaming of financial results presentation for analysts to the Fukuoka office

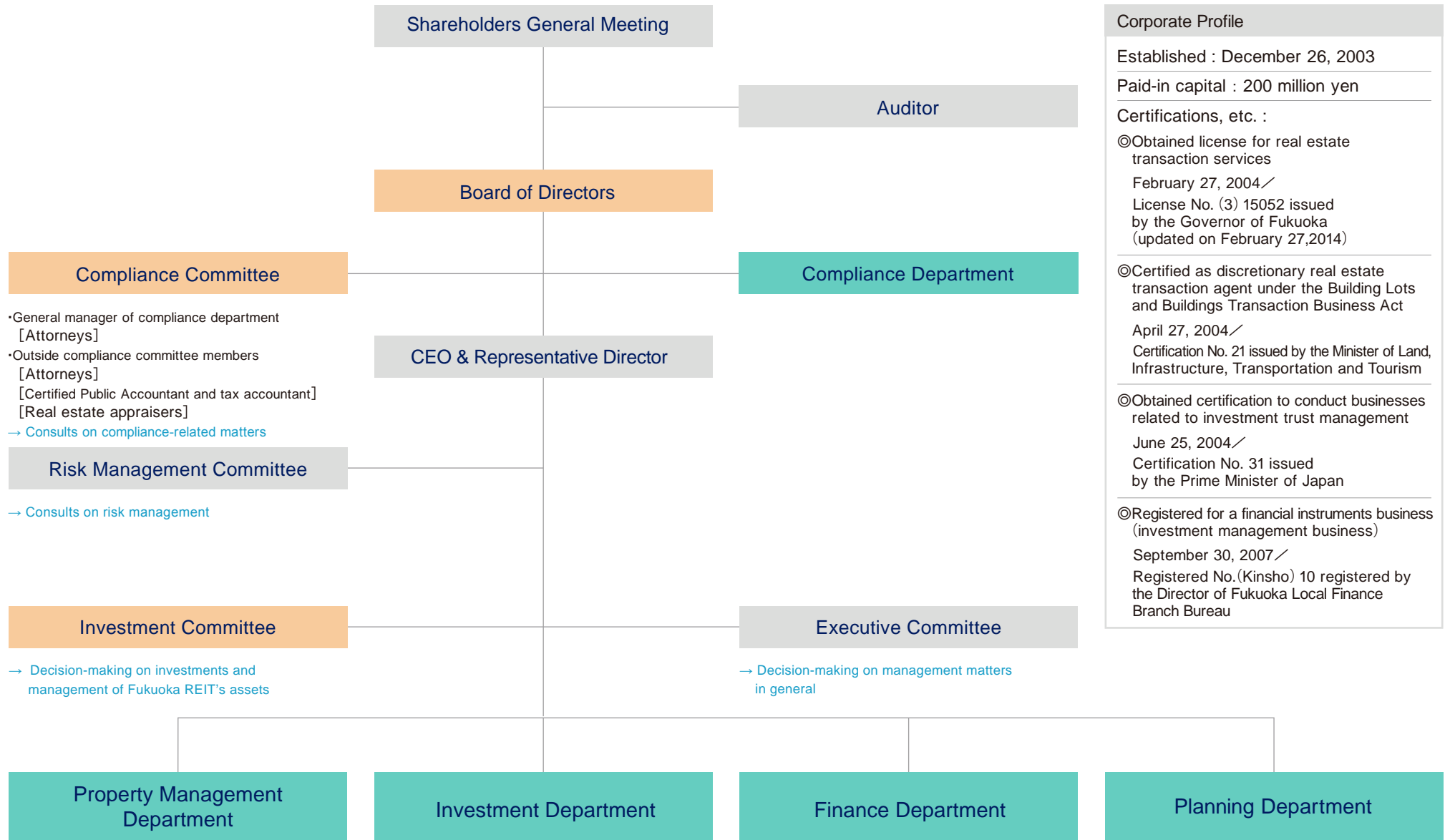
### ◎Website

#### Responsiveness



- Information provision through SNS
  - Started Instagram newly from August 2018
  - Followers facebook : 322 twitter : 536 (people) Instagram : 27 (As of September 30, 2018)

# Asset management company's organization



**Corporate Profile**

Established : December 26, 2003

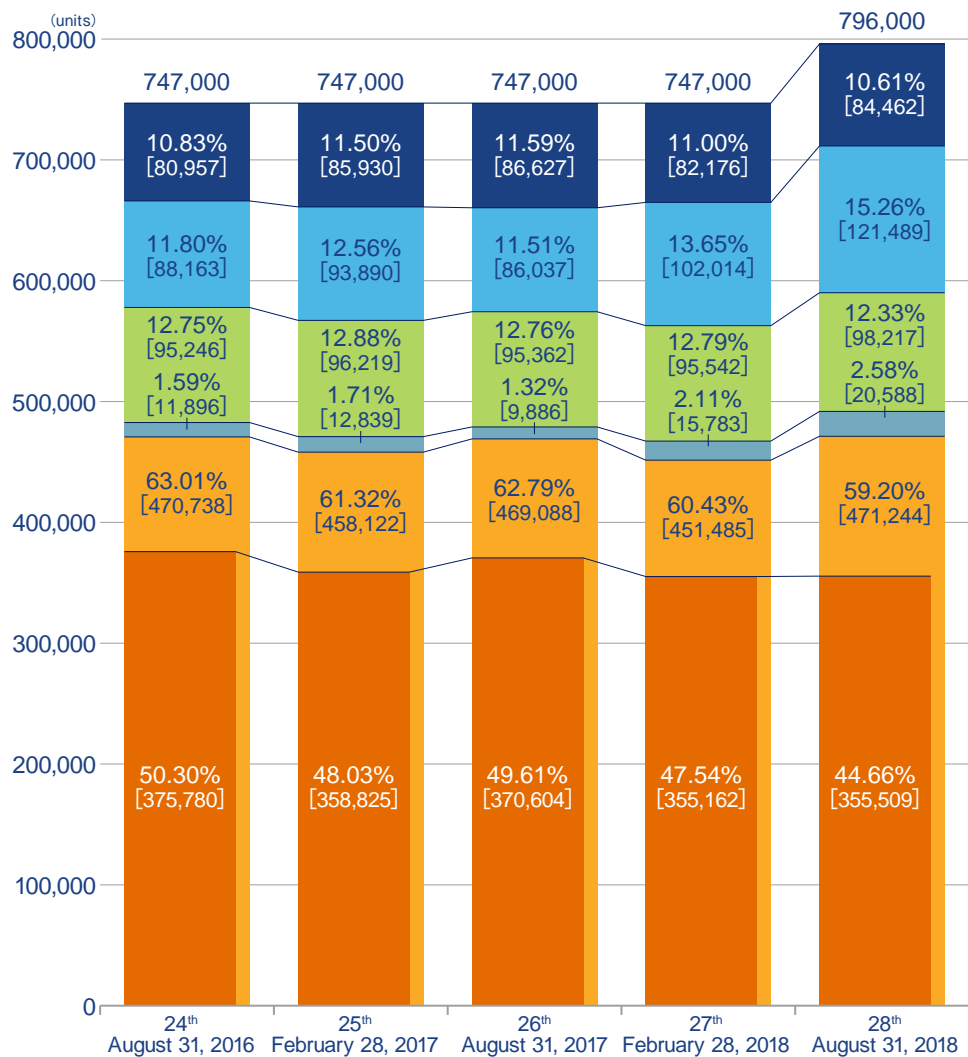
Paid-in capital : 200 million yen

Certifications, etc. :

- ©Obtained license for real estate transaction services  
February 27, 2004 /  
License No. (3) 15052 issued by the Governor of Fukuoka (updated on February 27, 2014)
- ©Certified as discretionary real estate transaction agent under the Building Lots and Buildings Transaction Business Act  
April 27, 2004 /  
Certification No. 21 issued by the Minister of Land, Infrastructure, Transportation and Tourism
- ©Obtained certification to conduct businesses related to investment trust management  
June 25, 2004 /  
Certification No. 31 issued by the Prime Minister of Japan
- ©Registered for a financial instruments business (investment management business)  
September 30, 2007 /  
Registered No. (Kinsho) 10 registered by the Director of Fukuoka Local Finance Branch Bureau

# Unitholders' data

## ■ Distribution by investor category [breakdown of investment units]



■ Financial institutions ■ Of which held by trust banks ■ Stock brokers ■ Other corporations ■ Foreign corporations ■ Individual

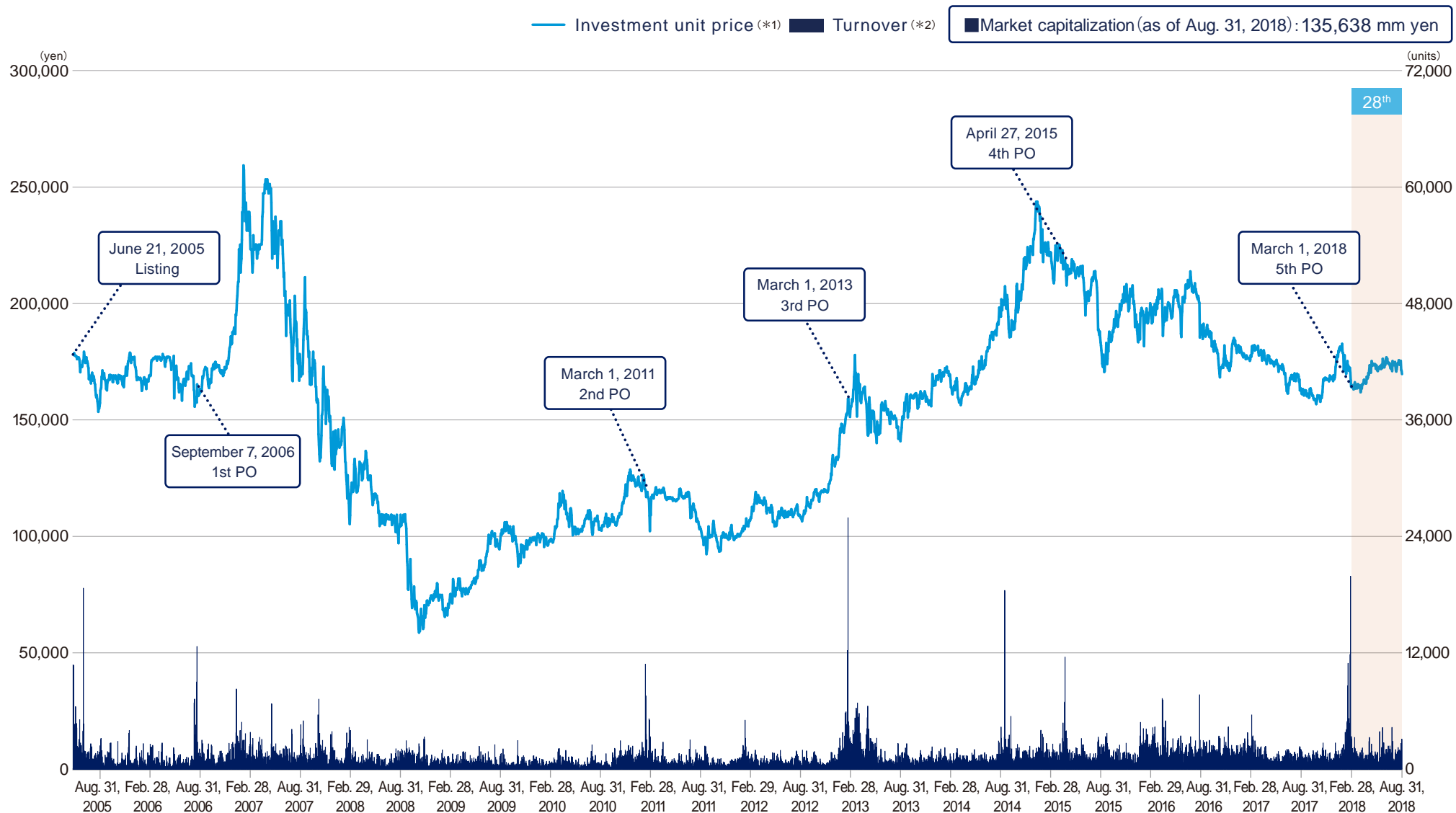
\* Percentages and ratio are rounded off to two decimal places.

## ■ Major investors [at the end of the 28<sup>th</sup> FP]

(As of August 31, 2018)

Rank	Name	Investment units held	Percentage of total number of investment units outstanding
1	Japan Trustee Services Bank, Ltd. (Trust account)	177,674	22.32%
2	The Master Trust Bank of Japan, Ltd. (Trust account)	94,106	11.82%
3	Fukuoka Jisho Co., Ltd.	68,075	8.55%
4	The Nomura Trust and Banking Co., Ltd. (Investment trust account)	31,995	4.01%
5	Trust & Custody Service Bank, Ltd. (Securities investment trust account)	24,139	3.03%
6	Met Life Inc.	11,217	1.40%
7	NORTHERN TRUST CO. (AVFC) RE HCR00	10,932	1.37%
8	STATE STREET BANK WEST CLIENT - TREATY 505234	9,669	1.21%
9	Shikoku Railway Company	9,130	1.14%
10	Aozora Bank, Ltd.	9,099	1.14%

# Unit price chart



(\*1) A 5-for-1 split of Fukuoka REIT investment units was effectuated on March 1, 2014. Accordingly, investment unit prices and issuance prices until February 25, 2014 have been divided by five.

(\*2) Turnover by February 25, 2014 was multiplied by 5.

# Portfolio table

(As of August 31, 2018)

	Real estate property name	Age (*1)	Acquisition Price (mm yen) (*2)	Investment ratio	Acquisition timing	Source (*3)	Total leasable floor space (m)	Occupancy rate	Tenants (*4)	Primary tenants
Retail	Canal City Hakata	22yr 4m	32,000	16.6%	Nov.9, 2004	Sponsor	46,604.75	99.9%	50	Washington Hotel and United Cinema
	Canal City Hakata・B	22yr 4m	28,700	14.9%	Mar.2, 2011	Outside party	68,828.79	99.0%	47	Grand Hyatt Fukuoka and OPA
	Park Place Oita	16yr 5m	18,620	9.6%	Nov.9, 2004	Sponsor	113,834.59	99.8%	104	AEON and K' s Denki
	SunLive City Kokura	13yr 5m	6,633	3.4%	Jul.1, 2005	Outside party	61,450.22	100.0%	1	SunLive
	Konoha Mall Hashimoto	7yr 5m	10,000	5.2%	Mar.1, 2018	Sponsor	22,121.03	100.0%	127	SunLive and The Super Sports XEBIO
	Square Mall Kagoshima Usuki	11yr11m	5,300	2.7%	Sep.28, 2006	Sponsor	14,602.88	100.0%	12	Sports Depo / Golf5 and Edion
	Kumamoto Intercommunity SC	11yr 9m	2,400	1.2%	Nov.30, 2006	Sponsor	6,968.66	100.0%	2	Sports Depo / Golf5 and Starbucks Coffee
	Hanahata SC	11yr 1m	1,130	0.6%	Sep.3, 2007	Sponsor	2,801.15	100.0%	2	BON REPAS and Matsumoto Kiyoshi
	Kurume Higashi Kushiwara SC	10yr 8m	2,500	1.3%	Feb.1, 2008	Sponsor	6,467.80	100.0%	1	Sports Depo / Golf5
	K' s Denki Kagoshima	10yr 9m	3,550	1.8%	Mar.27, 2008	Outside party	7,296.17	100.0%	1	K' s Denki
	Marinoa City Fukuoka (Marina Side Building)	17yr10m	5,250	2.7%	May1, 2015	Sponsor	33,069.82	100.0%	1	Fukuoka Jisho Co.,Ltd
Total or the weighted average of retail	—	116,083	60.1%	—	—	384,045.86	99.8%	348	—	
Office buildings	Canal City Business Center Building	22yr 4m	14,600	7.6%	Nov.9, 2004	Sponsor	23,031.09	99.1%	61	TOTO and Bell System24
	Gofukumachi Business Center	14yr10m	11,200	5.8%	Nov.9, 2004	Sponsor	19,905.34	100.0%	35	SMBC CONSUMER FINANCE and Sumitomo Mitsui Banking Corporation
	Sanix Hakata Building	17yr 5m	4,400	2.3%	Sep.30, 2005	Outside party	6,293.75	100.0%	16	SANIX and The Nishi-Nippon City Bank
	Taihaku Street Business Center	16yr 5m	7,000	3.6%	Mar.16, 2006	Sponsor	14,677.30	98.2%	67	NTT COMWARE and Tokyo Marine Nichido Jimu Outsourcing
	Higashi Hie Business Center	9yr 6m	5,900	3.1%	Mar.13, 2009	Outside party+Sponsor	13,614.59	100.0%	25	Fujitsu and Forest Holdings
	Tenjin Nishi-Dori Center Building	21yr11m	2,600	1.3%	Feb.1, 2013	Outside party	3,339.32	100.0%	1	The Nishi-Nippon City Bank
	Tenjin North Front Building	8yr 7m	2,800	1.4%	Mar.28, 2013	Outside party	5,252.41	100.0%	11	Rakuten Card and Prudential
	Higashi Hie Business Center II	2yr 5m	4,230	2.2%	Mar. 1, 2018	Sponsor	6,214.77	100.0%	2	FUJITSU KYUSHU SYSTEMS LIMITED and Seven-Eleven Japan Co.,LTD
	Total or the weighted average of office buildings	—	52,730	27.3%	—	—	92,328.57	99.5%	218	—
Others	Amex Akasakamon Tower (Residence)	13yr 1m	2,060	1.1%	Sep.1, 2006	Outside party	4,821.25	93.7%	64	
	City House Keyaki Dori (Residence)	10yr 9m	1,111	0.6%	Dec.20, 2007	Outside party	2,710.86	95.5%	40	
	Aqualia Chihaya (Residence)	10yr 8m	1,280	0.7%	Mar.1, 2012	Outside party	5,619.69	98.6%	103	
	D-Wing Tower (Residence)	12yr 6m	2,800	1.4%	Mar.1, 2013	Outside party	7,187.59	95.1%	131	
	Granfore Yakuin Minami (Residence)	10yr 8m	1,100	0.6%	Nov.4, 2014	Outside party	2,496.06	95.0%	94	
	Hotel FORZA Oita (Hotel)	10yr 0m	1,530	0.8%	Mar.1, 2013	Sponsor	5,785.44	100.0%	1	FJ Hotels
	Tosu Logistics Center (Logistics)	10yr 3m	1,250	0.6%	Mar.28, 2014	Outside party	4,173.29	100.0%	1	non-disclosure
	LOGICITY Minato Kashii (Logistics)	4yr 4m	8,150	4.2%	Mar.27, 2015	Outside party	43,233.72	100.0%	2	Fukuoka Logistic System and KYUSHU F-LINE CORPORATION
	LOGICITY Hisayama (Logistics)	3yr 7m	5,050	2.6%	Jun.1, 2017	Outside party	24,505.65	100.0%	1	KASEI inc. Co., Ltd
Total or the weighted average of others	—	24,331	12.6%	—	—	100,533.55	99.0%	437	—	
Total or the weighted average of all properties	16yr 1m	193,144	100.0%	—	—	576,907.98	99.6%	1,003	—	

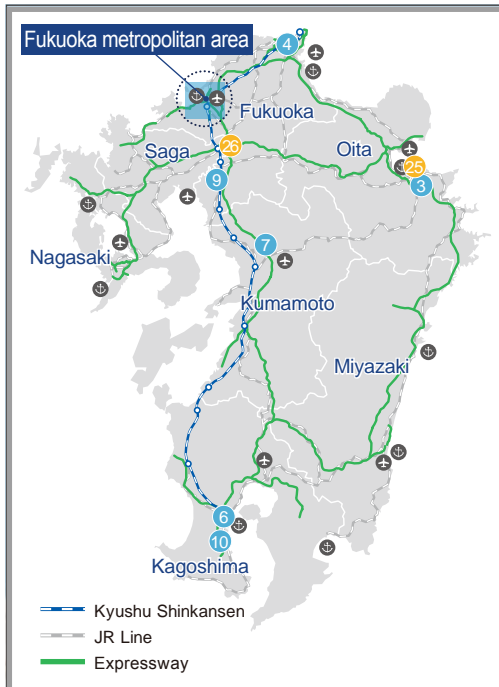
(\*1) "Age" as of the end of the fiscal period.

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

(\*3) Properties acquired through arrangement by a sponsor company are indicate with "sponsor" in the column of seller.

(\*4) Parking contracts, etc., are excluded from "Number of tenants".

# Portfolio



- 1 Canal City Hakata
  - 2 Canal City Hakata-B
  - 3 Park Place Oita
  - 4 SunLive City Kokura
  - 5 Konoha Mall Hashimoto
  - 6 Square Mall Kagoshima Usuki
  - 7 Kumamoto Intercommunity SC
  - 8 Hanahata SC
  - 9 Kurume Higashi Kushiwara SC
  - 10 K's Denki Kagoshima
  - 11 Marina City Fukuoka (Marina Side Building)
  - 12 Canal City Business Center Building
  - 13 Gofukumachi Business Center
  - 14 Sanix Hakata Building
  - 15 Taihaku Street Business Center
  - 16 Higashi Hie Business Center
  - 17 Tenjin Nishi-Dori Center Building
  - 18 Tenjin North Front Building
  - 19 Higashi Hie Business Center II
  - 20 Amex Akasakamon Tower
  - 21 City House Keyaki Dori
  - 22 Aqualia Chihaya
  - 23 D-Wing Tower
  - 24 Granfore Yakuin Minami
  - 25 Hotel FORZA Oita
  - 26 Tosu Logistics Center
  - 27 LOGICITY Minato Kashii
  - 28 LOGICITY Hisayama
- Retail ● Office buildings ● Others

# Portfolio:Retail

Active retail

## ① Canal City Hakata

■ Address: 1-chome,Sumiyoshi,Hakata Ward, Fukuoka City



Active retail

## ② Canal City Hakata・B



Active retail

## ③ Park Place Oita

■ Address: 2-chome,Koen Dori Nishi, Oita City, and others





# Portfolio:Retail

Active retail

## ④ SunLive City Kokura

■ Address: 2-chome,Kamikuzuhara, Kokura Minami Ward, Kitakyushu City



Active retail

## ⑤ Konoha Mall Hashimoto

■ Address: 2-chome,Hashimoto, Nishi Ward, Fukuoka City



# Portfolio:Retail

Retail (Others)

## ⑥ Square Mall Kagoshima Usuki

■ Address: 2-chome, Usuki, Kagoshima City



Retail (Others)

## ⑦ Kumamoto Intercommunity SC

■ Address: 1-chome, Kozono, Higashi Ward, Kumamoto City



Retail (Others)

## ⑧ Hanahata SC

■ Address: 4-chome, Hanahata, Minami Ward, Fukuoka City



Retail (Others)

## ⑨ Kurume Higashi Kushiwara SC

■ Address: Higashi kushiwaramachi, Kurume City



Retail (Others)

## ⑩ K's Denki Kagoshima

■ Address: Tokai-cho, Kagoshima City



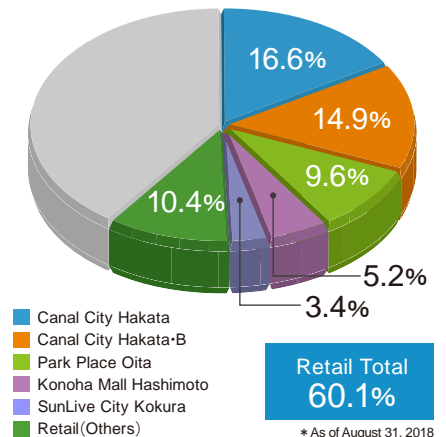
Retail (Others)

## ⑪ Marinao City Fukuoka (Marina Side Building)

■ Address: 2-chome, Odo, Nishi Ward, Fukuoka City



### Investment type ratio(Retail)



# Portfolio:Office buildings

## Office buildings

### ⑫ Canal City Business Center Building

■ Address:1-chome, Sumiyoshi, Hakata Ward, Fukuoka City



## Office buildings

### ⑬ Gofukumachi Business Center

■ Address:Kamigofukumachi, Hakata Ward, Fukuoka City



## Office buildings

### ⑭ Sanix Hakata Building

■ Address:2-chome, Hakataekihigashi, Hakata Ward, Fukuoka City



## Office buildings

### ⑮ Taihaku Street Business Center

■ Address:Gokushomachi, Hakata Ward, Fukuoka City



## Office buildings

### ⑯ Higashi Hie Business Center

■ Address:3-chome, Higashihie, Hakata Ward, Fukuoka City



## Office buildings

### ⑰ Tenjin Nishi-Dori Center Building

■ Address:2-chome, Tenjin, Chuo Ward, Fukuoka City



## Office buildings

### ⑱ Tenjin North Front Building

■ Address:4-chome, Tenjin, Chuo Ward, Fukuoka City



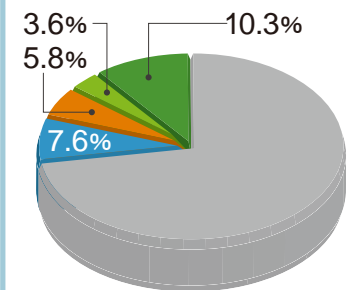
## Office buildings

### ⑲ Higashi Hie Business Center II

■ Address:1-chome, Higashihie, Hakata Ward, Fukuoka City



## Investment type ratio (Office buildings)



Office buildings Total  
27.3%  
\* As of August 31, 2018

# Portfolio:Others

Others (Residence)

## ⑳ Amex Akasakamon Tower

■ Address: 2-chome, Maizuru, Chuo Ward, Fukuoka City



Others (Residence)

## ㉑ City House Keyaki Dori

■ Address: 2-chome, Kego, Chuo Ward, Fukuoka City



Others (Residence)

## ㉒ Aqualia Chihaya

■ Address: 4-chome, Chihaya, Higashi Ward, Fukuoka City



Others (Residence)

## ㉓ D-Wing Tower

■ Address: 2-chome, Daimyo, Chuo Ward, Fukuoka City



Others (Residence)

## ㉔ Granfore Yakuin Minami

■ Address: 1-chome, Hirao, Chuo Ward, Fukuoka City



Others (Hotel)

## ㉕ Hotel FORZA Oita

■ Address: 1-chome, Chuo-cho, Oita City



Others (Logistics)

## ㉖ Tosu Logistics Center

■ Address: Himekata-machi, Tosu City



Others (Logistics)

## ㉗ LOGICITY Minato Kashii

■ Address: 2-chome, Minatokashii, Higashi Ward, Fukuoka City



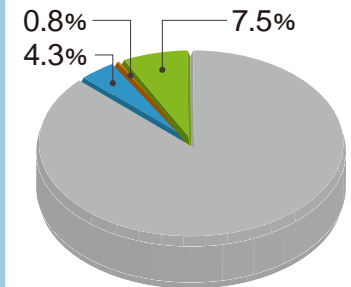
Others (Logistics)

## ㉘ LOGICITY Hisayama

■ Address: Hisayama-cho, Kasuya-gun, Fukuoka Prefecture



### Investment type ratio (Others)

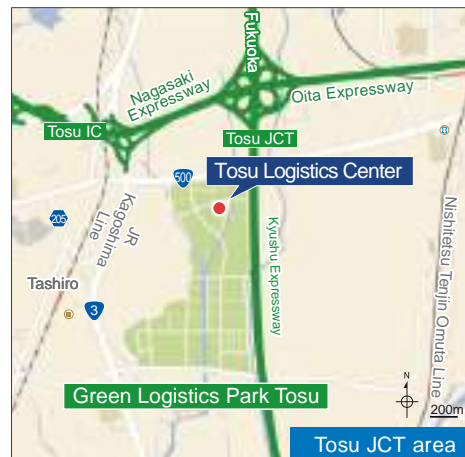
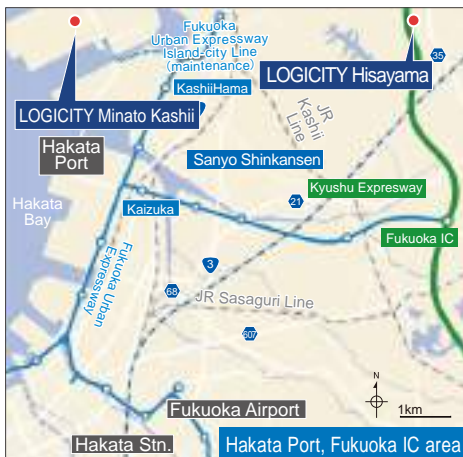
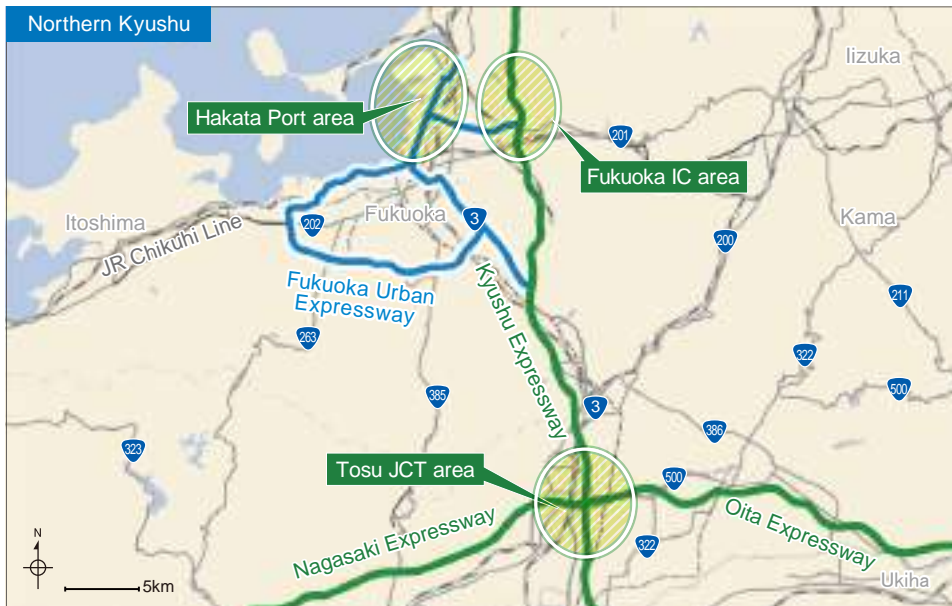


Others Total  
12.6%  
\* As of August 31, 2018

# Logistics market in Northern part of Kyushu

Market formation centered on Hakata Port, Fukuoka Interchange, and Tosu Junction

## Major logistics area



## Properties

LOGICITY Minato Kashii [Hakata Port area]



Location	Minatokashii, Higashi Ward, Fukuoka City
Construction timing	April 2014
Structure / floor	Steel-framed, 2 floors
Land area	43,803.89㎡
Total floor space	45,885.65㎡
Acquisition timing	March 2015
Acquisition Price	8,150 mm yen

LOGICITY Hisayama [Fukuoka IC area]



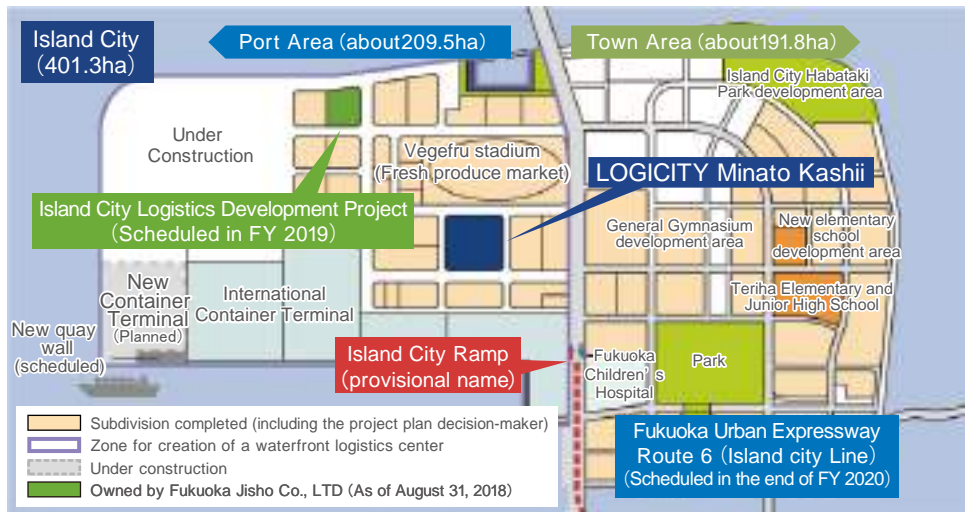
Location	Hisayama-cho, Kasuya-gun, Fukuoka Prefecture
Construction timing	January 2015
Structure / floor	Steel-framed, 3 floors
Land area	16,156.23㎡
Total floor space	24,492.91㎡
Acquisition timing	June 2017
Acquisition Price	5,050 mm yen

Tosu Logistics Center [Tosu JCT area]



Location	Himekata-machi, Tosu City, Saga
Construction timing	May 2008
Structure / floor	Steel-framed, 2 floors
Land area	10,263.09㎡
Total floor space	4,169.40㎡
Acquisition timing	March 2014
Acquisition Price	1,250 mm yen

## Development of the Island City area



Source: Fukuoka Realty, based on Island City Outline Pamphlet (Fukuoka City, Port and Harbor Bureau)

# Top tenants by leased floor area

	Lessee	Tenant	Share of total leased space (*1)	29 <sup>th</sup> ~Feb. 28, 2019		30 <sup>th</sup> ~Aug. 31, 2019		31 <sup>st</sup> ~Feb. 28, 2020		Remaining lease term (years) (*2)
				Ordinary lease	Fixed-term lease	Ordinary lease	Fixed-term lease	Ordinary lease	Fixed-term lease	
1	SunLive Co., Ltd.	SunLive	11.3%	●SunLive City Kokura						6
				●Konoha Mall Hashimoto						12
2	AEON Kyushu Co., Ltd.	AEON	10.2%	●Park Place Oita						3
3	FJ Hotels Co., Ltd	Grand Hyatt Fukuoka	7.7%	●Canal City Hakata · B						5
		Hotel FORZA Oita		●Hotel FORZA Oita						9
4	Fukuoka Jisho Co., Ltd.	—	6.1% (*3)	●Marinoa City Fukuoka (Marina Side Building)						16
5	Canal City OPA Co., Ltd.	OPA	4.5%	●Canal City Hakata						0
				●Canal City Hakata · B						0
6	KASEI inc Co., Ltd.	—	4.3%	●LOGICITY Hisayama						6
7	Fukuoka Logistic System Corporation	—	4.0%	●LOGICITY Minato Kashii						6
8	KYUSHU F—LINE CORPORATION	—	3.5%	●LOGICITY Minato Kashii						non-disclosure (*4)
9	Alpen Co., Ltd.	Sports Depo, Golf 5	3.2%	●Square Mall Kagoshima Usuki						8
				●Kumamoto Intercommunity SC						8
				●Kurume Higashi Kushiwara SC						9
10	K's Holdings Corporation	K's Denki	2.4%	●Park Place Oita						3

(\*1)Share of total leased space is calculated using the formula "Leased floor area by tenant / Total leased floor space," as of August 31, 2018 with residential space excluded from leased floor space by tenant.

(\*2)Remaining lease periods shown are the remaining periods of lease contracts as of August 31, 2018 with periods shorter than one year rounded down to the nearest whole year.

(\*3)The 6.1% includes a 0.3% office portion. [Five ordinary leases (with automatic renewal provisions for periods of one or two years) have been concluded for Canal City Business Center Building.]

(\*4)Information is not disclosed because the permission of tenants has not been obtained.

# Balance sheets (compared with the previous fiscal period)

Account	27th Feb. 28, 2018 A	28th Aug. 31, 2018 B	Difference B-A
<b>Total current assets</b>	8,200	9,397	1,196
Cash and deposits	2,924	2,609	(314)
Cash and deposits in trust	4,514	5,386	872
Operating accounts receivable	459	542	82
Prepaid expenses	260	254	(6)
Consumption taxes receivable	-	598	598
Deferred tax assets	0	0	(0)
Others	40	4	(36)
<b>Total non-current assets</b>	169,051	183,653	14,601
<b>Total property, plant and equipment</b>	166,362	176,905	① 10,542
Buildings in trust	62,735	70,703	7,967
Structures in trust	915	1,155	239
Machinery and equipment in trust	890	873	(17)
Tools and fixtures in trust	268	245	(23)
Lands in trust	101,545	103,814	2,269
Construction in progress in trust	6	113	106
<b>Total intangible assets</b>	1,782	5,560	① 3,777
Leasehold right in trust	1,765	5,545	3,780
Other intangible assets in trust	16	14	(2)
<b>Total investment and other assets</b>	906	1,187	281
Lease and guarantee deposits	10	10	-
Lease and guarantee deposits in trust	110	327	② 217
Long-term prepaid expenses	786	850	64
<b>Total deferred assets</b>	31	61	30
<b>Total assets</b>	<b>177,283</b>	<b>193,112</b>	<b>15,828</b>

## Assets

① Acquisition of Konoha Mall Hashimoto + 10,000	
Acquisition of Higashihe Business CenterII + 4,230	
Acquired Park Place Oita Daiichi Parking + 860	
Capital expenditures + 657	
Depreciation and amortization expenses (1,602)	
Others + 174	
<b>Total : +14,319</b>	
② Lease deposits for two newly-acquired properties	+ 217

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

Account	27th Feb. 28, 2018 A	28th Aug. 31, 2018 B	Difference B-A
<b>Total current liabilities</b>	5,110	7,610	2,499
Operating accounts payable	602	649	47
Short-term debt	-	-	-
Current maturities of long-term debt	2,100	4,200	2,100
Account payable-other	21	18	(2)
Accrued expenses	328	363	35
Income taxes payable	0	0	0
Accrued consumption taxes	298	-	(298)
Advances received	990	1,049	59
Deposits received	768	1,327	558
<b>Total non-current liabilities</b>	78,406	83,702	5,296
Investment corporation bonds	4,000	5,000	③ 1,000
Long-term debt	62,800	66,300	④ 3,500
Tenant leasehold and security deposits	373	375	1
Tenant leasehold and security deposits received in trust	11,233	12,027	⑤ 794
<b>Total liabilities</b>	<b>83,517</b>	<b>91,312</b>	<b>7,795</b>
<b>Total unitholders' equity</b>	93,766	101,799	8,032
Unitholders' capital	91,142	98,938	⑥ 7,795
Surplus	2,623	2,860	236
<b>Total net assets</b>	<b>93,766</b>	<b>101,799</b>	<b>8,032</b>

**Total liabilities and net assets**      **177,283**      **193,112**      **15,828**

## Liabilities and net assets

③ Issuance of investment corporation bonds + 1,000 [Refinancing of current maturities of long-term debt]	
④ New borrowing of debts + 6,600 Refinancing of current maturities of long-term debt + 600 Transfer to long-term debt of current maturities (3,700) <b>Total : +3,500</b>	
⑤ Tenant leaseholds for two newly-acquired properties	+ 794
⑥ Public Offering	+ 7,795

# Cash flow statements (compared with previous fiscal period)

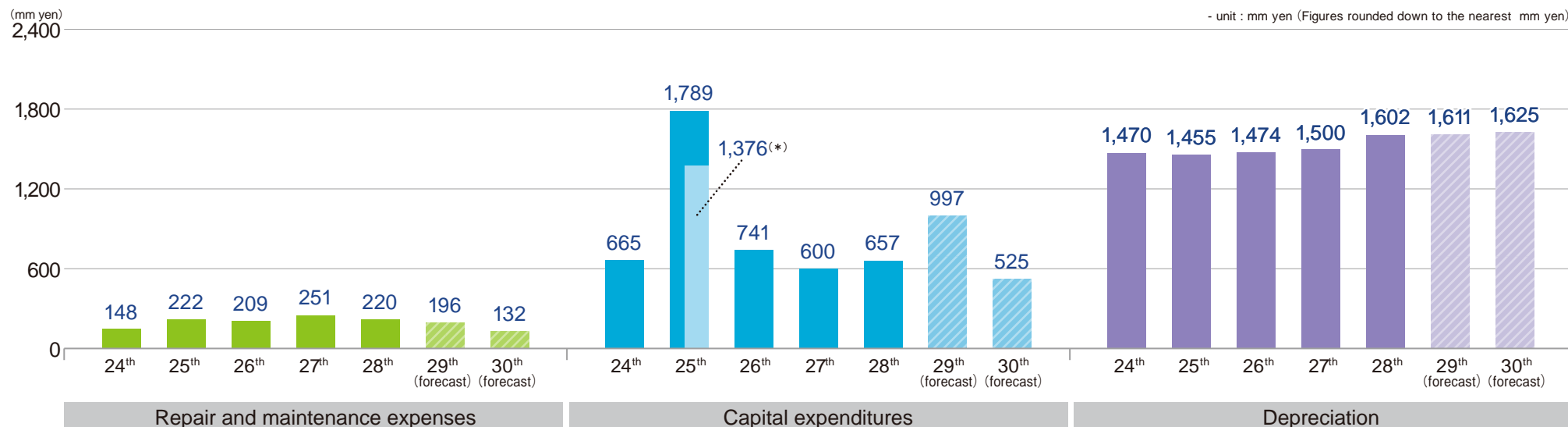
- unit : mm yen (Figures rounded down to the nearest mm yen)

Category	27 <sup>th</sup> ~Feb. 28, 2018 A	28 <sup>th</sup> ~Aug. 31, 2018 B	Difference B-A
<b>Net cash provided by (used in) operating activities</b>	4,292	4,149	(142)
Profit before income taxes	2,624	2,861	236
Depreciation and amortization expenses	1,500	1,602	102
Amortization of investment corporation bond issuance expenses	1	1	0
Amortization of investment unit issuance expenses	5	4	(0)
Interest received	(0)	(0)	(0)
Interest expenses	252	279	26
Decrease (increase) in operating accounts receivables	(28)	(82)	(54)
Decrease (increase) in consumption taxes refund receivable	258	(598)	(856)
Increase (decrease) in accrued consumption taxes	298	(298)	(597)
Increase (decrease) in operating accounts payable	24	61	36
Increase (decrease) in accounts payable-other	(0)	(0)	(0)
Increase (decrease) in accrued expenses	2	27	24
Increase (decrease) in advances received	(7)	59	66
Increase (decrease) in deposits expenses	(286)	558	844
Decrease (increase) in prepaid expenses	(12)	6	19
Decrease (increase) in long-term prepaid expenses	(65)	(64)	1
Others, net	(20)	3	24
<b>Subtotal</b>	4,547	4,421	(126)
Interest income received	0	0	0
Interest expenses paid	(254)	(271)	(16)
Income taxes paid	(1)	(0)	0
Income taxes refund	0	0	(0)
<b>Net cash provided by (used in) investment activities</b>	(478)	(15,326)	(14,847)
Purchase of property, plant and equipment in trust	(409)	(12,130)	(11,720)
Purchase of intangible assets in trust	-	(3,775)	(3,775)
Proceeds from tenant leasehold and security deposits	34	8	(26)
Repayments of tenant leasehold and security deposits	(30)	(6)	23
Proceeds from tenant leasehold and security deposits in trust	42	1,023	980
Repayments of tenant leasehold and security deposits in trust	(114)	(228)	(114)
Payments from tenant leasehold and security deposits in trust	-	(217)	(217)
Proceeds from restricted trust deposits	3	2	(0)
Payments for restricted trust deposits	(3)	(2)	1
<b>Net cash provided by (used in) financial activities</b>	(3,555)	11,734	15,289
Proceeds from short-term debt	4,500	4,100	(400)
Repayments of short-term debt	(6,000)	(4,100)	1,900
Proceeds from long-term debt	9,100	7,200	(1,900)
Repayments of long-term debt	(8,600)	(1,600)	7,000
Proceeds from issuance of investment corporation bonds	-	1,000	1,000
Proceeds from issuance of investment units	-	7,795	7,795
Payments of investment corporation bond issuance expenses	-	(13)	(13)
Payment of investment unit issuance expenses	-	(23)	(23)
Dividends paid	(2,555)	(2,624)	(69)
<b>Net increase (decrease) in cash and cash equivalents</b>	258	558	299
<b>Balance of cash and cash equivalents at beginning of period</b>	7,134	7,392	258
<b>Balance of cash and cash equivalents at end of period</b>	7,392	7,950	558



# Repair and maintenance expenses, capital expenditures, and depreciation

## ■ Repair and maintenance expenses, capital expenditures, and depreciation



(\*) Capital expenditures related to renewal works at Canal City Hakata and Canal City Hakata-B.

### ◎ Major capital expenditures in the 28<sup>th</sup> fiscal period

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

Property	Purpose	Construction cost
Canal City Hakata	Emergency telephone replacement, Tenant space creation, etc.	114
Canal City Hakata・B	Emergency telephone replacement, etc.	194
Park Place Oita	Wood deck replacement, etc.	53
Konoha Mall Hashimoto	Introduction of parking lot control systems, Improvement of garden court environment, etc.	204
Canal City Business Center Building	Emergency telephone replacement, etc.	21

### ◎ Major capital expenditures in the 29<sup>th</sup> fiscal period and the 30<sup>th</sup> fiscal period

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

Property	Purpose	Planned construction cost		
		Total amount	Construction cost in the 28 <sup>th</sup>	Paid in total amount
Canal City Hakata	Exterior wall repairs, etc.	282	27	28
Canal City Hakata・B	Exterior wall repairs, Tenant space creation, etc.	655	55	56
Park Place Oita	Air-conditioning equipment replacement, Introduction of parking lot control systems, etc.	329	1	1
Canal City Business Center Building	Exterior wall repairs, etc.	94	7	7
Gofukumachi Business Center	Maintenance of multi-storey parking lot equipment, etc.	55	-	-

# Income and expenditure by properties (Retail①)

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

Category	Canal City Hakata	Canal City Hakata・B	Park Place Oita	SunLive City Kokura	Konoha Mall Hashimoto	28 <sup>th</sup> Total A	27 <sup>th</sup> Total B	Difference A-B	Forecast C (*)	Difference A-C
	28 <sup>th</sup> FP (Mar. 1, 2018 ~ Aug. 31, 2018)						181 days	3 days		
(Length)	184 days									
① Total leasing business revenues	1,256	1,576	1,207	292	838	5,172	4,398	774	5,175	(3)
Leasing revenue-real estate	1,226	1,532	1,005	292	673	4,731	4,141	590		
Other leasing revenue-real estate	30	43	201	0	165	441	256	184		
② Total leasing business expenses	485	794	676	47	520	2,524	1,988	535	2,540	(15)
Outsourcing fees	319	535	311	8	299	1,474	1,158	315		
Repair and maintenance expenses	18	25	57	1	29	132	113	18		
Expenses for restoration to former state	2	-	-	-	-	2	-	2		
Tax and other public charges	75	158	92	34	-	361	358	2		
Insurance premiums and trust compensation	8	17	6	1	2	37	36	1		
Utilities expenses	24	49	181	-	114	370	241	129		
Other expenses	34	7	27	0	74	145	80	65		
③ NOI (=①-②)	771	782	531	245	318	2,648	2,409	239	2,635	12
④ Depreciation and amortization expenses	244	263	228	47	81	865	773	91		
⑤ Leasing business profit (=③-④)	526	519	302	197	236	1,783	1,635	147		
⑥ NOI yield (acquisition price)	4.8%	5.5%	5.7%	7.4%	6.4%	5.5%	5.7%	(0.1) %		
⑦ Capital expenditures	114	194	53	-	204	566	418	148		

(\*) Forecast at the financial results of 27<sup>th</sup> fiscal period

# Income and expenditure by properties (Retail②)

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

Category	Square Mall Kagoshima Usuki	Kumamoto Inter-Community SC	Hanahata SC	Kurume Higashi Kushiwara SC	K' s Denki Kagoshima	Marinoa City Fukuoka (Marina Side Building)	28 <sup>th</sup> Total A	27 <sup>th</sup> Total B	Difference A-B	Forecast C (*)	Difference A-C
	28 <sup>th</sup> FP (Mar. 1, 2018 ~ Aug. 31, 2018)							181 days	3 days		
(Length)	184 days										
① Total leasing business revenues	257	90	40	88	111	177	765	762	2	764	1
Leasing revenue-real estate	222	89	40	88	111	177	729	729	(0)		
Other leasing revenue-real estate	35	0	0	-	-	0	36	33	2		
② Total leasing business expenses	106	9	7	9	11	25	168	161	7	163	5
Outsourcing fees	38	2	1	2	1	1	48	48	(0)		
Repair and maintenance expenses	16	0	2	0	0	3	23	17	6		
Expenses for restoration to former state	-	-	-	-	-	-	-	-	-		
Tax and other public charges	17	5	3	5	7	18	56	57	(0)		
Insurance premiums and trust compensation	0	0	0	0	0	0	3	3	(0)		
Utilities expenses	32	-	-	-	-	-	32	30	2		
Other expenses	0	0	0	0	0	0	3	4	(0)		
③ NOI (=①-②)	151	80	33	78	100	152	596	600	(4)	601	(4)
④ Depreciation and amortization expenses	38	12	5	18	24	21	121	122	(1)		
⑤ Leasing business profit (=③-④)	112	68	27	60	75	131	475	478	(3)		
⑥ NOI yield (acquisition price)	5.7%	6.7%	5.9%	6.3%	5.6%	5.8%	5.9%	6.0%	(0.0) %		
⑦ Capital expenditures	(1)	-	-	-	-	4	3	12	(8)		

(\*) Forecast at the financial results of 27<sup>th</sup> fiscal period

# Income and expenditure by properties (Office buildings)

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

Category	Canal City Business Center Building	Gofukumachi Business Center	Sanix Hakata Building	Taihaku Street Business Center	Higashi Hie Business Center	Tenjin Nishi-Dori Center Building	Tenjin North Front Building	Higashi Hie Business Center II	28 <sup>th</sup> Total A	27 <sup>th</sup> Total B	Difference A-B	Forecast C (*)	Difference A-C
	28 <sup>th</sup> FP (Mar. 1, 2018 ~ Aug. 31, 2018)												
(Length)	184 days									181 days	3 days		
① Total leasing business revenues	633	544	201	300	338	86	143	167	2,415	2,221	194	2,411	4
Leasing revenue-real estate	631	475	183	300	311	86	114	150	2,254	2,090	164		
Other leasing revenue-real estate	1	68	17	0	26	-	28	17	161	131	29		
② Total leasing business expenses	198	188	59	90	142	17	53	47	797	764	33	778	18
Outsourcing fees	136	73	19	54	41	1	10	19	357	336	21		
Repair and maintenance expenses	5	12	1	4	11	1	5	-	42	73	(31)		
Expenses for restoration to former state	-	-	-	-	-	-	-	-	-	-	-		
Tax and other public charges	45	35	20	26	16	13	8	-	166	161	4		
Insurance premiums and trust compensation	2	3	0	1	2	0	0	0	12	11	0		
Utilities expenses	6	61	17	-	29	-	26	16	158	127	31		
Other expenses	2	1	0	2	40	0	0	10	59	53	6		
③ NOI (=①-②)	434	355	141	210	196	69	90	119	1,618	1,457	160	1,632	(14)
④ Depreciation and amortization expenses	102	101	39	77	39	8	33	40	443	431	11		
⑤ Leasing business profit (=③-④)	332	254	102	133	156	60	57	78	1,175	1,026	149		
⑥ NOI yield (acquisition price)	6.0%	6.4%	6.4%	6.0%	6.7%	5.4%	6.4%	5.7%	6.1%	6.0%	0.1%		
⑦ Capital expenditures	21	0	14	2	0	1	0	-	41	130	(89)		

(\*) Forecast at the financial results of 27<sup>th</sup> fiscal period

# Income and expenditure by properties (Others)

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

Category	Amex Akasakamon Tower	City House Keyaki Dori	Aqualia Chihaya	D-Wing Tower	Granfore Yakuin Minami	Hotel FORZA Oita	Tosu Logistics Center	LOGICITY Minato Kashii	LOGICITY Hisayama	28 <sup>th</sup> Total A	27 <sup>th</sup> Total B	Difference A-B	Forecast C (*)	Difference A-C
	28 <sup>th</sup> FP (Mar. 1, 2018 ~ Aug. 31, 2018)													
(Length)	184 days										181 days	3 days		
① Total leasing business revenues	66	37	60	116	38	63				824	812	12	822	2
Leasing revenue-real estate	62	37	57	110	37	63				763	764	(1)		
Other leasing revenue-real estate	3	0	3	6	1	-				60	47	13		
② Total leasing business expenses	29	10	14	26	9	10				194	199	(5)	203	(8)
Outsourcing fees	5	2	3	7	2	0				32	33	(0)		
Repair and maintenance expenses	8	2	2	3	1	0	Non-disclosure (*2)	Non-disclosure (*2)	Non-disclosure (*2)	21	45	(24)		
Expenses for restoration to former state	4	-	1	2	1	-				9	5	3		
Tax and other public charges	5	3	4	7	2	7				77	66	10		
Insurance premiums and trust compensation	0	0	0	0	0	0				5	5	0		
Utilities expenses	1	0	0	2	0	-				34	31	2		
Other expenses	4	1	2	2	1	0				13	10	2		
③ NOI (=①-②)	36	27	46	90	29	52	137	183	126	630	612	17	619	10
④ Depreciation and amortization expenses	18	10	12	17	9	20	9	36	37	172	172	0		
⑤ Leasing business profit (=③-④)	18	17	34	73	19	32	27	146	88	457	440	17		
⑥ NOI yield (acquisition price)	3.6%	4.9%	7.2%	6.5%	5.4%	6.9%	6.0%	4.5%	5.0%	5.2%	5.0%	0.1%		
⑦ Capital expenditures	6	0	19	1	0	17	-	-	-	45	38	7		

(\*1) Forecast at the financial results of 27<sup>th</sup> fiscal period (\*2) Information is not disclosed because the permission of tenants has not been obtained.

Others

Appendix

# Income and expenditure by properties (Total)

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

Category	28 <sup>th</sup> Total B	27 <sup>th</sup> Total A	Difference A-B	Forecast C (* )	Difference A-C
	(Length)	184 days	181 days	3 days	
① Total leasing business revenues	9,178	8,194	984	9,173	4
Leasing revenue-real estate	8,478	7,725	753		
Other leasing revenue-real estate	699	468	230		
② Total leasing business expenses	3,685	3,114	570	3,684	1
Outsourcing fees	1,913	1,576	336		
Repair and maintenance expenses	220	251	(30)		
Expenses for restoration to former state	12	5	6		
Tax and other public charges	661	644	17		
Insurance premiums and trust compensation	58	56	1		
Utilities expenses	595	430	165		
Other expenses	223	149	74		
③ NOI (=①-②)	5,493	5,079	413	5,489	3
④ Depreciation and amortization expenses	1,602	1,500	102		
⑤ Leasing business profit (=③-④)	3,890	3,579	310		
⑥ NOI yield (acquisition price)	5.7%	5.7%	(0.0) %		
⑦ Capital expenditures	657	600	57		

(\*) Forecast at the financial results of 27<sup>th</sup> fiscal period

Total

Appendix