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Notice on Revision to Forecast of Performance for Fiscal Period Ending August 2016 and February 2017

Fukuoka REIT Corporation (FRC) announces it has revised its forecast of performance for the fiscal period ending August 2016 (March 1, 2016 – August 31, 2016), and the fiscal period ending February 2017 (September 1, 2016 – February 28, 2017) announced on April 8, 2016 as described below.

1. Revised forecast for the fiscal period ending August 2016 (March 1, 2016 -August 31, 2016)

	Operating revenues (mm yen)	Operating income (mm yen)	Ordinary income (mm yen)	Profit (mm yen)	Total dividend (excl. dividend in excess of earnings) (mm yen)
Previous forecast	8,412	3,121	2,660	2,659	2,659
Revised forecast	8,224	3,030	2,577	902	2,562
Amount of variation	(188)	(91)	(83)	(1,757)	(97)
Rate of variation	(2.2)%	(2.9)%	(3.1)%	(66.1)%	(3.7)%
(Reference) Results for the fiscal period ended February 2016	8,343	3,141	2,670	2,669	2,669

	Dividend per unit (excl. dividend in excess of earnings)	Dividend in excess of earnings per unit		Dividend per unit (incl. dividend in excess of earnings)
		Dividend of the reserve for temporary difference adjustments (Note 2)	Others	
Previous forecast	3,560 yen	0 yen	0 yen	3,560 yen

Revised forecast	1,207 yen	2,223 yen	0 yen	3,430 yen
Amount of variation	(2,353) yen	2,223 yen	—	(130) yen
Rate of variation	(66.1)%	—	—	(3.7)%
(Reference) Results for the fiscal period ended February 2016	3,574 yen	—	—	3,574 yen

(Note 1) The expected number of investment units issued and outstanding at the end of the fiscal period: 747,000 units.
(Note 2) For tax purposes, dividend in excess of earnings per unit in respect of the reserve for temporary difference adjustments is included in deductible expenses of investment corporations in the same manner as dividends from earnings, and for unitholders is treated as a dividend, not a return of capital, and subject to withholding at source.
(Note 3) The figures presented above are current performance forecasts calculated on the preconditions described in the Attachment. The actual figures may be subject to change due to changes in the business environment,
etc. Furthermore, the forecast does not constitute any guarantee of dividend amount.
(Note 4) FRC makes further revisions to the forecasts when the actual results are expected to differ by more than a certain degree from the above forecast figures.
(Note 5) The figures are rounded to the nearest whole unit, and percentages and ratios are rounded off to first decimal places.

2. Forecast for the fiscal period ending February 2017 (September 1, 2016 –February 28, 2017)

	Operating revenues (mm yen)	Operating income (mm yen)	Ordinary income (mm yen)	Profit (mm yen)	Reversal of the reserve for temporary difference adjustments (mm yen)	Operating revenues (mm yen)
Previous forecast	8,364	3,088	2,660	2,659	—	2,659
Revised forecast	9,706	4,519	4,127	4,126	1,660	2,465
Amount of variation	1,342	1,430	1,466	1,466	1,660	(194)
Rate of variation	16.1%	46.3%	55.1%	55.1%	—	(7.3)%

	Dividend per unit (excl. dividend in excess of earnings)	Dividend in excess of earnings per unit		Dividend per unit (incl. dividend in excess of earnings)
		Dividend of the reserve for temporary difference adjustments	Others	
Previous forecast	3,560 yen	0 yen	0 yen	3,560 yen
Revised forecast	3,300 yen	0 yen	0 yen	3,300 yen
Amount of variation	(260) yen	—	—	(260) yen
Rate of variation	(7.3)%	—	—	(7.3)%

(Note 1) The expected number of investment units issued and outstanding at the end of the fiscal period: 747,000 units.
(Note 2) The figures presented above are current performance forecasts calculated on the preconditions described in the Attachment. The actual figures may be subject to change due to changes in the business environment, etc. Furthermore, the forecast does not constitute any guarantee of dividend

amount.

(Note 3) FRC makes further revisions to the forecasts when the actual results are expected to differ by more than a certain degree from the above forecast figures.

(Note 4) The figures are rounded to the nearest whole unit, and percentages and ratios are rounded off to first decimal places.

3. Reason for the revision to the forecast of performance (accounting and tax treatment of the disposition of specified assets)

As announced in "Notice of Disposition of Assets" released today, Fukuoka Realty Co., Ltd., an asset management company to which FRC entrusts the management of its assets (the "asset management company"), has decided to dispose of two properties (AEON Hara Shopping Center and Aqualia Kego, collectively the "disposition assets"). The sale of AEON Hara Shopping Center is expected to result in a loss, and the sale of Aqualia Kego is expected to result in a gain. Since the total gain or loss on the sale of the disposition assets will be a gain of 1.53 million yen when expenses are excluded and a loss of 6 million yen when expenses are included, the total impact on profit and loss has been kept to a minimum. Although both delivery of the disposition assets and settlement are expected to occur in the fiscal period ending February 2017, the timing of accounting recognition of gain and loss is expected to differ.

As a result, profit for the fiscal periods ending August 2016 and ending February 2017 will vary significantly compared to the forecast announced in "Earnings Briefing for the Period Ended February 2016," dated April 8, 2016. However, change in the dividend will be avoided due to the recording of a reserve for temporary difference adjustments

(1) Reserve for a temporary difference adjustments following the impairment loss of the specified assets when a difference occurred between accounting profit and income for tax purposes due to differences between the accounting treatment and tax treatment of investment corporations (inconsistency between accounting and taxation).

Delivery and payment of AEON Hara Shopping Center will be carried out during February, 2017. However, the decision of selling this property expected loss on sale falls under the act on Investment Trusts and Investment Corporations.is occurred before the auditing for the fiscal period ending August, 2016.The impairment loss will be calculated 1,660 million yen as an extraordinary loss at the fiscal period end. Therefore, the profit will be 902 million yen in the fiscal period ended August 2016.

On the other hand, we decide that these factors are affected to the profit dividend (excluding dividend in excess of earnings) for the period ended August 2016 on a large scale due to the difference between accounting and tax treatment arises in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations. Therefore dividends in excess of earnings (dividend in excess of earnings per unit), in accordance with the policy on dividend of monies in excess of earnings stipulated in FRC's Articles of Incorporation, FRC will make a dividend in excess of earnings of 1,660 mm yen consisting of a reserve for temporary difference adjustments (which means the reserve provided in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations) and assumes a dividend in excess of earnings per unit of 2,223 yen. As a result, the dividend per unit for the period ended August 2016 will be 3,340 yen (in which the cash dividend exceeding profit is 2,223 yen)

(2) Reversal of a temporary difference adjustments following the impairment loss of the specified assets when the difference between accounting and tax treatment arises.

Delivery and payment of Aqualia Kego will be carried out during February, 2017. However, this property's gain on sale will be 1,654 million yen as operating income for the period ended February 2017. Therefore, profit will be 4,126 million yen for the period ended February 2017.
On the other hand, we will reverse a temporary difference adjustments of 1,660 million yen which is occurred at the period ended August 2016 (which means the reserve provided in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations).
As a result, the divided per unit for the period ended February 2017 will be 3,300 yen.

[For reference] Reserve for temporary difference adjustments
Previously, when a difference occurred between accounting profit and income for tax purposes due to differences between the accounting treatment and tax treatment of investment corporations (inconsistency between accounting and taxation), even if investment corporations made dividends in excess of accounting profit, the excess portion of such dividends was subject to taxation since it was not treated as deductible dividends.
Under the fiscal 2015 tax reform, among the dividend of monies by investment corporations provided in Article 137 of the Act on Investment Trusts and Investment Corporations, an amount equivalent to the amount of increase in the "reserve for temporary difference adjustments" provided in the Ordinance on Accountings of Investment Corporations is now treated as a dividend for tax purposes, in the same manner as ordinary profit dividends, and has become taxable for unitholders and tax deductible for investment corporations.
In addition, with regard to the requirement that the amount of dividend payments exceed 90% of distributable profit, the amount of increase in the allowance for temporary difference adjustments and amount of reversal of the reserve for temporary difference adjustments are deducted from the amount of distributable profit.

【Highlights of income statement and dividend statement】

＜Income Statement＞

unit: million yen

	March 1,2016 to August 31,2016		September 1,2016 to February 28, 2017
Operating revenues	8,224		9,706
Profit on Sales	―		② 1,654
Operating income	3,030		4,519
Ordinary income	2,577		4,127
Extraordinary income	76		―
Insurance income	76		―
Extraordinary loss	1,750	①	―
Impairment loss	1,660		―
Loss on disaster	89		―
Net income before income taxes	903		4,127
Income taxes	1		1
Net income after income taxes	902		4,126

＜Dividend statement＞

Unappropriated surplus	902		4,126
Reserve for temporary difference adjustments	1,660		―
Reversal of the reserve for temporary difference adjustments	―	③	1,660
Total of dividend	2,562		2,465
（Dividend per investment unit）	<3,430 yen>		<3,300 yen>

(1) A reserve for temporary difference adjustments will be recorded in the dividend statement in the amount of the impairment loss of AEON Hara Shopping Center recorded in the Income Statement for the fiscal period ending August 2016.

(2) A gain on the sale of Aqualia Kego will be recorded in the Income Statement for the fiscal period ending February 2017. (Since an impairment loss on AEON Hara Shopping Center will be recorded and book value will decrease in the fiscal period ending August 2016, no loss on the sale of this property is expected to be recorded in the Income Statements for the fiscal period ending February 2017.)

(3) The reserve for temporary difference adjustments recorded in the previous period will be reversed.

4. Revised forecast of performance for the Fiscal Period Ending August 31, 2016(March 1, 2016 to August 31, 2016). The major factures are stated as below.

(1) Recording of the impairment loss and recording of the reserve for temporary difference adjustments

due to inconsistency between accounting and taxation with respect to the amount in excess of accounting profit as stated in "3. Reason for the revision to the forecast of performance (accounting and tax treatment of the disposition of specified assets)" above

(2) The impact on properties owned by FRC (mainly Kumamoto Intercommunity SC) from the earthquake mentioned in "Notice Concerning the Effects of the Earthquake in the Kumamoto Area," dated April 15, 2016 (the "Kumamoto Earthquake")
Although the tenants of Kumamoto Intercommunity SC suspended business after the Kumamoto Earthquake struck, Starbucks Coffee (on June 1, 2016) and Golf 5(on August 15, 2016) resumed business respectively. Sports Depot plans to resume business this autumn, which will mark resumption of business by all tenants.
Although a portion of rents will be uncollectible in the fiscal period ending August 2016, the impact on profit and loss in the fiscal period ending February 2017 and beyond is expected to be insignificant. Since all of FRC's properties are covered by earthquake insurance, insurance income is expected to cover the portion of restoration expenses above a certain deductible.

(3) A temporary decline in inbound tourist demand due to the Kumamoto Earthquake, and revenues and expenditures at Canal City Hakata, resulting mainly from a change in the consumption behavior of Chinese tourists and an increase in the number of competing tax-free retail facilities.

*Please kindly refer to the attached preconditions for the performance forecast for the period ending August 2016 (March 1, 2016 to August 31, 2016) for more detail.

5. Revised forecast of performance for the Fiscal Period Ending February 2017 (September 1, 2016 – February 28, 2017) The major factures are stated as below.

(1) Reverse of the impairment loss and recording of the reserve for temporary difference adjustments due to inconsistency between accounting and taxation with respect to the amount in excess of accounting profit as stated in "3. Reason for the revision to the forecast of performance (accounting and tax treatment of the disposition of specified assets)" above

(2) Decrease in income and expenditure following the disposition of specified assets
The operation of AEON Hara Shopping Center dated after September 30, 2016, and Aqualia Kego dated after November 29, 2016 will be stopped by the disposition of its assets.

(3) Increase in income and expenditure of new acquisition property, "Sports Club NAS Park Place Oita"

(4) Reconsidered variable rents of Canal City Hakata due to change in environment of consumption by inbound tourists (changing in buying behavior and increasing competitors of tax-free commercial facilities)

*Please kindly refer to the attached preconditions for the performance forecast for the period ending February 2017 (September 1, 2016 to February 28, 2017) for more detail.

*This document was distributed to Kabuto Club (press club within the Tokyo Stock Exchange), Press Club for the Ministry of Land, Infrastructure, Transport and Tourism, Construction Trade Paper Press Club for the Ministry of Land, Infrastructure, Transport and Tourism, Fukuoka Economic Press Club, and Fukuoka Securities Finance Press Club
*Fukuoka REIT Corporation's website is http://www.fukuoka-reit.jp/eng/

Attachment

Item	Preconditions
Calculation period	24th fiscal period: from March 1, 2016 to August 31, 2016 (184 days)
Assets under management	・It is assumed that there will be 27 properties FRC owned as of August 31, 2016 ・In practice, they may fluctuate due to changes in assets under management.
Total number of investment units outstanding	・It is assumed that the number of investment units will be 747,000 units
Interest-bearing debt and refinancing	・The balance of interest-bearing debt outstanding on August 31, 2016 is expected to total 71,950 mm yen, a decrease of 375mm yen from the end of the previous period (February 29, 2016). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at 40.1%
Operating revenues	・Of real estate leasing revenues, revenues from properties FRC has already acquired are calculated based on tenancy agreements that are valid as of today by taking into account the competitiveness of the properties and the market environment. Revenues from the property FRC plans to acquire are calculated by taking into account the terms and conditions of the tenancy agreements that are valid as of the planned acquisition date and thereafter, etc. ・Of real estate leasing revenues, revenues from percentage lease contracts are calculated based on the results from March 1, 2016 to June 30, 2016 in the 24th fiscal period by taking into account sales fluctuation factors of the relevant tenants. ・Concerning the amount of the portion of rents uncollectible from tenants at Kumamoto Intercommunity SC due to the Kumamoto Earthquake. ・Concerning real estate leasing revenues, tenant vacancies are taken into account to a certain extent. It is assumed that there will be no rent arrears or non-payments by tenants.
Operating expenses	・Concerning building repair expenses recorded in operating expenses, FRC anticipates 149 mm yen, on the basis of monthly actual expenses until June of the 24th fiscal period and estimates. Building repair expenses due to disaster losses are recorded as an extraordinary loss. ・Concerning outsourcing expenses, FRC anticipates 1,567 mm yen. ・Concerning taxes and other public charges, FRC anticipates 650 mm yen. ・Concerning depreciation and amortization expenses, FRC anticipates 1,471 mm yen.
Non-operating expenses	・Concerning interest expenses(including interest expenses on investment corporation bonds) and expenses related to financing, FRC anticipates 447 mm yen. ・Expenses related to the issuance of new investment units are amortized over a three-year period using the straight-line method.
Extraordinary income	・FRC anticipates insurance income of 76 mm yen in connection with disaster losses pertaining to properties owned by FRC (mainly Kumamoto Intercommunity SC) in the Kumamoto Earthquake.
Extraordinary loss	・FRC anticipates an impairment loss of 1,660 mm yen recognized under extraordinary loss in connection with the disposition of specified assets announced in “Notice of Disposition of Assets,” dated August 30, 2016.

Item	Preconditions
	・FRC anticipates disaster losses of 89 mm yen pertaining to properties owned by FRC (mainly Kumamoto Intercommunity SC) in the Kumamoto Earthquake.
Dividend per unit	・Dividend (dividend per unit)is calculated based on the dividend policy stipulated in FRC's Articles of Incorporation. ・Dividend per unit may fluctuate due to fluctuations in leasing revenues caused by changes in assets under management and tenants or various factors including unexpected occurrences of repair.
Dividend in excess of earnings per unit	・Concerning dividends in excess of earnings (dividend in excess of earnings per unit), in accordance with the policy on dividend of monies in excess of earnings stipulated in FRC's Articles of Incorporation, FRC will make a dividend in excess of earnings of 1,660 mm yen consisting of a reserve for temporary difference adjustments (which means the reserve provided in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations) and assumes a dividend in excess of earnings per unit of 2,223 yen.
Other	・It is assumed that there will be no significant revisions to laws and regulations, the, tax system, and accounting standards that may influence the forecast figures. ・It is also assumed that there will be no significant unexpected changes in general economic conditions and the real estate market.

Preconditions for the forecast of performance for the fiscal period ending February 2017 (September 1, 2016 to February 28, 2017

Item	Preconditions
Calculation period	25th fiscal period: from September 1, 2016 to February 28, 2017 (181 days)
Assets under management	・It is assumed that Sports Club NAS Park Place Oita, whose acquisition was announced in "Fukuoka REIT Concludes Agreement to Purchase a New Property," dated today, and AEON Hara Shopping Center and Aqualia Kego scheduled to be transferred on September 30, 2016 and November 29, 2016, respectively, whose disposition was announced in "Notice of Disposition of Assets," dated today, will be added to or subtracted from the 27 properties FRC owned as of August 31, 2016. ・In practice, they may fluctuate due to changes in assets under management.
Total number of investment units outstanding	・It is assumed that the number of investment units will be 747,000 units
Interest-bearing debt and refinancing	・The balance of interest-bearing debt outstanding on February 28, 2016 is expected to total 66,575 mm yen, a decrease of 5,375mm yen from the end of the previous period (August 31, 2016). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at 38.0%.
Operating revenues	・Of real estate leasing revenues, revenues from properties FRC has already acquired are calculated based on tenancy agreements that are valid as of today by taking into account the competitiveness of the properties and the market environment. Revenues from the property FRC plans to acquire are calculated by taking into account the terms and conditions of the tenancy agreements that are valid as of the planned acquisition date and thereafter, etc. Of real estate leasing revenues, revenues from percentage lease contracts are calculated based on past results by taking into account

Item	Preconditions
	sales fluctuation factors of the relevant tenants. ・Concerning real estate leasing revenues, tenant vacancies are taken into account to a certain extent. It is assumed that there will be no rent arrears or non-payments by tenants. ・FRC anticipates a gain of 1,654 mm yen on the sale of Aqualia Kego, scheduled to be transferred on November 29, 2016, whose disposition was announced in "Notice of Disposition of Assets," dated today.
Operating expenses	・At the time of acquisition of assets under management, property taxes, city planning taxes, and the like are calculated on a pro-rata basis according to the holding period and settled with the previous owner at the time of acquisition. However, settlement money is not expensed since FRC includes in the acquisition cost an amount equivalent to the settlement money. ・FRC has recorded as expenses the amount of building repair expenses assumed 208 mm yen necessary in each calculation period of the fiscal period ending February 2017. Actual building repair expenses may differ significantly from anticipated amounts due to the following reasons: emergency repair expenses may occur due to building damage from unpredictable causes, expenses generally vary significantly by fiscal period, and expenses do not occur on a regular basis. ・Concerning outsourcing expenses, FRC anticipates 1,552mm yen. ・Concerning taxes and other public charges, FRC anticipates 643mm yen. ・Concerning depreciation and amortization expenses, FRC anticipates 1,465mm yen.
Non-operating expenses	・Concerning interest expenses(including interest expenses on investment corporation bonds) and expenses related to financing, FRC anticipates 387 mm yen. ・Expenses related to the issuance of new investment units are amortized over a three-year period using the straight-line method
Reversal of the reserve for temporary difference adjustments	・FRC anticipates a reversal of the reserve for temporary difference adjustments (which means the reserve provided in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations) of 1,660 mm yen to be recorded in the fiscal period ending August 2016.
Dividend per unit	・Dividend (dividend per unit)is calculated based on the dividend policy stipulated in FRC's Articles of Incorporation. ・Dividend per unit may fluctuate due to fluctuations in leasing revenues caused by changes in assets under management and tenants or various factors including unexpected occurrences of repair.
Dividend in excess of earnings per unit	・Dividend in excess of earnings (dividend in excess of earnings per unit)is not planned at the moment.
Other	・It is assumed that there will be no significant revisions to laws and regulations, the tax system, and accounting standards that may influence the forecast figures. ・It is also assumed that there will be no significant unexpected changes in general economic conditions and the real estate market.