

Linking Japan

QUARTERLY INVESTMENT INSIGHTS



Linking Japan

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Global Fukuoka

Industrial Base with a Limitless Future in New Business

Kyushu is Hot

Something is Turning People On

Fukuoka REIT

Delivering Stable Performance to Investors from a Regional Hub

ZENRIN

Making a Difference in People's Lives by Creating 4D Geospatial Information

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Publisher's Note

Kyushu is an interesting island tucked away in Western Japan. You take one of the areas richest in Japanese heritage and overflowing with historical sites and near legendary stories about business, political and military prowess and you fast forward to today – a youthful cosmopolitan city with quadrilingual signage and one of the youngest Japanese mayors.

This feature includes an interview with that young mayor of Fukuoka City. There apparently is a nice degree of friction between him and the elder statesmen on his city assembly but after a refreshing afternoon with him I walked away wishing he had been the mayor when they were trying to draw the Olympics and lost to perennial Japanese embarrassment Shintaro Ishihara.

We also introduce Zenrin, a name many may not recognize, but which has mapped out nearly 100% of Japan on foot, and are a cartographer's dream company. Google searches of Japan that portray a map always have Zenrin indicated somewhere. They have and are making the jump to digital and are headquartered in Kitakyushu City in a shopping center built by Fukuoka Jisho, the main sponsor of Fukuoka REIT.

Fukuoka REIT was the first regional REIT. It is also introduced in this issue and has been one of the steadiest performers among J-REITs since listing, and has managed a slow but steady expansion of its portfolio.

Combine the above with interesting growth in automobiles and the creative markets and Kyushu is an island worthy of investment and travel. I can vouch that the airport is a dream come true for any traveler.

J. Michael Owen
President
Transpacific Enterprises

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On the Cover
Left: Soichiro Takashima, Mayor of Fukuoka City
Right: Etsuo Matsuyuki, CEO & Representative Director, Fukuoka Realty Co., Ltd.

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Kyushu is Hot

Something is Turning People On

Kyushu is hot. Kyushu is on the verge of creating a major network of large metropolitan areas built around the Kyushu Shinkansen (bullet train). The Shinkansen has helped form a network of Northern Kyushu cities extending from Kumamoto City, which became an ordinance-designated city in April 2012, to Kitakyushu City and Fukuoka City. Signs of this are evident in the recent acceleration of the shift of automobile manufacturers to Kyushu in addition to the traditional industry areas of textiles and the environment. The area has a rich history of entrepreneurship and has successfully given birth to a new digital content industry and active building of mega solar projects is also taking place. Redevelopment projects are taking off once again in the major cities. Kyushu is drawing greater interest for a variety of reasons.

Knack for Developing and Nurturing Industries

The importance of Kyushu in the Japanese economy continues to increase with the steady growth of key economic indicators for Kyushu. It is widely known that Kyushu was the first area in Japan to proactively tackle environmental issues and energy related businesses. While Japan became feverish about the IT boom during 1999-2000, Kyushu began to focus on and start environmentally friendly recycling. This is despite the fact that the region was originally developed by heavy industries like iron (Yawata Seitetsu, the predecessor to Nippon Steel), steel and cement.

As a side effect to being the home for industries like these, the region experienced many pollution issues and consequently the area has a history of the government and companies cooperating closely to eliminate pollution.

The accumulation of know-how based on actual experience has resulted in environmentally friendly recycling and other foresight-based measures. This in itself is proof of Kyushu's trailblazing, and ability to see the future.

Bases of New Industries are Continually Born

Many local blue-chip companies are implementing strategies related to solar power generation, seemingly the most popular of the renewable energies, with each prefecture having plans underway to construct mega-solar plants. Governments are also proactively tackling the alternative energy theme, serving as leading "models" for Japan.

For example, Kyushu Railway Company (JR Kyushu) is building a mega-solar plant in Miyazaki Prefecture and will commence selling power as a business. A subsidiary of Saibu Gas has begun solar power generation in Kitakyushu City following earlier projects in Nagasaki City and Omura City. In the coastal area of Oita City, Marubeni and Showa Denko, Mitsui Engineering & Shipping and Mitsui Fudosan Group, Nikki and others are constructing mega-solar plants. Other firms have begun wind power generation projects.

Kyushu is also drawing attention as a domestic production base for automobiles, a noted trunk industry that Japan is globally renowned for. The Japanese automobile industry is concentrating production bases in Kyushu when major automobile manufacturers commence the production of new model cars or when they increase the production capability of key components. Among the reasons for doing so are that the region is geographically near Asia, the core target for sales, and labor costs and living expenses are cheaper than in the major metropolitan areas. Based on these geographical and economic factors the importance of Kyushu as an automobile base is increasing. This development is leading to great expectations of economic benefits spreading into employment and finance in the area.

Toyota Kyushu Motor (Miyawaka City, Fukuoka Prefecture) commenced production of the new Lexus ES hybrid car. Nissan Motor Kyushu (Karita Town, Fukuoka Prefecture) took over the production of the NOTE, which had been produced in the Sakohama Factory of Yokosuka City, Kanagawa Prefecture. Daihatsu Kyushu (Nakatsu City, Oita Prefecture), which produces the sub-compact car "Mira e:S," reinforced the production capacity for engines produced at its Kurume Plant. It is irrefutable that the importance of Kyushu is increasing as the cornerstone of automobile production despite lowering production volumes due to slowdowns in overseas economies and slumping sales in China.

On the other hand, the semi-conductor industry, which thrived so greatly that Kyushu was previously referred to as the "Silicon Island," is facing increasingly severe conditions. Renesas Electronics is restructuring the factory it has in Kumamoto, and Toshiba has terminated operations at its Kitakyushu factory (Kitakyushu City). However, in the image sensor area, where Japan is reported to still be competitive in the global market, Sony is doubling the production capacity of its factory in Isahaya City, Nagasaki Prefecture. Image sensors are used in digital cameras, medical instruments, smart phones and other

devices and are expected to maintain their importance in the future. There are also great expectations that the area will serve as a supply base for system LSI for all of Asia, although there are some severe circumstances.

Gateway to Asia

Kyushu is the region closest to Asia in Japan. Although Fukuoka and Tokyo are 1,000km apart, it is only 500-600km from South Korea and other neighboring Asian countries. There is wide agreement concerning Kyushu's convenience and advantages. Although Shanghai has lost some of the momentum it previously had, it has the largest growth in Asia and is basically equidistant from Kyushu and Tokyo.

Kyushu has applied this geographical advantage as a weapon for diverse interaction with Asian countries. Kyushu has maintained a certain position economically as the gateway to Asia as it is blessed both in traffic and logistics with air routes to the major cities of Asia, regular ferries and container routes that use the port facilities that take advantage of being surrounded by marine water. The government also proactively promotes measures to attract tourists by capitalizing on these geographic and transport advantages.

Expectations as a Growth Driver

There are growing expectations that Kyushu will serve as a growth driver for the Japanese economy as it strengthens economic ties with the outside world while utilizing its strengths economically and industrially and its advantages as a gateway to Asia.

The cities of Kitakyushu, Fukuoka and Kumamoto are located such that they can be reached from each other in one hour by the Kyushu Shinkansen. There is a chance that this new and large Kyushu metropolis, following the Tokyo metropolitan area, Kansai region and Chukyo region, will serve as the fourth major metropolis area of Japan and stimulate Japanese economic growth. Redevelopment projects located around the main stations of each city have commenced, and there are expectations that these transformations will already spur benefits.

Unlike Kansai and Chukyo, Kyushu has strong direct ties with Tokyo and has generated a large number of creative people in arts and culture, and boasts a proactive general atmosphere. The power of these people is also the appeal of Kyushu. Combined with the living costs that are far cheaper than the big three metropolises and the ability to create jobs with synergy, Kyushu is sufficiently equipped to be a growth driver of the overall Japanese economy.

Kyushu will continue to utilize its diverse advantages to enhance its presence as a gateway to Asia and as a key Western Japan economic base.

Kitakyushu, Fukuoka and Kumamoto Cities

Three Ordinance-Designated Cities Form Large Kyushu Metropolis

Kitakyushu City

Kitakyushu was formed in 1963 through the merger of five cities and became the first ordinance-designated city outside of the three large Japanese metropolises. It is the largest non-prefectural-capital city in Western Japan. In addition, the Kanmon metropolitan area that is formed centered on it and neighboring Shimonomori City in Yamaguchi Prefecture has a population of about 2.2 million people, making it the largest metropolitan area in Japan that is not formed from a prefectural capital.

The Kitakyushu Industrial Belt was formed by Yawata Steel, which began operation in 1901, and plants of steel, chemicals, ceramic electric machinery and other industries soon concentrated there.

Even today factories remain an important industry of the city, traditional material industries have recently been joined by companies in new areas like the automobile industry. There is increasing occupancy of the Kitakyushu Eco Town where environment related companies that use the technologies that overcome pollution issues are gathered, and the research institutions for semiconductor companies that have their bases in the Kitakyushu Academic Research City. The city is also implementing measures to promote itself as a tourism destination that is built around Space World and the Moji Port Retro District.

Fukuoka City

Fukuoka City is the largest city in Kyushu with a population of about 1.5 million people. The Fukuoka-Kitakyushu Metropolitan Area, which is formed by Kitakyushu City (the metropolitan area) and Fukuoka City, comprises the fourth largest metropolitan area in Japan. The largest industry is the tertiary industry, and the city is a core administrative city for the Kyushu region with branch offices of national governmental institutions and branches of companies whose headquarters are located nationwide.

In recent years, there have been a number of cases of Chinese and South Korean companies setting up their first Japanese branches in Fukuoka City. The U.S. magazine Newsweek highly appraised this movement, and in its July 2006 issue selected Fukuoka City as one of the ten hottest cities in the world.

It is also a city with the characteristic of giving birth to new industries in the retail and service areas. However, on the other hand, it also is largely dependent on being a "branch economic city," as it is home to the Kyushu branches of many major corporations.

Kumamoto City

Kumamoto City is located in the central part of Kyushu and boasts a population of about 730,000 people and an area of about 390km². The population comprises about 40% of the total population of the prefecture. It is the 17th largest city in Japan and the third largest in Kyushu following Fukuoka City and Kitakyushu City.

Kumamoto Castle is one of the three most renowned castles of Japan and the city grew and developed as the castle town of the Hosokawas, leaders of the Kumamoto Domain. Prior to World War II, it was home to the 6th Army Brigade and also hosted a lot of branches of national government offices, flourishing as a military and administrative city.

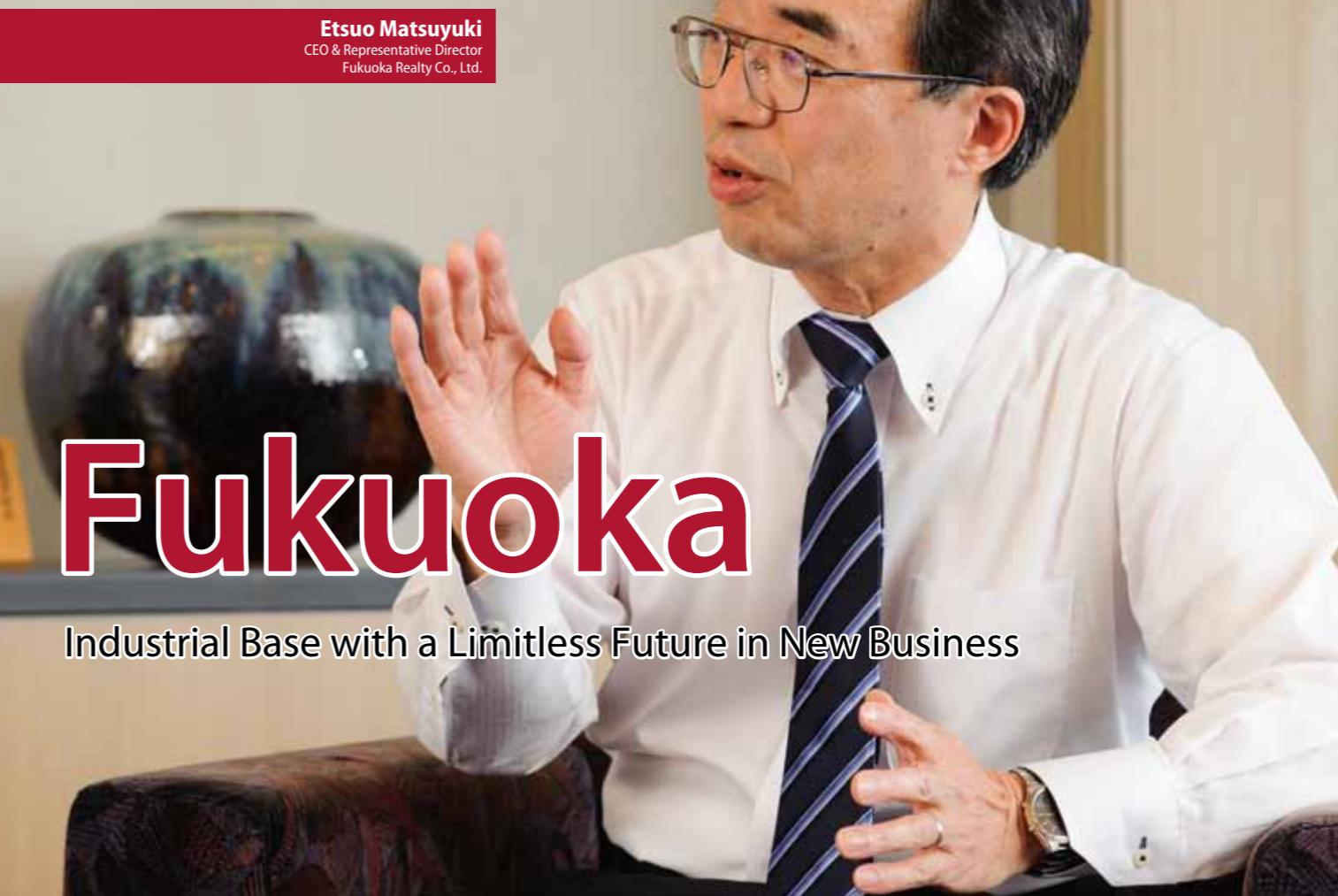
On March 12, 2011, the Kyushu Shinkansen opened between Hakata and Shin Yachiyo. A Shinkansen station was built alongside Kumamoto Station and a general depot was built for the Kyushu Shinkansen in the Tomioka Area in the southern part of the city. The city also merged with Ueki Town and Jonan Town and was named an ordinance-designated city in April of the same year because the population surpassed 700,000. Kumamoto City is also an agricultural empire boasting large figures for the number of farms, number of dedicated farmers, population of farmers, total size of farms operated and value of agricultural produce marketed.



Soichiro Takashima
Mayor of Fukuoka City

COVER STORY

Global



Etsuo Matsuyuki
CEO & Representative Director
Fukuoka Realty Co., Ltd.

Fukuoka

Industrial Base with a Limitless Future in New Business

LJ: We are thrilled to have the CEO of one of the largest property owners and the mayor of Fukuoka, a leading Japanese city, take time out of their schedules to talk with us today. Mayor Takashima, could you begin by describing the strengths of Fukuoka?

Takashima: The greatest strength of Fukuoka is its “ports” to both the sea and air. The reason Fukuoka has evolved over its 2,000 year history into a core city has its base in the presence of its seaport and, more recently, its airport. I have traveled the world on business but our airport is the most convenient and the reason why so many companies have bases in Fukuoka.

Matsuyuki: You are right. In Fukuoka it takes five to ten minutes from the airport to the city center. This is particularly appreciated by business people as they can accurately judge the time to travel to the airport and set their schedules. It is clearly a great advantage of Fukuoka.

LJ: How is the airport’s connectivity to international destinations?

Takashima: There are direct flights to twenty cities overseas, and this number is growing. We recently announced a direct flight to Amsterdam. This is significant not only as a direct flight to Europe but because it is a flight that arrives at Amsterdam Airport Schiphol in the Netherlands before 3 p.m., which allows for connecting flights to 70 cities in Europe rather than half that if arriving after 3 p.m. This means that the flight has to leave Fukuoka by 10 a.m., a very busy time for the airport, but efforts of the staff and cooperation of domestic airlines made this possible. These efforts are enabling the addition of many new direct flights, including low-cost carriers, and beginning in May we will even have daily flights to Singapore. In this way, we are even enhancing existing routes and a new carrier will service Hawaii and make our offering on that route even stronger. In this manner, our airport is changing almost daily.

Matsuyuki: The ability of putting the convenience of the passenger first is really wonderful and the true strength of Fukuoka airport.

LJ: Is there something uniquely distinct about the people of Fukuoka?

Takashima: Another strength of Fukuoka is that it is compact and not as divergent as Tokyo. This reveals itself in the extremely few barriers for cooperation among industry, government, academia and the private sector; leading to positive and close cooperation among these sectors. One example is the game industry of Fukuoka, which is actually quite large. For example, Game Factory's Friendship is a collaboration among gaming companies, the government and universities teaming together to form a working group that is committed to support the gaming industry. There is probably no other city in Japan that does this. This lack of industrial barriers is a distinct strength of Fukuoka.

The network of people and the international network that spreads from Fukuoka are also reasons that Fukuoka ranks second only to Tokyo in the number of conventions held in Japan. I believe the strength of conventions is not in the temporary gathering of people but in the fact that the city serves as a base where diverse information is accumulated and from there human resources and other elements link together. I want to heighten this function of Fukuoka – that is, the city's ability to link various elements together.

Matsuyuki: Our company has also seen the strength of the gaming industry through gumi Inc. Gumi is a Tokyo gaming company that originally located its Tokyo branch in the Momochi area of Fukuoka City. However, it wanted to move to a better location with room to grow and was convinced it could employ those people in Fukuoka. Consequently, it moved to our Gofukumachi Business Center, which is right above the subway and they have since grown further.

We have also discovered something interesting about international conventions in Fukuoka through our analysis of data. We found that while there were 126 international conventions in Fukuoka in 2005 this number grew in five years to an amazing 216 conventions. This means that Fukuoka has surpassed Yokohama and Kyoto. We found that Fukuoka offers something unique that people and convention goers seek. For example, the International Society of Urology held its convention in Japan for the first time in 42 years in September 2012 and

"The ability of putting the convenience of the passenger first is really wonderful and the true strength of Fukuoka airport."



Photo: Fumio Hashimoto

Fukuoka won the hosting rights over Osaka and Yokohama. Why? It is because overseas parties affiliated with the convention highly evaluated the Kawabata Shopping Arcade. There is a particular appeal to Fukuoka.

Takashima: What is interesting is that the lack of barriers between elements of society contribute to a positive appeal for Fukuoka. For example, the Kawabata Shopping Arcade and the former site of the Fukuoka Castle are examples of public spaces that have never been used for conventions. We are presently focusing on how to appeal these attractive elements of Fukuoka and I can't cover everything here so please read my blog where I talk about such in depth.

LJ: Creative people are increasingly important to the global economy and companies that hire them are driving the global economy – companies like Google and Twitter, and GREE and DeNa in Japan. Why is Fukuoka blessed with so many creative types?

Takashima: Let me give you two reasons. First, Fukuoka has a very creative environment for people living here. In other words, the city is very compact but contains a large volume of

LJ: Are these various elements helping to draw foreign firms to Fukuoka?

Matsuyuki: I would say so. One example is State Street Trust Bank, which came during the spring and opened a branch in May. This is its second branch in Japan following Yokohama. State Street stated that it opened its second branch in Fukuoka to diversify locations so that they could continue with normal operations in the event of various natural disas-

Fukuoka City are constantly trumpeting the qualities and advantages of Fukuoka. We often hold seminars in Tokyo with their participation to promote the city. There is also serious discussion on holding classes for developing creative people. In this manner, we are loudly proclaiming the creative city of Fukuoka and working to draw people from Tokyo. We are also pursuing various tie-ups with the private sector and will hold a content festival next year and use these types of events to serve as exit strategies for drawing creative people to Fukuoka.



Photo: Fumio Hashimoto

"Fukuoka has a very creative environment... and coexistence of city functions and nature."

city functions. Simultaneously, a rich plethora of nature is readily accessible including the beauty of the ocean and, mountains and even hot springs are just a train or bus ride away. This coexistence of city functions and nature has set a rhythm that has generated a large number of musical and creative artists, establishing "something" that easily forms creative people.

The second reason is tied to cost. Rents in Fukuoka are about half of those in Tokyo. About 80% of the populace can get home at night by taxi for 2,000 yen. The cost of living is very inexpensive. This frees up money to be used on creative things and is the largest reason why Fukuoka has a more creative fabric than Tokyo. These are all factors behind Fukuoka producing 7,000 engineering students a year.

ters. So one reason foreign firms select Fukuoka is its geographical convenience. Two others are the high quality business environment and the human resources. A financial firm requires individuals with certain qualities and Fukuoka met the mark in this area. We are thankful that they chose to move into one of our properties.

LJ: What is your marketing strategy for encouraging firms to open up headquarters and branches in Fukuoka?

Takashima: Fukuoka City is committed to drawing the creative industry, particularly creative human resources, and knowledge-creating industries to the city. One strategy we implement is to regularly hold seminars in Tokyo. Many corporate fans of

LJ: I understand the focus on the creative but what about people who have been active on an international front or who have worked and gained experience in Tokyo?

Matsuyuki: In our case, Fukuoka Realty, the company I am CEO of, is the asset manager of Fukuoka REIT. The unique aspect we enjoy as a REIT asset manager is that almost all of our employees are direct hires and not seconded from sponsors. What is our basis for qualified individuals? There is actually a large number of people who have been active in Tokyo or overseas and want to come home to Fukuoka to enliven and enhance business and corporations in Fukuoka.

LJ: What about molding your city for the future? Globally,



sustainability has become an everyday part of our vocabulary. Does Fukuoka City distinguish itself in this area?

Takashima: UN Habitat selected Fukuoka as a model city for cities of 1 million or less in Asia, a growing demographic. This is a very honorable recognition. I am confident that Fukuoka is a leader city in Asia in our pursuit to be a city of harmony between the people, environment and city. This feeling was reinforced recently when I attended the World Urban Forum sponsored by UN Habitat in Napoli. Most of the cities of the world must face human rights issues before they even discuss sustainability but Fukuoka is able to face sustainability head on.

For example, when people visit Fukuoka from overseas, they always describe how beautiful it is. Why is it beautiful? One

reason is the clean and beautiful streetscape where various regulations on signage keep the city looking smart. Another is that the height restrictions on buildings, which are largely due to the closeness of the airport, make the skyline very beautiful. Our water piping has only 2% leakage, one of the best levels in the world and we were also the first city in Japan to cleanly recycle used water. It also has the most locations contracted to use such water in Japan. Such basic infrastructures and civil services are important for a sustainable city and are areas we implement seriously.

Policies are also vital to sustainability. By this I mean that we are no longer in an age where success of a city is judged by scale. Today it is their policies and *raison d'être*. For example, Fukuoka is striving to be a universal design city where men

and women, children and the elderly, as well as challenged and non-challenged people can live comfortably. We have a clear policy that says the city will be developed based on this value.

Matsuyuki: The centerpiece of our portfolio is Canal City, which is very much a part of the water recycling that the mayor mentioned. Canal City recycles the water it uses and the property takes measures to ensure that water is conserved to protect against any potential of an inadequate water supply. Additionally, the Development Bank of Japan has awarded green building certifications to both the Higashi Hie Business Center, at which Fujitsu is the tenant, and the Gofukumachi Business Center mentioned earlier. Our European investors in particular highly appraise and invest in firms making such efforts. As redevelopment recommences in Tenjin, I am sure that overseas and other tenants will desire the urban planning and building construction to be environmentally sound.

LJ: What has the opening of the Kyushu Shinkansen (bullet train) in 2012 meant for Fukuoka City?

Takashima: Roughly ninety percent of Fukuoka City's population works in the service industry. This is both by employee and by consumption. Therefore, we want to increase our consumers, in other words, the population with which we interact. A key strategy for increasing this population is through tourism, conventions and many other areas. The Kyushu Shinkansen has had an immense impact on our public relations. We can now say come to Fukuoka and you can visit anywhere in Kyushu in only two hours. We can appeal Yufuin hot springs resort, Kumamoto and Kagoshima, all as a part of the appeal of visiting Fukuoka. This is a huge asset. The Hakata Station is full of visitors making short trips to visit part of Kyushu Island. This is a new and immense strength of Fukuoka.

Matsuyuki: Our mandate is to invest throughout Kyushu, and the Shinkansen has helped bring further vigor to Kumamoto and Kagoshima. The impact it has had is great.

Takashima: Another entrance to Fukuoka is the "Port of Hakata," which boasts having the largest number of international passengers coming into and leaving Japan for 19 consecutive years. Thus, Fukuoka has four major entrances, "Tenjin," "Hakata Station," "Fukuoka Airport" and the "Port of Hakata," from which people flow into the city. Furthermore, the extension of the Subway Nanakuma Line from Tenjin-Minami Station to Hakata Station has been decided and the construction has started with a target completion in 2020. Fukuoka City's subway extension plan is expected to enhance the circulatory flow within the city and contribute to further development.

Matsuyuki: The subway extension plan includes setting a subway station entrance close to Canal City Hakata and thus our company is also looking forward to the opening of the extension.

Takashima: Let me close by alleviating concerns over one of the fears investors often have about Japan. Japan is known for its earthquakes and the recent tsunami is still fresh in many minds. However, there is no record of any tsunami in the past 1,500 years of Fukuoka's history. The largest "tsunami" that we have received is 32cm. This is because we are not near the boundaries of any plates. In fact, presently in Tokyo there are discussions of where to place the back up for the functions of the capital. Because Fukuoka is free of tsunamis, we are in serious competition with Osaka to be the place for those back-up functions.

Matsuyuki: Foreign firms like State Street Trust Bank have already done so.

LJ: Thank you both for your time today in describing various strengths of the city in a clear and concise manner.





FEATURE

Fukuoka REIT

**Delivering Stable Performance to
Investors from a Regional Hub**

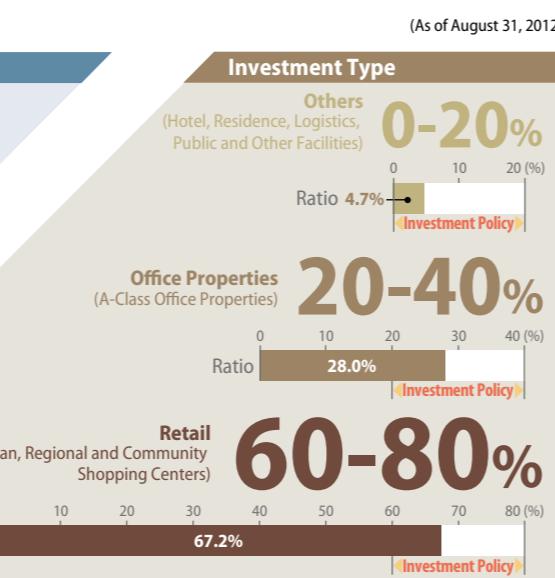
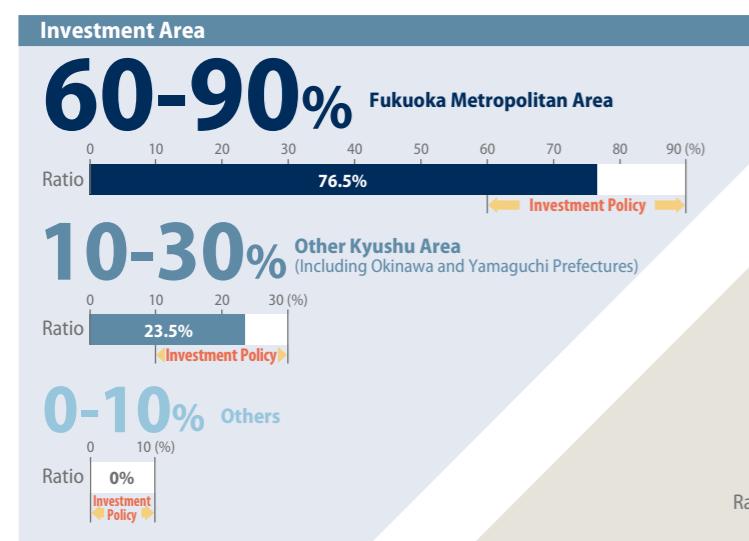


Fukuoka REIT, which is managed by Fukuoka Realty, is presently in its 17th 6-month fiscal period and boasts a portfolio worth nearly 154 billion yen on an acquisitions base. The REIT acquired two residential properties in the 16th period – Aqualia Kego and Aqualia Chihaya – and the cornerstone of its portfolio is Canal City, one of the original shopping centers in Japan combining shopping, hotel and theater. Canal City functions as a social center of Fukuoka and serves as a well-known cornerstone of Fukuoka REIT. Fukuoka REIT is dedicated to investing in Fukuoka and other cities on the island of Kyushu and as far as Hiroshima on the island of Honshu, Japan. It has invested in cash-flow producing properties based on this mandate for nearly ten years and continues to produce steady dividends. Recently, the presidency of Fukuoka Realty was passed on from Masayasu Saki to Etsuo Matsuyuki, the third CEO & Representative Director of Fukuoka Realty.

LJ: What is the most appealing point of Fukuoka REIT, and what strengths and future prospects of the REIT do you want to emphasize?

Matsuyuki: Fukuoka REIT is a region-specific REIT, and so I would like to emphasize the various strengths of Fukuoka City and Kyushu – the region within which we operate. We recently visited about 100 companies for investor relations. Our investors told us that, despite not visiting Fukuoka, they are actually investing due to Fukuoka's appeal as a region where the population will increase over the next 20 plus years, a point we have been emphasizing. There are also strengths such as the city center being extremely close to the airport and the sense of safety, being relatively free from earthquakes and other disasters. Such strengths are key elements of our REIT that we can emphasize on roadshows and in our communications. The population growth translates into expectations for

Investment Policy



Current Situation of Properties

Area	Acquisition Price (mm yen)	Ratio based on Acquisition (%)	Investment Policy
Fukuoka metropolitan area	117,591	76.5%	60-90%
Other Kyushu areas	36,083	23.5%	10-30%
Others	0	0.0%	0-10%
Total	153,674	100.0%	

Type	Acquisition Price (mm yen)	Ratio based on Acquisition (%)	Investment Policy
Retail	103,323	67.2%	60-80%
Office properties	43,100	28.0%	20-40%
Others	7,251	4.7%	0-20%
Total	153,674	100.0%	

LTV: 46.0% (at 16th period-end)

continued office, commercial facility and residential demand going forward. This demand will determine how supply should be provided and we should be able to adapt internally to the new supply. We just completed renewal of the first through fourth floors of the South Building of Canal City Hakata, where we changed all tenants during a limited construction period and have brought the occupancy rate to 100%.

Fukuoka REIT's operational capabilities as demonstrated by Fukuoka Realty were highly evaluated for this accomplishment.

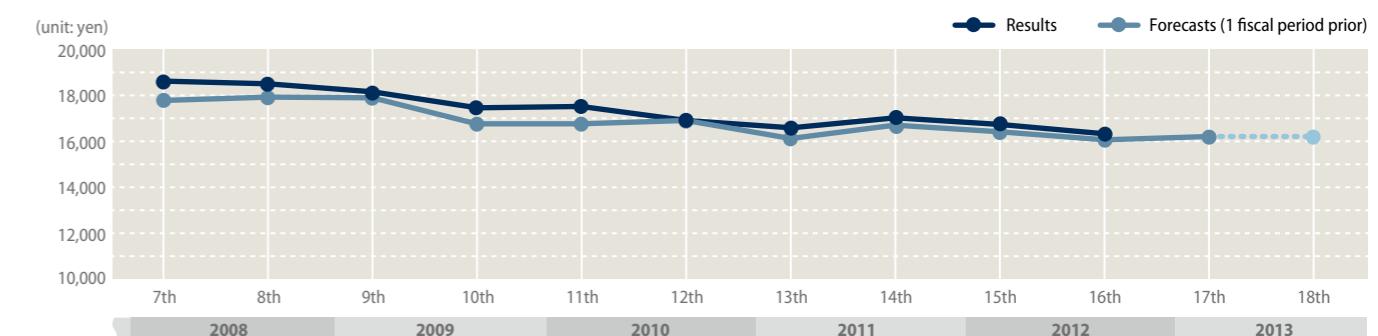
LJ: As a diversified REIT with retail, office and residential properties, what areas do you wish to improve? Is it strength in operational know-how or strength in the city?

Matsuyuki: In principle, the current balance of property types in our portfolio seems just about right. We plan to grow the portfolio but it will be done while carefully considering each area of investment. If I were to venture to say though, it would be in other assets, which presently comprise only a small part of our portfolio. For example, residential properties are presently classified as "other assets," but I would like this class to be expanded to also include hotels and logistics facilities.

Dividend Results / Forecasts

Fiscal period	7th	8th	9th	10th	11th	12th	13th	14th	15th	16th	17th	18th
Results	18,499	18,373	18,049	17,377	17,397	16,783	16,465	16,922	16,621	16,193		
Forecasts (1 fiscal period prior)	17,700	17,800	17,800	16,700	16,600	16,700	16,100	16,600	16,300	16,000	16,200	
Forecasts (2 fiscal periods prior)	17,000	17,200	17,400	17,000	16,500	16,700	16,600	16,600	16,300	16,000	16,100	16,200

Dividend's Track Record



LJ: I am convinced that the secret to Fukuoka REIT's success lies in this commitment to continually designing and building a better city and to nurturing and educating people in the area. These efforts lead to greater potential for synergy among city-wide developments and delivers massive potential to Fukuoka REIT as a regional REIT.

This may be a sensitive topic, but I was sure that the visitor traffic to Canal City Hakata decreased a bit during the period when relations with China and South Korea temporarily worsened due to the Senkaku Islands and other issues around early October. How sensitive do you find retail performance is to these international events and what measures are you taking to overcome them?

Matsuyuki: You are right that there was a decrease, and actually this was the most frequent question of our investors in Tokyo recently. The truth is that although Canal City Hakata has 13.5 million visitors a year, foreign visitors only comprise a small percentage. Of that low percentage, 60% are from South Korea and the other 30% are from Taiwan. Unfortunately, our visitors from China remain low. We have seldom had visitors from China up to now. Fukuoka City and the private sector was about to bring in cruise ships, so, to be honest, it is unlikely for Canal City Hakata to be largely impacted by the Senkaku issues. I believe any impact will be negligible as the cruise ships will not actually stay over in Fukuoka and thus it will not affect hotels or lodging in the city.

LJ: I see. Internal growth is about operational capability, but external growth, as you mentioned, is partly about portfolio balance among property types. Where do you see growth in the future?

Matsuyuki: Our next step is to grow from our present portfolio worth about 160 billion yen on an acquisition. As a matter of fact, we are looking at numerous properties that are from a variety of property types. We can't specify the timeline for growth, but we are seriously considering a number of assets with many counterparties. One note of importance is that we are hiring two employees on November 1 as reinforcements for our investment department to further enhance our organization. This is just another step in our management to meet and exceed expectations of stockholders and stakeholders.



ZENRIN

Making a Difference in People's Lives by
Creating 4D Geospatial Information



Collection



Management



Provision
e.g. Map data for portal sites (Google, Yahoo, etc.)

Zenrin Co., Ltd.

Zenrin is currently pursuing a medium-term business plan that ends in fiscal 2015. The target is to achieve consolidated net sales of 65.0 billion yen (52.3 billion yen as of the fiscal year ended March 2012) and consolidated operating margin of 12.0% (8.4% as of the fiscal year ended March 2012). As of the end of March 2012, Zenrin has reached its targets in both the existing GIS, ITS and publishing businesses and new ICT, advertising and global businesses, and is steadily extending its performance. Zenrin has transformed itself into one of the hottest growing companies in Kyushu.

Zenrin is a company with the clear will to "Contribute to Society and Make a Difference in People's Lives by Creating 4D Geospatial Map Information." This philosophy is ultimately based on the background to the company name: "ZENRIN YUKO" or neighborliness. Since its establishment in Beppu City, Oita Prefecture, in 1948 as a publisher of tourist maps, the company has committed itself to achieving success in the rare business field of cartography. Beginning with residential maps, it eventually digitalized its map base in correlation with the evolution of technology.

Zenrin possesses a strong market share in map software, in-car navigation software and related IT services. It has grown from a small Kyushu company to now have offices in the U.S., Europe, China and Taiwan. Having no rival to speak of, Zenrin is presently the leader in the digital mapping business, but it continues to hold on to its founding DNA of pursuing this unique business and pursuing a high level of contribution to society. The following reveals Zenrin's spirit and vision.



Zenshi Takayama
President and CEO

ZENRIN

Maps to the Future



(3) Provision

Zenrin provides individuals, companies and society with valuable map information. Zenrin's mission is to provide information that is reliable and of value to users.

Business Overview

Based on 4D Geospatial Information, Zenrin develops diverse businesses including Geographic Information System (GIS), Intelligent Transport Systems (ITS), Publishing, Information and Communication Technology (ICT), Advertising and Global businesses.

"Contributing to society through the creation of maps" is the philosophy of Zenrin that reflects its origin. Founded in 1948, in the hot springs town of Beppu City, Oita Prefecture, the company began by taking a local city guide "Nenkan Beppu" and creating a residential map that included the names of each and every individual household. The target areas of residential maps expanded nationwide from Beppu. If you take a look at the current Zenrin, you can understand that the potential of maps is infinite. The company provides car navigation data that employs computers and communications technology to leading car manufacturers, supplies Google, Yahoo! and others on the internet with map information, produces highly sophisticated next-generation maps, 3D digital maps and map services for smartphones, tablets and cell phones, and creates a variety of other map information that contributes to society.



Traffic information is obtained using survey measurement vehicles

(2) Management

Zenrin manages an immense amount of map data in its databases. This makes it possible to freely combine the data to meet the specific goals of users.

GIS Business

The Geographic Information System (GIS) is a system that links characters, numbers, images and other information with maps and reproduces them on computers. The system integrates, analyzes and expresses diverse information from the location and position in an easy to understand manner. Zenrin is not limiting itself to the provision of maps such as residential maps, it has

begun providing marketing content comprised of various statistical data that can be used to grasp trade areas, analyze those areas, plan new stores and for other aspects of area marketing in the form of diverse statistical data branded as "Compiled Commercial Statistics."

The company is presently promoting measures to evolve area marketing into pinpoint marketing. The company's databases and applications boast a high degree of versatility and a wealth of information, which is providing indispensable solutions to business for their marketing, customer management, etc.

ITS Business

Highly precise and up-to-date digital maps are indispensable for safe, secure and comfortable driving using car navigation systems. According to research by Zenrin, it boasts the leading share domestically in the provision of digital maps to the diverse navigation hardware systems of various manufacturers. It is also delivering innovations to car navigation services that are supporting Intelligent Transport Systems (ITS) being developed by major car manufacturers such as providing highly precise next generation maps to assist in safe driving and high precision maps that enable the upgrading of maps in real time on-demand via networks.

Publishing Business

Zenrin has proprietary expertise accumulated over more than 60 years. Using this expertise, ZENRIN publishes a variety of applicable maps, including residential maps, as reliable information that supports the development of social infrastructure. Our residential maps cover 99.6%* of all municipalities nationwide, with urban areas updated every year and other districts updated every 2-5 years.

*As of March 31, 2012.

OA-Light IV



GIS application software that combines your customer data with residential map data to support your business

ICT Business

We are now in an era where we use information smartly whenever we want and need it. The Information and Communication Technology (ICT) business provides content including maps for various devices and media. This is Zenrin's greatest growth business and Zenrin is creating a new unprecedented form of communication through its alliances with all types of platforms to provide content customized according to the needs of individual users. Zenrin is promoting this business as a business that aims to improve the new value of Zenrin as a partner for individuals and businesses.

いつもNAVI



Navigation map data for mobile phones

Advertising Business

Actiz



Actiz mi-ru-to

The advertising business provides various media with diverse content. In 2010, Zenrin launched Actiz, a communication media business, that applies 4D Geospatial Information to the activation of regions. The basic philosophy of Actiz is to "energize regions" and it is delivering diverse information beneficial to community living through map information magazines and PC or mobile websites.

Global Business



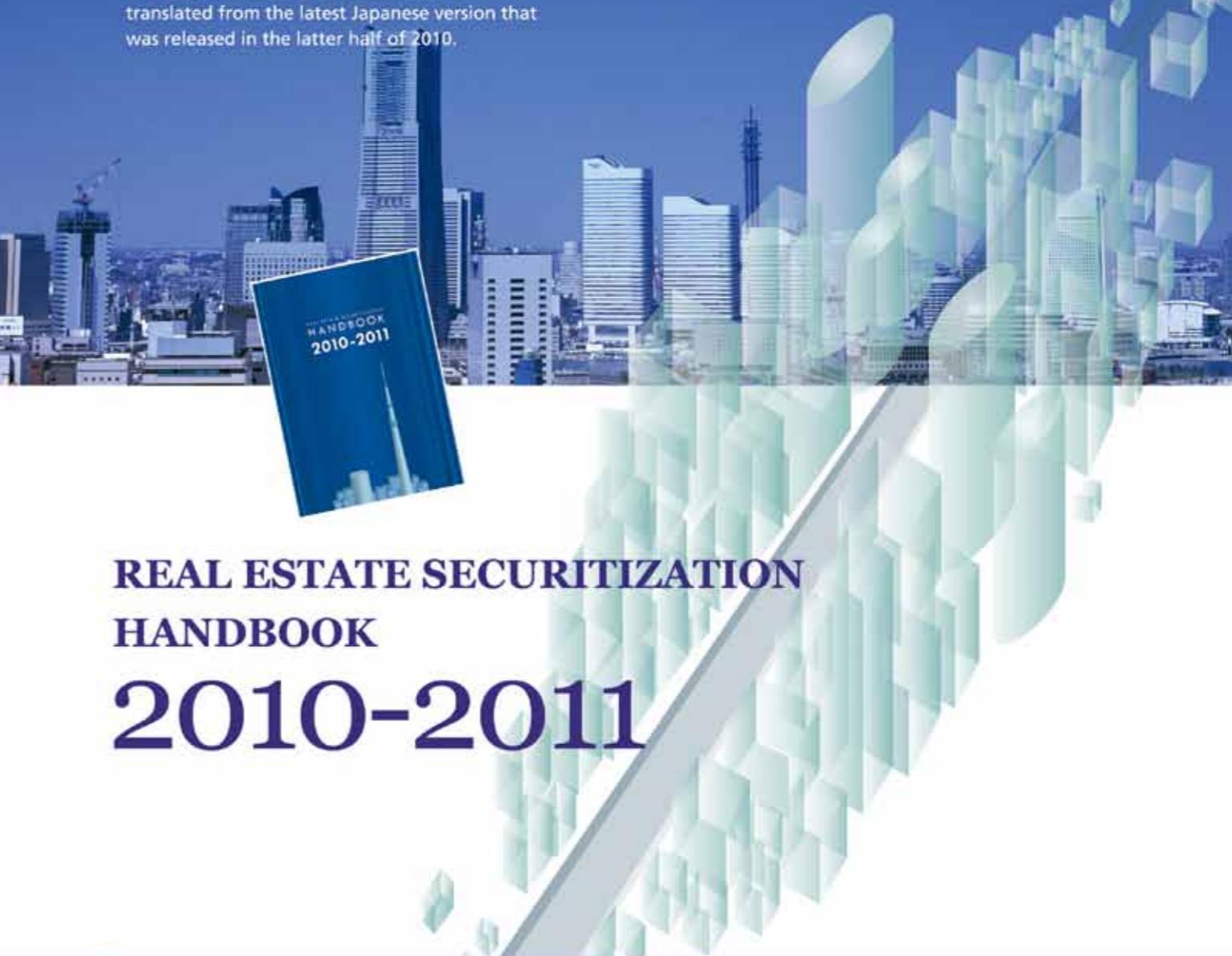
Exit POI data

Based on its performance and know-how it has accumulated in Japan, Zenrin is providing various content and products related to map databases to overseas car navigation systems, GIS systems and various devices in Europe, North America and Asia. In particular, Zenrin is supporting local map makers with technology and marketing and expanding the usage of map data among local residents.

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**REAL ESTATE SECURITIZATION
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