

## EARNINGS BRIEFING FOR THE PERIOD ENDED AUGUST 2010

**Real estate investment trust: Fukuoka REIT Corporation (FRC)**

Code number: 8968

Representative: Masayasu Saki CEO &  
Representative  
Director

URL: <http://www.fukuoka-reit.jp/eng/>

Stock listings: Tokyo Stock Exchange, and  
Fukuoka Stock Exchange

**Asset manager: Fukuoka Realty Co., Ltd.**

Representative: Masayasu Saki CEO & Representative Director

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Expected date for submitting securities report: November 24, 2010

Expected commencement date of dividend payments: November 18, 2010

(Figures rounded down to nearest million yen.)

### 1. PERFORMANCE AND SITUATION OF ASSETS FOR THE PERIOD ENDED AUGUST 2010 (March 1, 2010 to August 31, 2010)

#### (1) Performance

(% shows percentage change from previous period.)

	Operating revenues		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Period ended August 2010	5,663	0.4	2,412	0.2	1,797	(3.5)	1,796	(3.5)
Period ended February 2010	5,640	0.3	2,408	1.5	1,863	0.1	1,862	0.1

	Net income per unit	Return on net assets	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
Period ended August 2010	16,782 yen	2.9%	1.4%	31.7%
Period ended February 2010	17,397 yen	3.0%	1.4%	33.0%

#### (2) Dividends

	Dividend per unit (excl. dividend in excess of earnings)	Total dividend	Dividend in excess of earnings per unit	Total dividend in excess of earnings	Payout ratio	Ratio of dividend to net assets
Period ended August 2010	16,783 yen	1,796 million yen	0 yen	0 million yen	100.0%	2.9%
Period ended February 2010	17,397 yen	1,862 million yen	0 yen	0 million yen	100.0%	3.0%

#### (3) Financial condition

	Total assets	Net assets	Ratio of net assets to total assets	Net assets per unit
Period ended August 2010	132,349 million yen	62,061 million yen	46.9%	579,738 yen
Period ended February 2010	130,705 million yen	62,126 million yen	47.5%	580,352 yen

#### (4) Cash flows condition

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents at end of period
Period ended August 2010	2,394 million yen	(3,398) million yen	56 million yen	5,928 million yen
Period ended February 2010	3,150 million yen	(233) million yen	(1,928) million yen	6,877 million yen

**2. FORECAST OF PERFORMANCE FOR THE PERIOD ENDING FEBRUARY 2011  
(September 1, 2010 to February 28, 2011) AND THE PERIOD ENDING AUGUST 2011  
(March 1, 2011 to August 31, 2011)**

(% shows percentage change from previous period.)

	Operating revenues		Operating income		Ordinary income		Net income		Dividend per unit (excl. dividend in excess of earnings)	Dividend in excess of earnings per unit
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%		
Period ending February 2011	5,634	(0.5)	2,290	(5.1)	1,724	(4.1)	1,723	(4.1)	16,100 yen	0 yen
Period ending August 2011	5,640	0.1	2,368	3.4	1,778	3.1	1,777	3.1	16,600 yen	0 yen

(Reference) Forecast net income per unit: Period ending February 2011 16,100 yen  
Period ending August 2011 16,600 yen

**3. Other**

(1) Changes in accounting policies

- (i) Changes due to revisions of accounting standards, etc.: No  
(ii) Changes other than above (i): No

(2) Number of investment units issued and outstanding

- (i) Number of investment units issued and outstanding at end of period (including treasury investment units):  
107,050 units at end of August 2010  
107,050 units at end of February 2010  
(ii) Treasury investment units at end of period:  
— units at end of August 2010  
— units at end of February 2010

(Note) Regarding the number of investment units, a basis for calculating net income per unit, please refer to “Per unit information,” on page13.

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

Forecast figures are calculated based on information available on the date of release of the forecast and contain uncertain factors to a large extent. Actual operating revenues, operating income, ordinary income, net income, and dividend per unit may differ due to changes in the business environment. The forecast should not be construed as a guarantee of actual dividend. Concerning details of the preconditions for the above forecast figures please refer to “2. Portfolio Management Policy and Management Situation, (2) Management situation – Preconditions for the performance forecast for the period ending February 2011 (September 1, 2010 to February 28, 2011) and the period ending August 2011 (March 1, 2011 to August 31, 2011),” on page 6.

Concerning the contents hereinafter, items that FRC judges that “can be omitted from the disclosure from the standpoint of importance” are not shown in conformity with “Guidance for Preparation of Earnings Briefing for Listed Real Estate Investment Trusts” (August 2009) released by Tokyo Stock Exchange, Inc.

## 1. Investment Corporation-Related Organizations

The disclosure is omitted, since there are no significant changes from the “Structure of the investment corporation” disclosed by the latest securities report (submitted on May 26, 2010).

## 2. Portfolio Management Policy and Management Situation

### (1) Portfolio management policy

The disclosure is omitted, since there are no significant changes from “Investment policy,” “Investment target” and “Dividend policy” disclosed by the latest securities report (submitted on May 26, 2010).

### (2) Management situation

#### (i) Summary of the current fiscal period

##### (a) Brief history of the investment corporation

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

FRC started asset management activities on November 9, 2004 after acquisition of four properties such as commercial facilities in Canal City Hakata (excluding some areas of specialty shops, hotels, theaters, offices and common space), a commercial complex where specialty shops, cinema complex, theaters, amusement facilities, hotels and offices are integrally developed (hereinafter “Canal City Hakata”). FRC now has a total of 16 properties (excluding anonymous partnership equity interests)—nine commercial facilities, five office buildings, and two residential properties—in its portfolio as of the end of the current fiscal period (August 31, 2010).

##### (b) Investment environment and portfolio performance

In the twelfth fiscal period, the Japanese economy entered a phase of slow recovery in line with an increase in exports and a pickup in production due to improved overseas economies. However, heavily dependent on foreign demand and governmental policies, Japan is far from realizing an autonomous recovery. Although a recovery was also observed in production, trade and capital investment in Kyushu – the prime investment area for FRC – the region’s future prospects remained opaque. In terms of the employment environment, this was exemplified by the area’s ratio of job openings to applicants remaining lower than the national average. As for consumption trends in the area, sales of large retail stores continued to decrease year-on-year.

According to the land price trends indicated by the 2010 Land Price Survey by Prefectural Governments, land prices declined for 98.5% of sites in Japan. In Fukuoka City, a core investment target area for FRC, commercial land prices decreased by 6.2% and residential land prices decreased by 2.3% compared to the previous year, for the second consecutive year of decrease for both commercial and residential land, although the rate of decrease decelerated from the last survey.

Under such circumstances, FRC conducted strict screening of investment properties based on its investment policy. Consequently, FRC purchased additional senior anonymous partnership equity interests (acquisition price: 3,000 million yen) in CCH Bridge Y.K., a special purpose company which owns and manages a section of Canal City Hakata excluding the section FRC already holds (hereafter referred to as Canal City Hakata SPC Holding Section). This allows FRC to expect dividends in accordance to its increased preferred investment share in the SPC. Furthermore, FRC and the SPC have a contract to reserve acquisition of the Canal City Hakata SPC Holding Section. FRC considers that the additional investment will secure ongoing integrated management of Canal City Hakata, which should lead to maintaining and enhancing the attractiveness of the property as a whole including the portion FRC owns, and that the increased stability of the SPC will allow it to form a flexible exit strategy.

As for existing assets, FRC remained dedicated to enhancing the competitiveness and ability to draw customers of major commercial facilities such as Canal City Hakata and focused on maintaining and raising the occupancy rate of owned properties. As a result, the occupancy rate of all properties FRC owns stood at 99.0% on average as of the end of the current fiscal period.

When analyzing FRC's portfolio (on an acquisition value basis) by geographic location, properties in the Fukuoka urban area occupy 70.2% of its portfolio; when analyzing by property type, commercial facilities, office buildings, and residential properties account for 61.7%, 35.7% and 2.6%, respectively.

(c) Summary of fundraising

In the current fiscal period, FRC procured 2,000 million yen in loans under committed line of credit for purchasing additional senior anonymous partnership equity interests in Canal City Hakata SPC Holding Section. Moreover, FRC refinanced a part (4,600 million yen) of its debt under committed line of credit into long-term debt from the viewpoint of diversification of debt maturities and prolonged residual maturity of borrowings. For the 10,000 million yen in syndicated loans that matured in July 2010, FRC conducted refinance of 10,300 million yen with a loan period of 4 years, along with borrowing 300 million yen in short-term debt under committed line of credit. On top of these, an interest rate swap agreement was concluded in order to hedge risks of rising interest rates in the future. As a result, the balance of debt outstanding at the end of the current fiscal period totaled 59,150 million yen, with the loan-to-value ratio at 44.7%. To reduce refinancing risks, FRC will continue to disperse the debt repayment date and increase the average length of time until debt maturity.

(d) Summary of performance and dividend

As a result of these management efforts, operating revenues totaled 5,663 million yen and operating income after excluding operating expenses such as real estate rent expenses and asset management fees totaled 2,412 million yen. Ordinary income was 1,797 million yen and net income was 1,796 million yen.

Management decided to make a dividend of 16,783 yen per investment unit to meet the requirements of special tax measures for an investment corporation (as stipulated in Article 67-15 of the Special Taxation Measures Law of Japan [Law No. 26 in 1957 including later revisions, hereinafter the "Special Taxation Measures Law"]). Under this law, an investment corporation is allowed to deduct the maximum amount of dividends paid to investors from its taxable income.

(ii) Forecast for the next fiscal period

(a) Portfolio management policy

FRC will increase management and rent capabilities by cooperating with property management companies including sponsor companies even in a worsening consumer spending environment and maintain the stable operation of the properties by making the most use of their advantages.

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

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

(b) Performance forecast for the next fiscal period

FRC aims to achieve the following performance goals for the period ending February 2011 (September 1, 2010 to February 28, 2011) and the period ending August 2011 (March 1, 2011 to August 31, 2011). Concerning preconditions for the forecast, please refer to "Preconditions for the performance forecast for the period ending February 2011 (September 1, 2010 to February 28, 2011) and the period ending August 2011 (March 1, 2011 to August 31, 2011)," on page 6.

Period ending February 2011

Operating revenues	5,634 million yen
Ordinary income	1,724 million yen
Net income	1,723 million yen
Dividend per unit	16,100 yen
Dividend in excess of earnings per unit	0 yen

Period ending August 2011

Operating revenues	5,640 million yen
Ordinary income	1,778 million yen
Net income	1,777 million yen
Dividend per unit	16,600 yen
Dividend in excess of earnings per unit	0 yen

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

- (c) Significant facts after the closing of accounts  
No relevant items

(3) Investment risks

The disclosure is omitted, since there are no significant changes from the "Investment risks" disclosed in the latest securities report (submitted on May 26, 2010).

Preconditions for the performance forecast for the period ending February 2011 (September 1, 2010 to February 28, 2011) and for the period ending August 2011 (March 1, 2011 to August 31, 2011)

Item	Preconditions
Calculation period	13th fiscal period: from September 1, 2010 to February 28, 2011 (181 days) 14th fiscal period: from March 1, 2011 to August 31, 2011 (184 days)
Assets under management	<ul style="list-style-type: none"> <li>It is assumed that there will be the 16 properties and senior anonymous partnership equity interests FRC owns as of August 31, 2010.</li> <li>In practice, they may fluctuate due to changes in assets under management.</li> </ul>
Number of investment units issued and outstanding	<ul style="list-style-type: none"> <li>It is assumed that there will be no issuance of new investment units until August 31, 2011.</li> </ul>
Interest-bearing debt and refinancing	<ul style="list-style-type: none"> <li>The balance of interest-bearing debt outstanding on August 31, 2011 is expected to total 59,000 million yen, a decrease of 150 million yen from the end of the current period (August 31, 2010). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 44.8% (as of August 31, 2010, the loan-to-value ratio stands at 44.7%).</li> <li>In the period ending February 2011, it is assumed that FRC will refinance short-term debt of 300 million yen that will mature in September 2010 and long-term debt of 1,500 million yen that will become due for repayment in December 2010 into long-term debt.</li> <li>In the period ending August 2011, it is assumed that FRC will refinance long-term debt of 7,000 million yen that will become due for repayment in July 2011 into long-term debt.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>Of real estate rent 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.</li> <li>Of real estate rent revenues, revenues from percentage lease contracts are calculated based on past results by taking into account sales fluctuation factors of the relevant tenants.</li> <li>Concerning real estate rent 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.</li> <li>Concerning senior anonymous partnership equity interests, anonymous partnership distribution is calculated based on the conditions stipulated in each anonymous partnership contract.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>When acquiring assets under management, the fixed property tax and city planning tax for the assets will be proportionally calculated according to the holding period and adjusted with the former owner. FRC will not write them off since it will include the relevant adjusted amount in the acquisition cost.</li> <li>FRC writes off estimated repair costs for buildings for the calculation periods, the periods ending February 2011 and August 2011. Actual repair costs may differ significantly from the estimated amounts since there is the possibility that repair costs are incurred urgently due to damages to buildings caused by unforeseeable factors, repair costs generally differ largely from period to period, and repair costs are not regularly incurred.</li> <li>Concerning outsourcing expenses, FRC anticipates 978 million yen for the period ending February 2011 and 994 million yen for the period ending August 2011.</li> <li>Concerning taxes and other public charges, FRC anticipates 410 million yen for the period ending February 2011 and 410 million yen for the period ending August 2011.</li> <li>Concerning depreciation and amortization expenses, FRC anticipates 965 million yen for the period ending February 2011 and 983 million yen for the period ending August 2011.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>Concerning interest payment and expenses related to financing, FRC anticipates 568 million yen for the period ending February 2011 and 592 million yen for the period ending August 2011.</li> </ul>
Dividend per unit	<ul style="list-style-type: none"> <li>Dividend (dividend per unit) is calculated based on the dividend policy stipulated in FRC's Articles of Incorporation.</li> <li>Dividend per unit may fluctuate due to fluctuations in rent revenues caused by changes in assets under management and tenants or various factors including unexpected occurrences of repair.</li> </ul>
Dividend in excess of earnings per unit	<ul style="list-style-type: none"> <li>Dividend in excess of earnings (dividend in excess of earnings per unit) is not planned at the moment.</li> </ul>
Other	<ul style="list-style-type: none"> <li>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.</li> <li>It is also assumed that there will be no significant unexpected changes in general economic conditions and the real estate market.</li> </ul>

**3. Financial Statements**

## (1) Balance sheets

(thousands of yen)

Account	11th fiscal period (as of February 28, 2010)		12th fiscal period (as of August 31, 2010)	
Assets				
Current assets				
Cash and deposits		2,910,719		1,777,071
Cash and deposits in trust		3,966,739		4,151,899
Operating account receivable		367,673		525,677
Prepaid expenses		138,275		243,283
Deferred tax assets		20		19
Others		31,333		13,724
Total current assets		7,414,761		6,711,676
Noncurrent assets				
Property, plant and equipment				
Buildings in trust, net	54,741,293		54,837,442	
Aggregate of accumulated depreciation	(7,142,735)	47,598,557	(8,005,082)	46,832,360
Structures in trust, net	831,659		840,847	
Aggregate of accumulated depreciation	(181,303)	650,355	(208,096)	632,750
Machinery and equipment in trust, net	342,282		342,282	
Aggregate of accumulated depreciation	(92,081)	250,200	(102,218)	240,063
Tools and fixtures in trust, net	736,664		784,053	
Aggregate of accumulated depreciation	(325,447)	411,217	(378,562)	405,490
Lands in trust		68,810,414		68,810,414
Total property, plant and equipment		117,720,747		116,921,080
Intangible assets				
Leasehold right in trust		1,765,318		1,765,318
Total intangible assets		1,765,318		1,765,318
Investment and other assets				
Investments securities		3,421,633		6,437,933
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		100,000		100,000
Long-term prepaid expense		273,205		403,003
Total investment and other assets		3,804,839		6,950,937
Total noncurrent assets		123,290,904		125,637,336
Total assets		130,705,666		132,349,012

(thousands of yen)

Account	11th fiscal period (as of February 28, 2010)		12th fiscal period (as of August 31, 2010)	
Liabilities				
Current liabilities				
Operating accounts payable		431,609		247,437
Short-term debt		3,200,000		300,000
Current maturities of long-term debt		11,650,000		8,650,000
Account payable-other		22,571		69,074
Accrued expenses		267,770		272,093
Income taxes payable		701		730
Accrued consumption taxes		168,865		42,880
Advances received		653,952		669,251
Deposits received		535,740		775,693
Total current liabilities		16,931,211		11,027,162
Noncurrent liabilities				
Long-term loan payable		42,375,000		50,200,000
Tenant leasehold and security deposits		331,575		331,455
Tenant leasehold and security deposits received in trust		8,941,128		8,729,372
Total noncurrent liabilities		51,647,703		59,260,827
Total liabilities		68,578,914		70,287,989
Net assets				
Net Assets				
Shareholders' capital		60,264,380		60,264,380
Surplus				
Unappropriated surplus		1,862,371		1,796,642
Total surplus		1,862,371		1,796,642
Total Net Assets		62,126,751		62,061,022
Total net assets		62,126,751		62,061,022
Total liabilities and net assets		130,705,666		132,349,012

## (2) Statements of income

(thousands of yen)

Account	11th fiscal period (September 1, 2009 to February 28, 2010)		12th fiscal period (March 1, 2010 to August 31, 2010)	
1. Operating revenues				
Rent revenue- real estate	5,318,986		5,282,359	
Other rental revenue-real-estate	185,666		172,938	
Anonymous partnership distribution	136,000	5,640,652	208,000	5,663,297
2. Operating expenses				
Expenses related to rent business	2,761,070		2,771,269	
Asset management fees	345,484		349,892	
Asset custody fees	11,354		11,530	
Administrative service fees	38,372		38,939	
Director's compensations	9,600		9,600	
Other operating expenses	66,437	3,232,319	69,282	3,250,514
Operating income		2,408,333		2,412,783
3. Non-operating revenues				
Interest received	1,673		999	
Other	2,813	4,487	340	1,340
4. Non-operating expenses				
Interest payment	472,636		481,861	
Financing related expenses	76,704		89,278	
Other	-	549,341	45,271	616,411
Ordinary income		1,863,479		1,797,712
Net income before tax		1,863,479		1,797,712
Income taxes-current	1,109		1,092	
Income taxes-deferred	(1)	1,107	0	1,092
Net income		1,862,371		1,796,619
Retained earnings brought forward		0		22
Unappropriated retained earnings		1,862,371		1,796,642

## (3) Statement of changes in Net Assets

11th fiscal period (September 1, 2009 to February 28, 2010)

(thousands of yen)

Item	Net Assets			Total net assets
	Shareholders' capital	Retained earnings	Total Net Assets	
		Unappropriated retained earnings		
Balance as of August 31, 2009	60,246,380	1,860,208	62,124,588	62,124,588
Changes in the current fiscal period				
Dividend of retained earnings	—	(1,860,207)	(1,860,207)	(1,860,207)
Net income	—	1,862,371	1,862,371	1,862,371
Total of changes in the current fiscal period	—	2,163	2,163	2,163
Balance as of February 28, 2010	60,264,380	1,862,371	62,126,751	62,126,751

12th fiscal period (March 1, 2010 to August 31, 2010)

(thousands of yen)

Item	Net Assets			Total net assets
	Shareholders' capital	Retained earnings	Total Net Assets	
		Unappropriated retained earnings		
Balance as of February 28, 2010	60,264,380	1,862,371	62,126,751	62,126,751
Changes in the current fiscal period				
Dividend of retained earnings	—	(1,862,348)	(1,862,348)	(1,862,348)
Net income	—	1,796,619	1,796,619	1,796,619
Total of changes in the current fiscal period	—	(65,729)	(65,729)	(65,729)
Balance as of August 31, 2010	60,264,380	1,796,642	62,061,022	62,061,022

## (4) Dividend statement

Account	11th fiscal period (September 1, 2009 to February 28, 2010)	12th fiscal period (March 1, 2010 to August 31, 2010)
I. Unappropriated retained earnings	1,862,371 thousand yen	1,796,642 thousand yen
II. Total	1,862,348 thousand yen	1,796,620 thousand yen
(Dividend per investment unit)	(17,397 yen)	(16,783 yen)
III. Retained earnings brought forward	22 thousand yen	22 thousand yen

Method for calculating dividends	The amount of dividends shall be decided in accordance with the dividend policy stipulated in Article 38-1-1 of FRC's Articles of Incorporation and must exceed 90% of FRC's distributable profits as stipulated in Article 67-15 of the Special Taxation Measures Law of Japan. Following the above policy, FRC shall decide to distribute 1,862,348 thousand yen, which is almost the entire amount of unappropriated retained earnings, as earnings dividends. Moreover, dividend in excess of earnings as stipulated in Article 38-2 of FRC's Articles of Incorporation will not be provided.	The amount of dividends shall be decided in accordance with the dividend policy stipulated in Article 38-1-1 of FRC's Articles of Incorporation and must exceed 90% of FRC's distributable profits as stipulated in Article 67-15 of the Special Taxation Measures Law of Japan. Following the above policy, FRC shall decide to distribute 1,796,620 thousand yen, which is almost the entire amount of unappropriated retained earnings, as earnings dividends. Moreover, dividend in excess of earnings as stipulated in Article 38-2 of FRC's Articles of Incorporation will not be provided.
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(Note) Concerning amounts other than dividend per investment unit, fractions of 1,000 yen are omitted.

## (5) Cash flows statements

(thousands of yen)

Account	11th fiscal period (September 1, 2009 to February 28, 2010)	12th fiscal period (March 1, 2010 to August 31, 2010)
I. Net cash provided by (used in) operating activities		
Net income before taxes	1,863,479	1,797,712
Depreciation expenses	954,958	953,000
Interest received	(1,673)	(999)
Interest payment	472,636	481,861
Decrease (increase) in operating account receivables	50,709	(158,004)
Decrease (increase) in consumption taxed refund receivable	151,714	–
Increase (decrease) in accrued consumption taxes	168,865	(125,985)
Increase (decrease) in operating account payable	120,360	(167,537)
Increase (decrease) in account payable-other	(3,359)	53,420
Increase (decrease) in accrued expenses	1,645	(244)
Increase (decrease) in advance received	(18,587)	15,299
Increase (decrease) in deposits expenses	(240,825)	239,952
Decrease (increase) in prepaid expenses	62,668	(105,007)
Decrease (increase) in long-term prepaid expenses	39,715	(129,798)
Other, net	210	4,331
Subtotal	3,622,518	2,858,001
Interest received	1,673	999
Interest payment	(472,829)	(477,293)
Income tax paid	(28,168)	(14,500)
Income tax refund	27,326	27,126
Net cash provided by (used in) operating activities	3,150,519	2,394,333
II. Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(100,061)	(170,692)
Proceeds from tenant leasehold and security deposits	90	–
Repayments of tenant leasehold and security deposits	–	(120)
Proceeds from tenant leasehold and security deposits in trust	77,511	31,081
Repayment of tenant leasehold and security deposits in trust	(211,422)	(242,837)
Payments for purchase of investment securities	–	(3,016,300)
Net cash provided by (used in) investment activities	(233,882)	(3,398,867)
III. Net cash provided by (used in) financing activities		
Increase in short-term debt payable	19,200,000	15,000,000
Decrease in short-term debt payable	(19,800,000)	(17,900,000)
Proceeds from long-term debt payable	600,000	14,900,000
Repayment of long-term debt payable	(75,000)	(10,075,000)
Dividends paid	(1,853,388)	(1,868,953)
Net cash provided by (used in) financing activities	(1,928,388)	56,046
IV. Net increase (decrease) in cash and cash deposits	988,248	(948,487)
V. Balance of cash and cash deposits at beginning of period	5,889,210	6,877,458
VI. Balance of cash and cash deposits at end of period	6,877,458	5,928,970

## (6) Notes on the going concern assumption

No relevant items

## (7) Significant accounting policies

The disclosure is omitted, since there are no significant changes from contents disclosed by the latest securities report (submitted on May 26, 2010).

## (8) Notes to financial statements

FRC omits the disclosure of notes to balance sheets, statements of income, statements of changes in Net Assets, and cash flows statements, as well as notes on lease transactions, financial instruments, securities, derivative transactions, related-party transactions, tax-effect accounting, retirement benefits, and rental properties, since it does not find substantial need for disclosure in the earnings briefing.

## (Per unit information)

11th fiscal period (September 1, 2009 to February 28, 2010)	12th fiscal period (March 1, 2010 to August 31, 2010)
Net assets per investment unit: 580,352 yen Net income per investment unit: 17,397 yen	Net assets per investment unit: 579,738 yen Net income per investment unit: 16,782 yen
Net income per investment unit is calculated by dividing net income by the weighted average number of investment units issued and outstanding during the fiscal period.	Net income per investment unit is calculated by dividing net income by the weighted average number of investment units issued and outstanding during the fiscal period.
Diluted net income per investment unit is not shown since there are no potential investment units.	Diluted net income per investment unit is not shown since there are no potential investment units.

(Note) Calculation of net income per investment unit is based on the following.

Account	11th fiscal period (September 1, 2009 to February 28, 2010)	12th fiscal period (March 1, 2010 to August 31, 2010)
Net income (thousands of yen)	1,862,371	1,796,619
Amount not attributable to common shareholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	1,862,371	1,796,619
Average number of investment units during the fiscal period (units)	107,050	107,050

## (Significant subsequent events)

11th fiscal period (September 1, 2009 to February 28, 2010)	12th fiscal period (March 1, 2010 to August 31, 2010)
No relevant items	Same as on the left

- (9) Change in the number of investment units issued and outstanding  
No relevant items

#### 4. Change in Directors

(1) Change in directors in FRC

No relevant items

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

(June 17, 2010) Resignation of Takeshi Okuma as Vice President and Director

(July 31, 2010) Resignation of Shinya Kato as Senior Managing Director

Directors of Fukuoka Realty Co., Ltd. are as follows as of October 12, 2010.

Title	Name	Career Summary		Number of shares held
CEO and Representative Director	Masayasu Saki	April 1969	Joined The Nippon Fudosan Bank, Limited. (later, The Nippon Credit Bank, Ltd.; currently, Aozora Bank, Ltd.)	0
		June 1992	Member of the Board and Tokyo Branch Manager	
		February 1994	Member of the Board and Director for Financial Product Development	
		June 1995	Member of the Board and Director for Marketing Planning Division 2	
		June 1996	Executive Director	
		June 1998	Senior Executive Director	
		November 1999	Director at CSK KK	
		November 2000	Executive Officer at Sanyo Shinpan Finance Co., Ltd. (currently, Promise Co., Ltd.)	
		July 2003	CEO of Fitch Ratings Japan	
		April 2006	Advisor of Fukuoka Realty Co., Ltd.	
		June 2006	CEO of Fukuoka Realty Co., Ltd. (current position)	
July 2006	CEO & Representative Director of Fukuoka REIT Corporation (current position)			

(Note) Masayasu Saki, CEO of Fukuoka Realty Co., Ltd., also serves as CEO & Representative Director of Fukuoka REIT Corporation. In conformity with Article 13 of the Investment Trust Law (before revision), he obtained approval for concurrently serving the positions from the Commissioner of the Financial Services Agency as of June 22, 2006.

Title	Name	Career Summary		Number of shares held
Senior Managing Director	Yoichi Nishio	April 1985	Joined The Nippon Credit Bank, Ltd. (currently, Aozora Bank, Ltd.)	0
		September 2005	General Manager, Real Estate Finance Division	
		July 2008	Joined as Senior Vice President of New City Corporation.	
		January 2009	Joined as Senior Managing Director and Head of Finance Department of Fukuoka Realty Co., Ltd. (current position)	
Director (part-time)	Akira Eto	February 1987	Joined Sunlife Co., Ltd.	0
		October 1993	Joined Fukuoka Jisho Co., Ltd.	
		October 2005	General Manager, Development Unit	
		August 2008	Executive Officer (current position)	
		June 2009	Director of Fukuoka Realty Co., Ltd. (current position)	
		August 2009	General Manager, Regional Development Unit, Fukuoka Jisho Co., Ltd. (current position)	

Title	Name	Career Summary		Number of shares held
Director (part-time)	Yasumichi Hinago	April 1968	Joined Kyushu Electric Power Co., Inc.	0
		July 1998	General Manager, Material Procurement Division	
		July 2002	General Manager, Material & Fuel Procurement Division	
		June 2003	Saga Branch Manager	
		July 2003	Executive Officer and Saga Branch Manager	
		June 2005	Director	
		June 2007	Senior Managing Executive Officer	
		June 2007	Director of Fukuoka Realty Co., Ltd. (current position)	
		June 2009	Executive Vice President of Kyushu Electric Power Co., Inc. (current position)	
Director (part-time)	Hiroshi Shimuta	October 2000	Registered as lawyer	0
		April 2004	Joined Fukuoka Realty Co., Ltd.	
		April 2005	General Manager, Compliance Division	
		June 2007	Joined Nishimura & Tochiwa (currently, Nishimura & Asahi) (current position)	
		June 2007	Director of Fukuoka Realty Co., Ltd. (current position)	
Auditor (part-time)	Masanori Tasaka	April 1978	Joined The Fukuoka Sogo Bank, Ltd. (currently, The Nishi-Nippon City Bank, Ltd.)	0
		August 2000	Deputy General Manager, Planning Division	
		July 2003	General Manager for Planning Division and Risk Control Manager	
		October 2004	General Manager, General Planning Division	
		April 2005	Loaned to NCB Management Information Service Co., Ltd., General Manager for Business Alliance	
		April 2006	Head of Tasaka Masanori Certified Tax Accountant Office (current position)	
		June 2006	Auditor of Fukuoka Realty Co., Ltd. (current position)	

## 5. Reference Information

### (1) Investment situation

(as of August 31, 2010)

Type of asset	Purpose	Location (Note 1)	Total value of properties held (millions of yen) (Note 2)	Percentage of total assets (%) (Note 3)
Real estate in Trust	Commercial facility	Fukuoka urban area	37,937	28.7
		Other Kyushu areas	36,261	27.4
	Office building	Fukuoka urban area	41,388	31.3
		Other Kyushu areas	—	—
	Residential property	Fukuoka urban area	3,099	2.3
		Other Kyushu areas	—	—
Subtotal			118,686	89.7
Equity interests in anonymous partnership (Note 4)			6,437	4.9
Deposits and other assets			7,224	5.5
Total amount of assets (Note 5)			132,349 (125,124)	100.0 (94.5)

Note 1: “Fukuoka urban area” refers to cities, towns and villages where 10% or more of the population commute to Fukuoka City for school and work, according to the 2005 census, which states “the number of workers and students aged 15 years or older commuting between their homes and places of work or school” conducted by Fukuoka City and the Statistics Bureau of the Ministry of Internal Affairs and Communications.

“Other Kyushu areas” refers to all other parts of Kyushu (excluding the Fukuoka urban area) and Yamaguchi Prefecture.

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

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

Note 4: “Equity interests in anonymous partnership” are capital contributions to an SPC (CCH Bridge LLC).

Note 5: Figures in parentheses for “Total amount of assets” refer to the value and percentage of real estate held in effect to the total amount of assets.

(as of August 31, 2010)

	Value on balance sheet (millions of yen)	Percentage of total amount of assets (%)
Total amount of liabilities	70,287	53.1
Total amount of net assets	62,061	46.9

### (2) Investment assets

#### (i) Primary issues of investment securities

(as of August 31, 2010)

Type	Description	Book value (millions of yen)	Evaluated amount (millions of yen) (Note)	Percentage of total assets (%)
Interests in anonymous partnership	Senior anonymous partnership equity interest to CCH Bridge LLC	6,437	6,400	4.9

(Note) The evaluated amount is provided by the operator of the anonymous partnership in conformity with rules stipulated by the Investment Trusts Association, Japan.

## (ii) Real estate investment portfolio

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

(as of August 31, 2010)

Name of property	Acquisition value (millions of yen) (Note 1)	Value on balance sheet (millions of yen)	Period-end appraisal value (millions of yen) (Note 2)	Investment ratio (%) (Note 3)	Real estate appraiser
Canal City Hakata	32,000	31,327	34,700	26.5	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	15,700	16,743	17,600	13.0	Japan Real Estate Institute
SunLive City Kokura	6,633	6,303	7,410	5.5	Japan Real Estate Institute
Square Mall Kagoshima Usuki	5,300	5,001	4,970	4.4	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	2,284	2,420	2.0	Japan Real Estate Institute
Hara SATY	5,410	5,503	5,210	4.5	Japan Real Estate Institute
Hanahata SC	1,130	1,106	1,160	0.9	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	2,500	2,427	2,510	2.1	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	3,550	3,500	3,380	2.9	Tanizawa Sogo Appraisal Co., Ltd.
Commercial facilities subtotal:	74,623	74,198	79,360	61.7	
Canal City Business Center Building	14,600	14,159	15,600	12.1	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	11,200	10,397	12,900	9.3	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	4,400	4,358	4,940	3.6	Japan Real Estate Institute
Taihaku Street Business Center	7,000	6,757	6,630	5.8	Japan Real Estate Institute
Higashi Hie Business Center	5,900	5,714	5,960	4.9	Tanizawa Sogo Appraisal Co., Ltd.
Office buildings subtotal:	43,100	41,388	46,030	35.7	
Amex Akasakamon Tower	2,060	1,992	1,690	1.7	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	1,111	1,106	1,000	0.9	Daiwa Real Estate Appraisal Co., Ltd.
Residential properties subtotal:	3,171	3,099	2,690	2.6	
Total	120,894	118,686	128,080	100.0	

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

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

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

## (b) Summary of the real estate rental business

(as of August 31, 2010)

Name of property	Number of tenants (Note 1)	Occupancy rate (%) (Note 3)	Total leasable space (m <sup>2</sup> )	Total leased space (m <sup>2</sup> )	Total rental revenues (millions of yen) (Note 4)	Percentage of total rental revenues (%) (Note 5)
Canal City Hakata	1 (49)	100.0	45,990.34	45,990.34	1,339	24.6
Park Place Oita	1 (103)	99.9	103,963.52	103,829.95	964	17.7
SunLive City Kokura	1	100.0	61,450.22	61,450.22	292	5.4
Square Mall Kagoshima Usuki	11	100.0	14,661.72	14,661.72	255	4.7
Kumamoto Intercommunity SC	2	100.0	6,968.66	6,968.66	89	1.6
Hara SATY	1	100.0	27,580.75	27,580.75	212	3.9
Hanahata SC	2	100.0	2,801.15	2,801.15	40	0.7
Kurume Higashi Kushiwara SC	1	100.0	6,467.80	6,467.80	88	1.6
K's Denki Kagoshima	1	100.0	7,296.17	7,296.17	111	2.0
Commercial facilities subtotal:	21 (171)	100.0	277,180.33	277,046.76	3,395	62.2
Canal City Business Center Building	1 (53)	93.6	23,053.10	21,587.51	599	11.0
Gofukumachi Business Center	20	94.6	19,907.91	18,839.56	518	9.5
Sanix Hakata Building	14	100.0	6,293.76	6,293.76	201	3.7
Taihaku Street Business Center	1 (64)	97.2	14,653.95	14,236.39	298	5.5
Higashi Hie Business Center	1 (15)	100.0	13,695.51	13,695.51	344	6.3
Office buildings subtotal:	37 (166)	96.2	77,604.23	74,652.73	1,961	36.0
Amex Akasakamon Tower	1 (57)	87.8	4,755.14	4,175.81	61	1.1
City House Keyaki Dori	1 (40)	95.5	2,710.86	2,588.58	37	0.7
Residential properties subtotal:	2 (97)	90.6	7,466.00	6,764.39	98	1.8
Total	60 [434] (Note 2)	99.0	362,250.56	358,463.88	5,455	100.0

Note 1: "Number of tenants" is based on the total number of sections stipulated in the tenancy agreements for commercial and office buildings among relevant properties. For the number of tenants in pass-through master leasing properties, the number of sections stipulated in the tenancy agreements with end tenants is shown in parentheses. The Taihaku Street Business Center is an office building with a residential tower. Its number of tenants comprises 12 offices and 52 residents.

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

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

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

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

## (3) Investment target

The disclosure is omitted, since there are no significant changes from "Investment target" disclosed by the latest securities report (submitted on May 26, 2010).