

October 9, 2008

**EARNINGS BRIEFING
FOR THE PERIOD ENDED AUGUST 2008
(March 1, 2008 to August 31, 2008)**

Name of real estate investment trust	Fukuoka REIT Corporation (FRC)	Listed Stock Exchanges	Tokyo Stock Exchange, Fukuoka Stock Exchange
Code number	8968	(URL: http://www.fukuoka-reit.jp/eng/)	
Representative Name of asset manager	Operating Officer Masayasu Saki Fukuoka Realty Co., Ltd.		
Representative Contact	President and CEO Masayasu Saki Managing Director, General Manager of Finance Division Hidekazu Tanaka Phone: +81-92-272-3900		
Expected date for submitting securities report	November 25, 2008		
Expected commencement date of dividend	November 17, 2008		

(Figures rounded off to nearest million yen.)

**1. PERFORMANCE AND SITUATION OF ASSETS FOR THE PERIOD ENDED AUGUST 2008
(March 1, 2008 to August 31, 2008)**

(1) Performance

(% shows percentage difference 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 2008	5,483	5.9	2,441	2.5	1,968	(0.6)	1,966	(0.7)
Period ended February 2008	5,179	(1.0)	2,382	0.8	1,981	0.7	1,980	0.8

	Net income per unit	Return on net assets	Ratio of ordinary income to total liabilities and net assets	Ratio of ordinary income to operating revenue
	Yen	%	%	%
Period ended August 2008	18,373	3.2	1.6	35.9
Period ended February 2008	18,498	3.2	1.7	38.3

(2) Dividends

(Total dividends are rounded off to the nearest million yen.)

	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 period-end net assets
Period ended August 2008	18,373 yen	1,966 million yen	0 yen	0 million yen	99.9%	3.2%
Period ended February 2008	18,499 yen	1,980 million yen	0 yen	0 million yen	100.0%	3.2%

(Note) Concerning payout ratio, all numbers after the first decimal place are disregarded.

(3) Financial condition

	Total assets	Net assets	Ratio of net assets to total assets	Net assets per unit
Period ended August 2008	125,954 million yen	62,231 million yen	49.4%	581,328 yen
Period ended February 2008	121,654 million yen	62,100 million yen	51.0%	580,104 yen
(Reference)	Net assets: (Period ended August 2008) 62,231 million yen; (Period ended February 2008) 62,100 million 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 period end
Period ended August 2008	3,157 million yen	(4,452) million yen	1,920 million yen	5,822 million yen
Period ended February 2008	2,476 million yen	(5,073) million yen	1,933 million yen	5,195 million yen

**2. FORECAST OF PERFORMANCE FOR THE PERIOD ENDING FEBRUARY 2009
(September 1, 2008 to February 28, 2009) AND THE PERIOD ENDING AUGUST 2009
(March 1, 2009 to August 31, 2009)**

(% shows percentage difference from previous period.)

	Operating revenue		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	%	yen	yen
Period ending February 2009	5,486	0.0	2,394	(2.0)	1,907	(3.1)	1,906	(3.1)	17,800	0
Period ending August 2009	5,453	(0.6)	2,323	(3.0)	1,822	(4.5)	1,820	(4.5)	17,000	0

(Reference) Forecast net income per unit: (Period ending February 2009) 17,800 yen;
(Period ending August 2009) 17,000 yen

3. Others

(1) Differences in accounting policies:

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

(Note) For details, please refer to “Differences in accounting policies,” on page 15.

(2) Number of investment units issued and outstanding

- (i) Number of investment units issued and outstanding at the end of period (including treasury investment units):
107,050 units at end of Aug 2008; 107,050 units at end of Feb 2008
- (ii) Treasury investment units at the end of period:
— units at end of Aug 2008; — units at end of Feb 2008

(Note) Regarding the number of investment units, a basis for calculating net income per unit, please refer to “Per unit information,” on page 15.

* 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 revenue, operating income, ordinary income, net income, and dividend per unit may differ due to change in the business environment. Forecasts 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 2009 (September 1, 2008 to February 28, 2009) and the period ending August 2009 (March 1, 2009 to August 31, 2009),” on page 7.

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 and Interim Earnings Briefing (for Public Traded Investment Corporations)” (March 2007) released by Tokyo Stock Exchange Group, Inc.

1. Investment Corporation-related Organizations

The disclosure is omitted since there are no significant differences from the “Structure of the Investment Corporation” disclosed by the latest Securities Report (submitted on May 27, 2008).

2. Portfolio management policy and management situation

(1) Portfolio management policy

“Investment Target” is partially revised in accordance with a partial revision of FRC’s Articles of Incorporation at the General Meeting of Shareholders on May 29, 2008. For details, please refer to “5. Reference Information (3) Investment Target,” on page 19.

The disclosure of “portfolio management policy” and “dividend policy” is omitted since there are no significant differences from the contents disclosed by the latest Securities Report (submitted on May 27, 2008).

(2) Management situation

(i) Summary of 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 estates 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 a strength.

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, offices and common space), a commercial complex where specialty shops, cinema complex, theaters, amusement facilities, hotels and offices are integrally developed (hereinafter “Canal City Hakata”). As of the end of the previous fiscal period (February 29, 2008), FRC has 14 properties (excluding silent partnership interests). FRC acquired one community-type shopping center (SC) in the current fiscal period.

As a result, FRC now has 15 properties (excluding silent partnership interests), nine commercial facilities, four office buildings, and two residential properties in its portfolio as of the end of the current fiscal period (August 31, 2008).

(b) Investment environment and portfolio performance

Clear signs for domestic economic stagnation were evident in the current fiscal period, such as a series of bankruptcies of real estate and construction-related companies or slower housing sales and sluggish consumer spending, on the back of turmoil in global financial markets triggered by U.S. subprime loan problems and skyrocketing energy and raw material prices. In the Kyushu area, a primary area of FRC’s investment target area, the economy is weakening since the growth of exports, which had helped drive the regional economy, began slowing down amid further deceleration of the global economy.

According to the Land Price Survey by Prefectural Governments in 2008 (by the Ministry of Land, Infrastructure, Transport and Tourism), average national land prices declined over the previous year. Dark signs have begun to emerge in the recovery of land prices, with a rise in

land prices greatly shrinking even in the three largest urban areas. In Fukuoka City, a core of FRC's investment target area, commercial and residential lands rose by 4.5% and 0.3% over the previous year, respectively, but the land price rise was smaller.

In such a business environment, on March 27, 2008 FRC acquired a community-type shopping center, "K's Denki Kagoshima," located close to one of the largest commercial facilities in Kagoshima City, Kagoshima Prefecture (acquisition amount: 3,550 million yen). Meanwhile, FRC strived to revitalize existing facilities to enhance their value, including expansion of floor space in "Park Place Oita."

When analyzing FRC's portfolio (on an acquisition value basis) by geographic location, properties in the Fukuoka urban area occupy 68.6% of its portfolio; when analyzing by property type, commercial facilities, office buildings, and residential properties account for 64.9%, 32.3% and 2.8%, respectively.

The occupancy rate of properties FRC owns stands at 99.4% as of the end of the current fiscal period, thanks to our continuous efforts including operations placed on enhancing competitiveness and customer drawing power in major commercial facilities such as Canal City Hakata.

(c) Summary of fundraising

In the current fiscal period, FRC borrowed 3,900 million yen for acquisition of a new property and expansion of floor space in existing properties. The Company also refinanced long-term debt and a part of short-term debt that came due this fiscal period into long-term debt. As a result, at the end of the current fiscal period outstanding debt totaled 51,900 million yen with the loan-to-value ratio at 41.2%. To reduce refinancing risks in future debt, FRC will continue to disperse the repayment date and increase the average length of time until maturity.

(d) Summary of performance and dividend

As results of these management efforts, operating revenue totaled 5,483 million yen and operating income after excluding operating expenses such as rental business expenses and asset management fees totaled 2,441 million yen. Ordinary income and net income reached 1,968 million yen and 1,966 million yen, respectively.

Management decided to make a dividend of 18,373 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). Under this law, an investment corporation is allowed to deduct dividends paid to investors from its taxable income if most of the unappropriated earnings as of the end of the current fiscal period are distributed.

(ii) Forecast for the next fiscal year

(a) Portfolio management policy

FRC will invest based on the basic policy stipulated in its Articles of Incorporation and its basic philosophy: focusing on "high growth potential markets in which FRC can demonstrate its competitive edge."

By geographic location, FRC invests 60% to 90% of its assets in the Fukuoka urban area. Fukuoka City, a core city in the Fukuoka urban area, is especially a promising area with high growth potential since in the future the city is expected to have the greatest population growth of any urban area in Japan. Moreover, management has decided to actively acquire properties in major cities in Kyushu and in Yamaguchi Prefecture besides the Fukuoka urban area, if FRC can generate sufficient investment merits from community-oriented viewpoints.

By property type, FRC invests 60% to 80% of its assets in commercial facilities, 20% to 40% in office buildings, and 0% to 20% in other properties. Management continues to invest in commercial facilities mainly to expand its portfolio. Among commercial facilities, FRC

plans to invest in various types of facilities, not only relatively larger facilities such as urban type (midtown type) and regional type (large suburban type), but also community-type facilities (neighborhood type).

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

FRC will acquire high quality properties for further expansion of its portfolio by avoiding competition as much as possible 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.

(b) Performance forecast for the next fiscal period

FRC aims to achieve the following performance goals for the period ending February 2009 (September 1, 2008 to February 28, 2009) and the period ending August 2009 (March 1, 2009 to August 31, 2009). Concerning preconditions for the forecast, please refer to “Preconditions for the performance forecast for the period ending February 2009 (September 1, 2008 to February 28, 2009) and the period ending August 2009 (March 1, 2009 to August 31, 2009),” on page 7.

Period ending February 2009

Operating revenue	5,486 million yen
Ordinary income	1,907 million yen
Net income	1,906 million yen
Dividend per unit	17,800 yen
Dividend in excess of earnings per unit	0 yen

Period ending August 2009

Operating revenue	5,453 million yen
Ordinary income	1,822 million yen
Net income	1,820 million yen
Dividend per unit	17,000 yen
Dividend in excess of earnings per unit	0 yen

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

Preconditions for the performance forecast for the period ending February 2009 (September 1, 2008 to February 28, 2009) and for the period ending August 2009 (March 1, 2009 to August 31, 2009)

Item	Preconditions
Calculation period	9th fiscal period, from September 1, 2008 to February 28, 2009 (181 days) 10th fiscal period, from March 1, 2009 to August 31, 2009 (184 days)
Assets under management	<ul style="list-style-type: none"> It is assumed that 15 properties and silent partnership interests FRC owns as of August 31, 2008. In practice, they may fluctuate due to changes in assets under management.
Number of investment units issued and outstanding	<ul style="list-style-type: none"> It is assumed that there will be no issuance of new investment units until August 31, 2009.
Interest-bearing debt	<ul style="list-style-type: none"> Outstanding interest bearing debt on August 31, 2009 are expected to total 51,900 million yen, the same as at the end of the current period (August 31, 2008). The loan-to-value ratio (Interest-bearing debt ÷ total assets × 100) is expected to stand at around 41.6% (as of August 31, 2008 the loan-to-value ratio stands at 41.2%).
Operating revenues	<ul style="list-style-type: none"> Of revenues from the real estate rental business, 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. Of revenues from the real estate rental business, revenues from the percentage lease contracts are calculated based on past results by taking into account sales fluctuation factors of the relevant tenants. Concerning revenues from the real estate rental business, vacancies are taken into account to a certain extent. It is assumed that there will be no rent arrears or non-payments by tenants. Concerning interests in silent partnerships, dividends from silent partnerships are calculated based on the conditions stipulated in each silent partnership contract.
Operating expenses	<ul style="list-style-type: none"> 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 the Company will include the relevant adjusted amount in the acquisition cost. FRC writes off estimated repair costs for buildings for the calculation periods, the periods ending February 2009 and August 2009. 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; repair costs are not regularly incurred. Concerning depreciation and amortization expenses, FRC anticipates 859 million yen for the period ending February 28, 2009 and 872 million yen for the period ending August 31, 2009.
Dividend per unit	<ul style="list-style-type: none"> Dividend (dividend per unit) is calculated based on the dividend policy stipulated in FRC's Articles of Incorporation. Dividend per unit may fluctuate due to fluctuations in rent revenues caused by differences in assets under management and tenants or various factors including unexpected occurrences of repair.
Dividend in excess of earnings per unit	<ul style="list-style-type: none"> The dividends of excess earnings are not planned at the moment.
Other	<ul style="list-style-type: none"> It is assumed that there will be no significant revisions to laws and regulations, the tax system, and accounting standards that may influence the forecast figures. It is also assumed that there will be no significant unexpected changes in general economic conditions and the real estate market.

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

(3) Investment risks

The disclosure of such risks is omitted since there are no significant changes from the "Investment risks" disclosed in the latest Securities Report (submitted on May 27, 2008).

3. Financial statements

(1) Balance sheets

Account	7th fiscal period (as of February 29, 2008)		8th fiscal period (as of August 31, 2008)		Difference	
	Amount (thousands of yen)	%	Amount (thousands of yen)	%	Amount (thousands of yen)	Period- on- Period
Assets						%
I. Current assets						
Cash and equivalents	1,649,844		1,931,769		281,924	
Cash and deposit in trust	4,034,804		4,378,955		344,151	
Operating receivable	232,783		302,233		69,450	
Prepaid expenses	—		165,581		165,581	
Deferred tax assets	18		61		43	
Consumer taxes receivables	50,608		—		(50,608)	
Other current assets	127,375		33,531		(93,843)	
Total current assets	6,095,433	5.0	6,812,132	5.4	716,699	11.8
II. Fixed assets						
1. Tangible fixed assets						
Construction in progress	483,728		—		(483,728)	
Buildings in trust	47,614,818		50,046,206		2,431,388	
Aggregate of accumulated depreciation	3,879,974	43,734,843	4,647,080	45,399,125	1,664,282	
Structures in trust	559,864		757,968		198,104	
Aggregate of accumulated depreciation	66,591	493,273	93,683	664,284	171,011	
Machinery and equipment in trust	335,919		338,209		2,290	
Aggregate of accumulated depreciation	51,973	283,946	61,978	276,230	(7,715)	
Tools and fixtures in trust	466,263		578,558		112,295	
Aggregate of accumulated depreciation	126,986	339,276	168,271	410,286	71,010	
Lands in trust	66,666,541		68,810,414		2,143,873	
Total tangible fixed assets	112,001,609	92.1	115,560,343	91.8	3,558,733	3.2
2. Investment and other assets						
Investment securities	3,421,633		3,421,633		—	
Guarantee deposits	10,000		10,000		—	
Long-term prepaid expenses	89,809		127,759		37,950	
Total investment and other assets	3,521,443	2.9	3,559,393	2.8	37,950	1.1
Total fixed assets	115,523,052	95.0	119,119,736	94.6	3,596,683	3.1

III. Deferred assets								
Establishment expenses		11,190			5,595		(5,595)	
Expenses for issuing new investment units		25,237			16,825		(8,412)	
Total deferred assets		36,428	0.0		22,420	0.0	(14,007)	(38.5)
Total assets		121,654,914	100.0		125,954,289	100.0	4,299,375	3.5

Account	7th fiscal period (as of February 29, 2008)		8th fiscal period (as of August 31, 2008)		Difference	
	Amount (thousands of yen)	%	Amount (thousands of yen)	%	Amount (thousands of yen)	Period-on-Period
Liabilities						%
I. Current liabilities						
Accounts payable	282,910		320,244		37,334	
Short-term debt	2,900,000		3,400,000		500,000	
Current maturities of long-term debt	6,600,000		12,000,000		5,400,000	
Accrued liabilities	22,458		14,720		(7,737)	
Accrued expenses payable	306,176		327,108		20,931	
Accrued income taxes	287		572		285	
Accrued consumption taxes	—		40,854		40,854	
Advances received	657,928		708,189		50,260	
Deposits received	489,977		803,691		313,713	
Total current liabilities	11,259,739	9.3	17,615,381	14.0	6,355,641	56.4
II. Fixed liabilities		5.0				
Long-term debt	38,500,000		36,500,000		(2,000,000)	
Security deposits and guarantee money	80,288		—		(80,288)	
Security deposits and guarantee money in trust	9,570,159		9,607,644		37,485	
Derivative liabilities	144,515		—		(144,515)	
Total fixed liabilities	48,294,963	39.7	46,107,644	36.6	(2,187,318)	(4.5)
Total liabilities	59,554,702	49.0	63,723,025	50.6	4,168,323	7.0
Net assets						
I. Net Assets						
1. Shareholders' capital	60,264,380		60,264,380		—	
2. Retained earnings						
Unappropriated retained earnings	1,980,347		1,966,884		(13,463)	
Total retained earnings	1,980,347		1,966,884		(13,463)	
Total Net Assets	62,244,727	51.1	62,231,264	49.4	(13,463)	(0.0)
II. Differences from valuation and translation						
1. Deferred hedge profit or loss	(144,515)		—		144,515	
Total differences from valuation and translation	(144,515)	(0.1)	—	—	144,515	—
Total net assets	62,100,212	51.0	62,231,264	49.4	131,051	0.2
Total liabilities and net assets	121,654,914	100.0	125,954,289	100.0	4,299,375	3.5

(2) Statements of Income

Account	7th fiscal period (September 1, 2007 to February 29, 2008)			8th fiscal period (March 1, 2008 to August 31, 2008)			Difference	
	Amount (thousands of yen)		%	Amount (thousands of yen)		%	Amount (thousands of yen)	Period- on- Period %
1. Operating revenues								
Real estate leasing revenues	4,871,952			5,169,535				
Other revenues from real estate leasing	171,225			177,472				
Silent partnership dividend	136,000	5,179,178	100.0	136,000	5,483,008	100.0	303,830	5.9
2. Operating expenses								
Real estate leasing expenses	2,365,097			2,597,412				
Asset management fees	321,104			336,502				
Asset custodian fees	10,252			10,702				
General administration fees	33,828			33,724				
Directors compensation	9,510			9,600				
Other operating expenses	56,594	2,796,387	54.0	53,564	3,041,506	55.5	245,119	8.8
Operating income		2,382,791	46.0		2,441,502	44.5	58,711	2.5
3. Non-operating revenues								
Interest received	7,149			7,863				
Other non-operating revenue	—	7,149	0.1	861	8,724	0.2	1,574	22.0
4. Non-operating expenses								
Interest payment	345,043			410,487				
Amortization of establishment cost	5,595			5,595				
Investment unit issuance fee write off	8,412			8,412				
Expenses related to debt financing	46,564			52,600				
Other non-operating expenses	2,978	408,594	7.9	4,542	481,637	8.8	73,043	17.9
Ordinary income		1,981,346	38.2		1,968,589	35.9	(12,757)	(0.6)
Net income before tax		1,981,346	38.2		1,968,589	35.9	(12,757)	(0.6)
Corporation, inhabitant and business tax	1,029			1,778				
Adjustment to income tax	19	1,049	0.0	(43)	1,734	0.0	685	65.4
Net income		1,980,297	38.2		1,966,854	35.9	(13,443)	(0.7)
Retained earnings brought forward		49			29		(20)	

from previous period						
Unappropriated retained earnings for the period		1,980,347			1,966,884	(13,463)

(3) Statement of changes in net assets
7th Fiscal Period (September 1, 2007 to February 29, 2008)

(thousands of yen)

Item	Net Assets			Differences from valuation and translation		Total net assets
	Shareholders' capital	Retained earnings Unappropriated retained earnings	Total Net Assets	Deferred hedge profit or loss	Total difference from valuation and translation	
Balance as of August 31, 2007	60,264,380	1,965,487	62,229,867	(90,405)	(90,405)	62,139,462
Differences in the current fiscal period						
Dividend of retained earnings	—	(1,965,438)	(1,965,438)	—	—	(1,965,438)
Net income for the current fiscal period	—	1,980,297	1,980,297	—	—	1,980,297
Deferred hedge profit or loss	—	—	—	(54,109)	(54,109)	(54,109)
Total of differences in the current fiscal period	—	14,859	14,859	(54,109)	(54,109)	(39,249)
Balance as of February 29, 2008	60,264,380	1,980,347	62,244,727	(144,515)	(144,515)	62,100,212

8th Fiscal Period (March 1, 2008 to August 31, 2008)

(thousands of yen)

Item	Net Assets			Differences from valuation and translation		Total net assets
	Shareholders' capital	Retained earnings Unappropriated retained earnings	Total Net Assets	Deferred hedge profit or loss	Total difference from valuation and translation	
Balance as of February 29, 2008	60,264,380	1,980,347	62,244,727	(144,515)	(144,515)	62,100,212
Differences in the current fiscal period						
Dividend of retained earnings	—	(1,980,317)	(1,980,317)	—	—	(1,980,317)
Net income for the current fiscal period	—	1,966,854	1,966,854	—	—	1,966,854
Deferred hedge profit or loss	—	—	—	144,515	144,515	144,515
Total of differences in the current fiscal period	—	(13,463)	(13,463)	144,515	144,515	131,051
Balance as of August 31, 2008	60,264,380	1,966,884	62,231,264	—	—	62,231,264

(4) Dividend Statement

Account	7th fiscal period (September 1, 2007 to February 29, 2008)	8th fiscal period (March 1, 2008 to August 31, 2008)
I. Unappropriated retained earnings	1,980,347 thousand yen	1,966,884 thousand yen
II. Total (Dividend per unit)	1,980,317 thousand yen (18,499 yen)	1,966,829 thousand yen (18,373 yen)
III. Retained earnings brought forward	29 thousand yen	54 thousand yen

Method for calculating dividends	FRC shall decide the amount of dividends, which must exceed 90% of FRC's distributable income as stipulated in Article 67-15 of the Special Taxation Measures Law of Japan (Article 38-1-1 of FRC's Articles of Incorporation). For the current fiscal period, dividend as income dividends totaled 1,980,317 thousand yen, which is almost the entire amount of unappropriated earnings. Moreover, dividend in excess of earnings as stipulated in Article 38-2 of FRC's Articles of Incorporation will not be provided.	FRC shall decide the amount of dividends, which must exceed 90% of FRC's distributable income as stipulated in Article 67-15 of the Special Taxation Measures Law of Japan (Article 38-1-1 of FRC's Articles of Incorporation). For the current fiscal period, dividend as income dividends totaled 1,966,829 thousand yen, which is almost the entire amount of unappropriated earnings. 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

Account	7th fiscal period (September 1, 2007 to February 29, 2008)	8th fiscal period (March 1, 2008 to August 31, 2008)
	Amount (thousands of yen)	Amount (thousands of yen)
I. Cash flows from operating activities		
Net income before taxes	1,981,346	1,968,589
Depreciation expenses	763,679	847,195
Amortization of establishment expenses	5,595	5,595
Investment unit issuance depreciation	8,412	8,412
Interest received	(7,149)	(7,863)
Interest payment	345,043	410,487
Increase or decrease in operating receivables	42,467	(69,450)
Increase or decrease in uncollected consumption tax receivables	(50,608)	50,608
Increase or decrease in consumption tax payable	(101,182)	40,854
Increase or decrease in operating payable	(1,499)	31,188
Increase or decrease in account payable	(17,077)	(1,280)
Increase or decrease in payable expenses	(1,061)	10,682
Increase or decrease in rent received in advance	28,536	50,260
Increase or decrease in deposits	(215,758)	313,729
Increase or decrease in prepaid expenses	30,932	(61,727)
Increase or decrease in long-term prepaid expenses	7,930	(37,950)
Others	12,874	5,690
Subtotal	2,832,481	3,565,021
Interest received	7,149	7,863
Interest payment	(348,222)	(400,237)
Income for Corporation tax payment, etc	(15,388)	(29,056)
Income from Corporation tax payment	—	14,284
Cash flows from operating activities	2,476,020	3,157,875
II. Cash flows from investing activities		
Payment for purchase of tangible fixed assets	(477,708)	—
Payment for purchase of tangible fixed assets in trust	(4,837,312)	(4,409,606)
Payment from key money and security deposits	80,288	—
Proceeds from key money and security deposit in trust	285,856	287,371
Payment for key money and security deposits in trust	(124,969)	(330,175)
Net cash used for investing activities	(5,073,844)	(4,452,409)
III. Cash flows from financing activities		
Proceeds from short-term debt	15,300,000	30,100,000
Repayment of short-term debt	(20,900,000)	(29,600,000)
Proceeds from long-term debt	9,500,000	10,000,000
Repayment of long-term debt	—	(6,600,000)
Payment of dividends	(1,966,518)	(1,979,389)
Cash flows from financing activities	1,933,481	1,920,610
IV. Net Increase or decrease in cash and cash equivalents	(664,341)	626,076
V. Balance of cash and cash equivalents at beginning of period	5,860,328	5,195,986
VI. Balance of cash and cash equivalents at end of period	5,195,986	5,822,063

(6) Significant accounting policy

Item	7th Fiscal Period (September 1, 2007 to	8th Fiscal Period (March 1, 2008 to
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	February 29, 2008)	August 31, 2008)
Hedge accounting method	<p>(1) Hedge accounting method Deferred hedge accounting is applied.</p> <p>(2) Hedging instrument and hedging targets Hedging instrument: Interest rate swap transactions Hedging targets: Borrowing rate</p> <p>(3) Hedging policy In accordance with FRC's Articles of Incorporation, FRC uses derivatives in order to hedge risks of changes in interest rates related to variable-rate debt.</p> <p>(4) Method for assessing hedge effectiveness Assessing hedge effectiveness is omitted since requirements are met for special treatment of interest swap transactions.</p>	<p>(1) Hedge accounting method Deferred hedge accounting is applied for interest swap transactions. However, special treatment is applied for interest swap transactions that meet requirements for special treatment.</p> <p>(2) Hedging instrument and hedging targets Same as on the left</p> <p>(3) Hedging policy Same as on the left</p> <p>(4) Method for assessing hedge effectiveness Same as on the left</p>

The disclosure of items other than the above "hedge accounting method" is omitted since there are no significant changes from contents disclosed by the latest Securities Report (submitted on May 27, 2008).

(7) Difference in accounting policy
(Hedge accounting method)

Concerning interest swap transactions, deferred hedge accounting was applied until the previous fiscal period. However, from the current fiscal period special treatment is applied for interest swap transactions that meet requirements for special treatment since special treatment is allowed because of revision to the Investment Trust Law and FRC's Articles of Incorporation.

As a result, total net assets increase by 97,682 thousand yen and total liabilities decreased by the same amount compared to those total net assets and total liabilities under the previous accounting method. There is no effect on profit or loss from this difference.

(8) Footnotes in financial statements

FRC omits the disclosure of footnoted items on the balance sheet, income statement, statement of differences in net assets, Cash flows statement, lease transactions, securities, derivative transactions, retirement benefits, tax effect accounting, and related party transactions since the Company does not find substantial need for disclosure in the earnings briefing.

(Data per investment unit)

7th Fiscal Period September 1, 2007 to February 29, 2008	8th Fiscal Period March 1, 2008 to August 31, 2008
Net assets per investment unit: 580,104 yen	Net assets per investment unit: 581,328 yen
Net income per investment unit: 18,498 yen	Net income per investment unit: 18,373 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. Diluted net income per investment unit is not shown since there are no potential investment units.	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.

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

Account	7th Fiscal Period (September 1, 2007 to February 29, 2008)	8th Fiscal Period (March 1, 2008 to August 31, 2008)
Net income (thousands of yen)	1,980,297	1,966,854
Net income not distributed to shareholders (thousands of yen)	—	—
Net income distributed to shareholders (thousands of yen)	1,980,297	1,966,854
Number of average investment units during the fiscal period (units)	107,050	107,050

(Subsequent critical events)

7th Fiscal Period September 1, 2007 to February 29, 2008	8th Fiscal Period March 1, 2008 to August 31, 2008
No relevant items	Same as on the left

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

4. Change in directors

No relevant items

5. Reference information

(1) Investment situation

(as of August 31, 2008)

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	Commercial facility	Fukuoka urban area	38,383	30.5
		Other Kyushu areas	37,305	29.6
	Office building	Fukuoka urban area	36,656	29.1
		Other Kyushu areas	—	—
	Residential property	Fukuoka urban area	3,215	2.6
		Other Kyushu areas	—	—
Subtotal			115,560	91.8
Interests in silent partnership (Note 4)			3,421	2.7
Deposits and other assets			6,972	5.5
Total assets (Note 5)			125,954 (118,981)	100.0 (94.5)

Note 1: The 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 figures on the balance sheet (the value of real estate in trust is a book value after depreciation).

Note 3: Concerning the “Percentage of total assets,” all numbers after the second decimal place are disregarded.

Note 4: Preferred interests in silent partnerships are capital contributions to an SPC (CCH Bridge LLC), who owns and manages a section of Canal City Hakata excluding the section the Company already holds (Canal City Hakata SPC holding section).

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

(as of August 31, 2008)

	Figures on balance sheet (millions of yen)	Percentage of total assets (%)
Total amount of debt	63,723	50.6
Total amount of net assets	62,231	49.4

(2) Investment assets

(i) Primary issues of investment securities

(as of August 31, 2008)

Type	Description	Book value (millions of yen)	Evaluated amount (millions of yen) (Note)	Percentage of total assets (%)
Preferred silent partnership interest	Preferred interest in silent partnerships to CCH Bridge LLC	3,421	3,400	2.7

(Note) The evaluated amount is provided by the operator of a silent 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 year are as follows.

(as of August 31, 2008)

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	31,655	37,200	27.8	TANIZAWA SOGO APPRAISAL CO., LTD.
Park Place Oita	15,700	17,147	21,200	13.6	Japan Real Estate Institute
SunLive City Kokura	6,633	6,487	8,770	5.8	Japan Real Estate Institute
Square Mall Kagoshima Usuki	5,300	5,174	5,790	4.6	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	2,357	2,530	2.1	Japan Real Estate Institute
Hara SATY	5,410	5,592	5,700	4.7	Japan Real Estate Institute
Hanahata SC	1,130	1,134	1,210	1.0	TANIZAWA SOGO APPRAISAL CO., LTD.
Kurume Higashi Kushiwara SC	2,500	2,515	2,630	2.2	TANIZAWA SOGO APPRAISAL CO., LTD.
K's Denki Kagoshima	3,550	3,622	3,600	3.1	TANIZAWA SOGO APPRAISAL CO., LTD.
Canal City Business Center Building	14,600	14,431	17,100	12.7	TANIZAWA SOGO APPRAISAL CO., LTD.
Gofukumachi Business Center Building	11,200	10,752	14,000	9.7	TANIZAWA SOGO APPRAISAL CO., LTD.
Sanix Hakata Building	4,400	4,491	5,610	3.8	Japan Real Estate Institute
Taihaku Street Business Center Building	7,000	6,979	8,090	6.1	Japan Real Estate Institute
Amex Akasakamon Tower	2,060	2,070	2,060	1.8	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	1,111	1,144	1,140	1.0	Daiwa Real Estate Appraisal Co., Ltd.
Total	114,994	115,560	136,630	100.0	

Note 1: "Acquisition value" refers to be 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" refers to the percentage of each property's acquisition value of the total acquisition value.

(b) Summary of the real estate rental business

(as of August 31, 2008)

Name of property	Number of tenants (Note 1)	Occupancy rate (%) (Note 3)	Total leasable space (m ²)	Total leased space (m ²)	Total rental revenue (millions of yen) (Note 4)	Percentage of total rental revenue (%)
Canal City Hakata	1 (27)	100.0	47,860.48	47,860.48	1,397	26.1
Park Place Oita	1 (100)	99.9	103,963.32	103,826.00	1,012	18.9
SunLive City Kokura	1	100.0	61,450.22	61,450.22	292	5.5
Square Mall Kagoshima Usuki	11	100.0	14,661.72	14,661.72	258	4.8
Kumamoto Intercommunity SC	2	100.0	6,968.66	6,968.66	90	1.7
Hara SATY	1	100.0	27,580.75	27,580.75	212	4.0
Hanahata SC	2	100.0	2,801.15	2,801.15	40	0.8
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	95	1.8
Canal City Business Center Building	1 (45)	99.6	23,014.11	22,917.80	696	13.0
Gofukumachi Business Center Building	18	97.9	19,906.22	19,482.38	554	10.4
Sanix Hakata Building	13	98.6	6,293.67	6,207.30	196	3.7
Taihaku Street Business Center Building (Note 4)	1 (61)	94.8	14,652.68	13,888.43	317	5.9
Amex Akasakamon Tower	1 (57)	85.6	4,755.14	4,069.21	64	1.2
City House Keyaki Dori	1 (41)	97.8	2,710.86	2,650.79	29	0.6
Total	56 [381] (Note 2)	99.4	350,382.95	348,128.86	5,347	100.0

Note 1: The number of tenants shown 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 Building is an office building with residential blocks. Its number of tenants comprises nine 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.

Note 3: "Occupancy rate" refers to the percentage of total leased space to total leasable space as of August 31, 2008.

Note 4: The total rental revenues shown are the results of the real estate rental business in the current fiscal period. During this period, FRC acquired the property for K's Denki Kagoshima on March 27, 2008.

(3) Investment Target

The "Types of assets for investment" has been partially revised in accordance with a partial revision of FRC's Articles of Incorporation at the General Meeting of Shareholders on May 29, 2008.

The sections that changed from the latest Securities Report (submitted on May 27, 2008) are underlined hereinafter. The disclosure of "investment standards and investment rates by type of asset, by geographic location, and by purpose" has been omitted since there are no significant changes.

(Types of assets for investment)

FRC primarily invests in real estate and real estate-related securities (as stated in Items 29 and 31 of its Articles of Incorporation).

- (i) Real estates as follows:
 - (1) Real estate
 - (2) Lease of land
 - (3) Surface rights
 - (4) Easement
 - (5) Trust beneficiary rights to real estate, lease of land, surface rights or easement (including a comprehensive trust with which money attached to real estates is entrusted together)
 - (6) Beneficiary rights for a money trust designed to primarily invest its trust assets in assets defined above
 - (7) Equity interests in an agreement for dividend of profits from property management where one party invests in another party for the management of assets defined above, and the other party uses the investment received to primarily manage investments in the assets and distribute profits from the managed assets (hereinafter “silent partnership equity interest in real estate”)
 - (8) Beneficiary rights of a money trust designed to primarily invest its trust assets in silent partnership equity interest in real estate

- (ii) Real estate-related securities refer to the following vehicles designed to invest more than half the amount of underlying assets in real estates.
 - (1) Preferred equity securities (preferred equity securities as stipulated in Article 2-9 of the law concerning the liquidation of assets [Law No. 105 in 1998 including later revisions, hereinafter the “Asset Liquidation Law”])
 - (2) Beneficiary securities (beneficiary securities as stipulated in Article 2-7 of the Investment Trust Law)
 - (3) Investment securities (investment securities as stipulated in Article 2-15 of the Investment Trust Law)
 - (4) Beneficiary securities for a special purpose trust (beneficiary securities for a special purpose trust as stipulated in Article 2-15 of the Asset Liquidation Law [excluding assets in items (i)(4) and (i)(5) above])

- (iii) FRC may invest in the following specified assets in addition to the above-mentioned real estates and real estate-related securities.
 - (1) Deposits
 - (2) Call loans
 - (3) Government securities
 - (4) Municipal securities
 - (5) Debentures issued by a corporation under a special law (as stipulated in Article 2-1-3 of the Financial Instruments and Exchange Law [Law No. 25 in 1948 including later revisions, hereinafter the “Financial Instruments and Exchange Law”])
 - (6) Corporate bond certificates (including corporate bond certificates of a mutual company, but excluding convertible bonds, bonds-cum-warrants and corporate bonds with new share reservation rights)
 - (7) Specified corporate bonds stipulated by the Asset Liquidation Law (as stipulated in Article 2-1-4 of the Financial Instruments and Exchange Law)
 - (8) Commercial papers (as stipulated in Article 2-1-15 of the Financial Instruments and Exchange Law)
 - (9) Investment corporation bonds (as stipulated in Article 2-1-11 of the Financial Instruments and Exchange Law)
 - (10) Securities or certificates representing options (as stipulated in Article 2-1-19 of the Financial Instruments and Exchange Law)
 - (11) Beneficiary securities for a loan trust (as stipulated in Article 2-1-12 of the Financial Instruments and Exchange Law)
 - (12) Monetary claims (as stipulated in Article 3-7 of the Order for Enforcement of Act on Securities Investment Trust and Securities Investment Corporations [Cabinet order No.480 in 2000

- including later revisions, hereinafter the “Enforcement of Act on Investment Trust”])
- (13) Rights in derivative transactions (as stipulated in Article 3-2 of the Enforcement on Act on Investment Trust)
- (iv) When investing in real estates, FRC may invest in the following assets, if necessary.
- (1) Trademarks as stipulated in Article 18-1 of the Trademark Law (Law No.127 in 1959 including later revisions), or exclusive rights to use as stipulated in Article 30-1 of the Law, or ordinary rights to use as stipulated in Article 31-1 of the Law
 - (2) Rights to use the source of a hot spring and facilities of the relevant hot spring as stipulated in Article 2-1 of the Hot Spring Law (Law No. 125 in 1948 including later revisions)
 - (3) Chattels (among chattels stipulated in the Civil Law Act [Law No. 89 in 1896 including later revisions] facilities, equipment and premises attached to real estate structurally or for use)
 - (4) In addition to the assets mentioned above, assets that are necessary or useful to be acquired when investing in real estates and real estate-related securities