

April 19, 2006

**FINANCIAL REPORT
FOR THE
FISCAL PERIOD ENDING FEBRUARY 2007
(September 1, 2006 – February 28, 2007)**

Fukuoka REIT Corporation is listed on the Tokyo Stock Exchange and Fukuoka Stock Exchange with the securities code number 8968.

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Board of directors meeting for approving financial results: April 19, 2007

Planned start of dividend payments: May 24, 2007

Figures have been rounded down to eliminate amounts of less than one million yen.

1. PERFORMANCE FOR THE FISCAL PERIOD ENDING FEBRUARY 2007

(1) Business Results

								(Mn yen)
	Operating Revenues	Percentage Change	Operating Profit	Percentage Change	Ordinary Profit	Percentage Change	Net Profit	Percentage Change
Period through February 2007	¥4,870	8.3%	¥2,210	11.4%	¥1,866	8.7%	¥1,856	8.2%
Period through August 2006	¥4,496	11.0%	¥1,983	13.3%	¥1,716	1.0%	¥1,715	1.1%

							(Yen)
	Net Profit per Unit	Return on Unitholders' Equity (ROE)	<Reference> Annualized	Ordinary Profit to Total Assets	<Reference> Annualized	Ordinary Profit to Operating Revenues	
Period through February 2007	¥17,422	3.3%	(6.6%)	1.7%	(3.4%)	38.3%	
Period through August 2006	¥18,631	3.4%	(6.7%)	1.7%	(3.4%)	38.1%	

Notes:

- The settlement period for the fiscal period ending in February 2007 began on September 1, 2006 and ended on February 28, 2009 for a length of 181 days and the fiscal period ended in August 2006 began on March 1, 2006 and ended on August 31, 2006 for a total of 184 days.
- Net profit per unit for the Third Fiscal Period is calculated using the weighted average number of investment units based on the number of days in the respective fiscal periods (106,553 units for the period ending February 2007 and 92,050 units for the period ended August 2006).
- Changes in accounting policies: No
- Percentage changes for operating revenues, operating profit, ordinary profit and net profit represent the percentage of increase (decrease) compared to the previous fiscal period.
- The net profit rate for net assets and ordinary profit rate to total capital respectively use the average value of the net assets and total capital for the beginning and end of the fiscal period.

(2) Distributions

	Distribution per Unit (yen) Excluding excess of earnings	Total Distributions (mn yen)	Distribution in Excess of Earnings per Unit (Yen)	Total Distributions in Excess of Earnings (mn yen)	Payout Ratio (%)	Distribution Ratio to Unitholders' Equity (%)
Period ending February	¥17,341	¥1,856	¥0	¥-	99.9%	3.0%

2007						
Period ended August 2006	¥18,631	¥1,715	¥0	¥-	100.0%	3.4%

Note:

The payout ratio is rounded down to the first decimal place.

(3) Financial Position

	Total Assets (mn yen)	Unitholders' Equity (mn yen)	Unitholders' Equity to Total Assets (%)	Unitholders' Equity per Unit (yen)
Period ending February 2007	¥117,259	¥62,022	52.9%	¥579,382
Period ended August 2006	¥104,183	¥50,754	48.7%	¥551,377

Note: The number of investment units outstanding as of February 28, 2007 totaled 107,050 units and as of August 31, 2006 totaled 92,050 units.

2. FORECAST OF RESULTS FOR THE FISCAL PERIOD ENDING IN AUGUST 2007

	Operating Revenues (mn yen)	Ordinary Profit (mn yen)	Net Profit (mn yen)	Distribution per Unit (yen) Excluding excess of earnings	Distribution in Excess of Earnings per Unit (yen)
Period ending August 2007	¥5,188	¥1,886	¥1,884	¥17,600	¥0
Period ending February 2008	¥5,124	¥1,822	¥1,820	¥17,000	¥0

Reference: Estimated forecast net profit per unit for the period ending August 2007 is 17,600 yen and is 17,000 yen for the period ending February 2008.

Notes:

1. The Fourth Fiscal Period began on March 1, 2006 and ends on August 31, 2006.
2. Forecasts presented above are based on "Assumptions for Operating Forecasts for the Periods ending August 2007 (March 1 – August 31, 2007) and February 2008 (September 1 – February 29, 2008)" identified in a separate reference. Forecasts for operating revenues, ordinary profit, net profit, distribution per unit and distribution in excess of earnings per unit may differ from actual results due to changes in conditions. Accordingly, Fukuoka REIT Corporation does not guarantee any amount.

3. Management Conditions

(1) Overview of the Fiscal Period Ending February 2007

(a) Key Milestones for the Investment Corporation

Fukuoka REIT Corporation (hereafter, "FRC") was established on July 2, 2004 based on the Investment Trusts and Investment Corporations Law and listed on the Tokyo Stock Exchange and Fukuoka Stock Exchange (securities code: 8968) on June 21, 2005. FRC is the first real estate investment trust in Japan specializing on a specific region (hereafter, "regional J-REIT") with Kyushu as a whole (the focus being on Fukuoka and including Okinawa Prefecture) and Yamaguchi Prefecture as the investment target areas. This enables Fukuoka REIT to exploit the traditional characteristic of the real estate industry of having strong local characteristics.

FRC acquired four properties and commenced actual management on November 9, 2004. One of the four properties acquired was Canal City Hakata [Canal City Hakata here refers to the retail property portion of the entire Canal City Hakata (the entire Canal City Hakata here refers to the retail complex where stores, major stores, cinema complex, theater, amusement facilities, hotels, offices, etc. were integrally developed; the same hereafter) excluding some stores, some hotels, theater, offices and some of the common-use portion; the same hereafter]. Since this start, FRC expanded to include eight properties as of the end of August 31, 2006 and during this fiscal period added an additional three properties consisting of two community shopping centers along central thoroughfares and a tower rental condominium splendidly located in a very convenient area next to the CBD and commercial district of Fukuoka City known as Tenjin.

As a result of these acquisitions, FRC owns and manages eleven properties as of the end of this fiscal period (excluding silent partnership interests) and these include six retail properties, four office buildings and one residential property.

(b) Investment Environment and Management Performance

The domestic Japanese economy expanded gradually during this fiscal period as a result of continued increases in domestic and overseas demand resulting from continued increases in exports and capital investment and the strong floor in personal consumption.

The trend in land prices has also been strong with land prices not only rising in the three major metropolitan areas but also in central regional cities according to the disclosure of 2007 land prices. Commercial land in Fukuoka City, the nucleus of our investment targets rose 12.9% year-on-year and as much as 24.8% in the Hakata Ward, where office demand is growing.

Within this environment, FRC acquired its first dedicated residential property, the Amex Akasakamon Tower, on September 1, 2006 for a price of 2,060 million yen. This was followed by an acquisition on September 28, 2006 of Square Mall Kagoshima Usaki for 5,300 million yen. Square Mall is a brand new community shopping center along a central thoroughfare in Kagoshima City that boasts top ranked category killers in each industry. Later again on November 30, 2006 FRC acquired Kumamoto Intercommunity Shopping Center for 2,400 million yen. This brand new community shopping center is located on the Eastern Bypass of National Highway 57, a central thoroughfare of Kumamoto City.

An analysis of our present portfolio on an acquisition price basis reveals that 69.8% of our portfolio is in the Fukuoka metropolitan area and that the FRC portfolio breaks down into 61.5% commercial, 36.5% office and 2.0% residential.

On the other hand, operations and management continue to focus on reinforcing competitiveness and customer attracting ability at Canal City Hakata and the other major retail properties. This combined with further efforts to raise occupancy at our office buildings raised the occupancy at the end of this fiscal period to 99.4%. In the case of Amex Akasakamon Tower, the occupancy prior to acquisition by FRC was 51.8% (as of the end of June 2006) but the occupancy steadily climbed after acquisition to 81.6% as of the end of this fiscal period.

(c) Overview of Fund Procurement

This fiscal period saw the Bank of Japan raised interest rates in February 2007 for the second time but this had no dramatic impact on the asset procurement environment and FRC newly procured 8.5 billion yen in short-term borrowings and 1 billion yen in long-term borrowings with the purpose of acquiring new qualified assets and refinancing existing properties. As a result, the balance of borrowings as of the end of this fiscal period is 44.1 billion yen and the LTV as of the end of this fiscal period is 37.6%.

In addition, 15,000 new investment units were issued on September 7, 2006 to be allotted to the acquisition of qualified assets and the total amount procured through this measure was 11 billion yen.

(d) Overview of Business Performance and Distributions

As a result of these management efforts operating revenues totaled 4,870 million yen and the operating profit totaled 2,210 million yen with ordinary profit totaling 1,866 million yen and net profit 1,856 million yen.

Distributions totaled 17,341 yen per investment unit. This was because almost all unappropriated profits as of the end of this fiscal period were distributed and this enabled application of the tax exception that allows for unappropriated profit distributions to be recorded as expenses (Special Taxation measures Law Article 67-15).

(2) Forecasts for the Fiscal Period Ending in August 2007

(a) Future Management Policy

FRC will continue to invest based on the basic policy defined in the Articles of Incorporation and the basic thinking of making domains that coincide with both “markets with growth potential” and “specialized areas in which competitive advantages can be demonstrated” as investment targets.

FRC has set the percentage of investment at 60~90% for the Fukuoka metropolitan area, and Fukuoka is recognized to have the greatest growth potential of any metropolitan area in Japan in the future making it a market with high growth potential. FRC will also invest in core cities of Kyushu and Yamaguchi Prefecture by applying our local perspective closely linked with the community that enables us to proactively invest in communities and properties where investment merits can be secured.

By investment type, FRC has set the following targets for its portfolio: 60-80% retail properties, 20-40% office buildings and 0-20% other properties. FRC will continue to expand our assets under management centering on retail properties. Investments in the retail property category can be further broken down into the relatively large urban and regional types and also the community type.

Meanwhile, concerning fund procurement, FRC will further heighten the soundness of our finances by building strong relationships with financial institutions to ensure stable fund procurement and to reduce the impact of changes to the financial environment in the future while realizing inexpensive fund procurement costs.

The recovery trend of land prices is forecast to become increasingly pronounced and the property acquisition competition is expected to intensify further in Fukuoka and other major regional cities. A task for FRC is to further expand growth in the portfolio. To accomplish this task, FRC will eliminate competition as much as possible by adequately capitalizing on the strengths of FRC, including the capacity to gather information regarding Fukuoka and Kyushu, local knowledge and perspectives concerning properties and by utilizing our network rooted in the local business world and government. We will proceed to acquire high-quality properties that you our investors can continue to invest in with assurance.

(b) Forecast of Financial Results for the Fiscal Period Ending in August 2007 and February 2008

The following are the operating forecasts for the fiscal periods ending in August 2007 (March 1, 2007 ~ August 31, 2007) and ending in February 2008 (September 1, 2007 – February 29, 2008). These forecasts are based on a number of assumptions (not listed in this summary) that are subject to change.

Fiscal Period Ending in August 2007

Operating revenues	¥5,188 million
Ordinary profit	¥1,886 million
Net profit	¥1,884 million
Distributions per unit	¥17,600
Distributions in excess of earnings per unit	¥0

Fiscal Period Ending in September 2008

Operating revenues	¥5,124 million
Ordinary profit	¥1,822 million
Net profit	¥1,820 million
Distributions per unit	¥17,000
Distributions in excess of earnings per unit	¥0

Note) Forecasts presented above are based on certain assumptions, and actual operating revenues, ordinary profit, net profit, distribution per unit and distribution in excess of earnings per unit may differ due to changes in conditions. Accordingly, FRC does not guarantee any amount.

4. Financial Statements, etc.

(1) Balance Sheets

(Unit: thousand yen)

Category	Fifth Fiscal Period (as of February 28, 2007)		Fourth Fiscal Period (as of August 31, 2006)		Variation	
	Value	Share	Value	Share	Value	Period-on-Period
Assets		%		%		%
I. Current assets						
Cash and deposits	6,561,682		2,935,049		3,626,632	
Cash and deposits in trust	3,493,655		3,430,267		63,387	
Operating receivables	248,290		333,808		(85,518)	
Deferred tax assets	—		19		(19)	
Consumption taxes receivable	99,443		89,196		10,246	
Other current assets	229,751		252,634		(22,882)	
Total current assets	10,632,823	9.1	7,040,976	6.8	3,591,846	51.0
II. Fixed assets						
1. Tangible fixed assets						
Buildings	136,683		140,384		(3,701)	
Structures	805		843		(38)	
Land	641,782		641,782		—	
Buildings in trust	41,797,815		37,987,229		3,810,585	
Structures in trust	397,201		209,848		187,353	
Machinery and equipment in trust	295,701		244,503		51,197	
Tools and fixtures in trust	291,519		214,652		76,866	
Land in trust	59,463,999		54,117,497		5,346,502	
Temporary account of construction in trust	25,397		24,457		939	
Total tangible fixed assets	103,050,906	87.9	93,581,200	89.8	9,469,705	10.1
2. Investments and other assets						
Investment securities	3,421,633		3,421,633		—	
Guarantees and deposits	10,000		10,000		—	
Long-term pre-paid expenses	79,342		101,252		(21,909)	
Total investments and other assets	3,510,975	3.0	3,532,885	3.4	(21,909)	(0.6)
Total fixed assets	106,561,881	90.9	97,114,086	93.2	9,447,795	9.7
III. Deferred assets						
Establishment expenses	22,381		27,977		(5,595)	
Investment unit issuance expenses	42,062		—		42,062	
Total deferred assets	64,444	0.0	27,977	0.0	36,467	130.3
Total assets	117,259,149	100.0	104,183,040	100.0	13,076,109	12.6

(Unit: thousand yen)

Category	Fifth Fiscal Period (as of February 28, 2007)		Fourth Fiscal Period (as of August 31, 2006)		Variation	
	Value	Share	Value	Share	Value	Period-on-Period
Liabilities		%		%		%
I. Current liabilities						
Accrued business fees	284,348		232,183		52,164	
Short-term debt	8,500,000		8,100,000		400,000	
Accounts payable	55,340		46,319		9,021	
Expenses payable	285,860		250,629		35,230	
Income taxes payable	1,210		975		235	
Rents received in advance	589,863		535,254		54,609	
Deposits held	500,819		736,848		(236,028)	
Total current liabilities	10,217,442	8.7	9,902,209	9.5	315,232	3.2
II. Fixed liabilities						
Long-term debt	35,600,000		34,600,000		1,000,000	
Key money and security deposits on deposit	98,595		103,128		(4,533)	
Key money and security deposits in trust	9,222,293		8,694,810		527,483	
Derivative losses	97,946		128,594		(30,647)	
Total fixed liabilities	45,018,836	38.4	43,526,532	41.8	1,492,303	3.4
Total liabilities	55,236,278	47.1	53,428,742	51.3	1,807,536	3.4
Unitholders' equity						
I. Unitholders' capital						
1. Total investment	60,264,380	51.4	49,167,800	47.2	11,096,580	22.6
2. Surplus						
Unappropriated profit	1,856,438		1,715,092		141,346	
Total surplus	1,856,438	1.6	1,715,092	1.6	141,346	8.2
Total unitholders' capital	62,120,818	53.0	50,882,892	48.8	11,237,926	22.1
II. Valuation and Conversions						
1. Profit and loss on deferred hedge	(97,946)		(128,594)		30,647	
Total valuation and conversions	(97,946)	(0.1)	(128,594)	(0.1)	30,647	—
Total unitholders' equity	62,022,871	52.9	50,754,298	48.7	11,268,573	22.2
Total liabilities and unitholders' equity	117,259,149	100.0	104,183,040	100.0	13,076,109	12.6

(2) Profit and Loss Statement

(Unit: thousand yen)

Fiscal Period Category	Fifth Fiscal Period (as of February 28, 2007)		Fourth Fiscal Period (as of August 31, 2006)		Variation	
	Value	Percentage	Value	Percentage	Value	Period-on-Period
I. Operating revenues	4,870,051	100.0	4,496,048	100.0	374,003	8.3
Real estate leasing revenues	4,544,795		4,231,464		313,331	
Other real estate leasing revenues	189,256		128,583		60,672	
Anonymous association dividend	136,000		136,000		—	
II. Operating expenses	2,659,590	54.6	2,512,620	55.9	146,969	5.8
Real estate leasing expenses	2,251,250		2,123,240		128,010	
Asset management fees	297,694		273,293		24,401	
Custodian fees	9,041		8,344		696	
General administration fees	30,431		32,192		(1,761)	
Director compensation	9,600		9,600		—	
Other operating expenses	61,572		65,948		(4,375)	
Operating profit	2,210,461	45.4	1,983,427	44.1	227,033	11.4
III. Non-operating profit (loss)	12,247	0.2	368	0.0	11,879	—
Interest income	3,728		368		3,359	
Other non-operating revenues	8,519		—		8,519	
IV. Non-operating expenses	356,613	7.3	267,693	6.0	88,919	33.2
Interest expenses	295,397		171,148		124,249	
Amortization of establishment expenses	5,595		5,595		0	
Expenses related to public offering of investment units	8,412		—		8,412	
Expenses related to financing	44,225		89,099		(44,874)	
Other non-operating expenses	2,982		1,850		1,132	
Ordinary profit	1,866,095	38.3	1,716,102	38.1	149,993	8.7
Net profit before taxes	1,866,095	38.3	1,716,102	38.1	149,993	8.7
Income and other taxes	9,654	0.2	1,048	0.0	8,606	—
Deferred income taxes	19	0.0	(0)	0.0	19	—
Net profit	1,856,421	38.1	1,715,054	38.1	141,367	8.2
Carried forward profit (loss)	16		37		(20)	
Unappropriated profit	1,856,438		1,715,092		141,346	

(3) Cash Distribution Statement

Category	Fifth Fiscal Period September 1, 2006 – February 28, 2007	Fourth Fiscal Period September 1, 2005 – August 31, 2006
I. Unappropriated profit	¥1,856,438,499	¥1,715,092,253
II. Amount of distributions (Amount of distribution per investment unit)	¥1,856,354,050 (¥17,341)	¥1,715,075,600 (¥18,632)
III. Profit carried forward to next period	¥84,449	¥16,653

Method of calculating amount of distributions	<p>Article 38(1)(i) of FRC's Articles of Incorporation stipulates the policy that "distributions shall surpass an amount equal to 90% of the amount of FRC's profit available for dividends that is regulated in Article 67-15 of the Special Taxation Measures Law." In accordance with this policy, FRC decided to distribute ¥1, 856, 354, 050, which is almost the entire amount of unappropriated profit, as profit distributions. Further, distributions of cash in excess of profit as designated in Article 38(2) of the Articles of Incorporation will not be made.</p>	<p>Article 38(1)(i) of FRC's Articles of Incorporation stipulates the policy that "distributions shall surpass an amount equal to 90% of the amount of FRC's profit available for dividends that is regulated in Article 67-15 of the Special Taxation Measures Law." In accordance with this policy, FRC decided to distribute ¥1, 715, 075, 600, which is almost the entire amount of unappropriated profit, as profit distributions. Further, distributions of cash in excess of profit as designated in Article 38(2) of the Articles of Incorporation will not be made.</p>
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(4) Cash Flow Statement

(Unit: thousand yen)

Fiscal Period	Fifth Fiscal Period September 1, 2006 – February 28, 2007	Fourth Fiscal Period September 1, 2005 – August 31, 2006
Category		
I. Cash flows from operating activities		
Net profit before taxes	1,866,095	1,716,102
Depreciation and amortization	688,585	619,112
Amortization of establishment expenses	5,595	5,595
	8,412	—
Interest income	(3,728)	(368)
Interest expenses	295,397	171,148
Increase/Decrease in operating receivables	85,518	(201,166)
Increase/Decrease in consumption taxes receivable	(10,246)	(89,196)
Increase/Decrease in accrued business fees	9,821	(86,287)
Increase/Decrease in accounts payable	8,966	25,103
Increase/Decrease in expenses payable	13,783	12,673
Increase/Decrease in rent received in advance	54,609	54,165
Increase/Decrease in deposits held	(230,248)	251,306
Increase/Decrease in pre-paid expenses	34,033	(53,923)
Increase/Decrease in long-term pre-paid expenses	21,909	(7,808)
Other	(21,540)	(7,898)
Subtotal	2,826,966	2,408,557
Interest received	3,728	368
Interest paid	(273,950)	(161,247)
Income taxes paid	(9,977)	(1,109)
Net cash provided by operating activities	2,546,767	2,246,568
II. Cash flows from investing activities		
Payments for purchases of tangible fixed assets in trust	(10,105,000)	(7,380,419)
Payments for down payment	—	(114,960)
Payments for key money and security deposits on deposit	(4,533)	(4,533)
Proceeds from key money and security deposits on deposit	632,917	399,921
Payments for key money and security deposits in trust	(111,214)	(75,223)
Payments for purchases of investment securities	—	(20,212)
Payments for issuance of investment units	(50,475)	—
Payments for depositing deposits and deposits in trust with use limitations	(488,662)	—
Net cash used in investing activities	(10,126,968)	(7,195,428)
• Cash flows from financing activities		
Proceeds from short-term debt	8,500,000	20,700,000
Repayments of short-term debt	(8,100,000)	(27,700,000)
Proceeds from long-term debt	1,000,000	16,000,000
Proceeds from investment unit issuance	11,096,580	—
Dividends paid	(1,715,020)	(1,696,208)
Net cash provided by financing activities	10,781,559	7,303,791
• Increase/Decrease in cash and cash equivalents	3,201,358	2,354,931
• Cash and cash equivalents at start of period	6,365,317	4,010,386
• Cash and cash equivalents at end of period	9,566,675	6,365,317