

October 15, 2007

**FINANCIAL REPORT
FOR THE
FISCAL PERIOD ENDING AUGUST 2007
(March 1, 2007 – August 31, 2007)**

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

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

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Planned submission date for securities report: November 26, 2007

Planned start of dividend payments: November 22, 2007

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

1. PERFORMANCE FOR THE FISCAL PERIOD ENDING AUGUST 2007

(1) Business Results

								(Mn yen)
	Operating Revenues	Percentage Change	Operating Profit	Percentage Change	Ordinary Profit	Percentage Change	Net Profit	Percentage Change
Period through August 2007	¥5,232	7.4%	¥2,362	6.9%	¥1,966	5.4%	¥1,965	5.9%
Period through February 2007	¥4,870	8.3%	¥2,210	11.4%	¥1,866	8.7%	¥1,856	8.2%

							(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 August 2007	¥18,359	3.2%	(6.4%)	1.7%	(3.4%)	37.6%	
Period through February 2007	¥17,422	3.3%	(6.6%)	1.7%	(3.4%)	38.3%	

Notes:

- The settlement period for the fiscal period ending in August 2007 began on March 1, 2007 and ended on August 31, 2007 for a length of 184 days and the fiscal period ended in February 2007 began on September 1, 2006 and ended on February 28, 2007 for a total of 181 days.
- Net profit per unit for the Fourth Fiscal Period is calculated using the weighted average number of investment units based on the number of days in the respective fiscal periods (107,050 units for the period ending August 2007 and 106,553 units for the period ended February 2007).
- 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 August 2007	¥18,360	¥1,965	¥0	¥-	100.0%	3.2%

Period ended						
February 2007	¥17,341	¥1,856	¥0	¥-	99.9%	3.0%

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 August 2007	¥117,815	¥62,139	52.7%	¥580,471
Period ended February 2007	¥117,259	¥62,022	52.9%	¥579,382

Note: The unitholders' equity as of August 31, 2007 totaled 62,139,000,000 yen and as of February 28, 2007 totaled 62,022,000,000 yen.

2. FORECAST OF RESULTS FOR THE FISCAL PERIOD ENDING IN FEBRUARY 2008

	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 February 2008	¥5,160	¥1,897	¥1,895	¥17,700	¥0
Period ending August 2008	¥5,257	¥1,843	¥1,841	¥17,200	¥0

Reference: Estimated forecast net profit per unit for the period ending February 2008 is 17,700 yen and is 17,200 yen for the period ending August 2008.

Notes:

1. Forecasts presented above are based on "Assumptions for Operating Forecasts for the Periods ending February 2008 (September 1, 2007 – February 29, 2008) and August 2008 (March 1 – August 31, 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 August 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 eleven properties as of the end of February 28, 2007 and during this fiscal period added a regional shopping center along a central thoroughfare of Fukuoka City and sold a community shopping center.

As a result of these deals, 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 including continued increases in exports and capital investments and solid personal consumption. Additionally, in Kyushu, the core investment area of FRC, the economy continued a gradual recovery driven by buoyant production centering on the manufacturing industry.

The trend in land prices has also been strong with land prices rising over a greater geography due to voracious demand for condominiums and offices in the three major metropolitan areas and core regional cities, along with improvement in corporate performance. In Fukuoka, retail land prices rose 15.2% year-on-year with some areas of the popular Hakata Ward increasing by more than 30%.

Within this environment, FRC acquired the regional shopping center Hara SATY on March 1, 2007 for 5.41 billion yen. This regional shopping center is located along a central thoroughfare of Fukuoka City and enjoys a strong market volume. On the other hand, the Kominedai Community Mall was sold for 784 million yen on March 9, 2007 due to fears over potential drops in occupancy and NOI returns brought on by the ending of a leasing agreement with a key tenant and other factors.

An analysis of our present portfolio on an acquisition price basis reveals that 71.9% of our portfolio is in the Fukuoka metropolitan area and that the FRC portfolio breaks down into 63.2% commercial, 34.9% office and 1.9% residential.

On the other hand, operations and management are working to raise occupancy levels of our residential property and are also focused on reinforcing competitiveness and the ability to draw customers at Canal City Hakata and the other major retail properties. These efforts have raised occupancy of our portfolio at period end to 99.7%.

(c) Overview of Fund Procurement

This fiscal period saw no significant change to the fund procurement environment despite the trend of increasing interest rates in the market. FRC also did not procure any new funds (excluding the refinancing of borrowings using a commitment line) and so the balance of outstanding borrowings as of the end of the

fiscal period remained the same period-on-period at 44.1 billion yen and a 37.4% LTV as of the end of this fiscal period.

(d) Overview of Business Performance and Distributions

As a result of these management efforts operating revenues totaled 5,232 million yen and the operating profit totaled 2,362 million yen with ordinary profit totaling 1,966 million yen and net profit 1,965 million yen.

Distributions totaled 18,360 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 February 2008

(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 high 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 population 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 and plans call for broad investment in all of these types.

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 source 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 February 2008 and August 2008

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

Fiscal Period Ending in February 2008

Operating revenues	¥5,160 million
Ordinary profit	¥1,897 million
Net profit	¥1,895 million
Distributions per unit	¥17,700

Distributions in excess of earnings per unit ¥0

Fiscal Period Ending in August 2008

Operating revenues	¥5,257 million
Ordinary profit	¥1,843 million
Net profit	¥1,841 million
Distributions per unit	¥17,200
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	Fiscal Period		Fifth Fiscal Period (as of February 28, 2007)		Sixth Fiscal Period (as of August 31, 2007)		Variation	
	Value	Share	Value	Share	Value	Period-on-Period		
Assets		%		%			%	
I. Current assets								
Cash and deposits	6,561,682		2,369,396		(4,192,286)			
Cash and deposits in trust	3,493,655		3,979,594		485,939			
Operating receivables	248,290		275,251		26,960			
Deferred tax assets	—		37		37			
Consumption taxes receivable	99,443		—		(99,443)			
Other current assets	229,751		273,658		43,906			
Total current assets	10,632,823	9.1	6,897,937	5.9	(3,734,885)		(35.1)	
II. Fixed assets								
1. Tangible fixed assets								
Buildings	136,683		—		(136,683)			
Structures	805		—		(805)			
Land	641,782		—		(641,782)			
Buildings in trust	41,797,815		42,225,480		427,665			
Structures in trust	397,201		423,282		26,080			
Machinery and equipment in trust	295,701		289,014		(6,686)			
Tools and fixtures in trust	291,519		279,354		(12,164)			
Land in trust	59,463,999		64,120,972		4,656,972			
Temporary account of construction in trust	25,397		—		(25,397)			
Total tangible fixed assets	103,050,906	87.9	107,338,104	91.1	4,287,198		4.2	
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		97,739		18,397			
Total investments and other assets	3,510,975	3.0	3,529,373	3.0	18,397		0.5	
Total fixed assets	106,561,881	90.9	110,867,477	94.1	4,305,595		4.0	
III. Deferred assets								
Establishment expenses	22,381		16,786		(5,595)			
Investment unit issuance expenses	42,062		33,650		(8,412)			
Total deferred assets	64,444	0.0	50,436	0.0	(14,007)		(21.7)	
Total assets	117,259,149	100.0	117,815,851	100.0	556,701		0.5	

(Unit: thousand yen)

Category	Fiscal Period		Fifth Fiscal Period (as of February 28, 2007)		Sixth Fiscal Period (as of August 31, 2007)		Variation	
	Value	Share	Value	Share	Value	Period-on-Period	Value	Period-on-Period
Liabilities		%		%				%
I. Current liabilities								
Accrued business fees	284,348		295,862		11,514			
Short-term debt	8,500,000		8,500,000		—			
Long-term debt to be repaid within 1 year	—		6,600,000		6,600,000			
Accounts payable	55,340		33,529		(21,810)			
Expenses payable	285,860		310,417		24,557			
Income taxes payable	1,210		591		(618)			
Consumption taxes payable	—		101,182		101,182			
Rents received in advance	589,863		629,392		39,528			
Deposits held	500,819		705,736		204,916			
Total current liabilities	10,217,442	8.7	17,176,712	14.6	6,959,270	68.1		
II. Fixed liabilities								
Long-term debt	35,600,000		29,000,000		(6,600,000)			
Key money and security deposits on deposit	98,595		—		(98,595)			
Key money and security deposits in trust	9,222,293		9,409,271		186,977			
Derivative losses	97,946		90,405		(7,541)			
Total fixed liabilities	45,018,836	38.4	38,499,677	32.7	(6,519,159)	(14.5)		
Total liabilities	55,236,278	47.1	55,676,389	47.3	440,111	0.8		
Unitholders' equity								
I. Unitholders' capital								
1. Total investment	60,264,380		60,264,380					
2. Surplus								
Unappropriated profit	1,856,438		1,965,487		109,049			
Total surplus	1,856,438		1,965,487		109,049			
Total unitholders' capital	62,120,818	53.0	62,229,867	52.8	109,049	0.2		
II. Valuation and Conversions								
1. Profit and loss on deferred hedge	(97,946)		(90,405)		7,541			
Total valuation and conversions	(97,946)	(0.1)	(90,405)	(0.1)	7,541	—		
Total unitholders' equity	62,022,871	52.9	62,139,462	52.7	116,590	0.2		
Total liabilities and unitholders' equity	117,259,149	100.0	117,815,851	100.0	556,701	0.5		

(2) Profit and Loss Statement

(Unit: thousand yen)

Fiscal Period Category	Fifth Fiscal Period (as of February 28, 2007)		Sixth Fiscal Period (as of August 31, 2007)		Variation	
	Value	Percentage	Value	Percentage	Value	Period-on-Period
I. Operating revenues	4,870,051	100.0	5,232,084	100.0	362,032	7.4
Real estate leasing revenues	4,544,795		4,874,882			
Other real estate leasing revenues	189,256		216,627			
Capital gains from real estate	-		4,574			
Anonymous association dividend	136,000		136,000		-	
II. Operating expenses	2,659,590	54.6	2,869,239	54.8	209,648	7.9
Real estate leasing expenses	2,251,250		2,437,428			
Asset management fees	297,694		325,517			
Custodian fees	9,041		10,344			
General administration fees	30,431		33,300			
Director compensation	9,600		9,600			
Other operating expenses	61,572		53,047			
Operating profit	2,210,461	45.4	2,362,845	45.2	152,383	6.9
III. Non-operating profit (loss)	12,247	0.2	5,598	0.1	(6,649)	(54.3)
Interest income	3,728		5,394			
Other non-operating revenues	8,519		203			
IV. Non-operating expenses	356,613	7.3	401,641	7.7	45,027	12.6
Interest expenses	295,397		333,144			
Amortization of establishment expenses	5,595		5,595			
Expenses related to public offering of investment units	8,412		8,412			
Expenses related to financing	44,225		52,231			
Other non-operating expenses	2,982		2,257			
Ordinary profit	1,866,095	38.3	1,966,802	37.6	100,706	5.4
Net profit before taxes	1,866,095	38.3	1,966,802	37.6	100,706	5.4
Income and other taxes	9,654		1,436		(8,275)	
Deferred income taxes	19	0.2	(37)	0.0		(85.5)
Net profit	1,856,421	38.1	1,965,403	37.6	108,98	5.9
Carried forward profit (loss)	16		84		67	
Unappropriated profit	1,856,438		1,965,487		109,049	

(3) Cash Distribution Statement

Category	Fifth Fiscal Period September 1, 2006 – February 28, 2007	Sixth Fiscal Period March 1, 2007 – August 31, 2007
I. Unappropriated profit (thousand yen)	¥1,856,438	¥1,965,487
II. Amount of distributions (thousand yen) (Amount of distribution per investment unit) (yen)	¥1,856,354 (¥17,341)	¥1,965,438 (¥18,360)
III. Profit carried forward to next period (thousand yen)	¥84	¥49

Note) Figures other than the distributions per investment unit have numbers below a thousand yen rounded down.

Method of calculating amount of distributions	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 thousand yen, 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.	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 ¥1,965,438 thousand yen, 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.
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(4) Cash Flow Statement

(Unit: thousand yen)

Fiscal Period	Fifth Fiscal Period September 1, 2006 – February 28, 2007	Sixth Fiscal Period March 1, 2007 – August 31, 2007
Category		
I. Cash flows from operating activities		
Net profit before taxes	1,866,095	1,966,802
Depreciation and amortization	688,585	741,902
Amortization of establishment expenses	5,595	5,595
Investment unit issuance depreciation	8,412	8,412
Interest income	(3,728)	(5,394)
Interest expenses	295,397	333,144
Capital gains from real estate	—	(4,574)
Increase/Decrease in operating receivables	85,518	(26,960)
Increase/Decrease in consumption taxes receivable	(10,246)	99,443
Increase/Decrease in consumption taxes payable	—	101,182
Increase/Decrease in accrued business fees	9,821	7,769
Increase/Decrease in accounts payable	8,966	(19,157)
Increase/Decrease in expenses payable	13,783	14,747
Increase/Decrease in rent received in advance	54,609	39,528
Increase/Decrease in deposits held	(230,248)	211,278
Increase/Decrease in pre-paid expenses	34,033	(43,339)
Increase/Decrease in long-term pre-paid expenses	21,909	(18,397)
Other	(21,540)	(7,947)
Subtotal	2,826,966	3,404,034
Interest received	3,728	5,394
Interest paid	(273,950)	(323,334)
Income taxes paid	(9,977)	(1,727)
Net cash provided by operating activities	2,546,767	3,084,367
II. Cash flows from investing activities		
Proceeds from tangible assets in trust	—	783,223
Payments for return of key money and security deposits	(10,105,000)	(5,796,651)
Payments for key money and security deposits on deposit	(4,533)	(98,595)
Proceeds from key money and security deposits in trust	632,917	353,104
Payments for key money and security deposits in trust	(111,214)	(172,487)
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)	(4,931,407)
III. Cash flows from financing activities		
Proceeds from short-term debt	8,500,000	4,000,000
Repayments of short-term debt	(8,100,000)	(4,000,000)
Proceeds from long-term debt	1,000,000	—
Proceeds from investment unit issuance	11,096,580	—
Dividends paid	(1,715,020)	(1,859,306)
Net cash provided by financing activities	10,781,559	(1,859,306)
IV Increase/Decrease in cash and cash equivalents	3,201,358	(3,706,347)
V. Cash and cash equivalents at start of period	6,365,317	9,566,675
VI. Cash and cash equivalents at end of period	9,566,675	5,860,328