

April 9, 2008

**FINANCIAL REPORT  
FOR THE  
FISCAL PERIOD ENDING FEBRUARY 2008  
(September 1, 2007 – February 29, 2008)**

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: May 27, 2008

Planned start of dividend payments: May 19, 2008

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

**1. PERFORMANCE FOR THE FISCAL PERIOD ENDING FEBRUARY 2008**

**(1) Business Results**

	Operating Revenues	Percentage Change	Operating Profit	Percentage Change	Ordinary Profit	Percentage Change	Net Profit	Percentage Change
Period through February 2008	¥5,179	(1.0%)	¥2,382	0.8%	¥1,981	0.7%	¥1,980	0.8%
Period through August 2007	¥5,232	7.4%	¥2,362	6.9%	¥1,966	5.4%	¥1,965	5.9%

(Mn 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 2008	¥18,498	3.2%	(6.4%)	1.7%	(3.4%)	38.3%
Period through August 2007	¥18,359	3.2%	(6.4%)	1.7%	(3.4%)	37.6%

(Yen)

Notes:

- The settlement period for the fiscal period ending in February 2008 began on September 1, 2007 and ended on February 29, 2008 for a length of 184 days and the fiscal period ended in August 2007 began on March 1, 2007 and ended on August 31, 2007 for a total of 182 days.
- Net profit per unit for the Seventh 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 February 2008 and 107,050 units for the period ended August 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 February 2008	¥18,499	¥1,980	¥0	¥-	100.0%	3.2%
Period ended August 2007	¥18,360	¥1,965	¥0	¥-	100.0%	3.2%

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 2008	¥121,654	¥62,100	51.0%	¥580,104
Period ended August 2007	¥117,815	¥62,139	52.7%	¥580,471

Note: The unitholders' equity as of February 29, 2008 totaled 62,100,000,000 yen and as of August 31, 2007 totaled 62,139,000,000 yen.

## 2. FORECAST OF RESULTS FOR THE FISCAL PERIOD ENDING AUGUST 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 August 2008	¥5,466	¥1,907	¥1,905	¥17,800	¥0
Period ending February 2009	¥5,392	¥1,864	¥1,863	¥17,400	¥0

Reference: Estimated forecast net profit per unit for the period ending August 2008 is 17,800 yen and for the period ending February 2009 is 17,400 yen.

#### Notes:

1. Forecasts presented above are based on "Assumptions for Operating Forecasts for the Periods ending August 2008 (March 1, 2008 – August 31, 2008) and February 2009 (September 1, 2008 – February 28, 2009)" 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 2008

##### (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 August 31, 2007 and during this fiscal period added two community shopping centers located along major suburban thoroughfares and one rental condominium for families that was newly completed in one of the leading residential areas of Fukuoka City.

As a result, FRC owns and manages fourteen properties as of the end of this fiscal period (excluding silent partnership interests) and these include eight retail properties, four office buildings and two residential properties.

##### (b) Investment Environment and Management Performance

The domestic Japanese economy expanded moderately during this fiscal period as a result of continued increases in domestic and overseas demands resulting from continued increases in exports and capital investment and the strong floor in personal consumption with high levels of corporate earnings being maintained. There are growing concerns regarding the deceleration of the U.S. economy as a result of the subprime loan problem, changes in the financial market and financial products market and crude oil pricing trends. However, Kyushu, the core investment area of FRC, continued a gradual economic recovery driven by strong capital investment centering on export firms.

According to announced official land prices for 2008 by the Ministry of Land, Infrastructure, Transport and Tourism, average residential land in the three major metropolitan areas rose 4.3% on average and commercial land rose 10.4%. In Fukuoka, the core investment target, residential land rose 1.3% year-on-year and commercial land rose 13.6%. In particular, Hakata Ward, with its rich culture and popularity as a destination, and parts of Chuo Ward saw rises by more than 30%.

Within this environment, FRC acquired the community shopping center Hanahata Shopping Center in Minami Ward, Fukuoka City, a highly densely populated area of the City. The property was acquired on September 3, 2007 for 1,130 million yen. FRC also completed acquisition of City House Keyaki Dori, a family-type rental condominium with an excellent location and good specs distinctly different from the abundant supply of singles-type condominiums in the same area. This was acquired for 1,111 million yen on December 20, 2007. FRC also acquired the Kurume Higashi Kushiwara Shopping Center on February 1, 2008 for 2,500 million yen. This community shopping center is located near the center of Kurume City and at the intersection of National Highway Route 3 and Route 210, where there is heavy traffic.

An analysis of our present portfolio on an acquisition price basis reveals that 70.8% of our portfolio is in the Fukuoka metropolitan area and that the FRC portfolio breaks down into 63.8% commercial, 33.4% office and 2.8% residential.

On the other hand, operations and management are continuing to work to raise the occupancy rates of our

residential properties 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 98.8%.

(c) Overview of Fund Procurement

A total of 3.9 billion yen was newly procured this fiscal period with an aim to acquire new qualified assets. Additionally, in February 2008 9.5 billion yen of short-term borrowings were switched to long-term borrowings in consideration of the diversification of repayment dates, lengthening of borrowing durations and at the timing of the drop in the medium to long-term interest market. As a result, the balance of FRC borrowings as of the end of this fiscal period is 48 billion yen and the LTV as of this fiscal period is 39.5%.

(d) Overview of Business Performance and Distributions

As a result of these management efforts operating revenues totaled 5,179 million yen and the operating profit totaled 2,382 million yen with ordinary profit totaling 1,981 million yen and net profit 1,980 million yen.

Distributions totaled 18,499 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 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 continue to take steps to heighten the soundness of our finances as well as build strong relationships with financial institutions to ensure stable fund procurement. 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 2008 and February 2009

The following are the operating forecasts for the fiscal periods ending in August 2008 (March 1, 2008 – August 31, 2008) and ending in February 2009 (September 1, 2008 – February 28, 2009). These forecasts are based on a number of assumptions (not listed in this summary) that are subject to change.

Fiscal Period Ending in August 2008

Operating revenues	¥5,466 million
Ordinary profit	¥1,907 million
Net profit	¥1,905 million
Distributions per unit	¥17,800
Distributions in excess of earnings per unit	¥0

Fiscal Period Ending in February 2009

Operating revenues	¥5,392 million
Ordinary profit	¥1,864 million
Net profit	¥1,863 million
Distributions per unit	¥17,400
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		Sixth Fiscal Period (as of August 31, 2007)		Seventh Fiscal Period (as of February 29, 2008)		Variation	
	Value	Share	Value	Share	Value	Period-on-Period	Value	Period-on-Period
Assets		%		%				%
I. Current assets								
Cash and deposits	2,369,396		1,649,844		(719,551)			
Cash and deposits in trust	3,979,594		4,034,804		55,209			
Operating receivables	275,251		232,783		(42,467)			
Deferred tax assets	37		18		(19)			
Consumption taxes receivable	—		50,608		50,608			
Other current assets	273,658		127,375		(146,283)			
Total current assets	6,897,937	5.9	6,095,433	5.0	(802,503)		(11.6)	
II. Fixed assets								
1. Tangible fixed assets								
Construction in process	—		483,728		483,728			
Buildings in trust	42,225,480		43,734,843		1,509,363			
Structures in trust	423,282		493,273		69,991			
Machinery and equipment in trust	289,014		283,946		(5,068)			
Tools and fixtures in trust	279,354		339,276		59,922			
Land in trust	64,120,972		66,666,541		2,545,569			
Total tangible fixed assets	107,338,104	91.1	112,001,609	92.1	4,663,505		4.3	
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	97,739		89,809		(7,930)			
Total investments and other assets	3,529,373	3.0	3,521,443	2.9	(7,930)		(0.2)	
Total fixed assets	110,867,477	94.1	115,523,052	95.0	4,655,575		4.2	
III. Deferred assets								
Establishment expenses	16,786		11,190		(5,595)			
Investment unit issuance expenses	33,650		25,237		(8,412)			
Total deferred assets	50,436	0.0	36,428	0.0	(14,007)		(27.8)	
Total assets	117,815,851	100.0	121,654,914	100.0	3,839,063		3.3	

(Unit: thousand yen)

Category	Fiscal Period		Sixth Fiscal Period (as of August 31, 2007)		Seventh Fiscal Period (as of February 29, 2008)		Variation	
	Value	Share	Value	Share	Value	Period-on-Period	Value	Period-on-Period
Liabilities		%		%				%
I. Current liabilities								
Accrued business fees	295,862		282,910		(12,951)			
Short-term debt	8,500,000		2,900,000		(5,600,000)			
Long-term debt to be repaid within 1 year	6,600,000		6,600,000		—			
Accounts payable	33,529		22,458		(11,071)			
Expenses payable	310,417		306,176		(4,240)			
Income taxes payable	591		287		(304)			
Consumption taxes payable	101,182		—		(101,182)			
Rents received in advance	629,392		657,928		28,536			
Deposits held	705,736		489,977		(215,758)			
Total current liabilities	17,176,712	14.6	11,259,739	9.3	(5,916,973)			(34.4)
II. Fixed liabilities								
Long-term debt	29,000,000		38,500,000		9,500,000			
Key money and security deposits on deposit	—		80,288		80,288			
Key money and security deposits in trust	9,409,271		9,570,159		160,887			
Derivative losses	90,405		144,515		54,109			
Total fixed liabilities	38,499,677	32.7	48,294,963	39.7	9,795,286			25.4
Total liabilities	55,676,389	47.3	59,554,702	49.0	3,878,312			7.0
Unitholders' equity								
I. Unitholders' capital								
1. Total investment	60,264,380		60,264,380		—			
2. Surplus								
Unappropriated profit	1,965,487		1,980,347		14,859			
Total surplus	1,965,487		1,980,347		14,859			
Total unitholders' capital	62,229,867	52.8	62,244,727	51.1	14,859			0.0
II. Valuation and Conversions								
1. Profit and loss on deferred hedge	(90,405)		(144,515)		(54,109)			
Total valuation and conversions	(90,405)	(0.1)	(144,515)	(0.1)	(54,109)			—
Total unitholders' equity	62,139,462	52.7	62,100,212	51.0	(39,249)			(0.1)
Total liabilities and unitholders' equity	117,815,851	100.0	121,654,914	100.0	3,839,063			3.3

## (2) Profit and Loss Statement

(Unit: thousand yen)

Fiscal Period Category	Sixth Fiscal Period (as of August 31, 2007)		Seventh Fiscal Period (as of February 29, 200807)		Variation	
	Value	Percentage	Value	Percentage	Value	Period-on-Period
I. Operating revenues	5,232,084	100.0	5,179,178	100.0	(52,905)	(1.0)
Real estate leasing revenues	4,874,882		4,871,952			
Other real estate leasing revenues	216,627		171,225			
Capital gains from real estate	4,574		—			
Anonymous association dividend	136,000		136,000			
II. Operating expenses	2,869,239	54.8	2,796,387	54.0	(72,851)	(2.5)
Real estate leasing expenses	2,437,428		2,365,097			
Asset management fees	325,517		321,104			
Custodian fees	10,344		10,252			
General administration fees	33,300		33,828			
Director compensation	9,600		9,510			
Other operating expenses	53,047		56,594			
Operating profit	2,362,845	45.2	2,382,791	46.0	19,946	0.8
III. Non-operating profit (loss)	5,598	0.1	7,149	0.1	1,551	27.7
Interest income	5,394		7,149			
Other non-operating revenues	203		—			
IV. Non-operating expenses	401,641	7.7	408,594	7.9	6,952	1.7
Interest payment	333,144		345,043			
Amortization of establishment expenses	5,595		5,595			
Expenses related to public offering of investment units	8,412		8,412			
Expenses related to financing	52,231		46,564			
Other non-operating expenses	2,257		2,978			
Ordinary profit	1,966,802	37.6	1,981,346	38.2	14,544	0.7
Net profit before taxes	1,966,802	37.6	1,981,346	38.2	14,544	0.7
Income and other taxes	1,436		1,029		(349)	
Deferred income taxes	(37)	0.0	19	0.0		(25.0)
Net profit	1,965,403	37.6	1,980,297	38.2	14,894	0.8
Profit earnings brought forward	84		49		(34)	
Unappropriated retained earnings for the period	1,965,487		1,980,347		14,859	

## (3) Cash Distribution Statement

Category	Sixth Fiscal Period March 1, 2007 – August 31, 2007	Seventh Fiscal Period September 1, 2007 – February 29, 2008
I. Unappropriated retained earnings for the period (thousand yen)	¥1,965,487	¥1,980,347
II. Amount of distributions (thousand yen) (Amount of distribution per investment unit) (yen)	¥1,965,438 (¥18,360)	¥1,980,317 (¥18,499)
III. Profit carried forward to next period (thousand yen)	¥49	¥29

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 ¥1,965,438 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.	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 ¥1,980,317 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	Sixth Fiscal Period March 1, 2007 – August 31, 2007	Seventh Fiscal Period September 1, 2007 – February 29, 2008
Category		
I. Cash flows from operating activities		
Net profit before taxes	1,966,862	1,981,346
Depreciation and amortization	741,902	763,679
Amortization of establishment expenses	5,595	5,595
Investment unit issuance depreciation	8,412	8,412
Interest income	(5,394)	(7,149)
Interest payment	333,144	345,043
Capital gains from real estate	(4,574)	—
Increase/Decrease in operating receivables	(26,960)	42,467
Increase/Decrease in consumption taxes receivable	99,443	(50,608)
Increase/Decrease in consumption taxes payable	101,182	(101,182)
Increase/Decrease in accrued business fees	7,769	(1,499)
Increase/Decrease in accounts payable	(19,157)	(17,077)
Increase/Decrease in expenses payable	14,747	(1,061)
Increase/Decrease in rent received in advance	39,528	28,536
Increase/Decrease in deposits held	211,278	(215,758)
Increase/Decrease in pre-paid expenses	(43,339)	30,932
Increase/Decrease in long-term pre-paid expenses	(18,397)	7,930
Other	(7,947)	12,874
Subtotal	3,404,034	2,832,481
Interest received	5,394	7,149
Interest paid	(323,334)	(348,222)
Income taxes paid	(1,727)	(15,388)
Net cash provided by operating activities	3,084,367	2,476,020
II. Cash flows from investing activities		
Proceeds from sales of tangible assets	783,223	—
Payments for purchases of tangible fixed assets	—	(477,708)
Payments for purchases of tangible fixed assets in trust	(5,796,651)	(4,837,312)
Proceeds from key money and security deposits	—	80,288
Payments for key money and security deposits on deposit	(98,595)	—
Proceeds from key money and security deposits in trust	353,104	285,856
Payments for key money and security deposits in trust	(172,487)	(124,969)
Net cash used in investing activities	(4,931,407)	(5,073,844)
III. Cash flows from financing activities		
Proceeds from short-term debt	4,000,000	15,300,000
Repayments of short-term debt	(4,000,000)	(20,900,000)
Proceeds from long-term debt	—	9,500,000
Dividends paid	(1,859,306)	(1,966,518)
Net cash provided by financing activities	(1,859,306)	1,933,481
IV Increase/Decrease in cash and cash equivalents	(3,706,347)	(664,341)
V. Cash and cash equivalents at start of period	9,566,675	5,860,328
VI. Cash and cash equivalents at end of period	5,860,328	5,195,986