

EARNINGS BRIEFING FOR THE PERIOD ENDED AUGUST 2010

Real estate investment trust: Fukuoka REIT Corporation (FRC)

Code number: 8968

Representative: Masayasu Saki CEO &
Representative
Director

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

Stock listings: Tokyo Stock Exchange, and
Fukuoka Stock Exchange

Asset manager: Fukuoka Realty Co., Ltd.

Representative: Masayasu Saki CEO & Representative Director

Contact: Yoichi Nishio Managing Director, and Head of Finance Department

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Expected date for submitting securities report: November 24, 2010

Expected commencement date of dividend payments: November 18, 2010

(Figures rounded down to nearest million yen.)

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

(1) Performance

(% shows percentage change from previous period.)

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

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

(2) Dividends

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

(3) Financial condition

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

(4) Cash flows condition

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

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

(% shows percentage change from previous period.)

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

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

3. Other

(1) Changes in accounting policies

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

(2) Number of investment units issued and outstanding

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

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

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

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

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

1. Investment Corporation-Related Organizations

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

2. Portfolio Management Policy and Management Situation

(1) Portfolio management policy

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

(2) Management situation

(i) Summary of the current fiscal period

(a) Brief history of the investment corporation

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

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

(b) Investment environment and portfolio performance

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

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

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

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

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

(c) Summary of fundraising

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

(d) Summary of performance and dividend

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

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

(ii) Forecast for the next fiscal period

(a) Portfolio management policy

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

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

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

(b) Performance forecast for the next fiscal period

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

Period ending February 2011

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

Period ending August 2011

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

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

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

(3) Investment risks

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

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

| Item | Preconditions |
|---|--|
| Calculation period | 13th fiscal period: from September 1, 2010 to February 28, 2011 (181 days) 14th fiscal period: from March 1, 2011 to August 31, 2011 (184 days) |
| Assets under management | <ul style="list-style-type: none"> It is assumed that there will be the 16 properties and senior anonymous partnership equity interests FRC owns as of August 31, 2010. 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, 2011. |
| Interest-bearing debt and refinancing | <ul style="list-style-type: none"> The balance of interest-bearing debt outstanding on August 31, 2011 is expected to total 59,000 million yen, a decrease of 150 million yen from the end of the current period (August 31, 2010). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 44.8% (as of August 31, 2010, the loan-to-value ratio stands at 44.7%). In the period ending February 2011, it is assumed that FRC will refinance short-term debt of 300 million yen that will mature in September 2010 and long-term debt of 1,500 million yen that will become due for repayment in December 2010 into long-term debt. In the period ending August 2011, it is assumed that FRC will refinance long-term debt of 7,000 million yen that will become due for repayment in July 2011 into long-term debt. |
| Operating revenues | <ul style="list-style-type: none"> Of real estate rent revenues, revenues from properties FRC has already acquired are calculated based on tenancy agreements that are valid as of today by taking into account the competitiveness of the properties and the market environment. Of real estate rent revenues, revenues from percentage lease contracts are calculated based on past results by taking into account sales fluctuation factors of the relevant tenants. Concerning real estate rent revenues, tenant vacancies are taken into account to a certain extent. It is assumed that there will be no rent arrears or non-payments by tenants. Concerning senior anonymous partnership equity interests, anonymous partnership distribution is calculated based on the conditions stipulated in each anonymous 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 it 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 2011 and August 2011. Actual repair costs may differ significantly from the estimated amounts since there is the possibility that repair costs are incurred urgently due to damages to buildings caused by unforeseeable factors, repair costs generally differ largely from period to period, and repair costs are not regularly incurred. Concerning outsourcing expenses, FRC anticipates 978 million yen for the period ending February 2011 and 994 million yen for the period ending August 2011. Concerning taxes and other public charges, FRC anticipates 410 million yen for the period ending February 2011 and 410 million yen for the period ending August 2011. Concerning depreciation and amortization expenses, FRC anticipates 965 million yen for the period ending February 2011 and 983 million yen for the period ending August 2011. |
| Non-operating expenses | <ul style="list-style-type: none"> Concerning interest payment and expenses related to financing, FRC anticipates 568 million yen for the period ending February 2011 and 592 million yen for the period ending August 2011. |
| 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 changes 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"> Dividend in excess of earnings (dividend in excess of earnings per unit) is 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. |

3. Financial Statements

(1) Balance sheets

(thousands of yen)

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

(thousands of yen)

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

(2) Statements of income

(thousands of yen)

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

(3) Statement of changes in Net Assets

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

(thousands of yen)

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

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

(thousands of yen)

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

(4) Dividend statement

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

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

(Note) Concerning amounts other than dividend per investment unit, fractions of 1,000 yen are omitted.

(5) Cash flows statements

(thousands of yen)

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

(6) Notes on the going concern assumption

No relevant items

(7) Significant accounting policies

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

(8) Notes to financial statements

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

(Per unit information)

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

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

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

(Significant subsequent events)

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

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

4. Change in Directors

(1) Change in directors in FRC

No relevant items

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

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

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

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

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

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

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

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

5. Reference Information

(1) Investment situation

(as of August 31, 2010)

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

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

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

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

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

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

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

(as of August 31, 2010)

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

(2) Investment assets

(i) Primary issues of investment securities

(as of August 31, 2010)

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

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

(ii) Real estate investment portfolio

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

(as of August 31, 2010)

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

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

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

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

(b) Summary of the real estate rental business

(as of August 31, 2010)

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

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

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

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

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

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

(3) Investment target

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