

## EARNINGS BRIEFING FOR THE PERIOD ENDED FEBRUARY 2011

**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

Phone: +81-92-272-3900

Expected date for submitting securities report: May 27, 2011

Expected commencement date of dividend payments: May 18, 2011

(Figures rounded down to nearest million yen.)

### 1. PERFORMANCE AND SITUATION OF ASSETS FOR THE PERIOD ENDED FEBRUARY 2011 (September 1, 2010 to February 28, 2011)

#### (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 February 2011	5,662	(0.0)	2,317	(4.0)	1,763	(1.9)	1,762	(1.9)
Period ended August 2010	5,663	0.4	2,412	0.2	1,797	(3.5)	1,796	(3.5)

	Net income per unit	Return on net assets	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
Period ended February 2011	16,465 yen	2.8%	1.3%	31.1%
Period ended August 2010	16,782 yen	2.9%	1.4%	31.7%

#### (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 February 2011	16,465 yen	1,762 million yen	0 yen	0 million yen	100.0%	2.8%
Period ended August 2010	16,783 yen	1,796 million yen	0 yen	0 million yen	100.0%	2.9%

#### (3) Financial condition

	Total assets	Net assets	Ratio of net assets to total assets	Net assets per unit
Period ended February 2011	132,497 million yen	62,026 million yen	46.8%	579,420 yen
Period ended August 2010	132,349 million yen	62,061 million yen	46.9%	579,738 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 February 2011	2,545 million yen	(162) million yen	(1,871) million yen	6,440 million yen
Period ended August 2010	2,394 million yen	(3,398) million yen	56 million yen	5,928 million yen

**2. FORECAST OF PERFORMANCE FOR THE PERIOD ENDING AUGUST 2011  
(March 1, 2011 to August 31, 2011) AND THE PERIOD ENDING FEBRUARY 2012  
(September 1, 2011 to February 29, 2012)**

(% 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	%	Millions of yen	%	Millions of yen	%	Millions of yen	%		
Period ending August 2011	7,030	(24.2)	2,695	(16.3)	2,043	(15.9)	2,042	(15.9)	16,600 yen	0 yen
Period ending February 2012	7,014	(0.2)	2,650	(1.7)	2,006	(1.8)	2,005	(1.8)	16,300 yen	0 yen

(Reference) Forecast net income per unit: Period ending August 2011 16,600 yen  
Period ending February 2012 16,300 yen

**3. Other**

(1) Changes in accounting policies

- (i) Changes due to revisions of accounting standards, etc.: Yes  
(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 February 2011  
107,050 units at end of August 2010
- (ii) Treasury investment units at end of period:  
— units at end of February 2011  
— units at end of August 2010

(Note) Regarding the number of investment units, a basis for calculating net income per unit, please refer to “Per unit information,” on page 13.

**\* 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 August 2011 (March 1, 2011 to August 31, 2011) and the period ending February 2012 (September 1, 2011 to February 29, 2012),” 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 November 24, 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 November 24, 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 (February 28, 2011).

##### (b) Investment environment and portfolio performance

In the thirteenth fiscal period, the Japanese economy showed signs of escaping an economic standstill with a recovery in exports and production, despite continuous severe conditions such as the continued high rate of unemployment.

Even in Kyushu – the prime investment area for FRC – a recovery was seen in production as well as in trade and capital investment, spurred by foreign demand, even though future prospects remained opaque. In addition, the number of corporate bankruptcies decreased and in terms of the employment environment, the area’s ratio of job openings to applicants showed improvement. Thus as a whole, the region is continuing in its track of a gradual recovery.

According to the land price trends indicated by the 2011 Land Price Survey, the national average for commercial land prices decreased by 3.8%, while the same for residential land prices decreased by 2.7% compared to the previous year. Although prices are continuing to decline, the rate of decrease is contracting in general. In Fukuoka City, a core investment target area for FRC, commercial land prices decreased by 3.9% and residential land prices decreased by 1.9% compared to the previous year, for the third consecutive year of decrease for both commercial and residential land. However, the rate of decrease is contracting compared to the previous survey.

Under such circumstances, FRC poured continuous efforts into operations to enhance competitiveness and customer drawing power at major commercial facilities such as Canal City Hakata. FRC also endeavored to maintain and raise the occupancy rates of owned properties. As a result, it successfully maintained an average occupancy of 98.6% for all properties FRC owns as of the end of the thirteenth 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 refinanced its short-term debt under committed line of credit (300 million yen) into long-term debt from the viewpoint of diversification of debt maturities and prolonged residual

maturity of borrowings in September 2010. For the 1,500 million yen in long-term debt that matured in December 2010, FRC conducted refinance with a loan period of 6 years. The balance of debt outstanding at the end of the current fiscal period totaled 59,075 million yen, with the loan-to-value ratio at end of period at 44.6%. To reduce refinancing risks, FRC will continue to disperse the debt repayment date and increase the average length of time until debt maturity.

Moreover, FRC made a resolution concerning the issuance of new investment units (16,000 units) on February 7, 2011 for the purpose of allocating the proceeds to acquire new specified assets.

Furthermore, FRC was newly assigned a credit rating of AA- (stable) by Japan Credit Rating Agency, Ltd. on February 8, 2011. The credit ratings assigned to FRC as of the end of the current fiscal period are as follows.

Credit Rating Agency	Rating Type	Rating	Rating Outlook
Standard & Poor's Ratings Japan K.K. (S&P)	Long-term Corporate Credit Rating	A-	Stable
	Short-term Corporate Credit Rating	A-2	
Rating and Investment Information, Inc. (R&I)	Issuer Rating	A+	Stable
Japan Credit Rating Agency, Ltd. (JCR)	Long-term Senior Debts Rating	AA-	Stable

(d) Summary of performance and dividend

As a result of these management efforts, operating revenues totaled 5,662 million yen and operating income after excluding operating expenses such as real estate rent expenses and asset management fees totaled 2,317 million yen. Ordinary income was 1,763 million yen and net income was 1,762 million yen.

Management decided to make a dividend of 16,465 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) Significant events that have occurred after the end of the current fiscal period

Concerning property acquisition

Based on the basic asset investment policy stipulated in the Articles of Incorporation, FRC acquired the following property:

Property acquired: Real estate trust beneficiary interest  
 Property name: Canal City Hakata B  
 Location: Fukuoka City, Fukuoka  
 Acquisition price: 28,700 million yen  
 Acquisition date: March 2, 2011  
 Seller: CCH Bridge Y.K.

(c) Performance forecast for the next fiscal period

FRC aims to achieve the following performance goals for the period ending August 2011 (March 1, 2011 to August 31, 2011) and the period ending February 2012 (September 1, 2011 to February 29, 2012). Concerning preconditions for the forecast, please refer to “Preconditions for the performance forecast for the period ending August 2011 (March 1, 2011 to August 31, 2011) and the period ending February 2012 (September 1, 2011 to February 29, 2012),” on [page 6](#).

Period ending August 2011

Operating revenues	7,030 million yen
Ordinary income	2,043 million yen
Net income	2,042 million yen
Dividend per unit	16,600 yen
Dividend in excess of earnings per unit	0 yen

Period ending February 2012

Operating revenues	7,014 million yen
Ordinary income	2,006 million yen
Net income	2,005 million yen
Dividend per unit	16,300 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.

(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 November 24, 2010).

Preconditions for the performance forecast for the period ending August 2011 (March 1, 2011 to August 31, 2011) and for the period ending February 2012 (September 1, 2011 to February 29, 2012)

Item	Preconditions
Calculation period	14th fiscal period: from March 1, 2011 to August 31, 2011 (184 days) 15th fiscal period: from September 1, 2011 to February 29, 2012 (182 days)
Assets under management	<ul style="list-style-type: none"> <li>It is assumed that there will be 17 properties which is the sum of 16 properties FRC owned as of February 28, 2011 plus Canal City Hakata B it acquired on March 2, 2011. Moreover, 6.4 billion yen was received on March 2, 2011 as the amount equivalent to senior anonymous partnership equity interests.</li> <li>In practice, they may fluctuate due to changes in assets under management.</li> </ul>
Number of investment units issued and outstanding	<ul style="list-style-type: none"> <li>It is assumed that there will be 123,050 investment units which is the result of adding new investment units whose payment was completed as of March 1, 2011 (16,000 units) to the outstanding investment units as the end of the previous fiscal period.</li> </ul>
Interest-bearing debt and refinancing	<ul style="list-style-type: none"> <li>The balance of interest-bearing debt outstanding on February 29, 2012 is expected to total 69,425 million yen, an increase of 10,350 million yen from the end of the current period (February 28, 2011). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 44.8% (as of February 28, 2010, the loan-to-value ratio stands at 44.6%).</li> <li>In the period ending August 2011, FRC has borrowed short-term debt of 4,500 million yen and long-term debt of 6,000 million yen on March 1, 2011. Furthermore, 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.</li> <li>In the period ending February 2012, it is assumed that FRC will refinance short-term debt of 4,500 million yen into long-term debt and that it will refinance long-term debt of 1,500 million yen that will become due for repayment in December 2011 into long-term debt.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>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.</li> <li>FRC writes off estimated repair costs for buildings for the calculation periods, the periods ending August 2011 and February 2012. 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.</li> <li>Concerning outsourcing expenses, FRC anticipates 1,668 million yen for the period ending August 2011 and 1,620 million yen for the period ending February 2012.</li> <li>Concerning taxes and other public charges, FRC anticipates 414 million yen for the period ending August 2011 and 414 million yen for the period ending February 2012.</li> <li>Concerning depreciation and amortization expenses, FRC anticipates 1,203 million yen for the period ending August 2011 and 1,226 million yen for the period ending February 2012.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>Concerning interest payment and expenses related to financing, FRC anticipates 611 million yen for the period ending August 2011 and 641 million yen for the period ending February 2012.</li> <li>It is assumed that expenses pertaining to issuance of new investment units whose payment was completed on March 1, 2011 will be posted as deferred assets and that they will be amortized using the straight-line method by 4 million yen for the period ending August 2011 and 4 million yen for the period ending February 2012.</li> </ul>
Dividend per unit	<ul style="list-style-type: none"> <li>Dividend (dividend per unit) is calculated based on the dividend policy stipulated in FRC's Articles of Incorporation.</li> <li>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.</li> </ul>
Dividend in excess of earnings per unit	<ul style="list-style-type: none"> <li>Dividend in excess of earnings (dividend in excess of earnings per unit) is not planned at the moment.</li> </ul>
Other	<ul style="list-style-type: none"> <li>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.</li> <li>It is also assumed that there will be no significant unexpected changes in general economic conditions and the real estate market.</li> </ul>

**3. Financial Statements**

## (1) Balance sheets

(thousands of yen)

Account	12th fiscal period (as of August 31, 2010)		13th fiscal period (as of February 28, 2011)	
Assets				
Current assets				
Cash and deposits		1,777,071		2,437,057
Cash and deposits in trust		4,151,899		4,003,389
Operating account receivable		525,677		482,755
Prepaid expenses		243,283		207,244
Deferred tax assets		19		19
Other		13,724		41,594
Total current assets		6,711,676		7,172,061
Noncurrent assets				
Property, plant and equipment				
Buildings in trust, net	54,837,442		55,323,513	
Aggregate of accumulated depreciation	(8,005,082)	46,832,360	(8,872,050)	46,451,463
Structures in trust, net	840,847		872,899	
Aggregate of accumulated depreciation	(208,096)	632,750	(233,389)	639,509
Machinery and equipment in trust, net	342,282		343,702	
Aggregate of accumulated depreciation	(102,218)	240,063	(112,365)	231,337
Tools and fixtures in trust, net	784,053		947,475	
Aggregate of accumulated depreciation	(378,562)	405,490	(433,769)	513,706
Lands in trust		68,810,414		68,810,414
Total property, plant and equipment		116,921,080		116,646,430
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				
Investment securities		6,437,933		6,437,933
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		100,000		100,000
Long-term prepaid expenses		403,003		365,570
Total investment and other assets		6,950,937		6,913,504
Total noncurrent assets		125,637,336		125,325,253
Total assets		132,349,012		132,497,314

(thousands of yen)

Account	12th fiscal period (as of August 31, 2010)		13th fiscal period (as of February 28, 2011)	
Liabilities				
Current liabilities				
Operating accounts payable		247,437		854,716
Short-term debt		300,000		—
Current maturities of long-term debt		8,650,000		8,650,000
Account payable-other		69,074		20,995
Accrued expenses		272,093		258,934
Income taxes payable		730		745
Accrued consumption taxes		42,880		29,669
Advances received		669,251		664,399
Deposits received		775,693		518,916
Total current liabilities		11,027,162		10,998,377
Noncurrent liabilities				
Long-term debt payable		50,200,000		50,425,000
Tenant leasehold and security deposits		331,455		331,515
Tenant leasehold and security deposits received in trust		8,729,372		8,715,440
Total noncurrent liabilities		59,260,827		59,471,955
Total liabilities		70,287,989		70,470,333
Net assets				
Net Assets				
Shareholders' capital		60,264,380		60,264,380
Surplus				
Unappropriated surplus		1,796,642		1,762,601
Total surplus		1,796,642		1,762,601
Total Net Assets		62,061,022		62,026,981
Total net assets		62,061,022		62,026,981
Total liabilities and net assets		132,349,012		132,497,314



## (2) Statements of income

(thousands of yen)

Account	12th fiscal period (March 1, 2010 to August 31, 2010)		13th fiscal period (September 1, 2010 to February 28, 2011)	
1. Operating revenues				
Rent revenue- real estate	5,282,359		5,281,795	
Other rental revenue-real-estate	172,938		172,400	
Anonymous partnership distribution	208,000	5,663,297	208,000	5,662,195
2. Operating expenses				
Expenses related to rent business	2,771,269		2,874,581	
Asset management fees	349,892		346,129	
Asset custody fees	11,530		4,922	
Administrative service fees	38,939		37,656	
Director's compensations	9,600		9,600	
Other operating expenses	69,282	3,250,514	71,933	3,344,823
Operating income		2,412,783		2,317,372
3. Non-operating revenues				
Interest received	999		708	
Other	340	1,340	512	1,220
4. Non-operating expenses				
Interest payment	481,861		458,556	
Financing related expenses	89,278		96,362	
Other	45,271	616,411	—	554,918
Ordinary income		1,797,712		1,763,674
Net income before tax		1,797,712		1,763,674
Income taxes-current	1,092		1,094	
Income taxes-deferred	0	1,092	(0)	1,094
Net income		1,796,619		1,762,579
Retained earnings brought forward		22		22
Unappropriated retained earnings		1,796,642		1,762,601

## (3) Statement of changes in Net Assets

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

13th fiscal period (September 1, 2010 to February 28, 2011)

(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	1,796,642	62,061,022	62,061,022
Changes in the current fiscal period				
Dividend of retained earnings	—	(1,796,620)	(1,796,620)	(1,796,620)
Net income	—	1,762,579	1,762,579	1,762,579
Total of changes in the current fiscal period	—	(34,040)	(34,040)	(34,040)
Balance as of February 28, 2010	60,264,380	1,762,601	62,026,981	62,026,981

## (4) Dividend statement

Account	12th fiscal period (March 1, 2010 to August 31, 2010)	13th fiscal period (September 1, 2010 to February 28, 2011)
I. Unappropriated retained earnings	1,796,642 thousand yen	1,762,601 thousand yen
II. Total	1,796,620 thousand yen	1,762,578 thousand yen
(Dividend per investment unit)	(16,783 yen)	(16,465 yen)
III. Retained earnings brought forward	22 thousand yen	23 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 1,796,620 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.	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 1,762,578 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	12th fiscal period (March 1, 2010 to August 31, 2010)	13th fiscal period (September 1, 2010 to February 28, 2011)
I. Net cash provided by (used in) operating activities		
Net income before taxes	1,797,712	1,763,674
Depreciation expenses	953,000	958,204
Interest received	(999)	(708)
Interest payment	481,861	458,556
Decrease (increase) in operating account receivables	(158,004)	42,922
Increase (decrease) in accrued consumption taxes	(125,985)	(13,211)
Increase (decrease) in operating account payable	(167,537)	71,045
Increase (decrease) in account payable-other	53,420	(47,605)
Increase (decrease) in accrued expenses	(244)	(7,820)
Increase (decrease) in advance received	15,299	(4,852)
Increase (decrease) in deposits expenses	239,952	(256,776)
Decrease (increase) in prepaid expenses	(105,007)	36,038
Decrease (increase) in long-term prepaid expenses	(129,798)	37,433
Other, net	4,331	1,229
Subtotal	2,858,001	3,038,128
Interest received	999	708
Interest payment	(477,293)	(463,894)
Income tax paid	(14,500)	(42,471)
Income tax refund	27,126	13,437
Net cash provided by (used in) operating activities	2,394,333	2,545,908
II. Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(170,692)	(148,945)
Proceeds from tenant leasehold and security deposits	—	120
Repayments of tenant leasehold and security deposits	(120)	(60)
Proceeds from tenant leasehold and security deposits in trust	31,081	34,494
Repayment of tenant leasehold and security deposits in trust	(242,837)	(48,426)
Purchase of investment securities	(3,016,300)	—
Net cash provided by (used in) investment activities	(3,398,867)	(162,817)
III. Net cash provided by (used in) financing activities		
Increase in short-term debt payable	15,000,000	—
Decrease in short-term debt payable	(17,900,000)	(300,000)
Proceeds from long-term debt payable	14,900,000	1,800,000
Repayment of long-term debt payable	(10,075,000)	(1,575,000)
Dividends paid	(1,868,953)	(1,796,614)
Net cash provided by (used in) financing activities	56,046	(1,871,614)
IV. Net increase (decrease) in cash and cash deposits	(948,487)	511,476
V. Balance of cash and cash deposits at beginning of period	6,877,458	5,928,970
VI. Balance of cash and cash deposits at end of period	5,928,970	6,440,447

## (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 November 24, 2010).

## (8) Changes in accounting policy

FRC has begun to apply the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18,

March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No.21, March 31, 2008) starting from the current fiscal period.

Moreover, this event has no impact on profits and losses.

(9) 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, asset retirement obligations and rental properties, since it does not find substantial need for disclosure in the earnings briefing.

(Per unit information)

12th fiscal period (March 1, 2010 to August 31, 2010)	13th fiscal period (September 1, 2010 to February 28, 2011)
Net assets per investment unit: 579,738 yen Net income per investment unit: 16,782 yen	Net assets per investment unit: 579,420 yen Net income per investment unit: 16,465 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	12th fiscal period (March 1, 2010 to August 31, 2010)	13th fiscal period (September 1, 2010 to February 28, 2011)
Net income (thousands of yen)	1,796,619	1,762,579
Amount not attributable to common shareholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	1,796,619	1,762,579
Average number of investment units during the fiscal period (units)	107,050	107,050

(Significant subsequent events)

12th fiscal period (March 1, 2010 to August 31, 2010)	13th fiscal period (September 1, 2010 to February 28, 2011)
No relevant items	Based on the basic asset investment policy stipulated in the Articles of Incorporation, we acquired the following property: Property acquired: Real estate trust beneficiary interest Property name: Canal City Hakata B Location: Fukuoka City, Fukuoka Acquisition price: 28,700 million yen Acquisition date: March 2, 2011 Seller: CCH Bridge Y.K.

(10) Change in the number of investment units issued and outstanding

No relevant items

#### 4. Change in Directors

(1) Change in directors in FRC

(October 31, 2010) Resignation of Atsushi Nagano as Supervisory Director

(November 1, 2010) Appointment of Hiroyasu Shindo as Supervisory Director

Hiroyasu Shindo was appointed as Deputy Supervisory Director at the 4th General Unitholders' Meeting (held on May 26, 2010)

Directors of FRC are as follows as of April 7, 2011.

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
		April 1985	Assistant Branch Manager of London Branch of the Nippon Credit Bank, Ltd.	
		June 1987	President of Nippon Credit International (a securities company incorporated in England)	
		June 1992	Member of the Board and Tokyo Branch Manager	
		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)			

Title	Name	Career Summary		Number of shares held
Supervisory Director	Takashi Shinohara	March 1980	Registered as an accountant.	0
		January 1982	Opened Shinohara Consulting Firm (current position)	
		May 1984	Registered as a tax accountant.	
		April 2004	Supervisor at Kyushu University (current position)	
		May 2007	Auditor of Best Denki Co., Ltd. (current position)	
		October 2007	Supervisory Director of Fukuoka REIT Corporation (current position)	
		January 2010	Founder and Representative Partner of Shinohara and Ueda Tax Accounting Firm (current position)	
		June 2010	President of the Hokubu Kyushu Chapter at the Japanese Institute of Certified Public Accountants (current position)	
		June 2010	External Director of Mitsui Matsushima Co., Ltd. (current position)	
July 2010	Executive Board Member of the Headquarters of the Japanese Institute of Certified Public Accountants (current position)			
Supervisory Director	Hiroyasu Shindo	April 1973	Registered as a lawyer.	0
		April 1985	Chief of secretariat at Kyushu Federation of Bar Associations.	
		April 1986	Opened Shindo Law Firm (current position)	
		April 1990	Chief of Public Relations at Kyushu Federation of Bar Associations.	
		April 1996	A member of disciplinary committee at Fukuokaken Bengoshikai, LTD.	
		July 2004	Supervisory Director of Fukuoka REIT Corporation.	
		July 2006	Retired from Supervisory Director Fukuoka REIT Corporation.	
		November 2010	Supervisory Director Fukuoka REIT Corporation. (current position)	

(Note) Masayasu Saki, CEO & Representative Director of Fukuoka REIT Corporation also serves as CEO of Fukuoka Realty Co., Ltd.

- (2) Change in directors in Fukuoka Realty Co., Ltd.  
No relevant items.

## 5. Reference Information

### (1) Investment situation

(as of February 28, 2011)

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	38,114	28.8
		Other Kyushu areas	36,136	27.3
	Office building	Fukuoka urban area	41,095	31.0
		Other Kyushu areas	—	—
	Residential property	Fukuoka urban area	3,064	2.3
		Other Kyushu areas	—	—
Subtotal			118,411	89.4
Equity interests in anonymous partnership (Note 4)			6,437	4.9
Deposits and other assets			7,647	5.8
Total amount of assets (Note 5)			132,497 (124,849)	100.0 (94.2)

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 Y.K.) which operates the entire Canal City Hakata, excluding sections already owned by FRC and the Canal City Theater section. Moreover, 6.4 billion yen was received on March 2, 2011 as the amount equivalent to equity interests in anonymous partnership; hereafter the same.

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 February 28, 2011)

	Value on balance sheet (millions of yen)	Percentage of total amount of assets (%)
Total amount of liabilities	70,470	53.2
Total amount of net assets	62,026	46.8

### (2) Investment assets

#### (i) Primary issues of investment securities

(as of February 28, 2011)

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 February 28, 2011)

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	31,533	33,800	26.5	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	15,700	16,782	16,700	13.0	Japan Real Estate Institute
SunLive City Kokura	6,633	6,257	7,420	5.5	Japan Real Estate Institute
Square Mall Kagoshima Usuki	5,300	4,954	4,910	4.4	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	2,265	2,420	2.0	Japan Real Estate Institute
Hara SATY (Note 4)	5,410	5,482	5,200	4.5	Japan Real Estate Institute
Hanahata SC	1,130	1,098	1,160	0.9	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	2,500	2,405	2,510	2.1	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	3,550	3,470	3,400	2.9	Tanizawa Sogo Appraisal Co., Ltd.
Commercial facilities subtotal:	74,623	74,251	77,520	61.7	
Canal City Business Center Building	14,600	14,122	15,100	12.1	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	11,200	10,310	12,700	9.3	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	4,400	4,325	4,830	3.6	Japan Real Estate Institute
Taihaku Street Business Center	7,000	6,700	6,630	5.8	Japan Real Estate Institute
Higashi Hie Business Center	5,900	5,636	5,960	4.9	Tanizawa Sogo Appraisal Co., Ltd.
Office buildings subtotal:	43,100	41,095	45,220	35.7	
Amex Akasakamon Tower	2,060	1,970	1,660	1.7	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	1,111	1,093	1,000	0.9	Daiwa Real Estate Appraisal Co., Ltd.
Residential properties subtotal:	3,171	3,064	2,660	2.6	
Total	120,894	118,411	125,400	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.

Note 4: Hara SATY's (asset under management) name was changed to AEON Hara Shopping Center as of March 1, 2011; hereafter the same.

## (b) Summary of the real estate rental business

(as of February 28, 2011)

Name of property	Number of tenants (Note 1)	Occupancy rate (%) (Note 3)	Total leasable space (m <sup>2</sup> )	Total leased space (m <sup>2</sup> )	Total rental revenues (millions of yen) (Note 4)	Percentage of total rental revenues (%) (Note 5)
Canal City Hakata	1 (38)	97.8	45,990.34	44,983.46	1,332	24.4
Park Place Oita	1 (96)	99.3	103,963.52	103,246.81	963	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	253	4.6
Kumamoto Intercommunity SC	2	100.0	6,968.66	6,968.66	90	1.7
Hara SATY	1	100.0	27,580.75	27,580.75	212	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 (153)	99.4	277,180.33	275,456.74	3,384	62.1
Canal City Business Center Building	1 (55)	94.6	23,051.93	21,816.91	609	11.2
Gofukumachi Business Center	20	94.6	19,907.91	18,839.56	516	9.5
Sanix Hakata Building	14	100.0	6,293.76	6,293.76	202	3.7
Taihaku Street Business Center	1 (61)	96.1	14,653.95	14,075.34	298	5.5
Higashi Hie Business Center	1 (15)	100.0	13,695.51	13,695.51	339	6.2
Office buildings subtotal:	37 (165)	96.3	77,603.06	74,721.08	1,966	36.1
Amex Akasakamon Tower	1 (62)	94.2	4,755.14	4,480.52	66	1.2
City House Keyaki Dori	1 (41)	97.2	2,710.86	2,635.91	37	0.7
Residential properties subtotal:	2 (103)	95.3	7,466.00	7,116.43	103	1.9
Total	60 [421] (Note 2)	98.6	362,249.39	357,294.25	5,454	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 11 offices and 50 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 November 24, 2010).