

EARNINGS BRIEFING FOR THE PERIOD ENDED AUGUST 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

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Expected date for submitting securities report: November 25, 2011

Expected commencement date of dividend payments: November 18, 2011

(Figures rounded down to nearest million yen.)

1. PERFORMANCE AND SITUATION OF ASSETS FOR THE PERIOD ENDED AUGUST 2011 (March 1, 2011 to August 31, 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 August 2011	7,045	24.4	2,729	17.8	2,083	18.1	2,082	18.1
Period ended February 2011	5,662	(0.0)	2,317	(4.0)	1,763	(1.9)	1,762	(1.9)

	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 2011	16,922 yen	3.1%	1.4%	29.6%
Period ended February 2011	16,465 yen	2.8%	1.3%	31.1%

(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 2011	16,922 yen	2,082 million yen	0 yen	0 million yen	100.0%	2.9%
Period ended February 2011	16,465 yen	1,762 million yen	0 yen	0 million yen	100.0%	2.8%

(3) Financial condition

	Total assets	Net assets	Ratio of net assets to total assets	Net assets per unit
Period ended August 2011	155,657 million yen	71,259 million yen	45.8%	579,113 yen
Period ended February 2011	132,497 million yen	62,026 million yen	46.8%	579,420 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 2011	3,294 million yen	(20,086) million yen	17,548 million yen	7,197 million yen
Period ended February 2011	2,545 million yen	(162) million yen	(1,871) million yen	6,440 million yen

**2. FORECAST OF PERFORMANCE FOR THE PERIOD ENDING FEBRUARY 2012
(September 1, 2011 to February 29, 2012) AND THE PERIOD ENDING AUGUST 2012
(March 1, 2012 to August 31, 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 February 2012	6,899	(2.1)	2,603	(4.6)	2,006	(3.7)	2,005	(3.7)	16,300 yen	0 yen
Period ending August 2012	7,135	3.4	2,610	0.3	1,969	(1.8)	1,968	(1.8)	16,000 yen	0 yen

(Reference) Forecast net income per unit: Period ending February 2012 16,300 yen
Period ending August 2012 16,000 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):
123,050 units at end of August 2011
107,050 units at end of February 2011
(ii) Treasury investment units at end of period:
— units at end of August 2011
— units at end of February 2011

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 February 2012 (September 1, 2011 to February 29, 2012) and the period ending August 2012 (March 1, 2012 to August 31, 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 May 27, 2011).

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 27, 2011).

(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 had a total of 16 properties (excluding anonymous partnership equity interests) in its portfolio as of the end of the previous fiscal period (February 28, 2011), and further acquired a commercial facility in the current fiscal period. As a result, FRC now manages a total of 17 properties comprising ten commercial facilities, five office buildings and two residential properties as of the end of the current fiscal period (August 31, 2011).

(b) Investment environment and portfolio performance

In the fourteenth fiscal period, the Japanese economy experienced a major slowdown due to the impact of the Great East Japan Earthquake in March 2011. However, the economy as a whole is slowly picking up with the halt to the trends of decreases in production and exports, and other such factors being observed. Nevertheless, difficult conditions still persist, given the impact of the appreciating yen and deflation as well as lingering concerns over the employment situation worsening among other things. In Kyushu, the prime investment area for FRC, an upturn is seen in production and capital investment amid the fading impact of a limited supply due to the earthquake, and the region as a whole is expected to get back on track to recovery. Still, the employment and income situations remain harsh and the future outlook continues to be opaque.

According to the 2011 Prefectural Land Price Survey, land prices continued to fall throughout Japan for a year since July 2010. However, the rate of decrease has slowed, and there was an increase in the number of surveyed sites where the price rose or remained flat. In Fukuoka City, a core investment target area for FRC, commercial land prices decreased by 2.9% and residential land prices decreased by 1.7% compared to the previous year, the third consecutive year of decrease for both commercial and residential land. However, the rate of decrease generally tapered, and some areas saw the land prices increase due to the impact of the Kyushu Shinkansen (bullet train) starting full operations throughout its full span and other factors.

Under such circumstances, FRC practiced strict selection of assets in its investment activities based on its investment policy. This resulted in the acquisition of Canal City Hakata B on March 2, 2011 for an acquisition price of 28,700 million yen (the property represents the entire Canal City Hakata as of the same date excluding the Canal City Hakata retail section, Canal City Theater and offices; hereafter the same), by executing the right to consummate the reservation of acquiring the property based on the acquisition reservation contract concluded with CCH Bridge Y.K., in which FRC had senior anonymous partnership equity interest. For existing properties, FRC focused on maintaining and raising occupancy rates of its owned properties while pouring continuous efforts into operations to enhance competitiveness and customer drawing power at major commercial facilities such as Canal City Hakata. As a result, the

average occupancy rate rose to 99.6% for all properties FRC owns as of the end of the fourteenth fiscal period.

When analyzing FRC's portfolio (on an acquisition value basis) by geographic location, properties in the Fukuoka urban area occupy 75.9% of its portfolio; when analyzing by property type, commercial facilities, office buildings, and residential properties account for 69.1%, 28.8% and 2.1%, respectively.

(c) Summary of fundraising

In the current fiscal period, FRC raised funds of 8,913 million yen through the issuance of new investment units (16,000 units) on March 1, 2011 and newly procured funds of 10,500 million yen in total through borrowings, both for the purpose of acquiring the above-mentioned Canal City Hakata B. For the 7,000 million yen in long-term debt that matured in July 2011, FRC conducted refinance of the entire amount with loan periods of 7 years (1,000 million yen), 6 years (4,000 million yen in total), 5 years (1,000 million yen) and 4 years (1,000 million yen). As a result, the balance of debt outstanding at the end of the current fiscal period totaled 69,500 million yen, with the loan-to-value ratio at end of period at 44.6%. Moreover, with regard to the commitment lines that were set up as backup lines for fund procurement, FRC renewed a commitment line that was to expire in July 2011, with a credit limit of 6,000 million yen and commitment period of 2 years (in contrast to 5,000 million yen and one year before the revision).

To reduce refinancing risks, FRC will continue to disperse the debt repayment date and increase the average length of time until debt maturity.

Furthermore, 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 7,045 million yen and operating income after excluding operating expenses such as real estate rent expenses and asset management fees totaled 2,729 million yen. Ordinary income was 2,083 million yen and net income was 2,082 million yen.

Management decided to make a dividend of 16,922 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

No relevant items

(c) Performance forecast for the next fiscal period

FRC aims to achieve the following performance goals for the period ending February 2012 (September 1, 2011 to February 29, 2012) and the period ending August 2012 (March 1, 2012 to August 31, 2012).

Concerning preconditions for the forecast, please refer to “Preconditions for the performance forecast for the period ending February 2012 (September 1, 2011 to February 29, 2012) and the period ending August 2012 (March 1, 2012 to August 31, 2012),” on page 6.

Period ending February 2012

Operating revenues	6,899 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

Period ending August 2012

Operating revenues	7,135 million yen
Ordinary income	1,969 million yen
Net income	1,968 million yen
Dividend per unit	16,000 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 May 27, 2011).

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

Item	Preconditions
Calculation period	15th fiscal period: from September 1, 2011 to February 29, 2012 (182 days) 16th fiscal period: from March 1, 2012 to August 31, 2012 (184 days)
Assets under management	<ul style="list-style-type: none"> It is assumed that the portfolio will be comprised of the 17 properties FRC owned as of August 31, 2011 plus a property scheduled to be acquired in the 16th fiscal period. 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 the end of the fiscal period ending August 2012.
Interest-bearing debt and refinancing	<ul style="list-style-type: none"> The balance of interest-bearing debt outstanding on August 31, 2012 is expected to total 73,350 million yen, an increase of 3,850 million yen from the end of the current period (August 31, 2011). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 46.1% (as of August 31, 2011, the loan-to-value ratio stands at 44.6%). 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. In the period ending August 2012, it is assumed that FRC will newly procure 4,000 million yen (in short-term debt) and refinance long-term debt of 6,000 million yen that will become due for repayment in June 2012 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.
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 2012 and August 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. Concerning outsourcing expenses, FRC anticipates 1,619 million yen for the period ending February 2012 and 1,511 million yen for the period ending August 2012. Concerning taxes and other public charges, FRC anticipates 412 million yen for the period ending February 2012 and 584 million yen for the period ending August 2012. Concerning depreciation and amortization expenses, FRC anticipates 1,187 million yen for the period ending February 2012 and 1,262 million yen for the period ending August 2012.
Non-operating expenses	<ul style="list-style-type: none"> Concerning interest payment and expenses related to financing, FRC anticipates 594 million yen for the period ending February 2012 and 638 million yen for the period ending August 2012.
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	13th fiscal period (as of February 28, 2011)		14th fiscal period (as of August 31, 2011)	
Assets				
Current assets				
Cash and deposits		2,437,057		2,568,007
Cash and deposits in trust		4,003,389		4,629,187
Operating account receivable		482,755		359,285
Prepaid expenses		207,244		312,106
Consumption taxes receivable		—		451,247
Deferred tax assets		19		20
Other		41,594		42,984
Total current assets		7,172,061		8,362,839
Noncurrent assets				
Property, plant and equipment				
Buildings in trust, net	55,323,513		66,104,394	
Aggregate of accumulated depreciation	(8,872,050)	46,451,463	(9,927,723)	56,176,670
Structures in trust, net	872,899		1,103,529	
Aggregate of accumulated depreciation	(233,389)	639,509	(262,904)	840,624
Machinery and equipment in trust, net	343,702		351,214	
Aggregate of accumulated depreciation	(112,365)	231,337	(122,812)	228,402
Tools and fixtures in trust, net	947,475		1,035,745	
Aggregate of accumulated depreciation	(433,769)	513,706	(500,302)	535,442
Lands in trust		68,810,414		87,057,619
Construction in progress in trust		—		7,350
Total property, plant and equipment		116,646,430		144,846,109
Intangible assets				
Leasehold right in trust		1,765,318		1,765,318
Other intangible assets in trust		—		17,385
Total intangible assets		1,765,318		1,782,704
Investment and other assets				
Investment securities		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		365,570		533,100
Total investment and other assets		6,913,504		643,100
Total noncurrent assets		125,325,253		147,271,914
Deferred assets				
Investment unit issuance expenses		—		22,394
Total deferred assets		—		22,394
Total assets		132,497,314		155,657,148

(thousands of yen)

Account	13th fiscal period (as of February 28, 2011)		14th fiscal period (as of August 31, 2011)	
Liabilities				
Current liabilities				
Operating accounts payable		854,716		410,201
Short-term debt		—		4,500,000
Current maturities of long-term debt		8,650,000		7,650,000
Account payable-other		20,995		10,296
Accrued expenses		258,934		296,215
Income taxes payable		745		751
Accrued consumption taxes		29,669		—
Advances received		664,399		845,995
Deposits received		518,916		949,491
Total current liabilities		10,998,377		14,662,952
Noncurrent liabilities				
Long-term debt payable		50,425,000		57,350,000
Tenant leasehold and security deposits		331,515		331,515
Tenant leasehold and security deposits received in trust		8,715,440		12,052,750
Total noncurrent liabilities		59,471,955		69,734,265
Total liabilities		70,470,333		84,397,218
Net assets				
Net Assets				
Shareholders' capital		60,264,380		69,177,628
Surplus				
Unappropriated surplus		1,762,601		2,082,302
Total surplus		1,762,601		2,082,302
Total Net Assets		62,026,981		71,259,930
Total net assets		62,026,981		71,259,930
Total liabilities and net assets		132,497,314		155,657,148

(2) Statements of income

(thousands of yen)

Account	13th fiscal period (September 1, 2010 to February 28, 2011)		14th fiscal period (March 1, 2011 to August 31, 2011)	
1. Operating revenues				
Rent revenue- real estate	5,281,795		6,826,999	
Other rental revenue-real-estate	172,400		218,505	
Anonymous partnership distribution	208,000	5,662,195	—	7,045,505
2. Operating expenses				
Expenses related to rent business	2,874,581		3,803,541	
Asset management fees	346,129		405,509	
Asset custody fees	4,922		5,009	
Administrative service fees	37,656		38,766	
Director's compensations	9,600		9,600	
Other operating expenses	71,933	3,344,823	53,628	4,316,055
Operating income		2,317,372		2,729,450
3. Non-operating revenues				
Interest received	708		674	
Other	512	1,220	521	1,196
4. Non-operating expenses				
Interest payment	458,556		497,140	
Amortization of investment unit issuance expenses	—		4,478	
Financing related expenses	96,362		107,705	
Other	—	554,918	37,933	647,257
Ordinary income		1,763,674		2,083,388
Net income before tax		1,763,674		2,083,388
Income taxes-current	1,094		1,110	
Income taxes-deferred	(0)	1,094	(0)	1,110
Net income		1,762,579		2,082,278
Retained earnings brought forward		22		23
Unappropriated retained earnings		1,762,601		2,082,302

(3) Statement of changes in net assets

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, 2010	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, 2011	60,264,380	1,762,601	62,026,981	62,026,981

14th fiscal period (March 1, 2011 to August 31, 2011)

(thousands of yen)

Item	Net Assets			Total net assets
	Shareholders' capital	Retained earnings	Total Net Assets	
		Unappropriated retained earnings		
Balance as of February 28, 2011	60,246,380	1,762,601	62,026,981	62,026,981
Changes in the current fiscal period				
Issuance of new investment units	8,913,248	—	8,913,248	8,913,248
Dividend of retained earnings	—	(1,762,578)	(1,762,578)	(1,762,578)
Net income	—	2,082,278	2,082,278	2,082,278
Total of changes in the current fiscal period	8,913,248	319,700	9,232,948	9,232,948
Balance as of August 31, 2011	69,177,628	2,082,302	71,259,930	71,259,930

(4) Dividend statement

Account	13th fiscal period (September 1, 2010 to February 28, 2011)	14th fiscal period (March 1, 2011 to August 31, 2011)
I. Unappropriated retained earnings	1,762,601 thousand yen	2,082,302 thousand yen
II. Total	1,762,578 thousand yen	2,082,252 thousand yen
(Dividend per investment unit)	(16,465 yen)	(16,922 yen)
III. Retained earnings brought forward	23 thousand yen	50 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 1,762,578 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.	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 2,082,252 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.
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Note: Concerning amounts other than dividend per investment unit, fractions of 1,000 yen are omitted.

(5) Cash flows statements

Account	(thousands of yen)	
	13th fiscal period (September 1, 2010 to February 28, 2011)	14th fiscal period (March 1, 2011 to August 31, 2011)
I. Net cash provided by (used in) operating activities		
Net income before taxes	1,763,674	2,083,388
Depreciation expenses	958,204	1,164,305
Amortization of investment unit issuance expenses	—	4,478
Interest received	(708)	(674)
Interest payment	458,556	497,140
Decrease (increase) in operating account receivables	42,922	123,469
Decrease (increase) in consumption taxes receivable	—	(451,247)
Increase (decrease) in accrued consumption taxes	(13,211)	(29,669)
Increase (decrease) in operating account payable	71,045	(4,657)
Increase (decrease) in account payable-other	(47,605)	(10,354)
Increase (decrease) in accrued expenses	(7,820)	36,571
Increase (decrease) in advance received	(4,852)	181,596
Increase (decrease) in deposits expenses	(256,776)	430,574
Decrease (increase) in prepaid expenses	36,038	(104,861)
Decrease (increase) in long-term prepaid expenses	37,433	(167,350)
Other, net	1,229	38,493
Subtotal	3,038,128	3,791,114
Interest received	708	674
Interest payment	(463,894)	(496,431)
Income tax paid	(42,471)	(42,479)
Income tax refund	13,437	41,392
Net cash provided by (used in) operating activities	2,545,908	3,294,270
II. Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(148,945)	(29,805,063)
Purchase of intangible assets in trust	—	(18,704)
Proceeds from tenant leasehold and security deposits	120	30
Repayments of tenant leasehold and security deposits	(60)	(30)
Proceeds from tenant leasehold and security deposits in trust	34,494	3,606,951
Repayment of tenant leasehold and security deposits in trust	(48,426)	(269,641)
Redemption of investment securities	—	6,400,000
Net cash provided by (used in) investment activities	(162,817)	(20,086,457)
III. Net cash provided by (used in) financing activities		
Increase in short-term debt payable	—	31,500,000
Decrease in short-term debt payable	(300,000)	(27,000,000)
Proceeds from long-term debt payable	1,800,000	1,300,000
Repayment of long-term debt payable	(1,575,000)	(7,075,000)
Proceeds from issuance of investment units	—	8,913,248
Dividends paid	(1,796,614)	(1,762,440)
Payment of investment unit issuance expenses	—	(26,872)
Net cash provided by (used in) financing activities	(1,871,614)	(17,548,935)
IV. Net increase (decrease) in cash and cash deposits	511,476	756,747
V. Balance of cash and cash deposits at beginning of period	5,928,970	6,440,447
VI. Balance of cash and cash deposits at end of period	6,440,447	7,197,195

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

(Per unit information)

13th fiscal period (September 1, 2010 to February 28, 2011)	14th fiscal period (March 1, 2011 to August 31, 2011)
Net assets per investment unit: 579,420 yen Net income per investment unit: 16,465 yen	Net assets per investment unit: 579,113 yen Net income per investment unit: 16,922 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	13th fiscal period (September 1, 2010 to February 28, 2011)	14th fiscal period (March 1, 2011 to August 31, 2011)
Net income (thousands of yen)	1,762,579	2,082,278
Amount not attributable to common shareholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	1,762,579	2,082,278
Average number of investment units during the fiscal period (units)	107,050	123,050

(Significant subsequent events)

13th fiscal period (September 1, 2010 to February 28, 2011)	14th fiscal period (March 1, 2011 to August 31, 2011)
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.	—

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

Changes in unitholders' capital from the incorporation of FRC to the end of the current fiscal period are as follows.

Date	Item	Number of investment units issued and outstanding (units)		Unitholders' capital (millions of yen)		Remarks
		Increase	Balance	Increase	Balance	
July 2, 2004	Established through private placement	250	250	125	125	(Note 1)
November 8, 2004	Additional issue of investment units through private offering	82,800	83,050	41,400	41,525	(Note 2)
June 20, 2005	Additional issue of new investment units through initial public offering	7,000	90,050	5,944	47,469	(Note 3)
July 21, 2005	Additional issue of new investment units through third-party allotment	2,000	92,050	1,698	49,167	(Note 4)
September 7, 2006	Additional issue of new investment units through public offering	15,000	107,050	11,096	60,264	(Note 5)
March 1, 2011	Additional issue of new investment units through public offering	16,000	123,050	8,913	69,177	(Note 6)

Note 1: FRC was established with an issue of investment units at 500,000 yen per unit.

Note 2: New investment units were issued through private offering at the issue price of 500,000 yen per unit for the purpose of procuring funds for acquiring new properties, etc.

Note 3: New investment units were issued through public offering at the issue price of 880,000 yen per unit (purchase price of 849,200 yen) for the purpose of procuring funds for acquiring new properties, etc.

Note 4: New investment units were issued through third-party allotment at the issue price of 849,200 yen per unit.

Note 5: New investment units were issued through public offering at the issue price of 766,300 yen per unit (purchase price of 739,772 yen) for the purpose of procuring funds for acquiring new properties, etc.

Note 6: New investment units were issued through public offering at the issue price of 576,083 yen per unit (purchase price of 557,078 yen) for the purpose of procuring funds for acquiring new properties, etc.

4. Change in Directors

(1) Change in directors in FRC

No relevant items.

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

(June 21, 2011) Resignation of Akira Eto as Director (part-time)

(June 21, 2011) Appointment of Etsuo Matsuyuki as Managing Director

Directors of FRC are as follows as of October 12, 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
Managing Director	Yoichi Nishio	April 1985	Joined The Nippon Credit Bank, Ltd. (presently Aozora Bank, Ltd.)	0
		September 2005	General Manager, Real Estate Finance Division at Aozora Bank.	
		July 2008	Senior Vice President of New City Corporation	
		January 2009	Managing Director and CFO of Fukuoka Realty Co., Ltd.	
		June 2011	Managing Director of Fukuoka Realty Co., Ltd. (current position)	
Managing Director	Etsuo Matsuyuki	April 1980	Joined Japan Development Bank (presently Development Bank of Japan)	0
		June 2004	Senior Counselor, Human Resources Management Department at Japan Development Bank	
		April 2005	General Manager, General Affairs Department at Japan Development Bank	
		July 2006	Seconded to Fukuoka Jisho Co., Ltd.	
			Deputy Director of Development Unit of Fukuoka Jisho Co., Ltd.	
		July 2009	Joined Fukuoka Jisho Co., Ltd.	
			Executive Director of Fukuoka Jisho Co., Ltd. (current position)	
		August 2010	Deputy Director of Development Unit and General Manager of Building Division	
			Officer in Accounting Division and representative in charge of Administration Division of Fukuoka Jisho Co., Ltd.	
June 2011	Managing Director and Head of Planning Dept. of Fukuoka Realty Co., Ltd. (current position)			

Note: Masayasu Saki, CEO & Representative Director of Fukuoka REIT Corporation also serves as CEO of Fukuoka Realty Co., Ltd. The concurrent assignment was approved by the Commissioner of the Financial Services Agency as of June 22, 2006, based on Article 13 of the Act on Investment Trusts and Investment Corporations before revision, pursuant to the provisions of Article 5 of the Act for Partial Revision of the Securities and Exchange Act (Act No. 65 of 2006).

Title	Name	Career Summary		Number of shares held
Director (part-time)	Yasumichi Hinago	April 1968	Joined Kyushu Electric Power Co., Inc.	0
		June 2000	General Manager, Material Department of Kyushu Electric Power Co., Inc.	
		July 2002	General Manager, Material and Fuel Department of Kyushu Electric Power Co., Inc.	
		June 2003	Saga Branch Manager of Kyushu Electric Power Co., Inc.	
		July 2003	Executive Officer and Saga Branch Manager of Kyushu Electric Power Co., Inc.	
		June 2005	Senior Managing Executive Officer of Kyushu Electric Power Co., Inc.	
		June 2007	Executive Vice President of Kyushu Electric Power Co., Inc.	
		June 2007	Director of Fukuoka Realty Co., Ltd. (current position)	
		June 2009	Executive Vice President, Kyushu Electric Power Co., Inc. (current position)	
Director (part-time)	Hiroshi Shimuta	October 2000	Registered as attorney	0
		December 2003	Auditor of Fukuoka Realty Co., Ltd.	
		April 2004	General Manager, Compliance Office of Fukuoka Realty Co., Ltd.	
		April 2005	General Manager, Compliance Department of Fukuoka Realty Co., Ltd.	
		June 2007	Joined Nishimura & Tokiwa (presently 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. (presently The Nishi-Nippon City Bank, Ltd.)	0
		August 2000	Deputy General Manager, Planning Division of The Fukuoka Sogo Bank, Ltd.	
		July 2003	General Manager, Planning Division and General Manager, Risk Management Office of the Fukuoka Sogo Bank, Ltd.	
		October 2004	Senior Manager in the Corporate Planning Division, The Nishi-Nippon City Bank, Ltd.	
		April 2005	Seconded to NCB Management Information Service Co., Ltd. (presently NCB Research & Consulting Co., Ltd.), appointed General Manager of the Business Alliance Division	
		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, 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	66,886	43.0
		Other Kyushu areas	35,902	23.1
	Office building	Fukuoka urban area	40,802	26.2
		Other Kyushu areas	—	—
	Residential property	Fukuoka urban area	3,029	1.9
		Other Kyushu areas	—	—
Subtotal			146,621	94.2
Deposits and other assets			9,035	5.8
Total amount of assets (Note 5)			155,657 (146,628)	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: 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, 2011)

	Value on balance sheet (millions of yen)	Percentage of total amount of assets (%)
Total amount of liabilities	84,397	54.2
Total amount of net assets	71,259	45.8

(2) Investment assets

(i) Primary issues of investment securities

No relevant items.

(ii) Real estate investment portfolio

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

(as of August 31, 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	31,357	33,400	21.4	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	15,700	16,708	16,700	10.5	Japan Real Estate Institute
SunLive City Kokura	6,633	6,211	7,350	4.4	Japan Real Estate Institute
Square Mall Kagoshima Usuki	5,300	4,911	4,910	3.5	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	2,247	2,430	1.6	Japan Real Estate Institute
AEON Hara Shopping Center (Note 4)	5,410	5,462	4,690	3.6	Japan Real Estate Institute
Hanahata SC	1,130	1,091	1,170	0.8	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	2,500	2,382	2,520	1.7	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	3,550	3,440	3,400	2.4	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata B	28,700	28,973	28,700	19.2	Tanizawa Sogo Appraisal Co., Ltd.
Commercial facilities subtotal:	103,323	102,789	105,270	69.1	
Canal City Business Center Building	14,600	14,091	14,900	9.8	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	11,200	10,220	12,900	7.5	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	4,400	4,289	4,690	2.9	Japan Real Estate Institute
Taihaku Street Business Center	7,000	6,643	6,640	4.7	Japan Real Estate Institute
Higashi Hie Business Center	5,900	5,557	6,070	3.9	Tanizawa Sogo Appraisal Co., Ltd.
Office buildings subtotal:	43,100	40,802	45,200	28.8	
Amex Akasakamon Tower	2,060	1,948	1,650	1.4	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	1,111	1,081	1,000	0.7	Daiwa Real Estate Appraisal Co., Ltd.
Residential properties subtotal:	3,171	3,029	2,650	2.1	
Total	149,594	146,621	153,120	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 August 31, 2011)

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 (50)	99.5	45,978.62	45,769.82	1,286	18.3
Park Place Oita	1 (105)	99.7	103,949.58	103,650.66	990	14.1
SunLive City Kokura	1	100.0	61,450.22	61,450.22	292	4.2
Square Mall Kagoshima Usuki	11	100.0	14,661.72	14,661.72	253	3.6
Kumamoto Intercommunity SC	2	100.0	6,968.66	6,968.66	90	1.3
AEON Hara Shopping Center	1	100.0	27,580.75	27,580.75	212	3.0
Hanahata SC	2	100.0	2,801.15	2,801.15	40	0.6
Kurume Higashi Kushiwara SC	1	100.0	6,467.80	6,467.80	88	1.2
K's Denki Kagoshima	1	100.0	7,296.17	7,296.17	111	1.6
Canal City Hakata B	1 (45)	100.0	63,684.73	63,684.73	1,619	23.0
Commercial facilities subtotal:	22 (219) (Note 2)	99.9	340,839.40	340,331.68	4,986	70.8
Canal City Business Center Building	1 (59)	99.4	23,050.30	22,904.60	600	8.5
Gofukumachi Business Center	21	97.2	19,907.91	19,354.70	519	7.4
Sanix Hakata Building	15	95.8	6,293.76	6,029.55	193	2.8
Taihaku Street Business Center	1 (66)	98.0	14,653.95	14,357.44	299	4.3
Higashi Hie Business Center	1 (14)	100.0	13,695.51	13,695.51	341	4.8
Office buildings subtotal:	39 (175) (Note 2)	98.4	77,601.43	76,341.80	1,955	27.7
Amex Akasakamon Tower	1 (65)	98.7	4,755.14	4,694.94	66	0.9
City House Keyaki Dori	1 (43)	100.0	2,710.86	2,710.86	37	0.5
Residential properties subtotal:	2 (108) (Note 2)	99.2	7,466.00	7,405.80	104	1.5
Total	63 [502] (Note 2)	99.6	425,906.83	424,079.28	7,045	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 55 residents.

Note 2: The subtotal and 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 27, 2011).