

EARNINGS BRIEFING FOR THE PERIOD ENDED AUGUST 2012

Real estate investment trust: Fukuoka REIT Corporation (FRC)

Code number: 8968

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

Stock listings: Tokyo Stock Exchange and
Fukuoka Stock Exchange

Representative: Masayasu Saki CEO & Representative Director

Asset manager: Fukuoka Realty Co., Ltd.

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Expected date for submitting securities report: November 28, 2012

Expected commencement date of dividend payments: November 16, 2012

Supplementary documents for earnings briefing Yes

Analyst meeting (for institutional investors) Yes

(Figures rounded down to nearest mm yen.)

1. PERFORMANCE AND SITUATION OF ASSETS FOR THE PERIOD ENDED AUGUST 2012 (March 1, 2012 to August 31, 2012)

(1) Performance

(% shows percentage change from previous period)

	Operating revenues		Operating income		Ordinary income		Net income	
	mm of yen	%	mm of yen	%	mm of yen	%	mm of yen	%
Period ended August 2012	7,094	2.3	2,595	(1.6)	2,005	(2.0)	1,992	(2.6)
Period ended February 2012	6,931	(1.6)	2,637	(3.4)	2,046	(1.8)	2,045	(1.8)

	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 2012	16,193 yen	2.8%	1.3%	28.3%
Period ended February 2012	16,621 yen	2.9%	1.3%	29.5%

(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 2012	16,193 yen	1,992 mm yen	0 yen	0 mm yen	100.0%	2.8%
Period ended February 2012	16,621 yen	2,045 mm yen	0 yen	0 mm 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 August 2012	159,601 mm yen	71,170 mm yen	44.6%	578,384 yen
Period ended February 2012	155,792 mm yen	71,222 mm yen	45.7%	578,812 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 2012	3,617 mm yen	(6,016) mm yen	1,881 mm yen	7,637 mm yen
Period ended February 2012	3,677 mm yen	(566) mm yen	(2,153) mm yen	8,154 mm yen

**2. FORECAST OF PERFORMANCE FOR THE PERIOD ENDING FEBRUARY 2013
(September 1, 2012 to February 28, 2013) AND THE PERIOD ENDING AUGUST 2013
(March 1, 2013 to August 31, 2013)**

(% 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
	mm of yen	%	mm of yen	%	mm of yen	%	mm of yen	%		
Period ending February 2013	7,208	1.6	2,622	1.0	1,994	(0.5)	1,993	0.0	16,200 yen	0 yen
Period ending August 2013	7,191	(0.2)	2,628	0.2	1,994	0.0	1,993	0.0	16,200 yen	0 yen

(Reference) Forecast net income per unit: Period ending February 2013 16,200 yen
Period ending August 2013 16,200 yen

3. Other

(1) Changes in accounting policies, changes in accounting estimates and restatement of accounting errors

- (i) Changes in accounting policies accompanying amendments to accounting standards, etc.: No
(ii) Changes in accounting policies other than above (i): No
(iii) Changes in accounting estimates: No
(iv) Restatement of accounting errors: No

(2) Number of investment units outstanding

- (i) Number of investment units outstanding at end of period (including treasury investment units):
123,050 units at end of August 2012
123,050 units at end of February 2012
(ii) Treasury investment units at end of period:
— units at end of August 2012
— units at end of February 2012

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

*** Statement on Implementation Status of Audit Procedure**

This Earnings Briefing (“Kessan Tanshin” in Japanese) report is outside the scope of the auditing procedure under the Financial Instruments and Exchange Act. As of the publication of this report, no auditing procedure under the Financial Instruments and Exchange Act has been completed for the financial statements.

*** 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 2013 (September 1, 2012 to February 28, 2013) and the period ending August 2013 (March 1, 2013 to August 31, 2013),” 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 the “Format and Guidance for Preparation of Earnings Briefing for REITs” (April 2012).

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 29, 2012).

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 29, 2012).

(2) Management situation

(i) Summary of the current fiscal period

(a) Brief history of the investment corporation

Fukuoka REIT Corporation (hereinafter “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 Group Inc. and the 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 Yamaguchi Prefecture (hereinafter the “Fukuoka/Kyushu area) by turning rationality, characteristics in the real estate industry, into strengths.

FRC started asset management activities on November 9, 2004 after acquisition of four properties such as Retail 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”). On top of the 17 properties it owned as of the end of the previous fiscal period (February 29, 2012), FRC acquired two Others in the fiscal period under review. As a result, FRC now manages a total of 19 properties comprising ten Retail, five office buildings and four Others as of the end of the current fiscal period (August 31, 2012).

(b) Investment environment and portfolio performance

During the sixteenth fiscal period, the Japanese economy started to pick up moderately with domestic demand remaining strong, especially due to demand related to reconstruction from the earthquake. Going forward, the country is expected to stay on track to recovery despite impacts from the slowdown in overseas economies. In Kyushu, the prime investment area for FRC, the upward momentum also continued and consumer spending as a whole was strong, although difficulties lingered on the employment and income situations.

As for the land price trend, a nationwide decline continued for another year since July 2011 but the rate of decrease shrunk and there was an increase in the number of survey sites where the prices rose or remained flat, according to the Prefectural Land Price Survey 2012. In Fukuoka City, a core investment target area for FRC, commercial land prices decreased by 0.7% and residential land prices decreased by 0.3% compared to the previous year, marking the fourth straight year of decrease for both. Nevertheless, the rate of decrease shrunk and the number of surveyed sites where the price rose increased from the previous survey, reflecting strong housing demand and continued positive impact of Kyushu Shinkansen (bullet train) starting full operations.

Under such circumstances, FRC focused on stringently selective investment in accordance with its investment policy. This led to the acquisition of Aqualia Kego (acquisition price: 2,800 mm yen) and Aqualia Chihaya (acquisition price: 1,280 mm yen) on March 1, 2012. For existing properties, we continuously worked to enhance competitiveness and customer drawing power at major Retail such as Canal City Hakata, as well as maintain and improve the occupancy rate of the portfolio. As a result, the average occupancy rate marked 97.0% for all properties FRC owns as of the end of the sixteenth fiscal period.

When analyzing FRC’s portfolio (on an acquisition price basis) by investment target area, the investment ratio in the Fukuoka urban area accounted for 76.5% of its portfolio; when analyzing by property type, Retail, office buildings, and Others account for 67.2%, 28.0% and 4.7%, respectively.

(c) Summary of fundraising

In the current fiscal period, FRC borrowed 4,000 mm yen in total on March 1, 2012 in order to fund the acquisition of the above mentioned Aqualia Kego and Aqualia Chihaya. Moreover, of the 2,500 mm yen in its short-term debt under committed line of credit, FRC refinanced 1,400 mm yen into long-term debt from the viewpoint of diversification of debt maturities and prolonged residual maturity of borrowings. For the 6,000 mm yen in long-term debt that matured in June 2012, FRC conducted refinance of the entire amount with a loan period of 5 years. As a result, the balance of debt outstanding at the end of the current fiscal period totaled 73,350 mm yen, with the loan-to-value ratio at end of period at 46.0%. To reduce refinancing risks, FRC will continue to disperse the debt repayment dates 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	A A-	Stable

(d) Summary of performance and dividend

As a result of these management efforts, operating revenues totaled 7,094 mm yen and operating income after excluding operating expenses such as expenses related to rent business and asset management fees totaled 2,595 mm yen. Ordinary income was 2,005 mm yen and net income was 1,992 mm yen.

Management decided to make a dividend of 16,193 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 weak 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 Fukuoka and Kyushu areas, 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 2013 (September 1, 2012 to February 28, 2013) and the period ending August 2013 (March 1, 2013 to August 31, 2013). Concerning preconditions for the forecast, please refer to "Preconditions for the performance forecast for the period ending February 2013 (September 1, 2012 to February 28, 2013) and the period ending August 2013 (March 1, 2013 to August 31, 2013)," on page 6.

Period ending February 2013

Operating revenues

7,208 mm yen

Ordinary income	1,994 mm yen
Net income	1,993 mm yen
Dividend per unit	16,200 yen
Dividend in excess of earnings per unit	0 yen

Period ending August 2013

Operating revenues	7,191 mm yen
Ordinary income	1,994 mm yen
Net income	1,993 mm yen
Dividend per unit	16,200 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.

Preconditions for the performance forecast for the period ending February 2013 (September 1, 2012 to February 28, 2013) and for the period ending August 2013 (March 1, 2013 to August 31, 2013)

Item	Preconditions
Calculation period	17th fiscal period: from September 1, 2012 to February 28, 2013 (181 days) 18th fiscal period: from March 1, 2013 to August 31, 2013 (184 days)
Assets under management	<ul style="list-style-type: none"> It is assumed that there will be 19 properties which FRC owned as of August 31, 2012. In practice, they may fluctuate due to changes in assets under management.
Number of investment units issued	<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 2013.
Interest-bearing debt and refinancing	<ul style="list-style-type: none"> The balance of interest-bearing debt outstanding on August 31, 2013 is expected to total 72,100 mm yen, a decrease of 1,250 mm yen from the end of the current period (August 31, 2012). The loan-to-value ratio (interest-bearing debt ÷ total assets × 100) is expected to stand at around 45.5% (as of August 31, 2012, the loan-to-value ratio stands at 46.0%). In the period ending February 2013, FRC refinanced long-term debt totaling 2,600 mm yen that became due for repayment in September 2012 into long-term debt. Moreover, it is assumed that FRC will repay a total of 1,100 mm yen in short-term debt and refinance long-term debt totaling 9,500 mm yen that will become due for repayment in February 2013 into long-term debt. In the period ending August 2013, it is assumed that FRC will refinance long-term debt of 600 mm yen that will become due for repayment in March 2013 as well as long-term debt of 1,000 mm yen that will become due for repayment in June 2013 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 2013 and August 2013. 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 1,489 mm yen for the period ending February 2013 and 1,505 mm yen for the period ending August 2013. Concerning taxes and other public charges, FRC anticipates 539 mm yen for the period ending February 2013 and 550 mm yen for the period ending August 2013. Concerning depreciation and amortization expenses, FRC anticipates 1,276 mm yen for the period ending February 2013 and 1,287 mm yen for the period ending August 2013.
Non-operating expenses	<ul style="list-style-type: none"> Concerning interest payment and expenses related to financing, FRC anticipates 624 mm yen for the period ending February 2013 and 630 mm yen for the period ending August 2013.
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) 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 29, 2012).

3. Financial Statements

(1) Balance sheets

Account	(thousands of yen)			
	15th fiscal period (as of February 29, 2012)		16th fiscal period (as of August 31, 2012)	
Assets				
Current assets				
Cash and deposits		3,386,507		2,370,735
Cash and deposits in trust		4,768,082		5,293,998
Operating accounts receivable		277,337		311,075
Prepaid expenses		274,218		308,190
Consumption taxes receivable		—		91,789
Deferred tax assets		19		346
Others		12,162		22,346
Total current assets		8,718,329		8,398,481
Noncurrent assets				
Property, plant and equipment				
Buildings in trust, net	66,859,921		70,749,251	
Aggregate of accumulated depreciation	(10,992,802)	55,867,119	(12,115,804)	58,633,447
Structures in trust, net	1,105,256		1,132,278	
Aggregate of accumulated depreciation	(292,831)	812,425	(318,392)	813,885
Machinery and equipment in trust, net	351,944		427,028	
Aggregate of accumulated depreciation	(133,265)	218,679	(147,112)	279,916
Tools and fixtures in trust, net	1,072,411		1,108,673	
Aggregate of accumulated depreciation	(567,688)	504,722	(634,583)	474,090
Lands in trust		87,057,619		88,615,021
Construction in progress in trust		215,660		10,711
Total property, plant and equipment		144,676,226		148,827,072
Intangible assets				
Leasehold right in trust		1,765,318		1,765,318
Other intangible assets in trust		21,040		21,639
Total intangible assets		1,786,358		1,786,957
Investment and other assets				
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		100,000		100,000
Long-term prepaid expenses		484,124		465,396
Total investment and other assets		594,124		575,396
Total noncurrent assets		147,056,709		151,189,427
Deferred assets				
Investment unit issuance expenses		17,915		13,436
Total deferred assets		17,915		13,436
Total assets		155,792,953		159,601,345

Account	(thousands of yen)			
	15th fiscal period (as of February 29, 2012)		16th fiscal period (as of August 31, 2012)	
Liabilities				
Current liabilities				
Operating accounts payable		543,922		881,730
Short-term debt		500,000		1,100,000
Current maturities of long-term debt		18,250,000		13,850,000
Account payable-other		15,822		66,822
Accrued expenses		301,798		314,557
Income taxes payable		944		5,527
Accrued consumption taxes		150,990		—
Advances received		794,980		837,959
Deposits received		671,675		1,066,179
Total current liabilities		21,230,134		18,122,777
Noncurrent liabilities				
Long-term debt payable		50,675,000		58,400,000
Tenant leasehold and security deposits		331,545		305,592
Tenant leasehold and security deposits received in trust		12,333,382		11,602,709
Total noncurrent liabilities		63,339,927		70,308,302
Total liabilities		84,570,061		88,431,079
Net assets				
Net Assets				
Shareholders' capital		69,177,628		69,177,628
Surplus				
Unappropriated surplus		2,045,264		1,992,637
Total surplus		2,045,264		1,992,637
Total Net Assets		71,222,892		71,170,265
Total net assets		71,222,892		71,170,265
Total liabilities and net assets		155,792,953		159,601,345

(2) Statements of income

(thousands of yen)

Account	15th fiscal period (September 1, 2011 to February 29, 2012)		16th fiscal period (March 1, 2012 to August 31, 2012)	
1. Operating revenues				
Rent revenues- real estate	6,682,912		6,596,812	
Other rental revenues-real-estate	249,029	6,931,942	497,427	7,094,239
2. Operating expenses				
Expenses related to rent business	3,757,328		3,964,116	
Asset management fees	413,246		421,505	
Asset custody fees	5,805		5,874	
Administrative service fees	46,049		48,938	
Director's compensations	9,600		9,600	
Bad debt expenses	575		1,006	
Other operating expenses	61,912	4,294,518	47,757	4,498,799
Operating income		2,637,423		2,595,440
3. Non-operating revenues				
Interest received	744			753
Refund of property taxes and city planning taxes	—			84,414
Appropriation of balance related to amended return	—			12,876
Others	2,705	3,449	454	98,499
4. Non-operating expenses				
Interest payment	474,736		510,860	
Amortization of investment unit issuance expenses	4,478		4,478	
Financing related expenses	115,350		124,597	
Others	—	594,565	48,664	688,601
Ordinary income		2,046,307		2,005,338
Net income before income taxes		2,046,307		2,005,338
Income taxes-current	1,092		5,676	
Income taxes based on amended return	—		7,400	
Income taxes-deferred	0	1,093	(326)	12,751
Net income		2,045,214		1,992,587
Retained earnings brought forward		50		50
Unappropriated retained earnings		2,045,264		1,992,637

(3) Statement of changes in net assets

15th fiscal period (September 1, 2011 to February 29, 2012)

(thousands of yen)

Item	Net Assets			Total net assets
	Shareholders' capital	Retained earnings	Total Net Assets	
		Unappropriated retained earnings		
Balance as of September 1, 2011	69,177,628	2,082,302	71,259,930	71,259,930
Changes in the current fiscal period				
Dividend of retained earnings	—	(2,082,252)	(2,082,252)	(2,082,252)
Net income	—	2,045,214	2,045,214	2,045,214
Total of changes in the current fiscal period	—	(37,037)	(37,037)	(37,037)
Balance as of February 29, 2012	69,177,628	2,045,264	71,222,892	71,222,892

16th fiscal period (March 1, 2012 to August 31, 2012)

(thousands of yen)

Item	Net Assets			Total net assets
	Shareholders' capital	Retained earnings	Total Net Assets	
		Unappropriated retained earnings		
Balance as of March 1, 2012	69,177,628	2,045,264	71,222,892	71,222,892
Changes in the current fiscal period				
Dividend of retained earnings	—	(2,045,214)	(2,045,214)	(2,045,214)
Net income	—	1,992,587	1,992,587	1,992,587
Total of changes in the current fiscal period	—	(52,626)	(52,626)	(52,626)
Balance as of August 31, 2012	69,177,628	1,992,637	71,170,265	71,170,265

(4) Dividend statement

Account	15th fiscal period (September 1, 2011 to February 29, 2012)	16th fiscal period (March 1, 2012 to August 31, 2012)
I. Unappropriated retained earnings	2,045,264 thousand yen	1,992,637 thousand yen
II. Total	2,045,214 thousand yen	1,992,548 thousand yen
(Dividend per investment unit)	(16,621 yen)	(16,193 yen)
III. Retained earnings brought forward	50 thousand yen	89 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 2,045,214 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 1,992,548 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)	
	15th fiscal period (September 1, 2011 to February 29, 2012)	16th fiscal period (March 1, 2012 to August 31, 2012)
I. Net cash provided by (used in) operating activities		
Net income before income taxes	2,046,307	2,005,338
Depreciation and amortization expenses	1,177,245	1,242,487
Amortization of investment unit issuance expenses	4,478	4,478
Interest received	(744)	(753)
Interest payment	474,736	510,860
Decrease (increase) in operating account receivables	81,947	(33,737)
Decrease (increase) in consumption taxes receivable	451,247	(91,789)
Increase (decrease) in accrued consumption taxes	150,990	(150,990)
Increase (decrease) in operating account payable	(50,262)	141,740
Increase (decrease) in account payable-other	2,342	49,678
Increase (decrease) in accrued expenses	2,947	3,060
Increase (decrease) in advances received	(51,015)	42,979
Increase (decrease) in deposits expenses	(277,815)	394,504
Decrease (increase) in prepaid expenses	37,887	(33,972)
Decrease (increase) in long-term prepaid expenses	48,976	18,727
Others, net	9,261	24,220
Subtotal	4,108,532	4,126,833
Interest income received	744	753
Interest expenses paid	(472,101)	(501,162)
Income taxes paid	(900)	(8,922)
Income taxes refund	41,374	426
Net cash provided by (used in) operating activities	3,677,649	3,617,928
II. Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment in trust	(841,554)	(5,229,355)
Purchase of intangible assets in trust	(5,606)	(3,368)
Proceeds from tenant leasehold and security deposits	120	—
Repayments of tenant leasehold and security deposits	(90)	(25,952)
Proceeds from tenant leasehold and security deposits in trust	473,209	158,363
Repayment of tenant leasehold and security deposits in trust	(192,577)	(889,035)
Proceeds from restricted trust deposits	—	2,362
Payments for restricted trust deposits	—	(29,392)
Net cash provided by (used in) investment activities	(566,499)	(6,016,378)
III. Net cash provided by (used in) financial activities		
Increase in short-term debt payable	17,000,000	8,600,000
Decrease in short-term debt payable	(21,000,000)	(8,000,000)
Proceeds from long-term debt payable	5,500,000	9,400,000
Repayment of long-term debt payable	(1,575,000)	(6,075,000)
Dividends paid	(2,078,755)	(2,043,437)
Net cash provided by (used in) financial activities	(2,153,755)	1,881,562
IV. Net increase (decrease) in cash and cash equivalents	957,395	(516,887)
V. Balance of cash and cash equivalents at beginning of period	7,197,195	8,154,590
VI. Balance of cash and cash equivalents at end of period	8,154,590	7,637,703

(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 29, 2012).

(8) Notes to financial statements

FRC omits the disclosure of notes to balance sheets, statements of income (except for certain part), 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.

(Notes to the Statements of Income)

15th fiscal period (September 1, 2011 to February 29, 2012)	16th fiscal period (March 1, 2012 to August 31, 2012)
—	The “Appropriation of balance related to amended return” in the Statements of Income represents the tax payment amount, etc. incurred as a result of the amended return for income taxes and the increased amount in income taxes for the current fiscal period, both of which were paid by Fukuoka Realty Co., Ltd. based on the asset management agreement with FRC. This matter causes no impact on the dividend payment for the 16th fiscal period.

(Per unit information)

15th fiscal period (September 1, 2011 to February 29, 2012)	16th fiscal period (March 1, 2012 to August 31, 2012)
Net assets per investment unit: 578,812 yen Net income per investment unit: 16,621 yen	Net assets per investment unit: 578,384 yen Net income per investment unit: 16,193 yen
Net income per investment unit is calculated by dividing net income by the weighted average number of investment units outstanding during the fiscal period.	Net income per investment unit is calculated by dividing net income by the weighted average number of investment units 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	15th fiscal period (September 1, 2011 to February 29, 2012)	16th fiscal period (March 1, 2012 to August 31, 2012)
Net income (thousands of yen)	2,045,214	1,992,587
Amount not attributable to common shareholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	2,045,214	1,992,587
Average number of investment units during the fiscal period (units)	123,050	123,050

(Significant subsequent events)

16th fiscal period (March 1, 2012 to August 31, 2012)
No relevant items

(9) Change in the number of investment units outstanding

No relevant items

4. Change in Directors

(1) Change in directors in FRC

No relevant items

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

Masayasu Saki	Appointed to Chairman (as of June 25, 2012)
Etsuo Matsuyuki	Appointed to CEO and Representative Director (as of June 25, 2012)
Seiji Yagi	Newly appointed to Director (part-time) (as of June 25, 2012)
Kenji Tsugami	Newly appointed to Director (part-time) (as of June 25, 2012)
Yasumichi Hinago	Resigned from Director (part-time) (as of June 25, 2012)

Officers of Fukuoka Realty Co., Ltd. as of October 10, 2012 are listed below.

(as of October 10, 2012)

Title	Name	Career Summary		Number of units owned
Chairman	Masayasu Saki	April 1969 April 1985 June 1987 June 1992 June 1996 June 1998 November 1999 November 2000 July 2003 April 2006 June 2006 July 2006 June 2012 June 2012	Joined The Nippon Fudosan Bank, Limited. (Currently, Aozora Bank, Ltd.) Appointed Vice Branch Manager, London Branch Appointed President of Nippon Credit International (securities company as British subsidiary) Appointed member of the Board and General Manager of Tokyo Branch, The Nippon Credit Bank, Ltd. (currently, Aozora Bank, Ltd.) Appointed Executive Director Appointed Senior Managing Director Appointed Director at CSK K.K. Appointed Senior Executive Officer at Sanyo Shinpan Finance Co., Ltd. (currently, SMBC Consumer Finance Co., Ltd.) Appointed CEO of Fitch Ratings Japan Appointed Advisor of Fukuoka Realty Co., Ltd. Appointed CEO of Fukuoka Realty Co., Ltd. Appointed CEO & Representative Director of Fukuoka REIT Corporation (current position) Appointed outside director at Hasegawa Co., Ltd. (current position) Appointed Chairman of Fukuoka Realty Co., Ltd. (current position)	0
CEO & Representative Director	Etsuo Matsuyuki	April 1980 June 2004 April 2005 July 2006 July 2009 August 2010 June 2011 January 2012 June 2012	Joined Japan Development Bank (currently Development Bank of Japan) Appointed Manager, Human Resources Division Appointed General Manager, Management Division Seconded to Fukuoka Jisho Co., Ltd. Appointed to Deputy General Manager, Development Business Group Joined Fukuoka Jisho Co., Ltd. Appointed Executive Officer and Deputy General Manager, Development Business Group and General Manager, Building Division Appointed Executive Officer and General Manager, Accounting & Finance Division and in charge of General Affairs Division and Finance Division Appointed Managing Director and Head of Planning Dept., Fukuoka Realty Co., Ltd. Appointed Managing Director and Executive Officer, Fukuoka Jisho Co., Ltd. Appointed CEO & Representative Director, Fukuoka Realty Co., Ltd. (current position)	0
Managing Director and Head of Planning Dept.	Yoichi Nishio	April 1985 September 2005 July 2008 January 2009 June 2011 June 2012	Joined The Nippon Credit Bank, Ltd. (currently, Aozora Bank, Ltd.) Appointed General Manager, Real Estate Finance Division Appointed Senior Vice President, New City Corporation Appointed Managing Director and Head of Finance Department, Fukuoka Realty Co., Ltd. Appointed Managing Director Appointed Managing Director and Head of Planning Dept. (current position)	0

Director (part-time)	Hiroshi Shimuta	October 2000 December 2003 April 2004 April 2005 June 2007 June 2007	Registered as attorney in law Appointed Auditor, Fukuoka Realty Co., Ltd. Appointed Head of Compliance Office Appointed Head of Compliance Dept. Joined Nishimura Tokiwa Law Office (currently, Nishimura Asahi Law Office) (current position) Appointed Director, Fukuoka Realty Co., Ltd.	0
Director (part-time)	Seiji Yagi	April 1968 June 1991 June 1996 June 1998 June 2001 July 2002 August 2002 August 2003 August 2011 June 2012	Joined The Nippon Fudosan Bank, Limited. (currently, Aozora Bank, Ltd.) Appointed Director Appointed Managing Director Joined Fukuoka Jisho Co., Ltd. Joined Fukuoka City Bank, Co., Ltd. (currently, The Nishi-Nippon City Bank, Ltd.) Appointed Director Joined Fukuoka Jisho Co., Ltd. Appointed Senior Managing Director Appointed President & Representative Director Appointed Vice Chairman & Director (current position) Appointed Director, Fukuoka Realty Co., Ltd. (current position)	0
Director (part-time)	Kenji Tsugami	April 1973 June 1999 November 2000 July 2001 July 2002 June 2007 June 2009 June 2010 July 2010 June 2012 June 2012	Joined The Industrial Bank of Japan, Limited Appointed General Manager, Eighth Marketing Division Joined Kyushu Electric Power Co., Inc. Appointed Group Manager, Overseas Business Group, Business Development Division Appointed Supervising Group Manager, Overseas Business Group, Business Development Division Appointed General Manager, Overseas Business Division Appointed Executive Officer and Branch Manager, Fukuoka Branch Appointed Director, Managing Executive Officer and General Manager, Business Development Division and General Manager, Telecommunications Division Appointed Director, Managing Executive Officer and General Manager, Business Development Division Appointed Director, Managing Executive Officer and General Manager, International Business Division Appointed Director, Fukuoka Realty Co., Ltd. (current position) Appointed Vice President & Representative Director, Kyushu Electric Power Co., Inc. (current position)	0
Auditor (part-time)	Masanori Tasaka	April 1978 August 2000 July 2003 October 2004 April 2005 April 2006 June 2006	Joined Fukuoka Sogo Bank, Ltd. (currently, The Nishi-Nippon City Bank, Ltd.) Appointed Deputy General Manager, Planning Division Appointed General Manager, Planning Division and Head, Risk Supervision Office Appointed Assistant General Manager, General Planning Division Seconded to NCB Management Information Service Co., Ltd. (currently, NCB Research& Consulting Co., Ltd.) Appointed General Manager, Business Alliance Division Appointed Director, Masanori Tasaka Tax & Accounting Office (current position) Appointed Auditor, Fukuoka Realty Co., Ltd. (current position)	0

(Note)Masayasu Saki serves concurrently as Director of Fukuoka Realty Co., Ltd., the asset management company, and CEO & Representative Director of FRC. The concurrent offices were approved by the Commissioner of Financial Services Agency as of June 22, 2006, based on the provisions of Article 13, the Investment Trusts and Investment Corporations Law before it was revised pursuant to the provisions of Article 5, the Law to Partially Revise the Securities and Exchange Law (2006 Law No. 65).

5. Reference Information

(1) Investment situation

(as of August 31, 2012)

Type of asset	Purpose	Location (Note 1)	Total value of properties held (mm of yen) (Note 2)	Percentage of total assets (%) (Note 3)
Real estate in Trust	Retail	Fukuoka urban area	66,875	41.9
		Other Kyushu areas	36,138	22.6
	Office building	Fukuoka urban area	40,501	25.4
		Other Kyushu areas	—	—
	Others	Fukuoka urban area	7,088	4.4
		Other Kyushu areas	—	—
Subtotal			150,603	94.4
Deposits and other assets			8,998	5.6
Total amount of assets (Note 4)			159,601 (150,614)	100.0 (94.4)

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, 2012)

	Value on balance sheet (mm of yen)	Percentage of total amount of assets (%)
Total amount of liabilities	88,431	55.4
Total amount of net assets	71,170	44.6

(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, 2012)

Real estate property name	Acquisition value (mm of yen) (Note 1)	Value on balance sheet (mm of yen)	Period-end appraisal value (mm of yen) (Note 2)	Investment ratio (%) (Note 3)	Real estate appraiser
Canal City Hakata	32,000	31,519	32,200	20.8	Tanizawa Sogo Appraisal Co., Ltd.
Canal City Hakata B	28,700	28,853	28,800	18.7	Tanizawa Sogo Appraisal Co., Ltd.
Park Place Oita	15,700	17,115	16,800	10.2	Japan Real Estate Institute
SunLive City Kokura	6,633	6,134	7,410	4.3	Japan Real Estate Institute
Square Mall Kagoshima Usuki	5,300	4,957	4,910	3.4	Japan Real Estate Institute
Kumamoto Intercommunity SC	2,400	2,213	2,440	1.6	Japan Real Estate Institute
AEON Hara Shopping Center	5,410	5,424	4,660	3.5	Japan Real Estate Institute
Hanahata SC	1,130	1,077	1,170	0.7	Tanizawa Sogo Appraisal Co., Ltd.
Kurume Higashi Kushiwara SC	2,500	2,338	2,530	1.6	Tanizawa Sogo Appraisal Co., Ltd.
K's Denki Kagoshima	3,550	3,379	3,400	2.3	Tanizawa Sogo Appraisal Co., Ltd.
Retail subtotal:	103,323	103,014	104,320	67.2	
Canal City Business Center Building	14,600	14,001	14,800	9.5	Tanizawa Sogo Appraisal Co., Ltd.
Gofukumachi Business Center	11,200	10,037	12,800	7.3	Tanizawa Sogo Appraisal Co., Ltd.
Sanix Hakata Building	4,400	4,228	4,720	2.9	Japan Real Estate Institute
Taihaku Street Business Center	7,000	6,834	6,660	4.6	Japan Real Estate Institute
Higashi Hie Business Center	5,900	5,399	6,040	3.8	Tanizawa Sogo Appraisal Co., Ltd.
Office buildings subtotal:	43,100	40,501	45,020	28.0	
Amex Akasakamon Tower	2,060	1,925	1,670	1.3	Daiwa Real Estate Appraisal Co., Ltd.
City House Keyaki Dori	1,111	1,055	1,020	0.7	Daiwa Real Estate Appraisal Co., Ltd.
Aqualia Kego	2,800	2,813	3,250	1.8	Japan Real Estate Institute
Aqualia Chihaya	1,280	1,294	1,390	0.8	Japan Real Estate Institute
Others:	7,251	7,088	7,330	4.7	
Total	153,674	150,603	156,670	100.0	

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

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

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

(b) Summary of the real estate rental business

(as of August 31, 2012)

Real estate property name	Number of tenants (Note 1)	Occupancy rate (%) (Note 3)	Total leasable floor space (m ²)	Total leased floor space (m ²)	Total rental revenues (mm of yen) (Note 4)	Percentage of total rental revenues (%) (Note 5)
Canal City Hakata	1 (21)	79.5	45,975.25	36,568.94	1,009	14.2
Canal City Hakata B (Note 6)	1 (50)	99.6	68,804.89	68,562.77	1,586	22.4
Park Place Oita	1 (106)	99.6	104,917.10	104,547.53	1,099	15.5
SunLive City Kokura	1	100.0	61,450.22	61,450.22	293	4.1
Square Mall Kagoshima Usuki	11	100.0	14,602.59	14,602.59	348	4.9
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	41	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
Retail subtotal:	22 (196) (Note 2)	97.1	346,864.58	336,846.58	4,881	68.8
Canal City Business Center Building	1 (58)	99.3	23,018.60	22,860.28	600	8.5
Gofukumachi Business Center	27	97.2	19,907.79	19,354.58	502	7.1
Sanix Hakata Building	19	100.0	6,293.76	6,293.76	200	2.8
Taihaku Street Business Center	1 (63)	97.0	14,653.97	14,217.00	301	4.2
Higashi Hie Business Center	1 (18)	96.3	13,695.51	13,190.15	339	4.8
Office buildings subtotal:	49 (185) (Note 2)	97.9	77,569.63	75,915.77	1,943	27.4
Amex Akasakamon Tower	1 (63)	93.6	4,821.25	4,511.33	63	0.9
City House Keyaki Dori	1 (36)	85.1	2,710.86	2,307.43	34	0.5
Aqualia Kego	1 (117)	89.9	7,415.36	6,667.28	114	1.6
Aqualia Chihaya	1 (104)	99.3	5,619.69	5,579.76	56	0.8
Others subtotal:	4 (320) (Note 2)	92.7	20,567.16	19,065.80	269	3.8
Total	75 [701] (Note 2)	97.0	445,001.37	431,828.15	7,094	100.0

Note 1: "Number of tenants" is based on the total number of sections stipulated in the tenancy agreements for retail and office buildings among relevant properties. For the number of tenants in pass-through master leasing properties, the number of sections stipulated in the tenancy agreements with end tenants is shown in parentheses. The Taihaku Street Business Center is an office building with a residential tower. Its number of tenants comprises 12 offices and 51 residences.

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 floor space to total leasable floor 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.

Note 6: The calculation base for rents in some lease agreements may include the area of common spaces that are closely related to the exclusive spaces for lease. The figures in the table above include the area of such common spaces. Furthermore, the total leasable floor space is 63,709.60m² when counting only the area of exclusive spaces that can be leased, while the total leased floor space is 63,467.48m² when counting only the contracted area of exclusive spaces indicated in the lease agreements.

(3) Investment target

The disclosure is omitted, since there are no significant changes from the "Investment target" disclosed by the latest securities report (submitted on May 29, 2012).