

Additional Material for the Press Releases announced in March 18, 2021

"Fukuoka REIT Corporation Concludes Agreement to Purchase and Lease a New Property"
"Fukuoka REIT Corporation Concludes Agreement to Dispose Asset and Terminate Lease Agreement"



Fukuoka REIT Corporation

March 18th, 2021

Aim of Asset Replacement

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- Conducted asset replacement based on investment policy changed in March 2019 (lowering the investment ratio of retail facilities and heightening the investment ratio of office buildings)
- Take in medium- to long-term office building market growth in the Tenjin area
- Realize continuous sponsor support
- Capture domestic demand further and contribute to future growth of Canal City Hakata as a whole
- Reduce risks of having a full-service hotel which is largely impacted by COVID-19
- Secure gain on sale by selling at a price above the appraisal value
- Improve stability in dividends

Overview of Asset Replacement

	Asset to be acquired	Asset to be transferred
Property name	Tenjin Nishi-Dori Business Center (Land with leasehold interest)	CANAL CITY Hakata • B Grand Building (88.28% co-ownership interest in Grand Building)
Acquisition / Transfer date (scheduled)	June 1, 2021	
Acquisition / Disposition price (scheduled)	7,700 mm yen	7,700 mm yen
Appraisal value	7,790 mm yen	7,640 mm yen
Book value	—	7,510 mm yen
Difference between disposition price (planned) and book value (Note1)	—	189 mm yen
NOI yield (Note2)	3.5%	—

(Note1) The figures are the difference between the planned disposition price and book value (estimated as of the end of May 31, 2021) and differ from gain (loss) on disposition. The gain (loss) on disposition including expenses for the disposition, etc. is estimated to be 95 million yen.

(Note2) The figure is calculated based on the NOI of the appraisal value.

External Growth Strategy

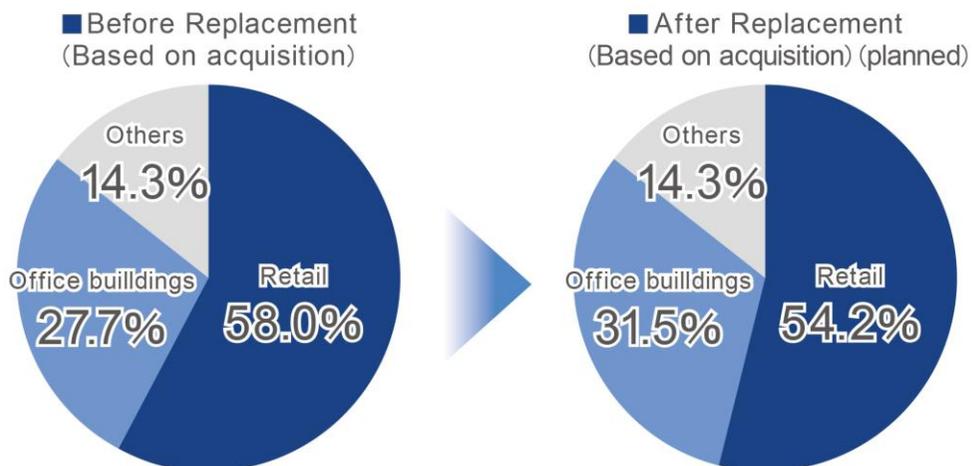
- Aim for asset size of 250 billion yen while striving to disperse risks in each investment type as a general REIT. Continue to flexibly consider property replacements if there are any favorable opportunities
- Continue selective investment mainly in office buildings, logistics and other facilities by utilizing advantage of being a region-specific REIT and sponsor pipeline

◎ Investment Policy (Investment ratios by investment type)

Investment policy changed in March 2019



Portfolio after Asset Replacement (investment ratio by investment type)



Overview of Tenjin Nishi-Dori Business Center (Land with leasehold interest) ①

◎Overview of the Property

Acquisition/Transfer date (scheduled)	June 1, 2021
Acquisition Price	7,700 mm yen
Appraisal value	7,790 mm yen
Seller	Fukuoka Jisho Co., Ltd.(Sponcer)
Location(address)	2-149 Tenjin, Chuo Ward, Fukuoka City, and 4 lots
Number of tenants	1
NOI yield(Note1)	3.5%

(Note1)The figure is calculated based on the NOI of the appraisal value.



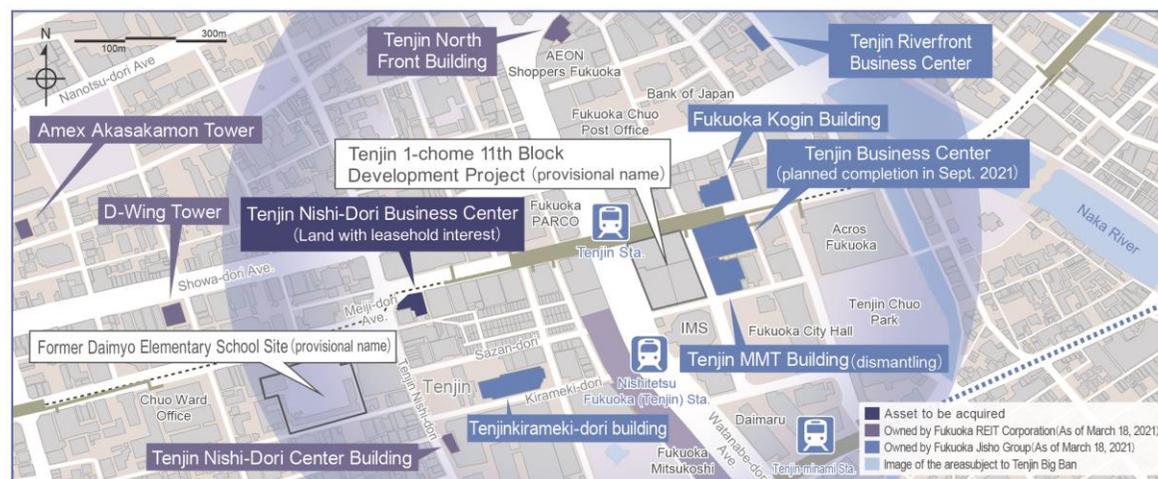
- One-minute walk from Tenjin Station of the Fukuoka City Subway Kuko Line.
- Meiji-dori Avenue runs east-west through the Tenjin area and creates a highly commercial area with many financial institutions located along the street, including headquarters of local financial institutions, branches of major banks, branches of securities firms and the Fukuoka Stock Exchange, as well as retail facilities.
- Located in the Tenjin Big Bang area that has been promoted by Fukuoka City, and going forward, redevelopment using the incentives of the Tenjin Big Bang Bonus is expected.
- Employed land lease agreement so that stable rental income can be obtained from Fukuoka Jisho Co., Ltd., the lessee, even during the redevelopment at the property and a rental income in line with market fluctuations can be obtained after the completion of the redevelopment (construction completion).

◎Average Vacancy Rate (as of February 2021)

Year	2020												2021		year-on-year
	Day	2	3	4	5	6	7	8	9	10	11	12	1	2	
Fukuoka / Tenjin Business District	2.20	1.79	1.96	1.98	2.34	2.56	2.73	2.84	3.13	3.15	3.17	2.82	2.99	▲0.79	
Central Tokyo(5 wards)	1.49	1.50	1.56	1.64	1.97	2.77	3.07	3.43	3.93	4.33	4.49	4.82	5.24	▲3.75	

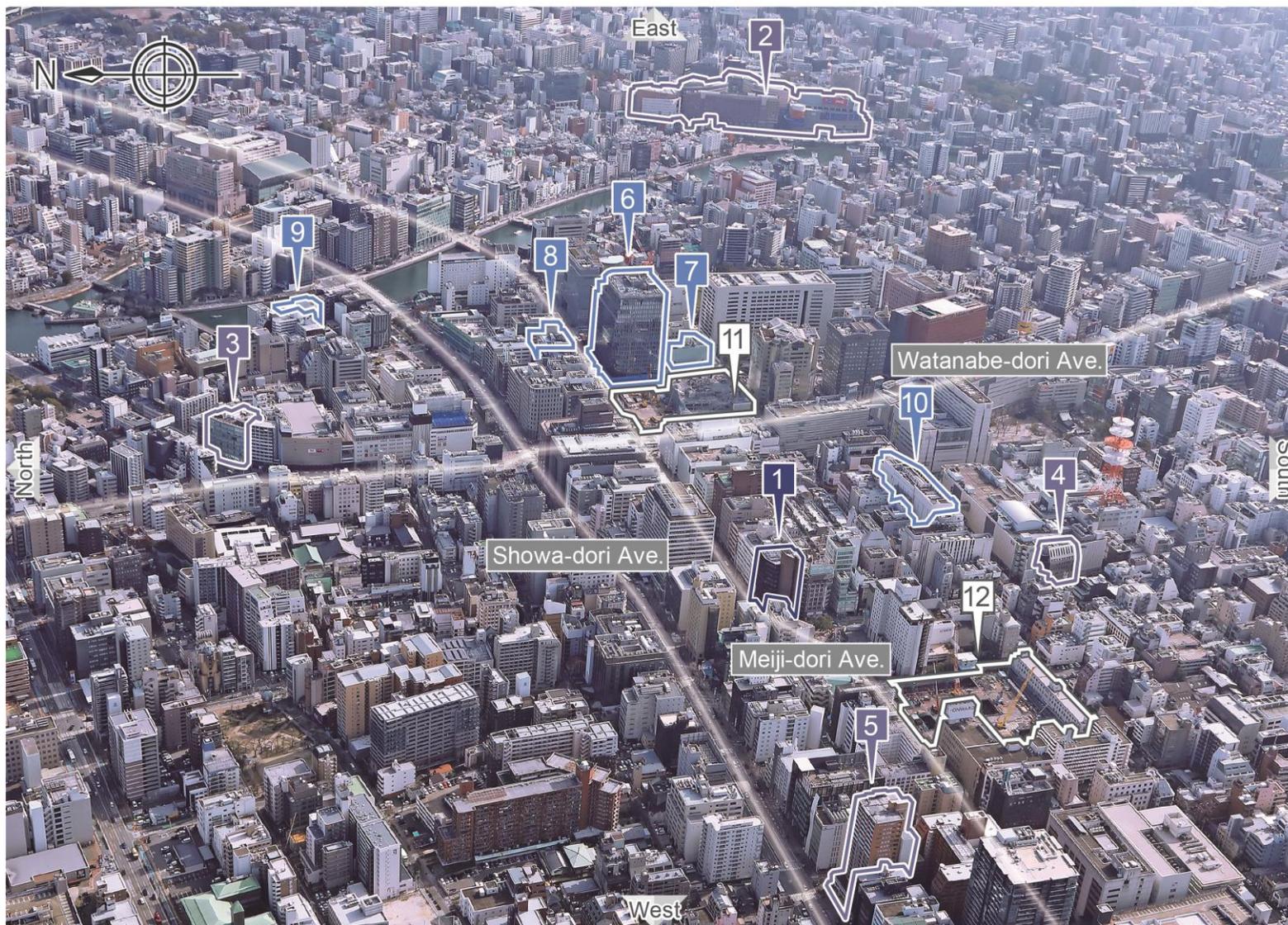
(unit:%)

Source: Prepared by Fukuoka Realty Co., Ltd. based on data from "Office Market Data" Miki Shoji Co., Ltd.



Overview of Tenjin Nishi-Dori Business Center (Land with leasehold interest) ②

©Aerial photography of Tenjin Area



Asset to be acquired

- 1 Tenjin Nishi-Dori Business Center (Land with leasehold interest)

Properties owned by Fukuoka REIT Corporation

- 2 Canal City Hakata as a whole
- 3 Tenjin Northfront Building
- 4 Tenjin Nishi-Dori Center Building
- 5 D-Wing Tower

Properties owned by Fukuoka Jisho Group

- 6 Tenjin Business Center (planned completion in Sept. 2021)
- 7 Tenjin MMT Building (dismanting)
- 8 Fukuoka Kogin Building
- 9 Tenjin Riverfront Business Center
- 10 Tenjinkirameki-dori building

Other development projects

- 11 Tenjin 1-chome 11th Block Development Project (provisional name)
- 12 Former Daimyo Elementary School Site (provisional name)

(As of March 18, 2021)

Overview of Transferred Asset and Canal City Hakata

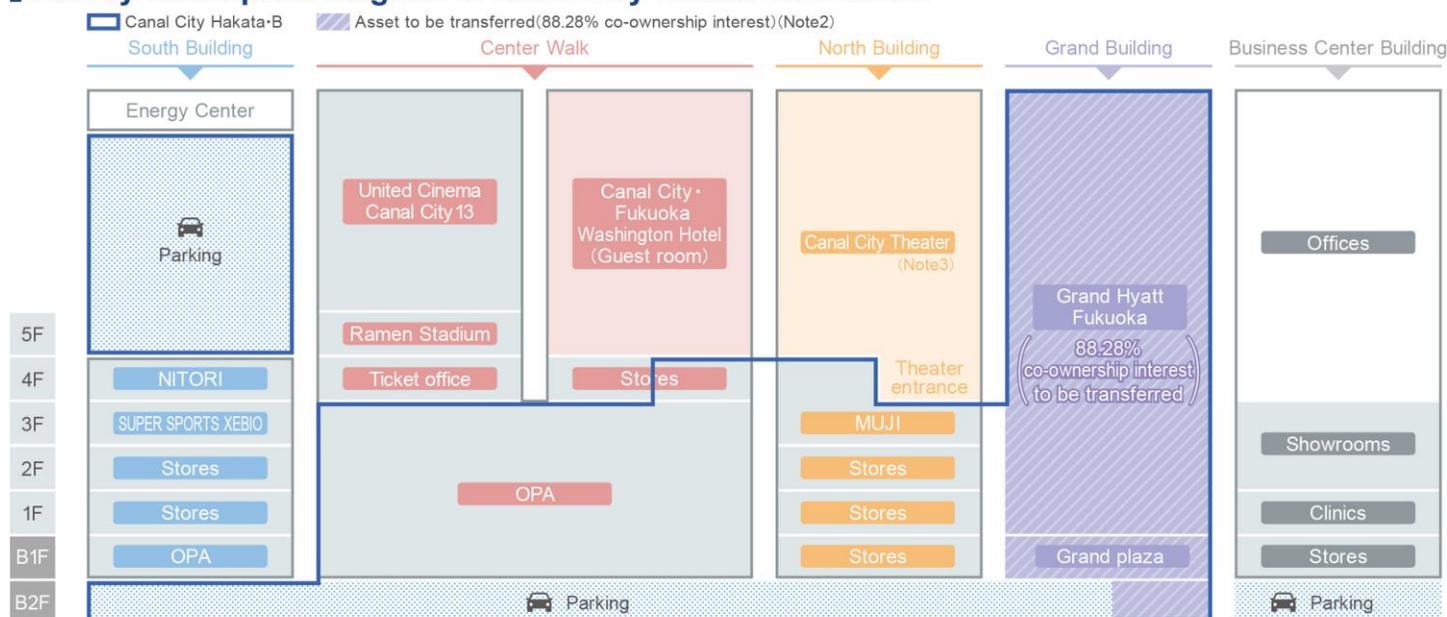
Overview of CANAL CITY Hakata・B Grand Building (88.28% co-ownership interest in Grand Building)

Acquisition/ Transfer date (scheduled)	June 1, 2021
Disposition price (scheduled)	7,700 mm yen
Appraisal value	7,640 mm yen
Book value	7,510 mm yen
Difference between disposition price (planned) and book value (Note1)	189 mm yen
Buyer	Hoshino Resorts REIT, Inc.
Location (address)	1-2-82 Sumiyoshi, Hakata Ward, Fukuoka City

(Note1) The figures are the difference between the planned disposition price and book value (estimated as of the end of May 31, 2021) and differ from gain (loss) on disposition. The gain (loss) on disposition including expenses for the disposition, etc. is estimated to be 95 million yen.

- Implemented disposition of asset to lower the investment ratio of retail facilities based on the change in investment policy.
- FRC has considered various options including renewal of floors that are not accommodation-category floors, stabilizing earnings through change of use, as well as transfers while engaging in dialogue with its tenants, but as there was an offer to acquire the property from Hoshino Resorts REIT, Inc., the buyer, for some time, and upon comprehensively considering that the transfer would lead to medium- to long-term stability of the portfolio and that the transfer to Hoshino Resorts Group is expected to increase demand from domestic customers as well as other factors, FRC decided to dispose the property based on the judgement that it would lead to the maximization of unitholder value over the medium to long term.
- After the disposition, FRC will cooperate with Hoshino Resorts REIT, Inc. to maximize the synergistic effects of the commercial facilities and the office portion owned by FRC and work to revitalize Canal City Hakata as a whole.
- Fukuoka Jisho Group and Hoshino Resorts Group has concluded a basic agreement on collaboration, and further development and continuous value enhancement of Canal City Hakata can be expected.

Facility Conceptual Diagram of Canal City Hakata as a whole

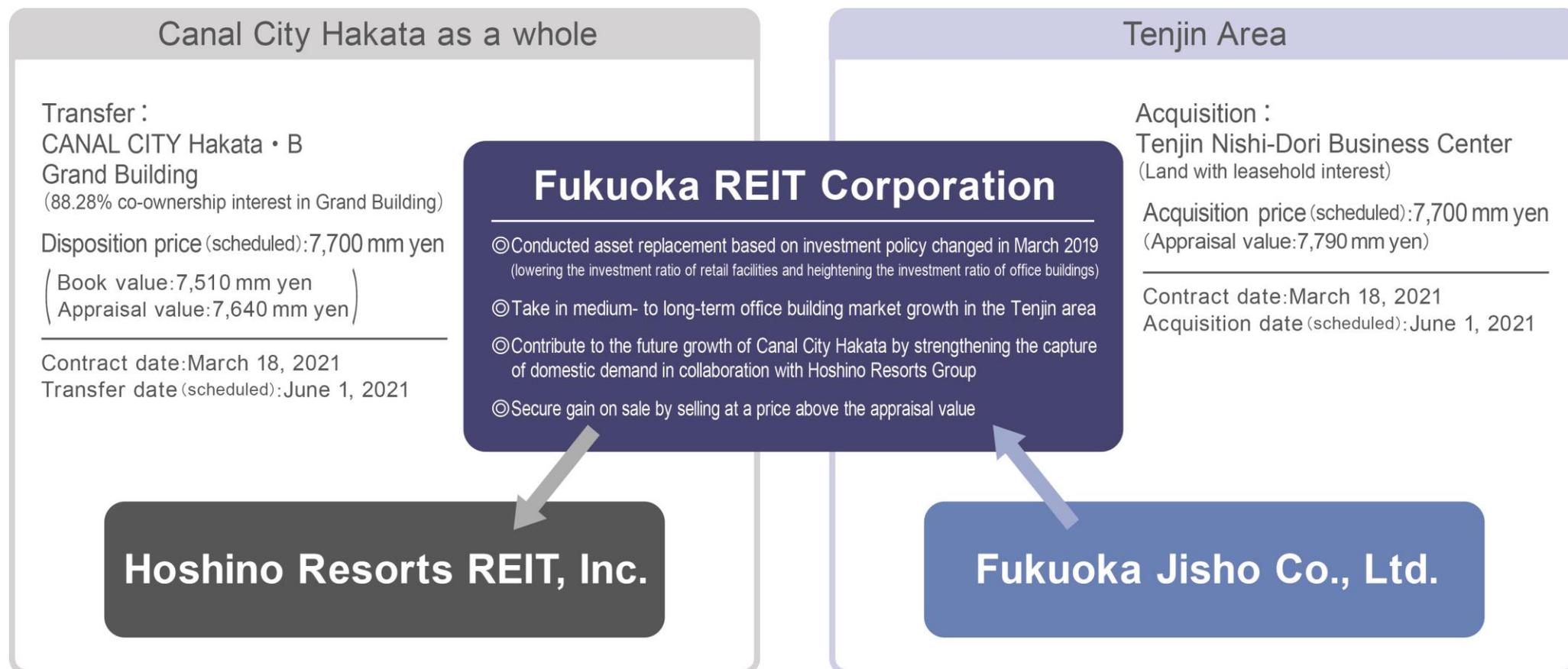


(Note2) After the Disposition, the income and expenditure will belong to Hoshino Resorts REIT, Inc., the buyer, excluding the first floor below ground which the current sublessee as of the date of this press release, FJ Entertainment Works Co., Ltd. operates as Grand Hyatt Fukuoka, in Grand Building.

(Note3) Fukuoka REIT does not own Canal City Theatre in the North Building and has no plan to acquire it as of the date of this press release.

*The facility conceptual diagram conceptually shows the placement of the buildings as of March 18, 2021, and the shape and area ratio may differ from the current situation.

Overview of Asset Replacement



Fukuoka Jisho Group and Hoshino Resorts Group has concluded a basic agreement on collaboration as of today

Strengthen sponsor commitment further through the recent change in sponsor composition

- ◎ Cooperation for further development and continuous value enhancement of Canal City Hakata
- ◎ Leverage the strengths of both parties and search for opportunities for collaboration in Kyushu and ASEAN Countries

- ◎ Raising ratio of Fukuoka Realty Co., Ltd. shares held by Fukuoka Jisho Co., Ltd. (50% → 55%) (Note)
 - ◎ Enhancement of coordination of pipeline support
- (Note) For details, please refer to "Notice Concerning Change of Shareholders of the Asset Management Company" announced today.

External Growth Initiatives

Continuous External Growth by Actively Leveraging Our Sponsor Support

	the 32nd fiscal period (March 1, 2020-August 31, 2020)		
Asset to be acquired	Office buildings	Logistics	Retail
Property Name	Higashi Hie Business Center III	LOGICITY Wakamiya	Home Plaza NAFCO at Park Place Oita
Acquisition price (scheduled)	3,290 mm yen	1,700 mm yen	990 mm yen
Source	Sponcer	Outside party	Sponcer

Asset Replacement
Office buildings
Tenjin Nishi-Dori Business Center (Land with leasehold interest)
7,700 mm yen
Sponcer

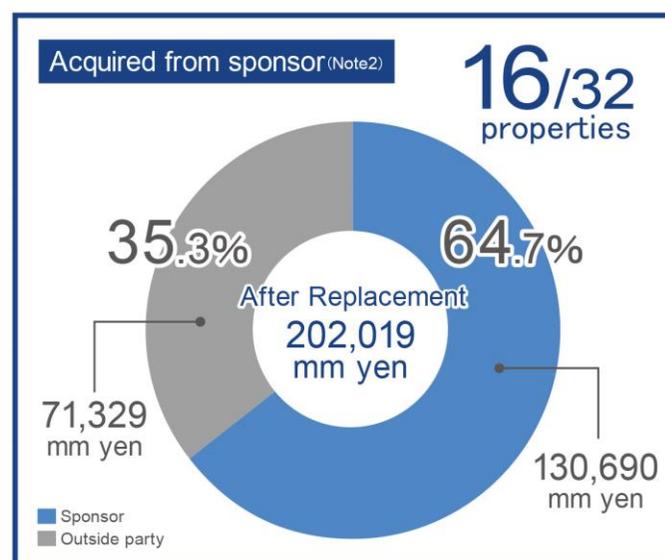
Sponsor pipelines

©Real estate development by the Fukuoka Jisho Co., Ltd.

- Join a number of redevelopment projects in the Tenjin area
- This time, the number of redevelopment projects in the Hakata area is expected to increase
- Scheduled to continue development of logistics facilities after the development of first logistics facility in September 2020
- Enhancement of coordination of pipeline support by raising ratio of Fukuoka Realty shares held by Fukuoka Jisho Co., Ltd.

(Note1) For details, please refer to "Notice Concerning Change of Shareholders of the Asset Management Company" announced today.

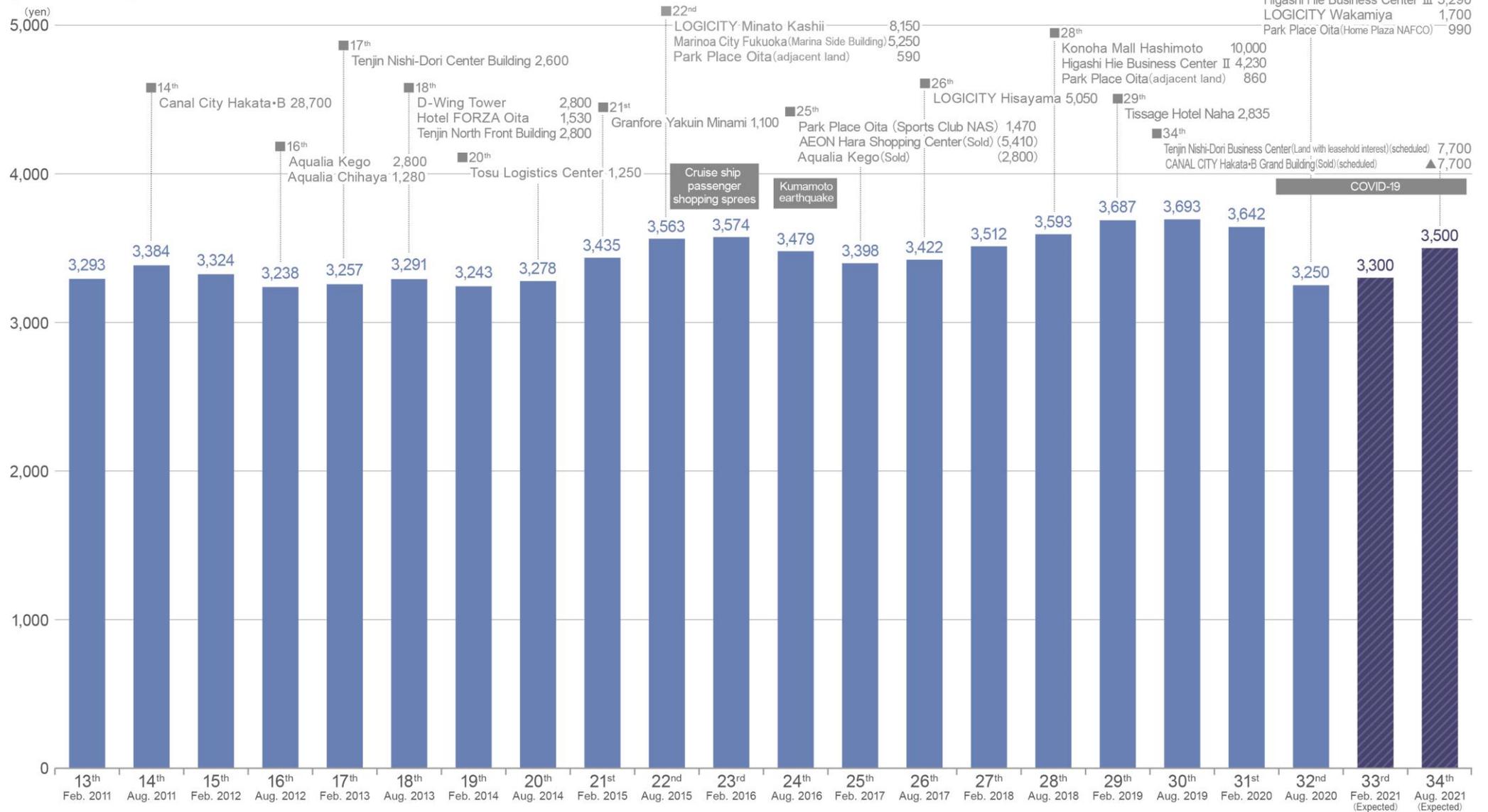
(Note2) Because the Higashi Hie Business Center that was acquired in the 10th FP, August 31, 2009, was acquired from both outside parties and sponsors, the purchase price has been added to the purchase prices from outside parties and the purchase prices from sponsors after calculation on a per capita basis. Furthermore, with regard to the number of properties, one property has been added to the number of properties acquired from sponsors.



Asset to be transferred	Retail
Property Name	CANAL CITY Hakata • B Grand Building (88.28% co-ownership interest in Grand Building)
Disposition price (scheduled)	7,700 mm yen
Buyer	Outside party

Dividend's track record

Dividend per unit



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■ Contact



Fukuoka REIT Corporation / Finance Department e-mail: info@fr-net.co.jp