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 (Securities Code: 8968)

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### Fukuoka REIT Corporation Concludes Agreement to Dispose Asset and Terminate Lease Agreement

Fukuoka REIT Corporation (FRC) announces that Fukuoka Realty Co., Ltd., an asset management company to which the company entrusts the management of its assets, decided to dispose of an asset (the “Disposition”) and terminate a lease agreement today.

#### 1. Summary of Disposition

Property name	Canal City Hakata ・ B Grand Building (Note 1)
Type of the specified asset	Real estate trust beneficiary interest (Note 1)
Disposition price (planned) (Note 2)	7,700 million yen
Book value (Note 3)	7,510 million yen
Appraisal Value	7,640 million yen
Difference between disposition price (planned) and book value	189 million yen
Buyer	Hoshino Resorts REIT, Inc.
Date of contract	March 18, 2021
Date of transfer (planned)	June 1, 2021

(Note1) FRC will dispose of the real estate beneficiary interest of a trust with 88.28% co-ownership interest in Grand Building (1-30-217), one of the compartmentalized buildings, which will be arising by splitting the trust that was established based on the real estate management and disposition trust agreement for Canal City Hakata ・ B. that is effective as of the date of this press release. In addition, Grand Building is the common name of the building, and it is indicated as “Hotel A” in the registry. After the disposition, FRC will be granted by the trustee the right to lease out the first basement floor of the property (as for the format, it will conclude a master lease agreement with the trustee), and FRC plans to lease and outsource the management of the first basement floor to FJ. Entertainment Works Co., Ltd.

(Note2) The price is shown in the amount excluding expenses for the sale, property taxes and city planning taxes,

consumption tax (the “Expenses for the sale”), etc.

(Note3) The book value is estimated as of May 31, 2021.

(Note4) The figures are the difference between the planned disposition price and book value (estimated as of the end of May, 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.

## 2. Reason for Disposition

In terms of Canal City Hakata • B Grand Building (the “Property”), ever since it debuted as Grand Hyatt Fukuoka in 1996 as the first Grand Hyatt brand developed in Japan, it has garnered much support from Japanese and foreign customers. However, taking into consideration the decline in inbound customers and demand fluctuation risks in the banquet, wedding, and food and beverage sectors due to the impact of the spread of the novel coronavirus (COVID-19), FRC has been in conversation with its tenants and has considered various options including renewal of floors that are not accommodation-category floors, stabilizing earnings through change of use, as well as transfer of the Property.

Under these circumstances, because FRC had been asked about its intention on disposition from Hoshino Resorts REIT, Inc., the buyer, from before and upon evaluating the details and comprehensively considering that diversifying investment types (lowering the investment ratio in retail facilities) would disperse risk and that the transfer to Hoshino Resorts REIT, Inc. is expected to increase demand for the Property from domestic customers as Hoshino Resorts Group would be involved in part of the overall management of Canal City Hakata as a whole, 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.

Going forward, FRC will cooperate with Hoshino Resorts Group 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.

However, the funds obtained through the sale will be used to partially fund the acquisition of new properties.

(Note) For an overview of the acquisition of a new property, please refer to “Fukuoka REIT Corporation Concludes Agreement to Purchase and Lease a New Property” announced today.

## 3. Overview of the Property

Property name	Canal City Hakata • B Grand Building (Note 1)	
Type of the specified asset	Real estate trust beneficiary interest (Note 1)	
Acquisition price (planned)	7,700 million yen	
Trustee	Sumitomo Mitsui Trust Bank, Limited	
Date of expiration of the trust agreement period	February 27, 2026	
Location (Address)	2-82 1-Chome, Sumiyoshi, Hakata Ward, Fukuoka City	
Land	Area	223,793/1,000,000 of the 34,363.91 m <sup>2</sup> of co-ownership area (total of one compartmentalized building)
	Zoning	Commercial area
	Type of ownership	Right of site (co-ownership)
Building	Structure/floor	Steel-framed reinforced concrete structure 14

		floors				
	Built	April 15, 1996				
	Total floor area	39,701.27 m <sup>2</sup> (total of one compartmentalized building)				
	Type of ownership	Sectional ownership				
Appraisal value	7,640 million yen (as of February 28, 2021)					
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.					
Collateral after acquisition	None					
Special notations	<ul style="list-style-type: none"> <li>• In accordance with the Disposition, the sublease agreement with FJ. Hotels Co., Ltd. will be terminated as of the date of transfer.</li> <li>• After the Disposition, the income and expenditure will belong to Hoshino Resorts REIT, Inc., the buyer, excluding the first basement floor which the current sublessee as of the date of this press release, FJ. Hotels Co., Ltd., operates as “Grand Hyatt Fukuoka”, in Grand Building.</li> <li>• The beneficiary interest disposition agreement for the Property (hereinafter referred to as the “Disposition Agreement”) falls under the category of forward commitment, etc. (a postdated transaction agreement where the settlement and delivery are to take place one month or more after the conclusion of agreement as well as other similar agreements). In the Disposition Agreement, it is stated that in the event either FRC or the buyer fails to fulfill the obligations of the Disposition Agreement and the affected party demands to fulfill it within a reasonable period of time and the other party fails to fulfill it within the specified period of time, the affected party may cancel the sales agreement only in the event that the Property has not been transferred. In addition, FRC or the buyer will be liable to compensate for damages, etc. suffered by the other party in relation to the breach of the Disposition Agreement, but the compensation amount can only be up to a maximum of 20% of the total sales price.</li> </ul>					
Details of Sublease	Property name	Canal City Hakata • B Grand Building				
	Total number of tenants	8				
	Total leasing revenues (annually)	1,119 million yen (Note 2)				
	Security Deposit and Guaranty	565 million yen (Note 3)				
	Leasable floor space	40,160.45 m <sup>2</sup> (Note 4)				
	Total leased floor space	39,912.86 m <sup>2</sup> (Note 4)				
	Occupancy rate of last 5 years (Note 5)	August, 2016	August, 2017	August, 2018	August, 2019	August, 2020
	99.0%	100.0%	99.9%	100.0%	99.4%	

\* Figures for area of land and total floor area are based on the indications in the registry.

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FRC will be granted by the trustee the right to lease out the first basement floor of the Property (as for the format, it will conclude a master lease agreement with the trustee), and FRC plans to lease and outsource the management of the first basement floor to FJ Entertainment Works Co., Ltd.

(Note2) The figure indicates annual results (rent and common service fee) from September 2019 to August 2020. The figures are rounded down to the nearest million yen.

(Note3) The figure is as of August 31, 2020. The figures are rounded down to the nearest million yen.

(Note4) The leasable floor space is the total floor area of the building, and the total leased space indicates the sum of the contracted spaces designated in the lease agreements concluded as of February 28, 2021.

(Note5) The figure indicates the ratio of the total leased area to the leasable area, and has been rounded to the first decimal place.

#### 4. Overview of Buyer

Name	Hoshino Resorts REIT, Inc.
Location	6-18, 3-chome, Kyobashi, Chuo Ward, Tokyo
Representative title and name	Kenji Akimoto, Executive Director
Nature of business	Manages assets primarily as investments in specified assets
Total investment	102,737 mm yen (as of October 31, 2020)
Established	March 6, 2013
Total assets	105,591 mm yen (as of October 31, 2020)
Total net assets	178,813mm yen (as of October 31, 2020)
Major investors and investing ratio	The Master Trust Bank of Japan, Ltd. (Trust account) 14.66% and others (as of October 31, 2020)
Relationship with FRC and the asset management company	
Capital relationship	There is no relationship to note between the buyer and FRC and the asset management company. There is no relationship to note between the affiliates or affiliated companies of the buyer and the affiliates or affiliated companies of FRC and the asset management company.
Personnel relationship	There is no relationship to note between the buyer and FRC and the asset management company. There is no relationship to note between the affiliates or affiliated companies of the buyer and the affiliates or affiliated companies of FRC and the asset management company.
Business relationship	There is no relationship to note between the buyer and FRC and the asset management company. There is no relationship to note between the affiliates or affiliated companies of the buyer and the affiliates or affiliated companies of FRC and the asset management company.
Related parties or not	The buyer does not fall within the scope of related parties of FRC and the asset management company. The affiliates or affiliated companies of the buyer does not fall within the scope of related parties of FRC and the asset management company.

#### 5. Brokerage

None

#### 6. Form of Payment

The payment to the buyer will be a lump-sum payment upon the scheduled transfer date of the Property (June 1, 2021).

## 7. Transaction with Interested Parties

The transfer is not to a party having special interests with FRC or the asset management company.

## 8. Disposition Schedule

March 18, 2021	Decision of transfer
March 18, 2021	Conclusion of agreement
June 1, 2021	Payment (scheduled)
June 1, 2021	Delivery of the Property (scheduled)

## 9. Outlook

Since the scheduled acquisition date of an asset (Note) and the scheduled transfer date of the Property is June 1, 2021, the acquisition of the asset (Note) and transfer of the Property had no impact on the forecast of performance for the fiscal period ended February 2021 (September 1, 2020 – February 28, 2021), announced in “Earnings Briefing for the Period Ended August 2020” dated October 16, 2020. As the impact on the forecast of performance for the fiscal period ending August 2021 (March 1, 2021 – August 31, 2021) will be minimal, revisions will not be made.

(Note) For an overview of the acquisition of the asset, please refer to “Fukuoka REIT Corporation Concludes Agreement to Purchase and Lease a New Property” announced today.

## 10. Overview of Appraisal Report

Property Name	Canal City Hakata · B Grand Building (Note 1)
Appraisal value	7,640,000 thousand yen
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.
Pricing date	February 28, 2021

Category	Figures	Reasons, etc.
Income Capitalization Approach Value	7,640,000 thousand yen	
Value Calculated Using the Direct Capitalization Method	7,990,000 thousand yen	
Gross Operating Revenue	1,080,915 thousand yen	
Maximum Gross Operating Revenue	1,080,915 thousand yen	Based on the current rent level, etc.
Shortfall Attributed to Vacancies	0 yen	
Operating Expenses	624,178 thousand yen	
Maintenane and Management Fees · PM Fees (Note 2)	430,966 thousand yen	Based on the past fiscal year's figures, etc.
Utilities Expenses	0 yen	
Repair and Maintenance Expenses	43,250 thousand yen	Based on the engineering report and similar cases of other properties.
Taxes and Fees	143,388 thousand yen	Based on the property taxes notice, etc.
Damage Insurances	5,492 thousand yen	
Other Expenses	1,080 thousand yen	
Net Operating Income	456,736 thousand yen	
Profit through Mangement of Temporary Deposits, etc.	5,059 thousand yen	
Capital Expenditure Reserve	86,500 thousand yen	
Net Cash Flow	375,296 thousand yen	
Capitalization Rate	4.7%	
Value through DCF method	7,490,000 thousand yen	
Discount Rate	4.6%	
Termial Cap Rate	4.9%	Assessed in consideration of future uncertainties.
Value through cost method	7,900,000 thousand yen	
Percentage of Leased Land	74.7%	
Percentage of Building	25.3%	

Other matters noted by the appraiser in inconducting appraisal	Not listed
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(Note1) The area that excluding the first basement floor of Canal City Hakata · B Grand Building is subject to evaluate.

(Note2) The reason for indicating Maintenane and Management Fees · PM Fees as a total amount is because separately disclosing the levels of maintenance and management fees and property management fees of the Property may have an impact on other transactions of the providers of maintenance and managemant services and property management services respectively, and may hinder the provision of efficient services to FRC which may result in risks of damaging the interest of FRC's unitholders.

\*Fukuoka REIT Corporation's website is <https://www.fukuoka-reit.jp/en/index.html>