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Provisional translation only



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Fukuoka REIT Concludes Agreement to Purchase a New Logistics Facility

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 acquire the following domestic real estate today.

1. Summary of Acquisition

Property name	Use	Location	Acquisition price (planned)	Acquisition date (planned)
LOGIPORT Island-city Hakata	Logistics facility	2-chome, Minato Kashii, Higashi Ward, Fukuoka City	8,150 million yen	March 27, 2015

2. Reason for Acquisition

FRC invests primarily in retail facilities with excellent design and entertainment qualities and Class A office buildings, focusing on the Fukuoka and Kyushu region. Other than retail facilities and office buildings, FRC also works to acquire properties which, by capitalizing on its community-based strengths to establish appropriate management structures for each property and through other measures, will allow it to secure stable earnings over medium- to long-term periods. By incorporating such properties into its portfolio, FRC intends to pursue risk diversification within the region.

LOGIPORT Island-city Hakata, the property to be acquired, is located in the Island City that lies in the bay area of Higashi Ward, Fukuoka City. Currently, construction of multiple properties including logistics facilities is under way in the neighborhood of the property. In particular, the relocation and improvement project of Fukuoka City's Fresh Produce Market (total floor area of approximately 28,000 tsubos) calls for a plan to open the new market in the area by around the end of fiscal 2015. The establishment of a large-scale relay point for food distribution, on top of other factors, is anticipated to further enhance the use value of the area as a cornerstone for logistics in Fukuoka City.

FRC believes that the acquisition of the property will further enhance the portfolio to secure stable earnings into the future.

3. Details of Property for Acquisition

LOGIPORT Island-city Hakata

(1) Overview of Acquisition

- | | |
|--|---|
| 1) Property to be acquired ^(Note 1) : | Real estate trust beneficiary interest
(Trustee: Sumitomo Mitsui Trust Bank, Limited) |
| 2) Property name: | LOGIPORT Island-city Hakata |
| 3) Acquisition price (planned) ^(Note 2) : | 8,150 million yen |
| 4) Appraisal value: | 8,180 million yen |
| 5) Acquisition CAP ^(Note 3) : | 5.2% |
| 6) Acquisition date (planned): | March 27, 2015 |
| 7) Seller: | Not disclosed (The name is not indicated as no consent to disclosure has been obtained from the seller, which is a domestic special purpose company.) |
| 8) Funding: | Cash on hand ^(Note 4) |
| 9) Payment method: | Lump-sum payment upon delivery |
- *Note 1: Although the property to be acquired is in the form of actual real estate at present, the present owner plans to place it in trust to the trustee and FRC plans the beneficiary interest in the trust.
- *Note 2: The acquisition price (planned) does not include acquisition expenses, amounts equivalent to the settlement of property taxes and city planning taxes, consumption taxes on the building and other expenses.
- *Note 3: Acquisition CAP is calculated by the direct capitalization method: $\text{NCF/planned acquisition value} \times 100$ (%) of the appraisal assessment.
- *Note 4: For the outline of the borrowing, please refer to “Notice on Borrowing of Funds” separately announced today.

(2) Points Valued in Deciding on Acquisition of Property

1) Location conditions

The property is within a radius of 10 kilometers from the central part of Fukuoka City, which is a major consumption area, and is approximately 3 kilometers to the entrance and exit of the Kashiihama Junction (tentative name) on the Fukuoka Urban Expressway Kashii Line, featuring excellent convenience in terms of access to downtown. As it is conveniently located for using the Kyushu Expressway, the property also plays a role as an extensive logistics base covering the entire area centering on northern Kyushu. Moreover, the property is relatively close to Fukuoka Freight Terminal Station of Japan Freight Railway Company, and is within approximately 10 kilometers of Fukuoka Airport. As such, it is believed to have strong superiority as a logistics base.

Furthermore, the traffic convenience of the property is expected to be further enhanced in the future, with the Motorway Island City Line planned to be constructed within the Island City and extended from the Kashiihama Junction (tentative name) on the Fukuoka Urban Expressway Kashii Line to Minato Kashii 1-chome.

At present, the above-mentioned Fresh Produce Market of Fukuoka City as well as multiple warehouses and logistics centers of major companies are being or planned to be constructed in the neighborhood of the property. As such, it is anticipated that there will be a larger concentration of logistics and other facilities in the district going forward.

2) Building facilities, tenants, etc.

With a total floor area of approximately 139,000 tsubos, the property is one of the largest logistics facilities in the Fukuoka area. Built in April 2014, it is also among the relatively new buildings in the area.

The site has four entrances and exits, taking into full account the entering and leaving flow of large vehicles, etc. As a basic structure, the property has double-sided berths on the first floor and is equipped with a slope

for a direct access to the second floor. Thus, it allows for high work efficiency and convenience of transportation comparable to a one-story facility.

Moreover, the property has a raised-floor structure on the first floor and both raised-floor and low-floor structures on the second floor, enabling various methods of cargo handling. It can also provide sufficient storage functions, featuring a floor load of 1.5t/ m², a column core span of 10m to 15m and an effective ceiling height of approximately 6m to 7m under the beam.

3) Overview of Asset to be acquired

Property name	LOGIPORT Island-city Hakata	
Property to be acquired	Real estate trust beneficiary interest	
Term of real estate trust	From March 27, 2015 to March 26, 2035	
Location (address)	3-4, 2-chome, Minato Kashi, Higashi-Ward, Fukuoka City	
Land	Area	43,803.89 m ²
	Zoning	Quasi-industrial area
	Floor area ratio	300%
	Building coverage	70%
	Type of ownership	Ownership
Building	Structure/floor	Steel-framed with zinc-coated steel roof, 2 floors
	Built	April 8 th , 2014
	Total floor area,	Main building: 45,885.65 m ² Annex building: 6.76m ²
	Use	Warehouse, office and guard station
	Type of ownership	Ownership
Appraisal value	8,180 million yen	
Appraiser	The Tanizawa Sogo Appraisal Co., Ltd.	
Collateral	None	
Property manager	Fukuoka Jisho Co.,Ltd	
Earthquake PML (probable maximum loss)	1.3% (based on the assessment by Engineering and Risk Services Corporation, OYO RMS Corporation)	
Special note	<ul style="list-style-type: none"> • The building of the property has some sections where detectors are not installed and the red lights of the automatic fire alarm system have poor visibility. However, it has been agreed with the seller that they shall be corrected under the responsibility and burden of the tenants. • The location of the subject real estate falls under the category of the focused district based on the ordinance for promoting establishment of business facilities by Fukuoka City. If a subsidy for establishing business facilities is granted based on the ordinance, it would provide the grantee to continue business for at least ten years. If the business is suspended or abolished, the decision to grant a subsidy for establishing business facilities shall be cancelled in whole or part by the Mayor of Fukuoka City, and the grantee shall be required to refund the proceeds. 	

*All figures for area, use, structure, etc. are based on the indications on the registry.

*The earthquake PML figure is based on the earthquake risk assessment report by the indicated estimator. The figure is a representation of the reporter's opinion, and does not guarantee the accuracy of its content.

(4) Overview of Building Status Assessment Report

Surveyor	Date of survey report	Urgent and short-term repair and replacement expenses (Note 1)	Long-term repair and replacement expenses (Note 2)
Engineering and Risk Services Corporation	February 13, 2015	—	2 million yen

(Note 1) Urgent and short-term repair and replacement expenses refer to the amount indicated in the report as repair and replacement expenses that will be required urgently or within roughly one year.

(Note 2) Long-term repair and replacement expenses refer to the amount indicated in the report as average repair and replacement expenses for 12 years. The indicated figure has been rounded down to the nearest million yen.

5) Outline of Lease

Total number of tenants	2
Total rental income (annual)	- (Note 1)
Security deposits	- (Note 1)
Leasable area	43,233.72 m ² (Note 3)
Total leased area	43,233.72m ² (Note 3)
Occupancy rate	100.0% (Note 3)

(Note 1) The figure is not disclosed as no consent to disclosure has been obtained from the tenants.

(Note 2) The leasable area indicates the area that can be leased to the end tenants. The total leased area indicates the sum of the areas designated in the lease agreements that have been concluded with the end tenants by March 1, 2015.

(Note 3) The figure indicates the ratio of the total leased area to the leasable area, and has been rounded to the first decimal place.

(Note 4) A 20-year rooftop lease agreement has been concluded with a solar power operator for the purpose of conducting photovoltaic power generation business. As of today, the operator is preparing for the start of the business.

6) Profile of Seller

Profile of the seller is not described as no consent to disclose has been obtained from the seller. Furthermore there are no capital, personal or business relationships to note between the seller and FRC and the asset management company or their related parties and affiliates. In addition, the seller and its related parties or affiliates do not fall under the definition of interested parties of FRC and the asset management company.

7) Profile of Previous Owners

The previous owner of the property does not have any special interest relationship with either FRC or the asset management company.

8) Sales Agent Profile

None

9) Transaction with Interested Parties

None

10) Constructor, Designer and Others

Constructor	Takafuji Corporation
Designer	Takafuji Corporation
Building design office engaged in structural engineering data	Takafuji Corporation
Organization that authorized building construction	Fukuoka City

11) Acquisition Schedule

March 23, 2015:	Decision of acquisition
March 27, 2015:	Conclusion of agreement (planned)
March 27, 2015:	Payment (planned)
March 27, 2015:	Delivery of the property (planned)

4. Outlook

The impact of the transaction on FRC's operating forecast for the fiscal period ending August 2015 (March 1, 2015 – August 31, 2015), which was announced in the “Earnings Briefing for the Period Ended August 2014” dated October 10, 2014 is considered to be minimal, and FRC will not revise the forecast at present.

“Earnings Briefing for the Period Ended February 2015” will be released on April 8th, 2015.

5. Overview of appraisal value

Property Name	LOGIPORT Island-city Hakata	
Appraiser	The Tanizawa Sogo Appraisal Co., Ltd.	
Appraisal value	8,180,000 thousand yen	
Pricing date	February 1 st , 2015	
	Figures	Reasons, etc.
Direct capitalization method		
(1) Operating revenues (①+②)	544,831,000	
① Maintenance and management fees and utility expenses	521,485,000	Appraised based on the market rent level
② Taxes and public charges	23,346,000	Income of utilities expenses
(2) Net Operating income (③+④+⑤+⑥+⑦+⑧+⑨+⑩)	117,057,000	
③ Maintenance and management fees and utility expenses	14,608,000	Based on the lease agreements, etc.
④ Utility expenses	28,534,000	Based on the cases of actual payment, etc.
⑤ Repair and maintenance expenses	1,825,000	Based on the engineering report and similar cases of other properties, etc.
⑥ PM fee	1,800,000	Based on the lease agreements, etc.
⑦ Tenant expenses	4,200,000	Assumes tenant replacement rate of 10.0% annually
⑧ Taxes and fees	63,352,000	Based on the property tax notice, etc.
⑨ Damage insurances	2,193,000	Based on the estimated amount

	⑩ Other expenses	544,000	
(3) Net Operating Income (NOI)		427,774,000	
(4) Gains from management of one-time proceeds		2,520,000	
(5) Capital expenditures		3,650,000	Based on the engineering report and similar cases of other properties, etc.
(6) Net cash flow (NCF)		426,644,000	
(7) Capitalization rate		5.0%	Appraised based on the cap rates of comparable transactions and after considering the marketability of the subject real estate, trends in the real estate investment market, etc. as well as taking into account the situation of discount rates
Income through direct capitalization method ((6) ÷ (7))		8,530,000,000	Appraised by capitalizing net cash flow at the capitalization rate
Value through DCF method		8,030,000,000	
	Discount rate	5.0%	(For the 1st to 10th years)
		5.1%	(For the 11th year and afterward)
	Terminal cap rate	5.2%	
Value through cost method		9,130,000,000	
	Percentage of leased land	55.6%	
	Percentage of building	44.4%	

(Attachments)

Reference 1: External view of the property

Reference 2: Location of the property

Reference 3: Map of FRC's portfolio

Reference 4: List of FRC's portfolio

Reference 1: External view of the property

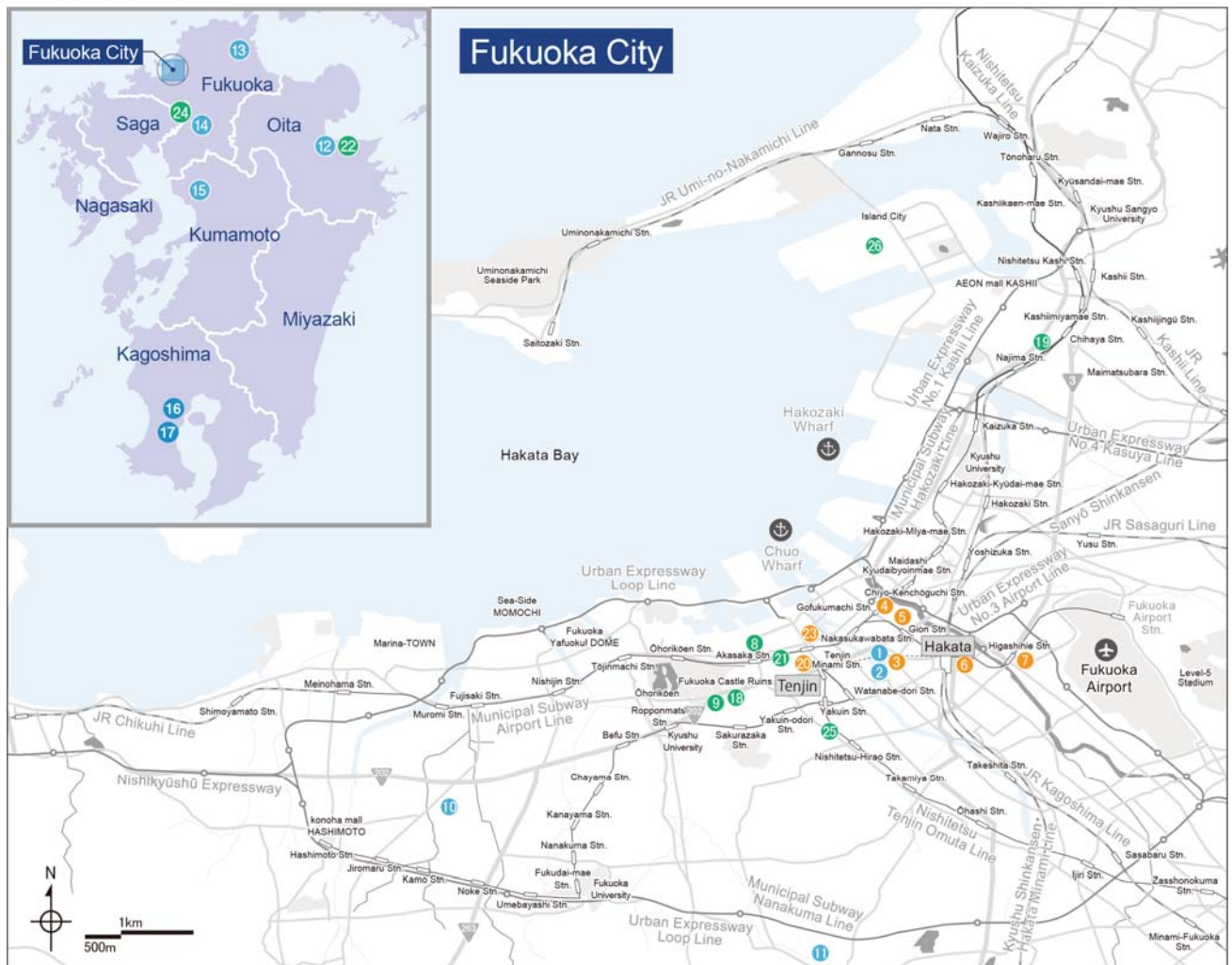


Reference 2: Location of the property



Reference 3: Map of FRC's portfolio

1 Canal City Hakata ■Address : 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City ■Acquisition date : Nov. 9, 2004 ■Acquisition price : 32 bn yen	2 Canal City Hakata•B ■Address : 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City ■Acquisition date : Nov. 9, 2004 ■Acquisition price : 28.7 bn yen	3 Canal City Business Center Building ■Address : 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City ■Acquisition date : Nov. 9, 2004 ■Acquisition price : 14.6 bn yen	4 Gofukumachi Business Center ■Address : Kami Gofukumachi, Hakata Ward, Fukuoka City ■Acquisition date : Nov. 9, 2004 ■Acquisition price : 11.2 bn yen	5 Taihaku Street Business Center ■Address : Gokushomachi, Hakata Ward, Fukuoka City ■Acquisition date : Mar. 16, 2006 ■Acquisition price : 7 bn yen
6 Sanix Hakata Building ■Address : 2-chome, Hakataekihigashi, Hakata Ward, Fukuoka City ■Acquisition date : Sep. 30, 2005 ■Acquisition price : 4.4 bn yen	7 Higashi Hie Business Center ■Address : 3-chome, Higashi-hie, Hakata Ward, Fukuoka City ■Acquisition date : Mar. 13, 2009 ■Acquisition price : 5.9 bn yen	8 Amex Akasakamon Tower ■Address : 2-chome, Maizuru, Chuo Ward, Fukuoka City ■Acquisition date : Sep. 1, 2004 ■Acquisition price : 2 bn yen	9 City House Keyaki Dori ■Address : 2-chome, Kego, Chuo Ward, Fukuoka City ■Acquisition date : Dec. 20, 2007 ■Acquisition price : 1.1 bn yen	10 AEON Hara Shopping Center ■Address : 6-chome, Hara, Sawara Ward, Fukuoka City ■Acquisition date : Mar. 1, 2007 ■Acquisition price : 5.4 bn yen
11 Hanahata SC ■Address : 4-chome, Hanahata, Minami Ward, Fukuoka City ■Acquisition date : Sep. 3, 2007 ■Acquisition price : 1.1 bn yen	12 Park Place Oita ■Address : 2-chome, Koen Dori Nishi, Oita City ■Acquisition date : Nov. 9, 2004 ■Acquisition price : 15.7 bn yen	13 SunLiveCity Kokura ■Address : 2-chome, Kami Kuzuhara, Kokura Ward, Kitakyushu City ■Acquisition date : Jul. 1, 2005 ■Acquisition price : 6.6 bn yen	14 Kurume Higashi Kushiwara SC ■Address : Higashi kushiwara-cho, Kurume City ■Acquisition date : Feb. 1, 2008 ■Acquisition price : 2.5 bn yen	15 Kumamoto Intercommunity SC ■Address : 1-chome, Kozono, Higashi Ward, Kumamoto City ■Acquisition date : Nov. 30, 2006 ■Acquisition price : 2.4 bn yen
16 Square Mall Kagoshima Usuki ■Address : 2-chome, Usuki, Kagoshima City ■Acquisition date : Sep. 28, 2006 ■Acquisition price : 5.3 bn yen	17 K's Denki Kagoshima ■Address : Tokai-cho, Kagoshima City ■Acquisition date : Mar. 27, 2008 ■Acquisition price : 3.5 bn yen	18 Aqualia Kego ■Address : 2-chome, Kego, Chuo Ward, Fukuoka City ■Acquisition date : Mar. 1, 2012 ■Acquisition price : 2.8 bn yen	19 Aqualia Chihaya ■Address : 4-chome, Chihaya, Higashi Ward, Fukuoka City ■Acquisition date : Mar. 1, 2012 ■Acquisition price : 1.2 bn yen	20 Tenjin Nishi-Dori Center Building ■Address : 2-chome, Tenjin, Chuo Ward, Fukuoka City ■Acquisition date : Feb. 1, 2013 ■Acquisition price : 2.6 bn yen
21 D-Wing Tower ■Address : 2-chome, Daimyo, Chuo Ward, Fukuoka City ■Acquisition date : Mar. 1, 2013 ■Acquisition price : 2.8 bn yen	22 Hotel FORZA Oita ■Address : 1-chome, Chuo-machi, Oita City ■Acquisition date : Mar. 1, 2013 ■Acquisition price : 1.5 bn yen	23 Tenjin North-Front Building ■Address : 4-chome, Tenjin, Chuo Ward, Fukuoka City ■Acquisition date : Mar. 28, 2013 ■Acquisition price : 2.8 bn yen	24 Tosu Logistic Center ■Address : Himekatamachi, Tosu-City, Saga ■Acquisition date : Mar. 28, 2014 ■Acquisition price : 1.2 bn yen	25 Granfore Yakuin Minami ■Address : 1-chome, Hirao, Chuo Ward, Fukuoka City ■Acquisition date : Nov. 4, 2014 ■Acquisition price : 1.1 bn yen
26 LOGIPORT Island-City Hakata ■Address : 2-chome, Minatokashi, Chuo Ward, Fukuoka City ■Acquisition date/scheduled : Mar. 27, 2015 ■Acquisition price/scheduled : 8.1 bn yen	<div> ■ Retail ■ Office buildings ■ Others </div> <div>(*)Figures round down to nearest 100mm yen</div>			



Reference 4: List of FRC's portfolio

Use	Property Name	Acquisition Date (planned)	Acquisition Price (planned) (million yen) (Note 1)	Acquisition Cap Rate (NCF basis) (Note 2)	Investment Ratio
Retail	Canal City Hakata	Nov 9, 2004	32,000	6.00%	18.40%
	Park Place Oita	Nov 9, 2004	15,700	6.60%	9.03%
	SunLiveCity Kokura	Jul 1, 2005	6,633	6.60%	3.81%
	Square Mall Kagoshima Usuki	Sep 28, 2006	5,300	6.30%	3.05%
	Kumamoto Intercommunity SC	Nov 30, 2006	2,400	6.50%	1.38%
	Aeon Hara Shopping Center	Mar 1, 2007	5,410	6.80%	3.11%
	Hanahata SC	Sep 3, 2007	1,130	6.40%	0.65%
	Kurume Higashi Kushiwara SC	Feb 1, 2008	2,500	6.10%	1.44%
	K's Denki Kagoshima	Mar 27, 2008	3,550	5.70%	2.04%
	Canal City Hakata・B	Mar 2, 2011	28,700	5.40%	16.50%
Office buildings	Canal City Business Center Building	Nov 9, 2004	14,600	6.30%	8.40%
	Gofukumachi Business Center	Nov 9, 2004	11,200	6.30%	6.44%
	Sanix Hakata Building	Sep 30, 2005	4,400	5.90%	2.53%
	Taihaku Street Business Center	Mar 16, 2006	7,000	6.00%	4.03%
	Higashi Hie Business Center	Mar 13, 2009	5,900	6.00%	3.39%

	Tenjin Nishi-Dori Center Building	Feb 1, 2013	2,600	5.40%	1.50%
	Tenjin North Front Building	Mar 28, 2013	2,800	6.10%	1.61%
Others	Amex Akasakamon Tower	Sep 1, 2006	2,060	5.40%	1.18%
	City House Keyaki Dori	Dec 20, 2007	1,111	5.40%	0.64%
	Aqualia Kego	Mar 1, 2012	2,800	6.30%	1.61%
	Aqualia Chihaya	Mar 1, 2012	1,280	6.80%	0.74%
	D-Wing Tower	Mar 1, 2013	2,800	5.90%	1.61%
	Granfore Yakuin Minami	Nov. 4, 2014	1,100	5.60%	0.63%
	Hotel FORZA Oita	Mar 1, 2013	1,530	6.60%	0.88%
	Tosu Logistics Center	Mar. 28, 2014	1,250	5.90%	0.72%
	LOGIPORT Island-city Hakata	Mar. 27, 2015 (planned)	8,150	5.20%	4.69%
Total or weighted average of all properties		—	173,904	6.10%	100.00%

(Note 1) All figures in the Acquisition Price (planned) column indicate the acquisition price written in the sales agreement between FRC and the seller, and exclude charges, taxes and other expenses.

(Note 2) Figures in the Acquisition Cap Rate column have been calculated by dividing the NCF through the direct capitalization method in the appraisal by the acquisition price (planned).

*This document was distributed to Kabuto Club (press club within the Tokyo Stock Exchange), Press Club for the Ministry of Land, Infrastructure, Transport and Tourism, Construction Trade Paper Press Club for the Ministry of Land, Infrastructure, Transport and Tourism, Fukuoka Economic Press Club, and Fukuoka Securities Finance Press Club

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