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Fukuoka REIT Corporation Concludes Agreement to Purchase and Lease New Properties

Fukuoka REIT Corporation (FRC) announces that Fukuoka Realty Co., Ltd, the asset management company to which FRC entrusts the management of its assets, decided to acquire and lease the following domestic real estate today.

1. Summary of Acquisition

Property name	Use	Location	Acquisition price	Acquisition date
Konoha Mall Hashimoto	Retail	2-chome, Hashimoto, Nishi Ward, Fukuoka City	10,000 mm yen	March 1, 2018
Higashi Hie Business Center II	Office Building	1-chome, Higashi Hie, Hakata Ward, Fukuoka City	4,230 mm yen	

2. Reason for Acquisition and Leasehold

FRC invests primarily in retail properties with excellent design and entertainment qualities and A-class office buildings, focusing on the Fukuoka and Kyushu region. Other than retail properties and office buildings, FRC also works to acquire properties which, by capitalizing on its community-based strengths to establish an appropriate management structure 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.

Konoha Mall Hashimoto, the property to be acquired, stands facing Fukuoka Outer Loop Road (National Route 202) and Urban Expressway 5 and is equipped with parking lots for around 1,500 vehicles. It is directly connected with Hashimoto Station on the Fukuoka City Subway Nanakuma Line via a pedestrian bridge, offering excellent access from the greater Fukuoka area. With over 40% of customers visiting the mall once a week or more, it is a community-based retail facility deeply rooted in people's daily life. Higashi Hie Business Center II boasts excellent accessibility as it is directly connected with Higashi-Hie Station, a station between Hakata Station and Fukuokakuko (Airport) Station on the Fukuoka City Subway Kuko Line. It is a relatively new building with a vibration damping structure, and offers high-grade specifications with energy-saving functions such as recycling of rainwater.

Tenants leasing the properties to be acquired are judged to comply with tenant selection criteria described in "Report on the Management Structure and System of the Issuer of Real Estate Investment Trust Units and Related Parties" submitted on November 28, 2017.

FRC anticipates that the acquisition of the property will contribute to further enhancing its portfolio and securing stable earnings into the future.

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3. Details of Property for Acquisition

A. Konoha Mall Hashimoto

(1) Overview of Acquisition

1) Asset to be acquired (Note 1):	Real estate trust beneficiary interest (Trustee: Sumitomo Mitsui Trust Bank, Limited (planned))
2) Property name:	Konoha Mall Hashimoto
3) Acquisition price (planned) (Note 2):	10,000 million yen
4) Appraisal value:	10,000 million yen (as of December 1, 2017)
5) Acquisition CAP (Note 3):	5.3%
6) Acquisition date (planned):	March 1, 2018
7) Seller:	Fukuoka Jisho Co., Ltd
8) Funding:	Proceeds from issuance of investment units through public offering (Note 4), Borrowings (Note 5), and Cash on Hand
9) Payment method:	Lump-sum payment upon delivery

(Note 1) Although the asset 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 to acquire the beneficiary interest in said 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) The acquisition CAP is calculated by the direct capitalization method: $NCF / \text{The acquisition price (planned)} \times 100$ (%) of the appraisal assessment. It does not include a solar power generating system.

(Note 4) For details, please refer to “Notice on Issuance of New Investment Units” announced today.

(Note 5) For details, please refer to “Notice on Borrowing of Funds” announced today.

(2) FRC evaluated the following points in deciding the acquisition of the property.

1) Location conditions

The property is located in Nishi Ward of Fukuoka City, the western area of which has been under large-scale residential development due to a land readjustment project. It stands facing Fukuoka Outer Loop Road (National Route 202) and Urban Expressway 5 and is directly connected with Hashimoto Station on the Fukuoka City Subway Nanakuma Line via a pedestrian bridge, offering excellent access from the greater Fukuoka area.

The population in the trading areas within 3 km from the property is large at around 205,000, and the population in major trading areas (Nishi Ward, Sawara Ward and Jonan Ward of Fukuoka City) are on the rise, showing an increase of over 35,000 or 6.8% over the 10 years leading up to 2017. Furthermore, the property is a community-based retail facility used by many local residents, as evidenced by over 40% of customers visiting the mall once a week or more.

2) Building facilities, tenants, etc.

Serving as a community-based retail facility deeply rooted in people’s daily life, the property has maintained a strong capability to attract customers by having its core tenant, SunLive, a locally well-known supermarket, as well as “Hashimoto Marche,” a food market focusing on locally produced items. It has a land area of 33,436.55 m² and a total floor area of 79,455.50 m², and holds many events, including annual “radio exercises” during summer holidays and free movie showings at a “garden theater” on the rooftop, showing a steady increase in sales since its opening in 2011.

In addition, in May 2015, the property was awarded the “Community Contribution Award” in the 4th Local Community Contribution SC Awards established by Japan Council of Shopping Centers, and in May 2017, awarded the “CS Award” in the 19th Developers Chosen by Tenants Grand Prize established by Senken Shimbun Co., Ltd. It has also made efforts to pay maximum consideration to the environment, such as through “installation of the largest solar panels for a retail facility in Kyushu” and “cyclic use of well water.”

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(3) Overview of Asset to be Acquired

Property name	Konoha Mall Hashimoto	
Asset to be acquired	Real estate trust beneficiary interest	
Acquisition price (planned)	10,000 mm yen	
Trustee	Sumitomo Mitsui Trust Bank, Limited (planned)	
Term of real estate trust (planned)	From March 1, 2018 to February 28, 2038	
Location (address)	27-2, 2-chome, Hashimoto, Nishi Ward, Fukuoka City	
Land	Area	33,436.55 m ²
	Zoning	Neighborhood commercial area
	Floor area ratio	300%
	Building coverage	80% (90% due to adjustment for corner lot)
	Type of ownership	Ownership and leasehold (Period: 56 years from April 1, 2009)
Building	Structure/floor	Steel-framed with alloy galvanized steel roof, 6 floors
	Built	March 15, 2011
	Total floor area	79,455.50 m ²
	Use	Retail, parking lot
	Type of ownership	ownership
Constructor	Nishimatsu Construction Co., Ltd. Kyushu regional headquarters	
Designer	Nishimatsu Construction Co., Ltd. Kyushu regional headquarters, First-class Architect Office	
Building design office engaged in structural engineering data	Nishimatsu Construction Co., Ltd. Kyushu regional headquarters, First-class Architect Office	
Organization that authorized building construction	JAPAN ERI CO., LTD.	
Appraisal value	10,000 mm yen (as of December 1, 2017)	
Appraiser	The Tanizawa Sogo Appraisal Co., Ltd.	
Collateral	A right of pledge has been established for part of the land and the building with the current owner as debtor. (However, it is to be released before the acquisition.)	
MLPM company	FJ. Entertainment Works Ltd. (planned)	
Earthquake PML	2.0% (based on the assessment by Tokio Marine & Nichido Risk Consulting Co., Ltd.)	
Special note	<ul style="list-style-type: none"> • It has been agreed between the trustee and FJ. Entertainment Works Ltd., the lessee (master lessee), that (a) when the trustee wishes to transfer the property, it shall grant preferential negotiation rights to FJ. Entertainment Works Ltd.; and (b) if FJ. Entertainment Works Ltd. declares its intention to purchase the property for a price that is equal to or more than the sales price planned for the third party when the trustee tries to transfer the property, the company has the preferential right to purchase the property. • Concerning the square and pedestrian passage on the land of the property and the pedestrian bridge connected the building of the property, an agreement on maintenance and management, etc. has been concluded between Fukuoka Jisho Co., Ltd. and Fukuoka City, etc. Accordingly, Fukuoka Jisho Co., Ltd. assumes a certain degree of obligation for maintenance and management, etc. to Fukuoka City, etc., and the trustee is to succeed such obligation upon transfer of the property. • The following findings have been confirmed regarding the building of the property. It has been agreed with the seller that these shall be remedied by the end of February 28, 2018 under the responsibility of and at the expense of the seller. 	

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	• Faulty low-voltage insulation resistant value	
Status of leasing	Number of tenants	1 (127) (Note 1)
	Total rent income (annually)	918 million yen (Note 2)
	Security deposits	791 million yen (Note 3)
	Total leasable area	22,121.04 m ² (Note 4)
	Total leased area	22,121.04 m ² (Note 4)
	Occupancy rate	100.0% (Note 5) (as of October 31, 2017)

*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 appraiser. The figure is a representation of the reporter's opinion, and does not guarantee the accuracy of its content.

(Note 1) The number of tenants is indicated as 1 since the property is scheduled to be leased in its entirety under a pass-through type master lease. The figure in the parenthesis is the total number of end tenants that have been contracted as of October 31, 2017.

(Note 2) The figure is obtained by multiplying the total revenue from monthly rent and monthly common charges stated in the lease agreements concluded with the tenants as of October 31, 2017 by 12, not adding variable rent (override rent). The amount is rounded to the nearest million yen. Only the revenue from the store portion is indicated, excluding revenues from the warehouse, parking, machine room, etc.

(Note 3) The figure indicates the total of the amounts stated in the lease agreements concluded with the tenants as of October 31, 2017. The amount is rounded to the nearest million yen. Only the amount for the store portion is indicated, excluding amounts for the warehouse, parking, machine room, etc.

(Note 4) Total leasable area indicates the area leasable to tenants while total leased area indicates the total of contracted areas stated in the lease agreements concluded with the tenants as of October 31, 2017. Only the areas for the store portion is indicated, excluding areas for the warehouse, parking, machine room, etc.

(Note 5) The figure indicates ratio of the total leased area against the total leasable area, rounded to the first decimal place. Only the ratio for the store portion is indicated, excluding ratios for the warehouse, parking, machine room, etc.

(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)
Tokio Marine & Nichido Risk Consulting Co., Ltd.	December 28, 2017	—	41 mm 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 annual average amount of repair and replacement expenses expected to arise over 12 years, stated in the report. The figure is rounded to the nearest million yen.

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(5) Outline of Seller

Company name	Fukuoka Jisho Co., Ltd.	
Address	2-25, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City	
Activities	1. Engaged in urban development and Leasing 2. Operating Management of retail facilities and consulting business 3. Insurance agency	
Representative title and name	Ichiro Enomoto, President and C.E.O	
Specified Capital	4,000 mm yen (May 31, 2017)	
Establishment	July 19, 1961	
Total assets	146,822 mm yen (As of May 31, 2017)	
Net assets	52,708 mm yen (As of May 31, 2017)	
Relationship with FRC and the asset management company		
	Capital relationship	The seller is a shareholder of FRC's asset management company, Fukuoka Realty Co., Ltd., with equity of 50%. The company also owns 66,075 investment units of FRC as of February 9, 2018).
	Personnel relationship	The seller has dispatched two part-time directors to the asset management company.
	Business relationship	The seller has such transactions with FRC and the asset management company as property management services, brokerage of real estate transactions and lease of properties owned by FRC. There is no relationship to note between the affiliates or affiliated companies of the seller and the affiliates or affiliated companies of FRC and the asset management company.
	Related parties or not	The seller falls within the scope of related parties of FRC. The seller falls within the scope of parent company, etc., designated in the Financial Instruments and Exchange Act, of the asset management company.

(6) Profile of Previous Owners

Property name	Konoha Mall Hashimoto	
Status of previous owners	Owner	Previous owner
	Company name	Fukuoka Jisho Co., Ltd.
		Those other than a party that has special interests
	Relationship with special interested parties	A shareholder of the asset management company (with equity of 50%)
	Background and reason of acquisition, etc.	—
	Acquisition price	Omitted as the owner has owned the property for over 1 year
	Acquisition Timing	April, 2009 (a part of Land Leasehold) March / December, 2010 (a part of land owner) March, 2011 (building newly constructed)

(7) Sales Agent Profile

None

(8) Form of Payment

FRC is scheduled to pay the acquisition fee in full on the scheduled acquisition date of the Property (March 1, 2018) Proceeds from issuance of investment units through public offering, Borrowings, and Cash on Hand

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(9) Transaction with Interested Parties

- 1) Fukuoka Jisho Co., Ltd., the seller of the Property, falls within the scope of interested parties of the asset management company. Accordingly, the asset management company has conducted discussions at and obtained the approval of its Investment Management Committee, Compliance Assessment Committee and Board of Directors concerning the acquisition price and other terms for the property, pursuant to the regulations and other rules of the asset management company.
- 2) FRC plans to conclude a real estate lease and management consignment agreement with FJ. Entertainment Works Ltd. to entrust management of tenant and property management of the property. The same discussions and approval as in the above 1) have been conducted/obtained for conclusion of the agreement.

(10) Acquisition on Schedule

February 9, 2018	Decision of acquisition
February 9, 2018	Conclusion of agreement
March 1, 2018	Payment (planned)
March 1, 2018	Delivery of the property (planned)

B. Higashi Hie Business Center II

(1) Overview of Acquisition

1) Asset to be acquired (Note 1):	Real estate trust beneficiary interests (Trustee: Sumitomo Mitsui Trust Bank, Limited (planned))
2) Property name:	Higashi Hie Business Center II
3) Acquisition price (planned) (Note 2):	4,230 million yen
4) Appraisal value:	4,230 million yen (as of December 1, 2017)
5) Acquisition CAP (Note 3):	4.9%
6) Acquisition date (planned):	March 1, 2018
7) Seller:	Fukuoka Jisho Co., Ltd
8) Funding:	Proceeds from issuance of investment units through public offering (Note 4), Borrowings (Note 5), and Cash on Hand
9) Payment method:	Lump-sum payment upon delivery

(Note 1) Although the asset 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 to acquire 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) The acquisition CAP is calculated by the direct capitalization method: $NCF / \text{The acquisition price (planned)} \times 100 (\%)$ of the appraisal assessment.

(Note 4) For details, please refer to “Notice on Issuance of New Investment Units” announced today.

(Note 5) For details, please refer to “Notice on Borrowing of Funds” announced today.

(2) FRC evaluated the following points in deciding the acquisition of the property.

1) Location conditions

The property is directly connected with Higashi-Hie Station, a station between Hakata Station and Fukuokakuko (Airport) Station on the Fukuoka City Subway Kuko Line and boasts high transport convenience being approximately 2 minutes to Hakata Station and 3 minutes to Fukuokakuko (Airport) Station via subway. In addition, there is the Hakata-eki Higashi ramp of the Fukuoka Urban Expressway nearby allowing for smooth access by car.

The Higashi-Hie area where the property is located has seen several office building developments (including plans) in addition to the property since the completion of Higashi Hie Business Center in February 2009, against the backdrop of excellent transportation infrastructure such as National Route 3 and Fukuoka City Subway as well as proximity to Hakata Station and Fukuoka Airport. On top of these, contract rent has been on an upward trend, gaining competitiveness as an office area.

2) Building facilities, tenants, etc.

The property is a relatively new office building with vibration damping structure constructed in February 2016. It is

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highly energy efficient having rainwater recycling system and super-insulated glass windows and is highly functional having high-sound-insulation sashes and such.

Inside exclusive area is a pillarless space with a system ceiling, ceiling height of 2,800 mm, OA raised floor of 100 mm, etc. allowing for flexible division of the space. The property is a rare high-grade office building which is also highly recognized for its excellent business continuity plan (BCP).

(3) Overview of Asset to be Acquired

Property name	Higashi Hie Business Center II	
Asset to be acquired	Real estate trust beneficiary interest	
Acquisition price (planned)	4,230 mm yen	
Trustee	Sumitomo Mitsui Trust Bank, Limited (planned)	
Term of real estate trust (planned)	From March 1, 2018 to February 28, 2038	
Location (address)	5-13, 1-chome Higashi Hie, Hakata Ward, Fukuoka City	
Land	Area	1,975.42 m ²
	Zoning	Commercial area
	Floor area ratio	400%
	Building coverage	80% (90% due to adjustment for corner lot)
	Type of ownership	Leasehold (Period: 52 years from January 28, 2015)
Building	Structure / floor	Steel-framed with alloy galvanized steel roof, 6 floors
	Built	February 29, 2016
	Total floor area	8,406.87 m ²
	Use	Office, Parking lot, Store
	Type of ownership	Ownership
Constructor	Fujita Corporation Kyushu Branch	
Designer	Fujita Corporation Kyushu Branch First-Class Architect Office	
Building design office engaged in structural engineering data	Fujita Corporation Kyushu Branch First-Class Architect Office	
Organization that authorized building construction	Bureau Veritas Japan	
Appraisal Value	4,230 mm yen (As of December 1, 2017)	
Appraiser	The Tanizawa Sogo Appraisal Co., Ltd.	
Collateral	A revolving third-party mortgage has been established for the land with leasehold interest, etc. with the owner of the land as debtor. (However, an agreement that land leasehold precedes the revolving mortgage has been registered.)	
PM Company	Fukuoka Jisho Co., Ltd (planned)	
Earthquake PML	1.8% (based on the assessment by Tokio Marine & Nichido Risk Consulting Co., Ltd.)	
Special note	<ul style="list-style-type: none"> • Superficies have been established for part of the land of the property for Fukuoka City's ownership of facilities for a high-speed railway project and the high-speed railway entrance/exit station facility. The entrance/exit facility has been transferred to Fukuoka City by Fukuoka Jisho Co., Ltd., the seller, and the company assumes a certain degree of defect liability. Upon transfer of trust beneficiary interest in the property, the obligation is to be succeeded by the trustee. • The boundary between the adjacent land and part of the land of the property has not been confirmed in the presence of both parties or in writing. However, there has been no dispute, etc. with the owner of the adjacent land as of the date of this press release. 	

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	<ul style="list-style-type: none"> Part of the land of the property is within the city planning road area. The project has not been finalized and the timing of the implementation, areas to be condemned and other details have not been determined. However, if the project is finalized in the future, the building may be an existing non-conforming building due to condemnation of land. 	
Status of leasing	Number of tenants	2
	Total rent income (annually)	290 mm yen (Note 1)
	Security deposits	145 mm yen (Note 2)
	Total leasable area	6,214.77 m ² (Note 3)
	Total leased area	6,214.77 m ² (Note 3)
	Occupancy rate	100.0% (Note 4) (As of October 31, 2017)

*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 appraiser.

The figure is a representation of the reporter's opinion, and does not guarantee the accuracy of its content.

(Note 1) The figure is obtained by multiplying the total revenue from monthly rent stated in the lease agreements having been concluded with the tenants as of October 31, 2017 by 12. The amount is rounded to the nearest million yen. Parking, etc. are not included.

(Note 2) The figure indicates the total of the amounts stated in the lease agreements having been concluded with the tenants as of October 31, 2017. The amount is rounded to the nearest million yen. Parking, etc. are not included.

(Note 3) Total leasable area indicates the area leasable to tenants while total leased area indicates the total of contracted areas stated in the lease agreements having been concluded with the tenants as of October 31, 2017. Parking, etc. are not included.

(Note 4) The figure indicates ratio of the total leased area against the total leasable area, rounded to the first decimal place. Parking, etc. are not included.

(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)
Tokio Marine & Nichido Risk Consulting Co., Ltd.	December 28, 2017	—	5 mm 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 Seller

Company name	Fukuoka Jisho Co., Ltd.
Address	2-25, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City
Activities	1. Engaged in urban development and Leasing 2. Operating Management of retail facilities and consulting business 3. Insurance agency
Representative title and name	Ichiro Enomoto, President and C.E.O
Specified Capital	4,000 mm yen (As of May 31, 2017)
Establishment	July 19, 1961
Total assets	146,822 mm yen (As of May 31, 2017)
Net assets	52,708 mm yen (As of May 31, 2017)

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Relationship with FRC and the asset management company		
Capital relationship	The seller is a shareholder of FRC's asset management company, Fukuoka Realty Co., Ltd., with equity of 50%. The company also owns 66,075 investment units of FRC (As of February 9, 2018).	
Personnel relationship	The seller has dispatched two part-time directors to the asset management company.	
Business relationship	The seller has such transactions with FRC and the asset management company as property management services, brokerage of real estate transactions and lease of properties owned by FRC. There is no relationship to note between the affiliates or affiliated companies of the seller and the affiliates or affiliated companies of FRC and the asset management company.	
Related parties or not	The seller falls within the scope of related parties of FRC. The seller falls within the scope of parent company, etc., designated in the Financial Instruments and Exchange Act, of the asset management company.	

(6) Profile of Previous Owners

Property name	Higashi Hie Business Center II	
Status of previous owners	Owner	Previous owner
Company name	Fukuoka Jisho Co., Ltd.	—
Relationship with special interested parties	A shareholder of the asset management company (with equity of 50%)	—
Background and reason of acquisition, etc.	For the purpose of development	—
Acquisition price	— (Note)	—
Acquisition Timing	January, 2015 (land leasehold) February, 2016 (building newly constructed)	—

(Note) Information is omitted as there is no previous owner.

(7) Sales Agent Profile

None

(8) Form of payment

FRC is scheduled to pay the acquisition fee in full on the scheduled acquisition date of the Property (March 1, 2018) Proceeds from issuance of investment units through public offering, Borrowings, and Cash on Hand

(9) Transaction with Interested Parties

- 1) Fukuoka Jisho Co., Ltd., the seller of the Property, falls within the scope of interested parties of the asset management company. Accordingly, the asset management company has conducted discussions at and obtained approvals of its Investment Management Committee, Compliance Assessment Committee and Board of Directors concerning the acquisition price and other terms of the property, pursuant to the regulations and other rules of the asset management company.
- 2) FRC plans to conclude a management consignment agreement with Fukuoka Jisho Co., Ltd. to entrust property management of the property. The same discussions and approvals as in the above 1) have been conducted/obtained for conclusion of the agreement.

(10) Acquisition on Schedule

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February 9, 2018	Decision of acquisition
February 9, 2018	Conclusion of agreement
March 1, 2018	Payment (planned)
March 1, 2018	Delivery of the property (planned)

4. Outlook

There is no impact on the performance forecast for the 27th fiscal period ending February 2018 (September 1, 2017 to February 28, 2018) since the planned acquisition date of the property is March 1, 2018. For the performance forecast for the 28th fiscal period ending August 2018 (March 1, 2018 to August 31, 2018), please refer to “Notice on Revision to Forecast of Performance for Fiscal Period Ending August 2018” separately announced today.

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5. Overview of Appraisal Report

Property Name	Konoha Mall Hashimoto	
Appraisal value	10,000,000,000 yen	
Appraiser	The Tanizawa Sogo Appraisal Co., Ltd.	
Pricing date	December 1, 2017	
Category	Figures	Reasons, etc.
Income Capitalization Approach Value	10,000,000,000 yen	
Value Calculated Using the Direct Capitalization Method	10,000,000,000 yen	
(1) Gross Operating Revenue	1,645,476,000 yen	
Maximum Gross Operating Revenue	1,684,584,000 yen	Appraised based on the market rent level.
Shortfall Attributed to Vacancies	39,107,000 yen	
(2) Operating Expenses	1,083,169,000 yen	
Maintenance and management fees and PM fee (Note)	400,292,000 yen	Based on the agreements, etc.
Utility expenses	217,430,000 yen	Based on actual income and expenditure, etc.
Repair and maintenance expenses	12,000,000 yen	Based on the engineering report and similar cases of other properties.
Tenant expenses	9,817,000 yen	Assumed annual 7.0% -12.5% tenant replacement.
Taxes and fees	85,117,000 yen	Based on the property tax notice, etc.
Damage insurances	3,909,000 yen	Based on the estimated amount.
Other expenses	354,602,000 yen	Including land rent.
(3) Net operating income	562,307,000 yen	
Profit through management of temporary deposits, etc.	6,542,000 yen	
Capital Expenditure Reserve	36,600,000 yen	
(4) Net Cash Flow	532,249,000 yen	
(5) Capitalization rate	5.3%	Evaluated considering the location, etc. of the property, future uncertainties, comparable cases, etc.
Value through DCF method	10,000,000,000 yen	
(1) Discount rate	5.1%	
(2) Terminal cap rate	5.5%	
Value through cost method	9,440,000,000 yen	
Percentage of leased land	39.3%	
Percentage of building	60.7%	
Other matters noted by the appraiser in conducting appraisal	Not stated	

(Note) Since disclosing the amounts of maintenance and management fees and PM fee separately could affect other transactions of the parties entrusted with the building management and property management, eventually posing a problem for FRC's efficient entrustment of affairs and possibly damaging the interests of unitholders, maintenance and management fees and PM fee are indicated as a sum.

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Property Name	Higashi Hie Business Center II	
Appraisal value	4,230,000,000 yen	
Appraiser	The Tanizawa Sogo Appraisal Co., Ltd.	
Pricing date	December 1, 2017	
Category	Figures	Reasons, etc.
Income Capitalization Approach Value	4,230,000,000 yen	
Value Calculated Using the Direct Capitalization Method	4,330,000,000 yen	
(1) Gross Operating Revenue	329,047,000 yen	
Maximum Gross Operating Revenue	339,790,000 yen	Based on the agreements, etc.
Shortfall Attributed to Vacancies	10,743,000 yen	
(2) Operating Expenses	117,589,000 yen	
Maintenance and management fees and PM fee (Note)	38,834,000 yen	Based on actual income and expenditure, etc.
Utility expenses	30,576,000 yen	Based on actual income and expenditure, etc.
Repair and maintenance expenses	2,120,000 yen	Based on the engineering report and similar cases of other properties.
Tenant expenses	2,501,000 yen	Assumed annual 10% tenant replacement.
Taxes and fees	19,747,000 yen	Based on the property tax notice, etc.
Damage insurances	1,164,000 yen	Based on the estimated amount.
Other expenses	22,645,000 yen	Including land rent.
(3) Net operating income	211,457,000 yen	
Profit through management of temporary deposits, etc.	469,000 yen	
Capital Expenditure Reserve	4,240,000 yen	
(4) Net Cash Flow	207,686,000 yen	
(5) Capitalization rate	4.8%	Evaluated considering the location, etc. of the property, future uncertainties, comparable cases, etc.
Value through DCF method	4,180,000,000 yen	
(1) Discount rate	4.6%	
(2) Terminal cap rate	5.0%	
Value through cost method	4,150,000,000 yen	
Percentage of leased land	28.9%	
Percentage of building	71.1%	
Other matters noted by the appraiser in conducting appraisal	Not stated	

(Note) Since disclosing the amounts of maintenance and management fees and PM fee separately could affect other transactions of the parties entrusted with the building management and property management, eventually posing a problem for FRC's efficient entrustment of affairs and possibly damaging the interests of unitholders, maintenance and management fees and PM fee are indicated as a sum.

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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

*Fukuoka REIT Corporation's website is <http://www.fukuoka-reit.jp/eng/>

【Reference】

Reference 1: External view of the property

Reference 2: Location of the property

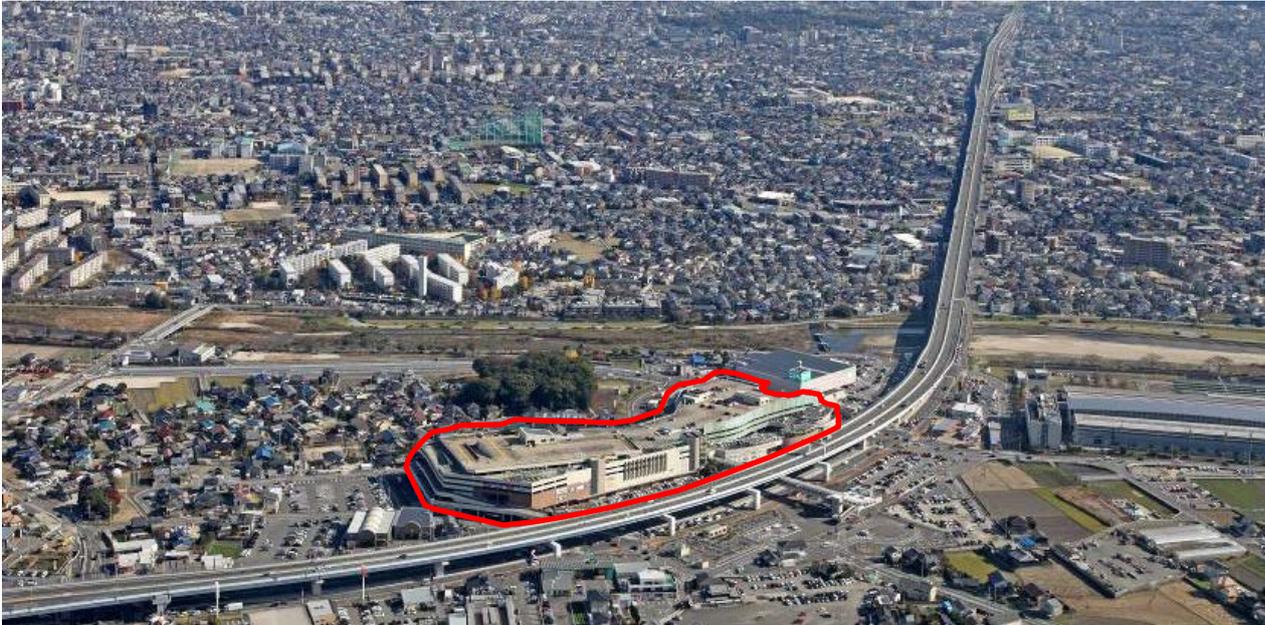
Reference 3: Map of FRC's portfolio

Reference 4: List of FRC's portfolio

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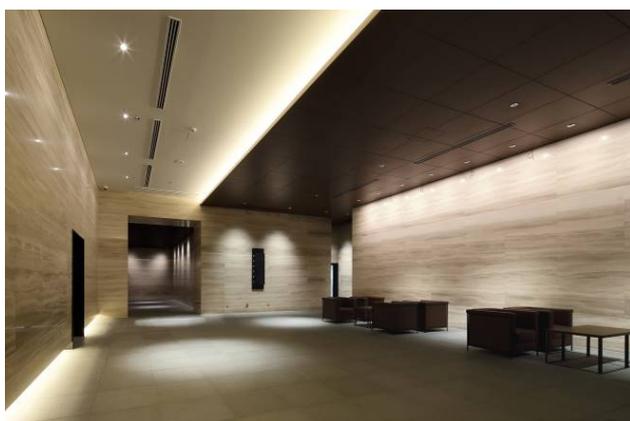
Reference 1: External view of the property

- Konoha Mall Hashimoto



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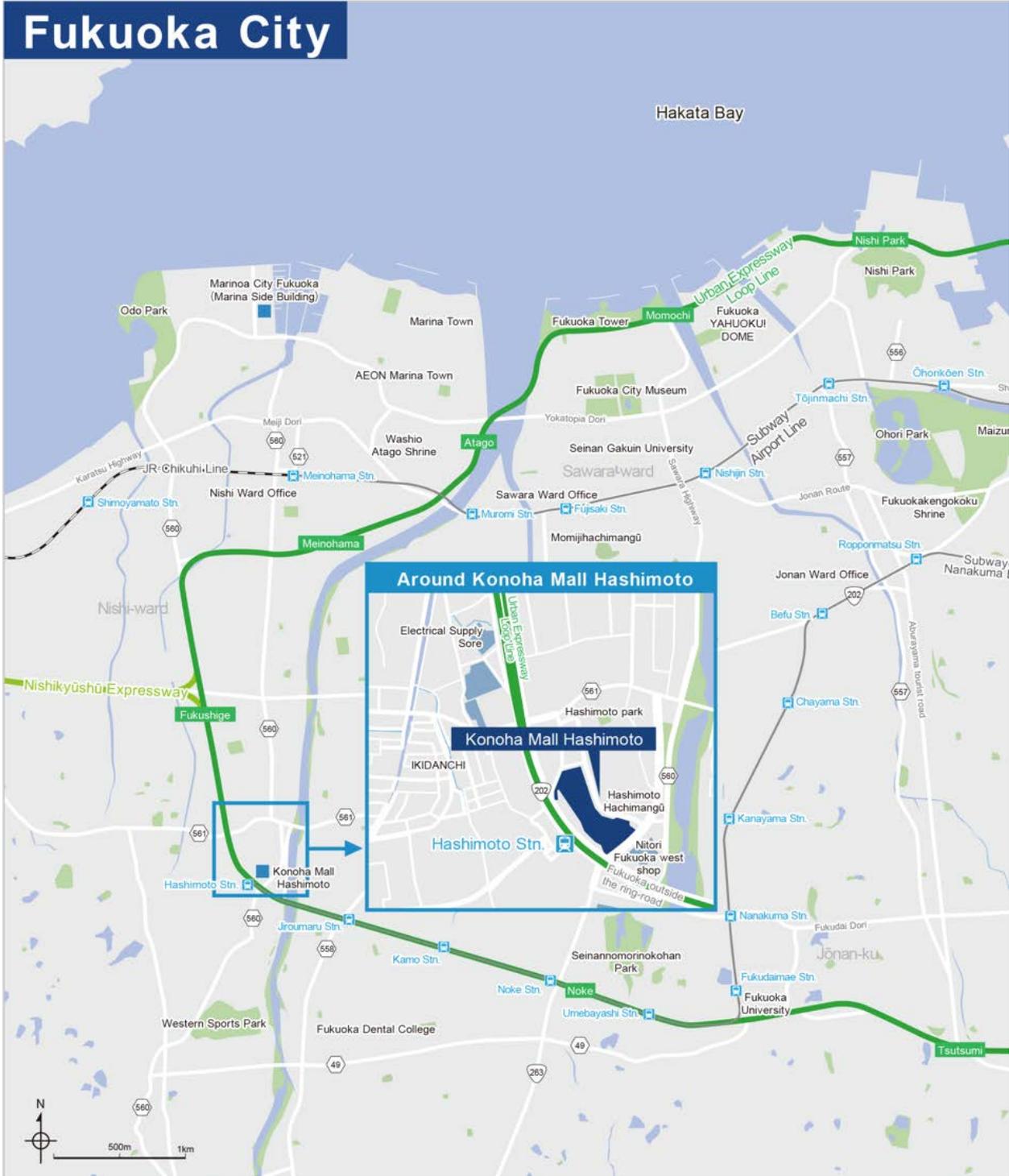
• Higashi Hie Business Center II



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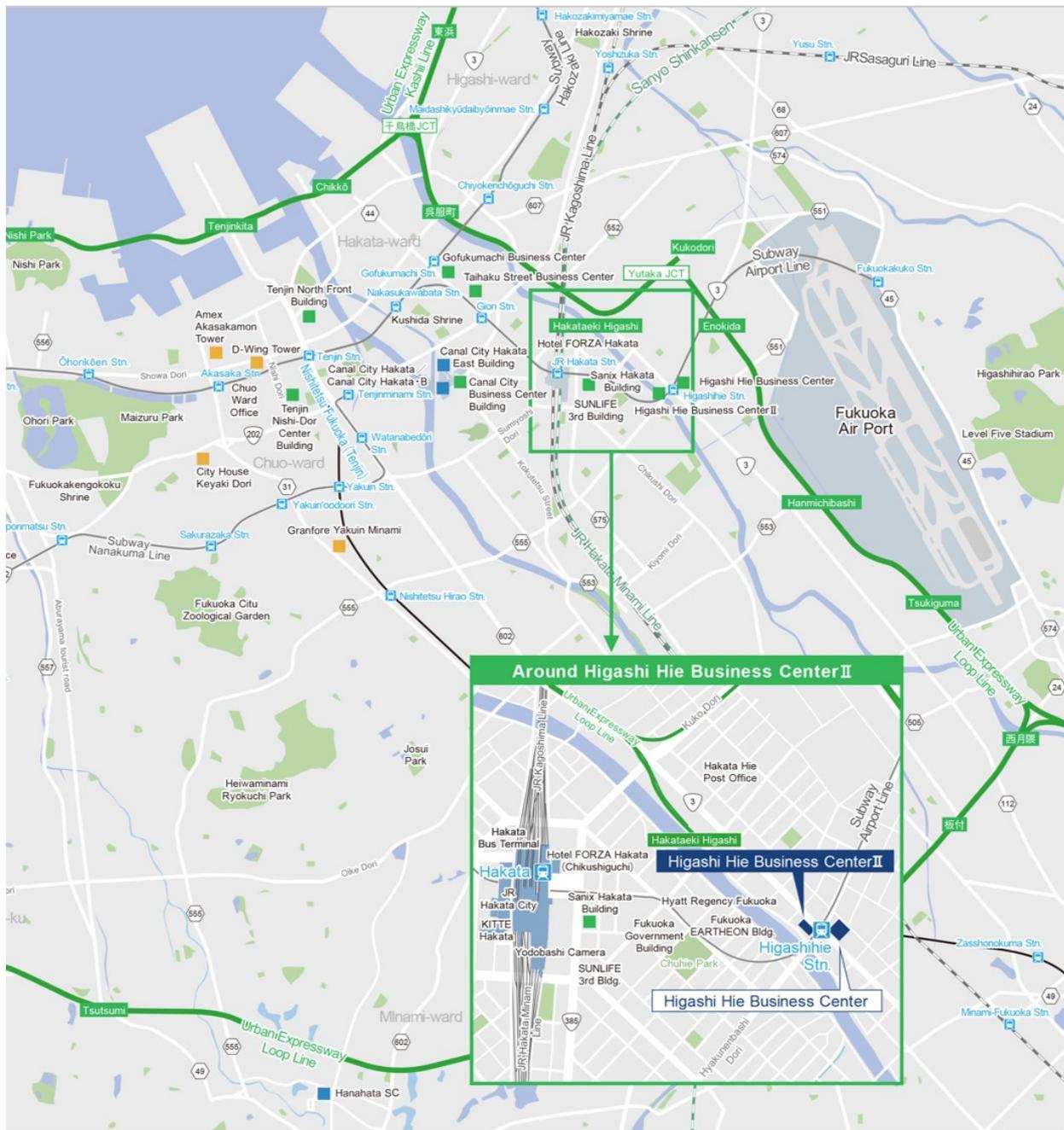
Reference 2: Location of the property

- Konoha Mall Hashimoto



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• Higashi Hie Business Center II

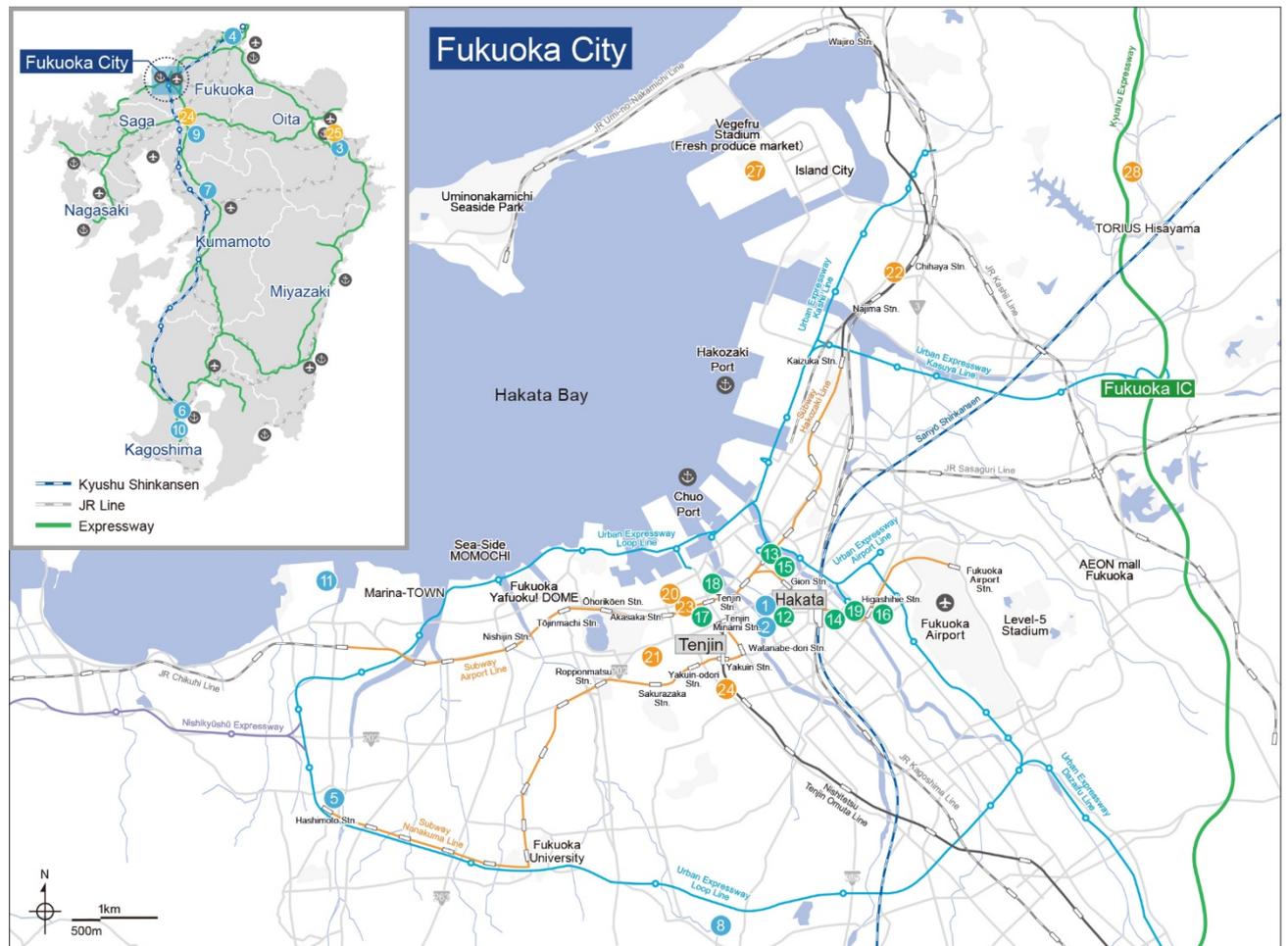


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Reference 3: Map of FRC's portfolio

- | | | | | |
|---|--|--|--|---|
| <p>1 Canal City Hakata
 ■Address : 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City
 ■Acquisition date : Nov. 9, 2004
 ■Acquisition price : 28.7 bn yen</p> | <p>2 Canal City Hakata•B
 ■Address : 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City
 ■Acquisition date : Mar. 2, 2011
 ■Acquisition price : 28.7 bn yen</p> | <p>3 Park Place Oita
 ■Address : 2-chome, Koen Dori Nishi, Oita City
 ■Acquisition date : Nov. 9, 2004 / May 28, 2015
 ■Acquisition price : 17.7 bn yen</p> | <p>4 SunLiveCity Kokura
 ■Address : 2-chome, Kami Kuzuhara, Kokura Minami Ward, Kitakyushu City
 ■Acquisition date : Jul. 1, 2005
 ■Acquisition price : 6.6 bn yen</p> | <p>5 Konoha Mall Hashimoto
 ■Address : 2-chome, Hashimoto, Nishi Ward, Fukuoka City
 ■Acquisition date (planned) : March 1, 2018
 ■Acquisition price (planned) : 10 bn yen</p> |
| <p>6 Square Mall Kagoshima Usuki
 ■Address : 2-chome, Usuki, Kagoshima City
 ■Acquisition date : Sep. 28, 2006
 ■Acquisition price : 5.3 bn yen</p> | <p>7 Kumamoto Intercommunity SC
 ■Address : 1-chome, Kozono, Higashi Ward, Kumamoto City
 ■Acquisition date : Nov. 30, 2006
 ■Acquisition price : 2.4 bn yen</p> | <p>8 Hanahata SC
 ■Address : 4-chome, Hanahata, Minami Ward, Fukuoka City
 ■Acquisition date : Sep. 3, 2007
 ■Acquisition price : 1.1 bn yen</p> | <p>9 Kurume Higashi Kushiwara SC
 ■Address : Higashi kushiwara, Kurume City
 ■Acquisition date : Feb. 1, 2008
 ■Acquisition price : 2.5 bn yen</p> | <p>10 K's Denki Kagoshima
 ■Address : Tokai-cho, Kagoshima City
 ■Acquisition date : Mar. 27, 2008
 ■Acquisition price : 3.5 bn yen</p> |
| <p>11 Marinao City Fukuoka (Marina Side Building)
 ■Address : 2-chome, Odo, Nishi Ward, Fukuoka City
 ■Acquisition date : May 1, 2015
 ■Acquisition price : 5.2 bn yen</p> | <p>12 Canal City Business Center Building
 ■Address : 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City
 ■Acquisition date : Nov. 9, 2004
 ■Acquisition price : 14.6 bn yen</p> | <p>13 Gofukumachi Business Center
 ■Address : Kami Gofukumachi, Hakata Ward, Fukuoka City
 ■Acquisition date : Nov. 9, 2004
 ■Acquisition price : 11.2 bn yen</p> | <p>14 Sanix Hakata Building
 ■Address : 2-chome, Hakataekihigashi, Hakata Ward, Fukuoka City
 ■Acquisition date : Sep. 30, 2005
 ■Acquisition price : 4.4 bn yen</p> | <p>15 Taihaku Street Business Center
 ■Address : Gokushomachi, Hakata Ward, Fukuoka City
 ■Acquisition date : Mar. 16, 2006
 ■Acquisition price : 7 bn yen</p> |
| <p>16 Higashi Hie Business Center
 ■Address : 3-chome, Higashi-hie, Hakata Ward, Fukuoka City
 ■Acquisition date : Mar. 13, 2009
 ■Acquisition price : 5.9 bn yen</p> | <p>17 Tenjin Nishi-Dori Center Building
 ■Address : 2-chome, Tenjin, Chuo Ward, Fukuoka City
 ■Acquisition date : Feb. 1, 2013
 ■Acquisition price : 2.6 bn yen</p> | <p>18 Tenjin North Front Building
 ■Address : 4-chome, Tenjin, Chuo Ward, Fukuoka City
 ■Acquisition date : Mar. 28, 2013
 ■Acquisition price : 2.8 bn yen</p> | <p>19 Higashi Hie Business CenterII
 ■Address : 1-chome, Higashi-hie, Chuo Ward, Fukuoka City
 ■Acquisition date (planned) : May 1, 2018
 ■Acquisition price (planned) : 4.2 bn yen</p> | <p>20 Amex Akasakamon Tower
 ■Address : 2-chome, Maizuru, Chuo Ward, Fukuoka City
 ■Acquisition date : Sep. 1, 2006
 ■Acquisition price : 2 bn yen</p> |
| <p>21 City House Keyaki Dori
 ■Address : 2-chome, Kejo, Chuo Ward, Fukuoka City
 ■Acquisition date : Dec. 20, 2007
 ■Acquisition price : 1.1 bn yen</p> | <p>22 Aqualia Chihaya
 ■Address : 4-chome, Chihaya, Higashi Ward, Fukuoka City
 ■Acquisition date : Mar. 1, 2012
 ■Acquisition price : 1.2 bn yen</p> | <p>23 D-Wing Tower
 ■Address : 2-chome, Daimyo, Chuo Ward, Fukuoka City
 ■Acquisition date : Mar. 1, 2013
 ■Acquisition price : 2.8 bn yen</p> | <p>24 Granfore Yakuin Minami
 ■Address : 1-chome, Yakuin, Chuo Ward, Fukuoka City
 ■Acquisition date : Nov. 4, 2014
 ■Acquisition price : 1.1 bn yen</p> | <p>25 Hotel FORZA Oita
 ■Address : 1-chome, Chuo-machi, Oita City
 ■Acquisition date : Mar. 1, 2013
 ■Acquisition price : 1.5 bn yen</p> |
| <p>26 Tosu Logistics Center
 ■Address : Himekatama-cho Aza, Tosu City, Saga
 ■Acquisition date : Mar. 28, 2014
 ■Acquisition price : 1.2 bn yen</p> | <p>27 LOGICITY Minato Kashii
 ■Address : 2-chome, Minatokashi, Chuo Ward, Fukuoka City
 ■Acquisition date : Mar. 27, 2015
 ■Acquisition price : 8.1 bn yen</p> | <p>28 LOGICITY Hisayama
 ■Address : Hisayama-machi, Kasuya-gun, Fukuoka City
 ■Acquisition date : Jun. 1, 2017
 ■Acquisition price : 5.0 bn yen</p> | | |

■ Retail ■ Office buildings ■ Others
 (*): Figures round down to nearest 100mm yen



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Reference 4: List of FRC's portfolio

Use	Property Name	Acquisition Date (planned)	Acquisition Price (planned) (Note 1)	Acquisition Cap Rate (NCF basis) (Note 2)	Investment Ratio
Retail	Canal City Hakata	Nov. 9, 2004	32,000 mm yen	6.0%	16.6%
	Canal City Hakata • B	Mar. 2, 2011	28,700 mm yen	5.4%	14.9%
	Park Place Oita	Nov. 9, 2004 (Initial acquisition) May 28, 2015 (Additional acquisition of a part of land) Sep. 1, 2016 (Additional acquisition of a part of land and building)	17,760 mm yen	6.3%	9.2%
	SunLiveCity Kokura	Jul. 1, 2005	6,633 mm yen	6.6%	3.4%
	Konoha Mall Hashimoto	Mar. 1, 2018	10,000 mm yen	5.3%	5.2%
	Square Mall Kagoshima Usuki	Sep. 28, 2006	5,300 mm yen	6.3%	2.8%
	Kumamoto Intercommunity SC	Nov. 30, 2006	2,400 mm yen	6.5%	1.2%
	Hanahata SC	Sep. 3, 2007	1,130 mm yen	6.4%	0.6%
	Kurume Higashi Kushiwara SC	Feb. 1, 2008	2,500 mm yen	6.1%	1.3%
	K's Denki Kagoshima Head Office	Mar. 27, 2008	3,550 mm yen	5.7%	1.8%
	Marinoa City Fukuoka (Marina Side Building)	May 1, 2015	5,250 mm yen	5.5%	2.7%
Office buildings	Canal City Business Center Building	Nov. 9, 2004	14,600 mm yen	6.3%	7.6%
	Gofukumachi Business Center	Nov. 9, 2004	11,200 mm yen	6.3%	5.8%
	Sanix Hakata Building	Sep. 30, 2005	4,400 mm yen	5.9%	2.3%
	Taihaku Street Business Center	Mar. 16, 2006	7,000 mm yen	6.0%	3.6%

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	Higashi Hie Business Center	Mar. 13, 2009	5,900 mm yen	6.0%	3.1%
	Tenjin Nishi-Dori Center Building	Feb. 1, 2013	2,600 mm yen	5.4%	1.4%
	Tenjin North Front Building	Mar. 28, 2013	2,800 mm yen	6.1%	1.5%
	Higashi Hie Business Center II	Mar. 1, 2018	4,230 mm yen	4.9%	2.2%
Others	Amex Akasakamon Tower	Sep. 1, 2006	2,060 mm yen	5.4%	1.1%
	City House Keyaki Dori	Dec. 20, 2007	1,111 mm yen	5.5%	0.6%
	Aqualia Chihaya	Mar. 1, 2012	1,280 mm yen	6.8%	0.7%
	D-Wing Tower	Mar. 1, 2013	2,800 mm yen	5.9%	1.5%
	Granfore Yakuin Minami	Nov. 4, 2014	1,100 mm yen	5.6%	0.6%
	Hotel FORZA Oita	Mar. 1, 2013	1,530 mm yen	6.6%	0.8%
	Tosu Logistics Center	Mar. 28, 2014	1,250 mm yen	5.9%	0.7%
	LOGICITY Minato Kashii	Mar. 27, 2015	8,150 mm yen	5.2%	4.2%
	LOGICITY Hisayama	Jun. 1, 2017	5,050 mm yen	5.1% (Note3)	2.6%
Total or weighted average of all properties		—	192,284 mm yen	5.9%	100.0%

(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 using the direct capitalization method: NCF/planned acquisition value x 100 (%) of the appraisal assessment, and rounded off to the first decimal place. The Acquisition Cap Rate for Park Place Oita is calculated using the total of direct capitalization method NCFs and acquisition prices stated in the appraisal reports for Park Place Oita acquired on November 9, 2004, the adjacent land (parking (land)) acquired on May 28, 2015 and Sports Club NAS Park Place Oita acquired on September 1, 2016.

(Note 3) It does not include a solar power generating system.

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