Provisional translation only

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Fukuoka REIT to Conclude Agreement to Purchase a New Office Building in Fukuoka

Fukuoka REIT Corporation (FRC) announces that it has decided to acquire a property, as described below.

1. Property Acquisition

Property name	Use	Location	Acquisition price (planned)	Acquisition date (planned)
Tenjin Nishi-Dori Center Building	Office building	2-Chome Tenjin, Chuo Ward, Fukuoka City	2,600 million yen	February 1, 2013

2. Reason for Acquisition

FRC invests primarily in commercial facilities with excellent design and entertainment qualities and A-class office buildings, focusing on Fukuoka and Kyushu. In addition, with regard to properties other than commercial and office buildings, FRC has a policy to acquire properties that are expected to secure stable earnings over medium- to long-term periods as part of its portfolio by establishing appropriate management structures for each property, capitalizing on its community-based strengths and considering geographic risk diversification.

The property to be acquired is located in “Tenjin area,” which boasts Kyushu’s largest urban function integrated area, and it is an area with high competitiveness as an office and commercial location due to the high transportation accessibility. In addition, the area is highly appealing to the tenants as an office area in Fukuoka due to the area’s concentration of major companies and high customer attraction, and as a result, various types of businesses mainly centered on service-type tenants, such as financial institutions, recruiting agencies, insurance companies and call centers, are located here. Even amidst such an area, the property has a particularly high advantage in location and visibility, and FRC believes that the property is extremely superior in attracting tenants.

3. Details of Property for Acquisition

Tenjin Nishi-Dori Center Building

(1) Overview of Acquisition

(1) Property to be acquired:	Real estate trust beneficiary interest (Trustee: Sumitomo Mitsui Trust Bank, Limited)
(2) Property name:	Tenjin Nishi-Dori Center Building
(3) Acquisition price (planned):	2,600 million yen
(4) Appraisal value:	2,600 million yen (appraisal direct capitalization yield: 5.4%)
(5) Acquisition CAP (Note 1)	5.4%
(6) Acquisition date (planned):	February 1, 2013
(7) Seller:	Yugen Kaisha DKD
(8) Funding:	Cash on hand and borrowing
(9) Payment method:	Blanket payment upon delivery

*Note 1: Acquisition CAP is calculated by the direct capitalization method: NCF/planned acquisition value*100 (%) of the appraisal assessment.
*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.

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

(1) Location conditions

The property is located in the Tenjin area, which is the center of commerce and businesses in Fukuoka. This area has a high appeal to the tenants in Fukuoka due to the area's concentration of major companies and its high customer attraction, and in particular, the area has tenant needs from various types of schools, financial institutions and call centers, etc. that demand customer attraction and convenience. In addition, various types of businesses mainly centered on service-type tenants, such as insurance companies, advertising agencies, trading companies and IT-related companies, are located here. The property is highly appealing to visiting type tenant companies due to its high competitiveness, even amidst Nishi-Dori, as it faces "Tenjin Nishi-Dori Street," a particularly busy business area in Tenjin area where offices and commercial facilities concentrate, and as it can be approached from Kirameki-Dori Street as well, where there is a concentration of department stores and specialty stores.

(2) Tenants

It has a tenant composition with local financial institution as the core, and the property is used as one of the flagship stores in the Tenjin area of occupying tenants reflecting on the superior location mentioned above. The property can anticipate a stable rental income over a long term by preparing tower-type parking with 34 parking spaces, etc.

(3) Overview of Asset to be acquired

Property name	Tenjin Nishi-Dori Center Building	
Property to be acquired	Real estate trust beneficiary interest	
Location (address)	2-5-28 Tenjin, Chuo Ward, Fukuoka City	
Land	Area	561.81 m^2
	Zoning	Commercial area
	Floor area ratio	600%
	Building coverage	100% (commercial area fireproof building)
	Type of ownership	Ownership
Building	Structure/floor	Steel frame reinforced concrete with flat roof, 8 floors above ground and 1 below
	Built	September 26, 1996
	Total floor area	3,339.32 m^2
	Use	Bank
	Type of ownership	Ownership
Appraisal value	2,600 million yen	
Appraiser	Japan Real Estate Institute	
Collateral	None	
Property manager	Fukuoka Jisho Co., Ltd.	
Earthquake PML (probable maximum loss)	5.4% (based on the assessment by Tokio Marine & Nichido Risk Consulting Co., Ltd.)	
Special note	There are structures installed on the property (independent advertising tower and billboards) that are not granted the certification of inspection, but according to the inspection report on compliance with the Building Standards Act released by JCIA on November 22, 2012, these structures are identified as "having met the Building Standards Act, excluding its procedure provisions."	

*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.

(4) Outline of Lease

Total number of tenants	2
Total rental income (annual)	173 million yen (Note 1)
Security deposits	171 million yen (Note 2)
Leasable area	3,339.32 m^2 (Note 3)
Total leased area	3,339.32 m^2
Occupancy rate	100.0% (Note 4)

(Note 1) The figure has been calculated by multiplying the (planned) total amount of the monthly rents, indicated in the lease agreement to be concluded on the acquisition date, by 12 times. The figure has been rounded to the nearest million yen.

(Note 2) The figure is the sum of the amounts indicated in the lease agreements to be concluded on the acquisition date. The figure has been rounded to the nearest million yen.

(Note 3) The leasable area is the sum of the areas assumed to be leasable to the end tenants, and the total leased area is the sum of the contracted areas designated in the lease agreements assumed to be concluded with end tenants as of the acquisition date.

(Note 4) The figure indicates the rate of the leased area in the leasable area. The figure has been rounded to the first decimal place.

(5) Profile of Seller

Company name	Yugen Kaisha DKD
Address	3-22-10-201 Toranomon, Minato-ku, Tokyo
Representative title and name	Director Masaki Awakuni
Activities	1. Acquisition, possession and disposition of real estate 2. Leasing and managing real estate 3. Acquisition, possession and disposition of real estate trust beneficiary interest 4. Businesses incidental to the preceding items
Capital	3 million
Establishment	November 29, 2005
Outline of investors and investment ratio	The seller is a limited company financed in silent partnership by Fukuoka Jisho falling under the definition of interested party of the asset management company as described in the Act on Investment Trusts and Investment Corporations.
Relationship with FRC or the Asset Management Company	The seller does not fall under the definition of related parties of the asset management company as described in the Act on Investment Trusts and Investment Corporations, but in which, Fukuoka Jisho Co., Ltd. has silent partnership interest, who does fall under the definition of interested parties of the asset management company, the seller is treated as a related party under the asset management company's internal rules.

(6) Profile of Previous Owners

Property name		Tenjin Nishi-Dori Center Building	
Profile of previous owners		Previous owner	Owners before previous owner
	Company name	Yugen Kaisha DKD	Profile is undisclosed as FRC was unable to acquire permission for disclosure by the owners before previous owner.
	Relationship with special interested parties	Falls within the scope of interested parties of the asset management company as defined in the internal rules of the asset management company.	The owners before previous owner do not fall under the definition of special interested parties of FRC or the asset management company.
	History and reasons of acquisition, etc.	Acquired for investment management purposes	–
	Acquisition price	Descriptions omitted because the property has been owned by the previous owner for more than a year.	–
	Acquisition date	February 2006	–

(7) Sales Agent Profile

Sales agent name	Fukuoka Jisho Co., Ltd.
Address	1-2-25 Sumiyoshi, Hakata Ward, Fukuoka City

Representative title and name	President and representative director Kan Ishii
Brokerage fee	78 million yen (excluding consumption taxes)
Relationship with FRC or the Asset Management Company	Falls under the definition of interested parties of the asset management company described in the Act on Investment Trusts and Investment Corporations.

(8) Transaction with Interested Parties

(1) Yugen Kaisha DKD, the seller of real estate trust beneficiary interest of the property, does not fall under the definition of related parties described in the Act on Investment Trusts and Investment Corporations, but in which, Fukuoka Jisho Co., Ltd., a related party of the asset management company, has silent partnership interest. 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 internal rules of the asset management company.

(2) FRC will conclude a Real Estate Trust Beneficiary/Interest Brokerage Agreement and Administration and Management Work Consignment Agreement with Fukuoka Jisho Co., Ltd. in order to consign the latter with brokerage and administration of each tenant of the property and property management work for the property. The same processes of discussions and approvals as above (1) have been taken for concluding the agreement.

(9) Constructor, Designer and Others

Constructor	Obayashi Corporation
Designer	Noriyuki Miura Architectural Design Office Co., Ltd.
Building design office engaged in structural engineering data	Obayashi Corporation
Organization that authorized building construction	Fukuoka City

(10) Acquisition Schedule

January 29, 2013: Decision of acquisition
February 1, 2013: Conclusion of agreement (planned)
February 1, 2013: Payment (planned)
February 1, 2013: Delivery of the property (planned)

4. Outlook

The impact of the transaction on FRC's operating forecast for the fiscal period ending February 2013 (September 1, 2012 – February 28, 2013) and for the fiscal period ending August 2013 (March 1, 2013 – August 31, 2013) is minimal, and FRC will not be revise the forecast.

(Attachments)

Reference 1: Outline of appraisal report on the property
Reference 2: External view of the property
Reference 3: Location of the property
Reference 4: Map of FRC's portfolio
Reference 5: List of FRC's portfolio

Reference 1: Outline of appraisal report on the property

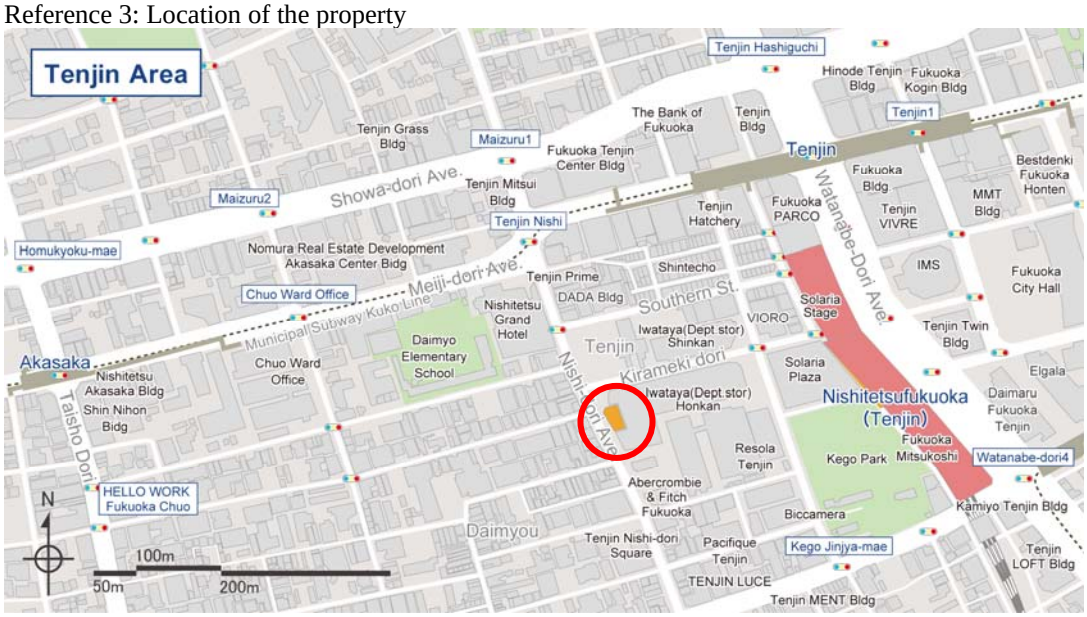
■Outline of appraisal report

Appraiser		Japan Real Estate Institute	
Appraisal value		2,600,000,000 yen	
Pricing date		December 1, 2012	
		Figures	Reasons, etc.
Direct capitalization method			
(1) Operating revenues		173,461,000 yen	
(2) Operating expenses (①+②+③+④)		29,115,000 yen	
	① Maintenance and management fees and utility expenses	6,205,000 yen	
	② Taxes and public charges	22,298,000 yen	
	③ Damage insurance premiums	612,000 yen	
	④ Other expenses	0 yen	
(3) Net operating income (NOI)		144,346,000 yen	
(4) Gains from management of one-time proceeds		3,425,000 yen	Appraised by setting the management return at 2%
(5) Capital expenditures		6,384,000 yen	
(6) Net cash flow (NCF)		141,387,000 yen	
(7) Capitalization rate		5.4%	Appraised based on the cap rates of other transaction cases and after considering marketability of the subject property, trends in the real estate investment market and other factors as well as taking into account the co- relationship with the discount rate.
Income through direct capitalization method ((6)÷(7))		2,620,000,000 yen	Appraised by capitalizing net cash flow at the capitalization rate
Value through DCF method		2,570,000,000 yen	
	Discount rate	5.2%	
	Terminal cap rate	5.6%	
Value through cost method		2,610,000,000 yen	
	Percentage of leased land	2,122,000,000 yen	81.3%
	Percentage of building	488,000,000 yen	18.7%

Reference 2: External view of the property



Reference 3: Location of the property



Reference 4: Map of FRC's portfolio

1 Canal City Hakata
- Address : 1-chome, Sumiyoshi, Hakata-ku, Fukuoka City
- Acquisition date : Nov 9, 2004
- Acquisition price:April : 32 bn yen

2 Canal City Hakata・B
- Address : 1-chome, Sumiyoshi, Hakata-ku, Fukuoka City
- Acquisition date : Mar 2, 2011
- Acquisition price:April : 28.7 bn yen

3 Canal City Business Center Building
- Address : 1-chome, Sumiyoshi, Hakata-ku, Fukuoka City
- Acquisition date : Nov 9, 2004
- Acquisition price:April : 14.6 bn yen

4 Gofukumachi Business Center
- Address : Kami Gofukumachi, Hakata-ku, Fukuoka City
- Acquisition date : Nov 9, 2004
- Acquisition price:April : 11.2 bn yen

5 Taihaku Street Business Center
- Address : Gokushomachi, Hakata-ku, Fukuoka City
- Acquisition date : Mar 16, 2006
- Acquisition price:April : 7 bn yen

6 Sanix Hakata Building
- Address : 2-chome, Hakataekihigashi, Hakata-ku, Fukuoka City
- Acquisition date : Sep 30, 2005
- Acquisition price:April : 4.4 bn yen

7 Higashi Hie Business Center
- Address : 3-chome, Higashi-hie, Hakata-ku, Fukuoka City
- Acquisition date : Mar 13, 2009
- Acquisition price:April : 5.9 bn yen

8 Amex Akasakamon Tower
- Address : 2-chome, Maizuru, Chuo-ku, Fukuoka City
- Acquisition date : Sep 1, 2004
- Acquisition price:April : 2 bn yen

9 City House Keyaki Dori
- Address : 2-chome, Kego,Chuo-ku, Fukuoka City
- Acquisition date : Dec 20, 2007
- Acquisition price:April : 1.1 bn yen

10 AEON Hara Shopping Center
- Address : 6-chome, Hara Sawara-ku, Fukuoka City
- Acquisition date : Mar 1, 2007
- Acquisition price:April : 5.4 bn yen

11 Hanahata SC
- Address : 4-chome, Hanahata, Minami-ku, Fukuoka City
- Acquisition date : Sep 3, 2007
- Acquisition price:April : 1.1 bn yen

12 Park Place Oita
- Address : 2-chome, Koen Dori Nishi, Oita City
- Acquisition date : Nov 9, 2004
- Acquisition price:April : 15.9 bn yen

13 SunLiveCity Kokura
- Address : 2-chome, Kami Kuzuhara, Kokura-ku, Kitakyushu City
- Acquisition date : Jul 1, 2005
- Acquisition price:April : 6.6 bn yen

14 Kurume Higashi Kushiwara SC
- Address : Higashi kushiwara-cho, Kurume City
- Acquisition date : Feb 1, 2008
- Acquisition price:April : 2.5 bn yen

15 Kumamoto Intercommunity SC
- Address : 1-chome, Kozono, Higashi-ku, Kumamoto City
- Acquisition date : Nov 30, 2006
- Acquisition price:April : 2.4 bn yen

16 Square Mall Kagoshima Usuki
- Address : 2-chome, Usuki, Kagoshima City
- Acquisition date : Sep 28, 2006
- Acquisition price:April : 5.3 bn yen

17 K's Denki Kagoshima
- Address : Tokai-cho, Kagoshima City
- Acquisition date : Mar 27, 2008
- Acquisition price:April : 3.6 bn yen

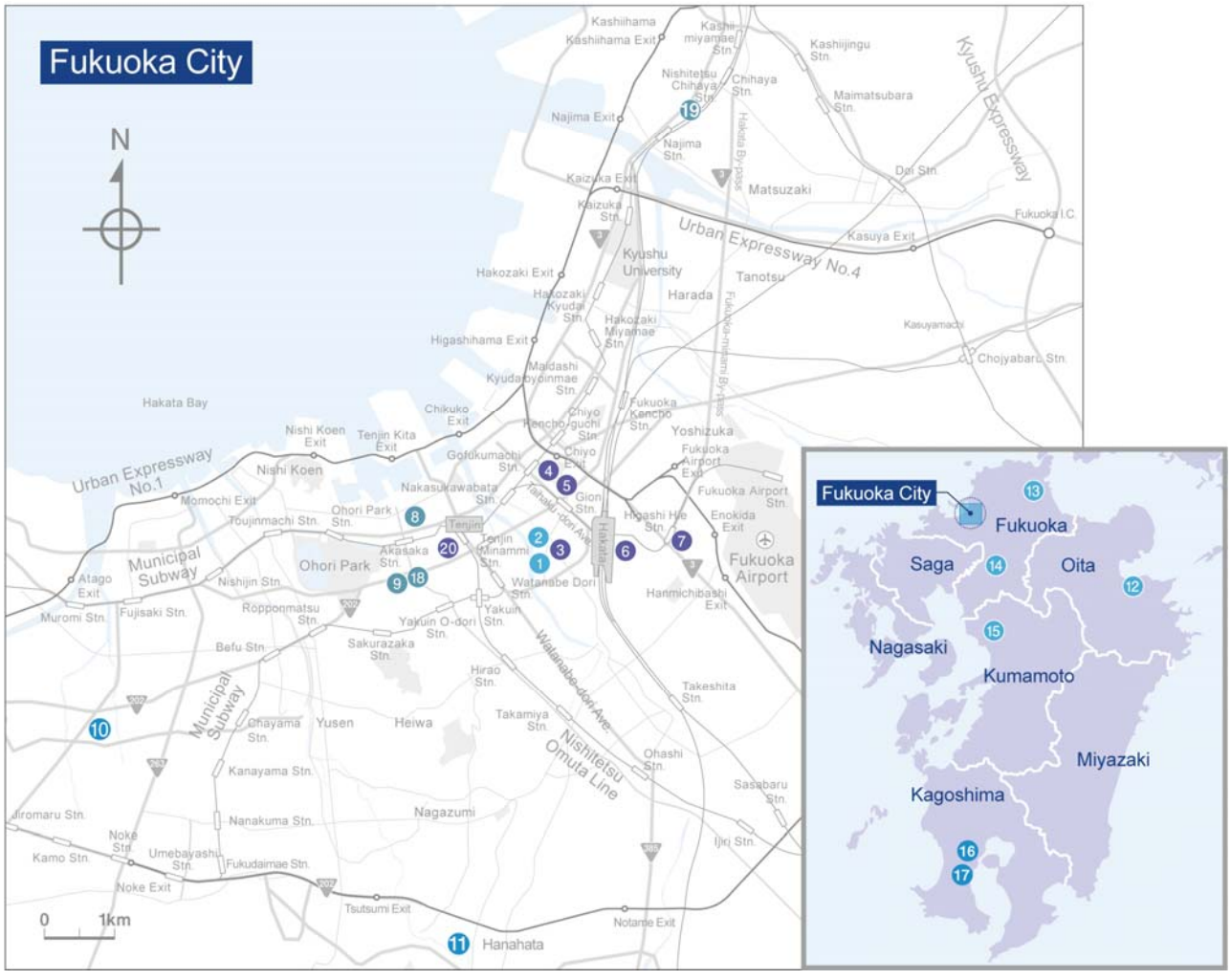
18 Aqualia Kego
- Address : 2-chome, Kego, Chuo-ku, Fukuoka City
- Acquisition date : Mar 1, 2012
- Acquisition price:April : 2.8 bn yen

19 Aqualia Chihaya
- Address : 4-chome, Chihaya, Higashi-ku, Fukuoka City
- Acquisition date : Mar 1, 2012
- Acquisition price:April : 1.2 bn yen

20 Tenjin Nishi-Dori Center Building
- Address : 2-chome, Tenjin, Chuo-ku, Fukuoka City
- Acquisition date : Feb 1, 2013
- Acquisition price:April : 2.6 bn yen

Retail Office Other

(*)Figures round down to nearest billion yen



Reference 5: 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%	20.48%
	Park Place Oita	Nov 9, 2004	15,700	6.60%	10.05%
	SunLiveCity Kokura	Jul 1, 2005	6,633	6.60%	4.24%
	Square Mall Kagoshima Usuki	Sep 28, 2006	5,300	6.30%	3.39%
	Kumamoto Intercommunity SC	Nov 30, 2006	2,400	6.50%	1.54%
	Aeon Hara Shopping Center	Mar 1, 2007	5,410	6.80%	3.46%
	Hanahata SC	Sep 3, 2007	1,130	6.40%	0.72%
	Kurume Higashi Kushiwara SC	Feb 1, 2008	2,500	6.10%	1.60%
	K's Denki Kagoshima Head Office	Mar 27, 2008	3,550	5.70%	2.27%
	Canal City Hakata B	Mar 2, 2011	28,700	5.40%	18.37%
Office	Canal City Business Center Building	Nov 9, 2004	14,600	6.30%	9.34%
	Gofukumachi Business Center	Nov 9, 2004	11,200	6.30%	7.17%
	Sanix Hakata Building	Sep 30, 2005	4,400	5.90%	2.82%
	Taihaku Street Business Center	Mar 16, 2006	7,000	6.00%	4.48%
	Higashi Hie Business Center	Mar 13, 2009	5,900	6.00%	3.78%
	Tenjin Nishi-Dori Center Building	Feb 1, 2013 (planned)	2,600	5.40%	1.66%
Others	Amex Akasakamon Tower	Sep 1, 2006	2,060	5.40%	1.32%
	City House Keyaki Dori	Dec 20, 2007	1,111	5.40%	0.71%
	Aqualia Kego	Mar 1, 2012	2,800	6.30%	1.79%
	Aqualia Chihaya	Mar 1, 2012	1,280	6.80%	0.82%
Total or weighted average of all properties		—	156,274	6.06%	100.00%

(Note 1) All figures in the Acquisition Price (planned) column indicate the acquisition price written in the sales contract 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).

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