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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. Summary of Acquisition

Property name	Use	Location	Acquisition price (planned)	Acquisition date (planned)
Tenjin North Front Building	Office building	4-Chome Tenjin, Chuo Ward, Fukuoka City	2,800 million yen	March 28, 2013

2. Reason for Acquisition

FRC invests primarily in retail facilities with excellent design and entertainment qualities and Class A office buildings, focusing on 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.

The property to be acquired is located in “Tenjin area,” which boasts the largest integration of urban functions in Kyushu and features strong competitiveness as an office and retail location due to its 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, among other reasons. 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.

Situated in such an area, the property is fully occupied as the building is fairly new and equipped with advanced facilities. It also has a strong ability to attract tenants because of its good visibility as well as its competitiveness in terms of facilities. FRC believes these characteristics should help the property to generate stable cash flows into the future.

3. Details of Property for Acquisition

Tenjin North Front Building

(1) Overview of Acquisition

1) Property to be acquired: Real estate trust beneficiary interest
(Trustee: Sumitomo Mitsui Trust Bank, Limited (planned))

2) Property name: Tenjin North Front Building
3) Acquisition price (planned): 2,800 million yen
4) Appraisal value: 2,920 million yen
(appraisal cap rate through direct capitalization method: 5.8%)
5) Acquisition cap rate (Note 1) 6.1%
6) Acquisition date (planned): March 28, 2013
7) Seller: Fukuoka Tenjin Development TMK
8) Funding: Cash on hand
9) Payment method: Blanket payment upon delivery

*Note 1: Acquisition cap rate is calculated by using the formula: NCF through direct capitalization method in the appraisal report / planned acquisition price x 100 (%).
*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 to the north of the Tenjin area, which is the center of retail and commercial activities in Fukuoka, and is approximately a four-minute walk from the underground exit of Tenjin Station on the Fukuoka City Subway Kuko Line that provides highly convenient access to Hakata Station and Fukuoka Airport.

2) Building facilities, tenants, etc.
The property is one of few buildings that are fairly new and have a standard floor area of over 200 tsubos, and is equipped with facilities of sufficiently high specifications, including individually controlled air-conditioning systems, a ceiling height of 2,700mm and 100mm-high office automation-compatible floors. Because of these features, FRC believes the property is highly competitive in the neighboring areas. Moreover, the property is fully occupied by tenants at present, primarily with major companies using it for their call centers, among other purposes. As it also has flexibility, such as the ability to meet the requirements of small-sized tenants, the property is expected to enjoy stable tenant demand.

(3) Overview of Asset to be Acquired

Property name	Tenjin North Front Building	
Property to be acquired	Real estate trust beneficiary interest	
Location (address)	4-4-20 Tenjin, Chuo Ward, Fukuoka City	
Land	Area	1,154.79 m^2
	Zoning	Commercial area
	Floor area ratio	590.19%
	Building coverage	90% (Pursuant to Article 53-3-2 of the Building Standards Act and Article 16 of the Building Standards Act Enforcement Regulations by Fukuoka City)
	Type of ownership	Ownership
Building	Structure/floor	Steel-framed with flat roof, 8 floors
	Built	January 9, 2010
	Total floor area	6,893.91 m^2
	Use	Office, retail
	Type of ownership	Ownership
Appraisal value	2,920 million yen	
Appraiser	Japan Real Estate Institute	
Collateral	None	
Property	Fukuoka Jisho Co., Ltd.	

manager	
Earthquake PML (probable maximum loss)	3.6% (based on the assessment by Tokio Marine & Nichido Risk Consulting Co., Ltd.)
Special note	The footings of partition fences standing on the adjacent land to the northeast cross the boundary into the subject land underground. However, a Memorandum on Boundary Crossing was concluded on February 2, 2010 with the owner of the adjacent land, in which the objects crossing the boundary were confirmed and agreement was reached on future clearance of the said objects and the duty to succeed the obligation to any third party.

*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	6
Total rental income (annual)	213 million yen (Note 1)
Security deposits	144 million yen (Note 2)
Leasable area	5,224.76 m^2 (Note 3)
Total leased area	5,224.76 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 assumed 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 that can be leased 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	Fukuoka Tenjin Development TMK
Address	c/o Seiwa Sogo Accounting Firm 1-4-5 Kudan-Minami, Chiyoda Ward, Tokyo
Representative title and name	Shinji Arakawa, Director
Activities	The objective of the company is to conduct the following businesses: 1. Businesses related to assignment, administration and disposal of specified assets in accordance with asset securitization plans based on the Act on Securitization of Assets (the "Act") 2. All other businesses incidental to the businesses related to securitization of the said specified assets
Specified capital	100 thousand yen
Establishment	January 4, 2008
Outline of investors and investment ratio	The investors do not fall under the definition of interested parties of the asset management company as described in the Act on Investment Trusts and Investment Corporations.
Relationship with FRC or the asset management	The seller does not fall under the definition of interested parties of the asset management company as described in the Act on Investment Trusts and Investment Corporations.

company	

(6) Profile of Previous Owners

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

(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	28 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.

Sales agent name	Sumitomo Mitsui Trust Bank, Limited
Address	1-4-1 Marunouchi, Chiyoda Ward, Tokyo
Representative title and name	President Hitoshi Tsunekage
Brokerage fee	Not disclosed (Note)
Relationship with FRC or the asset management company	The sales agent does not fall under the definition of interested parties of the asset management company as described in the Act on Investment Trusts and Investment Corporations.

(Note) The brokerage fee is not disclosed as the consent of the sales agent on disclosure has not been obtained.

(8) Transaction with Interested Parties

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 of the property, administration of each tenant and property management work for the property. The conclusion of these agreements have been discussed at and approved by the Investment Committee, the Compliance Committee and the Board of Directors of the asset management company.

(9) Constructor, Designer and Others

Constructor	Kajima Corporation
Designer	Kajima Corporation Kyushu Branch First-Class Architect Office
Building design office engaged in structural engineering data	Kajima Corporation Kyushu Branch First-Class Architect Office
Organization that authorized building construction	Bureau Veritas Japan

(10) Acquisition Schedule

March 25, 2013: Decision of acquisition
March 28, 2013: Conclusion of agreement (planned)
March 28, 2013: Payment (planned)
March 28, 2013: Delivery of the property (planned)

4. Outlook

The impact of the transaction on FRC's operating forecast for the fiscal period ending August 2013 (March 1, 2013 – August 31, 2013), which was announced in the press release "Notice on Revision to Forecast of Performance for Fiscal Period Ending August 2013" dated February 8, 2013, is considered to be minimal, and FRC will not revise the forecast at present. The operating forecasts for the fiscal period ending August 2013

(March 1, 2013 – August 31, 2013) and the fiscal period ending February 2014 (September 1, 2013 – February 28, 2014) will be announced in the Earnings Briefing for the Period Ended February 2013 to be released on April 9, 2013.

(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		2,920,000,000 yen	
Pricing date		February 1, 2013	
		Figures	Reasons, etc.
Direct capitalization method			
(1) Operating revenues (①+②+③-④)		249,228,000 yen	
	① Rental revenues (including proceeds from common services, etc.)	206,851,000 yen	Appraised rents, etc. that are receivable in a stable manner over a medium to long term
	② Other revenues (including proceeds for added use charges)	54,599,000 yen	Parking lot usage fees and utility fees, etc.
	③ Key money and other revenues	0 yen	
	④ Loss from vacancy	-12,222,000 yen	
(2) Operating expenses (①+②+③+④)		74,763,000 yen	
	① Maintenance and management fees and utility expenses	56,697,000 yen	
	② Taxes and public charges	17,047,000 yen	
	③ Damage insurance premiums	1,019,000 yen	
	④ Other expenses	0 yen	
(3) Net operating income (NOI)		174,465,000 yen	
(4) Gains from management of one-time proceeds		2,806,000 yen	Appraised by setting the management return at 2%
(5) Capital expenditures		6,870,000 yen	
(6) Net cash flow (NCF)		170,401,000 yen	
(7) Capitalization rate		5.8%	Appraised based on the benchmark cap rates of respective districts set by the Institute and after considering the spreads due to the location conditions, building conditions and other conditions of the subject property as well as taking into account such factors as the future uncertainty and the cap rates of similar property transactions
Income through direct capitalization method ((6)÷(7))		2,940,000,000 yen	Appraised by capitalizing net cash flow at the capitalization rate
Value through DCF method		2,890,000,000 yen	
	Discount rate	5.6%	
	Terminal cap rate	6.0%	
Value through cost method		2,820,000,000 yen	
	Percentage of leased land	1,095,581,000 yen	38.9%
	Percentage of building	1,724,419, 000 yen	61.1%

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 : 32 bn yen

2 Canal City Hakata・B
- Address : 1-chome, Sumiyoshi, Hakata-ku, Fukuoka City
- Acquisition date : Mar 2, 2011
- Acquisition price : 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 : 14.6 bn yen

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

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

6 Sanix Hakata Building
- Address : 2-chome, Hakataekihigashi, Hakata-ku, Fukuoka City
- Acquisition date : Sep 30, 2005
- Acquisition price : 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 : 5.9 bn yen

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

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

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

11 Hanahata SC
- Address : 4-chome, Hanahata, Minami-ku, 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 : 15.9 bn yen

13 SunLiveCity Kokura
- Address : 2-chome, Kami Kuzuhara, Kokura-ku, 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-ku, 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 : 3.6 bn yen

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

19 Aqualia Chihaya
- Address : 4-chome, Chihaya, Higashi-ku, Fukuoka City
- Acquisition date : Mar 1, 2012
- Acquisition price : 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 : 2.6 bn yen

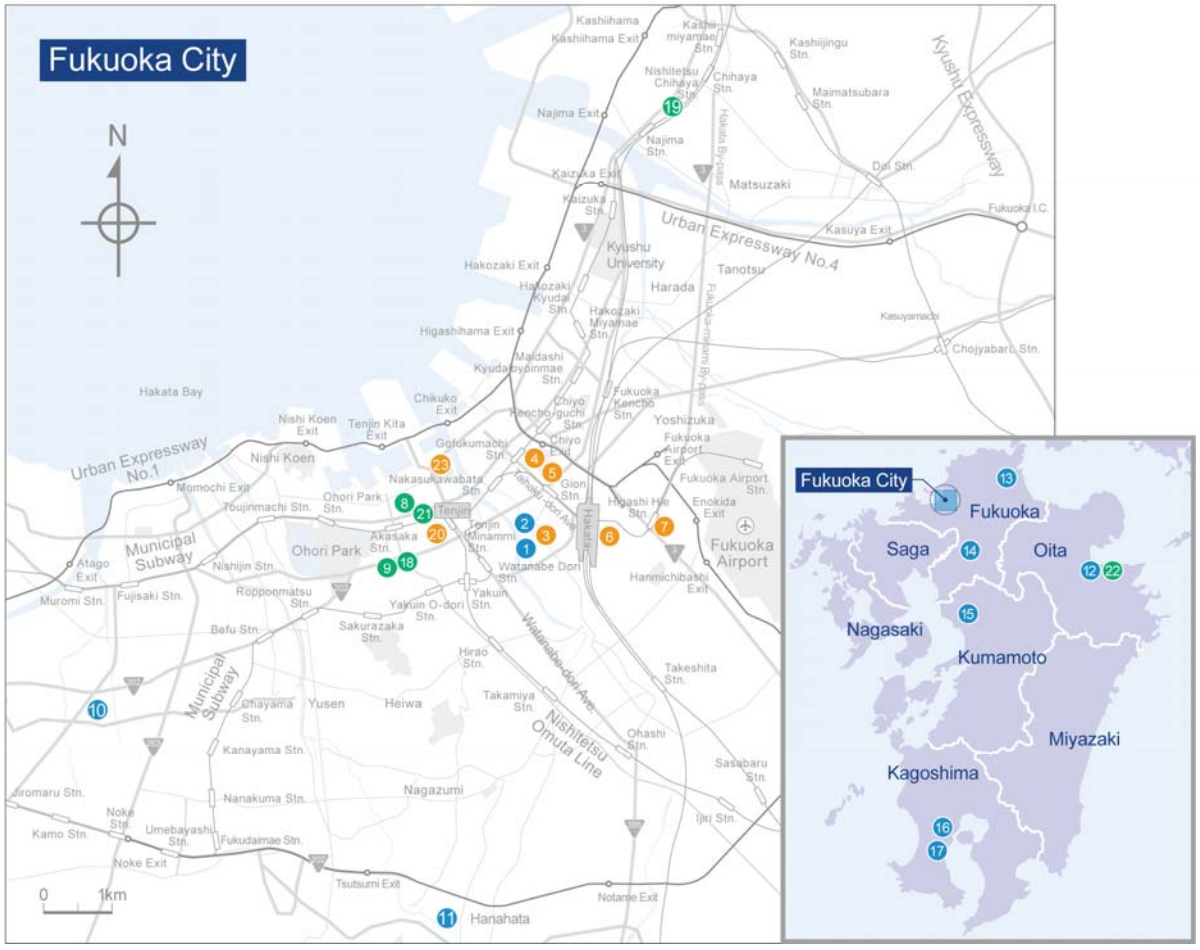
21 D-Wing Tower
- Address : 2-chome, Daimyo, Chuo-ku, Fukuoka City
- Acquisition date : Mar 1, 2013
- Acquisition price : 2.8 bn yen

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-ku, Fukuoka City
- Scheduled acquisition datel : Mar 28, 2013
- Acquisition price : 2.8 bn yen

Retail Office Others

(*)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%	19.58%
	Park Place Oita	Nov 9, 2004	15,700	6.60%	9.61%
	SunLiveCity Kokura	Jul 1, 2005	6,633	6.60%	4.06%
	Square Mall Kagoshima Usuki	Sep 28, 2006	5,300	6.30%	3.24%
	Kumamoto Intercommunity SC	Nov 30, 2006	2,400	6.50%	1.47%
	Aeon Hara Shopping Center	Mar 1, 2007	5,410	6.80%	3.31%
	Hanahata SC	Sep 3, 2007	1,130	6.40%	0.69%
	Kurume Higashi Kushiwara SC	Feb 1, 2008	2,500	6.10%	1.53%
	K's Denki Kagoshima Head Office	Mar 27, 2008	3,550	5.70%	2.17%
	Canal City Hakata B	Mar 2, 2011	28,700	5.40%	17.56%
Office	Canal City Business Center Building	Nov 9, 2004	14,600	6.30%	8.93%
	Gofukumachi Business Center	Nov 9, 2004	11,200	6.30%	6.85%
	Sanix Hakata Building	Sep 30, 2005	4,400	5.90%	2.69%
	Taihaku Street Business Center	Mar 16, 2006	7,000	6.00%	4.28%
	Higashi Hie Business Center	Mar 13, 2009	5,900	6.00%	3.61%
	Tenjin Nishi-Dori Center Building	Feb 1, 2013	2,600	5.40%	1.59%
	Tenjin North Front Building	Mar 28, 2013 (planned)	2,800	6.10%	1.71%
Other	Amex Akasakamon Tower	Sep 1, 2006	2,060	5.40%	1.26%
	City House Keyaki Dori	Dec 20, 2007	1,111	5.40%	0.68%
	Aqualia Kego	Mar 1, 2012	2,800	6.30%	1.71%
	Aqualia Chihaya	Mar 1, 2012	1,280	6.80%	0.78%
	D-Wing Tower	Mar 1, 2013	2,800	5.90%	1.74%
	Hotel FORZA Oita	Mar 1, 2013	1,530	6.60%	0.95%
Total or weighted average of all properties		—	163,404	6.06%	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

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