October 28, 2014

Provisional translation only

Fukuoka REIT Corporation
1-2-25 Sumiyoshi, Hakata Ward, Fukuoka City
Etsuo Matsuyuki
CEO & Representative Director
(Securities Code: 8968)

Asset Management Company:
Fukuoka Realty Co., Ltd.
1-2-25 Sumiyoshi. Hakata Ward, Fukuoka City
Etsuo Matsuyuki
CEO & Representative Director

Inquiries:
Hiroyuki Ayabe
Head of Finance Department
TEL: +81-(0)92-272-3900

Fukuoka REIT Concludes Agreement to Purchase a New Residential Building

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)
Granfore Yakuin Minami	Residence	1-chome, Hirao, Chuo Ward, Fukuoka City	1,100 million yen	November 4, 2014

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.

The property to be acquired is located in one of the most competitive areas in the Fukuoka area, where a stable population growth is expected to continue going forward. Capturing the needs of single households which are on the rise in Fukuoka, it is a property which can expect continuous stable demand going forward.

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

Granfore Yakuin Minami

(1) Overview of Acquisition

(1) Property to be acquired: Real estate trust beneficiary interest
(Trustee: Sumitomo Mitsui Trust Bank, Limited)
(2) Property name: Granfore Yakuin Minami
(3) Acquisition price (planned): 1,100million yen
(4) Appraisal value: 1,170 million yen
(5) Acquisition CAP (Note 1) 5.6%
(6) Acquisition date (planned): November 4, 2014
(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
(9) Payment method: Lump-sum 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) Points Valued in Deciding on Acquisition of Property

1. Location conditions

The property is an eight-minute walk from Yakuin Station and Hirao Station on the Nishitetsu Tenjin Omuta Line and an eight-minute walk from Yakuin Station on the Fukuoka City Subway Nanakuma Line, and is located in the Yakuin/Hirao area near the Tenjin area, which is an important commercial/business area of Fukuoka City.
Yakuin/Hirao area is a highly popular residential area in Fukuoka City, which is experiencing steady population growth, since sufficient buses are available and access to Tenjin and Hakata areas is excellent.
Furthermore, the extension of the Fukuoka City Subway Nanakuma Line from Tenjin-Minami Station to Hakata Station is scheduled in 2020 (please refer to Attachment [Reference 3] for locations of the property, Yakuin Station and Tenjin-Minami Station on the Fukuoka City Subway Nanakuma Line and Hakata Station), thus further improvement in convenience is expected for the Yakuin/Hirao area where the property is located.

2. Building facilities, tenants, etc.

The property is relatively new compared to other condominiums in the surrounding area and offers a high-grade atmosphere due to its scale of having 99 units in a single building. All units are 1LDK type, which matches the needs of single households that are on the rise in Fukuoka City. Furthermore, the property is not only equipped with security measures such as an around-the-clock emergency warning system and security cameras, and but also faces Takamiya-Dori, a street with lots of pedestrians even at night, providing a strong competitive edge in Fukuoka City, where the ratio of female residents is high.

(3) Overview of Asset to be acquired

Property name	Granfore Yakuin Minami	
Property to be acquired	Real estate trust beneficiary interest	
Term of real estate trust	From November 4, 2014 to November 3, 2034	
Location (address)	11-20, 1-chome, Hirao, Chuo Ward, Fukuoka City	
Land	Area	640.66 m^2

	Zoning	Commercial area
	Floor area ratio	400%
	Building coverage	80%
	Type of ownership	Ownership
Building	Structure/floor	Reinforced concrete with flat roof, 10 floors above ground
	Built	December 10, 2007
	Total floor area	2,715.76 m^2
	Use	Apartment
	Type of ownership	Ownership
Appraisal value	1,170 million yen	
Appraiser	The Tanizawa Sogo Appraisal Co., Ltd.	
Collateral	None	
Property manager	Good Property Inc.	
Earthquake PML (probable maximum loss)	2.7% (based on the assessment by Tokio Marine & Nichido Risk Consulting Co., Ltd.)	
Special note	As for part of the boundary between the property and the adjacent land, the matter is under discussion with the owner of the adjacent land. However, it has no major impact on the use or the appraisal value of the property.	

*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) Outline of Lease

Total number of tenants	99
Total rental income (annual)	71 million yen (Note 1)
Security deposits	1 million yen (Note 2)
Leasable area	2,496.06 m^2 (Note 3)
Total leased area	2,368.48m^2 (Note 3)
Occupancy rate	94.9% (Note 4)

*Note 1: The figure has been calculated by multiplying the (planned) total amount of the monthly rents, indicated in the lease agreement concluded on September 1, 2014, by 12 times. The figure has been rounded to the nearest million yen. It does not include a parking lot etc.
*Note 2: The figure is the sum of the amounts indicated in the lease agreements concluded on September 1, 2014. The figure has been rounded to the nearest million yen. It does not include a parking lot etc.
*Note 3: The leasable area and the total leased area indicate the sum of the areas designated in the lease agreement concluded on September 1, 2014 with the tenant. It does not include a parking lot etc.
*Note 4: The figure indicates the ratio of the total leased area to the leasable area. The figure has been rounded to the first decimal place. It does not include a parking lot etc.

(5) 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.

(6) 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.

(7) Sales Agent Profile

Sales agent name	CBRE Japan
Address	1-1, 2-Chome, Marunouchi, Chiyoda Ward, Tokyo
Representative title and name	Ben Duncan, President&CEO, Japan
Business description	Sale and purchase, exchange or leasing of real estate for business (office, logistics, commercial facilities). Agency/Brokerage Service of leasing for property, Private Fund services
Capital	150 million yen
Establish date	February 21, 1970
Brokerage fee	The fee is undisclosed as consent on disclosure has not been obtained from the sales agent.
Relationship with FRC or the asset management company	Falls under the definition of interested parties of the asset management company as described in the Act on Investment Trusts and Investment Corporations.

(8) Transaction with Interested Parties

None

(9) Constructor, Designer and Others

Constructor	KONOIKE CONSTRUCTION CO., LTD.
Designer	Hiiragi Architect Office
Building design office engaged in structural engineering data	Life Design Japan Co.,Ltd
Organization that authorized building construction	Japan ERI Co., Ltd.

(10) Acquisition Schedule

October 28, 2014:	Decision of acquisition
November 4, 2014:	Conclusion of agreement (planned)
November 4, 2014:	Payment (planned)
November 4, 2014:	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.

(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

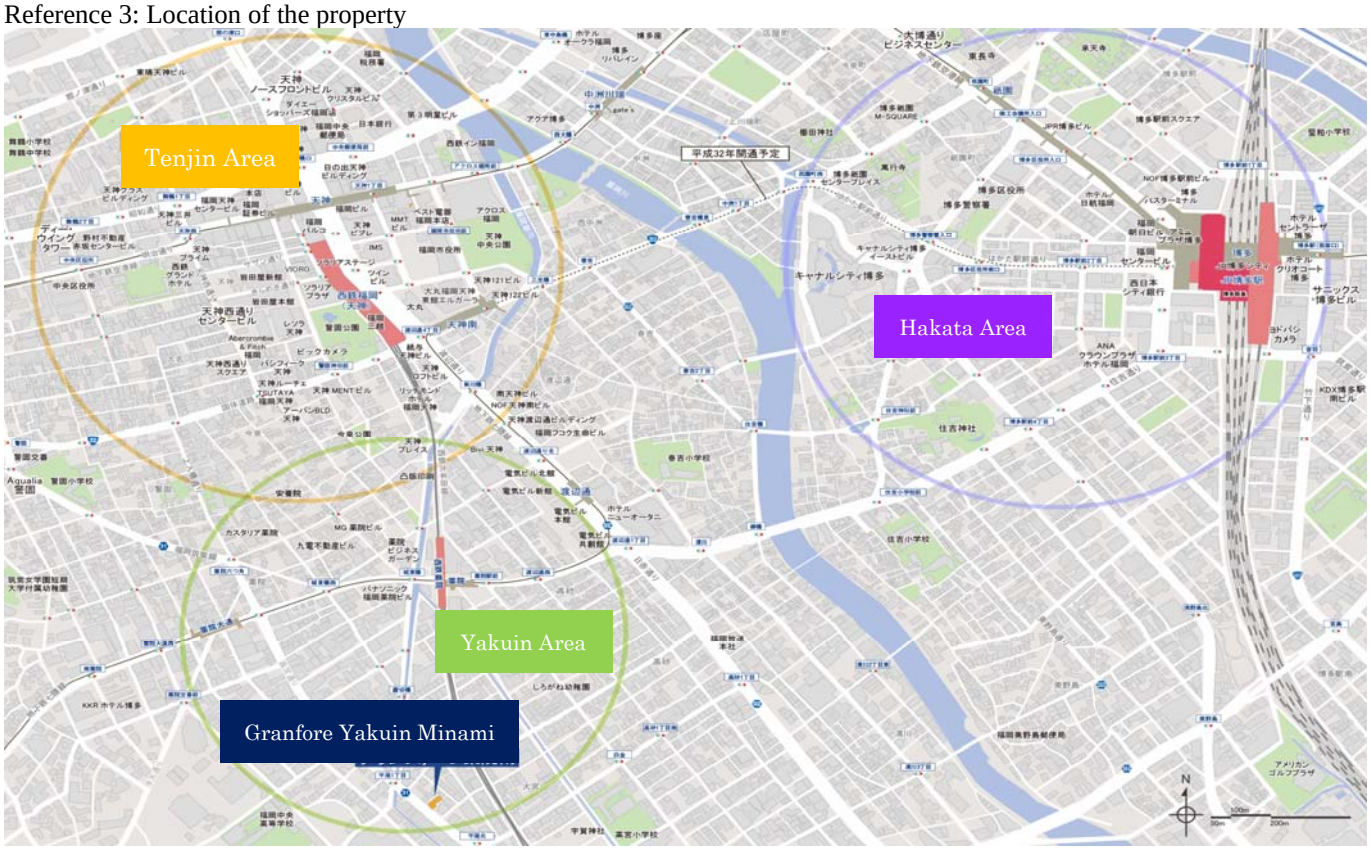
Appraiser		The Tanizawa Sogo Appraisal Co., Ltd.	
Appraisal value		1,170 million yen	
		Figures	Reasons, etc.
Direct capitalization method			
(1) Operating revenues		79,918 thousand yen	
(2) Operating expenses (①+②+③+④)		16,853 thousand yen	
	① Maintenance and management fees and utility expenses	11,300 thousand yen	
	② Taxes and public charges	5,074 thousand yen	
	③ Damage insurance premiums	399 thousand yen	
	④ Other expenses	80 thousand yen	
(3) Net operating income (NOI)		63,064 thousand yen	
(4) Gains from management of one-time proceeds		0 thousand yen	
(5) Capital expenditures		1,770 thousand yen	
(6) Net cash flow (NCF)		61,294 thousand yen	
(7) Capitalization rate		5.2%	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))		1,180,000 thousand yen	Appraised by capitalizing net cash flow at the capitalization rate
Value through DCF method		1,160,000 thousand yen	
	Discount rate	5.3%	
	Terminal cap rate	5.4%	
Value through cost method		1,010,000 thousand yen	
	Percentage of leased land	42.3%	
	Percentage of building	57.7%	

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 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 : Mar. 2, 2011
- 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 : 15.9 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 : 3.6 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

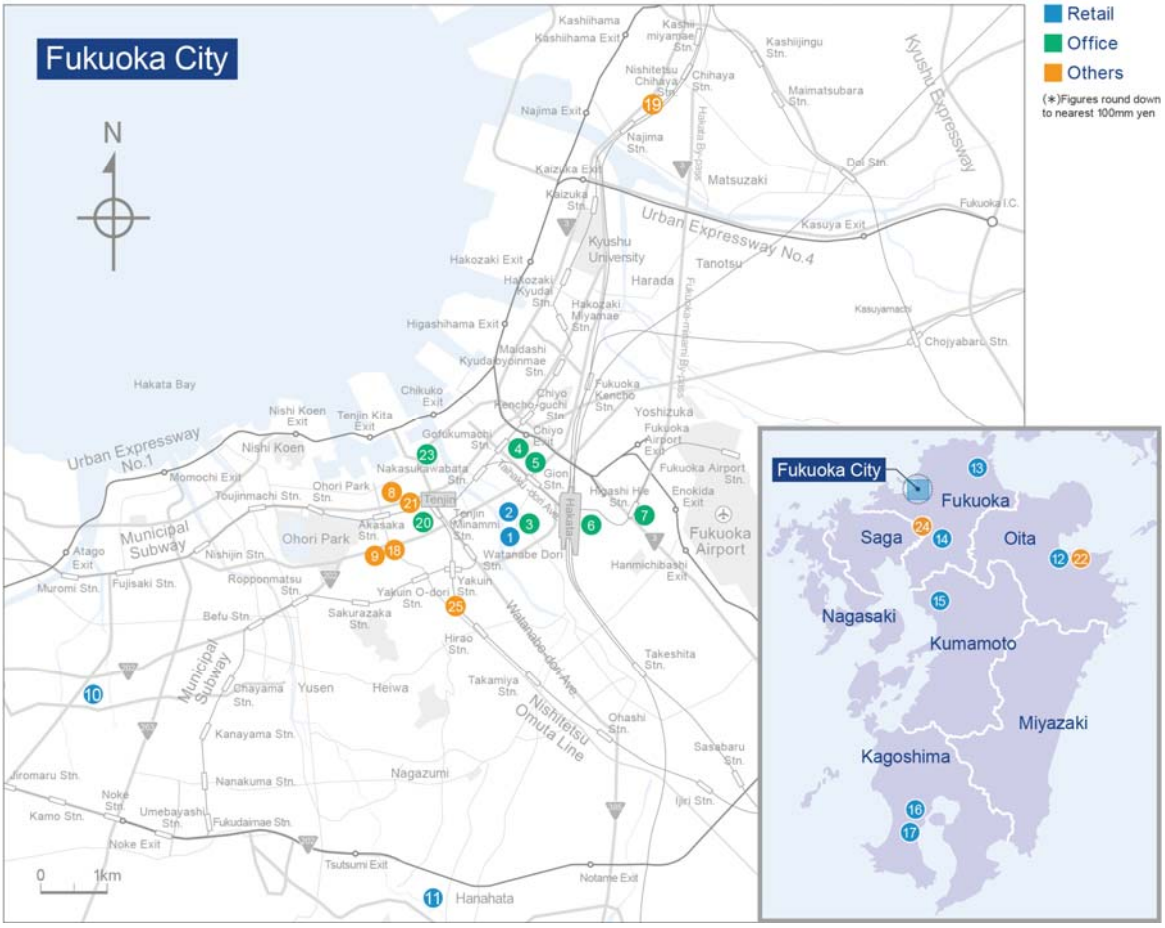
21 D-Wing Tower
- Address : 2-chome, Daimyo, Chuo Ward, Fukuoka City
- Acquisition date : Mar. 1, 2013
- Acquisition price : 2.8 bn yen

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
- Scheduled acquisition date : Nov. 4, 2014
- Scheduled acquisition price : 1.1 bn 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%	19.31%
	Park Place Oita	Nov 9, 2004	15,700	6.60%	9.47%
	SunLiveCity Kokura	Jul 1, 2005	6,633	6.60%	4.00%
	Square Mall Kagoshima Usuki	Sep 28, 2006	5,300	6.30%	3.20%
	Kumamoto Intercommunity SC	Nov 30, 2006	2,400	6.50%	1.45%
	Aeon Hara Shopping Center	Mar 1, 2007	5,410	6.80%	3.26%
	Hanahata SC	Sep 3, 2007	1,130	6.40%	0.68%
	Kurume Higashi Kushiwara SC	Feb 1, 2008	2,500	6.10%	1.51%
	K's Denki Kagoshima Head Office	Mar 27, 2008	3,550	5.70%	2.14%
	Canal City Hakata B	Mar 2, 2011	28,700	5.40%	17.31%
Office buildings	Canal City Business Center Building	Nov 9, 2004	14,600	6.30%	8.81%
	Gofukumachi Business Center	Nov 9, 2004	11,200	6.30%	6.76%
	Sanix Hakata Building	Sep 30, 2005	4,400	5.90%	2.65%
	Taihaku Street Business Center	Mar 16, 2006	7,000	6.00%	4.22%
	Higashi Hie Business Center	Mar 13, 2009	5,900	6.00%	3.56%
	Tenjin Nishi-Dori Center Building	Feb 1, 2013	2,600	5.40%	1.57%
	Tenjin North Front Building	Mar 28, 2013	2,800	6.10%	1.69%

Others Total or weighted average of all properties	Amex Akasakamon Tower	Sep 1, 2006	2,060	5.40%	1.24%
	City House Keyaki Dori	Dec 20, 2007	1,111	5.40%	0.67%
	Aqualia Kego	Mar 1, 2012	2,800	6.30%	1.69%
	Aqualia Chihaya	Mar 1, 2012	1,280	6.80%	0.77%
	D-Wing Tower	Mar 1, 2013	2,800	5.90%	1.69%
	Hotel FORZA Oita	Mar 1, 2013	1,530	6.60%	0.92%
	Tosu Logistics Center	Mar. 28, 2014	1,250	5.90%	0.75%
	Granfore Yakuin Minami	Nov. 4, 2014 (planned)	1,100	5.60%	0.66%
Total or weighted average of all properties		—	165,754	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

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