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Provisional translation only

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Fukuoka REIT Concludes Agreement to Purchase a New Property

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)
Sports Club NAS Park Place Oita	Sports Center	1-Chome Koen Dori Nishi, Oita City	1,470 million yen	September 1, 2016

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.

Sports Club NAS Park Place Oita (hereafter, the “property”), the property to be acquired, is located to the southeast of the center of Oita City in an area with abundant greenery primarily comprised of new residential districts. The property is adjacent to Park Place Oita, which is already owned by FRC, thus by seeking synergy effects between the facilities, more customers from a broader trading zone than being a single facility can be expected. Furthermore, since a number of the wealthy and families with small children seem to reside in Park Place Oita Koen-dori, a residential area recently developed in the surrounding area, demand from local users is also expected. FRC anticipates that the acquisition of the property which is acquired from Fukuoka Jisho Co.,Ltd by using sponsor pipeline, will contribute to further enhancing its portfolio and securing stable earnings into the future.

3. Details of Property for Acquisition

(1) Overview of Acquisition

1) Property to be acquired (Note 1):	Real estate trust beneficiary interest (Trustee: Sumitomo Mitsui Trust Bank, Limited)
2) Property name:	Sports Club NAS Park Place Oita
3) Acquisition price (planned) (Note 2)	1,470 million yen
4) Appraisal value:	1,470 million yen (as of August 1, 2016)
5) Acquisition CAP (Note 3)	6.1%
6) Acquisition date (planned):	September 1, 2016
7) Seller:	Fukuoka Jisho Co., Ltd.
8) Funding:	Cash on hand
9) Payment method:	Lump-sum payment upon delivery

(Note 1) though the property to be acquired is in the form of actual real estate at present, the present owner plans to place it in trust to the trustee and FRC plans the beneficiary interest in the trust.

(Note 2) The acquisition price (planned) does not include acquisition expenses, amounts equivalent to the settlement of property taxes and city planning taxes, consumption taxes on the building and other expenses.

(Note 3) The acquisition CAP is calculated by the direct capitalization method: NCF/planned acquisition value*100 (%) of the appraisal assessment.

(2) Points Valued in Deciding on Acquisition of Property

1) Location conditions

The property is located to the southeast of the center of Oita City in an area with abundant greenery primarily comprised of a large retail facility Park Place Oita and new residential districts. As it is the only general sports club in Oita City, located adjacent to a large retail facility that is capable of attracting customers from a wide area, its competitiveness is believed to be relatively high. Many wealthy and families with small children reside in the surrounding residential development, Park Place Oita Koen-dori, thus it can expect demand from local users as well. It has sufficient free parking spaces for facility users offering high convenience by allowing visits between shopping or going out.

Furthermore, Oita Stadium has been selected as one of the 14 venues to host matches for the Rugby World Cup 2019 to be held in Japan. In addition, the 2020 Tokyo Olympic Games are likely to raise the popularity of sports leading to a revitalization in the demand for sports clubs.

2) Building facilities, tenants, etc.

The property is a relatively new property completed in April 2014. It has a full range of equipment as a general sports club, including a pool, a gym, exercise studios and golf simulation.

According to the Leisure White Paper 2015, the most recent market size of sports clubs in Japan has become the largest ever, and the number of individual memberships, particularly of health-conscious senior members, is said to be on the rise. One of the features of the property is having a variety of spa zones. FRC believes continuous demand can be expected by taking in demand from senior citizens with strong health consciousness as the aging of the population progresses.

(3) Overview of Asset to be acquired

Property name	Sports Club NAS Park Place Oita	
Property to be acquired	Real estate trust beneficiary interest	
Acquisition price (planned)	1,470 million yen	
Trustee (planned)	Sumitomo Mitsui Trust Bank, Limited	
Term of real estate trust (planned)	From September 1, 2016 to August 31, 2036	
Location	6675-4 1-Chome Koen Dori Nishi, Oita City	
Land	Area	9,482.82 ㎡
	Zoning	Category2 residential
	Floor area ratio	200%
	Building coverage	60%
	Type of ownership	100% Ownership
Building	Structure/floor	steel-framed with galvanized alloy steel sheet roofing, 2 floors and 1 below
	Built	April 21, 2014
	Total floor area,	3,969.22 ㎡
	Use	Sports Center
	Type of ownership	100% Ownership
Appraisal value	1,470 million yen (as of August 1, 2016)	
Appraiser	Japan Real Estate Institute	
collateral	None	
Property manager (planned)	Park Place Oita Co., Ltd	
Earthquake PML (probable maximum loss)	11.2%（based on the assessment by Tokio Marine & Nichido Risk Consulting Co., Ltd.）	
Remarks	There is a structure installed on the property (independent advertising signboard) that has not been granted a certification of inspection, but according to the inspection report on compliance with the Building Standards Act released by JCIA on August 12, 2016, the structure is identified as "having met the Building Standards Act at the time of standard establishment, 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 estimator. The figure is a representation of the reporter's opinion, and does not guarantee the accuracy of its content.

(4) Overview of Building Status Assessment Report

Surveyor	Date of survey report	Urgent and short-term repair and replacement expenses (Note 1)	Long-term repair and replacement expenses (Note 2)
Tokio Marine & Nichido Risk Consulting Co., Ltd.	August 10, 2016	—	2 million yen

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

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

(5) Outline of Lease

Total number of tenants	1
Total rental income (annual)	Not disclosed (Note 1)
Security Deposit and Guaranty	Not disclosed (Note 1)
Leasable floor space	4,002.96 ㎡ (Note 2)
Total leased floor space	4,002.96 ㎡ (Note 2)
Occupancy rate	100.0% (Note 3) as of August 30, 2016

(Note 1) The figure is not disclosed as no consent to disclosure has been obtained from the tenants.
(Note 2) The leasable floor space indicates the area that can be leased to the end tenants. The total leased floor space indicates the sum of the areas designated in the lease agreements that have been concluded with the end tenants by August 1, 2016.
(Note 3) The figure indicates the ratio of the total leased floor space to the leasable floor space, and has been rounded off to the first decimal place.

(6) Profile of Seller

(1)	Company name	Fukuoka Jisho Co., Ltd.
(2)	Address	2-25, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City
(3)	Representative title and name	Ichiro Enomoto, President and Representative Director
(4)	Activities	Engaged in urban development, residential development, development and operation of retail facilities and office buildings, etc.
(5)	Specified capital	4,000 million yen (as of May 31, 2016)
(6)	Establishment	July 19, 1961
(7)	Net assets	50,202 million yen
(8)	Total assets	149,304 million yen
(9)	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 August 30, 2016.
	Personnel relationship	The seller has dispatched a full-time director and 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.

(7) Profile of Previous Owners

Property name		Sports Club NAS Park Place Oita	
Status of previous owners		owner	Previous owner
	Company name	Fukuoka Jisho Co., Ltd.	－(Note1)
	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	Omitted as one year has passed since the acquisition	－
	Acquisition date	April, 2014 / new building April, 2009 / land	

(Note1) This property is the real estate which the previous owner, Fukuoka Jisho Co..Ltd took over due to merger of the owner before previous owner. Therefore the Acquisition date is the merger of companies. as of March, 2011.

(8) Sales Agent Profile

None

(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 will conclude a real estate lease and management consignment agreement with Park Place Oita Co., Ltd. for Park Place Oita in order to lease the property to and consign the latter with the property management work for the property. The same procedures for discussions and approvals as above (1) have been taken for concluding the agreement.

(10) Constructor, Designer and Others

Constructor	DAIWA HOUSE INDUSTRY CO., LTD.
Designer	OLC JAPAN
Building design office engaged in structural engineering data	MUSA Institute
Organization that authorized building construction	Bureau Veritas Japan

(11) Acquisition Schedule

August 30, 2016	Decision of acquisition
September 1, 2016	Conclusion of agreement (planned)
September 1, 2016	Payment (planned)
September 1, 2016	Delivery of the property (planned)

4. Outlook

There is no impact on the 24th fiscal period forecast ending August 2016 (March 1, 2016 to August 31, 2016) by acquiring this property on September 1, 2016. Please refer to "Notice on Revision to Forecast of Performance for Fiscal Period Ending August 2016 and February 2017" as of August 30, 2016 regarding the impact of the transaction on FRC's operating forecast for the fiscal period ending February 2017 (September 1, 2016 – February 28, 2017).

5. Outline of Appraisal Report

Property Name		Sports Club NAS Park Place Oita	
Appraisal value		1,470,000,000 yen	
Appraiser		Japan Real Estate Institute	
Pricing date		August 1st, 2016	
		Figures	Reasons, etc.
Income Capitalization Approach Value		1,470,000,000 yen	
Value Calculated Using the Direct Capitalization Method		1,480,000,000 yen	
Gross Operating Revenue		Not disclosed*	
	Maximum Gross Operating Revenue		
	Shortfall Attributed to Vacancies		
Operating Expenses			
	Outsourcing fees		
	Utility expenses		
	Repair and maintenance expenses		
	PM fee		
	Tenant expenses		
	Taxes and fees		
	Damage insurances		
	Other expenses		
Net operating income		88,880,000 yen	
	Profit through management of temporary deposits, etc.	Not disclosed*	
	Capital Expenditure Reserve		
Net Cash Flow		89,063,000 yen	
Capitalization rate		6.0%	Appraised after considering locational conditions, etc. of the property, future uncertainties, similar cases and such.
Value through DCF method		1,460,000,000 yen	
	Discount rate	5.7%	
	Terminal cap rate	6.3%	
Value through cost method		1,630,000,000 yen	
	Percentage of leased land	44.4%	
	Percentage of building	55.6%	

Other matters noted by the appraiser in conducting appraisal	Not stated

*This is information for which consensus for disclosure has not been obtained from the tenant or which is computable, and information of which disclosure would undermine trust relationship with the tenant causing disadvantages such as not being able to maintain a lease contract over the long term, eventually possibly harming the interests of the unitholders. Therefore, we have decided not to disclose the information.

(Attachments)

Reference 1: External view of the property

Reference 2: Location of the property

Reference 3: Map of FRC's portfolio

Reference 4: List of FRC's portfolio

Reference 1: External view of the property

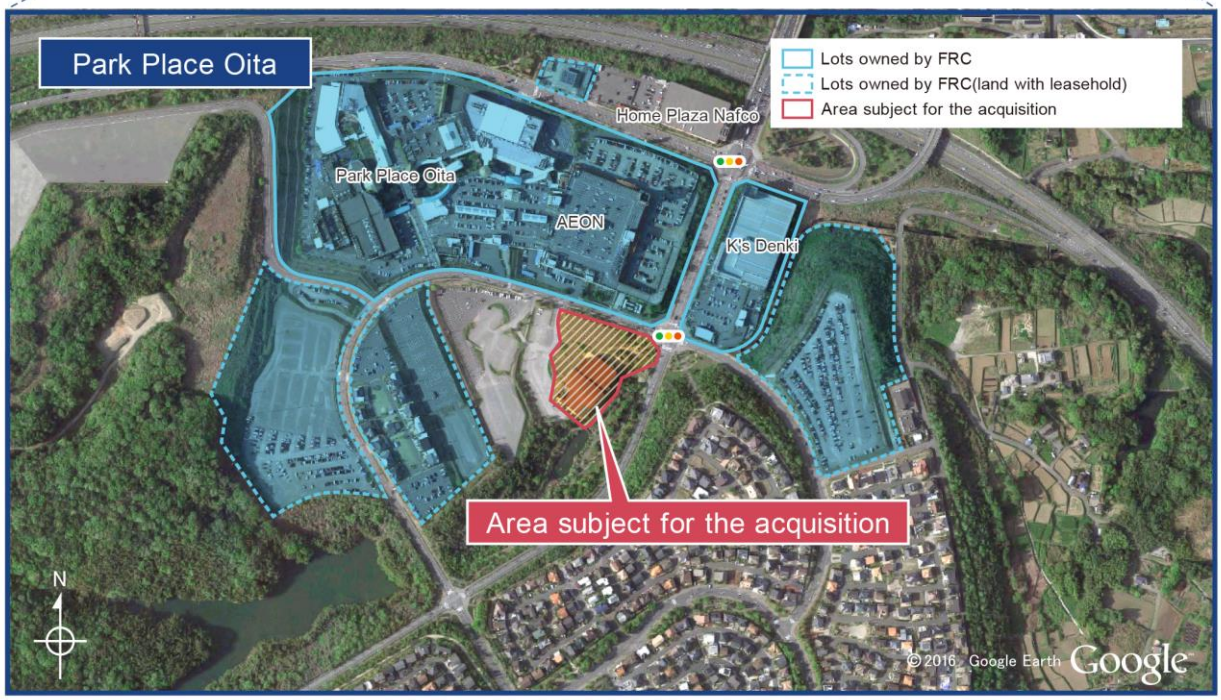






Reference 2: Location of the property





Reference 3: Map of FRC's portfolio

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

2 Canal City Hakata・B
■Address : 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City
■Acquisition date : 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, 2006
■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(*2)
■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 (*1)
■Address : 2-chome, Koen Dori Nishi, Oita City
■Acquisition date : Nov. 9, 2004
■Acquisition price : 17.7 bn yen

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

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

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

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

17 K's Denki Kagoshima
■Address : Tokai-cho, Kagoshima City
■Acquisition date : Mar. 27, 2008
■Acquisition price : 3.5 bn yen

18 Aqualia Kego (*2)
■Address : 2-chome, Kego, Chuo Ward, Fukuoka City
■Acquisition date : Mar. 1, 2012
■Acquisition price : 2.8 bn yen

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

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

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

22 Hotel FORZA Oita
■Address : 1-chome, Chuo-machi, Oita City
■Acquisition date : Mar. 1, 2013
■Acquisition price : 1.5 bn yen

23 Tenjin North-Front Building
■Address : 4-chome, Tenjin, Chuo Ward, Fukuoka City
■Acquisition date : Mar. 28, 2013
■Acquisition price : 2.8 bn yen

24 Tosu Logistic Center
■Address : Himekatamachi, Tosu-City, Saga,
■Acquisition date : Mar. 28, 2014
■Acquisition price : 1.2 bn yen

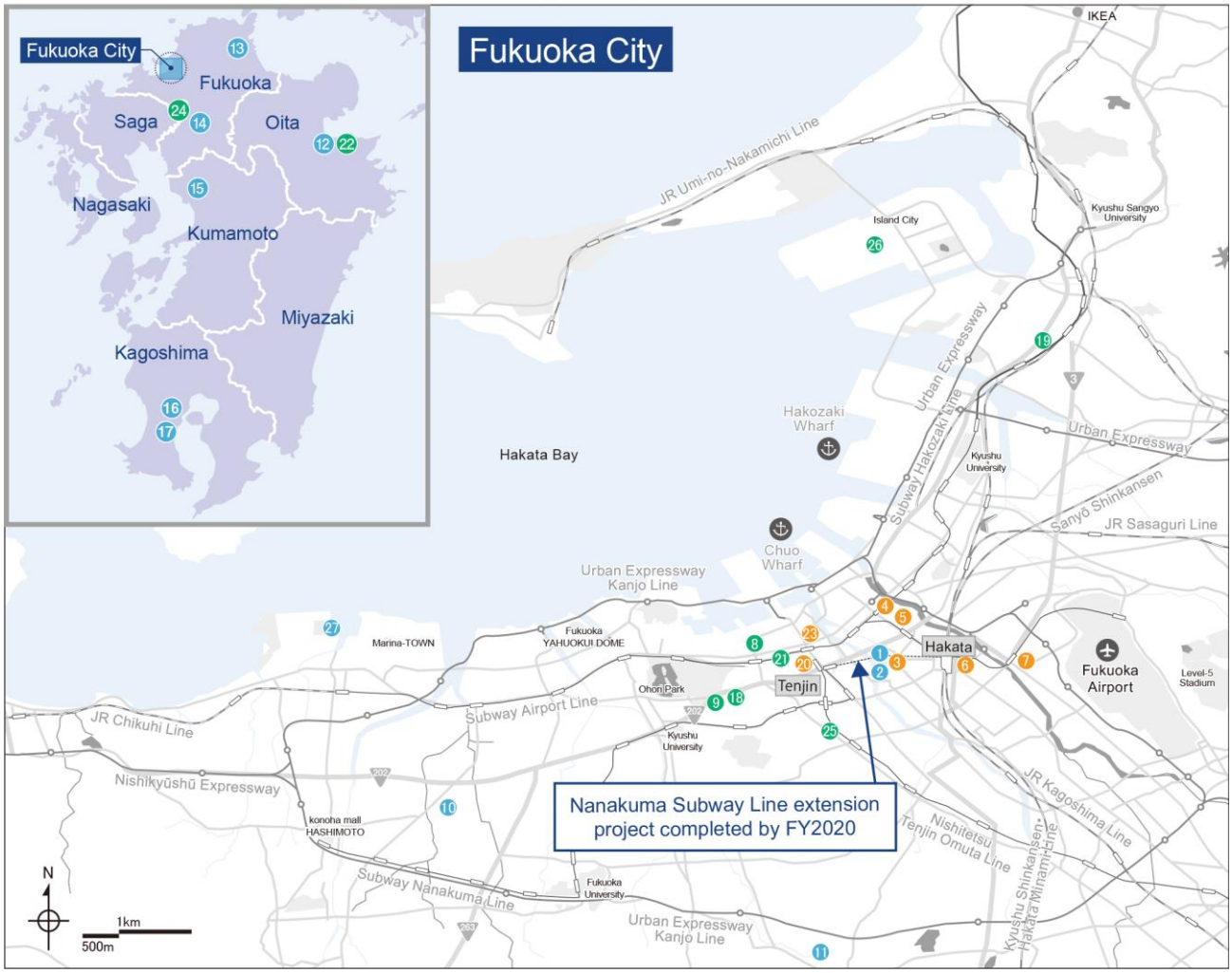
25 Granfore Yakuin Minami
■Address : 1-chome, Hirao, Chuo Ward, Fukuoka City
■Acquisition date : Nov. 4, 2014
■Acquisition price : 1.1 bn yen

26 LOGICITY Minato Kashii
■Address : 2-chome, Minatokashi, Chuo Ward, Fukuoka City
■Acquisition date : Mar. 27, 2015
■Acquisition price : 8.1 bn yen

27 Marinoa City Fukuoka (Marina Side Building)
■Address : 2-chome, Odo, Nishi Ward, Fukuoka City
■Acquisition date : May 1, 2015
■Acquisition price : 5.2 bn yen

(*) Figures round down to nearest 100mm yen
(*1) The acquisition price is included "Sports Club NAS Park Place Oita" which will be acquired as of September 1, 2016
(*2) "AEON Hara Shopping Center" will be disposed on September 30, 2016. "Aqualia Kego" will be disposed on November 29, 2016

■ Retail ■ Office buildings ■ Others



Reference 4: List of FRC's portfolio

Use	Property Name	Acquisition Date (planned)	Acquisition Price (planned) (million yen) (Note 1)	Acquisition Cap Rate (NCF basis) (Note 2)	Investment Ratio
Retail	Canal City Hakata	Nov. 9, 2004	32,000	6.00%	17.66%
	Park Place Oita	Nov. 9, 2004	17,760 (Note 3)	6.50% (Note 3)	9.80% (Note 3)
	SunLiveCity Kokura	Jul. 1, 2005	6,633	6.60%	3.66%
	Square Mall Kagoshima Usuki	Sep. 28, 2006	5,300	6.30%	2.92%
	Kumamoto Intercommunity SC	Nov. 30, 2006	2,400	6.50%	1.32%
	AEON Hara Shopping Center (Note 4)	Mar. 1, 2007	5,410	6.80%	2.99%
	Hanahata SC	Sep. 3, 2007	1,130	6.40%	0.62%
	Kurume Higashi Kushiwara SC	Feb. 1, 2008	2,500	6.10%	1.38%
	K's Denki Kagoshima Head Office	Mar. 27, 2008	3,550	5.70%	1.96%
	Canal City Hakata B	Mar. 2, 2011	28,700	5.40%	15.84%
	Marinoa City Fukuoka (Marina Side Building)	May 1, 2015	5,250	5.50%	2.90%
Office buildings	Canal City Business Center Building	Nov. 9, 2004	14,600	6.30%	8.06%
	Gofukumachi Business Center	Nov. 9, 2004	11,200	6.30%	6.18%
	Sanix Hakata Building	Sep. 30, 2005	4,400	5.90%	2.43%
	Taihaku Street Business Center	Mar. 16, 2006	7,000	6.00%	3.86%
	Higashi Hie Business Center	Mar. 13, 2009	5,900	6.00%	3.26%

	Tenjin Nishi-Dori Center Building	Feb. 1, 2013	2,600	5.40%	1.43%
	Tenjin North Front Building	Mar. 28, 2013	2,800	6.10%	1.55%
Others	Amex Akasakamon Tower	Sep. 1, 2006	2,060	5.40%	1.14%
	City House Keyaki Dori	Dec. 20, 2007	1,111	5.40%	0.61%
	Aqualia Kego (Note 4)	Mar. 1, 2012	2,800	6.30%	1.55%
	Aqualia Chihaya	Mar. 1, 2012	1,280	6.80%	0.71%
	D-Wing Tower	Mar. 1, 2013	2,800	5.90%	1.55%
	Granfore Yakuin Minami	Nov. 4, 2014	1,100	5.60%	0.61%
	Hotel FORZA Oita	Mar. 1, 2013	1,530	6.60%	0.84%
	Tosu Logistics Center	Mar. 28, 2014	1,250	5.90%	0.69%
	LOGIPORT Island-city Hakata	Mar. 27, 2015	8,150	5.20%	4.50%
Total or weighted average of all properties		—	181,214	6.00%	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 using the direct capitalization method: NCF/planned acquisition value x 100 (%) of the appraisal assessment, and rounded off to the first decimal place.

(Note 3) The figures include the planned acquisition price of Sports Club NAS Park Place Oita to be acquired on September 1, 2016.

(Note 4) AEON Hara Shopping Center and Aqualia Kego are scheduled to be disposed on September 30, 2016 and November 29, 2016, respectively. For details, please refer to "Notice of Disposition of Assets" dated August 30, 2016.

*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