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Provisional translation only

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(Securities Code: 8968)

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Notice Concerning Asset Acquisition (Silent Partnership Equity Interests)

(Limited Liability Company FRC1)

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 silent partnership equity interests today.

1. Outline of acquisition

(1)	Property to be acquired:	Equity interests in silent partnership that invests mainly in trust beneficiary interests of domestic real estate
(2)	Name of Asset:	Silent partnership equity interests in Limited Liability Company FRC1 (Note1)
(3)	Property held in trust:	LOGICITY Hisayama (provisional name) (hereinafter "Property held in trust") (Note2)
(4)	Investment Amount:	100 million yen (Approximately 7.4% of total amount of equity investment in silent partnership) (scheduled)
(5)	Date of Silent Partnership Agreement:	October 31, 2016 (scheduled)
(6)	Equity Interests Acquisition Date:	November 30, 2016 (scheduled)
(7)	Funds for Acquisition:	Cash on Hand

(Note1) It is the silent partnership equity interest in Limited Liability Company FRC1 (hereinafter "FRC1"). Regarding the details, please kindly refer to the "3. Overview of Asset to be acquired (1) Summary of the Silent Partnership Equity Interests"

(Note2) FRC1 will be acquired equity interests in silent partnership as of December 1, 2016. Although there is a solar power generating system on a part of the roof of this property, FRC1 will add the additional trust with acquiring this system on the same day. Therefore, this solar power generating system will be a part of the trust beneficiary interest in real estate in trust.

2. Reason for acquisition

The acquired asset falls under the category of assets subject to asset management as provided for under the Articles of Incorporation of the Investment Corporation and conforms to the investment criteria of the Investment Corporation, and thus acquisition was determined based on the conclusion that the asset is appropriate for the portfolio quality from growth of asset size and stabilize earnings into the future.

The Investment Corporation expects to receive dividends as the investment profit backed by rental income, etc. In connection with the acquisition, FRC1 will acquire the silent anonymous partnership equity interests. The Investment Corporation will be granted by the LLC a preferential negotiation right concerning the acquisition of the trust beneficiary interests (hereinafter referred to as the "Preferential Negotiation Right") The Preferential Negotiation Right is deemed as a right owned by the Investment Corporation and shall not oblige the Investment Corporation to acquire the trust beneficiary interests.

For the Acquisition, the Investment Corporation evaluated the points regarding the individual characteristic of the Property which are mentioned as following.

<Location Conditions>

Kasuya District, Fukuoka Prefecture is a suburban town that borders the northeastern part of Fukuoka City and forms part of the greater Fukuoka area. The real estate in trust is located at a distance of approximately 15 km from downtown Fukuoka.

The property boasts highly convenient transportation access close to the Fukuoka Interchange on the Kyushu Expressway Route 4 Kasuya Line, the Koga Interchange on the Kyushu Expressway, and National Route 201, which is a major highway, and there have long been warehouses concentrated in the vicinity, such as it may be considered an in-demand, highly advantageous area.. It also provides excellent access to logistics infrastructure, since it is within an approximately 10 km range of the port area (Hakozakifuto vicinity) and Fukuoka Airport.

Since the property is in an area designated as an exclusive industrial-use district inside an industrial park occupied by a cluster of business facilities (logistics facilities, sales offices, plants, etc.), there are no concerns in terms of the operating environment. It offers a logistics environment where 24-hour operation, frequent deliveries, and so forth are possible.

<Building Facilities, etc.>

The property is three stories aboveground, built on a regular-shaped site with an area of approximately 4,900 tsubos. The building features a slope that enables direct access to the second floor and both the first and second floor are equipped with berths. In addition, there are office areas and common spaces set up on both sides of the first and second floor, so divided use of the first floor and second/third floors is possible.

General-purpose specifications increase storage efficiency: each of the warehouse floors have an under-beam effective ceiling height of at least 5.5 m, while the first floor provides a ceiling height of 6.5 m. For interior transportation, the building is equipped with two freight elevators and two vertical conveyors at the end of the second and third floors. By facilitating operations inside the building, this will be a factor that increases the property's appeal to tenants, including existing lease renewal.

In addition to facilitating transportation operations, the property offers superior storage capabilities and is able to handle a wide range of freight, including processing for distribution, so it provides an excellent work environment.

The property is also equipped with solar power generation equipment and operates under the feed-in tariff law.

＜Summary of beneficial interests in property held in trust acquired by FRC1＞

Property Name	LOGICITY Hisayama (provisional name)	
Property to be acquired	Real estate trust beneficiary interests	
Acquisition Price	5,050 million yen	
Trustee (scheduled)	Sumitomo Mitsui Trust Bank, Limited	
Term of real estate trust (planed)	February 27, 2007 to November 30, 2026	
Location	2338-1 Aburaden Yamada Hisayama-machi Kasuya gun, Fukuoka Prefecture and 4 other lots	
Land	Area	16,156.23 ㎡
	Zoning	Restricted Industrial area
	Floor area ratio	200%
	Building coverage	70%(Relaxed application of 10% building-to-land ratio based on Article 5 of the Fukuoka Prefecture Ordinance for Enforcement of the Building Standards Act)
	Ownership	100% Ownership
Building	Structure/floor	steel-framed with galvanized alloy steel sheet roofing, 3 floors
	Built	January 14, 2015
	Total floor area	24,492.91 ㎡
	Use	Warehouse and Office
	Ownership	100% Ownership
Constructor	Nishimatsu Construction Co., Ltd.	
Designer	Nishimatsu Construction Co., Ltd. Kyushu regional headquarters	
Building design office engaged in structural engineering data	Nishimatsu Construction Co., Ltd. Kyushu regional headquarters	
Organization that authorized building construction	JAPAN ERI CO.,LTD.	
Appraisal value	5,153 million yen (as of September 30, 2016)	
Appraiser	CBRE Japan	
Collateral after acquisition	The real estate trust beneficiary right is scheduled to have a pledge established with the loaner of the non-recourse loan to the operator as the pledgee.	
Earthquake PML	0.6% (based on the assessment by Tokio Marine & Nichido Risk Consulting Co., Ltd.)	
Special notations	The interior stairways leading to the offices located in the northwest and southwest of the building's second floor (which have a height of over 1 m) are not equipped with handrails in some places, but this will be remedied prior to the handover.	
Status of leasing	Total number of tenants	1
	Total rent income (annual)	Not disclosed (Note 1)
	Security deposits	Not disclosed (Note 1)
	Leasable area	24,505.65 ㎡ (Note 2)
	Total leased area	24,505.65 ㎡ (Note 2)
	Occupancy rate	100% (Note 3) (as of September 30, 2016)

* The above summary of beneficial interests in property held in trust are based on the details from FRC1

* 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.

* This solar power generating system will be a part of beneficial interests in property held in trust

(Note 1) The figure is not20 disclosed as no consent to disclosure has been obtained from the tenants.

(Note 2) The leasable area indicates the area that can be leased to the end tenants. The total leased area indicates the sum of the areas designated in the lease agreements that have been concluded with the end tenants by September 30, 2016.

(Note 3) The figure indicates the ratio of the total leased area to the leasable area, and has been rounded to the first decimal place.

3. Overview of Asset to be acquired

(1) Summary of the Silent Partnership Equity Interests

<table>
<tr><td>Operator</td><td>FRC1</td></tr>
<tr><td>Term of the silent partnership agreement</td><td>The end of November, 2018</td></tr>
<tr><td>Total amount of silent partnership equity</td><td>1,360 million yen</td></tr>
<tr><td>Overview of silent partnership agreement</td><td>Overview of silent partnership agreement is the following.
<table>
<tr><td colspan="2">FRC1</td></tr>
<tr><td rowspan="2">Trust beneficiary interests
in real estate in trust, etc.
5,410 million yen
(Note1) (Note2)</td><td>Non-recourse loans
4,050 million yen</td></tr>
<tr><td>Silent partnership equity, etc.
1,360 million yen
(Note3) (Note4)</td></tr>
</table>
(Note1) FRC1 will be acquired the trust beneficiary interest in real estate in trust as of December 1, 2016. (Note2) The amount of the trust beneficiary interests in real estate in trust, etc. mentioned above includes the cost of acquiring the Trust Beneficiary Interests, the establishment cost of silent partnership, and the reserve fund. The appraised value of the Property is 5,153 million yen.
(Note3) The Investment Corporation is scheduled to invest 100 million yen (approx. 7.4%) in the silent partnership equity, etc. (Note4) Fukuoka Jisho Co.,Ltd (hereinafter Fukuoka Jisho), an unitholder of this asset management company, will invest 1,260 million yen (approx.92.6%) equity interests in silent partnership. Fukuoka Jisho the parent company of the asset management company, falls within the scope of interested parties.

*Calculation Period : From March 1 to the end of May, from June 1 to the end of August, from September 1 to the end of November, from December 1 to the end of February of each year and every three months. However, the first calculation period shall commerce from the date of Silent Partnership Agreement (December 1, 2016) to the end of February 2017, and in case the silent partnership agreement terminates, the termination date shall be the last date of the final calculation period.
*Distribution of Profit and Loss :
The operator shall distribute the profits or the losses to the silent partners according to their respective investment ratio as of the end of each calculation period. The cumulative amount of</td></tr>
</table>

<table>
<tr><td></td><td>losses distributed to the silent partners shall not exceed the outstanding investment amount.</td></tr>
<tr><td>Others</td><td>Overview of the Preferential Negotiation Right<table>
<tr><td>Contents of the Preferential Negotiation Right</td><td>It provides the Investment Corporation with the right to negotiate the acquisition of the trust beneficiary interests prior to other potential buyers. Corporation is not obliged to acquire the trust beneficiary Interests. (The preferential negotiation right makes it necessary for FRC’s acquisition price to be at or above a certain price. The price is undisclosed as FRC has not obtained the consent from the related parties of the acquisition.)</td></tr>
<tr><td>Exercise period of the Preferential Negotiation Right</td><td>From December 1, 2016 (scheduled) to December 31, 2017. However, it is able to be extended to September 30, 2018 by meeting certain conditions.</td></tr>
</table></td></tr>
</table>

(2) Summary of Operator

<table>
<tr><td>Name</td><td>FRC1</td></tr>
<tr><td>Address</td><td>1-1, 1-chome, Tenjin Chuo Ward Fukuoka City</td></tr>
<tr><td>Nature of business</td><td>1. Real estate acquisition, development, ownership, disposal, management, and leasing
2. Movable property acquisition, ownership, disposal, management, and leasing
3. Acquisition, ownership, disposal, and management of marketable securities and trust beneficiary rights
4. Solar power generation business Any ancillary business related to the above items.</td></tr>
<tr><td>Representative title</td><td>Representative partner: Hideo Kurihara, Functional Manager, CAPIC Holdings</td></tr>
<tr><td>Specified capital</td><td>10,000 yen</td></tr>
<tr><td>Establishment</td><td>September 27, 2016</td></tr>
<tr><td>Total assets</td><td>5,410 million yen (scheduled)</td></tr>
<tr><td>Total net assets</td><td>10,000 yen</td></tr>
<tr><td colspan="2">Relationship with FRC or asset manager<table>
<tr><td>Capital relationship
Personnel relationship
Business relationship</td><td>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. Fukuoka Jisho will invest approx.92.6% of equity interests in silent partnership at the same time of the acquisition timing to FRC1.</td></tr>
<tr><td>Related-party status</td><td>The concerned company does not fall under the category of a related party of FRC or asset management company, Fukuoka Realty Co.,Ltd,
In addition, any of associated persons and associated companies of the concerned company does not fall under the category of a related party of FRC or Fukuoka Realty Co.,Ltd</td></tr>
</table></td></tr>
</table>

(Note1) Not disclosed because consent has not been obtained from other equity investor in silent partnership.

4. Transaction with Related Parties

Neither the LLC nor the owner of the trust beneficiary interests is a related party of the Investment Corporation or Asset Management Company.

5. Form of payment

FRC is scheduled to pay the operator the entire amount of the initial investment for the silent partnership in full on the scheduled settlement date for the acquisition of silent partnership equity interest (November 30, 2016) from cash on hand.

6. The date of acquisition

Decision date for acquisition	October 28, 2016
(Of which equity interest in silent partnership)	
Date of execution of silent partnership agreement	October 31, 2016 (scheduled)
Date of equity investment in silent partnership	November 30, 2016 (scheduled)
Trust beneficiary interests and etc. transfer date	December 1, 2016 (scheduled)

7. Outlook

The impact of the transaction on FRC's operating forecast for the fiscal period ending February 2017 (September 1, 2016 - February 28, 2017) , which was announced in the "Earnings Briefing for the Period Ended August 2016" dated October 13, 2016 is considered to be minimal, and FRC will not revise the forecast at present.

*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

＜Reference＞

Reference 1: Overview of Appraisal Report

Reference 2: Picture of the Property and map

*Reference 1: Overview of Appraisal Report (Note 1)

Property Name		LOGICITY Hisayama (provisional name)	
Appraisal value		5,153,000,000 yen	
Appraiser		CBRE Japan	
Pricing date		September 30, 2016	
		Figures	Reasons, etc.
Income Capitalization Approach Value		5,153,000,000 yen	
Land and building		4,900,000,000 yen	
Value Calculated Using the Direct Capitalization Method		4,890,000,000 yen	
(1) Gross Operating Revenue		Not disclosed (Note2)	
	Maximum Gross Operating Revenue		
	Shortfall Attributed to Vacancies		
(2) Operating Expenses			
	Maintenance and management fees and utility expenses		
	Utility expenses		
	Repair and maintenance expenses		
	PM fees		
	Tenant expenses		
	Taxes and fees		
	Damage insurances		
	Other expenses		
(3) Net operating income		229,615,000 yen	
	Profit through management of temporary deposits, etc.	Not disclosed (Note2)	
	Capital Expenditure Reserve		
(4) Net Cash Flow		229,903,000 yen	
(5) Capitalization rate		4.7%	Evaluated considering the location, etc. of the property, future uncertainties, comparable cases, etc.
Value through DCF method		4,900,000,000 yen	
(1)Discount rate		4.3%	
(2)Terminal cap rate		4.7%	
Solar power generating system		253,000,000 yen	
Value through DCF method		253,000,000 yen	
(1)Discount rate		5.0%	
Value through cost method		3,930,000,000 yen	
	Percentage of leased land	38.0%	Excl. solar power generating system
	Percentage of building	62.0%	
Other matters noted by the appraiser in conducting appraisal		Not stated	

(Note 1) The overview of appraisal report above is presented the details from FRC1

(Note 2) 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.

* Reference 2: Picture of the property held in trust and map





