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Provisional translation only



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Fukuoka REIT Corporation 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 (scheduled)
Home Plaza NAFCO at Park Place Oita	Retail	2-Chome, Koen-dori Nishi, Oita City, Oita	990 mm yen	July 1, 2020

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.

Home Plaza NAFCO at Park Place Oita (the "Property"), the property to be acquired, is located to the southeast of the center of Oita City in an area with abundant greenery and primarily comprising residential districts. The property is adjacent to Park Place Oita, a large-scale retail facility which attracts customers from an extensive trade zone and is owned by FRC. Accordingly, synergistic effects between the facilities can be expected.

This acquisition utilizes a pipeline with the sponsor, Fukuoka Jisho Co., Ltd., and FRC anticipates that the acquisition of the property will contribute to further enhancing its portfolio and securing stable earnings into the future.

3. Detail of Property for Acquisition

(1) Overview of Acquisition

- 1) Property to be acquired: Real estate trust beneficiary interest
(Trustee: Sumitomo Mitsui Trust Bank, Limited (planned))
- 2) Property name: Home Plaza NAFCO at Park Place Oita
- 3) Acquisition price (planned) (Note1): 990 million yen
- 4) Appraisal value: 1,100 million yen (as of June 1, 2020)
- 5) Acquisition cap rate (Note2): 6.1%
- 6) Acquisition date (scheduled): July 1, 2020
- 7) Seller: Fukuoka Jisho Co., Ltd.
- 8) Funding: Cash on hand
- 9) Payment method: Lump-sum payment upon delivery

(Note1) 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.

(Note2) The acquisition CAP is calculated by the direct capitalization method: $\text{NCF} / \text{The acquisition price (planned)} \times 100$ (%) of the appraisal assessment.

(2) Points Valued in Deciding on the Property

1) Location conditions

The property is located to the southeast of the center of Oita City in an area where integrated development including that for a comprehensive sports park, shops, housing complex, and more is taking place. We believe the property to be relatively competitive due to synergy it shares with the adjacent large-scale retail facility Park Place Oita which attracts additional customers from an extensive trade zone. Many wealthy people and families with small children reside in the surrounding residential area of Park Place Oita Koen-dori, and thus demand can be expected from local users as well.

2) Building Properties etc

The property has a site area of 10,255.26 m², a gross floor area of 7,023.01 m² for the building, and a parking lot that can accommodate 88 vehicles within the site. It is leased by NAFCO Co., Ltd. which offers a variety of products including “materials, DIY, and gardening supplies,” “daily articles,” and “furniture and interior decoration goods.” NAFCO Co., Ltd. operates mainly in western Japan with 358 stores in 34 prefectures as of the end of March 2020 and is a well-known home center even in Oita Prefecture. In addition, sales at existing stores in April and May 2020 disclosed by NAFCO Co., Ltd. were higher than that in the previous year.

(3) Overview of the Property

Property name	Home Plaza NAFCO at Park Place Oita	
Type of the specified asset	Real estate trust beneficiary interest	
Acquisition price (planned)	990 million yen	
Trustee	Sumitomo Mitsui Trust Bank, Limited (planned)	
Term of real estate trust	From June 1, 2020 to June 30, 2030	
Location (address)	3-2, 2-Chome, Koen-dori Nishi, Oita City, Oita	
Land	Area	10,255.26 m ²
	Zoning	Commercial area
	Floor area ratio	300%
	Building coverage	90%
	Type of ownership	Ownership

Building	Structure/ floor	Steel-framed with zinc-coated steel roof, 2 floors and 1 below
	Built	September 30, 2007
	Total floor area	7,023.01 m ²
	Use	Shops
	Type of ownership	Ownership
Constructor	Fujita Corporation Kyushu Branch	
Designer	Fujita Corporation Kyushu Branch First-class Architect Office	
Building design office engaged in structural engineering data	Fujita Corporation Kyushu Branch First-class Architect Office	
Organization that authorized building construction	JAPAN ERI CO., LTD.	
Appraisal value	1,100 million yen (as of June 1, 2020)	
Appraiser	Japan Real Estate Institute	
Collateral after acquisition	None	
Property Management Company	FJ. Entertainment Works Co., Ltd. (planned)	
Earthquake PML	4.6% (based on the assessment by Tokio Marine & Nichido Risk Consulting Co., Ltd.)	
Special notations	<p>The following findings have been confirmed regarding the building of the property. They shall be remedied by FJ. Entertainment Works Co., Ltd. by the end of August 2020 based on the real estate management and disposition trust agreement for the property concluded among FJ. Entertainment Works Co., Ltd., Fukuoka Jisho Co., Ltd., and Sumitomo Mitsui Trust Bank, Limited as of June 1, 2020. FRC plans to conclude an agreement with Fukuoka Jisho Co., Ltd. on July 1, 2020 for the transfer of the beneficial interest in the property to be recovered by Fukuoka Jisho Co., Ltd. at the responsibility and bearing the expenses.</p> <p>There will be no change even after the acquisition by FRC.</p> <ul style="list-style-type: none"> • Non-lighting of standby power lamp for hazard prevention devices of fire shutters • Non-implementation of load operation or internal inspection of emergency power generators 	
Status of leasing	Total number of tenants	1
	Tenant's name	NAFCO Co., Ltd.
	Type of contract	Fixed-term lease
	Term of contract	From Nov. 2007 to Oct. 2027
	Remaining lease term	7 years 4 months
	Contract rents	Not disclosed (Note1)
	Security deposits	Not disclosed (Note1)
	Leasable floor space	7,376.03 m ² (Note2)
	Total leased floor space	7,376.03 m ² (Note2)
	Occupancy rate	100.0% (Note3) as of June 1, 2020

*All figures for space, floor space, location, 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.

(Note1) The figures are not disclosed as no consent to disclosure has been obtained from the tenant.

(Note2) 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 concluded with the end tenants as at June 1, 2020.

(Note3) The figure indicates the ratio of the total leased area to the leasable area, and has been rounded to the first decimal place.

(4) Overview of Building Status Assessment Report

Surveyor	Date of Survey report	Urgent and short-term repair and replacement expenses (Note1)	Long-term repair and replacement expenses (Note2)
Tokio Marine & Nichido Risk Consulting Co., Ltd.	April 1, 2020	—	3 million yen

(Note1) "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.

(Note2) "Long-term repair and replacement expenses" refer to the amount indicated in the report as average repair and replacement expenses/year for 12 years. The indicated figure has been rounded off to the nearest million yen.

(5) Profile of Previous Owners

Name	Fukuoka Jisho Co., Ltd.
Location	2-25, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City
Nature of business	Real estate development, leasing, brokerage and property management
Representative title and name	Ichiro Enomoto, President and C.E.O
Specified capital	100 mm yen
Established	July 19, 1961
Total assets	167,104 mm yen (as of May 31, 2019)
Total net assets	61,753 mm yen (as of May 31, 2019)
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 72,386 investment units of FRC (As of February 29, 2020).
Personnel relationship	The seller has dispatched 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.

(6) Profile of Previous Owners

Property name	Home Plaza NAFCO at Park Place Oita			
Status of previous owners	Owner	Previous owner	Third previous owner	Fourth previous owner
Company name	Fukuoka Jisho Co., Ltd.	FJ. Entertainment Works Co., Ltd.	Park Place Oita Co., Ltd.	Those other than a party that has special interests
Relationship with special interested parties	A shareholder of the asset management company (with equity of 50%)	Subsidiary of a shareholder (Fukuoka Jisho Co., Ltd.) of the asset management company	Subsidiary of a shareholder (Fukuoka Jisho Co., Ltd.) of the asset management company	—
Background and reason of acquisition, etc.	Due to the disposal of owned assets associated with the dividend in kind and reorganization of group company	Acquired through the absorption-type merger of the third previous owner	For the purpose of development	—
Acquisition price	— (Note1)	— (Note2)	Descriptions are omitted because the property has been owned by the third previous owner for more than a year	—
Acquisition timing	June 2020	June 2017	Sept. 2007 (Newly built) Sept. 1998 (Land)	—

(Note 1) The owner before the previous owner is a wholly owned subsidiary of the previous owner. Not applicable as the acquisition by the previous owner was made due to the dividend in kind by the owner before the previous owner.

(Note 2) Not applicable as the acquisition was made through an absorption-type merger.

(7) Sales Agent Profile

None

(8) Form of Payment

FRC is scheduled to pay the acquisition fee in full on the scheduled acquisition date of the property (July 1, 2020) through cash on hand.

(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 plans to conclude a management consignment agreement with FJ. Entertainment Works Co., Ltd. to entrust property management of the property. The same discussions and approvals as in the above 1) have been conducted/obtained for conclusion of the agreement.

(10) Acquisition on Schedule

June 25, 2020	Decision of acquisition
July 1, 2020	Conclusion of agreement (scheduled)
July 1, 2020	Payment (scheduled)
July 1, 2020	Delivery of the property (scheduled)

4. Outlook

The impact of the transaction on FRC's operating forecast for the fiscal period ending August 2020 (March 1, 2020 – August 31, 2020) and for the fiscal period ending February 2021 (September 1, 2020 - February 28, 2021), which were announced in the "Earnings Briefing for the Period Ended February 2020" dated April 13, 2020 is considered to be minimal, and FRC will not revise the forecast at present.

5. Overview of Appraisal Report

Property name	Home Plaza NAFCO at Park Place Oita
Appraisal value:	1,100,000,000 yen
Appraiser	Japan Real Estate Institute
Pricing date	June 1, 2020

Category	Figures	Overview, etc.
Income Capitalization Approach Value	1,100,000,000	
Value Calculated Using the Direct Capitalization Method	1,110,000,000	
Gross Operating Revenue	Not disclosed (Note)	
Maximum Gross Operating Revenue		
Shortfall Attributed to Vacancies		
Operating Expenses		
Maintenane and Management Fees		
Utilities Expenses		
Repair and Maintenance Expenses		
PM Fees		
Tenants' Leasing Expenses etc.		
Taxes and Fees		
Damage Insurances		
Other Expenses		
Net Operating Income	61,817,000	
Profit through Mangement of Temp	Not disclosed (Note)	
Capital Expenditure Reserve		
Net Cash Flow	60,010,000	
Capitalization Rate	5.4%	
Value through DCF method	1,090,000,000	
Discount Rate	5.3%	Referred to investment yields of similar real estate and assessed comprehensively considering the individuality of the property.
Termial Cap Rate	5.7%	Referred to transaction yields of similar real estate and assessed in consideration of future uncertainties.
Value through cost method	1,160,000,000	
Percentage of Leased Land	65.9%	
Percentage of Building	34.1%	

Other matters noted by the appraiser in inconducting appraisal	Not listed
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(Note) 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.

*Fukuoka REIT Corporation's website is <https://www.fukuoka-reit.jp/eng/>

(Attachments)

Reference 1: Outlook 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: Outlook 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 Park Place Oita ■Address : 2-chome, Keen Dori Nishi, Oita City ■Acquisition date : Nov. 9, 2004 / May 28, 2015 ■Acquisition price : 19.6 bn yen	4 SunLive City Kokura ■Address : 2-chome, Kami Kuzuhara, Kokura Minami Ward, Kitakyushu City ■Acquisition date : Jul. 1, 2005 ■Acquisition price : 6.6 bn yen	5 Konoha Mall Hashimoto ■Address : 2-chome, Hashimoto, Nishi Ward, Fukuoka City ■Acquisition date : Mar. 1, 2018 ■Acquisition price : 10 bn yen
6 Square Mall Kagoshima Usuki ■Address : 2-chome, Usuki, Kagoshima City ■Acquisition date : Sept. 28, 2006 ■Acquisition price : 5.9 bn yen	7 Kumamoto Intercommunity SC ■Address : 1-chome, Kozono, Higashi Ward, Kumamoto City ■Acquisition date : Nov. 30, 2006 ■Acquisition price : 2.4 bn yen	8 Hanahata SC ■Address : 4-chome, Hanahata, Minami Ward, Fukuoka City ■Acquisition date : Sept. 3, 2007 ■Acquisition price : 1.1 bn yen	9 Kurume Higashi Kushiwara SC ■Address : Higashi kushiwara, Kurume City ■Acquisition date : Feb. 1, 2008 ■Acquisition price : 2.5 bn yen	10 K's Denki Kagoshima ■Address : Tokai-cho, Kagoshima City ■Acquisition date : Mar. 27, 2008 ■Acquisition price : 3.5 bn yen
11 Marinao City Fukuoka (Marina Side Building) ■Address : 2-chome, Odo, Nishi Ward, Hakata Ward, Fukuoka City ■Acquisition date : May 1, 2015 ■Acquisition price : 14.6 bn yen	12 Canal City Business Center Building ■Address : 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City ■Acquisition date : Nov. 9, 2004 ■Acquisition price : 14.6 bn yen	13 Gofukumachi Business Center ■Address : Kami Gofukumachi, Hakata Ward, Fukuoka City ■Acquisition date : Nov. 9, 2004 ■Acquisition price : 2.4 bn yen	14 Sanix Hakata Building ■Address : 2-chome, Hakataekihigashi, Hakata Ward, Fukuoka City ■Acquisition date : Sept. 30, 2005 ■Acquisition price : 4.4 bn yen	15 Taihaku Street Business Center ■Address : Gokushomachi, Hakata Ward, Fukuoka City ■Acquisition date : Mar. 16, 2006 ■Acquisition price : 7 bn yen
16 Higashi Hie Business Center ■Address : 3-chome, Higashi-hie, Hakata Ward, Fukuoka City ■Acquisition date : Mar. 13, 2009 ■Acquisition price : 2.5 bn yen	17 Tenjin Nishi-Dori Center Building ■Address : 2-chome, Tenjin, Chuo Ward, Fukuoka City ■Acquisition date : Feb. 1, 2013 ■Acquisition price : 1.1 bn yen	18 Tenjin North Front Building ■Address : 4-chome, Tenjin, Chuo Ward, Fukuoka City ■Acquisition date : Mar. 28, 2013 ■Acquisition price : 1.2 bn yen	19 Higashi Hie Business Center II ■Address : 1-chome, Higashi-hie, Chuo Ward, Fukuoka City ■Acquisition date : Mar. 1, 2018 ■Acquisition price : 4.2 bn yen	20 Higashi Hie Business Center III ■Address : 4-chome, Higashi-hie, Chuo Ward, Fukuoka City ■Acquisition date : May 29, 2020 ■Acquisition price : 3.2 bn yen
21 Amex Akasakamon Tower ■Address : 2-chome, Maizuru, Chuo Ward, Fukuoka City ■Acquisition date : Sept. 1, 2006 ■Acquisition price : 2.5 bn yen	22 City House Keyaki Dori ■Address : 2-chome, Kego, Chuo Ward, Fukuoka City ■Acquisition date : Dec. 20, 2007 ■Acquisition price : 1.1 bn yen	23 Aqualia Chihaya ■Address : 4-chome, Chihaya, Higashi Ward, Fukuoka City ■Acquisition date : Mar. 1, 2012 ■Acquisition price : 1.2 bn yen	24 D-Wing Tower ■Address : 2-chome, Daimyo, Chuo Ward, Fukuoka City ■Acquisition date : Mar. 1, 2013 ■Acquisition price : 2.8 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 Hotel FORZA Oita ■Address : 1-chome, Chuo-machi, Oita City ■Acquisition date : Mar. 1, 2013 ■Acquisition price : 1.5 bn yen	27 Tissage Hotel Naha ■Address : 2-chome, Nishi, Naha City ■Acquisition date : Dec. 7, 2018 ■Acquisition price : 2.8 bn yen	28 Tosu Logistics Center ■Address : Himekatama-cho, Tosu City, Saga ■Acquisition date : Mar. 28, 2014 ■Acquisition price : 1.2 bn yen	29 LOGICITY Minato Kashii ■Address : 2-chome, Minatokashi, Chuo Ward, Fukuoka City ■Acquisition date : Mar. 27, 2015 ■Acquisition price : 8.1 bn yen	30 LOGICITY Hisayama ■Address : Hisayama-machi, Kasuya-gun, Fukuoka City ■Acquisition date : Jun. 1, 2017 ■Acquisition price : 5.0 bn yen
31 LOGICITY Wakamiya ■Address : Shimoaruki, Miyawaka City ■Acquisition date (scheduled) : Jun. 30, 2020 ■Acquisition price (planned) : 1.7 bn yen				

■ Retail
 ■ Office buildings
 ■ Others
 (* Figures round down to nearest 100mm yen



Reference 4: List of FRC's Portfolio

Use	Property Name	Acquisition Date (scheduled)	Acquisition Price (planned) (mm yen) (Note1)	Investment Ratio (Note2)
Retail	Canal City Hakata	Nov. 9, 2004	32,000	15.8%
	Canal City Hakata • B	Mar. 2, 2011	28,700	14.2%
	Park Place Oita	Nov. 9, 2004(Note3)	19,610	9.7%
	SunLive City Kokura	Jul. 1, 2005	6,633	3.3%
	Konoha Mall Hashimoto	Mar. 1, 2018	10,000	5.0%
	Square Mall Kagoshima Usuki	Sep. 28, 2006	5,300	2.6%
	Kumamoto Intercommunity SC	Nov. 30, 2006	2,400	1.2%
	Hanahata SC	Sep. 3, 2007	1,130	0.6%
	Kurume Higashi Kushiwara SC	Feb. 1, 2008	2,500	1.2%
	K's Denki Kagoshima	Mar. 27, 2008	3,550	1.8%
	Marinoa City Fukuoka (Marina Side Building)	May 1, 2015	5,250	2.6%
Office buildings	Canal City Business Center Building	Nov. 9, 2004	14,600	7.2%
	Gofukumachi Business Center	Nov. 9, 2004	11,200	5.5%
	Sanix Hakata Building	Sep. 30, 2005	4,400	2.2%
	Taihaku Street Business Center	Mar. 16, 2006	7,000	3.5%
	Higashi Hie Business Center	Mar. 13, 2009	5,900	2.9%
	Tenjin Nishi-Dori Center Building	Feb. 1, 2013	2,600	1.3%
	Tenjin North Front Building	Mar. 28, 2013	2,800	1.4%
	Higashi Hie Business Center II	Mar. 1, 2018	4,230	2.1%
	Higashi Hie Business Center III	May 29, 2020	3,290	1.6%
Others	Amex Akasakamon Tower	Sep. 1, 2006	2,060	1.0%
	City House Keyaki Dori	Dec. 20, 2007	1,111	0.6%
	Aqualia Chihaya	Mar. 1, 2012	1,280	0.6%
	D-Wing Tower	Mar. 1, 2013	2,800	1.4%
	Granfore Yakuin Minami	Nov. 4, 2014	1,100	0.5%
	Hotel FORZA Oita	Mar. 1, 2013	1,530	0.8%
	Tissage Hotel Naha	Dec. 7, 2018	2,835	1.4%
	Tosu Logistics Center	Mar. 28, 2014	1,250	0.6%
	LOGICITY Minato Kashii	Mar. 27, 2015	8,150	4.0%
	LOGICITY Hisayama	Jun. 1, 2017	5,050	2.5%
	LOGICITY Wakamiya	Jun. 30, 2020	1,700	0.8%
Total of all properties		—	201,959	100.0%

(Note1) 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.

(Note2) The ratio are rounded off to one decimal places.

(Note3) Park Place Oita acquired on November 9, 2004, and later on, the adjacent land (parking (land)) acquired on May 28, 2015, Sports Club NAS Park Place Oita acquired on September 1, 2016, Park Place Oita Daiichi Parking acquired on July 6, 2018, and Home Plaza NAFCO at Park Place Oita will be acquired on July 1, 2020.