



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.
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Notice Concerning Partial Amendments to the Asset Management Company's Internal Regulations
(Asset Management Guidelines)

Fukuoka REIT Corporation (FRC) announced that Fukuoka Realty Co., Ltd., the asset management company to which FRC entrusts management of its assets, today decided to partly amend the asset management guidelines (the "Asset Management Guidelines"), its internal regulations, as described below (the "Amendments").

1. Reasons and Major Points of Amendments to the Asset Management Guidelines

FRC aims to invest in a variety of properties, including retail facilities, office buildings, hotels, residential properties, logistics facilities and public facilities, geographically limiting its target investment area to the Fukuoka and Kyushu area. This is based on the belief that the location and type of properties matching the selected areas are the source of cash flows generated by real estate properties over the medium to long term.

Currently, the investment ratio of FRC in retail facilities (calculated on the basis of acquisition price; the same shall apply hereafter) is set at 60% as the lower limit. The figure is at a higher level than the investment ratio of any investment type other than retail facilities. This means that, for future external growth, the room to consider acquisition properties of investment types other than retail facilities is limited.

The Amendments are intended to allow the asset management company more flexibility in considering investment in excellent properties of investment types other than retail facilities, namely office buildings and others (including hotels, residential properties, logistics facilities and public facilities), with an aim of securing stable earnings over the medium to long term as well as stable growth of FRC's investment assets.

In addition, the Amendments make it clear with regard to the lease contract formats in the property management standards that formats such as percentage-of-GOP (gross operating profit) rent can be employed. Provisions regarding acquisition and cancellation of treasury investment units will also be established in response to the provisions of Article 6 of FRC's Articles of Incorporation, in order to set forth matters to be taken into account when considering acquisition and cancellation of treasury investment units.

[Major Points of Amendments]

- (1) The general rules on investment type under the basic asset management policy will be modified as follows:
- The upper and lower limits of the investment ratio of retail facilities will be changed from 80% to 70% and from 60% to 40%, respectively.
 - The upper limit of the investment ratio of office buildings will be changed from 40% to 50%.
 - The upper limit of the investment ratio of the other types will be changed from 20% to 30%.

- (2) Percentage-of-GOP and other formats of lease contracts will be additionally included in lease contract formats under the portfolio building policy.
- (3) Provisions regarding acquisition and cancellation of treasury investment units will be established in the financial policy of the basic asset management policy.

*For details of the modifications, please refer to the attached “Comparison of the Asset Management Guidelines before and after the Amendments.”

2. Date of the Amendments to the Asset Management Guidelines

March 28, 2019

3. Other

An extraordinary report on this matter was submitted to the Kanto Local Finance Bureau as of March 28, 2019

4. Future Outlook

The partial amendments to the Asset Management Guidelines will have no impact on the operating results of FRC.

*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 <https://www.fukuoka-reit.jp/eng/>

Attachment:

Comparison of Asset Management Guidelines before and after the Amendments

(Note) The following table describes only the parts with amendments, for both before and after the amendments, and the descriptions for other parts are omitted.

Furthermore, underlined parts are amended.

Before	After																								
<p>1. Basic Asset Management Policy for Fukuoka REIT Corporation (FRC)</p> <p>(3) Investment targets and their acquisition methods</p> <p>2) Investment types</p> <p>As FRC limits its investment target area, it flexibly targets all properties in terms of investment type (with a comprehensive portfolio). While diversification is achieved by investing in office buildings and retail facilities as they differ in risk-return profiles, FRC will invest with a particular emphasis on retail facilities. This is because retail facilities are characterized by the fact that the profitability they generate is supported by consumption and not necessarily linked to land price trends, and because FRC believes they are investment targets that can best utilize the development and management capabilities of the Fukuoka Jisho Group. As a rule, the investment ratio for each investment type shall be within the following investment ratios.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: center;">Use</th> <th style="text-align: center;">Investment Ratio</th> <th style="text-align: center;">Investment Target</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Retail</td> <td style="text-align: center;"><u>60~80%</u></td> <td style="text-align: center;">Urban, Regional, Community</td> </tr> <tr> <td style="text-align: center;">Office Building</td> <td style="text-align: center;">20~<u>40%</u></td> <td style="text-align: center;">A-class, Sale and Leaseback</td> </tr> <tr> <td style="text-align: center;">Others</td> <td style="text-align: center;">0~<u>20%</u></td> <td style="text-align: center;">Hotels, Residential properties, Logistics facilities, and Public facilities</td> </tr> </tbody> </table>	Use	Investment Ratio	Investment Target	Retail	<u>60~80%</u>	Urban, Regional, Community	Office Building	20~ <u>40%</u>	A-class, Sale and Leaseback	Others	0~ <u>20%</u>	Hotels, Residential properties, Logistics facilities, and Public facilities	<p>1. Basic Asset Management Policy for Fukuoka REIT Corporation (FRC)</p> <p>(3) Investment targets and their acquisition methods</p> <p>2) Investment types</p> <p>As FRC limits its investment target area, it flexibly targets all properties in terms of investment type (with a comprehensive portfolio). While diversification is achieved by investing in office buildings and retail facilities as they differ in risk-return profiles, FRC will invest with a particular emphasis on retail facilities. This is because retail facilities are characterized by the fact that the profitability they generate is supported by consumption and not necessarily linked to land price trends, and because FRC believes they are investment targets that can best utilize the development and management capabilities of the Fukuoka Jisho Group. As a rule, the investment ratio for each investment type shall be within the following investment ratios.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: center;">Use</th> <th style="text-align: center;">Investment Ratio</th> <th style="text-align: center;">Investment Area</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Retail</td> <td style="text-align: center;"><u>40~70%</u></td> <td style="text-align: center;">Urban, Regional, Community</td> </tr> <tr> <td style="text-align: center;">Office Building</td> <td style="text-align: center;">20~<u>50%</u></td> <td style="text-align: center;">A-class, Sale and Leaseback</td> </tr> <tr> <td style="text-align: center;">Others</td> <td style="text-align: center;">0~<u>30%</u></td> <td style="text-align: center;">Hotels, Residential properties, Logistics facilities, and Public facilities</td> </tr> </tbody> </table>	Use	Investment Ratio	Investment Area	Retail	<u>40~70%</u>	Urban, Regional, Community	Office Building	20~ <u>50%</u>	A-class, Sale and Leaseback	Others	0~ <u>30%</u>	Hotels, Residential properties, Logistics facilities, and Public facilities
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<p>2. Portfolio Building Policy for FRC</p> <p>(2) Property management standards</p> <p>2) Lease contract formats</p> <p>In concluding lease contracts with tenants of retail facilities, long-term lease contracts with fixed rents shall be employed as a rule. For retail facilities in the categories of urban and regional facilities, however, they shall be managed in a way that allows tenant replacement to reflect the needs of consumers by flexibly setting lease periods and introducing fixed-term lease contracts, among other measures. Moreover, schemes shall be adopted to enable increased rent income in</p>	<p>2. Portfolio Building Policy for FRC</p> <p>(2) Property management standards</p> <p>2) Lease contract formats</p> <p>In concluding lease contracts with tenants of retail facilities, long-term lease contracts with fixed rents shall be employed as a rule. For retail facilities in the categories of urban and regional facilities, however, they shall be managed in a way that allows tenant replacement to reflect the needs of consumers by flexibly setting lease periods and introducing fixed-term lease contracts, among other measures. Moreover, schemes shall be adopted to enable increased rent income in</p>																								

<p>the period of economic expansion by combining <u>percentage-of-sales rent</u> lease contracts with fixed-rent lease contracts.</p>	<p>the period of economic expansion by combining <u>that contain variable rent such as percentage-of-sales rent and percentage-of-GOP rent</u> lease contracts with fixed-rent lease contracts.</p>
<p>(6) Financial policy <u>3) Management policy for cash and deposits, etc.</u></p>	<p>(6) Financial policy <u>3) Acquisition and cancellation of treasury investment units</u> <u>FRC may consider acquisition and cancellation of treasury investment units as part of its financial and capital measures to enhance capital efficiency and unitholder return.</u> <u>In this case, factors such as the investment unit price level, status of cash on hand, financial conditions and the financial market trends shall be carefully discerned from the viewpoint of enhancing unitholder value over a medium to long term and, with full considerations given to the impact on the market conditions, etc., it shall be determined as to whether such acquisition or cancellation may be made and what the scale of such arrangement may be.</u> <u>4) Management policy for cash and deposits, etc.</u></p>
<p style="text-align: center;">Supplementary Provisions</p> <p>(Omitted) The Asset Management Guidelines were revised as of June 29, 2018.</p>	<p style="text-align: center;">Supplementary Provisions</p> <p>(Omitted) The Asset Management Guidelines were revised as of June 29, 2018. The Asset Management Guidelines were revised as of March 28, 2019.</p>

Reference:

Current Portfolio Overview and Investment Ratio by each investment category

Investment Type	Acquisition Price [mm yen]	Investment ratio based on acquisition price	Investment ratio based on new guidelines
Retail	116,083	59.2%	40~70%
Office building	52,730	26.9%	20~50%
Others	27,166	13.9%	0~30%
Total	195,979	100.0%	-