Fukuoka REIT Corporation

1-2-25 Sumiyoshi, Hakata, Fukuoka City, Fukuoka, Japan

https://www.fukuoka-reit.jp/en/

𝕏 @fukuokareit8968　facebook.com/fukuokarealty　fukuoka_realty

To help stakeholders better understand FRC and its operations, FRC is focusing efforts on its IR activities. FRC uses its website to post press releases and various disclosure materials and provide information on its portfolio of investment properties and other items. In addition, FRC uses social media such as Facebook and X (formerly Twitter) to disseminate a wide range of information on the Fukuoka and Kyushu areas, including information on the region's economies, real estate markets, retail facilities, tourist attractions, and much more. We invite you to make use of these information resources.



Fukuoka REIT Corporation

Integrated Report 2024

Act Local, Think Global

Becoming a sustainability leader in the real estate asset management industry
Aiming for sustainable growth in partnership with the Fukuoka and Kyushu regions

Based in the Fukuoka and Kyushu regions, recognized as the gateway to Asia, we operate under the guiding principle of “Act Local, Think Global.” By integrating both domestic and international perspectives, we aim to provide stakeholders with a supportive working environment, enhanced living conditions, and vibrant urban development. Through these initiatives, we strive to lead sustainability efforts in the real estate asset management industry. In addition, in collaboration with the Fukuoka and Kyushu regions, which prioritize harmony with nature, we are committed to achieving continuous and sustainable growth.



Building a thriving Fukuoka and Kyushu region in collaboration with diverse domestic and international companies

Through initiatives that incorporate a variety of perspectives, we create spaces where tenants and employees can work comfortably, fostering a society in the Fukuoka and Kyushu regions where people can fully realize their value.



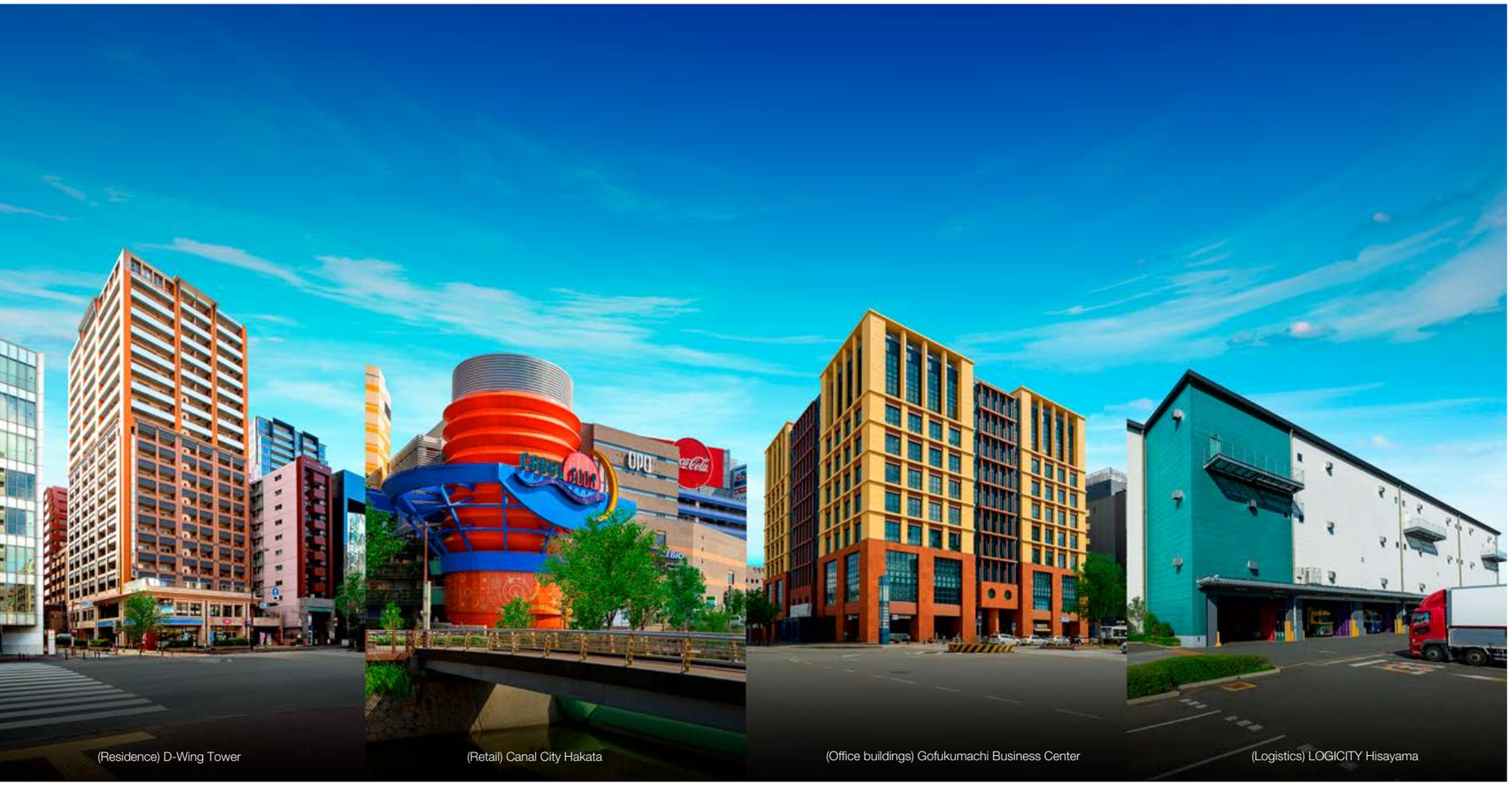
Committed to a future where people and nature coexist in harmony in the Fukuoka and Kyushu regions

We set clear goals and promote disaster preparedness and climate change adaptation, monitoring progress with data for effective implementation, all while contributing to the realization of a future where the people of the Fukuoka and Kyushu regions can coexist with nature.



Fostering autonomous compliance based on a fundamental understanding of regulations and rules

We focus on continuously strengthening compliance awareness, ensuring every employee understands its importance and adheres to standards.


(Residence) D-Wing Tower

(Retail) Canal City Hakata

(Office buildings) Gofukumachi Business Center

(Logistics) LOGICITY Hisayama

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Editorial Policy

We have issued our Integrated Report since fiscal 2019 with the aim of imparting knowledge concerning the value creation process of the Investment Corporation and the Asset Management Company. The Report has been positioned as an important tool for engaging with our unitholders, investors, and other stakeholders. The International Reporting Framework recommended by the IFRS Foundation and the Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation have been referenced in the preparation of this Report to ensure ease of understanding. Through this Report, we aim to increase understanding of our efforts to enhance corporate value based on the basic philosophies of the Investment Corporation and the Asset Management Company as well as the value we create in working to realize a sustainable society. We will continue striving to make the Report an effective tool for facilitating constructive dialogue.

Environment Social Governance
Guidance for Collaborative Value Creation

Positioning of This Report

Financial Information		Non-Financial Information
• Earnings report • Securities report • Asset management report • Operating systems report	Integrated Report	• Financial briefing materials • Online disclosure of sustainability information • Corporate profile • PR information disclosure

Period covered by the report
From September 1, 2023, to August 31, 2024
(Some recent activities after the period covered are included.)

Regarding Issuance of the Fukuoka REIT Corporation Integrated Report 2024

In the Integrated Report 2024, we have updated our corporate policies, recognizing the need to deepen our sustainability management from a medium- to long-term perspective. As an asset management company based in the Fukuoka and Kyushu regions, we have clarified our mission, vision, and values to achieve sustainable growth under our core philosophy, "Act Local, Think Global." In addition, we have provided specific details on various systems and initiatives that support the success of diverse human resources, which are the source of our value creation. Moving forward, we will continue to engage in proactive dialogue with our stakeholders through the Integrated Report, website, and other disclosures. We appreciate your continued support.

Note: Regarding amount, percentage, and ratio rounding: Unless otherwise noted, in these materials, monetary amounts are rounded down to the nearest whole unit, and percentages and ratios are rounded off to one decimal place.

International Initiatives We Focus On

Sustainable Development Goals (SDGs)

The SDGs refer to the international goals set forth in the 2030 Agenda for Sustainable Development adopted at the United Nations Summit in September 2015 as the successor to the Millennium Development Goals (MDGs) established in 2001. Given the medium- to long-term expectations stakeholders have for the resolution of these challenges, our priority issues (materiality) were established in September 2019 and reviewed in fiscal 2024 with reference to the SDGs.

SUSTAINABLE DEVELOPMENT GOALS

Principles for Responsible Investment (PRI)

PRI comprises an international network of financial institutions working to realize six principles for the finance industry with the aim of encouraging the incorporation of environmental, social, and governance ("ESG") issues into investment decision-making processes. Fukuoka Realty Co., Ltd., endorsed and became a signatory of PRI in September 2018 to promote the consideration of ESG issues in real estate investment management operations and practices that conform to international standards.

Signatory of:
PRI Principles for Responsible Investment

Task Force on Climate-related Financial Disclosures (TCFD)

Cognizant of the fact that climate change is a major issue facing the international community, in September 2022 we became a signatory of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB), having endorsed the recommendations of the TCFD that were announced in June 2017. We will strive to disclose the impact of climate change and implement specific measures based on the recommendations of the TCFD in addition to continuing to reduce environmental impact and contribute to the local community.

These materials might contain future performance projections, plans, management targets, and strategies. These forward-looking descriptions are based on present assumptions on future events and trends in the business environment, but such assumptions might not necessarily be accurate. Actual results could differ materially due to various factors.
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Overview of Fukuoka REIT Corporation

FRC's Characteristics

FRC has the following five main strengths.

1 Japan's first region-specific REIT

Asset management leveraging our in-depth knowledge of the real estate environment of the Fukuoka and Kyushu areas

2 Excellent portfolio centered on the Fukuoka metropolitan area

A portfolio of carefully selected investments in the high growth area of Fukuoka City, which is gaining attention in Japan and abroad

3 Solid support from a sponsor company involved in property development

Asset portfolio expansion and high occupancy rates facilitated through coordination with our sponsors

4 Establishment of a stable financial base

Conservative control of the interest-bearing debt ratio and long-term diversification of repayment deadlines

5 Stable dividends and steady NAV* growth since listing

Appropriate management of real estate investments

FRC was listed as the first region-specific REIT in Japan on June 21, 2005, based on our intention to draw funds to the region by introducing excellent properties in Fukuoka and Kyushu to investors locally and around the world. We capitalize on distinctive regional features, a characteristic of the real estate industry, centering our operations on Fukuoka and the broader Kyushu region, as well as Yamaguchi and Okinawa prefectures. Our portfolio primarily comprises retail facilities and office buildings. Driven by the core philosophy of "Act Local, Think Global," our mission is to pursue the best interests of unitholders.

Name	Fukuoka REIT Corporation
Representative	Yukitaka Ohara, Executive Director
Security code	8968
Listed date	June 21, 2005 (Tokyo Stock Exchange, Fukuoka Stock Exchange)
Fiscal periods	February and August
Asset manager	Fukuoka Realty Co., Ltd.
Sponsors (Shareholders of the Asset Management Company)	Fukuoka Jisho Co., Ltd. Kyushu Electric Power Co., Inc. THE BANK OF FUKUOKA, LTD. THE NISHI-NIPPON CITY BANK, LTD. Nishi-Nippon Railroad Co., Ltd. SAIBU GAS HOLDINGS CO., LTD. Kyudenko Corporation Kyushu Railway Company Development Bank of Japan Inc.

Glossary **NAV**

NAV is an abbreviation for Net Asset Value at an investment trust. Net assets are defined as total investment trust balance sheet assets minus liabilities, with the base price based on the number of units. For REITs, the term net assets refers to net assets plus unrealized gains or losses reflecting the difference between the book value of the property owned and the appraised value.

[Calculation method] NAV: Net assets + Unrealized gains or losses – Dividends
Market net assets value per unit: NAV / Total number of units issued

Fukuoka REIT Corporation in Numbers

As of August 31, 2024

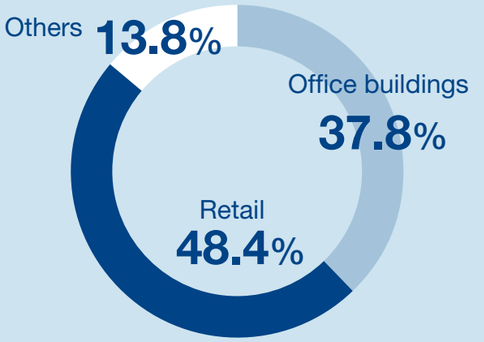
Properties owned
35

Occupancy rate
98.9%

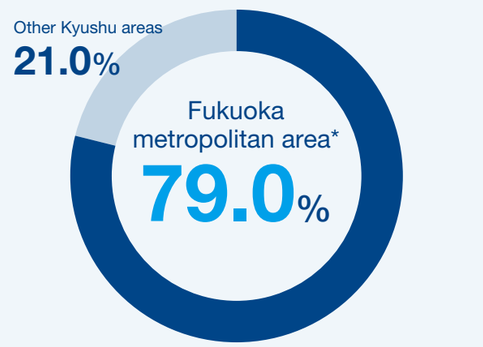
Asset size
220,774 million yen

Dividend per unit
3,850 yen

Investment type
(based on acquisition price)



Investment areas
(based on acquisition price)



* The Fukuoka metropolitan area includes Fukuoka City, Chikushino City, Kasuga City, Onojo City, Munakata City, Dazaifu City, Koga City, Fukutsu City, Itoshima City, Nakagawa City, Umi Town, Sasaguri Town, Shime Town, Sue Town, Shingu Town, Hisayama Town, and Kasuya Town.

Credit ratings*
JCR AA– (stable)
R&I A+ (stable)

Dividend yield
5.1%

LTV*
44.8%

Unrealized gain
55,998 million yen

Securities code
8968

Accounting periods
February
August

Glossary **Credit rating**

A grade that reflects the safety and creditworthiness of a company and its ability to pay the principal and interest of bonds issued by the company based on an analysis of the company's performance and financial condition.

LTV

An abbreviation for Loan to Value and an indicator of a company's borrowing ratio as well as a measure of stability in borrowing. The lower the value, the greater the degree of safety against redemption of debt.
[Calculation method] LTV (%): (Interest-bearing debt / Total assets) × 100



President and CEO
Fukuoka Realty Co., Ltd.
Yukitaka Ohara

Introduction

I am Yukitaka Ohara, and as of June 21, 2024, I assumed the role of President and CEO of Fukuoka Realty Co., Ltd., the Asset Management Company for Fukuoka REIT Corporation (FRC). After graduating from university, I began my career at the Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.). In January 2004, I transitioned to Fukuoka Realty during its founding and have since accumulated 20 years of experience in the industry.

At Fukuoka Realty, I gained expertise as the General Manager of the Investment Department and the Planning Department. In 2015, I was seconded to our sponsor company, Fukuoka Jisho Co., Ltd., where I engaged in corporate planning, finance, digital transformation (DX), and other strategic initiatives. In June 2024, after approximately nine and a half years, I returned to the Asset Management Company to take on this leadership role.

The establishment of Fukuoka Realty took place shortly after the launch of the J-REIT market. Given the lack of precedents, preparations did not progress according to schedule, and looking back, those were truly challenging times. However, in the autumn of 2004, we obtained approval from the Financial Services Agency and the Ministry of Land, Infrastructure, Transport and Tourism, and in June 2005, we successfully listed FRC on both the Tokyo Stock Exchange and the Fukuoka Stock Exchange as Japan's first region-specific REIT.

At that time, our asset size was 73.5 billion yen, which has since grown to 220.7 billion yen (based on acquisition price). Our current investment portfolio includes not only retail facilities but also office buildings, logistics facilities, residential properties, and hotels, with 35 properties (as of August 31, 2024) in our holdings. Reaching our 20th anniversary of listing is entirely due to the support of all our stakeholders, and I sincerely express my gratitude.

Allow me to share a bit about my background, starting with my student days. From high school to university, my life was entirely centered on baseball, as I spent my days traveling between the field and the dormitory. One of the most memorable moments was during the inaugural game at Chiba Marine Stadium (now ZOZO Marine Stadium). As a second-year student at Chiba High School, I had the opportunity to play in a game against a local high school, where I had the first hit in the stadium's history as the leadoff center fielder. I still vividly remember the excitement of that moment. The experiences I gained through baseball have proven to be invaluable, and I believe they continue to serve as the foundation for my approach to organizational management.

I have been living in Fukuoka for 20 years, and what strikes me about the city is its rich natural environment, delicious food, and convenient transportation, making it a truly attractive place to live. This "livability" is highly regarded globally. With its proximity to many parts of Asia and a history and culture shaped by the sea, I feel that Fukuoka is a sustainable city that has successfully harmonized its people, the environment, and urban vitality. Now, with a deep passion to make this city, Fukuoka, as well as the broader Kyushu region, even more exciting, I am envisioning a sustainable future for FRC over the next 20 to 30 years.

What is needed for sustainable growth

FRC was listed as Japan's first region-specific REIT under the basic principle of "Act Local, Think Global." We believe that attracting high-quality domestic and international investment funds into the regional real estate finance market will contribute to the revitalization of urban development in the Fukuoka and Kyushu areas. To achieve this, we aim to maintain multiple touchpoints with our stakeholders, deepen our dialogue with investors, and ensure that our corporate value is fully understood. By maintaining a stable revenue base and steadily distributing growing dividends to our unitholders, we will strive to meet the trust and expectations of our investors.

It is essential for us to be mindful of our daily actions, with a clear understanding of the vision for our company in 10 or 20 years. Our goal is to become a company that is essential to the local community, Japan, and the world, in order to achieve sustainable growth. To this end, we updated our sustainability management policy this fiscal year, clarifying our mission, vision, and values to guide us toward sustainable growth.

Based on our mission, "Act Local, Think Global," our vision is to become a leader in sustainability within the real estate asset management industry, driving sustainable growth alongside the Fukuoka and Kyushu regions. Through workshops and training, we have worked to ensure that this vision is embedded across the company, fostering alignment and shared direction.

As for our values, as a region-specific REIT, we are steadfast in our responsibility to achieve sustainable growth in harmony with nature in Fukuoka and Kyushu. In terms of environmental efforts, we will continue to monitor and promote progress in disaster prevention and climate change mitigation. Socially, we aim to contribute to creating a livable community in Fukuoka and Kyushu by collaborating with a diverse range of companies, both domestically and internationally. For governance, we emphasize strengthening compliance throughout the organization, grounded in a deep understanding of regulations and rules.

Since assuming this role, I have realized that a company must continue to grow. To expand our asset portfolio, we need to leverage the unique strengths of a region-specific REIT. This involves both external and internal growth strategies. Externally, our goal is to acquire high-quality properties that can generate stable, medium- to long-term cash flow. Internally, we must focus on maintaining and improving the inherent quality of the properties, with a long-term perspective, rather than seeking short-term gains.

From a financial standpoint, we must manage both equity and debt carefully, prioritizing the best interests of our investors. It is crucial to deepen our dialogue with investors not only in Japan but also globally, attracting investment from around the world. We must also focus on maintaining financial stability, emphasizing long-term fixed interest rates. Moving forward, it is essential to integrate sustainable management thinking into our existing strategies to ensure continued growth and success.

Operational flexibility to adapt to changes in the external environment

In September 2024, we raised 10.3 billion yen through the issuance of investment units (including 400 million yen through a third-party allotment). This marked the sixth public offering of new units following a gap of six and a half years since the last one in March 2018. With the acquisition of two properties—a logistics facility and a residential property—the size of our asset portfolio has expanded to 230.1 billion yen.

However, this capital increase took place amid concerns over further interest rate hikes by the Bank of Japan, which caused significant declines in the Nikkei Stock Average and the Tokyo Stock Exchange REIT Index. As a result, we received a range of feedback from investors. We have sincerely addressed each of these opinions, engaging in dialogue that has helped investors gain a better understanding of our growth strategy. Particularly for our medium- to long-term investors, we believe they appreciated the stability of our dividend payouts and the growth potential of our existing properties, including Canal City Hakata.

The number of inbound visitors to Kyushu and domestic travelers has increased, leading to a recovery in the sales of our retail facilities and hotels, surpassing pre-pandemic levels. We expect the number of inbound visitors to Kyushu to continue growing, driven by factors such as the addition of a second runway at Fukuoka Airport and the rise in cruise ship arrivals. At Canal City Hakata, the number of visitors, including inbound and domestic travelers, has recovered, with sales trending above 2019 levels. In other retail facilities, we are anticipating stable medium- to long-term earnings by leveraging our region-specific strengths; implementing integrated initiatives with our sponsor, Fukuoka Jisho; and renewing facilities.

Since around 2021, redevelopment has been progressing in the city center, resulting in an increase in the supply of new office buildings. However, tenant demand has remained steady as the market has recovered from the pandemic. Against this

backdrop, the average rent for office buildings held by FRC continues to rise. In addition, many tenants are occupying spaces at rents lower than the market rate, which suggests that rent increases are expected to continue.

Looking ahead, further internal growth is anticipated in logistics and residential facilities. Both sectors show a significant gap between the rent for new properties and existing ones, leading to increased activity in raising rents for existing properties. For large multi-tenant logistics facilities in the Fukuoka metropolitan area, rents are continuing to rise, and with Fukuoka City's growing population, there is considerable room for rent increases in the residential market as well.

Maintaining and improving the Net Operating Income (NOI) of each property is essential, and communication with tenants is considered a key factor in achieving this. Through regular dialogue, we strive to capture tenant needs and work to maintain and enhance tenant satisfaction.

In terms of financing, our top priority is to build a solid financial foundation. Regarding the Loan-to-Value (LTV) ratio, we maintain a target range of 35%–45%, within the operational target upper limit of 50%, ensuring effective LTV control. Furthermore, to minimize the impact of potential future interest rate increases, we will manage financing costs through diversification in repayment periods, adjusting financing durations, and balancing the ratio of fixed to floating interest rates. To secure stable funding, we will continue to cultivate strong relationships with financial institutions.

Information gathering and networking capabilities unique to the Asset Management Company with expertise in the Fukuoka and Kyushu regions

FRC leverages the regional characteristics (locality) inherent in the real estate industry as a strength. By utilizing our deep local knowledge and extensive network with local governments and the business community, we enhance our ability to gather information and assess the profitability of properties. This allows us to differentiate ourselves in property selection and asset management. Given the rising real estate prices and increasing competition in the Fukuoka and Kyushu regions, acquiring properties through open bidding has become highly challenging. As such, we believe it is necessary to explore new approaches, such as acquisitions through our sponsor pipeline or the replacement of existing properties, in addition to traditional methods.

Contributing to the local community through our business is FRC's mission. We recognize the importance of enhancing dialogue and collaboration with the local community through various initiatives at our owned properties and participation in regional community activities. This commitment is also outlined in FRC's materiality.

Fukuoka City has traditionally been known as a "branch economy city" due to the concentration of branch offices and subsidiaries of major companies. However, since the 2012 declaration of Fukuoka as a "Startup City," it has been designated as a National Strategic Special Zone for Global Startups and Job Creation. This has attracted startups from both Japan and abroad, positioning Fukuoka as a top contender capable of becoming a city that produces globally successful companies. For instance, the startup support facility Fukuoka Growth Next (FGN), where academia, government, and finance work together, operates with the goal of fostering leading companies that represent Fukuoka's startup ecosystem, providing consistent support from establishment to growth. The city collectively supports so-called baby companies and has created an environment to accommodate them when they become unicorn companies. The goal is to establish an ecosystem where entrepreneurship can thrive autonomously, marking the next great challenge moving forward.

In addition, Fukuoka Jisho Co., Ltd., our main sponsor, announced in October 2024 the outline of the tentatively named Fukuoka Maidashi Life Science Lab Project, which marks the company's first urban-adjacent life science lab. This initiative comes in response to the lack of life science industry-focused rental labs for research and development in Fukuoka's urban area. It is one of the newly created open innovation projects developed through collaboration between industry, academia, and government. By building an ecosystem from early-stage fundraising opportunities to clinical development, the project aims to foster global pharmaceutical players and provide comprehensive support from the seed stage onward.

By actively engaging in various startup support initiatives, including those led by us as well as industry, academia, government, and finance, we believe that Fukuoka City can become a pioneering example. If the momentum for entrepreneurship spreads further across Japan, this will align with our vision of becoming a company that is needed by the region, by Japan, and by the world.

Enhancing human resource capabilities, our foundation

In the past, there was a belief that talented individuals would naturally develop, but in today's world, that mindset is no longer applicable. The company must recognize each individual's diversity and create meaningful work opportunities that align with their life stages. To foster an organization where people with diverse values, talents, and lifestyles can thrive, we are actively promoting initiatives such as flexible working hours and support for balancing work with childcare or caregiving. We continuously reflect on how to manage each employee—the cornerstone of the company's growth—so that they can work with a sense of purpose.

In November 2024, we established the Human Resources and Digital Transformation Department. Until then, we did not have an HR department due to our small size. Moving forward, we plan to strengthen career planning support, flexible working arrangements, training programs through reskilling, and the systematization of various operations.

As a region-focused REIT, our strength lies in collaborating with all stakeholders under the shared goal of promoting attractive urban development in the Fukuoka and Kyushu areas. We expect our employees to broaden their knowledge and insights through active communication with both internal and external counterparts, leveraging those insights to make impactful contributions.

This fiscal year, we introduced several new measures, including revising our personnel systems to adjust salary levels, implementing a flextime system, and launching subsidies for babysitter and household assistance services. We prioritize open dialogue with employees, recognizing that fostering a desire for growth and offering the reassurance of being valued by the company—creating psychological safety—are key to enhancing loyalty, pride, and job satisfaction.

When discrepancies arise between the company's perspective and employees' views, it is crucial to address them through communication or by exploring potential improvements. I consistently encourage our employees to embrace our motto, "Simple & Open," and engage in open-minded dialogue. By identifying struggling colleagues or stalled tasks and supporting one another through conversation and collaboration, we can collectively move forward and achieve success.

In conclusion

Amid the ongoing uncertainties in the external environment caused by various internal and external factors, we will continue to engage in active dialogue with our stakeholders. Our aim is to ensure a deep understanding of FRC's business and to foster long-term support and loyalty from everyone.

I believe that my greatest responsibility is to exceed everyone's expectations by consistently delivering results and enhancing corporate value. I sincerely ask for your continued support as we strive to achieve these goals.

Yukitaka Ohara President and CEO, Fukuoka Realty Co., Ltd.
Place of Birth: Chiba Prefecture Hobby: Running

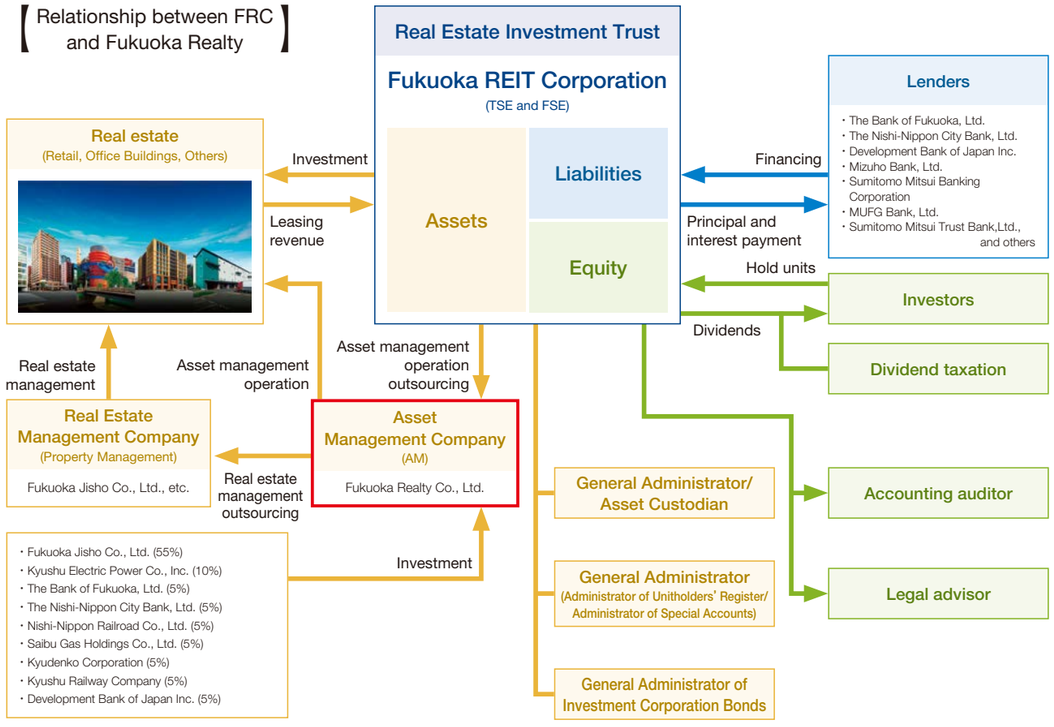
Profile

April 1997	Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)
January 2004	Joined Fukuoka Realty Co., Ltd. Appointed as Head of Acquisition Office of Investment Department
April 2005	Appointed as Senior Manager of Investment Department
October 2007	Appointed as General Manager of Investment Department
June 2013	Appointed as General Manager of Planning Department
February 2015	Seconded to Fukuoka Jisho Co., Ltd. Appointed as Deputy General Manager of Building Business Division
June 2017	Appointed as Executive Officer Appointed as Vice President of Kitakyushu Murasakigawa Development Co., Ltd.
March 2019	Appointed as Vice President of Walk Asset Management Co., Ltd.
June 2020	Appointed as Senior Executive Officer of Fukuoka Jisho Co., Ltd.
August 2020	Appointed as Vice President of FJ Asset Management Co., Ltd.
June 2021	Appointed as Vice President, Board of Directors of Fukuoka Realty Co., Ltd. Appointed as Corporate Auditor of Kyushu Leasing Service Co., Ltd.
February 2022	Appointed as Vice President of FJ Logi Co., Ltd.
May 2022	Appointed as Substitute Executive Director of Fukuoka REIT Corporation
June 2022	Appointed as Vice President of The Kyushu Card Co., Ltd.
June 2023	Appointed as Vice President of FJ Urban Operations Co., Ltd.
May 2024	Appointed as Executive Director of Fukuoka REIT Corporation (current position)
June 2024	Appointed as President and CEO of Fukuoka Realty Co., Ltd. (current position)

Relationship with Fukuoka Realty Co., Ltd.

Structure of FRC

J-REIT, or Japan Real Estate Investment Trust, refers to a publicly traded real estate investment trust. It pools funds from investors and utilizes them to invest in real estate assets such as retail, office buildings, and residences. Profits generated from rental income and other sources are distributed to investors. Fukuoka REIT Corporation (FRC), as Japan's first region-specific REIT, was listed on the Tokyo Stock Exchange (TSE) and the Fukuoka Stock Exchange (FSE) on June 21, 2005, becoming the 17th J-REIT to be listed in the country. The Asset Management Company of FRC, Fukuoka Realty, upholds the Basic Policy of "Act Local, Think Global" and is entrusted with the key operations of "acquiring and selling assets," "asset rental management," and "financing."



Column: Investment Types of J-REITs

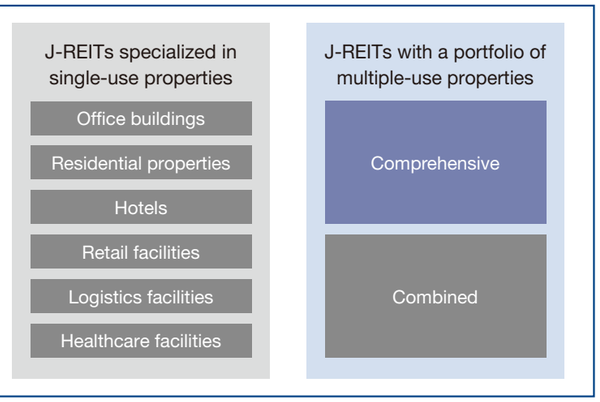
J-REITs can be broadly categorized into two types: single-use specialized and multiple-use.

Single-Use Specialized

These J-REITs focus on properties with specific uses, such as office buildings, retail facilities, residential properties, logistics facilities, hotels, and healthcare facilities.

Multiple-Use

Multiple-use J-REITs are divided into comprehensive types, which invest in properties with three or more uses, and combined types, which focus on properties with two uses. FRC is classified as a comprehensive type.

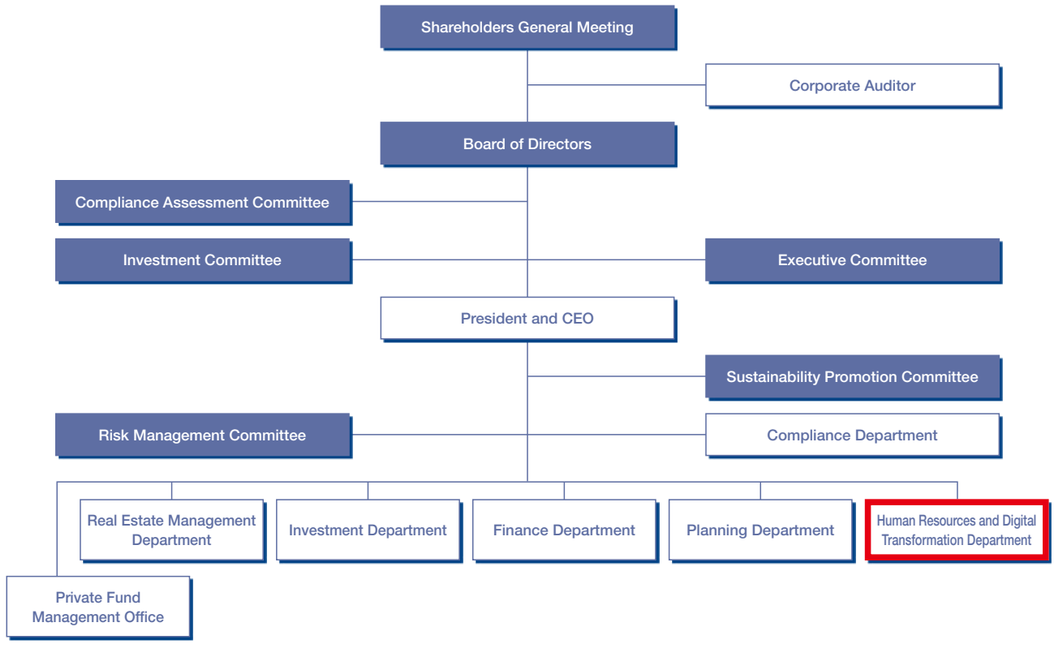


Organizational Structure of Fukuoka Realty

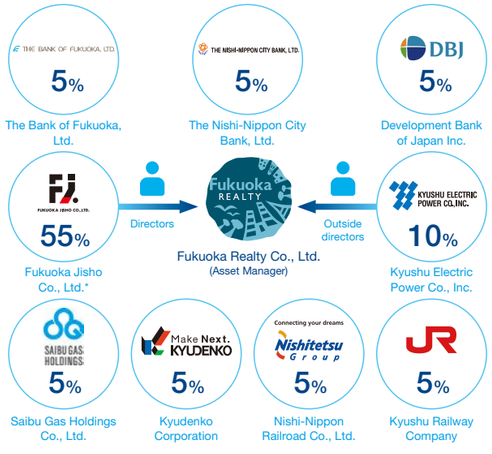
◎Company Structure NEW

Located in Fukuoka City and comprising 48 employees with a variety of experience in real estate, finance, and other fields, Fukuoka Realty possesses a high level of expertise and makes full use of information unique to the local area in managing FRC's assets.

In November 2024, we established the Human Resources and Digital Transformation Department. Moving forward, we will focus on strengthening HR functions and promoting digital transformation to enhance management strategies and improve internal engagement.



◎The Shareholder (Sponsor) Structure



In addition, leading companies in the Fukuoka and Kyushu regions that are in agreement with FRC's concept participate as shareholders (sponsors) of Fukuoka Realty. FRC aims to achieve sustainable growth as a REIT through the expanded scale of its assets via the contribution of excellent properties from among our sponsors and by actively leveraging their support, including the provision of relevant information.

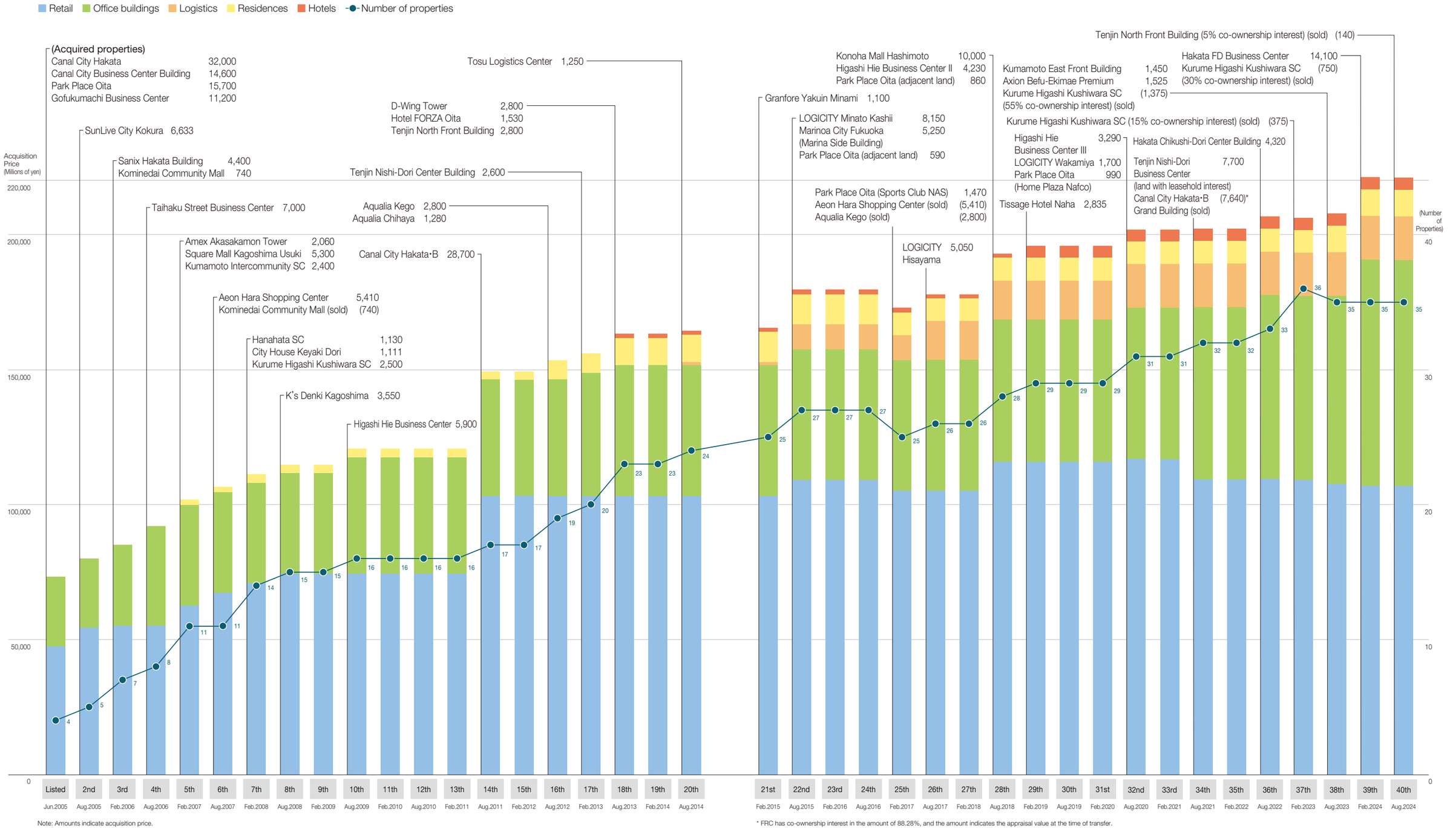
With regard to the properties owned and developed by the sponsor companies, Fukuoka Jisho Co., Ltd., FRC, and Fukuoka Realty Co., Ltd., have concluded a pipeline support* memorandum of understanding (MOU) to seek stable and continuous acquisition opportunities.

* Concluded a contract with FRC and Fukuoka Realty concerning pipeline support.

Glossary **Pipeline support agreement**
Pipeline support agreements refer to contracts that provide the opportunity to acquire a property from a sponsor in advance of and in priority to a third party.

History of Asset Portfolio Expansion

Trends in Asset Size (based on acquisition price)



Note: Amounts indicate acquisition price.

* FRC has co-ownership interest in the amount of 88.28%, and the amount indicates the appraisal value at the time of transfer.



Promote Attractive Urban Development in the Fukuoka and Kyushu Areas



Input

Financial capital

Building of a solid financial base through conservative control of LTV

- LTV ····· **44.8%**
- Fixed rate ····· **90.9%**

Manufacturing capital

Finding excellent properties that can generate stable cash flow over the long term

Human capital

- Excellent human resources with specialized skills
- Support framework for flexible working styles
- Support system for career development
- Number of full-time officers and employees* ····· **48**
- Number of qualification holders*
  Real estate appraisers **3** / Attorney **1** /
  First-class registered architects **2** / MBAs **2**

* Fukuoka Realty Co., Ltd.

Intellectual capital

- A varied skill set formed through human resource training
- Experience and knowledge of IR activities based on long years of practical implementation
- Gathering of information deeply rooted in local communities

Social relationship capital

- Co-creative and trusting relationships with tenants
- Cooperative framework with property management (PM) companies
- Coordination with local society, local communities
- Maintenance of good relationships of trust with sponsors

Natural capital

- Energy, water, air, and other natural resources used in the operation of properties owned
- Natural environment and biodiversity in the areas around properties owned

Business Model



External Environment See pp.20–23

Response to ESG issues

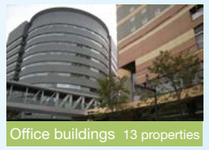
Sustainability	See p.30	Environmental Response	See p.36
Social Response	See p.40	Corporate Governance	See p.42

Risks and Opportunities See p.24

Output and Outcome

Total 35 properties


Retail 10 properties


Office buildings 13 properties


Residences 6 properties


Logistics 4 properties



Hotels 2 properties

Financial capital

- Dividend per unit **3,850 yen** / Average interest rate paid **5.1%**
- Credit ratings JCR: AA− (stable), R&I: A+ (stable)

Manufacturing capital

- NOI yield **5.3%**
- Unrealized gain **55,998 million yen**
- NAV per unit **194,842 yen**

Human capital

- Number of qualification holders:
  Real estate brokers **43.8%**
  out of 48 full-time officers and employees /
  ARES Certified Masters **47.9%**
  out of 48 full-time officers and employees

Intellectual capital

- Number of IR interviews during the year
  In Japan 175, Abroad 28 (including telephone conferences)
- Track record of winning awards
  IR Excellent Company Encouragement Award (2014) / Nikko Excellent IR Website Award (2023)

Social relationship capital

- Human resource exchanges with sponsors (e.g., 2 people accepted from sponsors, 5 people dispatched to sponsors)
- Improvement of office environments (introduction of meeting booths, plants and other greenery)

Natural capital

- Green building certification rate (total floor space basis) 83.9%
- Reduction of electricity usage and water consumption at properties owned
  Electricity usage reduced by 15.1% compared with 2019
  Water consumption reduced by 15.7% compared with 2019

Value Creation with Stakeholders

Clients/Tenants

Management Strategy See p.27
Initiatives for Facility and Building Management See p.38

<Office Buildings>
- Create business opportunities, attract companies from other countries and other regions in Japan, and establish a place for startups to flourish

<Commercial>
- Increase users, create employment, and generate synergies between tenants (differentiate from shopping centers)

Region and Society

Management Strategy See p.27
Initiatives for Local Communities See p.41

<Commercial and Hotel>
- Provide new discoveries for users and enhance satisfaction (e.g., first store in Kyushu)
- Revitalize interaction with surrounding regions through community-based initiatives
- Make it fun to go out and invigorate regional interaction

<Logistics>
- Increase convenience for the general public by upgrading local distribution networks

Employees

Sustainability See p.30
Initiatives for Employees See p.40

- Improve experiences through human resource exchanges and rotation
- Increase motivation through participation in urban development
- Enhance personal connections and capabilities based on various experiences through connection with society
- Boost employees' job and personal satisfaction through a focused human resource strategy
- Enhance systems that enrich people's lives and encourage them to remain in service for longer

Unitholders/Financial Institutions

External Environment Macroeconomic Landscape of Fukuoka and Kyushu See p.20
Investment Strategy See p.26

- Create investment opportunities in real estate in the Fukuoka and Kyushu areas
- Convey the appeal of the Fukuoka and Kyushu areas by enhancing information disclosure
- Ensure the stable return of profits and secure opportunities for growth through appropriate investment and management in response to unitholder feedback
- Maintain good relationships with financial institutions and ensure the appropriate return of profits

Sponsors

External Environment Macroeconomic Landscape of Fukuoka and Kyushu See p.20
Investment Strategy See p.26

- Provide funding for new property development
- Support developments over the medium to long term that lead to local advancement
- Engage in collaborative projects to enable efficient and productive property management
- Strengthen development and operational capabilities through ongoing information exchange
- Bolster human capital through human resource exchanges

Environment/Nature

Environmental Initiatives See p.36

- Promote environmental conservation through investment in properties with high environmental performance
- Contribute to sustainability in the Fukuoka and Kyushu areas over the medium to long term through active participation
- Co-create in harmony with nature through proactive environmental initiatives in the real estate market
- Engage in real estate development that takes advantage of the nature found in Kyushu

Macro environment surrounding Fukuoka See p.20

- Ongoing population growth in Fukuoka
- Ratio of young and working-age people

Note: As of August 31, 2024

Related Stakeholders

Clients/Tenants
Total tenants in all properties: 1,043
- Customer satisfaction surveys at retail facilities
- Tenant satisfaction surveys

Region and Society
Population of the 6 prefectures we have properties in: Approx. 11,666,000
- Organizing community and other events utilizing facility common areas
- Active participation in the Hakata Town Planning Promotion Council's activities
- Announcement of financial results by the Fukuoka Stock Exchange

Employees
Number of full-time officers and employees: 48
- Various employee education systems
- Employee satisfaction surveys
- Career interviews with employees

Unitholders/Financial Institutions
No. of unitholders: 14,616
No. of financial institutions we deal with: 22
- General Meeting of Unitholders
- Results briefings for investors
- 1-on-1 meetings (Japan and overseas)

Sponsors
Sponsors: 9
- Contribution of excellent properties
- Ongoing information exchange
- Human resource exchanges

Environment/Nature
Property location/6 prefectures (Fukuoka/Saga/Kumamoto/Oita/Kagoshima/Okinawa)
- Environmental preservation (Electricity and water conservation)
- Green Building certification

Value-Creation Activities



Investment Strategy See p.26

Management Strategy See p.27

Financial Strategy See p.28

Fund procurement (financing)

Information communication (IR/SR)

Strengths and characteristics of the value-creation process	Research	Acquisition	Management	Management, Valuation, and Sales/Replacement
	Human resources who are familiar with the area and have built trusting relationships collect high-quality information on properties from sponsors and the community	Acquisition of excellent real estate in the Fukuoka and Kyushu areas through sponsor companies and local communities	Constant forward-looking management with an attention to detail unique to a region-specific REIT	Portfolio management from a medium- to long-term perspective and appropriate financial strategies
	・Property appraisal skills unique to a local person ・Robust network ・Market research and analysis	・Discovery and acquisition of properties that can generate stable cash flow ・Improvement of property value	・Stable cash flow ・Derive maximum value from our real estate portfolio over the long term	・Sound financial position ・Realization of stable distributions and dividends
Related capital	・Intellectual capital (information-gathering ability) ・Human capital (know-how) ・Social relationship capital (relationships of trust, cooperation and collaboration)	・Financial capital (financing ability) ・Manufacturing capital (excellent properties) ・Human capital (discerning eye, expertise)	・Human capital (know-how) ・Social relationship capital (relationships of trust, cooperation and collaboration) ・Natural capital (natural environment)	・Financial capital (management know-how/ performance) ・Human capital (know-how) ・Social relationship capital (relationships of trust, cooperation and collaboration)
Challenges and initiatives to further strengthen value creation	・Employment of exceptional human resources required for suitable business execution ・Asset portfolio expansion and realization of high occupancy rates See p.26	・Diversification in fund procurement ・Discovery of excellent properties using networks we created See p.26	・Maintenance of NOI in existing properties ・Essential environmental initiatives See p.27	・Management focused on long-term fixed interest rate entities and financial stability ・Management that emphasizes the best interests of unitholders See p.28

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- Environmental preservation (Electricity and water conservation)
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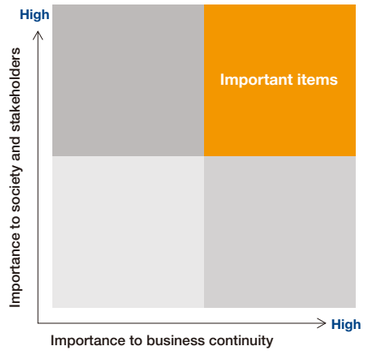
Materiality

Fukuoka REIT Corporation and Fukuoka Realty Co., Ltd., consider it essential to take into account environmental, social, and governance (ESG) factors in addition to pursuing profitability to achieve the best interests of unitholders over the medium to long term. Accordingly, we strive to respond to various ESG-related issues within our real estate investment and management processes.

Identifying Materiality

Fukuoka Realty, the Asset Management Company, has identified materiality in its sustainability initiatives based on the demands and expectations of stakeholders and the expected impact on and importance to FRC's business.

Mapping of Issues



Environment
- Reduction of environmental load
- Maintenance and enhancement of environmental and construction performance

Society
- Creation of pleasant workplaces (Asset Management Company)
- Creation of pleasant workplaces (tenants)
- Contributions toward boosting the attractiveness and revitalization of Fukuoka and Kyushu
- Co-creation with the local community

Governance
- Information disclosure and dialogue with stakeholders
- Compliance/Risk management

We have identified nine material issues through the process below from environmental, social, and governance perspectives that are of high importance to society and stakeholders and to business continuity.

Historical Background to Identification of Materiality

FY2017–	January 2018	August 2018	September 2018	September 2019	April 2022	September 2022	February 2023
Began initiatives regarding participation in GRESB 2018	Formulated sustainability policy	Certified as a "Fukuoka 'Work-Style Reform' Promotion Company"	Announced results of GRESB Real Estate evaluations (participation for first time)	**Identified Materiality**	Set key performance indicators (KPIs) for materiality	Created "Climate Change and Resilience Policy"	Registered with Fukuoka Prefecture's SDGs certification system

September 2017	June 2018	July 2018	September 2018	September 2018	July 2022	September 2022	October 2024
Established Policies That Include Those Regarding Customer-Oriented Business Conduct	Acquired DBJ Green Building Certification for 2 properties (9 in total)	Acquired BELS Certification for 4 properties (reissued)	Became a signatory of the Principles for Responsible Investment (PRI)	Became a signatory of the Principles for Financial Action for the 21st Century (PFA21)	Registered with Fukuoka City's Well-Being & SDGs certification system (master level)	Endorsed the TCFD (Task Force on Climate-related Financial Disclosures) and participated in the TCFD Consortium	Reviewed materiality

Process for Identifying Materiality

STEP 1

Identify social issues

Based on the needs of society and the expectations of stakeholders within and outside of the Company, prepare a list of social issues taking into account conditions at other companies in the same industry, items used at assessment agencies, ESG disclosure standards, and SDGs.

STEP 2

Narrow and prioritize issues

Narrow and prioritize identified issues by considering their importance to stakeholders and the importance to and degree of impact on FRC's business based on potential risks and opportunities. Prepare draft proposals regarding materiality.

STEP 3

Deliberate at the management level, confirm appropriateness

Ensure that the Sustainability Promotion Committee, established by the Asset Management Company, deliberates on all draft proposals regarding materiality. Materiality is identified after investigating appropriateness based on the opinions and advice of experts acting on behalf of stakeholders. Reports are ultimately delivered to the Board of Directors of the Asset Management Company and the Board of Directors of FRC.

Materiality

In fiscal 2024, we conducted a review of the materiality identified in 2019. As part of our efforts to strengthen our sustainability management, we considered changes in the external social environment, internal environmental analysis, and stakeholder expectations. This review aims to clarify our vision and values for sustainable management, and to establish the direction of our future sustainability strategy, in line with the materiality review process.

	Materiality	Policies and targets	KPIs and targets	Related SDGs
Environment	Addressing climate change	・Coordinate with Property Management and Building Management companies to manage and reduce greenhouse gas emissions, contributing to the preservation of nature in Fukuoka and Kyushu.	・(by 2030) 35% reduction in CO_2 emissions (compared with 2019, basic unit)	7, 11, 12, 13
Environment	Resource circulation and efficient utilization	・Coordinate with Property Management and Building Management companies to enhance the efficient use of resources (energy and water) and promote the recycling of waste and water, contributing to the preservation of nature in Fukuoka and Kyushu.	・(by 2030) 75% recycling rate for waste	
Environment	Natural disaster preparedness	・Contribute to the safety and security of tenants and the local community by conducting regular risk assessments of owned properties to maintain and enhance real estate resilience.	・(by 2030) 85% Green Building Certification rate or higher	13
Environment	Business operations for resolving environmental issues	・Enhance asset value by conducting regular performance and functionality assessments of owned properties, and updating outdated features. ・Increase asset value and improve appeal to tenants by obtaining green building certifications and visualizing building performance.		7, 13
Society	Creation of pleasant workplaces (Asset Management Company)	・Strengthen human capital management by incorporating diverse perspectives and providing a work environment that enhances employee performance. ・Improve business quality and strengthen operational capabilities by enhancing employee education systems and encouraging qualification acquisition.	・Training per employee (number of times) ・Office environment improvements (number of instances)	4, 8
Society	Improvement in tenant engagement	・Increase tenant satisfaction and achieve stable property operations by establishing an engagement cycle with tenants, understanding the diverse business needs of domestic and international clients, and improving facility management.	・Conduct regular tenant satisfaction surveys (all properties)	3, 8
Society	Contributions toward boosting the attractiveness and revitalization of Fukuoka and Kyushu	・Aim to create a society where the people of Fukuoka and Kyushu can showcase their competitiveness and uniqueness, ultimately enhancing asset value, by attracting domestic and international tenants through the dissemination of information about the strengths and appeal of Fukuoka and Kyushu, and by collaborating with the local business community to foster regional economic development.	・Join and participate in local economic organizations ・Host community exchange events (number of events) ・Join and participate in area management organizations ・Continued participation in activities that contribute to the community (number of times)	9, 11, 17
Governance	Compliance/Risk management	・Aim to maintain corporate value and increase trust from stakeholders by ensuring compliance with laws and regulations, eliminating conflicts of interest in transactions with stakeholders, and developing and operating internal systems for appropriate risk management, while also strengthening employee awareness of compliance.	・Compliance training (number of times)	16
Governance	Information disclosure and dialogue with stakeholders	・Build trust with stakeholders by disclosing financial and non-financial information in a timely and appropriate manner, ensuring strict compliance with the Corporate Governance Code, and engaging in proactive dialogue. Incorporate the feedback and requests received into business strategies.	・Dialogue with investors (number of times) ・Employee ESG training (number of times)	17

Process for Revising Materiality

STEP 1

Identify items to be revised

Identify items in materiality to be revised based on an examination of changes in the social environment and an assessment of the current situation.

STEP 2

Exchange opinions with third parties

Create proposed revisions to materiality based on dialogue with stakeholders and an assessment from FRC's perspective, and request third parties to provide their opinions on the proposed revisions.

STEP 3

Deliberate at the management level, seek resolution by the Board of Directors

Ensure that the Sustainability Promotion Committee, established by the Asset Management Company, deliberates on all proposed revisions in consideration of third-party opinions before any changes are made regarding materiality. Ultimately, reports are to be delivered to the directors of the Asset Management Company and the Board of Directors of FRC.

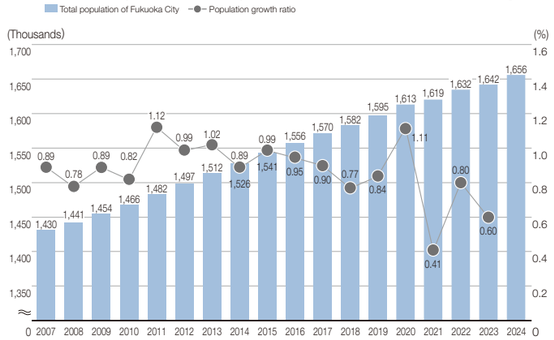
External Environment: Macroeconomic Landscape of Fukuoka and Kyushu

Fukuoka City, where population concentration is increasing, is expected to continue developing.
Compared to the national average, it has a higher proportion of young people and a larger share of the working-age population, which translates into demand for office buildings and housing. This presents significant potential as an investment area.

Population Continues to Grow in Fukuoka City

The total population of Fukuoka City exceeded 1.6 million as of the estimated population on May 1, 2020, and has consistently increased since 1985. This total population makes the city the fifth most populous among government-designated cities, following Yokohama, Osaka, Nagoya, and Sapporo. According to the National Institute of Population and Social Security Research, Fukuoka City's population is projected to continue growing until 2035.

Total Population and Population Growth Ratio of Fukuoka City

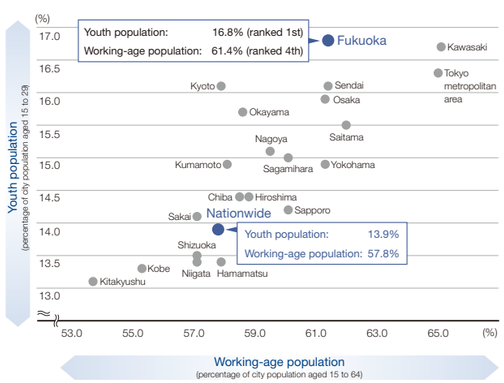


Note: Total population figures from 2007 to 2023 are based on figures as of December 1 each year. The total population figure for 2024 is based on the figure as of October 1, 2024.
Source: Prepared by Fukuoka Realty Co., Ltd., based on data from Fukuoka City Estimated Population and Fukuoka City Registered Population, published by Fukuoka City

A Hub for Young People

Fukuoka City stands out for its high proportion of young people in its population, compared to other cities. Among the cities listed in the following table, Fukuoka City ranks first with a youth population rate of 16.8% (percentage of city population aged 15 to 29) and fourth with a working-age population ratio of 61.4% (percentage of city population aged 15 to 64).

Youth and Working-Age Population Ratios Nationwide and in Major Cities (2020)

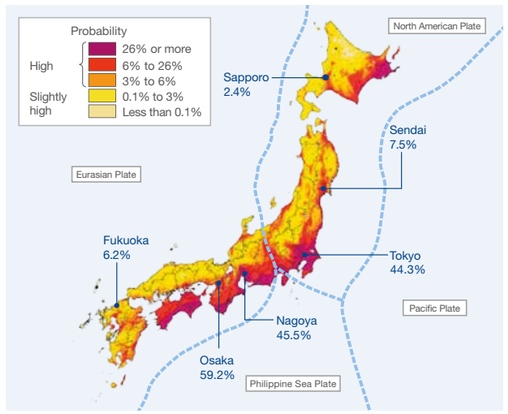


Source: Prepared by Fukuoka Realty Co., Ltd., based on data from the Population Census, Statistics Bureau, Ministry of Internal Affairs and Communications

Earthquake Risks in Fukuoka and Kyushu

Probabilistic Seismic Hazard Map

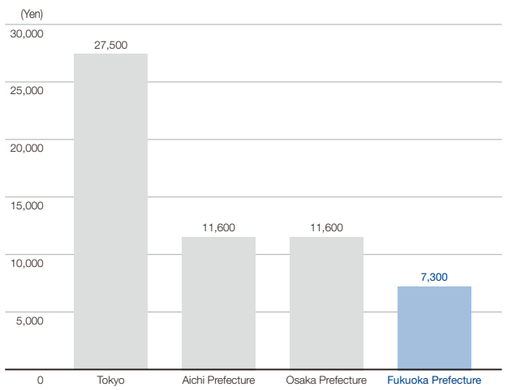
◎Probability of experiencing tremors of intensity 6- or higher within the next 30 years (Average case, all earthquakes)



Note: The areas with a probability of zero are displayed in white due to the model calculation conditions. The values for each city are based on data from 2024.
Source: The Headquarters for Earthquake Research Promotion (Research Center for Earthquake and Volcano Sciences, Ministry of Education, Culture, Sports, Science and Technology), Japan Seismic Hazard Information Station (J-SHIS; National Research Institute for Earth Science and Disaster Resilience), and data from the Ministry of Land, Infrastructure, Transport and Tourism and the Japan Meteorological Agency websites. Data used in this map was compiled by Fukuoka Realty Co., Ltd.

Basic Earthquake Insurance Rates

◎Earthquake insurance contracts starting from October 1, 2022
●Fukuoka Prefecture offers relatively lower costs for earthquake insurance compared to other areas.

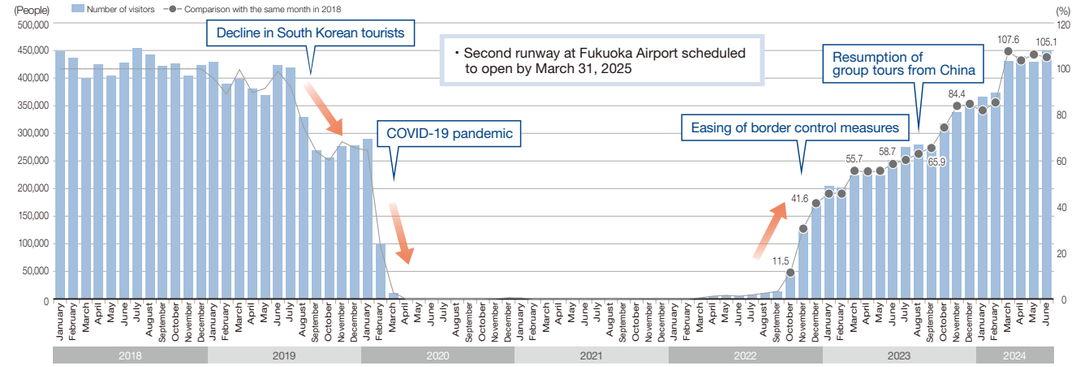


Note: These are the basic insurance rates for buildings primarily made of steel and concrete, based on an insurance amount of 10 million yen per year of coverage.
Source: Prepared by Fukuoka Realty Co., Ltd., based on data from the General Insurance Rating Organization of Japan.

Inbound Situation

The number of foreign visitors to Kyushu has nearly recovered, excluding those from China.

Trend of Foreign Visitors to Kyushu



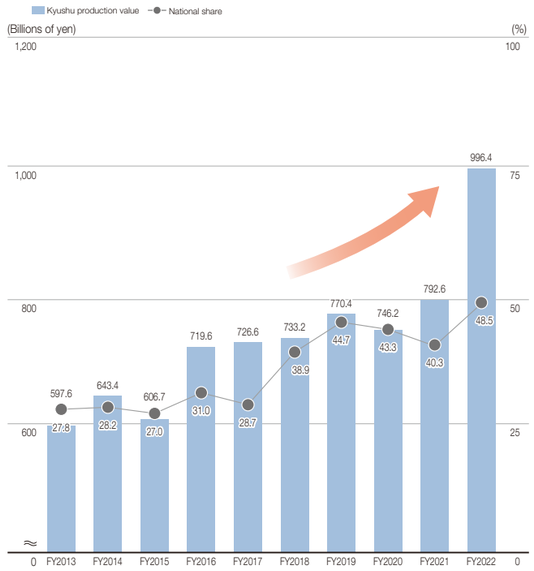
Source: Prepared by Fukuoka Realty Co., Ltd., based on data from the Kyushu Transport Bureau, Ministry of Land, Infrastructure, Transport and Tourism, "Trends in the number of foreign nationals entering Kyushu."

Kyushu Region Thriving in the Semiconductor Industry

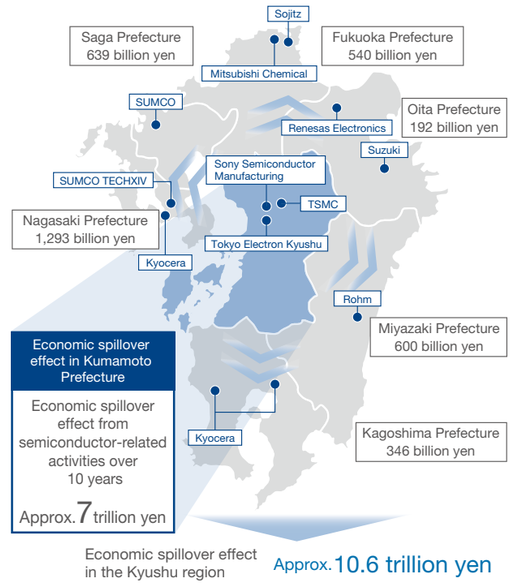
The Kyushu region has become a key hub for the semiconductor-related industry, with further development expected in the future.

Trend of Semiconductor Production Value and National Share in Kyushu

◎Both the semiconductor production value and national share in Kyushu are on an upward trend.



Economic Spillover Effects of Semiconductor-Related Capital Investment in the Kyushu Region (For the 10-year period from 2021 to 2030)

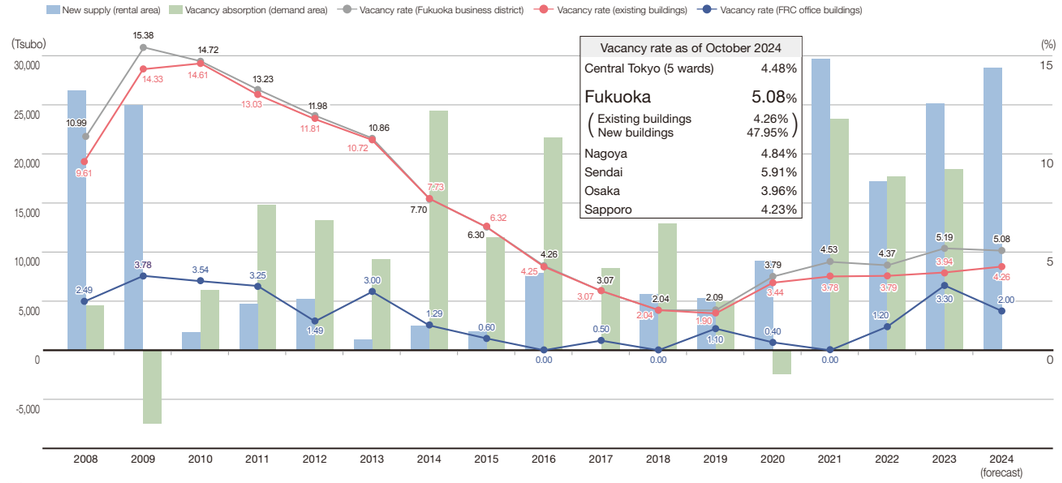


Source: Prepared by Fukuoka Realty Co., Ltd., based on "Kyushu Business Review April 2024" by the Kyushu Economic Research Center.

External Environment: Macroeconomic Landscape of Fukuoka and Kyushu

Fukuoka Business District: Vacancy Rates and Supply and Demand of Office Buildings

◎Tenant demand has remained robust, surpassing the previous year.



Notes:
1. The vacancy rates from 2008 to 2023 are based on the figures as of December 31. The vacancy rate in 2024 is based on the figure as of October 31, 2024.
2. The vacancy rate of office buildings owned by FRC in 2024 is based on the figure as of August 31, 2024.
3. Office building–related data for each city are the data for areas and buildings included in surveys conducted by Miki Shoji Co., Ltd.
4. Vacancy absorption (demand area) is calculated by adding the new supply (rental area) for each year to the vacant space as of December 31 of the previous year, then subtracting the vacant space as of December 31 of the current year. The new supply (rental area) for 2024 is an estimate, and both the area and completion date are subject to change.

Source: Prepared by Fukuoka Realty Co., Ltd., based on data from Miki Shoji Co., Ltd., Office Market Data

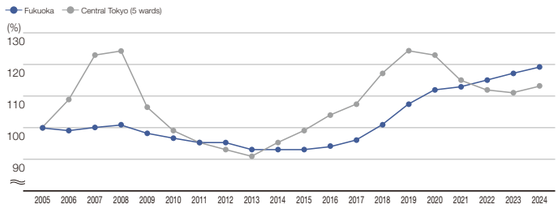
Fukuoka Business District/Trend of Average Asking Rent

(Index: 100 in 2005)

◎Rents continue to rise.

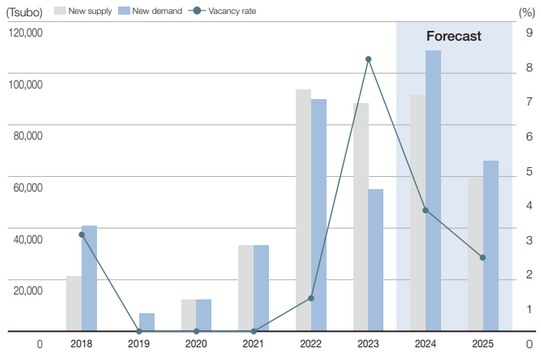
Average rent as of October 2024 (per tsubo)	
Fukuoka:	11,782 yen (+2.5% YoY)
Central Tokyo (5 wards):	20,178 yen (+2.2% YoY)

Source: Prepared by Fukuoka Realty Co., Ltd., based on data from Miki Shoji Co., Ltd., Office Market Data



Supply/Demand and Vacancy Rates for Logistics Facilities

◎Although the vacancy rate temporarily increased in 2023, it is expected to decline from 2024 onward.

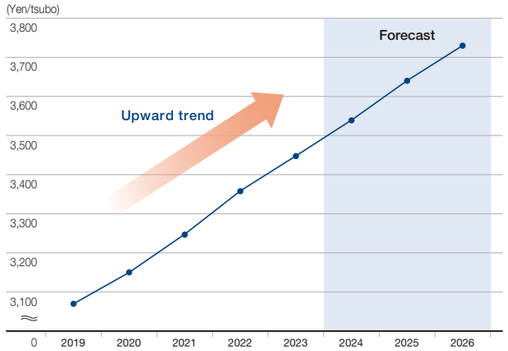


Note: Large multi-tenant (LMT) facilities with a total floor area of 5,000 tsubo or more in the Fukuoka metropolitan area are targeted, specifically those that were planned and designed with the assumption of multiple tenant use at the time of development.

Source: Prepared by Fukuoka Realty Co., Ltd., based on CBRE's regular survey of Fukuoka's logistics market (August 2024).

Trend in Rent Unit Price

◎The demand for logistics facilities is high in the Fukuoka area, and rental prices are generally on the rise.



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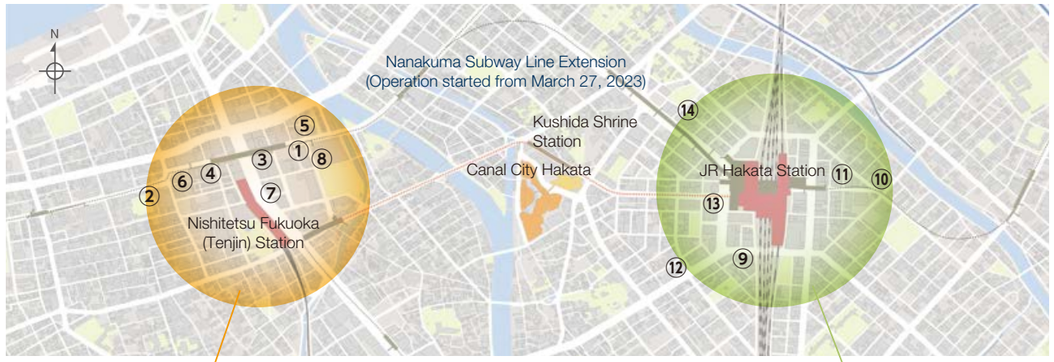
Redevelopment Project



Note: Focus areas

Tenjin Big Bang

Redevelopment Projects

Name	Completion month
① Tenjin Business Center	September 2021
② Fukuoka Daimyo Garden City	March 2023
③ ONE FUKUOKA Building	December 2024 (scheduled)
④ Hulic Fukuoka Building Rebuilding Project (provisional name)	December 2024 (scheduled)
⑤ Tenjin Brick Cross	March 2025 (scheduled)
⑥ Sumitomo Life Fukuoka Building/Nishidori Business Center Reconstruction Plan (provisional name)	May 2025 (scheduled)
⑦ Tenjin 1-7 plan (provisional name)	March 2026 (scheduled)
⑧ Tenjin Business Center Phase 2 Project (provisional name)	June 2026 (scheduled)

Source: Created by Fukuoka Realty Co., Ltd., based on each project's press release.

Main Deregulation in the Tenjin Big Bang Area (National Strategic Special Zone)

① Special permission to relax Civil Aeronautics Act–related building height regulations

- Around Fukuoka City Hall approx. 67 m (15 floors)
  - Tenjin Meiji-dori district (west of the center of Watanabe-dori) approx. 115 m (26 floors)
  - Tenjin Meiji-dori district (east of the center of Watanabe-dori) approx. 76 m (17 floors) ～ approx. 100 m (22 floors)
  - Tenjin 1-chome district approx. 80 m (18 floors) ～ approx. 96 m (21 floors)

② Deregulation of floor space ratios (Fukuoka City original)

- Tenjin 1-chome south block 800%→1,400% (maximum)
- Tenjin 2-chome south block (along Meiji-dori Ave.) 700%→1,300% (maximum)
- Tenjin 1-chome north block (14th Block) 600%→1,250% (maximum)
- Tenjin 1-chome district north area 800%→1,400% (maximum)

Hakata Connected

Redevelopment Projects

Name	Completion month
⑨ Hakata Fukami Park Building	February 2021
⑩ Hakata East Terrace	August 2022
⑪ CONNECT SQUARE HAKATA	March 2024
⑫ Chuo Nittochi Hakata Ekimae Building	June 2025 (scheduled)
⑬ The Nishi-Nippon City Bank Head Office Main Building Reconstruction Project	January 2026 (scheduled)
⑭ The Nishi-Nippon City Bank Administrative Head Office Building	September 2028 (scheduled)

Source: Created by Fukuoka Realty Co., Ltd., based on each project's press release.

Hakata Connected Bonus

Expand the system to relax the floor area ratio requirement (measure to facilitate renewal of city center functions)

Increase the floor area ratio (up to 50%) for buildings contributing to enhancing the vibrancy, such as creation of open spaces that generate connections and expanse.

Existing system to relax floor area ratio + New incentive: Floor area ratio of up to 50%

- High-quality, high-value-added buildings
- Provide floors for tenant relocation

Note: The projects are designed to solve problems specific to the area around Hakata Station (limited to the period of Hakata Connected)

Risks and Opportunities

To achieve sustainable growth, FRC keeps close track of highly significant risks and opportunities while extracting significant risks and assessing their impact on the Investment Corporation and its stakeholders.

● Measures to Address Risks ● Opportunities

Significant risks	Impact on stakeholders	Response to risks and opportunities
Risks from Natural Disasters ・Response to climate change Related Materiality ・Addressing climate change ・Resource circulation and efficient utilization ・Natural disaster preparedness	・Buildings might be lost: suffering deterioration or damage due to the occurrence of natural disasters, such as earthquakes, storms, and floods, or experiencing severe weather due to climate change, and their value could be affected, with a decrease in rent due to the non-operation of properties	● Consider that it is possible to purchase insurance at a relatively low cost compared to other areas; arrange earthquake insurance coverage for all properties ● Improve resilience (e.g., ability to respond to disasters) by engaging in a variety of activities; this includes conducting disaster drills at each property, stockpiling emergency food supplies, strengthening flood countermeasures, and formulating a business continuity plan (BCP) See p.38
Environment-Related Risks ・Reduction of environmental load ・Soil pollution and toxic substances Related Materiality ・Resource circulation and efficient utilization ・Business operations for resolving environmental issues	・Increase in property management costs due to more stringent environmental laws and regulations, such as the strengthening of the Building Energy Conservation Law ・Risk of damage to the health of building users due to the presence of toxic substances in the soil or in building materials, and other items, of properties owned; risk of bearing the cost of compensation for damage to health or for removal of toxic substances	● Work to maintain and improve environmental performance through renovation opportunities for properties owned; acquire Green Building and other certifications to obtain the results of environmental/social initiatives in visual form and improve property competitiveness See p.39 ● Aim to reduce vacancy rates by pursuing healthful and comfortable conditions in properties owned and by increasing leasing demand for properties with high environmental performance ● Conduct thorough physical investigations at the time of property acquisition; acquire properties after confirming the presence or absence of toxic substances and taking appropriate measures
Human Resource Related Risks ・Deterioration in the caliber of human resources ・Dependence on human resources Related Materiality ・Creation of pleasant workplaces (Asset Management Company)	・Risk of deterioration in the organizational strength of Fukuoka Realty Co., Ltd. (Asset Management Company), due to a failure to maintain the human resources base, in terms of such factors as ability, experience, and know-how of the Asset Management Company for smooth business operations ・Heavy reliance on FRC's directors and auditors as well as on the human resources of the Asset Management Company with the risk that the outflow of these human resources could have an adverse effect on operations	● Improve organizational strength and increase employee loyalty by hiring and fostering excellent human resources ● Improve employee motivation by realizing a work-life balance and the stabilization of work through health management See p.40
Infectious Disease, Epidemic, and Other Related Risks ・Pandemic Related Materiality ・Business operations for resolving environmental issues ・Creation of pleasant workplaces (Asset Management Company) ・Improvement in tenant engagement	・Risk that such external factors as infectious diseases and epidemics in Japan and overseas could interfere with the normal operation and management of FRC's properties ・Decrease in rental income from real estate due to such factors as a downturn in visitors, which might have an adverse effect on, for example, earnings	● In addition to physical infectious disease countermeasures, expand the COVID-19 workplace vaccination program scope to cover retail facility tenant employees as a means of promoting a safe and secure facility environment for Asset Management Company employees, tenants, and consumers ● Set up satellite offices at the Asset Management Company and introduce a telework system with a view to ensuring business continuity
Property Concentration Risks ・Region (Fukuoka/Kyushu) ・Retail facilities Related Materiality ・Contributions to boosting the attractiveness and revitalization of Fukuoka and Kyushu	・As FRC's properties owned are concentrated in Fukuoka and Kyushu, the vacancy rate might increase due to a worsening economic situation in that region, and profitability could deteriorate due to a decrease in rent ・Possibility of adverse effects on profits due to overall consumer consumption as well as other overall trends in the retail industry that reflect the nature of retail facilities as a main investment target	● Invest in various types of properties to reduce the risk of portfolio fluctuation by diversifying rental market cycles and tenant industries See pp.12–13 See pp.44–45 ● In retail facilities, such as Canal City Hakata/Canal City Hakata・B, operate bustling facilities by replacing tenants and providing new experiences and other value, thereby reducing the risk of profit fluctuation by dispersing tenants ● Revitalize the entire region and connect this growth to the growth of properties owned

● Measures to Address Risks ● Opportunities

Significant risks	Impact on stakeholders	Response to risks and opportunities
Risks from Changes in Business Conditions ・Increase in vacancy rates ・Decrease in rent Related Materiality ・Improvement in tenant engagement	・Vacancy rate increases associated with worsening real estate market conditions; decrease in dividends due to rent decreases ・Rent reduction, rent nonpayment, and vacating risks due to deterioration of a lessee's financial situation	● Consider extending lease agreement terms and the fixing of such items as rent, according to property characteristics ● Appropriate occupancy screening when tenants move in as well as monitoring of operating status and thorough credit management during the lease period ● Deposits and security deposits against items including rent delinquency; collateral by such means as guarantor companies ● Treat deterioration in the real estate market as an opportunity to acquire excellent properties and execute strategic investments through appropriate financial management utilizing information-gathering capabilities
Market-Related Risks ・Increase in interest rates ・Fluctuations in the investment unit price Related Materiality ・Information disclosure and dialogue with stakeholders	・Risk of increase in interest payment due to increase in interest rates caused by market trends at the time of borrowing ・Risk that FRC's investment unit price might fluctuate due to factors that include unitholder supply and demand, interest rate conditions, economic conditions, and real estate market conditions ・Risk of not being able to acquire planned assets because additional units cannot be issued at the desired time and under desired conditions due to fluctuations in unit price	● Long-term fixing of interest-bearing debt and repayment period limit diversification ● Conservative interest-bearing debt management and commitment lines* to ensure flexibility and agility in funding ● Conduct proactive IR activities See pp.28–29
Risks from Property Degradation, Deterioration ・Increase in repair and maintenance expenses ・Decline in property competitiveness Related Materiality ・Natural disaster preparedness ・Business operations for resolving environmental issues	・Increase in expenses required for such items as large-scale repairs, due to the deterioration of properties, and large capital expenditures could reduce cash flows ・Possibility of tenants vacating and a reduction in rent due to a loss of property competitiveness resulting from changes in the surrounding environment	● Maintain/improve property competitiveness through appropriate maintenance and repair work, value-up investment, and extending the number of service life years ● Based on an understanding of conditions including real estate market trends and the capital market environment, if the strategic holding of a property becomes less significant from the perspective of property performance, competitiveness, and future profitability, consider replacement of that property if it is determined that selling it is in the interest of unitholders
Regulatory Risks ・New laws and regulations ・Changes in the tax system Related Materiality ・Compliance/Risk management	・Possibility of restrictions on property rights or increased management costs due to the introduction or amendment of laws and regulations ・Possibility of an increased burden from taxes and fees due to tax reform	● In addition to receiving information from such sources as Fukuoka Realty's affiliated organizations, tax accountants, and law firms, participate in external training, obtain information, and take measures to reduce any impact from an early stage
IT-Related Risks ・Information leaks Related Materiality ・Compliance/Risk management	・Risk of leakage of personal and confidential information due to delays in strengthening cybersecurity	● Strengthen confidential information management systems by introducing two-factor authentication for software as well as applications and by conducting training on cybersecurity and information management ● Enable property differentiation by introducing advanced technologies into properties owned
Compliance Risks ・Violations of organizational laws and regulations ・Conflicts of interest* Related Materiality ・Compliance/Risk management	・If Fukuoka Realty Co., Ltd. (Asset Management Company), violates its duty of care as a good manager (duty of care) and its duty to faithfully perform tasks for FRC (duty of fidelity) under the law or specified contracts, the possibility exists that this could adversely affect FRC's survival and profitability ・Potential conflict of interest issues with sponsor	● Prevent violations including those of laws and regulations as well as transactions involving conflicts of interest, through deliberations and audits by the Compliance Assessment Committee ● Improve employee awareness of compliance by conducting regular compliance trainings See p.43

Glossary

Commitment lines
This refers to the upper loan limit a borrower can receive at any time without going through a defined review, within a range agreed upon in advance with the bank. Commitment in this case indicates a contracted promise. The borrower can secure stable working capital regardless of business conditions.

Conflicts of interest
In general, this refers to when an act is in one's own interest, while at the same time disadvantageous to the interests of another. For a J-REIT, this often refers to a conflict between a unitholder and the interests of the Investment Corporation or the Asset Management Company.

Growth Strategy

Investment Strategy



The Investment Department leverages the regional characteristics inherent in the real estate industry as its strength. By making the most of local information-gathering capabilities, market insights, and a strong network, the department aims to acquire high-quality real estate that generates stable long-term cash flow, utilizing the unique property evaluation expertise of FRC.

The real estate market is facing a challenging environment, with rising land prices driven by strong real estate transactions and supply-demand imbalances, along with concerns over increasing construction costs and interest rates. As a result, opportunities to acquire investment properties remain limited. However, in central Fukuoka, large-scale redevelopment projects like the Tenjin Big Bang and Hakata Connected are progressing. The Kyushu region, particularly around Kumamoto, is expected to see significant investments in logistics facilities, residential developments, and new factories, as it becomes a key hub for the semiconductor industry and its supply chains. This suggests a positive outlook for macroeconomic indicators.

In this context, FRC resolved to issue new investment units as of August 28, 2024, and has entered into agreements for the acquisition of a logistics facility in Kumamoto, Mifune Logistics Center (provisional name), and a rental apartment in Fukuoka, Axion Otemon Premium, both of which are scheduled for acquisition in March 2025.

The logistics facility is strategically located in Mifune Town, Kumamoto, benefiting from the region's transportation advantages. This development was driven by the Kumamoto Prefecture's successful efforts to attract the world's largest semiconductor foundry, Taiwan Semiconductor Manufacturing Company Limited (TSMC), and the surrounding municipalities' promotion of semiconductor-related industries. The facility is set to become an early-stage regional distribution hub, particularly for semiconductor-related industries, within Kumamoto Prefecture. The area is expected to see significant logistics demand driven by the growth of the semiconductor sector, and we strongly expect this investment to contribute to local economic development, including employment, industry, and infrastructure.

On the other hand, when selecting investments, the risk of natural disasters due to climate change cannot be overlooked. The Kumamoto and Aso regions are relatively prone to earthquakes, floods, and other natural events. However, we believe that the strong power infrastructure within Kyushu, the area's abundant water resources, and the swift backup system provided by local governments serve as solid risk mitigation measures.

Meanwhile, the Axion Otemon Premium rental apartment complex offers excellent access to Fukuoka City's Tenjin area, making it a highly convenient property. With continued population inflow expected in Fukuoka City and sustained demand for residential properties, we decided to proceed with this acquisition.

As a result of these initiatives, the total asset size of the Investment Corporation has expanded to 230.1 billion yen, and the LTV ratio has decreased from 44.8% to 42.7%. The significant improvement in acquisition capacity from a funding perspective is expected to increase opportunities for acquisition using equity capital.

The Investment Department collects information on approximately 400 cases annually, but only a small fraction of these can be turned into viable projects. In addition to acquiring assets from external sources, we aim to steadily expand the asset base by continuously acquiring assets and replacing them through asset sales, leveraging sponsor pipelines and other resources.

Moving forward, we will also conduct research in new areas, such as new capital investments in factories and industrial parks, which will serve as the foundation for regional economic development. At the same time, we will continue to focus on activities aimed at acquiring investment properties for the future. In our commitment to sustainability, we believe that thorough consideration of environmental and social factors in property research and post-acquisition management is essential. We are dedicated to ensuring that our investment activities contribute to stable, medium- to long-term growth for our investors while also revitalizing the regional economy. We will continue to challenge ourselves in creating new value to make this a reality.

Management Strategy



In the Real Estate Management Department, our goal is to lease and manage FRC's real estate holdings with a long-term perspective, rather than a short-term focus, striving to maintain and enhance the intrinsic quality of each property. Through proactive management, we aim to ensure that the revenue from individual properties grows steadily and sustainably over the long term, while also contributing to the improvement and revitalization of the Fukuoka and Kyushu regions.

Since 2018, I was seconded to Fukuoka Jisho Co., Ltd., and other companies, and in June 2024, I returned to Fukuoka Realty after six years and took on a role in the Real Estate Management Department. During my secondment, I was involved in real estate development projects, focusing on office buildings and logistics facilities, as well as the management of a new business in e-commerce logistics. One common observation from these experiences is that the real estate industry has been slow to adopt digitalization. In particular, for the assets held by FRC, such as Canal City Hakata, Park Place Oita, and Konoha Mall Hashimoto, I recognize the need to drive digitalization in collaboration with our property management company, FJ Entertainment Works Ltd., to enhance digital customer attraction and understand customer flows across the entire facilities. For other assets as well, I aim to promote digitalization and improve operational efficiency, thereby boosting individual productivity. The key focus of the department is to maintain and enhance the Net Operating Income (NOI) of each owned property. To increase the appeal of each property, we are striving to maximize long-term value through renovations and operational improvements.

In the external environment, the increase in inbound and domestic travelers has contributed to a recovery in sales at Canal City Hakata, leading to sales at retail facilities surpassing those of 2019 in the fiscal period ended February 2024. A new major key tenant, Alpen FUKUOKA, a large sports store that opened in September 2023 and is the largest of its kind in Western Japan, has been very popular with both domestic and international customers, resulting in strong sales growth. The renovation of the food court on the first basement floor of the Grand Building is progressing smoothly, with plans for opening in early summer 2025. In addition to the rise in inbound demand, Fukuoka City has seen continued population inflow, which has supported rent increases through tenant turnover and contract renewals in office buildings and other assets, such as logistics facilities, residential properties, and hotels. On the other hand, Canal City Hakata, which will soon celebrate its 30th anniversary, faces significant considerations regarding the timing and costs of renovations, such as those for the elevators and restrooms, which have remained unchanged since the facility's opening.

Moving forward, we will focus even more on addressing climate change, resource circulation and efficient utilization, natural disaster preparedness, and business operations for resolving environmental issues. We will take proactive steps toward reducing energy consumption, such as updating air-conditioning systems and converting lighting to LED. To achieve this, it is essential to carefully incorporate sustainability efforts into each business process and systematically implement them. We believe that to realize the medium- to long-term best interests of our investors it is crucial not only to pursue profitability but also to give full consideration to environmental, social, and governance factors, and we will continue to work as one unified team to accomplish this.

■ Grand Building B1F Dining Zone Renewal Plan (Opening in Early Summer 2025)



Note: For illustration purposes only and might be subject to change.

Canal City Hakata



In addition to drawing up and executing financial and capital strategies that are in the best interests of our unitholders, the Finance Department is responsible for investor relations (IR; including shareholders relations (SR) and public relations) activities to convey FRC's situation in a timely, fair, and accurate manner.

As of the end of October 2024, the Tokyo Stock Exchange Real Estate Investment Trust (J-REIT) Index closed at 1,682.36, which is slightly lower compared to the year-start closing of 1,792.20. In particular, after the Bank of Japan's monetary policy decision meeting at the end of July, the index hit a year-to-date low of 1,618.96 on August 5, highlighting the ongoing market instability. The Investment Corporation believes it is increasingly important to manage our finances with a heightened awareness of interest rate risks. Under such circumstances, the financial strategy, capital strategy, and IR activities that we have conceived are as follows.

Financial Strategy/Capital Strategy

Regarding our financial strategy, we will first and foremost maintain a conservative loan-to-value (LTV) ratio from the perspective of building a solid financial base. The upper limit for LTV is set at 50%, and under normal circumstances, we operate relatively conservatively within a range of 35% to 45%. As of the end of August 2024, the LTV stood at 44.8%.

Next, from the perspective of ensuring flexibility and mobility in funding, we have established a commitment line with a maximum limit of 13 billion yen. We have also decided on a three-year commitment period, enabling us to address unexpected deterioration in the financing environment.

Regarding interest rate risk, we recognize the need for careful financial control, paying close attention to interest rate levels. During the period of low interest rates, our primary focus was on fixing interest-bearing debt over the long term and diversifying repayment dates. Currently, we are also considering measures to mitigate the increase in financing costs. Specifically, while continuing to diversify our repayment schedules, we will implement measures such as 1) adjusting financing periods, 2) optimizing the fixed-to-floating interest ratio, and 3) reducing loan spreads to control financing costs.

We believe that the support of financial institutions is crucial for implementing this financial strategy. While maintaining strong relationships with 22 financial institutions, including the three sponsoring banks, regional banks primarily in Kyushu, and major financial institutions, we will also strive to diversify our financing sources.

Moreover, we are actively incorporating considerations for SDGs and ESG challenges from a financial perspective, contributing to the resolution of environmental and social issues.

Since the Investment Corporation's first green finance issuance in July 2019, we have raised funds through various initiatives, including a scheme where a portion of the profits earned by financial institutions through loans is donated to fund research for the development of COVID-19 vaccines at national universities, as well as through the first-ever sustainability-linked loan syndicated by three asset management company sponsors in the J-REIT sector. As of the end of August 2024, the proportion of sustainable finance in total interest-bearing debt stands at 33.5%.

For our capital strategy, we will raise capital in line with external growth, one of our key growth drivers, by capitalizing on favorable market conditions. We will carefully assess the balance between the growth of distributions after raising capital and LTV, and capital costs, and make decisions accordingly.

Investor Relations (IR) Activities

In addition to compiling various types of information crucial for investment decisions, our primary focus is on providing a consistent flow of timely, equitable, accurate, and easily comprehensible information, which forms the core principle of our IR activities. As part of this, we aim to enhance our content by proactively disclosing more non-financial information beyond what is reflected in income statements and balance sheets. This includes showcasing our strengths as a REIT specializing in regional properties and highlighting the real estate landscape in Kyushu and Fukuoka. We believe that higher-quality dialogues with unitholders will deepen mutual understanding and build trust, ultimately attracting investment funds from both domestic and international sources to Fukuoka and Kyushu.

Currently, through our IR activities, we are focusing on improving both the quantity and quality of our dialogues. For institutional investors, we maintain regular communication after earnings announcements and approach new investment opportunities. With individual investors, in addition to holding in-person briefings for individual shareholders in Fukuoka in May 2024, continuing from the previous year, we expanded these events to Tokyo and Osaka. A total of 97 participants joined these sessions. Given the growing interest in the new NISA (Nippon Individual Savings Account), a tax-exempt savings account designed to encourage personal investment, we are also considering outreach efforts targeting younger investors. For overseas investors, we will increase our proactive engagement through direct meetings, online conferences, and participation in conferences hosted by securities firms.

Lastly, to serve the best interests of our unitholders, we will continue to focus on our financial and capital strategies with a long-term perspective. In the financial briefing materials for the fiscal period ended August 2024, we outlined distribution level targets through the fiscal period ending February 2027, as well as our approach to increasing the investment unit price thereafter. We will continue to communicate our efforts clearly through our integrated report, website, and financial briefing materials.

Highlights of the 6th Public Offering of New Shares

Public offering conducted in the 41st period

■ Highlights

1. Expansion of assets through the acquisition of logistics facilities in the Kumamoto area and residences in the Fukuoka metropolitan area, where increased demand is anticipated in the future.
2. Realization of latent profits backed by property sales significantly exceeding appraised values and steady growth in dividends.
3. Internal growth of existing properties primarily in the Fukuoka metropolitan area where urban growth is continuing.
4. Expansion of a stable financial foundation.
5. Continuous sponsor support and a unified growth strategy across the Group.

■ Raised approximately 10.3 billion yen (including 400 million yen through third-party allotment) via the issuance of investment units

◎This is the 6th public offering and the first in approximately six and a half years.

●Number of investment units offered*	**76,000**	●Date of issuance resolution	**August 28, 2024**
●Number of investment units outstanding after additional issuance	**872,000**	●Date of issue price determination	**September 4, 2024**
●Issuance price (offering price) per unit	**140,400 yen**	●Payment date	**September 10, 2024**

* Includes an additional issuance of 3,600 units.

■ Planned Acquisitions



Mifune Logistics Center (provisional name)
Planned acquisition date: March 27, 2025



Axion Otemon Premium
Planned acquisition date: March 28, 2025

Role of the Planning Department

The Planning Department is responsible for formulating management policies, overseeing decision-making bodies such as the Board of Directors of FRC and Fukuoka Realty, and managing accounting and financial reporting for both entities. It also plays a key role in developing the company's infrastructure across all areas to ensure that operations are conducted appropriately and smoothly in accordance with relevant laws and regulations.

Aim for sustainable growth alongside Fukuoka and Kyushu as a leading company in sustainability within the real estate asset management industry

Since the establishment of FRC, I have been involved in various operations within the REIT and real estate sectors. With more than 20 years of experience in this industry, I have spent a significant amount of time seconded to Fukuoka Jisho Co., Ltd., the sponsor, where I have primarily focused on development projects, contributing to urban development from both physical and functional perspectives that form the foundation of Fukuoka's city infrastructure.

Through these experiences, I have learned that buildings and facilities are not merely completed upon construction; they must remain adaptable to the evolving city environment. A long-term, sustainable management mindset is essential. No matter how impressive the physical infrastructure might be, without attention to the intangible aspects, it is impossible to create an attractive city or a comfortable living, working, and visiting experience. I believe providing people with high-quality options for living, working, and relaxing is key to promoting attractive urban development in the Fukuoka and Kyushu areas. In the REIT industry, property acquisition is just the beginning. We must manage these properties with an eye toward the next 10 to 20 years, addressing the evolving needs of society. This, I believe, is the vision we should pursue as a leader in sustainability in the real estate asset management sector.

Until now, the company has made sustainability a key management issue, strengthening our implementation framework. We have not only disclosed our policies and goals for materiality in the integrated report but also actively pursued external initiatives such as obtaining environmental certifications, certifications related to creating an attractive workplace, and activities aimed at enhancing regional appeal. However, to achieve our medium- to long-term business goal of implementing fundamental sustainability initiatives, we believe it is necessary to deepen our sustainability management with a long-term perspective. As a result, we updated our management policies this fiscal period.

Specifically, as an asset management company based in the Fukuoka and Kyushu regions, we have established the fundamental principle of "Act Local, Think Global" since the listing of FRC. In line with this principle, we aim to incorporate both domestic and international perspectives to provide stakeholders with a work environment that promotes ease of work, the realization of comfortable living, and the creation of vibrant urban spaces. Our goal is to become a leader in promoting sustainability within the real estate asset management industry and to continue achieving sustainable growth alongside Fukuoka and Kyushu, with a focus on coexistence with nature.

To achieve our goals, we have defined core values for the three pillars of environment, society, and governance. For the environment, we are dedicated to fostering a future for Fukuoka and Kyushu where people and nature coexist in harmony. In society, our goal is to collaborate with diverse domestic and international companies to create a work-friendly urban environment in Fukuoka and Kyushu. For governance, we commit to self-regulated compliance grounded in a thorough understanding of regulations and rules. These principles serve as our foundation and guide our actions.



Our first step will be to build a foundation for progress by focusing on and prioritizing essential sustainable management. By fiscal 2030, the target year for achieving our corporate goals, we aim to foster a loyal following through further value delivery to stakeholders. To this end, we will enhance our KPIs and strengthen monitoring through data-driven management, implement essential actions that lead to the achievement of environmental goals, strengthen human capital management, and further reinforce compliance awareness.

Looking ahead, we will ensure that the management policies set forth this fiscal year are not merely aspirational. Our efforts will center on both intangible elements, such as cultivating shared values within the company and promoting a culture that empowers employees to embrace challenges, and tangible elements, including enhancing DX capabilities and establishing a fact-based PDCA cycle to drive progress. We are determined to achieve these objectives promptly.



■ Road Map to Realizing the Vision

STEP 1

Build a foundation for advancing sustainable management transformation

- Focus efforts through "selection and concentration" to realize true sustainable management.
- Establish frameworks to drive plans and initiatives forward (e.g., data, culture, systems).

STEP 2

Create a loyal stakeholder base by delivering enhanced value

- Provide greater value to stakeholders by incorporating both domestic and global perspectives.
- Foster partnerships to collaboratively revitalize the Fukuoka and Kyushu regions through the above.

STEP 3

Become a leader in advancing sustainability within the real estate asset management industry

- Continue to achieve sustainable growth alongside the Fukuoka and Kyushu regions.

Environment	Attain net-zero emissions in business operations.
Society	Transform Fukuoka and Kyushu into a model city and region for sustainability.
Governance	Promote sound growth through transparency and fairness.

2025

2030
Achieve corporate goals

2050
Realize a sustainable world (e.g., net-zero emissions)

Climate Change

Related Materiality
- Addressing climate change
- Resource circulation and efficient utilization
- Natural disaster preparedness

FRC's Recognition of Climate Change

In the Asset Management Company, we acknowledge the scientifically proven progression of climate change, as outlined in the Paris Agreement (2015), the IPCC Special Report (2018), and the IPCC Sixth Assessment Report (Working Group I, 2021). We recognize climate change as a significant (material) challenge that brings about dramatic changes to the natural environment and social structures, exerting a profound impact on the management and overall business of FRC. Based on this recognition, the Asset Management Company established the Policy on Climate Change and Resilience in September 2022. This policy outlines our approach to responding to risks and opportunities associated with climate change, as well as initiatives to ensure the resilience (strength and buoyancy) of operations and strategies relative to climate-related issues.

TCFD Endorsement (and Participation in the TCFD Consortium)

The Asset Management Company expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD) in September 2022 to promote disclosure of information related to climate-related issues. Alongside this endorsement, we are also a member of the TCFD Consortium. Within this consortium, which includes numerous companies and organizations endorsing TCFD in Japan, discussions take place on how information on climate-related issues should be disclosed and used.

Governance

■ System for Promoting Sustainability

The Asset Management Company has established the Sustainability Policy and related internal regulations as specific practical guidelines to consistently and systematically promote sustainability initiatives, as well as the Sustainability Promotion Committee. This Committee meets at least twice a year in principle to examine goals and measures related to climate change issues and determine the progress of initiatives. It comprises the President and CEO, the Executive Officers, and the general managers of each division. The President and CEO makes final decisions regarding sustainability, while the general manager of the Planning Department holds the role of Sustainability Officer.

In addition, to streamline the execution of sustainability initiatives, we have established the Sustainability Promotion Office. Comprising sustainability representatives from diverse departments, this office operates in accordance with decisions made by the ultimate authority on sustainability. This structure enables the effective implementation of activities associated with sustainability promotion.

The Asset Management Company positions climate-related issues as one of its sustainability challenges and has established the following governance structure to address climate-related risks and opportunities associated with FRC.

The President and CEO holds the highest authority for climate-related issues, serving as the ultimate decision-maker for sustainability. The executive overseeing climate-related matters is the general manager of the Planning Department, responsible for the supervision of sustainability promotion.

This executive consistently reports to the President and CEO within the Sustainability Promotion Committee, covering various aspects such as identifying and assessing the impacts of climate change, managing risks and opportunities, providing updates on initiatives related to adaptation and mitigation, and reporting on climate change responses, including the establishment of indicators and goals. The Sustainability Promotion Committee deliberates on each agenda item with the participants, and final decisions rest with the President and CEO.

■ Role of Management

The President and CEO serves as the chairperson of the Sustainability Promotion Committee and, as the ultimate decision-maker for sustainability (also the highest authority for climate-related issues), makes final decisions regarding the implementation of related measures.

The President and CEO also periodically reports on specific targets, proposals, and progress on sustainability initiatives determined by the Sustainability Promotion Committee to the Board of Directors of both the Investment Corporation and FRC.

■ Oversight by the Board of Directors

The President and CEO serves as the chair of the Board of Directors for the Asset Management Company.

The Board of Directors is responsible for making the final decision on the formulation and revision of the Sustainability Policy, which represents the specific operational guidelines for sustainability for the Asset Management Company.

Furthermore, the Board of Directors monitors and supervises the sustainability initiatives of the Asset Management Company by receiving reports from the Sustainability Promotion Committee and offering guidance as necessary.

Strategy

The Asset Management Company has established a process to identify, assess, and manage the impacts of climate-related risks and opportunities on its business activities, strategies, and financial plans. Ongoing analyses are being conducted.

The Asset Management Company, in conjunction with its commitment to the TCFD in September 2022, released the results of its first scenario analysis. It subsequently conducted a second scenario analysis, reassessing risks and opportunities.

Scope of Analysis

In the most recent scenario analysis, the focus is on FRC's real estate leasing business.
The analysis timeline is set for 2030 (medium term) and 2050 (long term).

External Scenario Referenced

In accordance with the TCFD recommendations, it is advisable to articulate the resilience of one's own strategy, taking into account multiple scenarios, including those aligning with the goal of limiting global warming to below 2℃. The scenarios referenced by the Asset Management Company in conducting the scenario analysis are shown on the right.

Risk type	Source	1.5℃ Scenario	4.0℃ Scenario
Transition risk	International Energy Agency (IEA) World Energy Outlook 2020	IEA NZE2050	IEA STEPS
Physical risk	Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report	IPCC RCP2.6	IPCC RCP8.5

Envisioned Worldview in Each Scenario

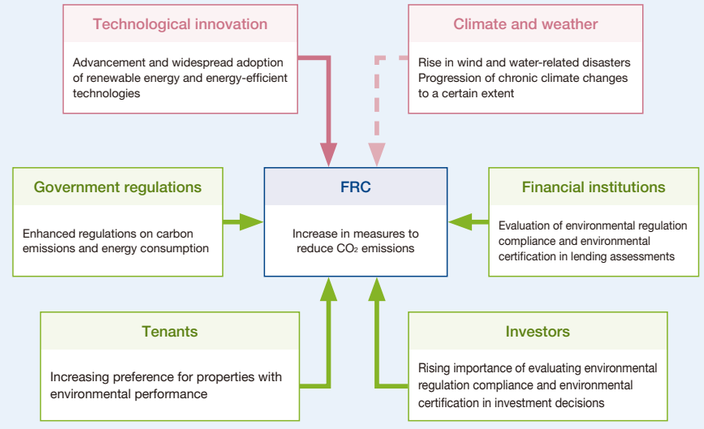
Based on each scenario, the Asset Management Company envisions the following worldview.

■ 1.5℃ Scenario

The 1.5℃ Scenario is premised on the introduction of stringent regulations, tax measures, and other initiatives to combat climate change, aiming to achieve a decarbonized society.

As part of a worldwide effort to address climate change, there is an anticipated shift toward decarbonization within the socioeconomic landscape. This entails establishing frameworks for reducing greenhouse gas emissions and enhancing emission regulations.

This shift has the potential to significantly impact the operations of both the Asset Management Company and FRC.

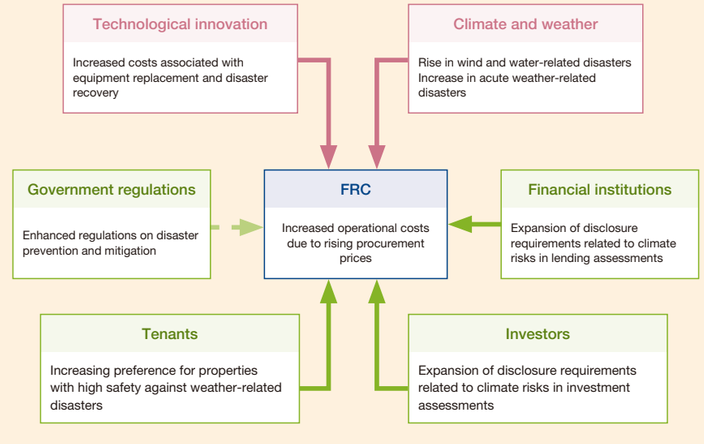


■ 4.0℃ Scenario

The 4.0℃ Scenario is based on the premise that stringent regulations and tax measures necessary to achieve a decarbonized society are not implemented, resulting in a continued increase in greenhouse gas (GHG) emissions.

As climate change advances, we anticipate an increase in the frequency and intensification of meteorological and climate-related disasters, including severe typhoons, heavy rainfall, more frequent heatwaves and droughts, and the ongoing rise in global sea levels.

This has the potential to significantly impact the operations of both the Asset Management Company and FRC.



Climate Change

Related Materiality
- Addressing climate change
- Resource circulation and efficient utilization
- Natural disaster preparedness

Identification of Risks and Opportunities

Fukuoka Realty identified risks and opportunities based on various scenarios and assessed their potential impact on the business as follows. For financial impacts, both qualitative and quantitative assessments were conducted, referencing the scenarios mentioned above and literature from industry associations.

[Qualitative analysis results of climate-related risks, opportunities, and their financial impacts]

■ Risks and Opportunities

Note: Items for which evaluation or calculation is difficult are indicated with "-".

		Risk and opportunity factors and financial impacts	Importance 2030	Importance 2050	Response to risks and opportunities
Transition risk	Policy and legal	The introduction of carbon pricing results in an increased carbon tax burden.	Low	Medium	Advancement of CO_2 reduction goals/Energy-efficient renovations/ Introduction of renewable energy/Efficient energy management
	Technology	Expenses increase for energy-saving and energy-creating measures for existing properties, including energy conservation, energy storage, ZEB/ZEH conversion, and solar power generation.	High	High	Establishment of long-term renovation plans considering the useful life span/Utilization of subsidies/Improvement of portfolio environmental performance through acquisition of ZEB/ZEH properties
	Market	Market preferences lead to an increase in vacancy rates and a decline in rents for properties not aligned with decarbonization.	Low	Low	Promotion of environmental certifications/Understanding of tenant needs through satisfaction surveys/Advocacy of Green Lease agreements/Promotion of green initiatives/Appealing to investors who prioritize environmental issues/Improvement of portfolio environmental performance through property replacement
	Reputation	Delayed adoption of decarbonization measures results in a decline in investment unit prices and missed opportunities for external growth.	-	-	
		Delayed implementation of decarbonization measures leads to an increase in loan interest rates and a shortening of borrowing periods.	Low	Low	
Physical risk	Acute	Increased frequency of disasters results in a rise in damage costs and disaster recovery expenses.	High	High	Risk monitoring of property locations/Implementation of disaster preparedness measures (e.g., installation of water stoppers, waterproofing of central monitoring, reinforcement of power receiving and transforming facilities)/Conducting BCP training/Insurance coverage for damages/Conducting hazard risk assessments at the time of property acquisition
		Increased frequency of disasters leads to a rise in disaster preparedness expenses.	Low	Medium	
	Chronic	The rise in air-conditioning usage due to increasing temperatures results in higher utility costs.	Low	Low	Implementation of air-conditioning efficiency improvement renovations/ Efficient energy management
		Expenses for addressing the impacts of rising sea levels increase.	Low	Low	
Opportunities	Resource efficiency	Implementation of energy-saving measures leads to a reduction in energy procurement costs.	Low	Low	Energy-efficient renovations/Introduction of renewable energy/ Improvement of portfolio environmental performance through acquisition of ZEB/ZEH properties/Decrease in the cost of high-efficiency equipment
	Energy sources	As the transition to clean energy progresses, the carbon tax burden decreases.	Low	Low	
	Products and services	The increased supply of ZEB properties in the market leads to an increased opportunity for acquiring such properties.	-	-	
	Market	Market preferences lead to an increase in vacancy rates and a decline in rents for properties not aligned with decarbonization.	Low	Medium	Promotion of acquisition of environmental certifications/Understanding tenant needs through satisfaction surveys and other measures
		The success of decarbonization measures leads to an expansion of lending partners and opportunities.	Low	Low	Utilization of green finance
		The success of decarbonization measures opens up new investor segments.	-	-	Appealing to investors who prioritize environmental issues
	Resilience	The success of disaster preparedness measures results in a reduction in damage costs and disaster recovery expenses.	Medium	Medium	Risk monitoring of property locations/Implementation of disaster preparedness measures (e.g., installation of water stoppers, waterproofing of central monitoring, reinforcement of power receiving and transforming facilities)/Risk mitigation through insurance coverage

[Quantitative analysis results of climate-related risks, opportunities, and their financial impacts]

■ Financial Impact (Millions of yen)

Note: Items not yet calculated are represented as "-".

Scenario	Details of financial impact		1.5℃	4.0℃	Additional information
Transition risks and opportunities	Carbon tax burden increases.	Risk	(352)	-	Increase in carbon tax burden
		Countermeasure effects	188	-	Reduction through energy-saving and energy-generating (on-site) renovations
	Increased costs for energy-efficient retrofitting and energy-generating on-site renovations for existing properties.	Risk	(783)	-	Increase in CAPEX investment Rise in maintenance costs for energy-generating facilities
		Opportunity	Reflected in the effects of carbon tax countermeasures, energy procurement costs, and opportunities in the real estate leasing business		
	Energy procurement costs decrease with renovations.	Countermeasure effects and opportunity	119	-	Reduction through energy-saving and energy-generating (on-site) renovations
	Vacancy rates increase and rents decline for properties not aligned with decarbonization.	Risk	(91)	-	Decrease in real estate leasing business income if no measures are taken
		Opportunity	329	-	Increase in real estate leasing business income with the implementation of energy-saving and energy-generating (on-site) renovations
Physical risks and opportunities	Damage costs and disaster recovery expenses increase due to water damage.	Risk	(56)	(169)	Increased probability of heavy rainfall leading to direct damages from floods and indirect losses such as business interruptions
		Countermeasure effects	13	38	Risk mitigation through insurance for direct and indirect damages from flooding Effects of reducing risk by implementing flood prevention measures
	Expenses for water damage prevention measures increase.	Risk	(65)	(103)	Increase in insurance premiums Rise in CAPEX investment for flood prevention projects
	Utility costs increase due to the rise in air-conditioning usage.	Risk	(3)	(14)	Utility costs increase due to the rise in air-conditioning usage
		Countermeasure effects	2	-	Reduction through energy-saving and energy-generating (on-site) renovations
	Expenses for addressing the impacts of rising sea levels increase.	Risk	-	-	At present, no significant impact has been identified regarding the depreciation of asset values or the incurrence of costs for properties in flood-prone areas due to rising sea levels

This simulation reflects only the aspects deemed calculable at present and does not assess all climate-related risks associated with FRC. Moving forward, we will strive to evolve our analysis in response to developments in global and Japanese climate-related risks.

The simulation was conducted by considering FRC's existing financial information, taking into account information provided by climate-related scenarios and literature. The unit is primarily in the form of impact amounts (millions of yen) per year on a cash basis, and the time frame assumes the year 2050. Note that the accuracy of the calculations cannot be guaranteed at present. In addition, the assumed countermeasures are based on simulation and are not decisions or plans that have been executed.

Concrete Initiatives in Response to Risks and Opportunities

We aim to achieve the current CO_2 reduction targets associated with transition risk. We will pursue energy-efficient upgrades, including LED conversions, and enhance energy efficiency during facility updates. In addition, we will explore initiatives such as the integration of solar power generation and consider transitioning to ZEB and ZEH.

Furthermore, we will look into the greening of externally sourced energy.

We are currently mitigating physical risk through insurance coverage. We will also conduct ongoing risk monitoring, including the review of hazard maps, and implement necessary measures as required. By conducting BCP exercises and addressing various operational aspects, our goal is to effectively mitigate risks.

Risk Management

The process by which the Asset Management Company manages climate change–related risks is as follows.

■ Process of Identifying and Evaluating Risk

The risks and opportunities related to climate change are addressed through a climate-related working group. This group, led by the executive responsible for climate-related issues, convenes representatives from various departments believed to be necessary for the identification and assessment of climate-related risks. The process involves listing and identifying risk items, qualitatively assessing business impacts, and evaluating risk significance. The outcomes are then deliberated and assessed, and subsequently presented to the Sustainability Promotion Committee for consideration.

The Sustainability Promotion Committee deliberates on climate related risks identified by the working group that need to be prioritized based on the likelihood of occurrence and impact and draws up risk management responses in order of priority. The Committee also deliberates on climate-related opportunities and establishes prioritization for business strategy.

Furthermore, the Committee reports on the deliberation and review process to the Board of Directors.

■ Process of Managing Risks

The executive with ultimate responsibility for climate-related issues designates responsible departments or individuals and instructs the formulation of countermeasures for climate-related risks and opportunities of high priority in business and financial planning, as deliberated in the Sustainability Promotion Committee.

The countermeasure plans formulated by the designated departments or individuals are reviewed and approved in internal forums such as the Sustainability Promotion Committee, depending on their content, before being implemented.

Regular progress reports on the implemented measures are submitted to the Committee, where the advancement of responses to risks and opportunities is monitored and verified.

■ Integration into Comprehensive Risk Management

In the Asset Management Company, based on the Risk Management Regulations, each department head is designated as a risk management officer. A Risk Management Committee has been established to monitor the risk management status overseen by these officers. The Committee convenes at least once every three months in principle, focusing on identifying, understanding, and managing various potential risks.

The executive with ultimate responsibility for climate-related issues instructs the inclusion of significant climate-related risks in business and financial planning within the existing company-wide risk management program through the executive in charge of climate-related issues. This directive aims to integrate the process of identifying, assessing, and managing risks within the Risk Management Committee.

Metrics and Targets

The Asset Management Company has established key performance indicators (KPIs) and goals to manage and monitor risks and opportunities. These metrics, targets, and results are outlined below.

■ Reduction of Environmental Load

- 35% reduction in CO_2 emissions by 2030 (compared with 2019, basic unit) See p.36

■ Maintenance and Enhancement of Environmental and Construction Performance

- 85% Green Building Certification rate or higher by 2030 See p.39

Reference: https://www.fukuoka-reit.jp/en/about/sustainability.html

Environmental Response

IC Investment Corporation (FRC) AMC Asset Management Company

Related Materiality
- Addressing climate change
- Resource circulation and efficient utilization
- Natural disaster preparedness

Environmental Performance Data IC

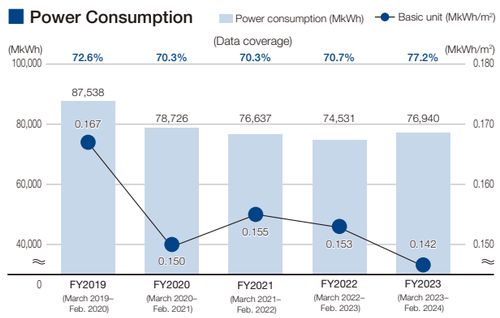
GHG Emissions (Scope 1 + 2)

	2019	2020	2021	2022	2023
CO_2 emissions intensity (t-CO_2/m^2)	0.0610	0.0549	0.0545	0.0524	0.0514
Scope 1 + 2 (t-CO_2)	11,059	9,986	9,260	8,815	8,768
Scope 1 t-CO_2	60	64	53	53	53
Scope 2 t-CO_2	10,999	9,923	9,207	8,762	8,715

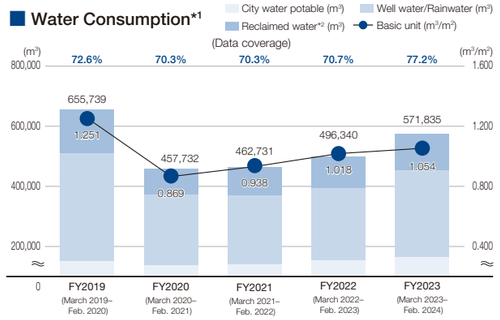
For the fiscal period ended February 2024, CO_2 emissions were reduced by 15.8% compared with the fiscal period ended February 2019.

Notes:
1. The properties covered by Scope 1 + 2 include 24 buildings, comprising five retail facilities, 11 office buildings, two logistics facilities, and six residential properties.
2. The emissions intensity for the entire Scope 1 + 2 portfolio is calculated by dividing the total emissions of the covered properties by their total floor area (common areas).
3. To improve data accuracy and enable a more precise understanding, the calculation method for the past years' basic unit has been revised.

Power Consumption



Water Consumption*1



For fiscal 2023, power consumption was reduced by 15.1% and water consumption was reduced by 15.7% compared with fiscal 2019.

Note: As of December 1, 2024, due to the addition of past data and a review of the aggregation scope, corrections may be made retroactively. Up to fiscal 2022, the total value for 15 properties is provided, including five retail facilities, nine office buildings, and one logistics facility. For fiscal 2023, the total value for 23 properties is provided, including two retail facilities, two office buildings, two hotels, and two logistics facilities. The basic unit is calculated by adjusting the total floor area (m^2) by the occupancy rate. The data coverage ratio is calculated by the proportion of the area of the data collection target properties to the total portfolio properties (excluding land with leasehold interest) as of the fiscal year-end. For Canal City Hakata, Canal City Hakata-B, and Canal City Business Center Building, the total electricity and water usage of the entire Canal City Hakata, including the parts not owned by the Investment Corporation, are summed, with the ownership ratio applied. The figure for Park Place Oita covers only the main building section and excludes the section for independently run stores. The figure for Taihaku Street Business Center covers only the office tower and excludes the residential tower. For Hakata FD Business Center, the total electricity and water usage for the entire facility are summed, with the ownership ratio applied. Water consumption excludes some well water volumes for which data cannot be obtained. Data from the past five years is published.

*1. Includes treated water volume. *2. Includes externally purchased greywater.

Environmental Initiatives IC

Retail facilities

Greywater Plant (kitchen drainage reuse system)

At Canal City Hakata and Konoha Mall Hashimoto, kitchen wastewater discharged by restaurants is collected and processed as reclaimed water. It is then used as tap water in on-site restrooms.



Retail facilities

Canal Water Filtration System (rainwater reuse system)

Canal City Hakata's symbolic canal has both a recreational function and is a source of water to fight fires in the case of an emergency. At all times, this canal holds roughly 1,200 tons of water, and rainwater is used to conserve resources.



Office buildings

Energy-Saving Measures by Switching to LED lighting

We are focusing on shifting to LED-based lighting in each property to reduce energy consumption.

<Office buildings already converted to LED>
- Gofukumachi Business Center (e.g., interior shared spaces, some external areas, exterior wall lighting)
- Sanix Hakata Building (interior recessed lighting)
- Taihaku Street Business Center (e.g., entrance, interior shared spaces)
- Tenjin North Front Building (common spaces)



Example of shifting to LED lighting at Sanix Hakata Building

Others (logistics facilities)

Introducing Renewable Energy Equipment

At LOGICITY Minato Kashii and LOGICITY Hisayama, we have installed solar panels on the rooftops to generate renewable energy and contribute to the formation of a recycling-based society.



Solar panels



LOGICITY Hisayama

Green Finance IC

With the goal of further promoting ESG activities and expanding financing options through an enhanced investor base, FRC established the Green Finance* Framework in 2019 in line with the Green Bond Principles 2018, the Green Bond Guidelines 2017 from the Ministry of the Environment, and the Green Loan Principles to ensure implementation of green financing, including sustainability-linked loans and green loans. The funds procured through green finance will be allocated toward the acquisition of Eligible Green Assets, the repayment of borrowings required in the acquisition of Eligible Green Assets, or the redemption of Investment Corporation bonds issued and outstanding.

Eligible Green Assets are specified assets held by FRC that have received or are scheduled to receive one of the following certifications from third-party organizations at the time of procurement or the reporting date.

(1) DBJ Green Building certification of 3, 4, or 5 stars
(2) CASBEE certification of S, A, or B+ rank
(3) BELS evaluation of 3, 4, or 5 stars



As of August 31, 2024

After procuring green finance, FRC will announce the total amount of Eligible Green Assets, the amount of related liabilities, and the amount of funds from green finance as of the end of each fiscal period (February and August each year). FRC will also announce the following indicators related to Eligible Green Assets as of the end of February each year.

・The number of properties classified as Eligible Green Assets, and the number and type of environmental certifications obtained.

Sustainable Finance* (Period: September 1, 2023 – August 31, 2024) NEW

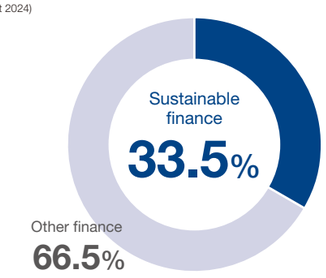
Lender	Amount procured (Millions of yen)	Procurement date	Repayment due date	Interest rate
The Nishi-Nippon City Bank	2,000	September 29, 2023	September 30, 2030	0.91900%
The Nishi-Nippon City Bank	1,900	September 29, 2023	September 30, 2031	1.01500%
The Nishi-Nippon City Bank	1,000	September 29, 2023	September 30, 2033	1.18900%
SBI Shinsei Bank	600	September 29, 2023	September 29, 2028	0.76700%
Higo Bank	600	September 29, 2023	September 29, 2028	0.76700%
The Iyo Bank	500	September 29, 2023	September 29, 2028	0.76700%
Kagoshima Bank	300	September 29, 2023	September 29, 2028	0.76700%
The Bank of Fukuoka	2,500	October 31, 2023	October 31, 2031	0.33091%
MUFG Bank	1,000	October 31, 2023	October 31, 2030	1.20250%
Sumitomo Mitsui Banking Corporation	1,000	October 31, 2023	October 31, 2030	1.20250%
Mizuho Bank	1,000	October 31, 2023	October 31, 2031	1.24900%
The Nishi-Nippon City Bank	1,000	February 29, 2024	February 28, 2031	0.88900%
The Nishi-Nippon City Bank	1,000	February 29, 2024	February 28, 2033	1.07000%
The Bank of Fukuoka	1,000	February 29, 2024	February 28, 2031	0.33091%
The Bank of Fukuoka	1,000	February 29, 2024	February 28, 2033	0.37091%
SBI Shinsei Bank	700	July 31, 2024	January 31, 2033	1.13176%

Summary
Unsecured, no guarantee, lump-sum repayment at maturity, fixed interest rate, Green Loan rating: Green 1*

* FRC has received the highest "Green 1" rating from Japan Credit Rating Agency for our adherence to the Green Loan Principles.

Sustainable Finance Ratio as of the End of the 40th Fiscal Period

(August 2024)



Glossary
Green Finance
Green finance refers to financing focused on the efforts of companies and organizations in environmental sectors such as climate change, global warming countermeasures, and renewable energy, including loans (green loans) and bonds (green bonds).

Sustainable Finance
A collective term for various investment and financing methods that emphasize not only the E (Environment) of ESG but also the S (Social) and G (Governance), as well as the financial systems that support them.

Environmental Response

IC Investment Corporation (FRC) AMC Asset Management Company

Related Materiality
- Natural disaster preparedness
- Business operations for resolving environmental issues

Initiatives for Facility and Building Management IC

LED Conversion of Common Areas

● Key facilities where LED conversion in common areas has been implemented

Note: LED conversion has already been completed in logistics facilities and residential properties.

Retail facilities


Park Place Oita


Konoha Mall Hashimoto

Office buildings


Gofukumachi Business Center


Kumamoto East Front Building


Hakata FD Business Center

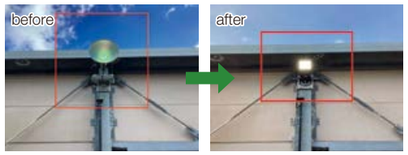

Higashi Hie Business Center


Higashi Hie Business Center II


Higashi Hie Business Center III

● At Canal City Hakata (common areas and backyard), all fluorescent lighting will be converted to LED, aiming to reduce annual CO_2 emissions by 65%.


Common areas



Backyard

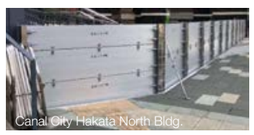
Initiatives for Disaster Risk IC

Countermeasures to Flooding Risks

Severe damage from flooding in Fukuoka City on June 29, 1999, contributed to the formulation of the Storm Water Management Action Plan and the upgrading of rainwater drainage facilities in the areas where the flooding was particularly harsh. Ongoing efforts to implement antiflooding measures have greatly improved flood safety within the city limits.

Replacing and Installing New Water Stops (July 2020)

We reviewed the specifications and installation locations of existing water stops throughout the Canal City Hakata premises and either repaired or installed equipment as part of our countermeasures to river flooding as a result of typhoons and locally heavy rains, which appear likely to come more frequently and increase in severity due to global warming.


Canal City Hakata North Bldg.

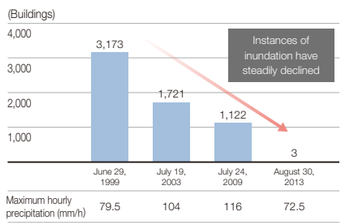

Canal City Business Center Building

Capacity of Stormwater Storage Facilities of Fukuoka City

FY1999 No stormwater storage facilities ▶ FY2024 128,300 m³ (estimate)

Stormwater management capacity increased from 59.1 mm/h to **79.5 mm/h** (city center)

Inundation Instances of Fukuoka City



Between FY2000 and FY2023 **Stormwater drainage capacity has increased significantly**

Since the launch of the project in FY2000 **Instances of inundation have steadily declined**

Source: Prepared by Fukuoka Realty Co., Ltd., based on data from the "Storm Water Management Action Plan 2026" pamphlet about the Fukuoka City StormWater Emergency Control Plan.

Earthquake Risk Countermeasures

Fukuoka Prefecture is an area in which there are relatively few earthquakes. According to the probabilistic earthquake prediction map from the Office of the Headquarters for Earthquake Research Promotion, Earthquake and Disaster-Reduction Research Division, Research and Development Bureau, Ministry of Education, Culture, Sports, Science and Technology, the probability of an earthquake with an intensity of six or greater over the next 30 years is lower in Fukuoka Prefecture than in the Kanto, Chubu, and Kansai areas. FRC establishes the insurance value of each property based on its replacement value, earthquake PML* value, and other factors, and maintains earthquake insurance for all its properties (buildings). In addition, FRC continues to conduct annual property surveys through external organizations to estimate earthquake damage to properties based on various scenarios.

Other Disaster Prevention Measures

Emergency Drills

We have conducted comprehensive disaster drills at Canal City Hakata since 2017, with all tenants participating (not held in 2020 or 2021 due to COVID-19). The drills were conducted in November 2024.



Glossary **Earthquake PML**

Refers to the probable maximum loss as a percentage of the expected maximum damage (Probable Maximum Loss) caused by an earthquake. The higher the PML value, the higher the building's seismic risk.
[Calculation method] PML = Expected maximum damage / Replacement cost

Initiatives We Support and External Certifications IC AMC

FRC makes continuous improvements through feedback on the results it receives from acquiring external certifications.

Endorsement of the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

In September 2022, we announced our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability Board (FSB) to examine climate-related disclosures and how financial institutions should respond.

At the same time, we became a member of the TCFD Consortium, a group of companies in Japan that supports the TCFD.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Other Initiatives We Support

In September 2018, Fukuoka Realty Co., Ltd., endorsed the basic philosophies of the Principles for Responsible Investment (PRI) and the Principles for Financial Action for the 21st Century (PFA21) and became a signatory to these initiatives. Through ESG-conscious asset management, the company is contributing to the achievement of a sustainable society.

Signatory of:

PRI Principles for Responsible Investment

PFA21 Principles for Financial Action for the 21st Century

Participation in GRESB Assessment 2024

The Global Real Estate Sustainability Benchmark (GRESB) was established in 2009, primarily by leading European pension fund groups that endorse the Principles for Responsible Investment (PRI). GRESB serves as the annual benchmark assessment for measuring environmental, social, and governance (ESG) considerations in real estate companies and funds. The organization conducting and overseeing this assessment is also named GRESB. In the GRESB Real Estate Assessment conducted in 2024, FRC achieved a rating of 4 Stars and Green Star. In addition, we obtained the highest level, A Level, in the GRESB Public Disclosure Assessment.

GRESB ★★★★☆ 2024

GRESB Public Disclosure 2024

Ratio of Properties Certified as Green Buildings

As of September 2, 2024, the ratio of properties within the entire portfolio certified as green buildings was 83.9%.

A total of 12 owned properties have received DBJ Green Building Certification from the Development Bank of Japan (DBJ), which recognizes real estate that demonstrates outstanding consideration for the environment and society. These properties are evaluated as buildings that prioritize environmental and social considerations.



DBJ Green Building

★★★★★	Canal City Hakata (2021) Canal City Hakata・B (2021)
★★★★	Park Place Oita (2021) Konoha Mall Hashimoto (2024)
★★★	Hakata FD Business Center (2023) Canal City Business Center Building (2021) Gofukumachi Business Center (2021) Higashi Hie Business Center (2021) LOGICITY Minato Kashii (2023) LOGICITY Hisayama (2023) Higashi Hie Business Center II (2024)
★	SunLive City Kokura (2022)

In addition, the Building Energy-Efficiency Labeling System (BELS) is a system in which third parties evaluate, indicate, and certify the energy conservation performance of non-residential buildings, based on the Evaluation Guidelines for the Building Energy-Efficiency Labeling System for Non-Residential Buildings (2013). FRC has acquired certification for five of its owned properties.

BELS


Higashi Hie Business Center
(acquired in March 2016)


Higashi Hie Business Center II
(acquired in September 2015)


LOGICITY Minato Kashii
(acquired in May 2015)


LOGICITY Hisayama
(acquired in March 2016)


Tissage Hotel Naha
(acquired in November 2022)

Social Response

Related Materiality
- Creation of pleasant workplaces (Fukuoka Realty)
- Improvement in tenant engagement

Initiatives for Employees and Tenants

Initiatives for Employees AMC

Fukuoka Realty: Numbers of credentialed personnel
As of August 31, 2024

The average number of years of continuous service of permanent employees

8 years and 3 months

Full-time personnel

48 Gender ratio Male: 39.6% Female: 60.4%
- Employees seconded from sponsors: 2
- Employees seconded to a sponsor: 5

Number of credentialed personnel (total number of people)
- ARES Certified Masters 23
- Real estate brokers 21
- Certified Building Administrators 3
- Real estate appraisers 3
- CMAs 2
- First-class registered architects 2
- MBAs 2
- Attorney 1
- Licensed Representative of Condominium Management Company 1

Support for flexible work styles
- Introduction of flextime NEW
- Child-rearing support (maternity leave, childcare leave system)
- Nursing care leave
- Leave for voluntary work
- Employee welfare (e.g., 401K, cumulative investment system)
- Encouraging use of paid holidays

etc.

Employee training
- Regular lectures by Kyushu Economic Research Center
- Compliance training
- ESG training
- Nursing care training
- In-house recreation

etc.

Career development support
- Employee satisfaction survey
- Self-assessment system
- Career interview
- Secondment system (dispatching employees to sponsor companies)
- Promotion from contract employee to permanent employee status
- Offering of training programs tailored to each management level
- System for supporting acquisition of qualifications (e.g., Real Estate Transaction Agent, Real Estate Securitization Master)
- Support for language learning

etc.

Health management/Improvement of office environment
- Initiatives to prevent infectious diseases such as influenza (Implementation of influenza vaccination and full coverage of vaccination costs)
- Mandatory health checkups and comprehensive medical examinations
- Health counseling by public health nurses
- Application system to restrict excessive overtime work
- Assistance for use of sports clubs
- Installation of personal booths, meeting booths, plants, etc.
- Installation of personal lockers
- Installation of ceiling-mounted projectors
- Introduction of OFFICE DE YASAI NEW


Installation of personal lockers


Meeting booths


NEW OFFICE DE YASAI

A Comfortable Working Environment AMC


Certified as a "Fukuoka 'Work-Style Reform' Promotion Company" (August 2018)


Registration with Fukuoka City Well-Being & SDGs Registration System (July 2022)


Registration with Fukuoka Prefecture SDGs Registration System (February 2023)

Initiatives for Tenants IC

With a focus on the health and comfort of tenant employees, we are improving the employee lounge environments within retail facilities and renovating office building common areas. Moreover, FRC is engaging in a variety of initiatives for tenants as a part of efforts to promote sustainability.

- Improvement of employee lounge
- Implementation of tenant satisfaction surveys
- Distribution of sustainability guidebooks
- ESG training

etc.

Initiatives for Local Communities

Related Materiality
- Contribute to increased attractiveness and vitalization of Fukuoka and Kyushu

IC Investment Corporation (FRC) AMC Asset Management Company

Initiatives for Local Communities IC AMC

Safety Town Council


At Park Place Oita, we established a "Safety Town Council" that partners with related institutions and groups to conduct crime-prevention patrols.

Participation in Cleanup Days


Asset Management Company executives and employees actively participate in cleanup activities, of which there had been 323 as of September 19, 2024.

Participation in Community Events (Hakata Gion Yamakasa)


Raising the float in the Hakata Gion Yamakasa Oiyama event (Hachiban Yamakasa, Kamikawabata Shopping Arcade) (Left) Yukitaka Ohara, President & CEO (Fukuoka Realty)

Various Events Held



At Park Place Oita, a Father's Day milking experience was held, while at Konoha Mall Hashimoto, radio calisthenics took place.

Support for Community Development and Revitalization in Investment Areas





Continuing to participate in hometown tax payments

Gatherings for Real Estate, Finance, and the Economy AMC

We have held gatherings annually since 2008 with the cooperation of the Japan Real Estate Institute (not held in 2020 due to concerns over COVID-19).

Local real estate companies, financial institutions, and government agencies participate in the conference, which contributes to networking and further stimulation of the local economy.

It has been designated as a continuing education course for The Association for Real Estate Securitization (ARES) masters.



The Kyushu Economic Research Center AMC

Fukuoka Realty Co., Ltd., and the Kyushu Economic Research Center have concluded a memorandum of understanding in a bid to promote increased cooperation in macroeconomic analysis of the Kyushu economy. Through this initiative, both signatories to the memorandum will share information on the current state of the Fukuoka-Kyushu economy as well as issues to be faced, thereby revitalizing economic activity throughout the region. In addition, study groups on seasonal topics that are specific to Fukuoka and Kyushu are held on a regular basis.



Other Activities AMC

- Kyushu IR Group

The Kyushu IR Group, which entered its 14th year in 2024, was established in cooperation with the Japan Investor Relations Association. The Group assists in learning about the latest IR trends with IR employees of companies located in Fukuoka and Kyushu and fosters the forming of networks between participating companies. Impacted by COVID-19, the study groups have been held in a hybrid style that combines online tools with face-to-face interaction.

■ Details of the Study Group

Date	Theme and lecturer
1st workshop, July 2024	**"The trend of IR with rising expectations for improving corporate value"** Yoshiko Sato, Managing Director, Japan Investor Relations Association
2nd workshop, November 2024	**"Internal IR for maximizing the results of IR activities" and group discussion** Ryo Ando, Visiting Researcher, Japan Investor Relations Association

Note: Information on lecturers is current as of the time of the respective Kyushu IR Group meetings.

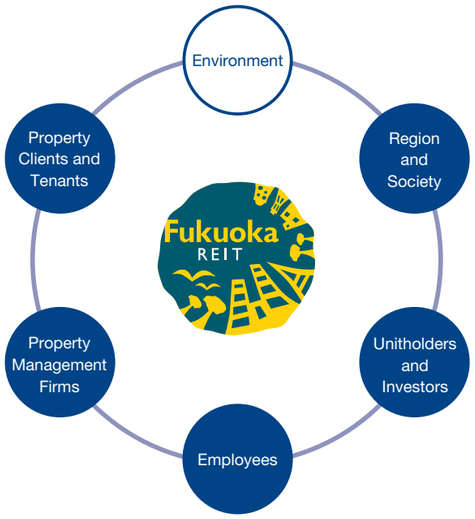


Corporate Governance

Related Materiality
- Information disclosure and dialogue with stakeholders
- Compliance/Risk management

Stakeholder Engagement IC AMC

FRC engages in proactive dialogue with its various stakeholders aimed at sustainable growth and higher corporate value. At the same time, FRC recognizes that fulfilling its required social responsibilities leads to sustainable business activities. Valuing our relationships of trust with stakeholders, we will leverage this concept in our ESG initiatives.



- Customer satisfaction surveys at retail facilities
- Implementation of tenant satisfaction surveys
- Collaboration in environmental and social initiatives

- Organizing community and other events utilizing the common areas of facilities
- Participation in Hakata Town Planning Promotion Council
- Offering real estate, finance, and economic education
- Disclosure of financial and non-financial information in an appropriate and timely manner
- Announcing results at the Fukuoka Stock Exchange

- Steps to share issues through regular meetings
- Management firm evaluation and feedback
- ESG training

- Hosting the General Meeting of Unitholders
- Providing results briefings for investors (institutional and individual investors)
- Holding 1-on-1 meetings (Japan and overseas)
- Disclose financial and non-financial information in an appropriate and timely manner

- Various employee education programs
- Employee satisfaction survey
- Career interview

Dialogue with Unitholders and Investors

FRC works to disclose information in a timely manner to reflect the importance of dialogue with its unitholders and investors. In our IR activities, we held an in-person financial results briefing for individual investors in Fukuoka for the first time since the onset of the COVID-19 pandemic.

- General Meeting of Unitholders (once every two years)
- Results briefings for analysts and institutional investors
- IR for overseas institutional investors
- IR for individual investors
- Enhanced IR tools, information disclosure, etc.







Dialogue with Employees

FRC and Fukuoka Realty Co., Ltd., recognize that human resources are our greatest asset. As part of our efforts to create comfortable and healthy workplaces, we are endeavoring to improve the efficiency of our operations by enhancing the office environment and our systems. In addition, we provide IR information internally and disseminate details of results announcements online as part of our efforts to facilitate internal communication.

- Employee satisfaction survey
- President interviews, career interviews
- Internal IR
- Counseling with public health nurses, etc.



Policies for Customer-Oriented Business Operations https://www.fukuoka-realty.jp/english/idea/operation_policy.html#fiduciarydu

Risk Management and Compliance Initiatives IC AMC



General Manager Compliance Department Fukuoka Realty Co., Ltd.
Daisuke Yokoyama

As the asset management company for a listed REIT, we strive to improve compliance and governance by establishing appropriate structures and operations to pursue the best interests of our unitholders. To achieve this, both Fukuoka Realty and FRC have established a basic compliance policy that must be followed by executive officers, supervisory directors, and other employees. This policy aims to realize fair and proper management while fulfilling our social responsibilities.

We also recognize that managing transactions between FRC and related stakeholders, such as our sponsor, in a way that prevents conflicts of interest, is a critical governance issue. To address this, we have set and implemented conflict-of-interest prevention rules for transactions with related parties, thereby establishing an effective system for preventing conflicts of interest. In addition, through regular internal audits, we conduct self-assessments of the appropriateness of these transaction processes. In doing so, we ensure objectivity by seeking external expert advice and evaluations to avoid falling into self-serving judgments.

Furthermore, by ensuring that every employee maintains a strong sense of compliance in their work, we believe that rigorous information management is upheld, and incidents that could lead to serious accidents are prevented. We regularly hold compliance training to reinforce this approach.

Managing Conflicts of Interest

When a transaction such as the purchase and sale of a property between FRC and a stakeholder, including a sponsor, takes place, the Asset Management Company must address any possibility of prioritizing the interests of interested parties over investors. Fukuoka Realty Co., Ltd., has accordingly established the Basic Policy on Compliance, as well as compliance regulations and other internal rules to prevent any conflict of interest. Based on these rules, we obtain a preliminary assessment from the Compliance Department General Manager and ensure deliberations by the Compliance Assessment Committee, consisting of the Compliance Department General Manager and three outside experts in order to engage in the management of any conflict of interest pertaining to our dealings with stakeholders in an appropriate manner.

Fukuoka REIT Corporation, Directors

The term of office for all executive directors and supervisory directors was set as two years from May 29, 2024.



Supervisory Director	Executive Director	Supervisory Director
Takashi Tanabe	Yukitaka Ohara	Masahiro Uchida
Investment unit holdings: None	Investment unit holdings: 39	Investment unit holdings: None

Glossary **Engineering reports**
Reports outlining the results of a physical survey of a property. These often include surveys on building conditions, soil contamination, long-term repair and refurbishing costs, and earthquake risk.

The Asset Management Fee Structure

Asset management fees linked to unitholder interests

Management Fee 1*	Based on total assets
Management Fee 2	Based on operating revenues
Management Fee 3*	Based on distributable profit
Management Fee 4	Acquisition fee
Management Fee 5	Transfer fee

* We reduced the ratio of Management Fee 1 and increased the ratio of Management Fee 3 as of the fiscal period ended February 2021.

Decision-Making Process*

Proposals by the responsible department
↓
Inspection by the Compliance Department General Manager
↓
Deliberations by the Investment Management Committee
↓
Deliberations/Resolution by the Compliance Assessment Committee
↓
Resolution/Decision-making report by the Board of Directors
↓
Fukuoka REIT Corporation Board of Executive Officers

Third-party assessment by external experts

[Real estate appraisals]
- Japan Real Estate Institute
- The Tanizawa Sogo Appraisal Co., Ltd.
- Daiwa Real Estate Appraisal Co., Ltd.

[Market reports]
- Analysis on trade areas and competition situation
- Adequate rent levels, etc.

[Engineering reports]*
- Law abidance and earthquake resistance
- Check of soil contamination, toxic substance and use status
- Replacement market price, expenses for long-term maintenance and repairs, etc.

* The prior consent of the Investment Corporation's Board of Directors is obtained in cases falling under the provisions of Article 201-2 (1) of the Act on Investment Trusts and Investment Corporations.

Training Records

	Oct. 2021–Sept. 2022	Oct. 2022–Sept. 2023	Oct. 2023–Sept. 2024
Compliance training (including e-learning)	6 times	7 times	5 times
Sustainability training	3 times	4 times	4 times

Fukuoka Realty Co., Ltd., Directors



Vice President Board of Directors (Non-Executive)	President and CEO	Corporate Auditor (Non-Executive)	Vice President Board of Directors (Non-Executive)
Masanori Kozuma	Yukitaka Ohara	Kazuomi Kamikawa	Hiroshi Shimuta

Overview of Properties Owned

FRC carefully selects and invests in properties with the potential to generate stable cash flow over the long term. It owns properties with widely divergent uses, mainly retail and office buildings, to diversify risks within the region.

Asset Ratio (As of August 31, 2024)

■ Investment Type (based on acquisition price)



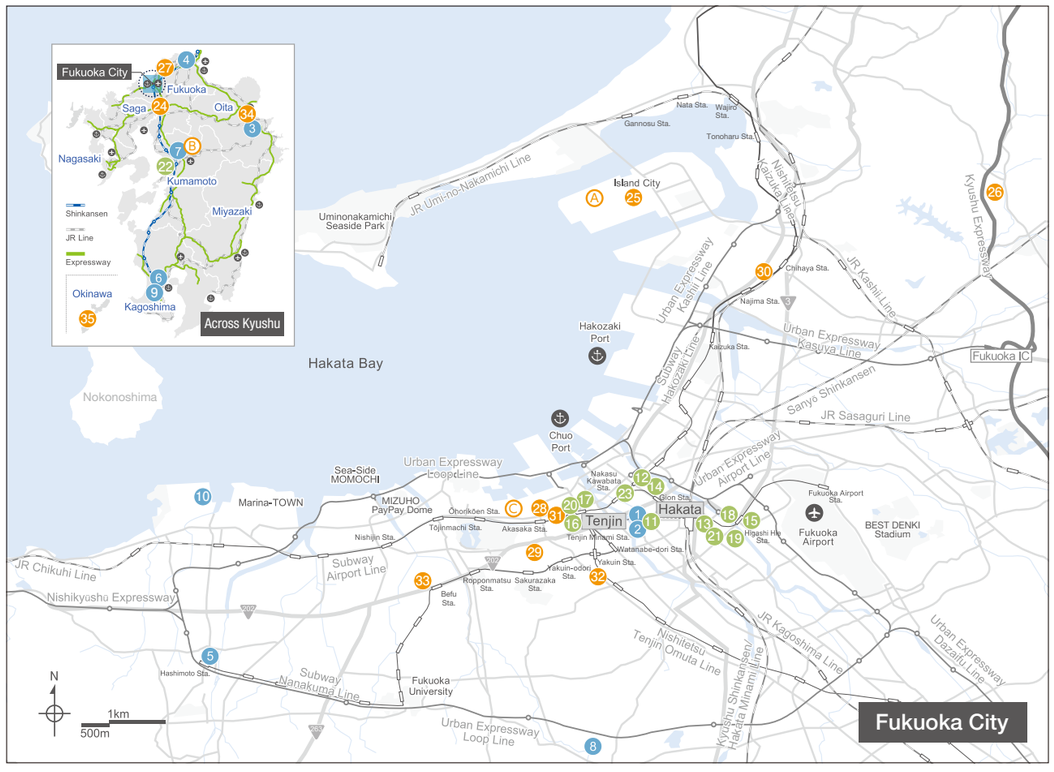
■ Investment Areas (based on acquisition price)



Number of properties owned: **35**

Total acquisition price: **220,774 million yen**

Note: Acquisition price data is rounded down to the nearest million yen.



In terms of properties, as of September 2, 2024, we owned 10 retail facilities, 13 office buildings, and 12 other properties (including logistics facilities, residences, and hotels).

Mifune Logistics Center (tentative) is scheduled to be acquired on March 27, 2025, Axion Otemon Premium on March 28, 2025, and Island City Bay-Related Site (land with leasehold interest) (tentative) on March 31, 2029.

Property name/Acquisition date/Acquisition price (Millions of yen)

Retail: 10

1. Canal City Hakata — November 9, 2004/32,000
2. Canal City Hakata-B — March 2, 2011/21,060
3. Park Place Oita — November 9, 2004/19,610
4. SunLive City Kokura — July 1, 2005/6,633
5. Konoha Mall Hashimoto — March 1, 2018/10,000
6. Square Mall Kagoshima Usuki — September 28, 2006/5,300
7. Kumamoto Intercommunity SC — November 30, 2006/2,400
8. Hanahata SC — September 3, 2007/1,130
9. K's Denki Kagoshima — March 27, 2008/3,550
10. Marinoa City Fukuoka (Marina Side Building) (land with leasehold interest) — May 1, 2015/4,457

Office Buildings: 13

11. Canal City Business Center Building — November 9, 2004/14,600
12. Gofukumachi Business Center — November 9, 2004/11,200
13. Sanix Hakata Building — September 30, 2005/4,400
14. Taihaku Street Business Center — March 16, 2006/7,000
15. Higashi Hie Business Center — March 13, 2009/5,900
16. Tenjin Nishi-Dori Center Building — February 1, 2013/2,600
17. Tenjin North Front Building — March 28, 2013/2,660
18. Higashi Hie Business Center II — March 1, 2018/4,230
19. Higashi Hie Business Center III — May 29, 2020/3,290
20. Tenjin Nishi-Dori Business Center (land with leasehold interest) — June 1, 2021/7,700
21. Hakata Chikushi-Dori Center Building — March 1, 2022/4,320
22. Kumamoto East Front Building — March 28, 2023/1,450
23. Hakata FD Business Center — September 1, 2023/14,100
24. Tosu Logistics Center (Logistics) — March 28, 2014/1,250
25. LOGICITY Minato Kashii (Logistics) — March 27, 2015/8,150
26. LOGICITY Hisayama (Logistics) — June 1, 2017/5,050
27. LOGICITY Wakamiya (Logistics) — June 30, 2020/1,700
28. Amex Akasakamon Tower (Residence) — September 1, 2006/2,060
29. City House Keyaki Dori (Residence) — December 20, 2007/1,111
30. Aqualia Chihaya (Residence) — March 1, 2012/1,280
31. D-Wing Tower (Residence) — March 1, 2013/2,800
32. Granfore Yakuin Minami (Residence) — November 4, 2014/1,100
33. Axion Befu-Ekimae Premium (Residence) — April 27, 2023/1,525
34. Hotel FORZA Oita (Hotel) — March 1, 2013/1,530
35. Tissage Hotel Naha (Hotel) — December 7, 2018/2,835

Other Properties (Logistics, Residences, Hotels): 12

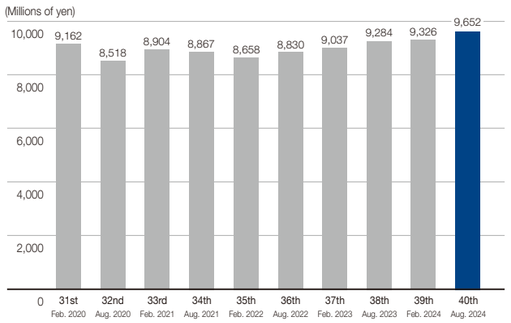
Scheduled to be acquired: 3

A. Island City Minato Bay related site (land with leasehold interest) (tentative) — March 31, 2029/8,082
B. Mifune Logistics Center (tentative) — March 27, 2025/11,000 — NEW
C. Axion Otemon Premium — March 28, 2025/1,800 — NEW

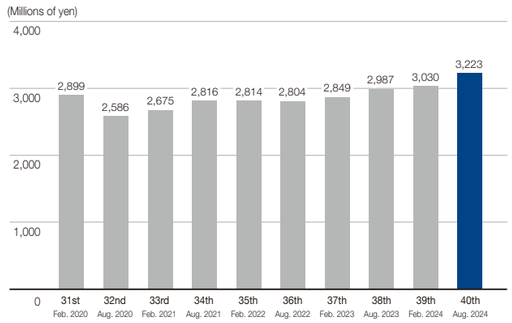
Financial/Non-Financial Highlights (5-Year Graph)

Financial Highlights

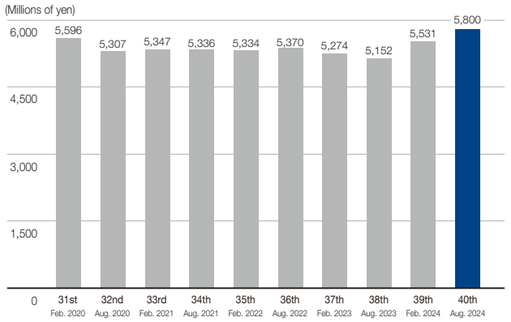
Total Operating Revenue



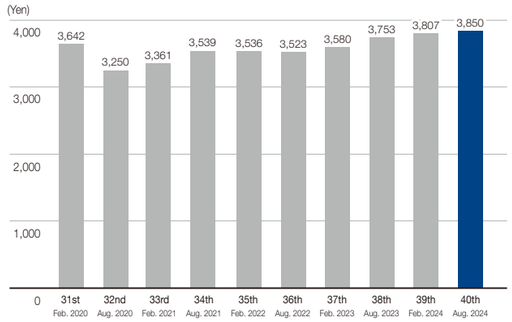
Profit



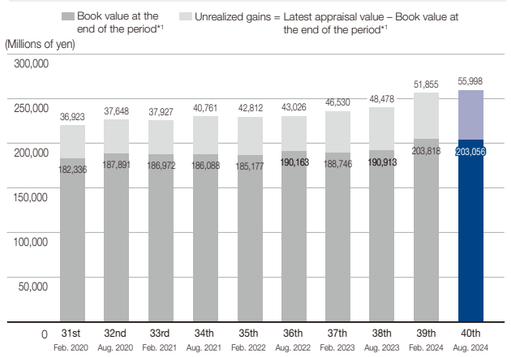
NOI*



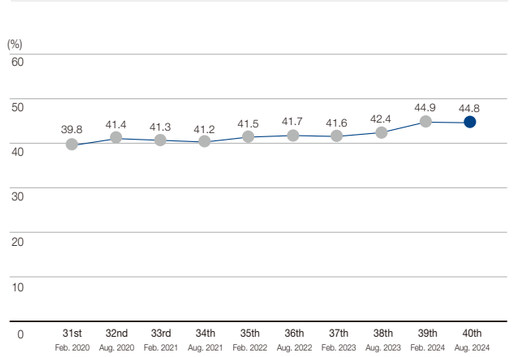
Dividend per Unit



Historical Appraisal Values (Unrealized Gains)



LTV*



Glossary

NOI

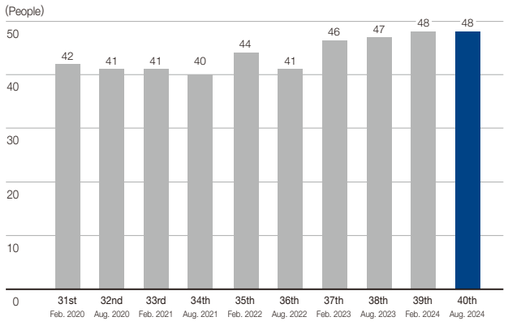
An abbreviation for Net Operating Income. This reflects net income stemming from the real estate leasing and REIT business, deducting expenses such as administrative costs and property taxes from rents in a given fiscal period. Costs not related to cash expenditures, including depreciation, interest paid on borrowings, or taxes, are not deducted.
This is used to assess real estate and REIT asset value and is similar to EBITDA, which focuses on operating cash flow in assessing corporate value.
When determining the theoretical real estate property price, it is a common practice to divide NOI by the capitalization yield (cap rate).

LTV

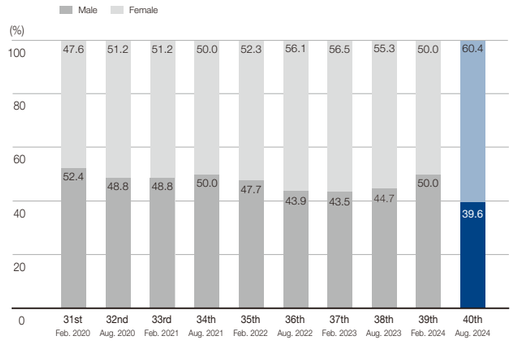
An abbreviation for Loan to Value and an indicator of a company's borrowing ratio as well as a measure of stability in borrowing. The lower the value, the greater the degree of safety against redemption of debt.
[Calculation method] LTV (%): (Interest-bearing debt / Total assets) × 100

Non-Financial Highlights

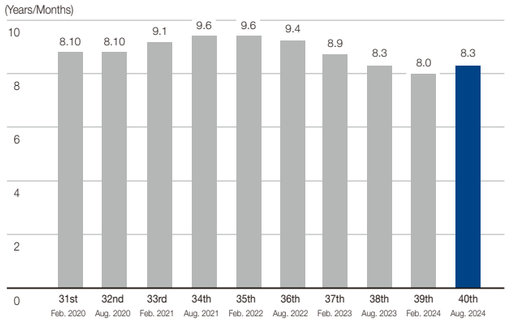
Asset Management Company: Number of full-time officers and employees*2



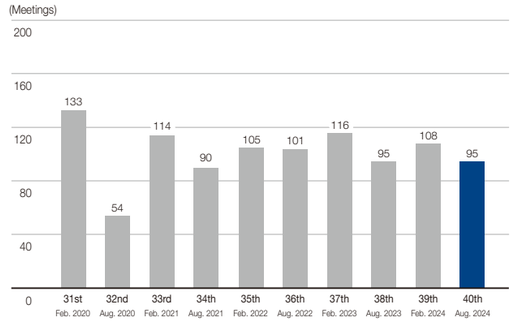
Asset Management Company Full-Time Officers and Employees: Percentage of male and female employees*3



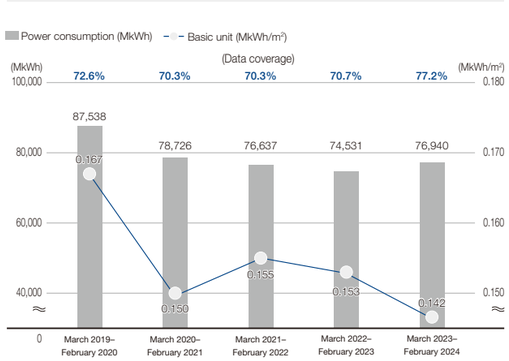
Asset Management Company: Average number of years of full-time employment*4



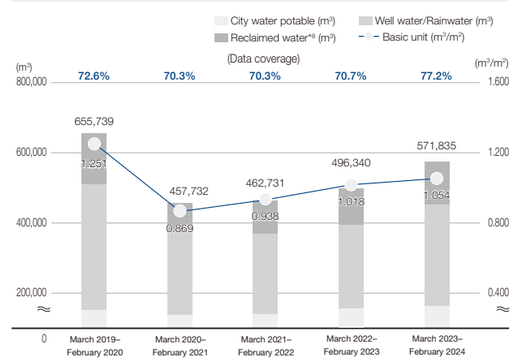
Number of IR Meetings in Japan and Abroad*5



Power Consumption*6



Water Consumption*6,*7



*1. Book value at the end of period does not include construction in progress. *2. The number of full-time officers and employees indicates the total number of directors and auditors, permanent employees, contract employees, temporary employees, secondees, etc., who are employed on a full-time basis at Fukuoka Realty Co., Ltd. *3. The gender ratio is calculated as the ratio of males and females to the number of full-time personnel.
*4. Average number of years of employment is calculated as the average service years of permanent and contract employees of Fukuoka Realty Co., Ltd.
*5. The number of IR meetings in Japan and abroad shows the total number of IR meetings, based on the dates on which they were held, with institutional investors and analysts through interviews and telephone conferences generally regarding the results for the previous period. There were fewer face-to-face interviews in the 32nd fiscal period due to the impact of the COVID-19 pandemic.
*6. As of December 1, 2024, due to the addition of past data and a review of the aggregation scope, corrections may be made retroactively. Up to fiscal 2022, the total value for 15 properties is provided, including five retail facilities, nine office buildings, and one logistics facility. For fiscal 2023, the total value for 23 properties is provided, including two retail facilities, two office buildings, two hotels, and two logistics facilities. The basic unit is calculated by adjusting the total floor area (m²) by the occupancy rate. The data coverage ratio is calculated by the proportion of the area of the data collection target properties to the total portfolio properties (excluding land with leasehold interest) as of the fiscal year-end. For Canal City Hakata, Canal City Hakata・B, and Canal City Business Center Building, the total electricity and water usage of the entire Canal City Hakata, including the parts not owned by the Investment Corporation, are summed, with the ownership ratio applied. The figure for Park Place Oita covers only the main building section and excludes the section for independently run stores. The figure for Taihaku Street Business Center covers only the office tower and excludes the residential tower. For Hakata FD Business Center, the total electricity and water usage for the entire facility are summed, with the ownership ratio applied. Water consumption excludes some well water volumes for which data cannot be obtained. Data from the past five years is published.
*7. Includes treated water volume. *8. Includes externally purchased greywater.

Financial/Non-Financial Highlights (11-Year/22-Period Summary)

	19th Feb. 2014	20th Aug. 2014	21st Feb. 2015	22nd Aug. 2015	23rd Feb. 2016	24th Aug. 2016	25th Feb. 2017	26th Aug. 2017	27th Feb. 2018	28th Aug. 2018	29th Feb. 2019	30th Aug. 2019	31st Feb. 2020	32nd Aug. 2020	33rd Feb. 2021	34th Aug. 2021	35th Feb. 2022	36th Aug. 2022	37th Feb. 2023	38th Aug. 2023	39th Feb. 2024	40th Aug. 2024
Financial Information																						
Earnings (Millions of yen)																						
Operating revenue	7,574	7,779	7,789	8,423	8,343	8,234	9,730	8,122	8,194	9,178	9,242	9,231	9,162	8,518	8,904	8,867	8,658	8,830	9,037	9,284	9,326	9,652
Operating income	2,801	2,824	2,860	3,167	3,141	3,069	4,585	2,920	2,965	3,238	3,306	3,318	3,273	2,966	3,061	3,204	3,185	3,181	3,223	3,372	3,462	3,664
Ordinary income	2,239	2,263	2,370	2,663	2,670	2,616	4,199	2,562	2,624	2,861	2,935	2,939	2,900	2,587	2,677	2,817	2,816	2,805	2,851	2,988	3,031	3,225
Profit	2,238	2,262	2,369	2,661	2,669	938	4,198	2,556	2,623	2,860	2,934	2,939	2,899	2,586	2,675	2,816	2,814	2,804	2,849	2,987	3,030	3,223
NOI	4,732	4,800	4,829	5,229	5,237	5,164	5,010	4,998	5,079	5,493	5,591	5,633	5,596	5,307	5,347	5,336	5,334	5,370	5,274	5,152	5,531	5,800
Financial conditions (Millions of yen)																						
Total assets	167,492	167,824	167,369	181,597	181,445	179,513	175,063	178,063	177,283	193,112	195,433	195,106	194,795	199,004	199,559	199,804	198,745	201,223	201,442	203,868	214,390	215,083
Net assets	81,679	81,703	81,811	93,804	93,812	92,081	93,681	93,699	93,766	101,799	101,874	101,878	101,837	101,525	101,614	101,755	101,753	101,743	101,788	101,926	101,969	102,161
Interest-bearing debt	71,025	71,150	70,775	72,400	72,325	71,950	66,675	69,900	68,900	75,500	77,500	77,500	72,500	82,400	82,400	82,400	82,400	83,900	83,900	86,450	96,350	96,350
Interest-bearing debt ratio (%)	42.4	42.4	42.3	39.9	39.9	40.1	38.1	39.3	38.9	39.1	39.7	39.7	39.8	41.4	41.3	41.2	41.5	41.7	41.6	42.4	44.9	44.8
Depreciation and amortization expenses	1,354	1,387	1,390	1,458	1,471	1,470	1,455	1,474	1,500	1,602	1,622	1,651	1,660	1,686	1,623	1,552	1,486	1,514	1,499	1,531	1,609	1,611
Capital expenditures	848	740	328	445	630	665	1,789	741	600	657	947	476	465	790	687	445	600	1,946	385	1,602	970	986
Cash flow (Millions of yen)																						
Cash flow provided by (used in) operating activities	3,699	3,890	3,735	4,167	4,174	4,336	3,685	3,590	4,292	4,149	4,832	4,863	3,985	3,450	5,374	4,724	3,146	4,712	4,688	3,939	3,724	4,953
Cash flow provided by (used in) investing activities	(916)	(2,312)	(1,452)	(14,488)	(606)	(772)	4,220	(6,029)	(478)	(15,326)	(3,604)	(1,043)	(220)	(7,136)	(842)	(1,425)	(658)	(5,498)	(117)	(3,436)	(13,636)	(881)
Cash flow provided by (used in) financing activities	(2,359)	(2,115)	(2,635)	10,934	(2,747)	(3,043)	(7,872)	667	(3,555)	11,734	(859)	(2,933)	(2,938)	2,000	(2,586)	(2,674)	(2,816)	(1,314)	(2,803)	(298)	6,912	(3,029)
Cash and cash equivalents at year-end	7,810	7,273	6,920	7,533	8,353	8,873	8,905	7,134	7,392	7,950	8,319	9,205	10,032	8,348	10,293	10,917	10,588	8,488	10,255	10,459	7,460	8,503
Per-unit indicators (Yen)																						
Dividend per unit	3,243	3,278	3,435	3,563	3,574	3,479	3,398	3,422	3,512	3,593	3,687	3,693	3,642	3,250	3,361	3,539	3,536	3,523	3,580	3,753	3,807	3,850
EPS* per unit	3,243	3,278	3,434	3,649	3,573	1,256	5,621	3,422	3,512	3,593	3,687	3,692	3,642	3,249	3,361	3,538	3,536	3,523	3,580	3,752	3,806	4,049
BPS* per unit	118,376	118,410	118,567	125,574	125,585	123,267	125,410	125,434	125,524	127,888	127,982	127,987	127,936	127,544	127,656	127,833	127,831	127,818	127,875	128,048	128,102	128,344
NAV per unit	128,375	131,215	136,051	144,472	148,558	152,259	150,328	152,639	156,204	161,315	164,250	167,118	170,680	171,592	171,943	175,502	178,079	178,348	182,750	185,197	189,440	194,842
FFO* per unit	5,207	5,288	5,450	5,525	5,543	5,448	5,351	5,395	5,520	5,606	5,725	5,767	5,728	5,368	5,401	5,358	5,403	5,425	5,319	5,133	5,529	5,828
Investment unit information																						
Investment unit price (Yen)	171,400	199,000	227,000	188,700	194,200	186,100	177,100	164,300	173,100	170,400	169,300	178,300	167,900	136,500	168,500	175,500	156,800	170,300	164,600	162,100	165,700	148,400
Total number of investment units issued	690,000	690,000	690,000	747,000	747,000	747,000	747,000	747,000	747,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000	796,000
Non-Financial Information																						
Number of full-time officers and employees*1	40	34	35	38	41	39	40	38	38	39	41	41	42	41	41	40	44	41	46	47	48	48
Years of service (Years/Months)*1	6.2	7.1	7.5	6.0	6.2	6.5	6.9	6.11	7.7	7.10	7.11	8.6	8.10	8.10	9.1	9.6	9.6	9.4	8.9	8.3	8.0	8.3
Number of IR meetings (Japan and overseas)*2	—	—	122	154	147	106	126	116	169	129	148	149	133	54	114	90	105	101	116	95	108	95

Notes:
1. Gains and losses on the sale of the Aeon Hara Shopping Center and Aqualia Kego, which were transferred in the 25th fiscal period, were handled in the following manner due to differing tax and accounting standards.
   1) An amount equivalent to impairment losses on the Aeon Hara Shopping Center booked in the profit and loss statement in the 24th fiscal period was booked as an allowance for a temporary difference adjustment on the statement concerning the allotment of funds for the 25th fiscal period.
   2) Gains on the sale of Aqualia Kego were recorded on the profit and loss statement for the 25th fiscal period.
   3) The return of allowances for a temporary difference adjustment was booked on the statement concerning the allotment of funds for the 25th fiscal period.
2. Dividend per unit is calculated as follows.
   24th fiscal period: [Net profit] + [Reserve for temporary difference adjustment] – [Earnings carried forward to the next period]
   25th fiscal period: [Net profit] – [Return of reserve for temporary difference adjustment] – [Earnings carried forward to the next period]
3. The Investment Corporation undertook a five-for-one split of investment units effective March 1, 2014. Indicators per unit (distribution per unit, EPS, BPS, NAV per unit, FFO per unit) and unit information (unit price, total issued investment units) up to the 19th fiscal period have been retroactively adjusted to reflect this split.
4. The number of IR meetings in Japan and abroad shows the total number of IR meetings, based on the dates on which they were held, with institutional investors and analysts through interviews and telephone conferences generally regarding the results for the previous period.

*1. The number of full-time officers and employees indicates the total number of directors and auditors, permanent employees, contract employees, temporary employees, secondees, etc., who are employed on a full-time basis at Fukuoka Realty Co., Ltd. Average number of years of employment is calculated as the average service years of permanent and contract employees of Fukuoka Realty Co., Ltd.
*2. The number of IR meetings convened in Japan and abroad from the 19th to 20th fiscal periods is not recorded, as records do not exist for these periods.

Glossary

EPS
An abbreviation of Earnings per Share. This shows net profit per unit and is viewed as an indicator of a company's ability to generate earnings.
[Calculation method] EPS: Net profit / Total number of units issued

BPS
An abbreviation of Book Value per Share. This shows net assets per unit and is viewed as an indicator for stability.
[Calculation method] BPS: Net assets / Total number of units issued

FFO
An abbreviation of Funds from Operations. This shows how much cash flow is generated from rental income. The larger the FFO per unit, the greater the company's profitability.
[Calculation method] FFO: Net profit + Depreciation and amortization expenses + Impairment loss – Gains/losses from the sale of real estate
FFO per unit: FFO / Total number of units issued

Data Section