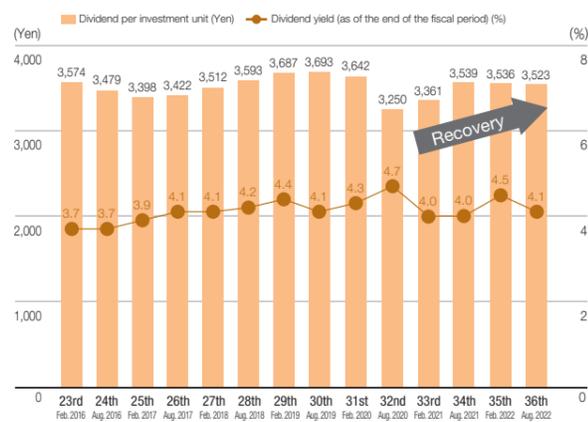


Dividends and TSR

Figure 1 shows FRC's past dividends and dividend yields. Among listed REITs, our dividends are extremely stable.

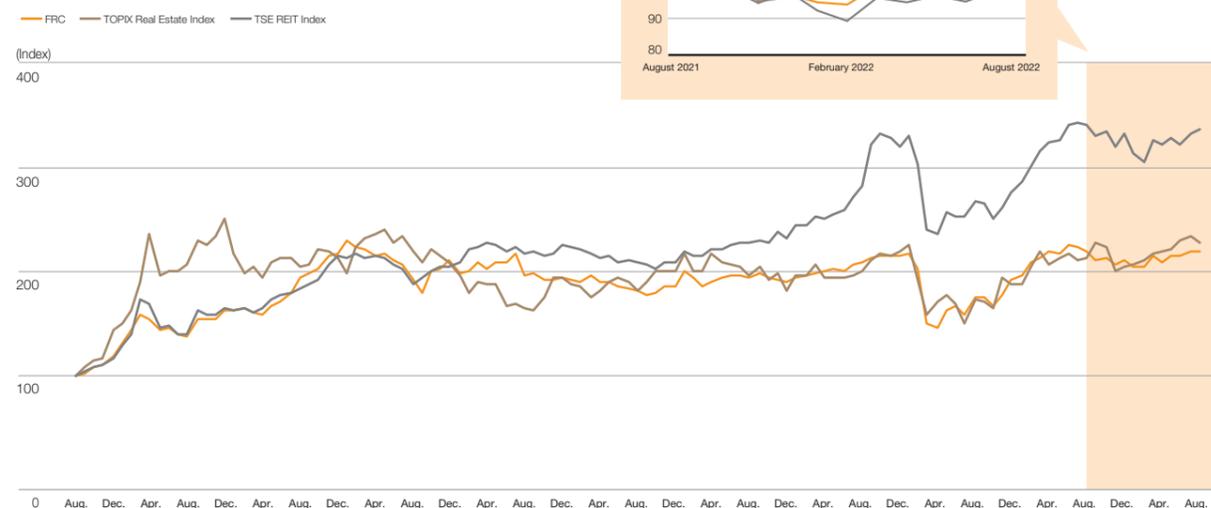
In contrast, the dividend yield has fluctuated between 3.8% and 4.7% over the past eight years, indicating that investment unit prices have shifted due to changes in the stock market, interest rate trends, and fluctuations in market supply and demand.

Figure 1. Past Dividends and Dividend Yields



Note: Dividend yield = (Dividend per investment unit / Operating days x 365) / Investment unit price as of the end of the fiscal period

Figure 2. Investment Unit Price Performance (10 years, including dividends)



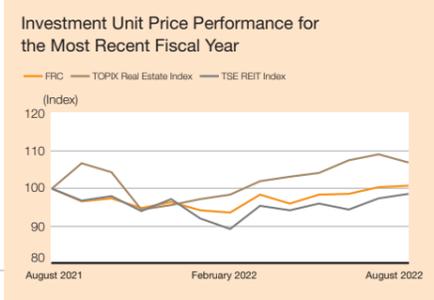
Note: FRC's investment unit price performance is expressed as an index, using the investment unit price as of August 31, 2012, as 100. TSR over the past 10 years considers dividends and investment unit prices in indicating the profitability of investments made on August 31, 2012, as of August 31, 2022. The TOPIX Real Estate Index and the TSE REIT Index are indexed in the same way, using dividend-included data. Similarly, the graph for the most recent fiscal year is indexed with the investment unit price as of August 31, 2021, as 100.

Table 1 and Figure 2 show the total shareholder return (TSR), taking into account FRC's dividends and capital gains. TSR performance has been 8.1% annually over the past 10 years. In contrast, returns have remained flat over the past year as the TSE REIT Index weakened.

Table 1. TSR Over the Past 10 Years

	Past 1 year	Past 3 years		Past 5 years		Past 10 years	
		Cumulative total	Annual rate	Cumulative total	Annual rate	Cumulative total	Annual rate
FRC	(0.9)%	7.2%	2.3%	25.2%	4.6%	118.6%	8.1%
TOPIX Real Estate Index	6.9%	14.0%	4.5%	25.0%	4.6%	126.5%	8.5%
TSE REIT Index	(1.5)%	19.3%	6.1%	60.0%	9.9%	232.3%	12.8%

Note: Annual rate conversion is the geometric mean of cumulative returns.



Planning Department



General Manager of the Planning Department and General Manager of Sustainability Promotion Office  
Keishi Tamura

The Role of the Planning Department

The Planning Department is in charge of matters relating to management policy, general affairs, personnel affairs, accounting, and sustainability. We believe in the importance of creating an environment in which all employees can fulfill their potential in order to contribute to regional revitalization and the development of attractive communities, based on an understanding of the activities of our asset management company and under the basic policy of Act Local, Think Global.

Framework for Sustainable Initiatives

In 2018, FRC established the Sustainability Policy and Regulations Concerning Sustainability Management to promote sustainability in consideration of environmental, social, and governance (ESG) issues and set up the Sustainability Promotion Committee comprised of full-time directors, executive directors, and general managers. The committee establishes internal organizations, collaborates

with outside parties, examines specific goals and measures relating to information disclosure policy and other matters, and identifies the progress made in measures being implemented. Sustainability officers are responsible for practical matters relating to achieving the goals set by the committee with the General Manager of the Planning Department providing general oversight.

Sustainability Initiatives and GRESB

FRC has been conducting sustainability initiatives since our listing that include obtaining DBJ Green Building Certification. ESG-related inquiries from investors started to increase in 2017 at investor relations activities overseas.

We believe it is necessary to make efforts in line with global standards, and in 2017 we decided to take part in the Global Real Estate Sustainability Benchmark (GRESB) system to further promote our sustainability initiatives.

We worked to increase an understanding of ESG issues and sustainability with related parties to effectively set goals for our sustainability activities. This included endorsing the Principles for Responsible Investment (PRI) and the Principles for Financial Action for the 21st Century (PFA21) and inviting investors, analysts, and REIT issuers engaged in advanced sustainability activities to a workshop concerning disclosure of non-financial information at the

IR Kyushu Workshop run jointly by FRC and the Japan Investor Relations Association.

We attained a 4-star rating in our first GRESB Real Estate Assessment in 2018 and have received ratings every year since. In 2022, we received another 4-star rating in this category as was the case in 2021 and obtained an A-level rating in the GRESB Real Estate Public Disclosure evaluation.

### Materiality and ESG Initiatives

As part of our sustainability initiatives, we identified material issues (materiality) for the first time in 2019 when we published our inaugural Integrated Report. In April 2022, we set targets and key performance indicators (KPIs) for each issue. The status of initiatives being undertaken for each of these issues is outlined below.

**Environment**

In terms of environmental efforts, we are switching to LED lighting in the properties we own. We plan to continue installing e.g. LED lighting in our commercial facilities this fiscal year as well. In addition, we are in talks with property management companies regarding ways we can reduce energy consumption when it comes time for facilities to be upgraded and have targeted a 35% reduction in CO<sub>2</sub> emissions by 2030 relative to 2019. We are also looking to acquire Green Building Certification and have done so for 77.8% of our properties to date. We aim to increase this number to 85% or higher by 2030 by maintaining and improving the environmental performance of existing properties and by adopting a careful selection process for new properties.

**Society**

As one social initiative, we aim to create an appealing workplace for employees. In 2018, FRC was recognized by Fukuoka City as a company that actively seeks to promote work-style reform. We were highly praised for our efforts to enhance productivity by supporting personal development and for our campaign encouraging no overtime.

In 2022, Fukuoka City launched a registration system for businesses committed to achieving the well-being of their workers and the SDGs with the aims of enhancing the satisfaction of people's lives and realizing a sustainable environment, society, and economy. This is the first such initiative in Japan. FRC registered and has been certified as a "master" under the system.

We are also actively communicating with the local community, including through Twitter since 2010.

**Governance**

In terms of governance-related efforts, we adopted all seven principles set forth in the Principles for Customer-Oriented Business Conduct established by the Financial Services Agency in 2017 and formulated our own Policies for Customer-Oriented Business Operations.

Since then, we have been disclosing information on the status of this initiative. With regard to risk management, we update our risk matrix in a timely manner and regularly conduct drills as part of our business continuity plan (BCP) to confirm its effectiveness.

**Sustainability Finance**

In July 2019, FRC was the first company headquartered in the Kyushu region to be issued a green loan and the first J-REIT to take out a syndicate-based green loan. Following this, we have procured funds that included a donation to a COVID-19 vaccine development research fund at Nagasaki University and procured funds through a sustainability-linked loan. With the latter, a syndicate was formed in which the Development Bank of Japan, one of our sponsor banks, serves as the coordinator with collaboration from The Nishi-Nippon City Bank and The Bank of Fukuoka. Through this loan, the sponsor banks and FRC team up to set Sustainability Performance Targets in consideration of the environment and strive to reduce CO<sub>2</sub> emissions.

**Task Force on Climate-related Financial Disclosures (TCFD)**

One current focus concerns the Task Force on Climate-related Financial Disclosures (TCFD). In September 2022, we established a Policy on Climate Change and Resilience that states measures regarding the risks and opportunities associated with climate change as well as the resilience (strength and buoyancy) of operations and strategies relative to climate-related issues. We also announced our endorsement of the recommendations of the TCFD and joined the TCFD Consortium, an organization of Japanese companies expressing their support of the TCFD.

The TCFD requests companies to evaluate the climate-related risks and opportunities to their business and to assess and disclose the financial impact. FRC has started analyzing different climate scenarios to identify the risks, opportunities, and financial impact in order to formulate a viable strategy.

We will continue to conduct asset management in consideration of sustainability as Japan's first region-specific REIT that promotes community development and economic revitalization in the Fukuoka and Kyushu areas.

**Climate Change Scenario Analysis**

We conducted an analysis to be used for the purpose of assessing the validity of current climate change measures and developing future strategies. Risks, opportunities, and financial impacts as shown in the table are assessed below.

	Risk/Opportunity factors	Financial impacts	4°C scenario			15°C scenario		
			Short term	Medium term	Long term	Short term	Medium term	Long term
Transition risks	Policy and law	Taxation of CO <sub>2</sub> emissions due to introduction of carbon tax	S	S	S	S	M	M
		Stricter energy-saving standards for existing real estate and introduction of carbon emission-related restrictions	S	S	S	S	M	L
		Stricter mandatory emissions reporting requirements in the Energy Efficiency Act	S	S	S	S	S	S
	Technology	Evolution/Spread of renewable energy and energy-saving technology	S	S	S	S	M	L
		Changing social values relating to environmental performance	S	S	S	S	S	S
	Markets	Decrease in asset value due to delayed environmental compliance at owned properties	S	S	S	S	S	S
		Increased importance of transition risks	S	S	S	S	S	S
Increased value related to environmental performance		S	S	S	S	M	L	
Physical risks	Acute	Tenant needs relating to environmental performance	S	S	S	S	M	L
		Damage to owned properties due to typhoons/heavy rain	S	S	M	S	S	S
		Flooding at owned properties in low-elevation areas due to sea level rise	S	S	M	S	S	S
	Chronic	Increased need for A/C due to rising temperatures	S	S	M	S	S	S
		Increased repair costs and insurance premiums: loss of sales opportunities due to flooding, decreased asset value of owned properties with high flooding risks, increased countermeasure costs	S	S	M	S	S	S
		Increased flooding countermeasure costs	S	S	M	S	S	S
Opportunities	Energy sources	Introduction of renewable energy at sites	S	S	S	S	S	S
	Products and services	Reduction in externally procured utility costs	S	S	S	S	S	S
		Attracting tenants, occupants, and users by offering low-emission facilities and services	S	S	S	S	M	L
	Markets	Expanding the client base by continuing to provide rental properties aligned with changing tenant and occupant tastes	S	S	S	S	M	L
Expanding the investor base		S	S	S	S	S	S	
		Use of green bonds: increased financing by adapting/appealing to investors who prioritize environmental issues, decreased financing costs	S	S	S	S	S	S

Related Materiality

- Reduction of environmental load

## Environmental Initiatives IC

### Retail Natural Environment Conservation and Creation

At Canal City Hakata and Park Place Oita, we are making efforts to coexist with various natural environments by providing green space in communal areas, installing aquatic spaces, and creating shaded spaces. We are creating habitats for wild fauna and flora that contribute to the preservation of biodiversity, as well as providing places where employees and visitors can relax and interact with nature.



### Retail 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.



### Retail 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 Introducing Renewable Energy Equipment

At Konoha Mall Hashimoto, we have installed solar panels on the rooftops to generate renewable energy and contribute to the formation of a recycling-based society.



### Office Buildings Energy-Saving Initiatives Based on the Promotion of LED Lighting

We are focusing on converting each property to LED-based lighting 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)



LED lighting being used at the Sanix Hakata Building

### Others (logistics facilities) Introducing Renewable Energy Equipment

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

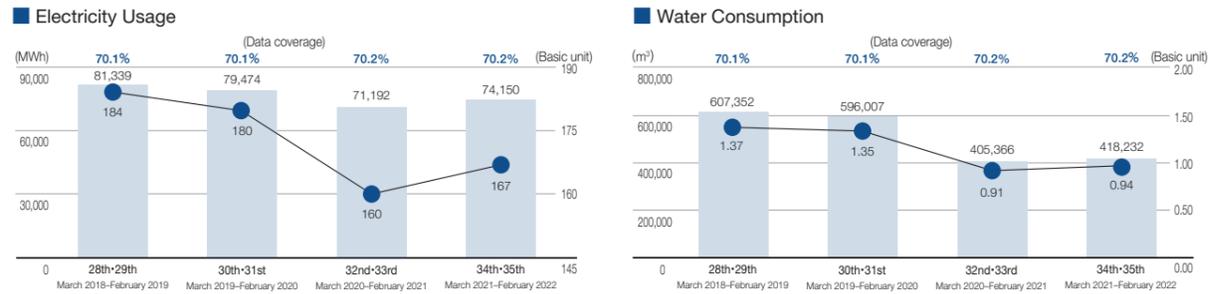


Solar panels

LOGICITY Hisayama

## Environmental Performance Data IC

Although values increased for the fiscal period ended February 2022 compared to the interval in which we closed facilities due to the spread of the COVID-19 pandemic, we still recorded a reduction of 8.84% in electricity usage and 31.14% in water consumption compared with the period ended February 2019.



Note: Total value for 11 properties, including four retail facilities and seven office buildings. Per unit is calculated by adjusting the total floor area (m²) by the occupancy rate. Data coverage is the area ratio of properties subject to data aggregation as compared to all properties and is calculated at the end of the fiscal period. The figure for Canal City Hakata, Canal City Hakata-B, and Canal City Business Center Building reflects total electricity and water usage for all buildings, including electricity and water usage by some theater areas not owned by FRC. The figure for Park Place Oita covers only the main building section and excludes the section for independently run stores.

## 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 Loan Principles, the Green Bond\* Guidelines 2017 from the Ministry of the Environment, and the Green Bond Principles 2018 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 Projects, the repayment of borrowings required

in the acquisition of eligible green assets, or the redemption of investment corporation bonds issued and outstanding.

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

- DBJ Green Building Certification of 4 or 5 stars or a 3-star evaluation
- CASBEE certification of S, A, or B+ rank
- BELS evaluation of 3, 4, or 5 stars



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

- The number of properties classified as eligible Green Projects, and the number and type of obtained environmental certifications.

### Sustainable Finance (Actual)

Category	Lender	Balance (Millions of yen)	Average interest rate	Date	Term	Description
Long-term debt (green loan)	Mizuho Bank/The Bank of Saga/The Higo Bank	2,200	0.52100%*1	July 31, 2019	10 years	Green loan assessment: Green 1**
Long-term debt (donation-type loan)	The Juhachi-Shinwa Bank	1,000	0.59000%	March 31, 2021	10 years	Donate part of the interest as funds for research into the development of a new COVID vaccine at Nagasaki University
<b>NEW</b> Long-term debt (green loan)	Sumitomo Mitsui Banking Corporation	1,600	0.72625%	June 30, 2022	7 years	Green loan assessment: Green 1**
<b>NEW</b> Long-term debt (sustainability-linked loan)	Development Bank of Japan/The Nishi-Nippon City Bank/The Bank of Fukuoka	4,900	0.91875%*3	August 31, 2022	10 years	Third-party opinion on sustainability-linked loan**

\*1 FRC has concluded a swap agreement to practically fix the interest rate on debt. The indicated interest rate reflects the effect of the swap agreement.  
 \*\*2 FRC was assigned the comprehensive assessment of Green 1, the highest rank, regarding compatibility with the Green Loan Principles from Japan Credit Rating Agency, Ltd. (JCR).  
 \*\*3 If the CO<sub>2</sub> reduction target is achieved, a preferential interest rate is applied from August 2031 until the repayment date from the interest rate of the initial loan.  
 \*\*4 A third-party opinion has been obtained from Japan Credit Rating Agency, Ltd. (JCR).

**Glossary**  
**Green bonds**  
 These are bonds issued by companies and local governments to raise the funds necessary for Green Projects in Japan and overseas.  
**Green loan**  
 A loan in which the use of funds is limited to environmentally friendly businesses.  
**Sustainability-linked loan**  
 A sustainability-linked loan is a loan that encourages borrowers to achieve ambitious sustainability performance targets (SPTs).

## Initiatives for Facility and Building Management

### Individual Facility Initiatives

#### Retail Renovation of Food Court **NEW**

The food court at Konoha Mall Hashimoto was renovated to address the lack of adequate seating at busy times on Saturdays and Sundays and to enhance the overall environment. In addition to increasing the number of seats, we provided seating that meets diverse needs such as for families with young children to make the area easier to use and more comfortable.



Kids box seats      Baby food seats      Garden court seats

#### Office Buildings Renovation of Common Areas **NEW**

At the Sanix Hakata Building, we overhauled the common space to maintain the aesthetic appeal of the building and enhance tenant satisfaction.



Before      After

## Initiatives for Disaster Risk

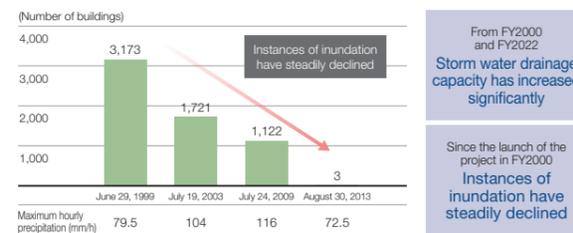
### Countermeasures to Flooding Risks

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.

#### Capacity of Storm Water Storage Facilities of Fukuoka City



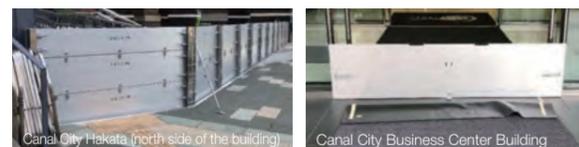
#### Instances of Building Inundation in Fukuoka City



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.

#### 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.



### 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 2022.



#### 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

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.

#### 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 still further to the achievement of a sustainable society.

Signatory of:



#### Ratio of Properties Certified as Green Buildings

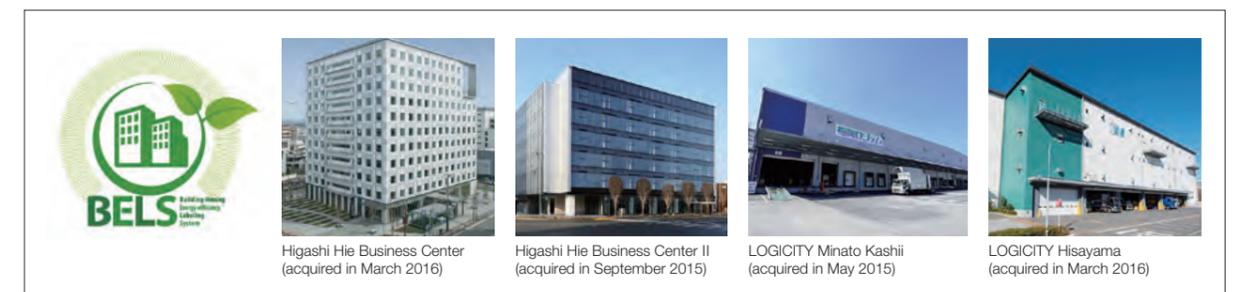
As of the end of August 2022, the ratio of properties within the entire portfolio certified as green buildings was 77.8%.

The DBJ Green Building Certification is a third-party certification system established by the Development Bank of Japan for real estate properties that feature excellent environmental and social considerations. FRC has acquired certification for 12 of its owned properties that exhibit environmental and social awareness (including six properties that were recertified in March 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 four of its owned properties.



- ★★★★★ Canal City Hakata (2022)  
Canal City Hakata-B (2022)
- ★★★★★ Park Place Oita (2022)  
Konoha Mall Hashimoto (2020)
- ★★★★★ Canal City Business Center Building (2022)  
Gofukumachi Business Center (2022)  
Higashi Hie Business Center (2022)  
LOGICITY Minato Kashii (2020)  
LOGICITY Hisayama (2020)  
Higashi Hie Business Center II (2020)
- ★★★★ SunLive City Kokura (2019)  
Marinoa City Fukuoka (Marina Side Building) (2019)



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)

Related Materiality  
 • Creation of pleasant workplaces

Initiatives for Employees and Tenants

Initiatives for Employees **AMC**

<b>Fukuoka Realty: Numbers of credentialed personnel</b>	
As of August 31, 2022	
The average number of years of continuous service of permanent employees	
9 years and 4 months	
Full-time personnel	
41 [Male: 18 Female: 23]	Gender ratio Male: 43.9% Female: 56.1%
• Employees seconded from sponsors:	3
• Employees seconded to a sponsor:	8
Number of credentialed personnel	
• Real estate brokers:	23
• ARES Certified Masters:	18
• Certified Building Administrators:	3
• MBA:	2
• CMA:	2
• First-class registered architect:	1
• Real estate appraiser:	1
• Attorney:	1
• Administrative Scrivener:	1
• SME management consultant:	1
• Licensed Representative of Condominium Management Company:	1

- Support for Flexible Work Styles**
  - Child-rearing support (maternity leave, childcare leave system, and nursery support system)
  - Nursing care leave
  - Leave for voluntary work
  - Employee welfare (401K, cumulative investment system, etc.)
  - Encouraging use of paid holidays, etc.
- Training for Employees**
  - Regular lectures by Kyushu Economic Research Center
  - Compliance training
  - Sustainability training
  - Nursing care training
  - In-house recreation, etc.
- Career Development Support**
  - Employee satisfaction survey
  - Self-assessment system
  - Career interview
  - Secondment system (dispatching of employees to e.g. 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 (Real Estate Transaction Agent, ARES Certified Masters, etc.)
  - 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)
  - Initiatives for preventing the spread of COVID-19 (such as the installation of thermographic monitors to measure temperature at office entrances; installation of anti-splash panels and ozone sterilization equipment; distribution of masks, thermometers and antiseptic solution; periodical disinfection of tables, chairs, and door knobs, etc.)
  - 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
  - COVID-19 vaccination at workplaces  
Special leave for illness after COVID-19 vaccination
  - Installation of personal booths, meeting booths, plants, etc.
  - Installation of personal lockers



Installing thermographic monitors



Meeting booths

Creating 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)

Tenant Initiatives **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
- Sustainability training, etc.

Related Materiality  
 • Contributions toward boosting the attractiveness and revitalization of Fukuoka and Kyushu  
 • Co-creation with the local community

Initiatives for Local Communities

Initiatives for Local Communities **IC** **AMC**

<p><b>Annual Events</b></p> <p>At Canal City Hakata, employees of the asset management company participate in events that involve sprinkling water on sidewalks to cool them down and promote well-being as part of efforts to enhance the environment.</p>	<p><b>Cleanup Days</b></p> <p>Asset management company executives and employees actively participate in cleanup activities, of which there had been 300 as of September 15, 2022.</p>	<p><b>Participation in Community Events</b></p> <p>Every year, employees of the asset management company participate in the Hakata Gion Yamakasa Festival. President Zenji Koike rode on one of the Yamakasa floats.</p>
<p><b>Safety Town Council</b></p> <p>At Park Place Oita, we established a "Safety Town Council" that partners with related institutions and groups to conduct crime-prevention patrols and proactively strive to prevent youth misconduct.</p>	<p><b>Various Events Held</b></p> <p>At Canal City Hakata, we implemented an eco-friendly water station campaign as part of the Blue Earth Project, an environmental awareness-raising activity with a local high school. With the participation of restaurants in the facility, customers who brought their own bottles were offered free drinking water. (Period: September 17 to 25, 2022)</p>	

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 the macroeconomic analysis and 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**

• IR Kyushu Workshop  
 The Workshop, which entered its 12th year in 2022, was established in cooperation with the Japan Investor Relations Association. The Workshop 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 were held in a hybrid style that combined online tools with face-to-face interaction.

■ Details of the Study Group

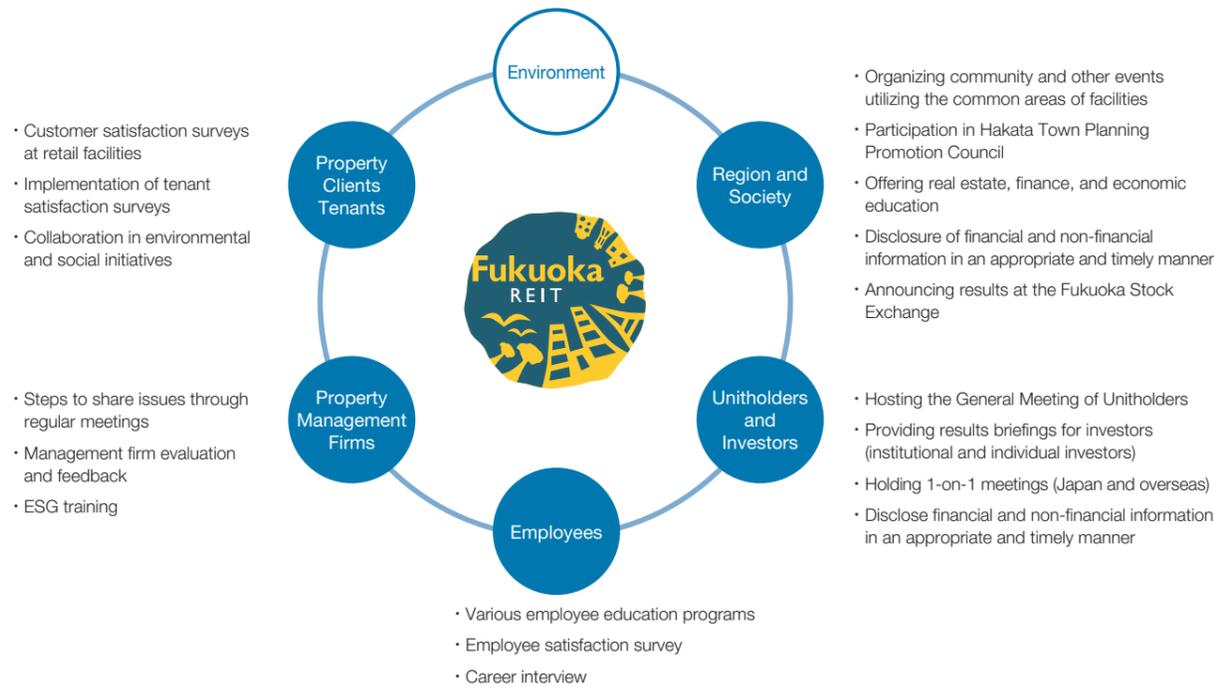
Date	Theme and lecturer
1st workshop July 2022	<p><b>"The Future of Information Disclosure and Investor Dialogue: Focus on ESG, Post-COVID, and Human Capital"</b>                      Professor Shoichi Tsumuraya, Graduate School of Business Administration, Hitotsubashi University                      (Visiting researcher, Japan Investor Relations Association)                      Note: Information on the lecturers is that for the workshops held by the IR Kyushu Workshop.</p>

## Related Materiality

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

## Stakeholder Engagement

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.



### 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. To prevent the spread of COVID-19, FRC undertakes various investor relation activities mainly in an online format for domestic/overseas institutional investors and individual investors.

- 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#fiduciaryduty](https://www.fukuoka-realty.jp/english/idea/operation_policy.html#fiduciaryduty)

## Corporate Governance



As an asset management company for a listed REIT, we strive to enhance compliance and governance by building appropriate systems and conducting appropriate business operations in pursuit of unitholders' best interests.

In particular, we recognize that managing transactions between unitholders and a stakeholder such as a sponsor of FRC that might involve conflicts of interest in an appropriate manner and preventing such conflicts of interest are important issues to be addressed in governance.

We have established strict rules for transactions with stakeholders to prevent conflicts of interest and make decisions based on these rules. In addition, we verify the appropriateness of the decision-making process through internal audits and other means.

We also ensure objectivity by receiving advice and evaluations from outside specialists to avoid taking a self-righteous approach in our decisions.

### Risk Management and Compliance Initiatives

#### 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 a 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.

#### 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

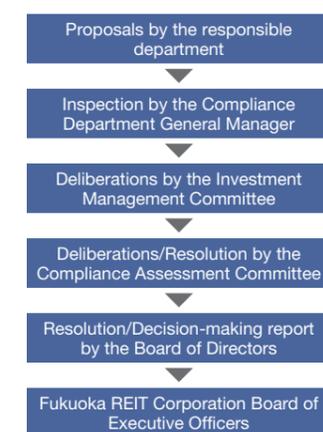
#### Fukuoka REIT Corporation

The term of office for all executive directors and supervisory directors was set as two years from May 29, 2022.



Supervisory Director Yasuo Kawasho (Investment unit holdings: None)  
 Executive Director Zenji Koike (Investment unit holdings: Five)  
 Supervisory Director Takashi Tanabe (Investment unit holdings: None)

#### Decision-Making Process



#### 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.

Note: 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. 2019–Sept. 2020	Oct. 2020–Sept. 2021	Oct. 2021–Sept. 2022
Compliance training (including e-learning)	6 times	6 times	6 times
Sustainability training	1 time	2 times	3 times

#### Fukuoka Realty Co., Ltd. Directors



Vice President Board of Directors (Non-Executive) Yukitaka Ohara  
 Vice President Board of Directors (Non-Executive) Hiroshi Shimuta  
 President and CEO Zenji Koike  
 Vice President Board of Directors (Non-Executive) Noboru Hashimoto  
 Corporate Auditor (Non-Executive) Masanori Tasaka

#### 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.