

FRC and Fukuoka Realty believe maximizing profits for unitholders over the medium- to long-term requires not only the pursuit of profitability, but also consideration for the environment, society, and governance. With this in mind, we focus on ESG issues as part of the real estate investment management process.

Sustainability Policy

1. Promoting Energy Conservation of Portfolio Properties

- We will monitor the energy consumption levels of the properties we manage, and work to improve management to lower the levels over the medium- to long-term.
- We will endeavor to improve the energy consumption efficiency of buildings and facilities when undertaking renovations, so as to enhance property value and mitigate environment-related risks as well as reduce operating costs.

2. Responding to Climate Change Risks

- We will endeavor to help mitigate climate change risks by working to reduce greenhouse gas emissions from the properties we manage through utilization of renewable energy and other energy conservation measures.

3. Contributing to the Creation of a Recycling Society

- We will monitor water consumption and waste management at the properties we manage and promote water saving and recycling through better management, in an effort to utilize limited resources efficiently.
- We will investigate the adoption of water-saving equipment and water-reuse systems at the opportunities of renovating buildings.

4. Pursuing Well-Being and Safety

- We will endeavor to provide healthy and comfortable indoor spaces at the properties we manage, striving to enhance tenant satisfaction and property competitiveness
- We will implement measures to prevent and reduce disasters at the properties we manage, such as ensuring earthquake resistance and fully preparing emergency equipment, to provide safe and secure buildings.

5. Utilizing Green Building Certifications

- We will investigate the obtainment of green building certifications and other environmental assessments in order to visualize the results of our initiatives on the environment and society at the properties we manage as well as to enhance property competitiveness.

6. Enlightening Employees

- To implement the Policy, we will provide our employees with education and training sessions on ESG awareness in real estate investment and management operations, heightening their awareness and enriching their expertise.

7. Collaboration with Tenants and Suppliers

- In implementing the Policy, assuming that it is essential to obtain understanding and cooperation from the tenants of respective properties and our major business partners including property management companies, we will work to build good relations with each of them in an effort to establish a collaborative structure.

8. Establishing Internal Organizations

- In order to manage the implementation of what is provided in the Policy, we will organize a sustainability promotion committee within the Company.
- We will set up specific objectives, etc. for each of our initiatives and review them periodically.

9. Monitoring and Disclosing Environmental and Social Performances

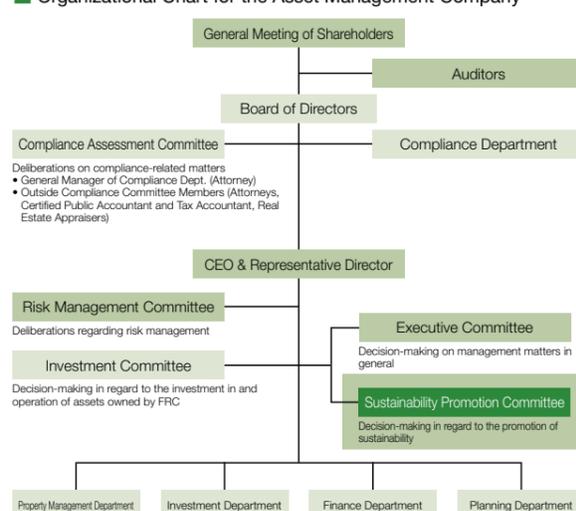
- We will continuously grasp the status and results of our efforts based on the Policy, while monitoring the status of ESG initiatives on our own by utilizing external assessment systems and surveys including GRESB.
- We will disclose information and achievements regarding our ESG initiatives to unitholders and other stakeholders in a timely and appropriate manner.

Established January 29, 2018

System for Promoting Sustainability

Fukuoka Realty has established the Sustainability Promotion Committee to promote sustainability initiatives in a continuous and systemic manner based on its Sustainability Policy. To achieve the goals of the Sustainability Policy, the Company has put in place the "Regulations Concerning Sustainability Management" manual. In the context of the Company's internal systems, collaboration with stakeholders, and information disclosure policy, the Committee in principle meets at least twice a year to examine goals and measures related to sustainability. The Sustainability Promotion Committee includes the CEO & Representative Director, and each general manager of the Property Management Dept., Investment Dept., Finance Dept., Planning Dept., and Compliance Dept. The CEO & Representative Director, who chairs the Committee, makes a decision regarding the implementation of sustainability-related measures. The chair of the Committee also periodically reports on targets and results, as well as progress in certain issues, to the Boards of Directors of both the Company and FRC.

Organizational Chart for the Asset Management Company



Identification of Materiality significant issues

Fukuoka Realty is taking steps to identify materiality (important issues to address) in its sustainability initiatives based on the requests and expectations of its stakeholders and the expected impact on and importance to the Investment Corporation. By

promoting initiatives based on materiality policies and targets derived through cooperation with stakeholders, the Company targets sustainable growth at FRC alongside contributions toward solving social issues.

Materiality significant issues		Policies and targets	Related SDGs
Environment	Reduction of environmental load	• Coordinate with Property Management and Building Management on promotion of management and reduction of energy consumption, greenhouse gas emissions, water consumption, and waste output	7, 11, 12, 13
	Maintenance and enhancement of environmental and construction performance	• Carry out performance and function evaluation of properties on a regular basis and ameliorate any deterioration in performance, etc. • Maintain and improve competitiveness by acquiring green building certifications and through visual representation of building performance	7, 11, 13
Society	Creation of pleasant workplaces	Asset management company • Improve quality of operations by enhancing and expanding employee education systems and promoting acquisition of qualifications • Continue to improve office environments and work on providing pleasant working environments • Give consideration to work-life balance and boost employee satisfaction	4, 8
		Tenants • Promote improvement of employee satisfaction and work toward increasing the job satisfaction of tenant employees	3, 8
	Contributions to boosting the attractiveness and revitalization of Fukuoka and Kyushu	• Enhance dissemination of information regarding the strengths and charms of Fukuoka and Kyushu • Support research and studies on the local economy and industries; promote attractive urban development in collaboration with local business circles	9, 11
Governance	Co-creation with the local community	• Deepen dialogue and collaboration with the local community through participation in community activities and various initiatives using properties under our management to grow and develop together with the local community	11, 17
	Information disclosure and dialogue with stakeholders	• Disclose financial and non-financial information to stakeholders in an appropriate and timely manner • Build relationships of trust through proactive dialogue with stakeholders and reflect stakeholder feedback in our management strategy	17
	Compliance / Risk Management	• Ensure thorough compliance, including with laws and ordinances, and the elimination of any conflict of interest with interested parties, and develop and operate an appropriate internal risk management system to maintain and improve corporate value	16

Process for Identifying Materiality



In 2019, Fukuoka Realty reorganized its materiality matrix taking into consideration "events that are important to stakeholders" and "issues that have a significant impact on the company's management." In addition to identifying seven key "material issues," Fukuoka Realty announced details of its activity policy and targets. Amid the growing importance of sustainability worldwide, events that could affect the company's operations including climate change and COVID-19 continue to evolve. As a result, ongoing steps are being made to review the content and details of material issues. As the asset management company for Japan's first regionally specialized REIT, we recognize the need to factor ESG considerations into our real estate investment management process is part of our overarching mission.

Acquiring External Certifications

Participation in GRESB Assessment 2020 ("Green Star" and "3 Star" Ratings)

The Global Real Estate Sustainability Benchmark (GRESB) was established by a group of European pension funds and is the benchmark for measuring sustainability in real estate companies and managing organizations. FRC was given "Green Stars" and three stars in the five-level GRESB Real Estate Assessment conducted in 2020.



Initiatives We Support

In September 2018, Fukuoka Realty endorsed the Principles for Responsible Investment (PRI) and 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 2020, the ratio of properties within the entire portfolio certified as green buildings was 79.8%.

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 11 of its

properties owned that exhibit environmental and social awareness. 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 properties owned.



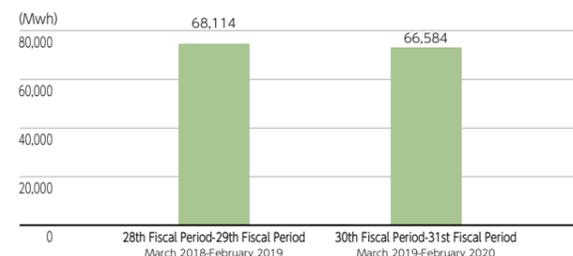
★★★★★	Canal City Hakata (2018) Canal City Hakata-B (2018)
★★★★	Park Place Oita (2018) Canal City Business Center Building (2018) LOGICITY Hisayama (2017) Konoha Mall Hashimoto (2017)
★★★	Gofukumachi Business Center (2018) Higashi Hie Business Center (2018) Higashi Hie Business Center II (2017)
★	SunLive City Kokura (2019) Marinoa City Fukuoka (Marina Side Building) (2019)



Environmental Performance Data and Green Finance

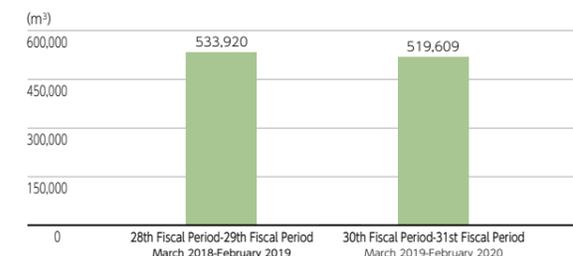
Environmental Performance Data (Total for five major retail facilities)

Electricity Usage



* Total value for the five properties of Canal City Hakata, Canal City Hakata-B, Canal City Business Center Building, Park Place Oita, and Konoha Mall Hashimoto.
* The figure for electricity consumption for Canal City Hakata, Canal City Hakata-B, and Canal City Business Center Buildings reflects usage for all of the buildings, including electricity usage for the portion, which is not owned by the investment corporation.
* The figure for Park Place Oita covers only the main building section and excludes the section for independently run stores.

Water Consumption



* Total value for the five properties of Canal City Hakata, Canal City Hakata-B, Canal City Business Center Building, Park Place Oita, and Konoha Mall Hashimoto.
* The figure for water consumption for Canal City Hakata, Canal City Hakata-B, and Canal City Business Center Buildings reflects usage for all of the buildings, including water consumption for the portion, which is not owned by the investment corporation.
* The figure for Park Place Oita covers only the main building section and excludes the section for independently run stores.

Green Finance

With the goal of further promoting ESG activities and expanding financing options through an enhanced investor base, FRC established the Green Finance Framework in June 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 in order to ensure implementation of green financing, including 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.

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

Green Finance (Actual)

Type	Lender	Amount borrowed (Millions of yen)	Interest rate (annualized)	Loan date	Notes
Long-term loan (Green loan)	Mizuho Bank The Bank of Saga The Higo Bank	2,200	0.521%*1	July 31, 2019	Unsecured/unguaranteed Lump-sum repayment Fixed interest rate Green loan assessment: Green 1*2

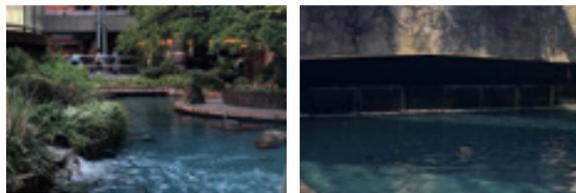
*1: FRC has concluded a swap agreement to establish a fixed interest rate on debt. The indicated interest rate reflects the effects of the swap agreement.
*2: FRC has received the highest "Green 1" rating from Japan Credit Rating Agency for our adherence to the Green Loan Principles.

Environmental initiatives

[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 in order to conserve resources.



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.



Renovation of the Rooftop Garden

The rooftop garden at Grand Hyatt Fukuoka, which has been used as a place for guests to relax and talk, was renovated in May 2020. As part of the renovations, we are preserving biodiversity by planting several different species of medium-sized to tall trees, shrubs, and groundcover.



Sixth Annual Green Social Contribution Award (2018)

Canal City Hakata

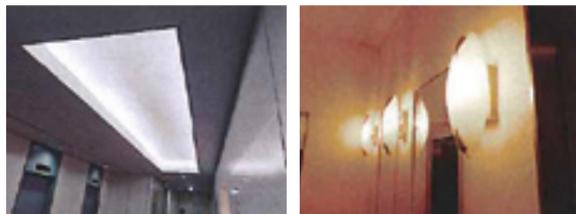
With the aim of creating an environmentally friendly facility, Canal City Hakata is engaged in greening, recycling, and energy and resource saving activities. Canal City Hakata received a Sixth Annual Green Social Contribution Award in recognition of its efforts to contribute to the regional community and improve the environment since its opening. These efforts include the creation of an area where visitors can relax, focusing on artificial canals, and installing a rooftop garden at the facility hotel.

[Office Buildings]

Energy-Saving Initiatives Based on the Promotion of LED Lighting

We are focused on converting each property to LED-based lighting in order to reduce energy consumption.

- Gofukumachi Business Center (interior shared spaces, some external areas, etc.)
- Sanix Hakata Building (interior recessed lighting)
- Taihaku Street Business Center (entrance, interior shared spaces, etc.)



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

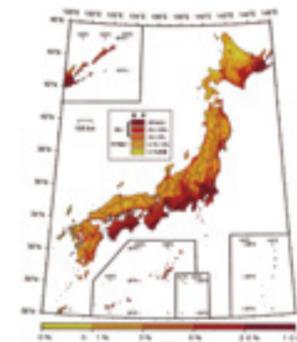
Disaster risk countermeasures

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

Probabilistic Earthquake Prediction Map

Probability of an earthquake with an intensity of six or greater over the next 30 years (average case / all earthquakes) (Reference date: January 1, 2018) (Updated in January 2019)



* The mesh for zero probability based on the model calculation conditions is shown in white.
Source: 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

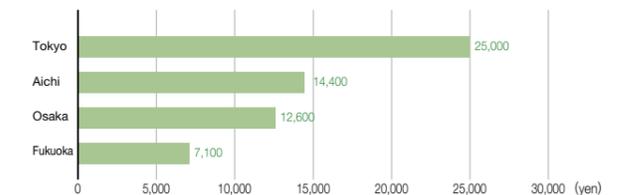
Technology, the probability of an earthquake with an intensity of six or greater over the next 30 years is lower in Fukuoka Prefecture than in the Kanto, Chubu, and Kansai areas. FRC establishes the insurance value of each property based on its replacement value, earthquake PML value, and other factors, and maintains earthquake insurance for all its properties.

Earthquake PML Value (full portfolio) 4.9%

Basic Earthquake Insurance Rate

Earthquake insurance with coverage beginning on January 1, 2019

Earthquake insurance can be purchased in Fukuoka Prefecture at a relatively lower cost than in other areas.



* The basic rate is 10 million yen for one year of insurance, mainly for steel-frame and concrete buildings.
Source: Fukuoka Realty Co., Ltd., based on data from the Ministry of Finance's Basic Rates for Earthquake Insurance (earthquake insurance with contracts starting on January 1, 2019).

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 anti-flooding measures have greatly improved flood safety within the city limits.

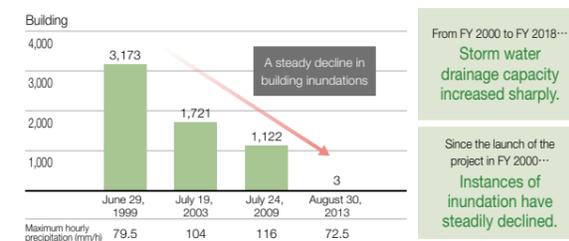
Storm Water Storage Facilities

Storm water storage capacity



Storm water management capacity improved from 59.1mm/h to 79.5mm/h (city center)

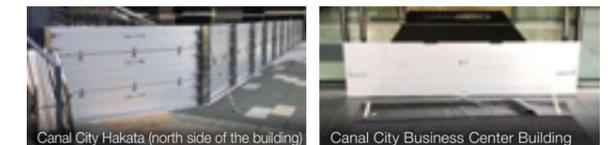
Instances of Building Inundation in Fukuoka City (number of buildings)



* Number of buildings: Total number of buildings inundated above and below the floor level. Period covered is between June 29, 1999 and December 31, 2018.
Source: Fukuoka Realty Co., Ltd., based on data from the "Storm Water Management Action Plan 2026" pamphlet for the Fukuoka City Storm Water 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.



Other Disaster Prevention Measures

Disaster Prevention Drills

We conduct comprehensive disaster drills at Canal City Hakata, with all tenants participating. We conduct fire and earthquake evacuation drills to improve fire and disaster prevention awareness and strengthen cooperation between tenants.



Disaster Prevention Products for the Office

We have prepared a lineup of disaster prevention products for all our employees to use in case of an emergency. As a company, we are focused on corporate disaster prevention measures, including the creation of a business continuity plan (BCP) and the continued safety of our employees.



Measures to prevent the spread of COVID-19

Measures to prevent the spread of COVID-19

We have strengthened measures aimed at preventing the further spread of COVID-19 at FRC properties in line with the guidelines issued by the Ministry of Health, Labour and Welfare. The safety of our employees, customers, and tenants is our first priority and we are working to create the safest and most secure environment for them as possible.

[Retail]

Principal measures aimed at preventing the spread of COVID-19

- Installation of alcohol-based sanitizing stations and splash guards
- Posting of social distancing reminders
- Comprehensive health management through tenant employee temperature checks
- Clearing of common-area chairs and tables

Tenant (restaurant) support

Canal City Bento Market

Canal City Hakata restaurants sell weekday-only take-out bento boxes (June 22–July 17, September 28–October 9)



[Office Buildings]

Principal measures aimed at preventing the spread of COVID-19

- Installation of alcohol-based sanitizing stations at office entrances
- Enhanced ventilation in common areas
- Posting of notices regarding efforts to prevent the spread of COVID-19 in elevators



Location-Specific Initiatives

Sanitizing Measures

Canal City Hakata

We have implemented measures to prevent the spread of COVID-19 and strengthen safety and security, including the installation of Air Buster units near the elevators and pedal-operated sanitizing stations in 32 places around the building.



Air Buster unit Pedal-operated sanitizing stand

Measures to Prevent the Spread of COVID-19 in Food Courts

Park Place Oita

Konoha Mall Hashimoto

With the goal of ensuring the safety and security of visitors, we have installed splash guards on the Park Place Oita and Konoha Mall Hashimoto food court tables

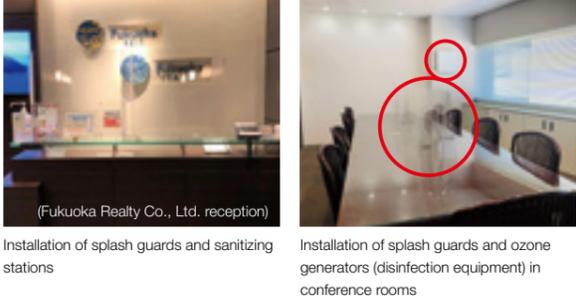


Employee Initiatives

Fukuoka Realty Co., Ltd. is working on a variety of measures aimed at preventing the spread of COVID-19 and protecting the health of our employees.

In particular, we are working to establish satellite offices, considering alternate schedules for commuting, implementing thorough measures to prevent the spread of the virus to individuals, and strengthening measures aimed at preventing the spread of the virus in the office.

- Establishment of a satellite office in Tenjin, Chuo Ward, Fukuoka City
- Telecommuting, staggered commuting
- Distribution of masks and thermometers
- Shifting of morning and other meetings to an online format
- Ensuring social distancing in offices
- Regular disinfecting of tables, chairs, and doorknobs



(Fukuoka Realty Co., Ltd. reception) Installation of splash guards and sanitizing stations Installation of splash guards and ozone generators (disinfection equipment) in conference rooms

Initiatives for Employees and Tenants

Initiatives for Employees and Tenants

FRC and Fukuoka Realty actively push forward initiatives for its employees and tenants. Through dialogue, every effort is made to provide an attractive work environment where employees can continue to work with peace of mind as well as opportunities for human resource development. From a tenant perspective, both FRC and Fukuoka Realty are committed to ensuring safe, secure, and comfortable spaces while improving satisfaction.

Initiatives for Employees

Fukuoka Realty: Number of officers and employees, number of credentialed employees
Average number of years of continuous service by permanent employees:
 8 years and 10 months

Number of full-time officers and employees:
 41 (20 male and 21 female) * Percentage of female employees 51.2%
 • Employees seconded from sponsors: 2
 • Employees seconded to sponsors: 4

Number of credentialed personnel (aggregate total)

- Real estate brokers: 26
- Certified building administrators: 5
- First-class registered architects: 2
- Real estate appraisers: 2
- ARES certified masters: 23
- Attorney: 1
- MBA: 1
- Administrative scrivener: 1
- SME management consultant: 1

Supporting flexible work styles

- Child-rearing support (maternity leave, childcare leave system)
- Nursing care leave
- Leave for voluntary work
- No overtime days
- Employee welfare (401K, cumulative investment system, etc.)
- Encouraging use of paid holidays, etc.

Employee training

- Regular study groups by the Kyushu Economic Research Center
- Compliance training
- ESG training
- Nursing care training
- In-house recreation, etc.

Support for career development

- Employee satisfaction survey
- 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 (Real Estate Securitization Master, Real Estate Transaction Agent, etc.)
- Support for language learning, etc.



Overseas inspection tour (Shenzhen DJI Showroom)

Creating a Comfortable Working Environment

Work style reforms at the Asset Management Company

Fukuoka Realty was certified as a "Fukuoka 'Work Style Reform' Promotion Company" on August 28, 2018. This system recognizes companies that have achieved at least a certain number of the "initiative items" that were selected by Fukuoka City as indicators to advance work style reforms.

Recognized initiatives

- The average annual paid leave taken by permanent employees for the most recent fiscal year is 70% or more

Average paid leave acquisition rate (FY2019) 70.9%

- There is a training system for employees
- There is a support system for self-development initiatives
- There is a system to support career advancement and to consult about career building
- There is a certification acquisition support system as well as subsidized English and bookkeeping training systems
- The company has measures in place to encourage shorter working hours
- There is a system in place allowing employees to take time off in increments of hours or half-days
- There is a personnel development system, including training contributing to career advancement, etc.



Tenant Initiatives

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.

- Undertaking of emergency drills intended to improve tenant safety and security
- Implementation of tenant satisfaction surveys
- Distribution of sustainability guidebooks
- Sponsoring of events to improve sustainability awareness
- Sustainability training, etc.

Improvements made to the employee lounge environment at Park Place Oita (September 2020)



Before renovation After renovation

Social Issues

Initiatives for Local Communities

Initiatives for Local Communities

<p>Environment Promotion Events</p>  <p>At Canal City Hakata, employees participate in events that involve sprinkling water on sidewalks to cool them down and promote well-being. (Initiative suspended in 2020 to prevent the spread of COVID-19.)</p>	<p>Safety Town Council</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 strives to prevent youth misconduct.</p>	<p>Clean-Up Days</p>  <p>Executives and employees actively participate in clean-up activities, of which there have been 284 as of October 15, 2020.</p>	<p>Participation in Community Events</p>  <p>Every year, male employees of the Company participate in the Hakata Gion Yamakasa festival (Hachiban Yamakasa Kasariyama, Kamikawabata-dori). CEO Etsuo Matsuyuki rode on a float at the event in 2018. (Initiative suspended in 2020 to prevent the spread of COVID-19.)</p>
--	---	--	--

Real Estate, Finance, and the Economy Gathering

We have held gatherings to exchange information and opinions on real estate, finance, and the economy annually since 2008 with the cooperation of the Japan Real Estate Institute (not held in 2020 in light of 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 ARES masters.



The Kyushu Economic Research Center

Fukuoka Realty 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

IR Workshop
The Kyushu IR Group, which entered its 10th year in 2020, 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 the COVID-19 pandemic, a study group was held also using online tools this year.

Details of the Study Group

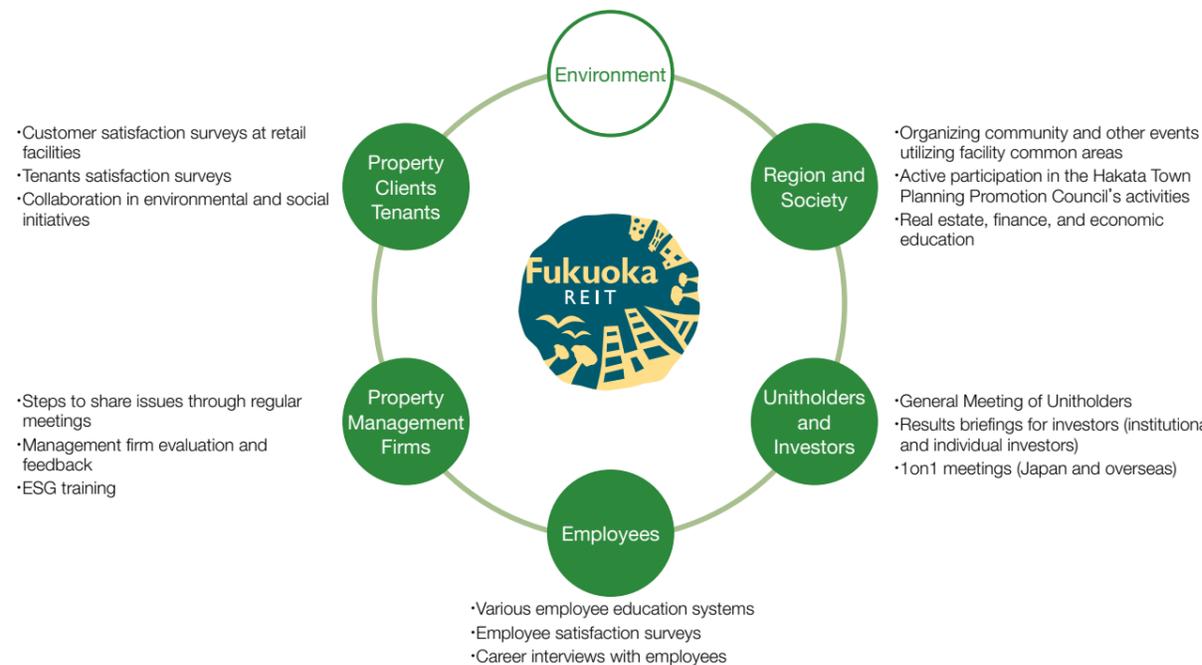
Schedule	Theme and Lecturer
First Study Workshop (August 2020)	<p>Initiatives Aimed at Promoting Constructive Dialogue between Institutional Investors and Issuers OMRON Corporation General Manager, Investor Relations Dept., Global Investor & Brand Communication Headquarters Mr. Shunji Okumura</p>

- Participation in the ESG Dialogue Platform Provided by Japan's Ministry of the Environment**
Japan's Ministry of the Environment provides the ESG Dialogue Platform as an Environmental Reporting Platform Development Pilot Project for the purpose of supporting effective disclosure of environmental information and substantive dialogue between parties including companies and investors. In fiscal 2019, we participated in "ESG consultation meetings" targeted at companies that aim to directly engage in dialogue with investors concerning ESG-related issues.
- Participation in the Hakata Town Planning Promotion Council's Activities**
We are an active participant in the Hakata Town Planning Promotion Council's activities and efforts to promote urban development mainly around the Hakata Station area, the gateway to Kyushu and Asia. Through various initiatives that comply with Hakata City's development guidelines, our goal is to assist with efforts that lead to the development and growth of Hakata City as well as Fukuoka as a whole.
- Participation in the Kyushu SDGs Management Promotion Forum**
We are also participating in the Kyushu SDGs Management Promotion Forum, an industry-academic-government-funded platform established by the Kyushu Bureau of Economy, Trade and Industry. As a participant in this forum, energies are directed toward providing information between companies and supporting SDG management endeavors aimed at solving regional and social issues.
- Sponsoring the Fukuoka International Architectural Design Competition**
In conjunction with the main sponsor, Fukuoka Jisho Co., Ltd., we are a co-organizer in the Fukuoka International Design Competition. With the Residential Suites Fukuoka, a hostel located in Seaside Momochi, as the site for the competition, participants are asked to submit entries based on the concepts of "work" + "home" + "added value appropriate for Seaside Momochi."

Organizational Issues

Stakeholder Engagement

FRC engages in proactive dialogue with its various stakeholders aimed at sustainable growth and higher corporate value. At the same time, the Investment Corporation 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 Investors & Unitholders

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, institutional investors
- IR for overseas 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 strengthening the office environment and enhancing 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.



■ Organizational Issues

Basic Policy on Customer-Oriented Business Operations

Basic Policy on Customer-Oriented Business Operations

Fukuoka Realty has adopted all seven principles set forth in the Principles for Customer-Oriented Business Conduct, announced by the Financial Services Agency on March 30, 2017, and formulated a basic policy to realize customer-oriented business operations on September 20, 2017.

■ Fukuoka Realty's Basic Policy

- 1 Fukuoka Realty is a financial business operator that operates listed REITs. We will constantly strive to provide high-quality services so that we can meet the investment needs of unitholders.
- 2 Fukuoka Realty, as an asset management company knowledgeable about the particular circumstances of the region, strives to maximize the profit of our unitholders by utilizing information and expertise, to provide investors with stable earnings over the medium- to long-term.
- 3 Fukuoka Realty will make the fiduciary duty entrusted to it by unitholders its primary consideration and appropriately manage any conflict of interest.
- 4 Fukuoka Realty's officers and employees will engage in honest and fair operations on a daily basis and act responsibly toward the Company's investors and other stakeholders.
- 5 Fukuoka Realty will proactively engage in voluntary IR activities in addition to statutory disclosure and timely disclosure and increase the fairness and transparency of information disclosure.

■ Seven Principles

Principle 1 Establishment and Announcement of Policy on Customer-Oriented Business Conduct

Fukuoka Realty is a financial business operator managing a listed REIT which, through investing in real estate properties, supports and facilitates asset formation of a wide range of investors. As such, we have established a clear basic policy to implement customer-oriented business conduct throughout the investment chain and have publicized it on our website, etc. Moreover, we continuously check on the status of our endeavors in order to realize better customer-oriented business conduct.

Principle 2 Pursuit of Customers' Best Interest

As a financial business operator, we maintain a high level of professionalism and professional ethics, and conduct operations with integrity and fairness for unitholders in an effort to secure their best interests. We also strive to ensure that such business conduct will be deeply rooted in our corporate culture.

Principle 3 Appropriate Management of Transactions with Conflicts of Interest

For transactions with our interested parties including Fukuoka Jisho Co., Ltd., one of our sponsors having 50% equity, which may cause conflicts of interest, we work to accurately grasp the possibility of conflicts of interest with unitholders pursuant to laws and regulations as well as our internal rules, etc. If any such possibility is found, our Compliance Department investigates the matter in advance before the relevant transaction takes place, and deliberation is made in advance at the Investment Committee and the Compliance Assessment Committee which invites outside experts if necessary. Through these steps, we appropriately manage transactions that may have conflicts of interest. Specifically, when acquiring real estate from any interested party, for example, we follow the processes established in our in-house rules for determining whether a certain deal is a transaction with a conflict of interest as stipulated in our Asset Management Guidelines. By doing so, we prevent any disadvantage to unitholders from arising. When acquiring real estate from any interested party, we conduct an investigation and give full consideration, for instance conducting the transaction at a price equal to or less than the appraisal value provided by a third party, before deciding on the investment.

Principle 4 Clarification of Fees and Commissions

We provide information through statutory and timely disclosure and voluntary disclosure so that unitholders can understand our asset management fees and other commissions or expenses to be borne by the Investment Corporation, including what types of services are paid for.

Principle 5 Provision of Important Information in an Easy-to-Understand Manner

We do not solicit the sale or recommendation, etc. of financial instruments or financial services. However, as an asset management company of a listed REIT, we provide important information that relates to investment decision-making for unitholders in an easy-to-understand manner through statutory and timely disclosure as well as voluntary disclosure so that such information can be readily understood. We also post such information on our website in a timely manner in an effort to provide information desirable for investors from an investor-oriented perspective.

Principle 6 Provision of Services Suitable for Unitholders

We strive to understand the needs and requirements of unitholders, and conduct asset management taking into account such needs and requirements. Specifically, we aim to secure stable dividends, increase dividends over the medium- to long-term and conduct investment that can contribute to society, among other endeavors.

Principle 7 Preparing a Framework, etc. for Appropriately Motivating Employees

We established a "Code of Conduct" to ensure our officers and employees always act in the best interest of unitholders. In addition, we regularly and continuously carry out education and training on compliance for all of our employees so that they can secure fairness in business conduct and thoroughly implement appropriate management for transactions that may involve conflicts of interest, as well as enhance their awareness on compliance.

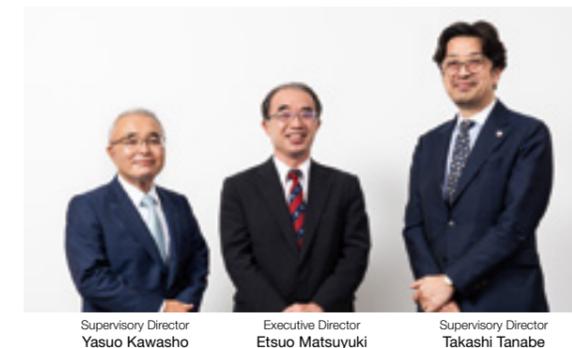
Corporate Governance

Risk Management & 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 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.

■ FRC Directors



■ Fukuoka Realty Directors



The company prevents transactions with conflicts of interest based on strict rules for transactions with interested parties in order to fulfill responsibilities entrusted to it on behalf of investors.

We naturally do not engage in transactions that unfairly benefit the company and interested parties and believe that it is important to not avoid the appearance of impropriety. Accordingly, we take steps to clearly record the decision-making process behind transactions to enable verification after the fact.

In addition, we verify the objective validity of transactions by receiving evaluations from independent third parties, including internal audits conducted by outside specialists.

Beyond this, we work to raise awareness of these issues by regularly conducting compliance training aimed at ensuring that each employee is cognizant about managing assets entrusted to us by investors.

■ Decision-Making Process



(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.

■ Changes in Asset Management Fee Structure

FRC revised management fees 1 and 3 with the aim of increasing linkage between asset management fees for the asset management company and investor profits. The changes listed below were approved at the Ninth General Meeting of Unitholders held on May 26, 2020 and became effective on September 1, 2020 (33rd fiscal period start).

Management fees	Calculation Method
Management fee 1 (total asset basis)	[Three months following the day after the last fiscal period-end] Total assets at last fiscal period-end x 0.25% (previously 0.3%) x No. of days/365 days [From the day after the aforementioned fiscal period-end to the next fiscal period-end] (Total assets at the last fiscal period-end + acquired asset value - disposal asset value) x 0.25% (previously 0.3%) x No. of days/365 days
Management fee 2 (operating revenue basis)	Operating revenue for the last fiscal period x 2.0%
Management fee 3 (distributable profit basis)	(Distributable profit amount before payment of management fee 3 for the last fiscal period) x 3.6% (previously 2.0%)
Management fee 4 (acquisition remuneration)	Acquisition fee x 0.5% (0.25% in the event of acquisition from interested parties)
Management fee 5 (sale remuneration)	Sale fee x 0.5% (0.25% in the event of sale from interested parties)

■ Compliance Training (including e-learning)

October 2017-September 2018	October 2018-September 2019	October 2019-September 2020
8 times	7 times	6 times

