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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.

### 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 with reference to the SDGs.



### Sustainability

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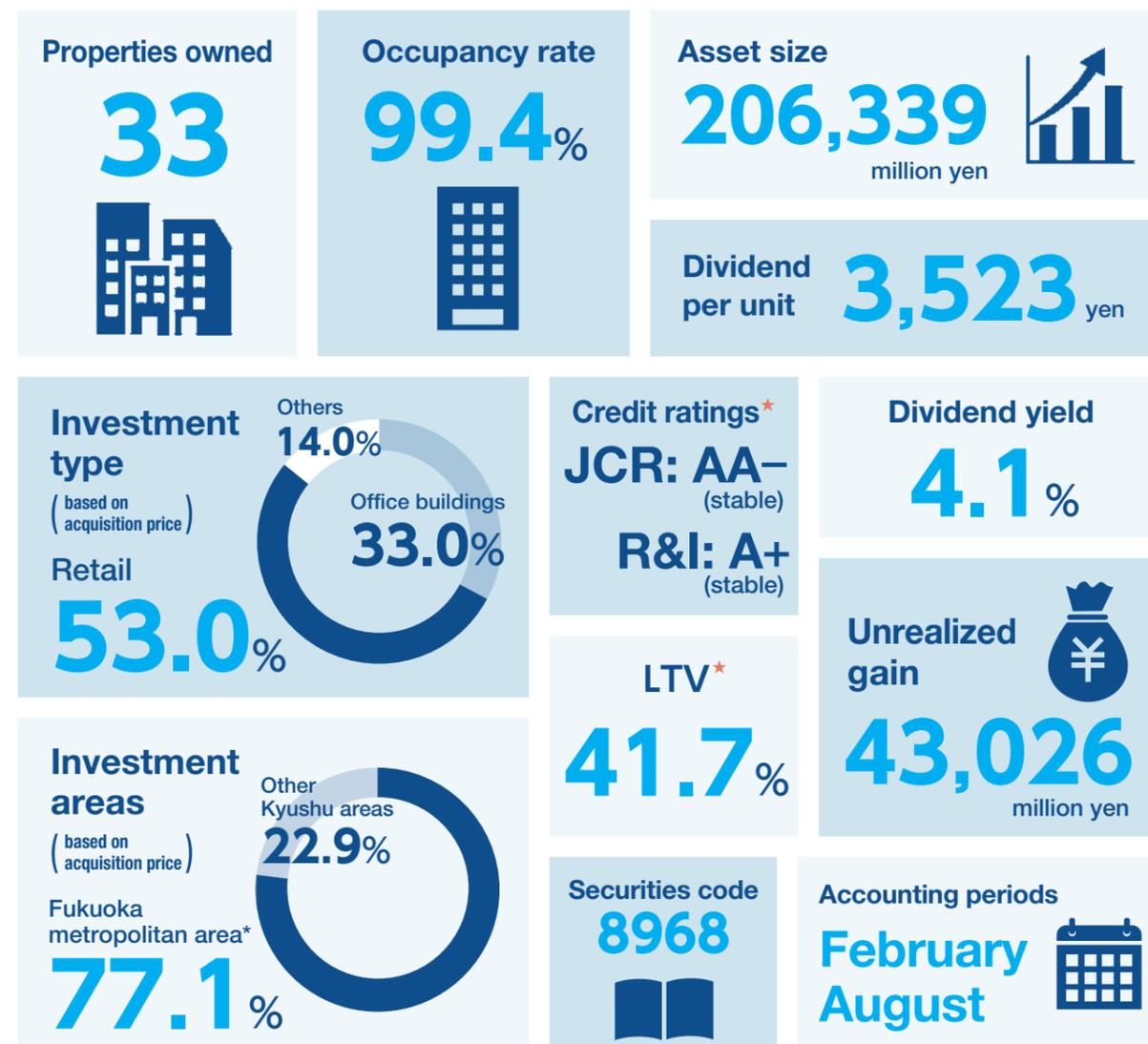
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#### Positioning of This Report



## Fukuoka REIT Corporation in Numbers



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

**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 multiplied by 100

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. Neither Fukuoka REIT Corporation nor Fukuoka Realty Co., Ltd., shall be liable for the accuracy, rationality, and completeness of information contained in these materials, whether they were prepared by Fukuoka REIT Corporation or Fukuoka Realty Co., Ltd., or provided by a third party.

Note that all information in this document is current at the time of preparation and is subject to change without prior notice.

These materials have not been prepared to entice investment.

When applying to purchase investment units issued by Fukuoka REIT Corporation, do so based on your own judgment and responsibility.

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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.

# Overview of Fukuoka REIT Corporation

Name	Fukuoka REIT Corporation	Asset manager	Fukuoka Realty Co., Ltd.
Representative	Zenji Koike, Executive Director	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.
Security code	8968		
Listed date	June 21, 2005 (Tokyo Stock Exchange, Fukuoka Stock Exchange)		
Fiscal period	February and August		

	History of Fukuoka REIT Corporation	Fukuoka Kyushu Actions
2005	<ul style="list-style-type: none"> <li>Listed on the Tokyo Stock Exchange and Fukuoka Stock Exchange</li> <li>Property acquisitions: SunLive City Kokura, Sanix Hakata Building</li> </ul>	<ul style="list-style-type: none"> <li>Nanakuma subway line opens</li> <li>Kyushu National Museum opens</li> </ul>
2006	<ul style="list-style-type: none"> <li>1st public offering (Offer price: 153,272 yen*)</li> <li>10th anniversary of the opening of Canal City Hakata</li> <li>Property acquisitions: Taihaku Street Business Center, Amex Akasakamon Tower, Square Mall Kagoshima Usuki, Kumamoto Intercommunity SC</li> </ul>	<ul style="list-style-type: none"> <li>New Kitakyushu Airport opens</li> </ul>
2007	<ul style="list-style-type: none"> <li>Property acquisitions: Hanahata SC, City House Keyaki Dori</li> </ul>	<ul style="list-style-type: none"> <li>Tenjin LOFT opens</li> </ul>
2008	<ul style="list-style-type: none"> <li>Canal City Hakata South Building renovation (2nd floor)</li> <li>Property acquisitions: Kurume Higashi Kushiwara SC, K's Denki Kagoshima</li> </ul>	<ul style="list-style-type: none"> <li>Kurume City, Fukuoka Prefecture, becomes a core city</li> </ul>
2009	<ul style="list-style-type: none"> <li>Property acquisition: Higashi Hie Business Center</li> </ul>	<ul style="list-style-type: none"> <li>Kyushu University Ropponmatsu Campus closes (redevelopment project zone)</li> </ul>
2010	<ul style="list-style-type: none"> <li>Canal City Hakata common space and Park Place Oita common space, tenant floor renovations</li> </ul>	<ul style="list-style-type: none"> <li>Fukuoka Parco opens</li> </ul>
2011	<ul style="list-style-type: none"> <li>2nd public offering (Offer price: 115,217 yen*)</li> <li>IR Kyushu Workshop launch</li> <li>Selected as a AAA website All Japanese Listed Companies' Website Ranking for fiscal 2011</li> <li>Property acquisition: Canal City Hakata-B</li> </ul>	<ul style="list-style-type: none"> <li>Kyushu Shinkansen Kagoshima route fully opens</li> </ul>
2012	<ul style="list-style-type: none"> <li>Opened LAOX/XEBIO in the Canal City Hakata South Building</li> <li>Selected as a AAA website All Japanese Listed Companies' Website Ranking for fiscal 2012</li> <li>Property acquisition: Aqualia Chihaya</li> </ul>	<ul style="list-style-type: none"> <li>Fukuoka Urban Expressway fully opens and Kanjo Line opens</li> </ul>
2013	<ul style="list-style-type: none"> <li>3rd public offering (Offer price: 142,116 yen*)</li> <li>1st investment corporation bond* issuance</li> <li>Selected as a AAA website All Japanese Listed Companies' Website Ranking for fiscal 2013</li> <li>Property acquisitions: Tenjin Nishi-Dori Business Center Building, D-Wing Tower, Hotel FORZA Oita, Tenjin North Front Building</li> </ul>	<ul style="list-style-type: none"> <li>Fukuoka City population tops 1.5 million</li> <li>JR Kyushu Cruise Train "Seven Stars in Kyushu" begins operations</li> </ul>
2014	<ul style="list-style-type: none"> <li>5:1 investment unit split implemented</li> <li>Received the IR Excellent Company Encouragement Award (organized by Japan Investor Relations Association)</li> <li>Property acquisitions: Tosu Logistics Center, Grantore Yakuin Minami</li> </ul>	<ul style="list-style-type: none"> <li>Fukuoka City designated a National Strategic Special Zone</li> <li>Number of cruise ship port calls: 115</li> </ul>
2015	<ul style="list-style-type: none"> <li>4th public offering (Offer price: 212,257 yen*)</li> <li>Fukuoka REIT Corporation 10th anniversary</li> <li>Property acquisitions: LOGICITY Minato Kashii, Marinao City Fukuoka (Marina Side Building)</li> </ul>	<ul style="list-style-type: none"> <li>Tenjin Big Bang begins</li> <li>Number of cruise ship port calls: 259 (shopping sprees)</li> <li>JR Oita City opens</li> </ul>
2016	<ul style="list-style-type: none"> <li>Canal City Hakata 20th anniversary</li> <li>Japan's largest 3D projection mapping and new Aqua Panorama fountain installed at Canal City Hakata</li> </ul>	<ul style="list-style-type: none"> <li>Higashi-Kyushu Expressway fully opens</li> <li>Number of cruise ship port calls: 328</li> <li>Vegefru stadium (new fresh produce market) begins at Island City</li> </ul>
2017	<ul style="list-style-type: none"> <li>2nd investment corporation bond issuance</li> <li>Park Place Oita 15th anniversary renovation</li> <li>Canal City Hakata inbound sets new visitor record (17.02 million in fiscal 2017)</li> <li>Property acquisition: LOGICITY Hisayama (Asset management company)</li> <li>Formulated Policies for Customer-Oriented Business Operations</li> </ul>	<ul style="list-style-type: none"> <li>Fukuoka City Science Museum opens</li> <li>World Cultural Heritage registers heritage sites related to Kami-yadoru shima Munakata and Okinoshima</li> </ul>
2018	<ul style="list-style-type: none"> <li>5th public offering (Offer price: 164,414 yen*/3rd investment corporation bond issuance)</li> <li>Property acquisitions: Konoha Mall Hashimoto, Higashi Hie Business Center II, Tissage Hotel Naha (Asset management company)</li> <li>Formulated the Sustainability Policy/Endorsed the Principles for Responsible Investment (PRI) and the Principles for Financial Action for the 21st Century (PFA21)/Certified as a "Fukuoka 'Work Style Reform' Promotion Company"</li> </ul>	<ul style="list-style-type: none"> <li>Fukuoka Jisho Co., Ltd., becomes a premium partner of Avispa Fukuoka</li> </ul>
2019	<ul style="list-style-type: none"> <li>Received the rating of "4 stars" and "Green Star" in the GRESB Real Estate Assessment</li> <li>Became the first company in Kyushu to conduct borrowing via green loans</li> </ul>	<ul style="list-style-type: none"> <li>Private-sector outsourcing of Fukuoka Airport operations begins</li> </ul>
2020	<ul style="list-style-type: none"> <li>Became the first J-REIT to publish an integrated report</li> <li>Received the rating of "3 stars" and "Green Star" in the GRESB Real Estate Assessment</li> <li>Property acquisitions: Higashi Hie Business Center III, LOGICITY Wakamiya</li> </ul>	<ul style="list-style-type: none"> <li>COVID-19 outbreak</li> <li>TEAM FUKUOKA launched to attract international financial functions to Fukuoka</li> </ul>
2021	<ul style="list-style-type: none"> <li>Canal City Hakata opening 25th anniversary/Nitori Canal City Hakata opens</li> <li>Received the rating of "4 stars" and "Green Star" in the GRESB Real Estate Assessment</li> <li>Selected as a AAA website All Japanese Listed Companies' Website Ranking for fiscal 2021</li> <li>Property acquisition: Tenjin Nishi-Dori Business Center (Land with leasehold interest)</li> </ul>	<ul style="list-style-type: none"> <li>Tenjin Big Bang, Tenjin Business Center completed</li> </ul>
2022	<ul style="list-style-type: none"> <li>Partial revision to management guidelines/Set targets for materiality KPIs/Conducted borrowing via a sustainability-linked loan*/Endorsed the TCFD recommendations</li> <li>Received the rating of "4 stars" and "Green Star" in the GRESB Real Estate Assessment/Top "A" in the GRESB Public Disclosure</li> <li>Renewal opening of Park Place Oita's 3-floor, Shangri-la Zone</li> <li>Property acquisitions: Hakata Chikushi-Dori Center Building, Island City Minato Bay related site (land with leasehold interest; conclusion of agreement; tentative name) (Asset management company)</li> <li>Registration with Fukuoka City Well-Being &amp; SDGs Registration System "Master"</li> </ul>	<ul style="list-style-type: none"> <li>Dontaku parade held for the first time in three years</li> <li>Oiyama event of Hakata Gion Yamakasa Festival held for the first time in three years</li> </ul>

\* The investment corporation undertook a five-for-one investment unit split effective March 1, 2014. Accordingly, offer prices for the first to third public offerings have been divided by five.

## Glossary Sustainability-linked loan

Sustainability-linked loans are loans that encourage borrowers to meet ambitious sustainability performance targets (SPTs).

## Investment corporation bond

Bonds issued by investment corporations in accordance with the Act on Investment Trusts and Investment Corporations and are equivalent to corporate bonds of stock companies. Bonds are issued as a means of fund procurement, and are used mainly for acquisition of real estate, repair, and maintenance of existing properties, and repayment and redemption of borrowings.

## 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\***  
Appropriate management of real estate investments



Canal City Hakata is a multipurpose retail facility that opened in 1996 as an urban redevelopment project based on the concept of "urban theater."

Canal City Hakata is located between the Tenjin district—which forms the commercial center of Fukuoka City—and the business district centering on JR Hakata Station, and is close to the famous entertainment area Nakasu and Kushida Shrine, which once flourished as a community of Hakata merchants and is famous throughout Japan for the Hakata Yamakasa Festival. Canal City Hakata was designed by American architect Jon Jerde. The project site was the former location of the Hakata Silk Cotton Spinning Company (later the Hakata Factory of Kanegafuchi Spinning, hereafter the "Kanebo Factory"). It had become a forgotten plot of land at the heart of Fukuoka City that had lost the urban functions that once helped develop modern society.

In 1977, Fukuoka Jisho acquired a portion of the former Kanebo Factory site, which is an area of approximately 3,000 tsubo. At the time, the area was being planned as a redevelopment for condominiums, but the concept was reworked many times in the hope of "reviving Hakata as a commercial city." In 1982, a basic development concept was formulated and a master plan was announced the following year, but the redevelopment was temporarily postponed due to the poor earnings for key tenants. In 1988, a major step toward realization was finally taken, and Canal City Hakata opened on April 20, 1996, as a catalyst to revitalize the central part of the downtown area, which had become stagnant, and to promote the balanced development of the entire city center. Traffic congestion on surrounding roads that had been a concern before the opening was addressed through road maintenance in cooperation with the local government, and a pedestrian bridge was constructed to connect to the Kamikawabata Shopping Arcade. Accordingly, the opening of Canal City Hakata has led to the revitalization of the Kamikawabata Shopping Arcade and surrounding areas.

Source: Prepared by Fukuoka Realty Co., Ltd., based on the Canal City Hakata Concept Book

**Before completion**  
Kanebo Factory in 1957. The Japan National Railways tracks and a service line are visible in the foreground.



**Completion**  
Fulfilling new urban functions, enhances circulation to Tenjin and Hakata while connecting the surrounding areas of Kawabata and Sumiyoshi.



**After Completion**  
Five million people visited Canal City Hakata in the first two months after its opening. The "urban theater" was born, creating a variety of ripple effects in the surrounding area.



## 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

## Relationship with Fukuoka Realty Co., Ltd.

Fukuoka REIT Corporation (“FRC”) comprises one Executive Director and two Supervisory Directors, and actual investment management is contracted to our asset manager, Fukuoka Realty (“Fukuoka Realty”). As such, FRC and Fukuoka Realty are treated as one entity in this document in reporting on the value created for stakeholders.

### FRC’s Basic Policy

#### 【Our Mission】

Taking advantage of our strength in knowing the local characteristics of real estate, which is a region-specific business, we invest in real estate for rent in the Fukuoka and Kyushu areas. By appropriately managing the invested real estate, we will achieve stable earnings over the medium to long term while making efforts to keep providing stable dividends for the future.

#### 【Act Local】

We—FRC and Fukuoka Realty—are currently the only listed real estate investment corporation and asset management company registered outside the Tokyo metropolitan and Kansai areas under the provisions of the Act on Investment Trusts and Investment Corporations as well as the Financial Instruments and Exchange Act.

As a region-specific REIT, FRC seeks differentiation in the selection of investment target properties and the management of owned assets through the enhancement of its information gathering ability and ability to discern the profitability of properties

by utilizing its speed and depth of information based on knowledge of local land and a broad network centering on local governments and the business world.

#### 【Think Global】

We will proactively engage in IR activities to fulfill our accountability to global capital markets. In conjunction, we will take heed of Fukuoka Realty’s corporate governance and compliance.

Regarding real estate and financial markets, FRC will keep closely tracking movements occurring across the whole of Japan and the entire world, taking into consideration the logic of capital markets with global ideas, and appropriately reflecting such in our asset management.

We will also keep diligently pursuing dialogue with investors, focusing on fulfilling our accountability, and utilizing Fukuoka Realty’s fund management skills for investors under a strict compliance policy.

### Contribution to Regional Revitalization and Development of Attractive Communities

FRC and Fukuoka Realty believe that attracting domestic and foreign excellent investment funds to regional real estate financial markets will stimulate community development in the Fukuoka and Kyushu areas. Although we are not directly involved in community development or real estate development, we expect our acquisition of properties to lead to new funds passing to sellers and part of those funds being directed to new development, etc. With funds injected into FRC from Japan and abroad, new investment funds will flow to the Fukuoka and Kyushu areas

as a whole. Based on this perspective, we believe that we can contribute to regional revitalization and community development in the Fukuoka and Kyushu areas.

Funds will be returned to unitholders by distributing the earnings from owned assets.

Through the promotion of community development and the revitalization of regional economies in the Fukuoka and Kyushu areas, we will aim for FRC earnings stability.



#### Act Local

- Real estate is a local business
- Distinctive capability for gathering qualitative information on the real estate market (speed, in-depth information)
  - Specialization in local properties
  - Solid network among local governments and the business world

#### Our Mission

Region-Specific REIT  
Aim to achieve the best interests of unitholders by leveraging our expertise in the local real estate markets of Fukuoka and Kyushu

#### Think Global

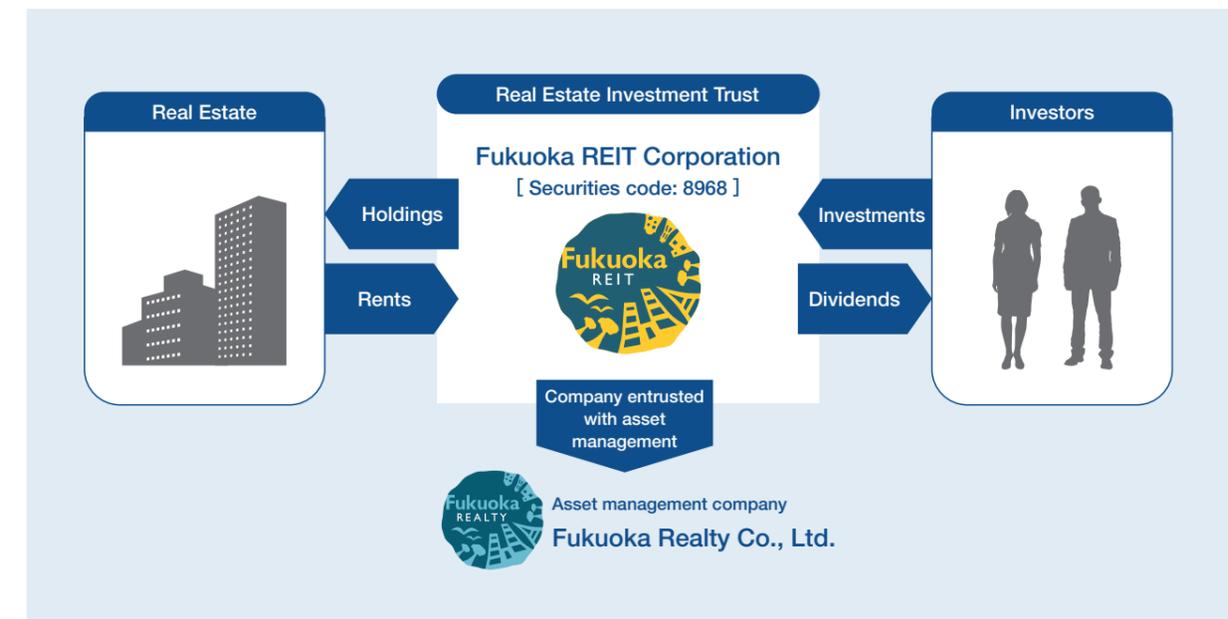
- Capital market theory
- Accountability and transparent dialogue with investors
  - Decent policy to comply
  - Fund management skills

### Corporate Profile of Fukuoka Realty Co., Ltd.

Listed on the real estate investment trust sections of the Tokyo and Fukuoka stock exchanges, Fukuoka Realty Co., Ltd., is FRC’s asset management company.

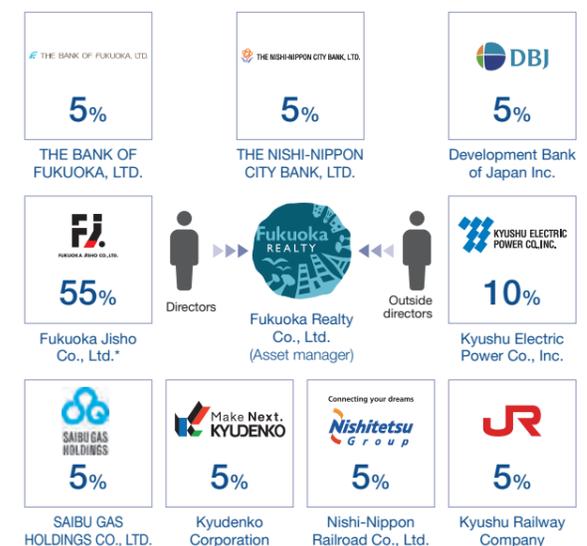
Based on an asset management agreement concluded with FRC, Fukuoka Realty is entrusted with the key operations of “acquiring and selling assets,” “asset rental management,” and “financing.”

Located in Fukuoka City and comprising 41 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.



Leading companies in Fukuoka and the Kyushu areas 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 through 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 have concluded a pipeline support\* memorandum of understanding (MOU) to seek stable and continuous acquisition opportunities.



\* Concluded MOU with FRC and Fukuoka Realty Co., Ltd., 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

**Our Mission** Act Local, Think Global

**Vision** Promote Attractive Urban Development in the Fukuoka and Kyushu Areas

Main management resources (Inputs)

<b>Financial capital</b>	Building of a solid financial base through conservative control of LTV <ul style="list-style-type: none"> <li>LTV ..... <b>41.7%</b></li> <li>Fixed rate..... <b>93.4%</b></li> </ul>
<b>Manufacturing capital</b>	Finding excellent properties that can generate stable cash flow over the long term
<b>Human capital</b>	<ul style="list-style-type: none"> <li>Excellent human resources with specialized skills</li> <li>Support framework for flexible working styles</li> <li>Support system for career development</li> <li>Number of full-time officers and employees*: ..... <b>41</b></li> <li>Number of qualification holders*:                     <ul style="list-style-type: none"> <li>Real estate appraisers <b>1</b> / Attorney <b>1</b> / First-class registered architects <b>1</b> / MBA <b>2</b></li> </ul> </li> </ul> <small>*Fukuoka Realty Co., Ltd.</small>
<b>Intellectual capital</b>	<ul style="list-style-type: none"> <li>A varied skill set formed through human resource training</li> <li>Experience and knowledge of IR activities based on long years of practical implementation</li> <li>Gathering of information deeply rooted in local communities</li> </ul>
<b>Social relationship capital</b>	<ul style="list-style-type: none"> <li>Co-creative and trusting relationships with tenants</li> <li>Cooperative framework with property management (PM) companies</li> <li>Coordination with local society, local communities</li> <li>Maintenance of good relationships of trust with sponsors</li> </ul>
<b>Natural capital</b>	<ul style="list-style-type: none"> <li>Energy, water, air, and other natural resources used in the operation of properties owned</li> <li>Natural environment and biodiversity in the areas around properties owned</li> </ul>

Business activities



External Environment [See p.20](#)

Response to ESG issues

<b>Sustainability</b> <a href="#">See p.29</a>	<b>Environmental Issues</b> <a href="#">See p.32</a>
<b>Social Issues</b> <a href="#">See p.36</a>	<b>Organizational Issues</b> <a href="#">See p.38</a>

Risks and Opportunities [See p.22](#)

Total 33 properties [See p.42](#)



Outcome

Financial capital

- TSR\* for past 10 years **Annual rate 8.1%**
- Dividend per unit / Average interest rate paid **3,523 yen / 4.1%**
- Credit ratings JCR: AA- (stable), R&I: A+ (stable)

Manufacturing capital

- NOI yield **5.2%**
- Unrealized gain **43,026 million yen**
- NAV per unit **178,348 yen**

Human capital

- Number of qualification holders: Real estate brokers **56.1%** out of 41 full-time officers and employees / ARES Certified Masters **43.9%** out of 41 full-time officers and employees

Intellectual capital

- Number of IR interviews during the year In Japan 184, Abroad 22 (including telephone conferences)
- Track record of winning awards IR Excellent Company Encouragement Award (2014) / Nikko Excellent IR Website Award (2021)

Social relationship capital

- Human resource exchanges with sponsors (e.g., 3 people accepted from sponsors, 8 people dispatched to sponsors)
- Improvement of office environments (introduction of meeting booths, plants and other greenery)
- Implementation of COVID-19 tenant support measures (assistance with vaccinations as requested and other support)

Natural capital

- Green building certification rate (total floor space basis) 77.8%
- Reduction of electricity usage and water consumption at properties owned Electricity usage reduced by 8.84% compared with 2019 Water consumption reduced by 31.14% compared with 2019

Value creation with stakeholders

**Clients/Tenants** [Management Strategy See p.25](#) [Initiatives at Facilities See p.34](#)

<Office Buildings>

- Create business opportunities, attract companies from other countries and other regions in Japan, and establish a place for start-ups to flourish

<Commercial>

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

**Region and Society** [Management Strategy See p.25](#) [Community-Based Initiatives See p.37](#)

<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.29](#) [Employee Initiatives See p.36](#)

- Improve experiences through human resource exchanges and rotation
- Increase motivation through participation in urban development, etc.
- 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** [Investment Strategy See p.24](#) [Redevelopment Project in Fukuoka City See p.21](#)

- 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** [Investment Strategy See p.24](#) [Redevelopment Project in Fukuoka City See p.21](#)

- 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.32](#)

- 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

Related Stakeholders

**Clients/Tenants**  
Total tenants in all properties: 1,021

- Customer satisfaction surveys at retail facilities
- Tenant satisfaction surveys

**Region and Society**  
Population of the 6 prefectures we have properties in: Approx. 11,774,000

- 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: 41

- Various employee education systems
- Employee satisfaction surveys
- Career interviews with employees

**Unitholders/Financial Institutions**  
No. of unitholders: 13,554  
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/Six prefectures (Fukuoka/Saga/Kumamoto/Oita/Kagoshima/Okinawa)

- Environmental preservation (Electricity and water conservation)
- Green Building certification

**Glossary** **TSR**  
An abbreviation for Total Shareholder Return. This can also be called total shareholder (investor) yield and reflects combined capital gains and dividends, reflecting the overall investment yield for investors. [Calculation method] TSR (%) = (Dividend per unit + Increase in investment unit price) / Initial investment unit price multiplied by 100



Investment Strategy [See p.24](#)

Management Strategy [See p.25](#)

Financial Strategy [See p.26](#)

Fund procurement (financing)

Information communication (IR/SR)

### Research

Human resources who are familiar with the area and have built trusting relationships collect high-quality information on properties from sponsors and the community

Strengths and characteristics of the value creation process

- Property appraisal skills unique to a local person
- Robust network
- Market research and analysis

Related capital

- Intellectual capital (information-gathering ability)
- 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.24](#)

### Acquisition

Acquisition of excellent real estate in the Fukuoka and Kyushu areas through sponsor companies and local communities

- Discovery and acquisition of properties that can generate stable cash flow
- Improvement of property value

- Financial capital (financing ability)
- Manufacturing capital (excellent properties)
- Human capital (discerning eye, expertise)

- Diversification in fund procurement
- Discovery of excellent properties using networks we created

[See p.24](#)

### Management

Constant forward-looking management with an attention to detail unique to a region-specific REIT

- Stable cash flow
- Derive maximum value from our real estate portfolio over the long term

- Human capital (know-how)
- Social relationship capital (relationships of trust, cooperation and collaboration)
- Natural capital (natural environment)

- Maintenance of NOI in existing properties
- Essential environmental initiatives

[See p.25](#)

### Management, Valuation, and Sales/Replacement

Portfolio management from a medium- to long-term perspective and appropriate financial strategies

- Sound financial position
- Realization of stable distributions and dividends

- Financial capital (management know-how/performance)
- Human capital (know-how)
- Social relationship capital (relationships of trust, cooperation and collaboration)

- Management focused on long-term fixed interest rate entities and financial stability
- Management that emphasizes the best interests of unitholders

[See p.26](#)

#### Related Stakeholders

**Clients/Tenants**  
Total tenants in all properties: 1,021

- Customer satisfaction surveys at retail facilities
- Tenant satisfaction surveys

**Region and Society**  
Population of the 6 prefectures we have properties in: Approx. 11,774,000

- 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: 41

- Various employee education systems
- Employee satisfaction surveys
- Career interviews with employees

**Unitholders/Financial Institutions**  
No. of unitholders: 13,554  
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/Six prefectures (Fukuoka/Saga/Kumamoto/Oita/Kagoshima/Okinawa)

- Environmental preservation (Electricity and water conservation)
- Green Building certification

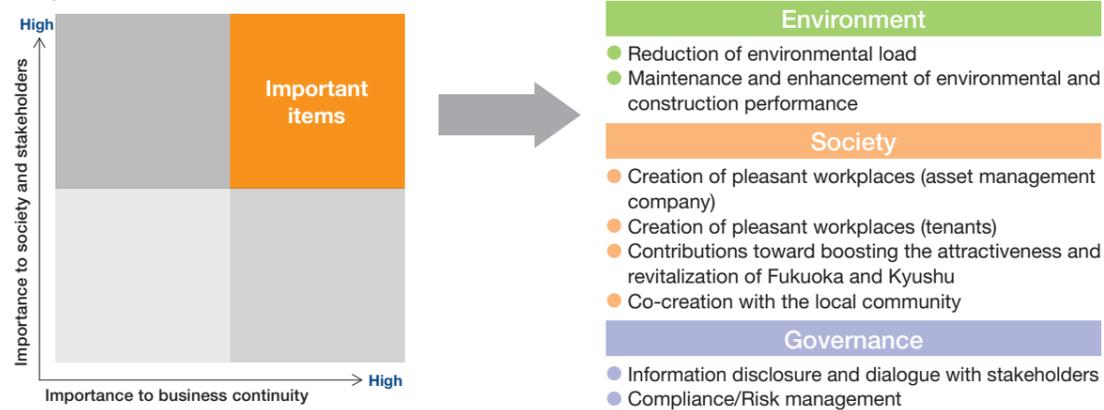
# Materiality

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

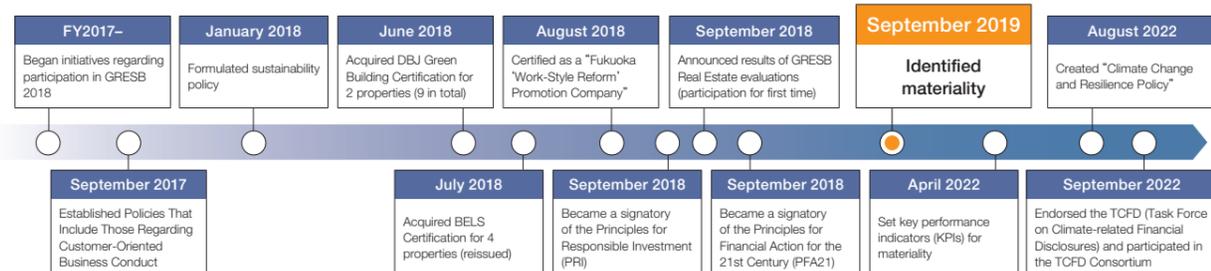
Fukuoka Realty, the asset management company, has identified materiality (important issues to address) in its sustainability initiatives based on the demands and expectations of stakeholders and the expected impact on and importance to FRC's business.

### Mapping of Issues

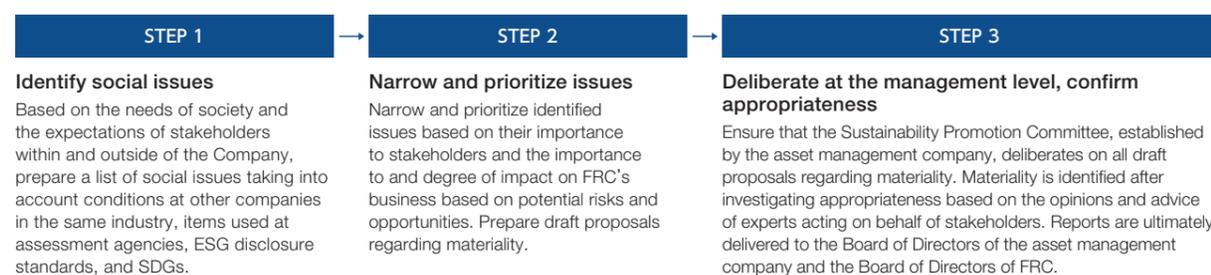


We have identified eight material issues through the process below from environmental, social, and governance perspectives that are of high importance to society and stakeholders and to business continuity.

## Historical Background to Identification of Materiality



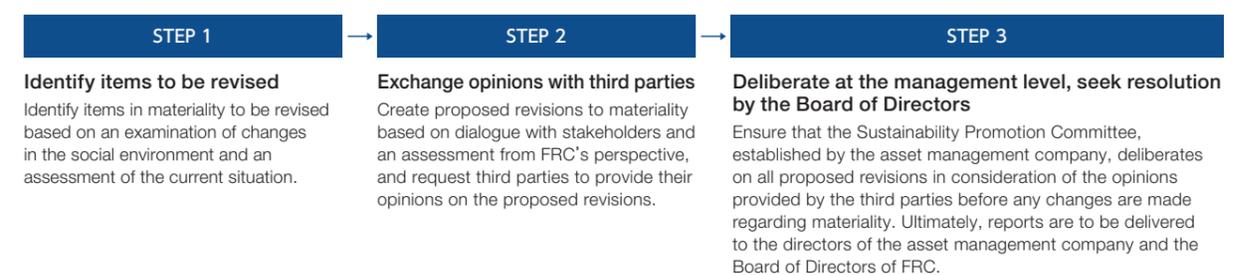
## Process for Identifying Materiality



## Materiality

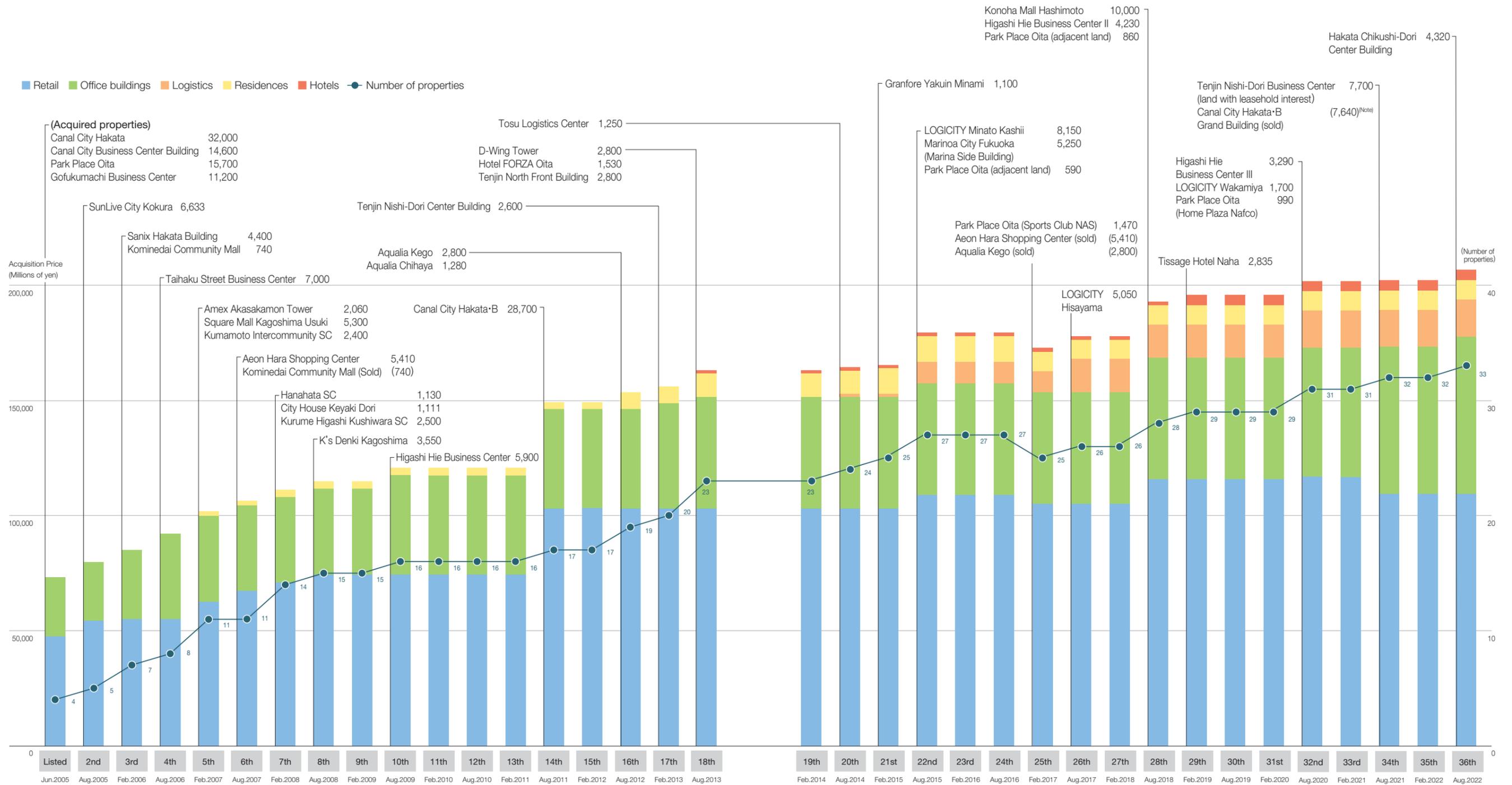
	Materiality	Policies and targets	KPIs and targets	Related SDGs
Environment	Reduction of environmental load	<ul style="list-style-type: none"> <li>Coordinate with Property Management and Building Management on promotion of management and reduction of energy consumption, greenhouse gas emissions, water consumption, and waste output <a href="#">See p.30</a></li> </ul>	<ul style="list-style-type: none"> <li>(by 2030) 35% reduction in CO<sub>2</sub> emissions (compared with 2019, basic unit), 75% waste recycling rate</li> </ul>	
	Maintenance and enhancement of environmental and construction performance	<ul style="list-style-type: none"> <li>Carry out performance and function evaluation of properties on a regular basis and ameliorate any deterioration in performance</li> <li>Maintain and improve competitiveness by acquiring green building certifications and through visual representation of building performance <a href="#">See p.35</a></li> </ul>	<ul style="list-style-type: none"> <li>(by 2030) 85% Green Building Certification rate or higher</li> </ul>	
Society	Creation of pleasant workplaces (asset management company)	<ul style="list-style-type: none"> <li>Improve quality of operations by enhancing and expanding employee education systems and promoting acquisition of qualifications</li> <li>Continue to improve office environments and work on providing pleasant working environments</li> <li>Give consideration to a work-life balance and boost employee satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Training per employee (number of times)</li> <li>Improve office environment (number of cases)</li> </ul>	
	Creation of pleasant workplaces (tenants)	<ul style="list-style-type: none"> <li>Promote improvement of employee satisfaction and work toward increasing job satisfaction of tenant employees <a href="#">See p.36</a></li> </ul>	<ul style="list-style-type: none"> <li>Conduct regular tenant satisfaction surveys (all properties)</li> </ul>	
	Contributions toward boosting the attractiveness and revitalization of Fukuoka and Kyushu	<ul style="list-style-type: none"> <li>Enhance dissemination of information regarding strengths and charms of Fukuoka and Kyushu</li> <li>Support research and studies on the local economy and industries and promote attractive urban development in collaboration with local business circles <a href="#">See p.37</a></li> </ul>	<ul style="list-style-type: none"> <li>Join and participate in local economic organizations</li> <li>Host local community events (number of times)</li> </ul>	
	Co-creation with the local community	<ul style="list-style-type: none"> <li>Deepen dialogue and collaboration with local communities through participation in community activities and various initiatives using properties under our management to grow and develop together with the local community</li> </ul>	<ul style="list-style-type: none"> <li>Join and participate in area management organizations</li> <li>Continued participation in activities that contribute to the community (number of times)</li> </ul>	
Governance	Information disclosure and dialogue with stakeholders	<ul style="list-style-type: none"> <li>Disclose financial and non-financial information to stakeholders in an appropriate and timely manner</li> <li>Build relationships of trust through proactive dialogue with stakeholders and reflect stakeholder feedback in the management strategy</li> </ul>	<ul style="list-style-type: none"> <li>Dialogue with investors (number of times)</li> <li>Sustainability training for employees (number of times) <a href="#">See p.38</a></li> </ul>	
	Compliance/Risk management	<ul style="list-style-type: none"> <li>Ensure thorough compliance including compliance with laws and ordinances and elimination of conflicts of interest with interested parties, and develop and operate an appropriate internal risk management system to maintain and improve corporate value</li> </ul>	<ul style="list-style-type: none"> <li>Compliance training (number of times) <a href="#">See p.39</a></li> </ul>	

## Process for Revising Materiality



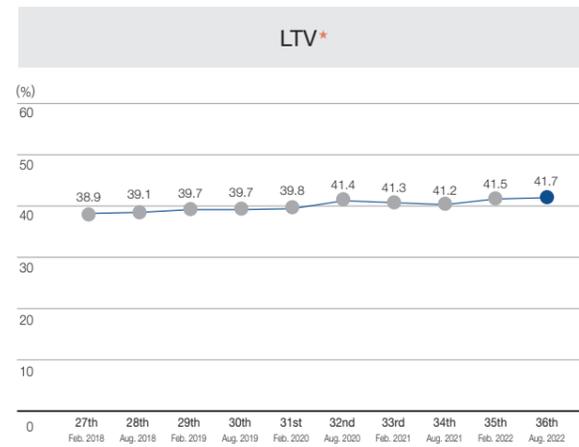
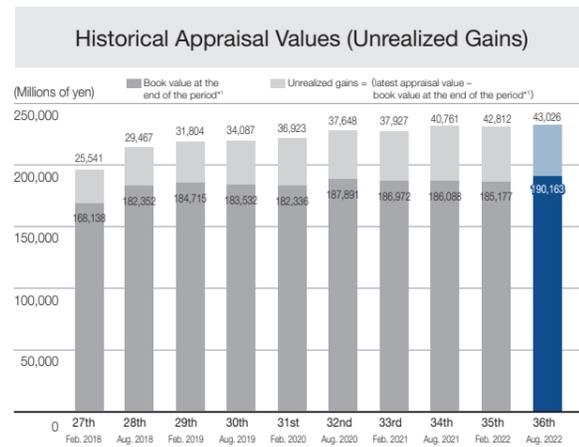
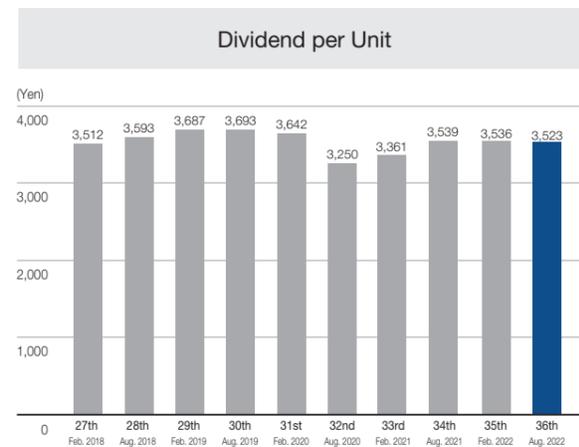
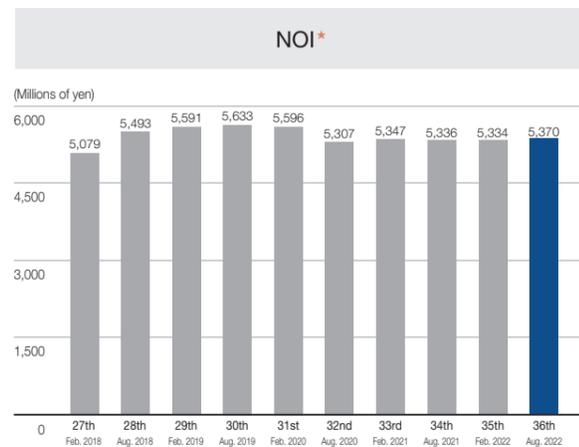
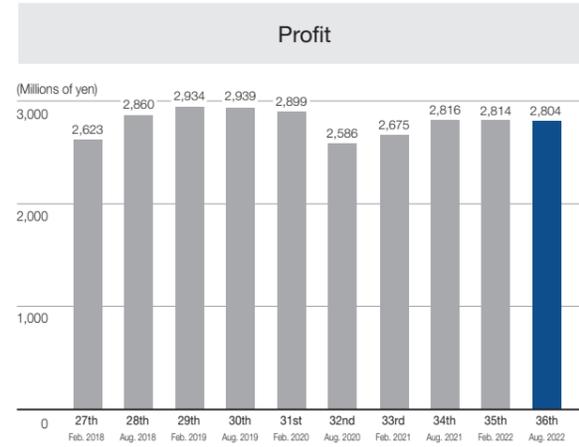
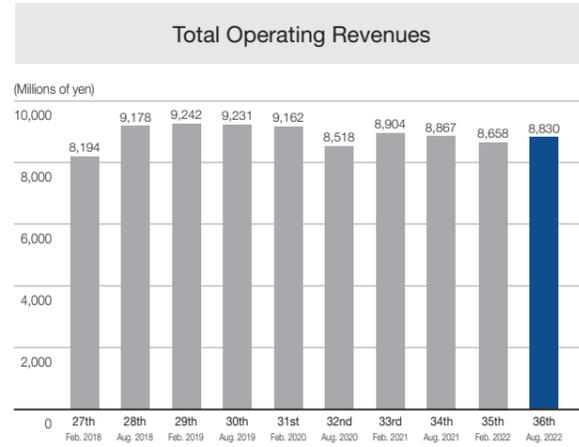
# History of Asset Portfolio Expansion

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, FRC carefully selects and invests in properties that can generate stable cash flow over many years, and we are working to continuously expand the scale of our assets. In addition to retail and office buildings, we are diversifying our portfolio by expanding the scope of investment into such properties as logistics facilities, residences, and hotels.



\* Amounts indicate acquisition price.  
Note: FRC has co-ownership interest in the amount of 88.28%, and the amount indicates the appraisal value at the time of transfer.

## Financial Highlights



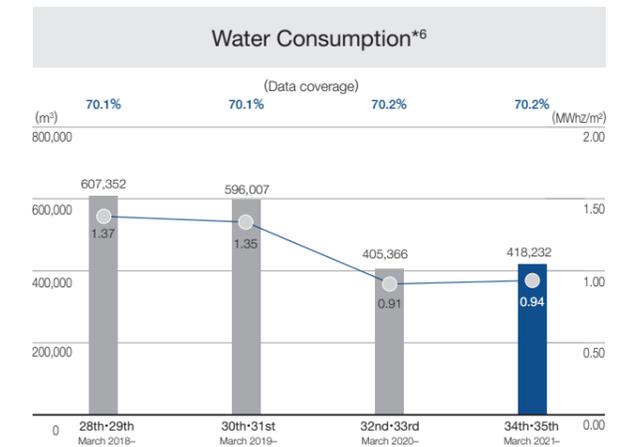
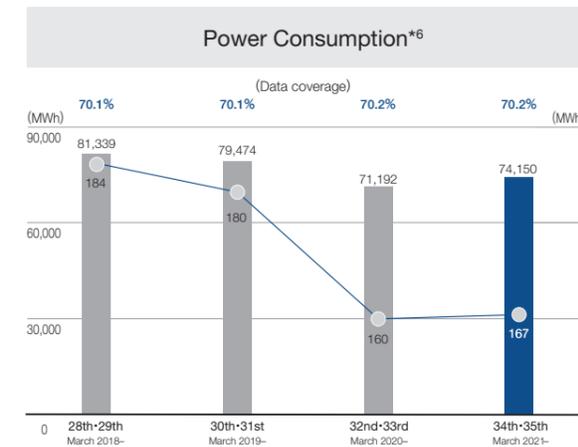
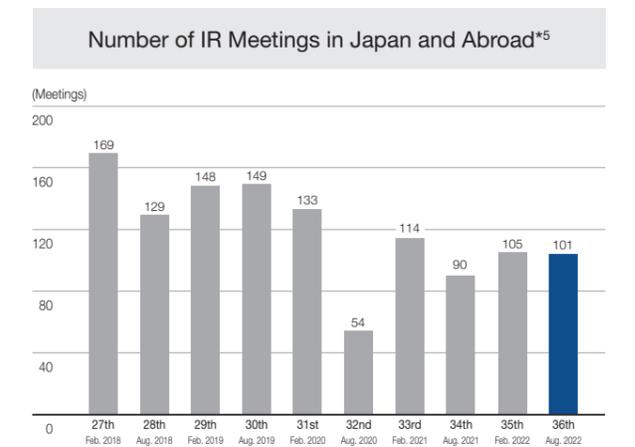
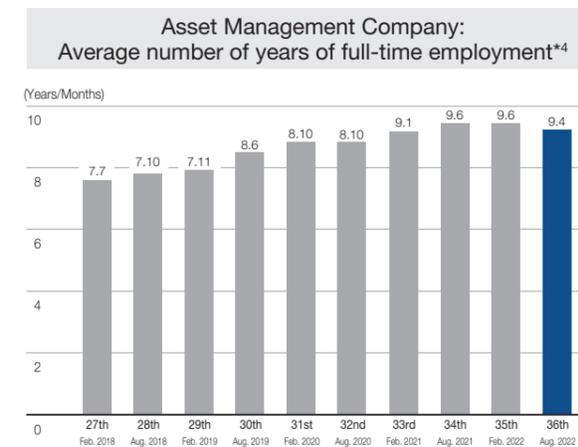
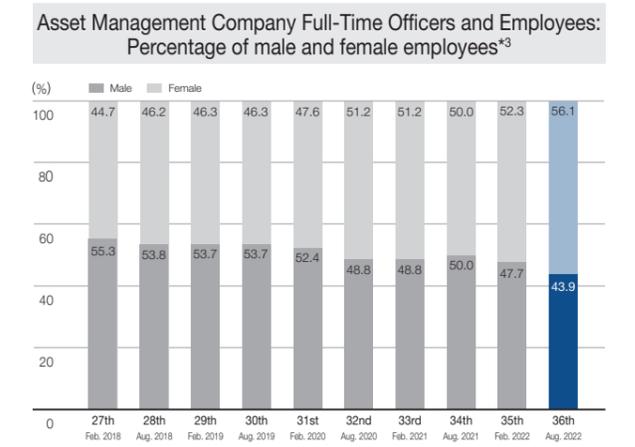
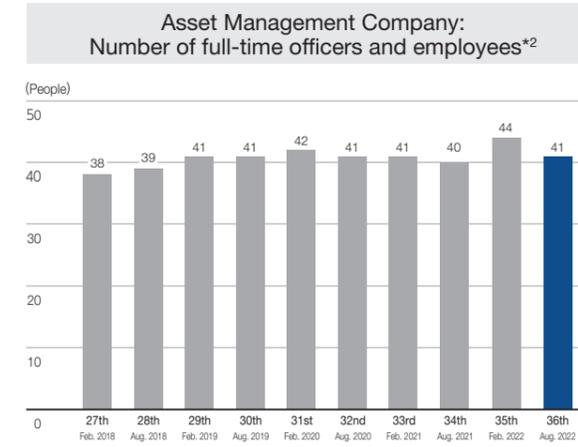
#### Glossary

**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 multiplied by 100

## Non-Financial Highlights



\*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. 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 consumption for all buildings, including electricity and water consumption by some theater areas 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. Data covers a period of four years.