

External Environment (Initiatives of Fukuoka City)

Fukuoka City's Standing: From Regional City to an Asian Economic Metropolis



Blessed with a history and culture nurtured by the sea, an abundant natural environment, extensive urban functions, diverse human resources, and various other assets, Fukuoka City is recognized around the world as a livable city.

Under the "Fukuoka City Comprehensive Plan," the basic strategy for city management focuses on creating a virtuous cycle of "urban growth" and "greater quality of life." In aiming to become a "leading Asian city in which people, the environment, and urban vitality are harmonized," Fukuoka City is advancing urban planning that recognizes its presence within Asia as a compact, sustainable city that balances economic growth with a safe, secure, high quality of life.

Initiatives Aimed at Attracting Companies

Attracting International Financial Functions, TEAM FUKUOKA

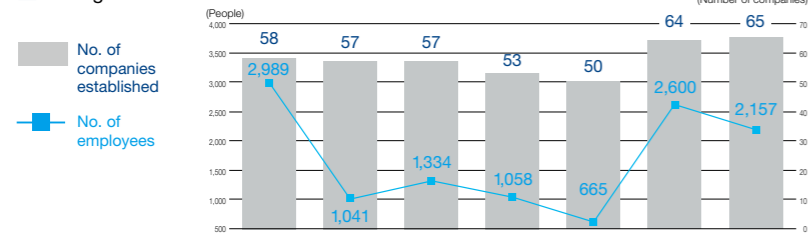


Fukuoka City launched TEAM FUKUOKA with the aim of attracting international financial functions to the city by conducting promotional activities and creating an environment that will generate momentum for the city (in September 2020).

M-DAQ, a globally expanding and Unicorn-class Singapore FinTech company offering financial services using foreign exchange, and E.SUN Bank, a leading financial institution in Taiwan that holds the largest share in financing for SMEs, have established offices in Fukuoka City. The E.SUN Bank's Fukuoka Branch and NN Life Insurance Co., Ltd.'s Technology Operations Center Fukuoka were opened on September 1, 2023.

Change in the Number of Companies with Headquarters Functions/ in Growth Area Established in Fukuoka City

Strong Demand for Creative-Related Industries and Call Centers



(of which, main fields and functions)	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Creative-related industries	28	40	38	38	30	41	47
Foreign/foreign-affiliated	18	13	14	15	12	15	12
Call center	12	9	7	2	8	8	6
Headquarters functions, etc.	3	1	7	6	0	7	5
International finance	-	-	-	-	-	6	7

Source: Prepared by Fukuoka Realty based on data from "Headquarters functions/in growth area" by the Fukuoka City Economy, Tourism & Culture Bureau.

Note: The breakdown of figures for companies established includes some overlapping data.

Fukuoka City Tops List of Business Opening Rate in Japan for Three Consecutive Years



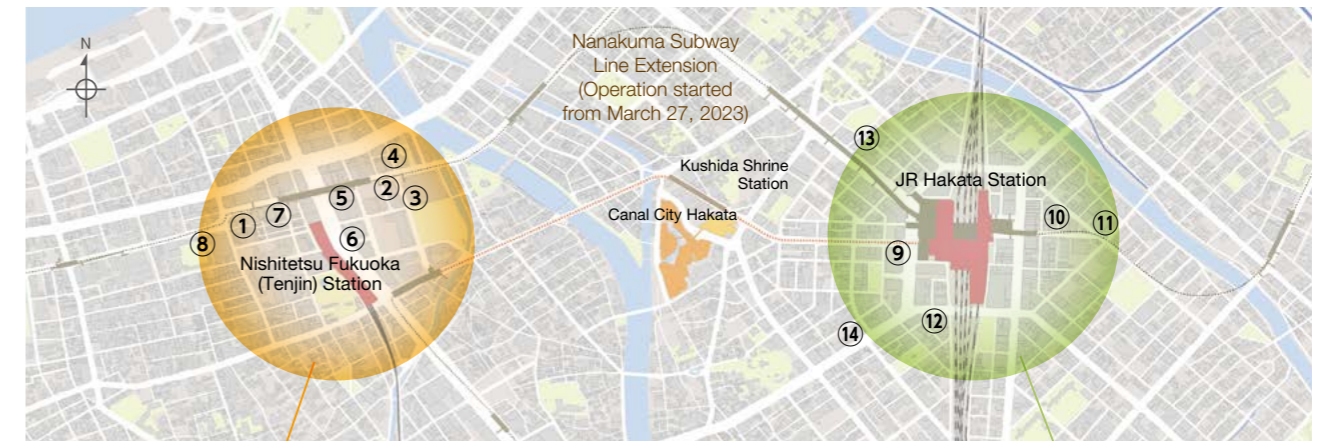
Source: Prepared by Fukuoka Realty based on data from "The general condition of the Fukuoka City Economy, March 2023" by the Fukuoka City Economy, Tourism & Culture Bureau.

Fukuoka City Special Zone for Global Start-Ups & Job Creation (National Strategic Special Zone)

Initiatives to support start-ups	
• Tax Reduction for start-ups (municipal tax, national tax)	
• Startup Visa	
• Startup Café	
• Fukuoka Growth Next	
• Global Startup Center	

Source: Prepared by Fukuoka Realty based on the section of Fukuoka City's official site featuring "National Strategic Special Zone for Global Start-Ups & Job Creation."

Redevelopment Project



Note: Focus areas

Tenjin Big Bang

Redevelopment Projects

Name	Completion month
① Sumitomo Life Fukuoka Building/Tenjin Nishi-dori Business Center Reconstruction Project (provisional name)	May 2025 (scheduled)
② Tenjin Business Center	September 2021
③ Tenjin Business Center Phase 2 Project (provisional name)	June 2026 (scheduled)
④ Tenjin 1-chome North 14th Block Building (provisional name)	March 2025 (scheduled)
⑤ New Fukuoka Building (provisional name)	December 2024 (scheduled)
⑥ Tenjin 1-7 plan (provisional name)	March 2026 (scheduled)
⑦ Hulic Fukuoka Building Rebuilding Project (provisional name)	December 2024 (scheduled)
⑧ Fukuoka Daimyo Garden City	March 2023

Source: Created by Fukuoka Realty based on each company's press release.

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

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

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

② Deregulation of floor space ratios (Fukuoka City original)

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

Hakata Connected

Redevelopment Projects

Name	Completion month
⑨ The Nishi-Nippon City Bank Head Office Main Building Reconstruction Project	February 2025 (scheduled)
⑩ CONNECT SQUARE HAKATA	March 2024 (scheduled)
⑪ Hakata East Terrace	August 2022
⑫ Hakata Fukami Park Building	February 2021
⑬ The Nishi-Nippon City Bank Administrative Head Office Building	September 2028 (scheduled)
⑭ Hakata Ekimae 3-chome Project (provisional name)	June 2025 (scheduled)

Source: Created by Fukuoka Realty based on each company's press release.

Hakata Connected Bonus

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

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

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

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

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

Risks and Opportunities

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

● Measures to Address Risks ● Opportunities

Significant risks	Impact on stakeholders	Respond to risks and opportunities
Risks from Natural Disasters <ul style="list-style-type: none"> Response to climate change <p>Related Materiality</p> <ul style="list-style-type: none"> Reduction of environmental load 	<ul style="list-style-type: none"> Buildings might be lost: suffer deterioration or damage due to the occurrence of natural disasters, such as earthquakes, storms, and floods; or experience severe weather due to climate change, and their value could be affected, with a decrease in rent due to the non-operation of properties 	<ul style="list-style-type: none"> Consider that it is possible to purchase insurance at a relatively low cost compared to other areas; arrange earthquake insurance coverage for all properties Improve resilience (e.g., ability to respond to disasters) by engaging in a variety of activities; this includes conducting disaster drills at each property, stockpiling emergency food supplies, strengthening flood countermeasures, and formulating a business continuity plan (BCP) <p>See p.30</p>
Environment-Related Risks <ul style="list-style-type: none"> Reduction of environmental load Soil pollution and toxic substances <p>Related Materiality</p> <ul style="list-style-type: none"> Reduction of environmental load Maintenance and enhancement of environmental and construction performance 	<ul style="list-style-type: none"> Increase in property management costs due to more stringent environmental laws and regulations, such as the strengthening of the Building Energy Conservation Law Risk of damage to the health of building users due to the presence of toxic substances in the soil or in building materials, and other items, of properties owned; risk of bearing the cost of compensation for damage to health or for removal of toxic substances 	<ul style="list-style-type: none"> Work to maintain and improve environmental performance through renovation opportunities for properties owned; acquire Green Building and other certifications to obtain the results of environmental/social initiatives in visual form and improve property competitiveness Aim to reduce vacancy rates by pursuing healthful and comfortable conditions in properties owned and by increasing leasing demand for properties with high environmental performance Conduct thorough physical investigations at the time of property acquisition; acquire properties after confirming the presence or absence of toxic substances and taking appropriate measures <p>See p.31</p>
Human Resource Related Risks <ul style="list-style-type: none"> Deterioration in the caliber of human resources Dependence on human resources <p>Related Materiality</p> <ul style="list-style-type: none"> Creation of pleasant workplaces (Asset Management Company) 	<ul style="list-style-type: none"> Risk of deterioration in the organizational strength of Fukuoka Realty Co., Ltd. (Asset Management Company), due to a failure to maintain the human resources base, in terms of such factors as ability, experience, and know-how of the Asset Management Company for smooth business operations Heavy reliance on FRC's directors and auditors as well as on the human resources of the Asset Management Company the risk that the outflow of these human resources could have an adverse effect on operations 	<ul style="list-style-type: none"> Improve organizational strength and increase employee loyalty by hiring and fostering excellent human resources Improve employee motivation by realizing a work-life balance and the stabilization of work through health management <p>See p.36</p>
Infectious Disease, Epidemic, and Other Related Risks <ul style="list-style-type: none"> Pandemic <p>Related Materiality</p> <ul style="list-style-type: none"> Maintenance and enhancement of environmental and construction performance Creation of pleasant workplaces (Asset Management Company) Creation of pleasant workplaces (tenants) 	<ul style="list-style-type: none"> Risk that such external factors as infectious diseases and epidemics in Japan and overseas could interfere with the normal operation and management of FRC's properties Decrease in rental income from real estate due to such factors as a downturn in visitors, which might have an adverse effect on, for example, earnings 	<ul style="list-style-type: none"> In addition to physical infectious disease countermeasures, expand the COVID-19 workplace vaccination program scope to cover retail facility tenant employees as a means of promoting a safe and secure facility environment for Asset Management Company employees, tenants, and consumers Set up satellite offices at the Asset Management Company and introduce a telework system with a view to ensuring business continuity
Property Concentration Risks <ul style="list-style-type: none"> Region (Fukuoka/Kyushu) Retail facilities <p>Related Materiality</p> <ul style="list-style-type: none"> Co-creation with the local community Contributions to boosting the attractiveness and revitalization of Fukuoka and Kyushu 	<ul style="list-style-type: none"> As FRC's properties owned are concentrated in Fukuoka and Kyushu, the vacancy rate might increase due to a worsening economic situation in that region, and profitability could deteriorate due to a decrease in rent Possibility of adverse effects on profits due to overall consumer consumption as well as other overall trends in the retail industry that reflect the nature of retail facilities as a main investment target 	<ul style="list-style-type: none"> Invest in various types of properties to reduce the risk of portfolio fluctuation by diversifying rental market cycles and tenant industries In retail facilities, such as Canal City Hakata/Canal City Hakata•B, operate bustling facilities by replacing tenants and providing new experiences and other value, thereby reducing the risk of profit fluctuation by dispersing tenants Revitalize the entire region and connect this growth to the growth of properties owned <p>See pp.2-3 See pp.40-41</p>

● Measures to Address Risks ● Opportunities

Significant risks	Impact on stakeholders	Respond to risks and opportunities
Risks from Changes in Business Conditions <ul style="list-style-type: none"> Increase in vacancy rates Decrease in rent <p>Related Materiality</p> <ul style="list-style-type: none"> Creation of pleasant workplaces (tenants) 	<ul style="list-style-type: none"> Vacancy rate increases associated with worsening real estate market conditions; decrease in dividends due to rent decreases Rent reduction, rent nonpayment, and vacating risks due to deterioration of a lessee's financial situation 	<ul style="list-style-type: none"> Consider extending lease agreement terms, fixing of such items as rent, according to property characteristics Appropriate occupancy screening when tenants move in as well as monitoring of operating status and thorough credit management during the lease period Deposits and security deposits against items including rent delinquency; collateral by such means as guarantor companies Treat deterioration in the real estate market as an opportunity to acquire excellent properties and execute strategic investments through appropriate financial management utilizing information-gathering capabilities
Market-Related Risks <ul style="list-style-type: none"> Increase in interest rates Fluctuations in the investment unit price <p>Related Materiality</p> <ul style="list-style-type: none"> Information disclosure and dialogue with stakeholders 	<ul style="list-style-type: none"> Risk of increase in interest payment due to increase in interest rates caused by market trends at the time of borrowing Risk that FRC's investment unit price might fluctuate due to factors that include unitholder supply and demand, interest rate conditions, economic conditions, and real estate market conditions Risk of not being able to acquire planned assets because additional units cannot be issued at the desired time and under desired conditions due to fluctuations in unit price 	<ul style="list-style-type: none"> Long-term fixing of interest-bearing debt and repayment period limit diversification Conservative interest-bearing debt management and commitment lines* to ensure flexibility and agility in funding Conduct proactive IR activities <p>See pp.22-23</p>
Risks from Property Degradation, Deterioration <ul style="list-style-type: none"> Increase in repair and maintenance expenses Decline in property competitiveness <p>Related Materiality</p> <ul style="list-style-type: none"> Maintenance and enhancement of environmental and construction performance 	<ul style="list-style-type: none"> Increase in expenses required for such items as large-scale repairs, due to the deterioration of properties, and large capital expenditures could reduce cash flows Possibility of tenants vacating and a reduction in rent due to a loss of property competitiveness resulting from changes in the surrounding environment 	<ul style="list-style-type: none"> Maintain/improve property competitiveness through appropriate maintenance and repair work, value-up investment, and extending the number of service life years Based on an understanding of conditions including real estate market trends and the capital market environment, if the strategic holding of a property becomes less significant from the perspective of property performance, competitiveness, and future profitability, consider replacement of that property if it is determined that selling it is in the interest of unitholders
Regulatory Risks <ul style="list-style-type: none"> New laws and regulations Changes in the tax system <p>Related Materiality</p> <ul style="list-style-type: none"> Compliance/Risk management 	<ul style="list-style-type: none"> Possibility of a limitation on rights with respect to properties owned and an increase in property management expenses and other items, due to newly established, revised, or abolished laws and regulations Possibility of an increased burden from taxes and fees due to tax reform 	<ul style="list-style-type: none"> In addition to receiving information from such sources as Fukuoka Realty's affiliated organizations, tax accountants, and law firms, participate in external training, obtain information, and take measures to reduce any impact from an early stage
IT-Related Risks <ul style="list-style-type: none"> Information leaks <p>Related Materiality</p> <ul style="list-style-type: none"> Compliance/Risk management 	<ul style="list-style-type: none"> Risk of leakage of personal and confidential information due to delays in strengthening cybersecurity 	<ul style="list-style-type: none"> Strengthen confidential information management systems by introducing two-factor authentication for software as well as applications and by conducting training on cybersecurity and information management Enable property differentiation by introducing advanced technologies into properties owned
Compliance Risks <ul style="list-style-type: none"> Violations of organizational laws and regulations Conflicts of interest* <p>Related Materiality</p> <ul style="list-style-type: none"> Compliance/Risk management 	<ul style="list-style-type: none"> If Fukuoka Realty Co., Ltd. (Asset Management Company), violates its duty of care as a good manager (duty of care) and its duty to faithfully perform tasks for FRC (duty of fidelity) under the law or specified contracts, the possibility exists that this could adversely affect FRC's survival and profitability Potential conflict of interest issues with sponsor 	<ul style="list-style-type: none"> Prevent violations including those of laws and regulations as well as transactions involving conflicts of interest, through deliberations and audits by the Compliance Assessment Committee Improve employee awareness of compliance by conducting regular compliance trainings <p>See p.39</p>

Glossary **Commitment lines**

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

Conflicts of interest

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

Investment Strategy

Investment
Department



Executive Officer and
General Manager of the
Investment Department
Hideya Kanno

In this context, leveraging our local expertise in information gathering and property assessment, we successfully acquired three properties after March 2023: an existing office building, Kumamoto East Front Building; a new rental apartment, Axion Befu-Ekimae Premium; and a newly built A-class office building, the Hakata FD Business Center. The Hakata FD Business Center is a newly built office building that we acquired from our sponsor, Fukuoka Jisho Co., Ltd. We have demonstrated our leasing capabilities by attracting high-quality tenants and have initiated operations with an occupancy rate that surpasses our initial expectations, with a promising future occupancy rate ahead. The Kumamoto East Front Building is a strategically located office building in Kumamoto City, and we have high expectations for its future value appreciation, considering the potential for new industrial developments and urban revitalization in Kumamoto. In addition, the new rental apartment, Axion Befu-Ekimae Premium, is conveniently situated near Befu station of the subway Nanakuma Line, which has been extended to Hakata Station, and is constructed to condominium specifications. This strategic location enables us to promptly capitalize on the potential upside resulting from the improving environmental changes. Through these investments, we believe we can expand our portfolio, further diversify risk, and achieve stability in medium- to long-term real estate operations.

Furthermore, we are actively researching new industrial developments and associated facility investments in the Kyushu region as part of our future investment plans. Our efforts also extend to exploring potential property acquisitions, which involve gaining in-depth insights into prime location conditions through on-site assessments. In addition, we actively collaborate with experts to conduct research on the competitiveness of various industries in the Kyushu region, their future trends, and the ripple effects on other sectors. These efforts aim to facilitate preparatory investments for acquiring excellent properties in the future while avoiding excessive competition.

We are also proactively addressing another recent concern: the environmental performance of real estate. Alongside supporting major initiatives, we focus on researching properties with strong sustainability prospects and enhancing their environmental performance post-acquisition. We also monitor the increasing environmental consciousness among tenants.

We will continue our investment activities with the aim of achieving stable medium- to long-term growth for our investors and contributing to the economic revitalization of various regions through our investments and operations.

The Investment Department's goal is to acquire excellent properties that generate stable cash flow over the medium to long term, which is a feat not easily achievable through investments from outside the region. We achieve this by focusing on information gathering, building relationships with local communities, and conducting property observations rooted in our investment target areas, leveraging the unique advantages of a region-specific REIT.

The real estate market in the Kyushu region, especially in Fukuoka City, continues to see active investment. This can be attributed to ongoing urban development, including large-scale redevelopment projects and the opening of new subway station, as well as positive macroeconomic indicators and stable demand for rental properties. In addition, there is a surge in facility investments in related industries, primarily driven by the establishment of semiconductor factories in Kumamoto. This has led to active investment in various parts of Kyushu, including residential development, logistics facility construction, and new factory projects. However, rising land prices due to active real estate transactions, increasing construction costs caused by supply-demand imbalances, and anticipated interest rate hikes could pose challenges in ensuring the profitability of future real estate development projects. In this environment, acquiring investment properties that can generate sufficient returns is becoming increasingly difficult each year.

Management Strategy

Real Estate
Management
Department



General Manager of the
Real Estate Management
Department
Kuniaki Mishima

The Real Estate Management Department draws up plans for asset management with the aim of ensuring long-term and stable expansion in profits from the assets held by FRC. The Fukuoka metropolitan area, our primary destination for investing, manifests potential for growth due to a rising population and an increasing number of companies locating operations there. Accordingly, as a comprehensive REIT, we are investing in the region in a diverse range of asset types. REITs consist of two types of growth: external growth in which we aim to increase dividends through investment, and internal growth in which we strive to enhance the profitability of the assets in our portfolio. The Real Estate Management Department seeks to maximize the value of our property portfolio over the long term through renovations and other innovative operational initiatives that enhance the appeal of our assets.

While real estate prices in the market continue to exhibit strength, the REIT market has shown a somewhat weaker trend, compounded by the onset of rising interest rates, creating a challenging external growth environment. Consequently, prioritizing a strategy centered on medium- to long-term internal growth becomes imperative. In 2023, as the impact of the COVID-19 pandemic gradually subsides and our overall portfolio transitions toward normal operations, we executed a range of initiatives aimed at preserving and enhancing the long-term value of our property portfolio.

In Canal City Hakata's South Building, where renovations have taken place since January 2023, Alpen FUKUOKA,

Park Place Oita



Canal City Hakata Alpen FUKUOKA

the largest sports superstore in Western Japan, opened its doors in September. It commenced operations as a new cornerstone for expanding the local sports culture and invigorating the sports community. Moreover, as the next step based on our medium- to long-term business strategy, we are actively advancing renovation plans for the B1F dining zone in the Grand Building, aiming to elevate the overall culinary experience of the facility. Meanwhile, at Konoha Mall Hashimoto, we initiated restroom renovations, prioritizing environmental enhancements and upgrades, resulting in the refreshing of selected restroom facilities. Across all our retail facilities, including Park Place Oita, we have reinstated customer engagement and promotional events to pre-pandemic levels, bringing delight to a diverse array of visitors.

In our office buildings, we promptly completed planned backfilling in existing properties following the departure of certain major tenants in the previous year. For office buildings acquired this fiscal year, we are engaged in planned leasing efforts aimed at achieving full occupancy in a timely manner. From both construction and environmental performance perspectives across all asset types, we are advancing updates in essential facilities, including water supply, drainage, and air-conditioning systems, and transitioning to LED lighting and making external wall improvements. Our commitment lies in ensuring the safety and security of our facilities, enhancing their performance, and pursuing energy conservation measures to maintain their competitiveness.

From an ESG perspective, we have implemented flexible operating hours and store closure policies in some of our retail facilities to improve the working conditions for our tenants aimed at providing a comfortable environment for tenant employees. We plan to continue placing even greater emphasis on sustainability and further promoting environmental initiatives within our portfolio. This includes ongoing efforts to assess and reduce greenhouse gas emissions and waste.

Finance Department



Executive Officer and General Manager of the Finance Department
Hiroyuki Ayabe

perspective of building a solid financial base. The interest-bearing debt ratio at the end of August 2023 was 42.4%. From the perspective of ensuring flexibility and agility in financing, we have set a commitment line with a maximum amount of 13 billion yen. We have also decided on a three-year commitment period, enabling us to address unexpected deterioration in the financing environment.

In addition, from the perspective of reducing the risks from interest rate rises and refinancing, we seek to fix interest-bearing debt over the long term and to diversify repayment dates while keeping a close eye on the yield curve. Specifically, as we continue to diversify our repayment schedules, we will implement measures such as 1) adjusting financing periods, 2) optimizing the fixed-to-floating interest ratio, and 3) securing lower spreads to effectively manage our financing costs. Furthermore, we are committed to diversifying our funding sources while maintaining strong relationships with our three sponsor banks, regional banks primarily in Kyushu, and major financial institutions, including mega banks.

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

July 2019	Procured funds through green finance, a first for FRC
March 2021	Procured funds via a mechanism for financial institutions to donate a part of the profits obtained through borrowing as funds for research into the development of a new COVID vaccine at national universities → Newly borrowed 2 billion yen from The Juhachi-Shinwa Bank that was donated to Nagasaki University
August 2022	Procured funds through a syndicated sustainability-linked loan from the three sponsor banks of our Asset Management Company a first for a J-REIT
September and October, 2023	Secured a 12.4 billion yen green loan to fund the acquisition of the Hakata FD Business Center in September 2023

The capital strategy for a J-REIT is to target external growth, one of our key drivers, by identifying trends and timing in the securities markets and raising capital accordingly to capitalize on opportunities. We will carefully consider the balance between the growth of distributions after capital raising and LTV control, aiming to ensure high-quality management of both capital and debt.

Investor Relations (IR) Activities

In addition to compiling various types of information crucial for investment decisions, our primary focus is on providing a consistent flow of timely, equitable, accurate, and easily comprehensible information, which forms the core principle of our IR activities. Specifically, we aim to enhance our content by proactively disclosing more non-financial information that goes beyond income statements or balance sheets. This includes

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

The reclassification of COVID-19 from Category 2 to Category 5 under the Infectious Diseases Control Law has led to a reduced impact on the real estate sector. As of August 2023, the stock market has seen significant positive performance, with all 33 sectors experiencing increases of more than 10% compared to the beginning of the year. In contrast, the Tokyo Stock Exchange REIT Index has remained relatively stable, showing little change since the beginning of the year.

While the Bank of Japan is expected to continue its price stability target of 2% and quantitative and qualitative monetary easing with yield curve control policies, the markets are pricing in future interest rate hikes. As such, I believe that it is necessary to practice financial management with an ongoing awareness of the risks posed by rising interest rates.

Under such circumstances, the financial strategy, capital strategy, and IR activities that we have conceived are as follows.

Financial Strategy/Capital Strategy

Regarding our financial strategy, we will first and foremost maintain a conservative interest-bearing debt ratio from the

showcasing our strengths as a REIT specializing in regional properties and highlighting the real estate landscape in Kyushu and Fukuoka. I believe that these efforts will foster a deeper mutual understanding with all unitholders, establish trust-based relationships, and pave the way for attracting external investment funds from various regions of Japan and abroad into Kyushu and Fukuoka.

Before the COVID-19 pandemic, we conducted more than 200 face-to-face meetings with institutional investors each year. However, in the current environment, we have transitioned to a hybrid approach for our IR activities, which includes a combination of in-person, web-based, and telephone meetings, aiming to maintain the number of interactions.

In June 2023, we held an in-person briefing session for individual investors in our local Fukuoka area for the first time in four years, with 44 participants joining us. In December, we will conduct a similar briefing session for individual investors in Tokyo. We also participated in conferences organized by securities firms and held a total of 15 face-to-face meetings with overseas investors in November, marking the first such meetings in four years.

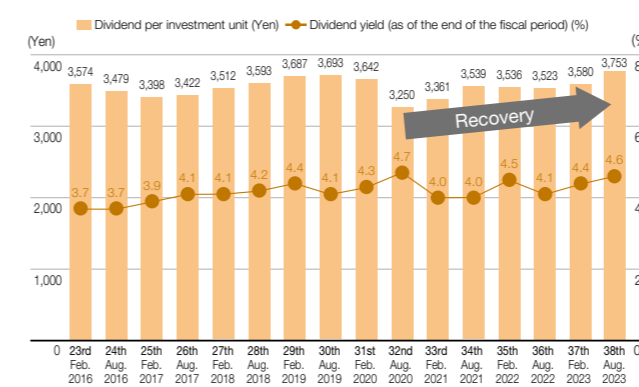
To ensure the best interests of our investors, we will continue to work on financial and capital strategies with a long-term perspective. We will also strive to communicate our efforts clearly through our website, financial briefing documents, integrated report, and other materials.

Dividends and TSR

Figure 1 shows FRC's past dividends and dividend yields. Among listed REITs, our dividends are extremely stable. In contrast, the dividend yield has fluctuated between 3.7% and 4.7% over the past eight years, indicating that investment unit prices have shifted due to changes in the stock market, interest rate trends, and fluctuations in market supply and demand.

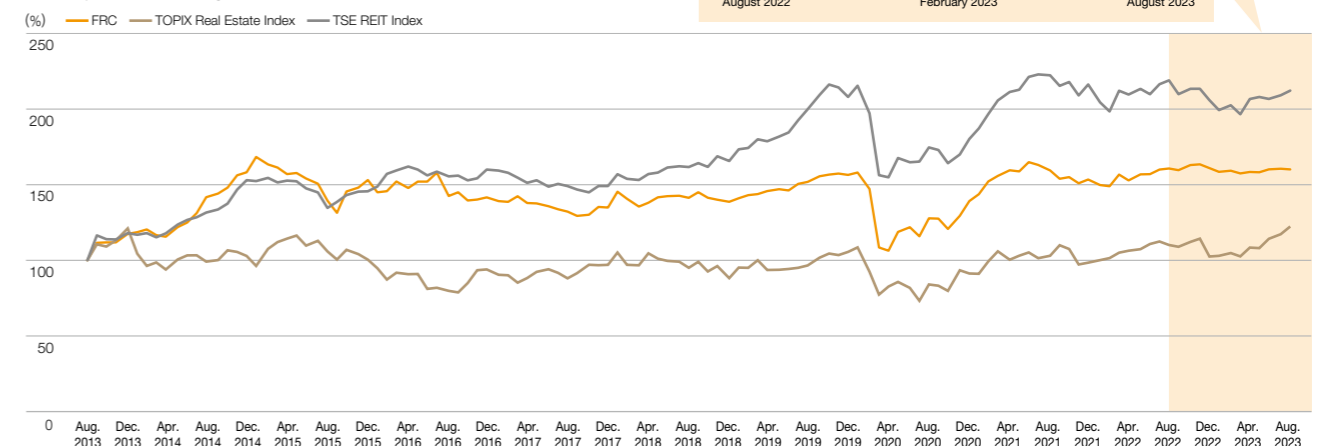
Table 1 and Figure 2 show the total shareholder return (TSR), taking into account FRC's dividends and capital gains. TSR performance has been 9.9% annually over the past 10 years. In contrast, returns have remained flat over the past year as the TSE REIT Index weakened.

Figure 1. Past Dividends and Dividend Yields



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

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

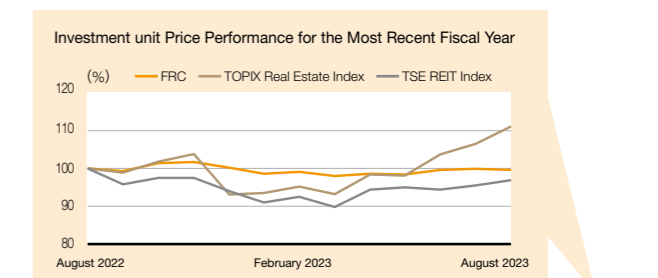


Note: FRC's investment unit price performance is expressed as an index, using the investment unit price as of August 31, 2013, as 100. TSR over the past 10 years considers dividends and investment unit prices in indicating the profitability of investments made on August 31, 2012, as of August 31, 2023. The TOPIX Real Estate Index and the TSE REIT Index are indexed in the same way, using dividend-included data. Similarly, the graph for the most recent fiscal year is indexed with the investment unit price as of August 31, 2022, as 100.

Table 1. TSR Over the Past 10 Years

	Past 1 year	Past 3 years		Past 5 years		Past 10 years	
		Cumulative total	Annual rate	Cumulative total	Annual rate	Cumulative total	Annual rate
FRC	-0.5%	39.4%	11.7%	16.0%	3.0%	60.1%	9.9%
TOPIX Real Estate Index	11.1%	45.6%	13.3%	28.7%	5.2%	22.4%	4.1%
TSE REIT Index	-3.1%	21.5%	6.7%	31.3%	5.6%	112.2%	16.2%

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



Who We Are

Growth Strategy

Sustainability

Data Section