

Role of the Planning Department

The Planning Department oversees matters related to corporate policies, general affairs and human resources, accounting, and sustainability as its delegated responsibilities. Understanding the overall activities of the Asset Management Company and guided by the fundamental principle of “Act Local, Think Global,” we believe it is essential to create an environment where all employees can contribute to regional revitalization and the creation of an attractive community.

Organizational Approach to Sustainability

In 2018, to promote sustainability through consideration for environmental, social, and governance (ESG) factors, FRC established the Sustainability Policy and Regulations Concerning Sustainability Management. We also formed the Sustainability Promotion Committee, consisting of full-time directors, executive officers, and department heads, to oversee these efforts. The committee is responsible for

establishing internal structures, collaborating with external stakeholders, considering specific goals and measures related to information disclosure policies, and monitoring the progress of implementation initiatives. The practical responsibilities for goals determined by the committee are held by the Sustainability Officer, with the general manager of the Planning Department overseeing the role.

Sustainability Initiatives and GRESB

Since going public, we have been actively pursuing sustainability initiatives, including obtaining DBJ Green Building certification. In our overseas investor relations activities in 2017, we began to receive increasing inquiries from investors about ESG. Recognizing the need to align with global standards, we decided to participate in GRESB in 2017 to further promote our initiatives in sustainability.

In our efforts to set goals for sustainability initiatives, we sought to deepen our understanding of ESG and sustainability with various stakeholders, including inviting investors, analysts, and issuers engaged in innovative practices to an IR workshop held with the Japan Investor Relations Association to impart knowledge on non-financial information disclosure. We have also endorsed the Principles for Responsible Investment (PRI) and the Principles for Financial Action for the 21st Century (PFA21).

Through such initiatives, we will continue to conduct asset management with a focus on sustainability, aiming to contribute to the promotion of urban development and revitalization of the local economy in Fukuoka and the Kyushu region as Japan’s first region-specific REIT.

In our first GRESB Real Estate Assessment in 2018, we earned a 4-star rating, maintaining GRESB evaluations annually since. In 2023, as in 2022, we achieved a 4-star rating in the GRESB Real Estate Assessment, along with a Level A rating in the GRESB Disclosure Assessment.



In 2023, marking the sixth year, we conducted a comprehensive organizational review and fortified our framework in order to advance sustainability through consideration for environmental, social, and governance (ESG) for the realization of a sustainable society. Over the past five years, we have undertaken a range of activities to drive our sustainability agenda forward. These activities include (1) identifying materiality (key issues) and establishing goals and KPIs for each materiality; (2) obtaining external certifications from organizations such as GRESB, DBJ Green Building, and CASBEE; (3) demonstrating our commitment to sustainability by endorsing initiatives such as the Principles for Responsible Investment (PRI), the Principles for Financial Action for the 21st Century (PFA21), and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations; (4) pursuing sustainability finance; (5) engaging in community activities rooted in the Fukuoka region; and (6) implementing initiatives directed toward our employees and tenant staff.

I was involved in the property management of retail facilities until I assumed my position at Fukuoka Realty in June 2023. In Kitakyushu’s retail facilities, we actively participated in sustainability initiatives, including waste sorting into 14 categories for recycling. In Fukuoka and Oita, we implemented on-site measures, such as reusing kitchen wastewater and rainwater, along with the adoption of LED lighting to enhance our energy efficiency efforts. In addition, we organized activities such as clothing collection, food drives, and the sale of non-standard vegetables at on-site events in retail facilities. I look forward to continuing our sustainability efforts from an on-site perspective.

FRC is a region-specific REIT with strong ties to Fukuoka and Kyushu. In identifying materiality, we have incorporated an emphasis on contributing to the local community. Our commitment to fostering connections with the local community is evident through active participation in area management organizations such as the Hakata Town Planning Promotion Council, as well as involvement in local events such as the Hakata Gion Yamakasa Festival and the Hakata Dontaku Festival. In the Kyushu region, we have consistently implemented the corporate version of the hometown tax program since fiscal 2020, extending our participation beyond Fukuoka to include Saga Prefecture, Oita Prefecture, Kumamoto Prefecture, Kagoshima Prefecture, and Okinawa Prefecture every year.

Our current primary focus is on addressing climate change risks. In September 2022, we expressed our support for the TCFD and concurrently joined the TCFD Consortium. We are now organizing disclosures based on the TCFD recommendations, which encompass Governance, Strategy, Risk Management, and Metrics and Targets. We are also setting climate-related scenarios, conducting impact assessments for each scenario, and actively considering strategies to address them. Given the significant changes in recent abnormal weather patterns, we recognize this as a crucial issue.

In this integrated report, we disclose our CO₂ emissions (Scope 1 + 2). In terms of reducing CO₂ emissions, we have set a goal to achieve a 35% reduction by 2030 (compared with 2019 levels). Calculating emissions within FRC’s supply chain is a complex endeavor, and as we transition into the phase of implementing

Planning Department



Executive Officer in charge of Planning Department and General Manager of Sustainability Promotion Office

Keiichi Shimoda

emission reduction measures, it becomes imperative to engage multiple business partners and affiliated companies in these efforts. We acknowledge that the challenges are multifaceted, as this is not a task that can be solely accomplished within our organization.

Regarding materiality, we identified issues that are deemed highly important for both society and stakeholders, as well as critical for business continuity through discussions at the management level, validation, and approval of their relevance. Moving forward, we aim to assess the changes in the social and environmental landscape, consider the current evaluations, and explore the items subject to materiality review. We will continue to proactively engage in activities that prioritize sustainability.

Chronology of FRC Initiatives

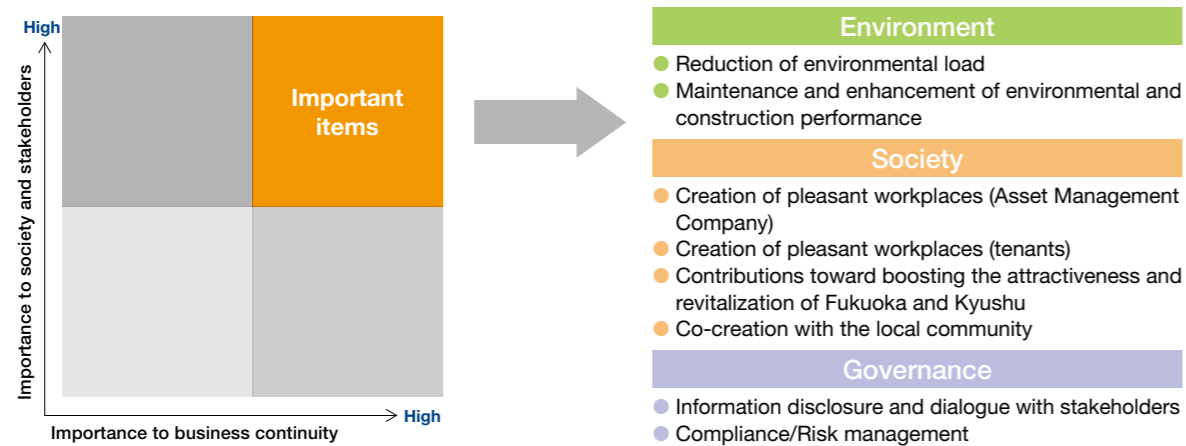
2018	Establishes Sustainability Policy Creates Sustainability Promotion Committee Announces GRESB evaluation results Signs and registers with PRI Signs and registers with PFA21 Certified as a “Fukuoka ‘Work Style Reform’ Promotion Company”
2019	Issues integrated report Identifies materiality Implements sustainability finance
2022	Registers as a “Master” in the Fukuoka City Well-Being & SDGs Registration System Endorses TCFD recommendations Joins TCFD Consortium
2023	Registers with the Fukuoka Prefecture SDGs Registration System

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

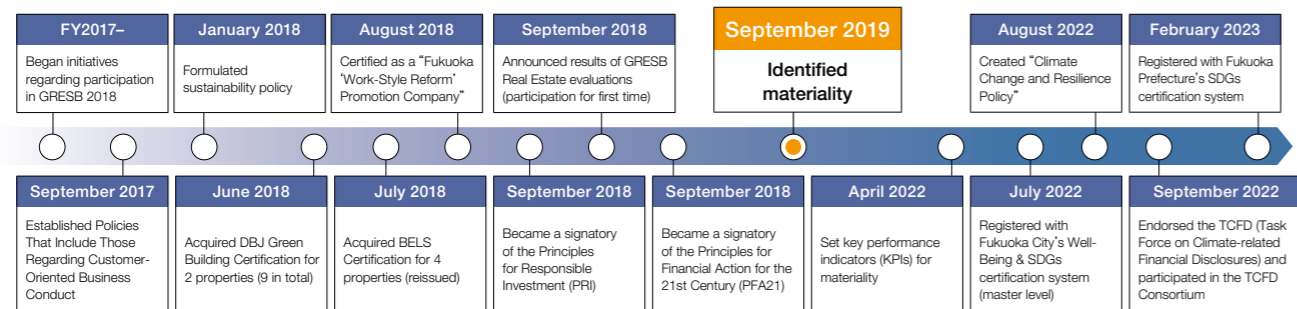
Fukuoka Realty, the Asset Management Company, has identified materiality (important issues to address) in its sustainability initiatives based on the demands and expectations of stakeholders and the expected impact on and importance to FRC's business.

Mapping of Issues

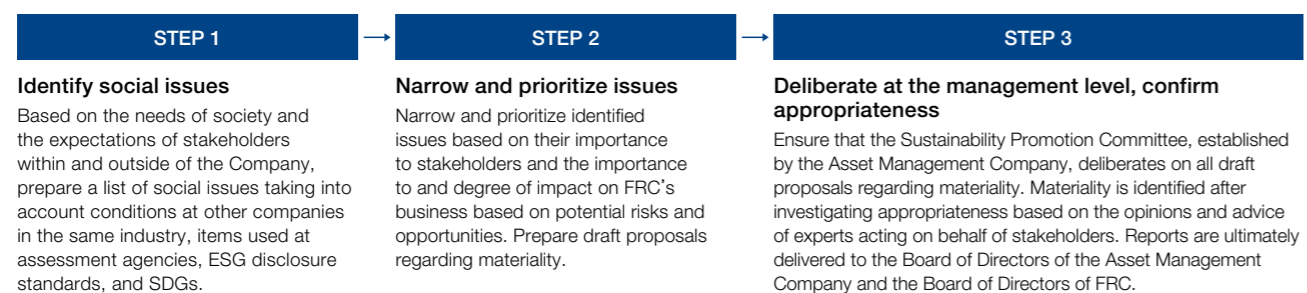


We have identified eight material issues through the process below from environmental, social, and governance perspectives that are of high importance to society and stakeholders and to business continuity.

Historical Background to Identification of Materiality



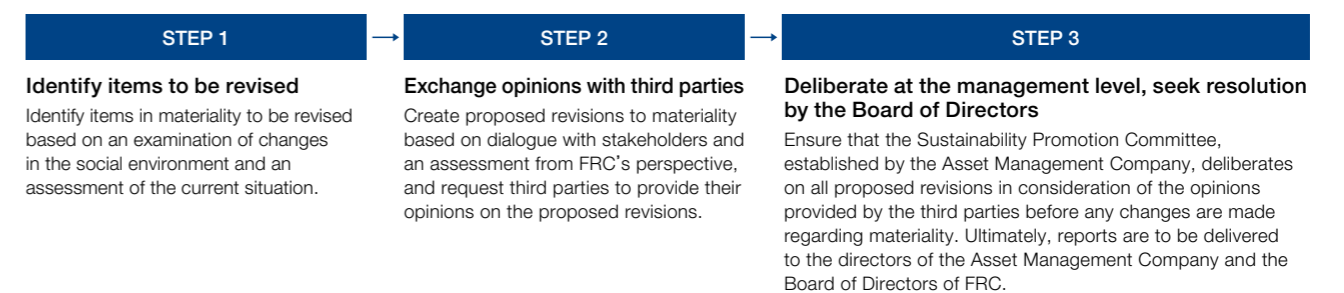
Process for Identifying Materiality



Materiality

	Materiality	Policies and targets	KPIs and targets	Related SDGs
Environment	Reduction of environmental load	<ul style="list-style-type: none"> Coordinate with Property Management and Building Management on promotion of management and reduction of energy consumption, greenhouse gas emissions, water consumption, and waste output See p.24 See p.28	<ul style="list-style-type: none"> (by 2030) 35% reduction in CO₂ emissions (compared with 2019, basic unit), 75% waste recycling rate 	
	Maintenance and enhancement of environmental and construction performance	<ul style="list-style-type: none"> Carry out performance and function evaluation of properties on a regular basis and ameliorate any deterioration in performance Maintain and improve competitiveness by acquiring green building certifications and through visual representation of building performance See p.31	<ul style="list-style-type: none"> (by 2030) 85% Green Building Certification rate or higher 	
Society	Creation of pleasant workplaces (Asset Management Company)	<ul style="list-style-type: none"> 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 a work-life balance and boost employee satisfaction 	<ul style="list-style-type: none"> Training per employee (number of times) Improve office environment (number of cases) 	
	Creation of pleasant workplaces (tenants)	<ul style="list-style-type: none"> Promote improvement of employee satisfaction and work toward increasing job satisfaction of tenant employees See p.36	<ul style="list-style-type: none"> Conduct regular tenant satisfaction surveys (all properties) 	
	Contributions toward boosting the attractiveness and revitalization of Fukuoka and Kyushu	<ul style="list-style-type: none"> Enhance dissemination of information regarding strengths and charms of Fukuoka and Kyushu Support research and studies on the local economy and industries and promote attractive urban development in collaboration with local business circles See p.37	<ul style="list-style-type: none"> Join and participate in local economic organizations Host local community events (number of times) 	
	Co-creation with the local community	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Join and participate in area management organizations Continued participation in activities that contribute to the community (number of times) 	
Governance	Information disclosure and dialogue with stakeholders	<ul style="list-style-type: none"> 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 the management strategy 	<ul style="list-style-type: none"> Dialogue with investors (number of times) Employee ESG training (number of times) See p.38	
	Compliance/Risk management	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Compliance training (number of times) See p.39	

Process for Revising Materiality

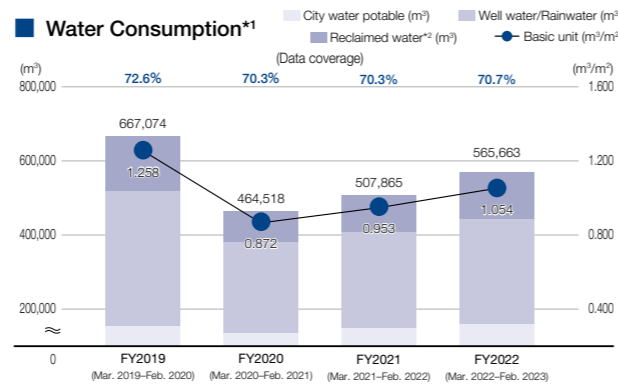
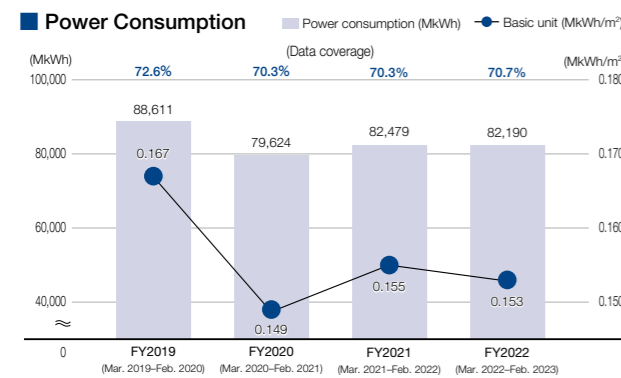


Environmental Performance Data

■ GHG Emissions (Scope 1 + 2)	FY2019	FY2020	FY2021	FY2022
CO ₂ emissions intensity (t-CO ₂ /m ²)	0.0517	0.0466	0.0458	0.0439
Scope 1 + 2 (t-CO ₂)	11,059	9,986	9,260	8,815
Scope 1 t-CO ₂	60	64	53	53
Scope 2 t-CO ₂	10,999	9,923	9,207	8,762

For the fiscal period ended February 2023, CO₂ emissions were reduced by 15.1% compared with the fiscal period ended February 2019.

* The properties covered by Scope 1 + 2 include 21 buildings, comprising five retail facilities, nine office buildings, two logistics facilities, and five residential properties.
 * The emissions intensity for the entire Scope 1 + 2 portfolio is calculated by dividing the total emissions of the covered properties by their total floor area (common areas).



For fiscal 2022, power consumption was reduced by 8.3% and water consumption was reduced by 16.2% compared with fiscal 2019.

Note: Total value for 15 properties, including five retail facilities, nine office buildings, and one logistics facility. Basic 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 in the portfolio (excluding land) as is calculated at the end of the period. The figure for Canal City Hakata, Canal City Hakata-B, and Canal City Business Center Building reflects total power and water consumption for the entire Canal City Hakata complex, including power and water consumption for certain theater and hotel 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. The figure for Taihaku Street Business Center covers only the office tower and excludes the residential tower. Water consumption excludes some well water volumes for which data cannot be obtained.

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

Environmental Initiatives

Retail facilities

Natural Environment Conservation and Creation

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



Retail facilities

Greywater Plant (kitchen drainage reuse system)

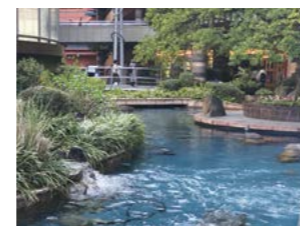
At Canal City Hakata and Konoha Mall Hashimoto, kitchen wastewater discharged by restaurants is collected and processed as reclaimed water. It is then used as tap water in on-site restrooms.



Retail facilities

Canal Water Filtration System (rainwater reuse system)

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



Retail facilities

Introducing Renewable Energy Equipment

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



Office buildings

Energy-Saving Measures by Switching to LED lighting

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

<Office buildings already converted to LED>

- Gofukumachi Business Center (e.g., interior shared spaces, some external areas, exterior wall lighting)
- Sanix Hakata Building (interior recessed lighting)
- Taihaku Street Business Center (e.g., entrance, interior shared spaces)
- Tenjin North Front Building (common spaces)



Example of shifting to LED lighting at Sanix Hakata Building

Others (logistics facilities)

Introducing Renewable Energy Equipment

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



Solar panels



LOGICITY Hisayama

Green Finance

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

of borrowings required in the acquisition of Eligible Green Assets, or the redemption of Investment Corporation bonds issued and outstanding.

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

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



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

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

■ Sustainable Finance (Actual)

Type	Lender	Amount (Millions of yen)	Interest rate	Procurement date	Term	Summary
Long-term loan (green loan)	Mizuho Bank, The Bank of Saga, Higo Bank	2,200	0.52100%*1	July 31, 2019	10 years	Green loan assessment: Green 1 ²
Long-term loan (donation loan)	Juhachi-Shinwa Bank	1,000	0.59000%	March 31, 2021	10 years	A portion of the interest is donated as funds for research on the development of a new coronavirus vaccine at Nagasaki University.
Long-term loan (green loan)	Sumitomo Mitsui Banking Corporation	1,600	0.72625%	June 30, 2022	7 years	Green loan assessment: Green 1 ²
Long-term loan (sustainability linked loan)	Development Bank of Japan, The Nishi-Nippon City Bank, The Bank of Fukuoka	4,900	0.91875%*3	August 31, 2022	10 years	Third-party opinion on sustainability linked loan ⁴
Long-term loan (green loan) NEW	Sumitomo Mitsui Trust Bank	900	0.50100%	July 31, 2023	5 years	Green loan assessment: Green 1 ²
Long-term loan (green loan) NEW	Sumitomo Mitsui Trust Bank	600	0.82900%	July 31, 2023	8 years	Green loan assessment: Green 1 ²
Long-term loan (green loan) NEW	Development Bank of Japan	2,000	0.83750%	August 31, 2023	6 years	Green loan assessment: Green 1 ²
Long-term loan (green loan) NEW	Development Bank of Japan	2,000	0.90689%	August 31, 2023	6.5 years	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.
 *3. In case the CO₂ reduction target is achieved, the preferential interest rate from the initial borrowing will be applied from August 2031 until the repayment date.
 *4. FRC has obtained a third-party opinion from Japan Credit Rating Agency.

Glossary
Sustainability linked loan
 A loan that encourages the borrower to achieve ambitious Sustainability Performance Targets (SPTs).
Green loan
 A loan in which the use of funds is limited to environmentally friendly businesses.

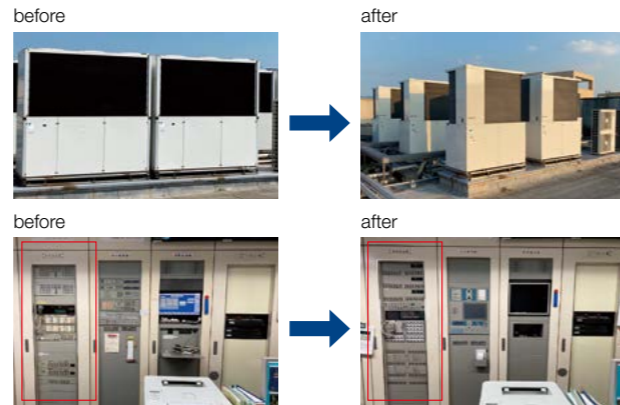
Green bonds
 Bonds issued by companies and local governments in order to raise the funds for green projects in Japan and overseas.

Initiatives for Facility and Building Management

Individual Facility Initiatives

Retail facilities GHP air-conditioning system update NEW

In Park Place Oita, the update to an energy-efficient GHP air-conditioning system contributed to the reduction of running costs and CO₂ emissions.



Office buildings Disaster prevention amplifier update NEW

At the Gofukumachi Business Center, we have upgraded the disaster prevention amplifier, specifically updating the automatic fire alarm receiver (emergency broadcast panel). This enhancement enables early detection and evacuation guidance through audible alerts in the event of a fire, playing a crucial role in ensuring the safety and security of tenants.

Initiatives for Disaster Risk

Countermeasures to Flooding Risks

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

Replacing and Installing New Water Stops (July 2020)

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



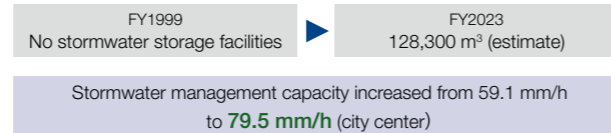
Earthquake Risk Countermeasures

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

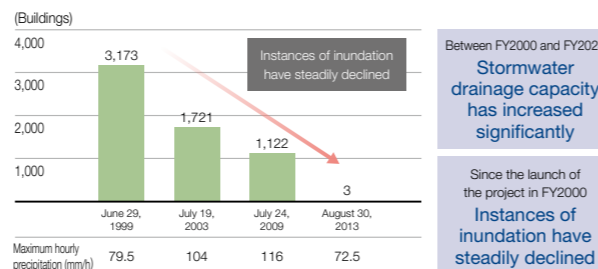
Glossary Earthquake PML

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

Capacity of Stormwater Storage Facilities of Fukuoka City



Inundation Instances of Fukuoka City



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

Other Disaster Prevention Measures

Emergency Drills

We have conducted comprehensive disaster drills at Canal City Hakata since 2017, with all tenants participating (not held in 2020 or 2021 due to COVID-19). The drills were conducted in November 2023.



Initiatives We Support and External Certifications

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

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

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

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



Other Initiatives We Support

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

of a sustainable society.

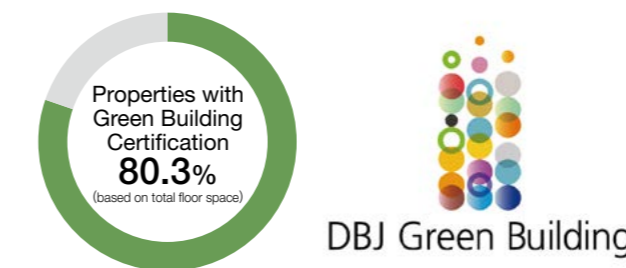
Signatory of:



Ratio of Properties Certified as Green Buildings

As of September 1, 2023, the ratio of properties within the entire portfolio certified as green buildings was 80.3%.

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 13 of its properties owned that exhibit environmental and social awareness (including six properties that were recertified in March 2022).



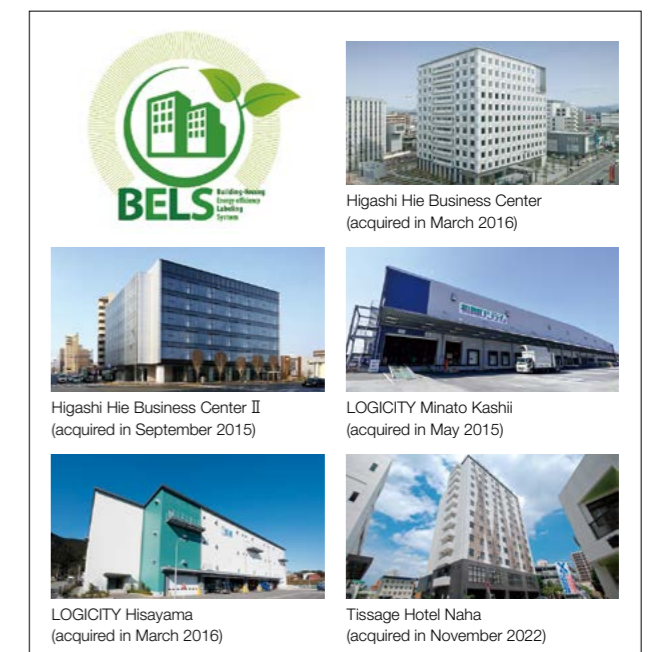
- ★★★★★ Canal City Hakata (2021)
Canal City Hakata-B (2021)
- ★★★★★ Park Place Oita (2021)
Konoha Mall Hashimoto (2020)
- ★★★★★ Hakata FD Business Center (2023)
Canal City Business Center Building (2021)
Gofukumachi Business Center (2021)
Higashi Hie Business Center (2021)
LOGICITY Minato Kashii (2020)
LOGICITY Hisayama (2020)
Higashi Hie Business Center II (2020)
- ★★★★ SunLive City Kokura (2019)
Marinoia City Fukuoka (Marina Side Building) (2019)

Participation in GRESB Assessment 2023

The Global Real Estate Sustainability Benchmark (GRESB) was established in 2009, primarily by leading European pension fund groups that endorse the Principles for Responsible Investment (PRI). GRESB serves as the annual benchmark assessment for measuring environmental, social, and governance (ESG) considerations in real estate companies and funds. The organization conducting and overseeing this assessment is also named GRESB. In the GRESB Real Estate Assessment conducted in 2023, FRC achieved a rating of 4 Stars and Green Star. In addition, we obtained the highest level, A Level, in the GRESB Public Disclosure Assessment.



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



FRC's Recognition of Climate Change

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

Governance

System for Promoting Sustainability

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

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

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

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

This executive consistently reports to President and CEO within the Sustainability Promotion Committee, covering various aspects such as identifying and assessing the impacts of climate change, managing

Strategy

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

TCFD Endorsement (and Participation in the TCFD Consortium)

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

risks and opportunities, providing updates on initiatives related to adaptation and mitigation, and reporting on climate change responses, including the establishment of indicators and goals. The Sustainability Promotion Committee deliberates on each agenda item with the participants, and final decisions rest with President and CEO.

Role of Management

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

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

Oversight by the Board of Directors

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

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

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

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

Scope of Analysis

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

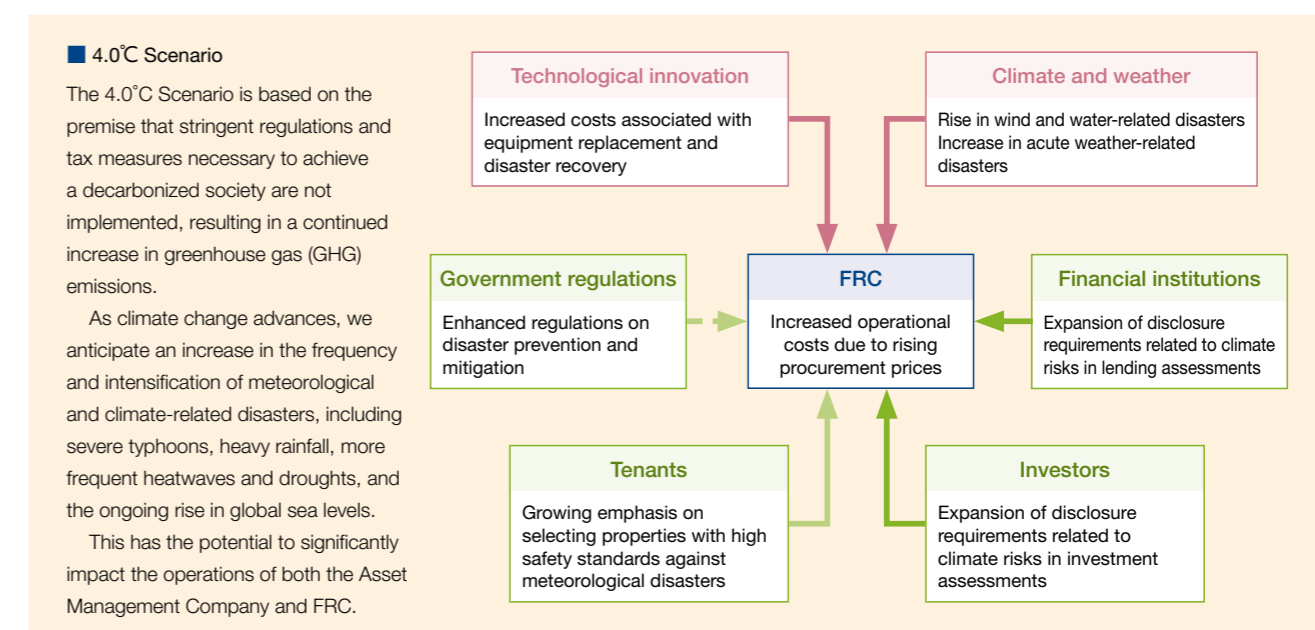
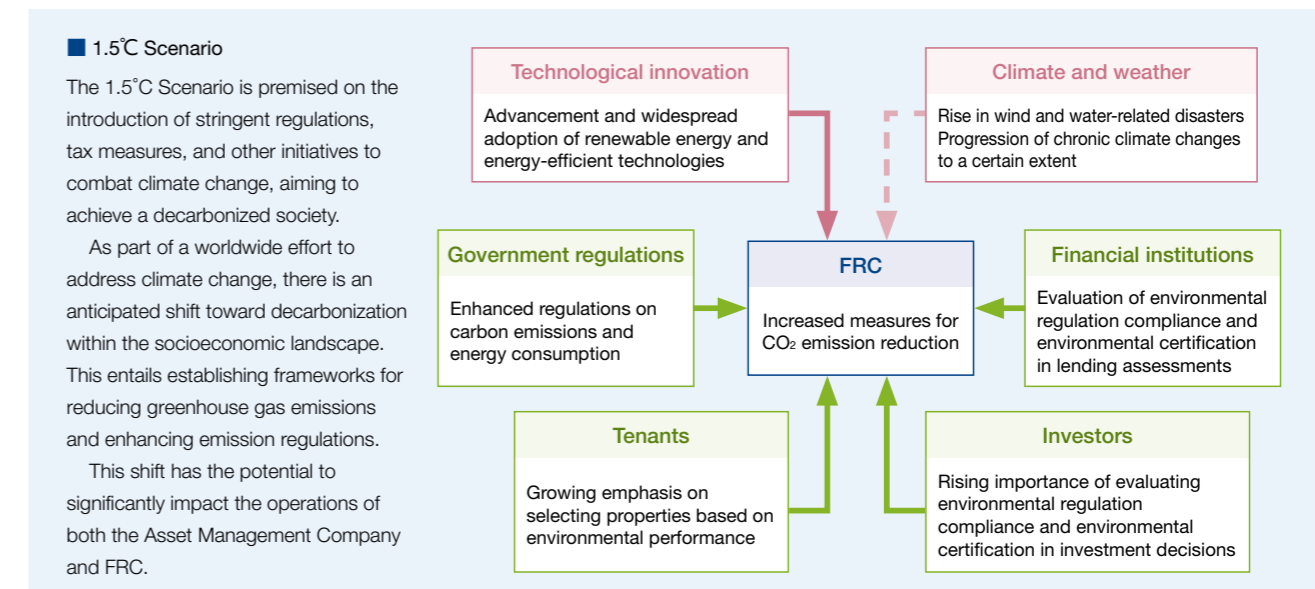
External Scenario Referenced

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

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

Envisioned Worldview in Each Scenario

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



Identification of Risks and Opportunities

The Asset Management Company has identified risks and opportunities based on scenarios and assessed their impact on business as outlined below. For the financial impact, we conducted both qualitative and quantitative assessments, referring to the aforementioned scenarios and literature provided by industry associations.

Qualitative Analysis Results of Climate-Related Risks and Their Financial Impact

Risks and Opportunities

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

Risk and opportunity factors and financial impacts		Importance		Response to risks and opportunities	
		2030	2050		
Transition risk	Policy and legal	The introduction of carbon pricing results in an increased carbon tax burden.	Low	Medium	Advancement of CO ₂ reduction goals/Energy-efficient renovations/Introduction of renewable energy/Efficient energy management
	Technology	Expenses increase for energy-saving and energy-creating measures for existing properties, including energy conservation, energy storage, ZEB/ZEH conversion, and solar power generation.	High	High	Establishment of long-term renovation plans considering the useful life span/Utilization of subsidies/Improvement of portfolio environmental performance through acquisition of ZEB/ZEH properties
	Market	Market preferences lead to an increase in vacancy rates and a decline in rents for properties not aligned with decarbonization.	Low	Low	Promotion of environmental certifications/Understanding of tenant needs through satisfaction surveys/Advocacy of Green Lease agreements/Promotion of green initiatives/Appealing to investors who prioritize environmental issues/Improvement of portfolio environmental performance through property replacement
	Reputation	Delayed adoption of decarbonization measures results in a decline in investment unit prices and missed opportunities for external growth. Delayed implementation of decarbonization measures leads to an increase in loan interest rates and a shortening of borrowing periods.	-	-	
Physical risk	Acute	Increased frequency of disasters results in a rise in damage costs and disaster recovery expenses.	High	High	Risk monitoring of property locations/Implementation of disaster preparedness measures (e.g., installation of water stoppers, waterproofing of central monitoring, reinforcement of power receiving and transforming facilities)/Conducting BCP training/Insurance coverage for damages/Conducting hazard risk assessments at the time of property acquisition
		Increased frequency of disasters leads to a rise in disaster preparedness expenses.	Low	Medium	
	Chronic	The rise in air-conditioning usage due to increasing temperatures results in higher utility costs. Expenses for addressing the impacts of rising sea levels increase.	Low	Low	Implementation of air-conditioning efficiency improvement renovations/Efficient energy management
Opportunities	Resource efficiency	Implementation of energy-saving measures leads to a reduction in energy procurement costs.	Low	Low	Energy-efficient renovations/Introduction of renewable energy/Improvement of portfolio environmental performance through acquisition of ZEB/ZEH properties/Decrease in the cost of high-efficiency equipment
	Energy sources	As the transition to clean energy progresses, the carbon tax burden decreases.	Low	Low	
	Products and services	The increased supply of ZEB properties in the market leads to an increased opportunity for acquiring such properties.	-	-	
	Market	Market preferences lead to an increase in vacancy rates and a decline in rents for properties not aligned with decarbonization.	Low	Medium	Promotion of acquisition of environmental certifications/Understanding tenant needs through satisfaction surveys and other measures
		The success of decarbonization measures leads to an expansion of lending partners and opportunities.	Low	Low	Utilization of green finance
		The success of decarbonization measures opens up new investor segments.	-	-	Appealing to investors who prioritize environmental issues
Resilience	The success of disaster preparedness measures results in a reduction in damage costs and disaster recovery expenses.	Medium	Medium	Risk monitoring of property locations/Implementation of disaster preparedness measures (e.g., installation of water stoppers, waterproofing of central monitoring, reinforcement of power receiving and transforming facilities)/Risk mitigation through insurance coverage	

Qualitative Analysis Results of Climate-Related Risks and Their Financial Impact

Financial Impact (Millions of yen)

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

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

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

The simulation was conducted by considering FRC's existing financial information, taking into account information provided by

climate-related scenarios and literature. The unit is primarily in the form of impact amounts (millions of yen) per year on a cash basis, and the time frame assumes the year 2050. Note that the accuracy of the calculations cannot be guaranteed at present. In addition, the assumed countermeasures are based on simulation and are not decisions or plans that have been executed.

Concrete Initiatives in Response to Risks and Opportunities

We aim to achieve the current CO₂ reduction targets associated with transition risk. We will pursue energy-efficient upgrades, including LED conversions, and enhance energy efficiency during facility updates. In addition, we will explore initiatives such as the integration of solar power generation and consider transitioning ZEB and ZEH.

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

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

Risk Management

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

Process of Identifying and Evaluating Risk

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

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

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

Process of Managing Risks

The executive with ultimate responsibility for climate-related issues designates responsible departments or individuals and instructs the formulation of countermeasures for climate-related risks and

opportunities of high priority in business and financial planning, as deliberated in the Sustainability Promotion Committee.

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

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

Integration into Comprehensive Risk Management

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

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

Metrics and Targets

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

Reduction of Environmental Load

•35% reduction in CO₂ emissions by 2030 (compared with 2019, basic unit) [See p.28](#)

Maintenance and Enhancement of Environmental and Construction Performance

•85% Green Building Certification rate or higher by 2030 [See p.31](#)

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



Related Materiality

- Creation of pleasant workplaces

Initiatives for Employees and Tenants

Initiatives for Employees AMC

<p>Fukuoka Realty: Numbers of credentialed personnel As of August 31, 2023</p> <p>The average number of years of continuous service of permanent employees</p> <p>8 years and 3 months</p> <p>Full-time personnel</p> <p>47 (Male: 21 Female: 26) Gender ratio Male: 44.7% Female: 55.3%</p> <p>Employees seconded from sponsors: 3 Employees seconded to a sponsor: 9</p> <p>Number of credentialed personnel (total number of people)</p> <p>Real estate brokers: 23 ARES Certified Masters: 22 Certified Building Administrators: 5 CMAs: 3 First-class registered architects: 3 Real estate appraisers: 3 MBAs: 2 Attorney: 1 Licensed Representative of Condominium Management Company: 1</p>	<p>Support for flexible work styles</p> <ul style="list-style-type: none"> • Child-rearing support (maternity leave, childcare leave system) • Nursing care leave • Leave for voluntary work • Employee welfare (e.g., 401K, cumulative investment system) • Encouraging use of paid holidays etc. <p>Training for employees</p> <ul style="list-style-type: none"> • Regular lectures by Kyushu Economic Research Center • Compliance training • ESG training • Nursing care training • In-house recreation etc. <p>Career development support</p> <ul style="list-style-type: none"> • Employee satisfaction survey • Self-assessment system • Career interview • Secondment system (dispatching employees to sponsor companies) • Promotion from contract employee to permanent employee status etc. • Offering of training programs tailored to each management level • System for supporting acquisition of qualifications (e.g., Real Estate Transaction Agent, Real Estate Securitization Master) • Support for language learning
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<p>Health management/Improvement of office environment</p> <ul style="list-style-type: none"> • Initiatives to prevent infectious diseases such as influenza (Implementation of influenza vaccination and full coverage of vaccination costs) • Mandatory health checkups and comprehensive medical examinations • Health counseling by public health nurses • Application system to restrict excessive overtime work • Assistance for use of sports clubs • Installation of personal booths, meeting booths, plants, etc. • Installation of personal lockers • Installation of ceiling-mounted projectors 	 <p>Installation of personal lockers</p>	 <p>Meeting booths</p>
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A Comfortable Working Environment AMC



Initiatives for Tenants IC

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

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

Related Materiality

- Contribute to increased attractiveness and vitalization of Fukuoka and Kyushu
- Involvement in local community

Initiatives for Local Communities

Initiatives for Local Communities IC AMC

<p>Annual Events</p>  <p>At Canal City Hakata, employees of the Asset Management Company participate in events that involve sprinkling water on sidewalks to cool them down and promote well-being as part of efforts to enhance the environment.</p>	<p>Participation in Clean-Up Days</p>  <p>Asset Management Company executives and employees actively participate in cleanup activities, of which there had been 313 as of October 19, 2023.</p>	<p>Participation in Community Events (Hakata Gion Yamakasa)</p>  <p>After a four-year hiatus, employees participated in the regular Hakata Gion Yamakasa Oiyama event (Hachiban Yamakasa, Kamikawabata Shopping Arcade).</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.</p>	<p>Various Events Held</p>  <p>At Canal City Hakata, we held events such as Flea Maniacs' SAKE and a recycling process experience using discarded plastic, known as SDGs WEEK.</p>	

Gatherings for Real Estate, Finance, and the Economy AMC

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

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

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



The Kyushu Economic Research Center AMC

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



Other Activities AMC

- **Kyushu IR Group**
- The Kyushu IR Group, which entered its 13th year in 2023, was established in cooperation with the Japan Investor Relations Association. The Group assists in learning about the latest IR trends with IR employees of companies located in Fukuoka and Kyushu and fosters the forming of networks between participating companies. Impacted by COVID-19, the study groups have been held in a hybrid style that combined online tools with face-to-face interaction.

■ Details of the Study Group

Date	Theme and lecturer
1st workshop July 2023	Guiding Sustainable Evaluation in IR ~ Trends and Disclosure in IR for FY2023 ~ Yoshiko Sato, Executive Managing Director, Japan Investor Relations Association
2nd workshop November 2023	IR Activities at Yaskawa Electric (Expansion of Disclosure Information and Dialogue Opportunities) Corporate Branding Division, Public Relations & IR Department, Yaskawa Electric Corporation Daisuke Nakahara, Manager of IR Promotion Section



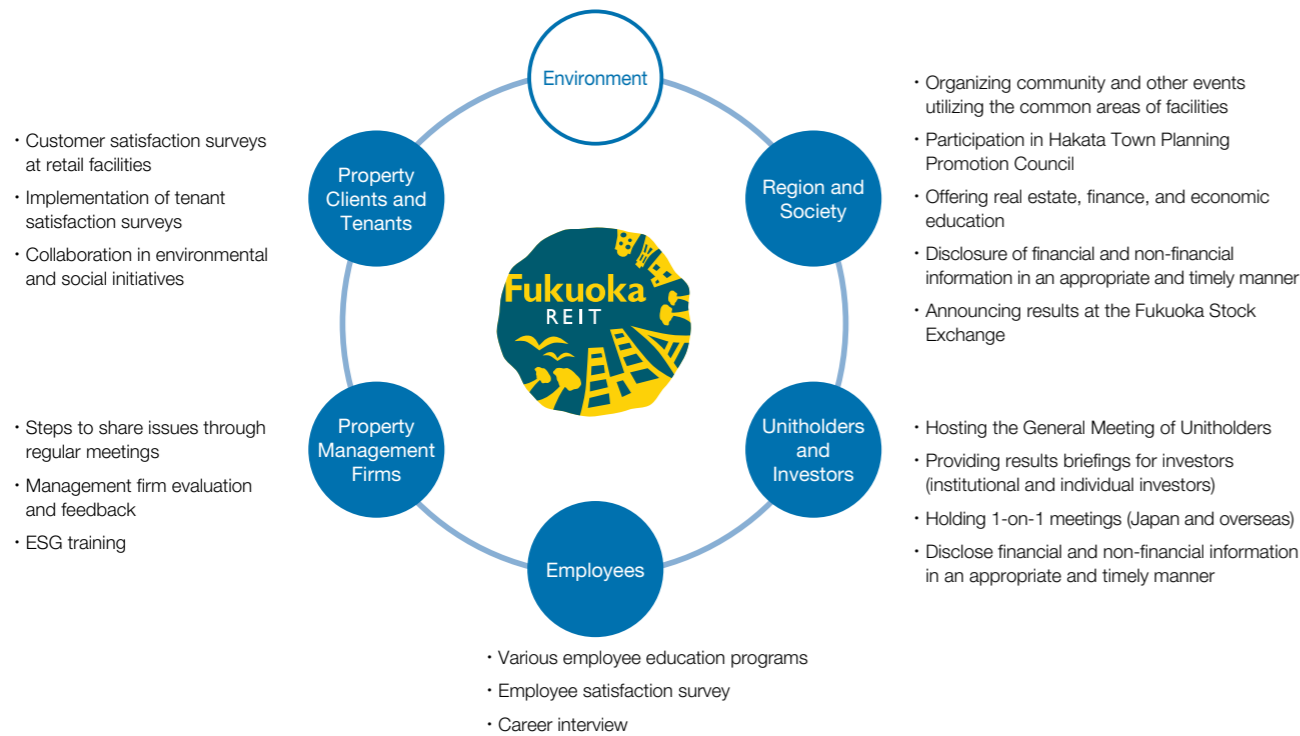
Note: Information on lecturers is current as of the time of the respective Kyushu IR Group meetings.

Related Materiality

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

Stakeholder Engagement

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



Dialogue with Unitholders and Investors

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

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



Dialogue with Employees

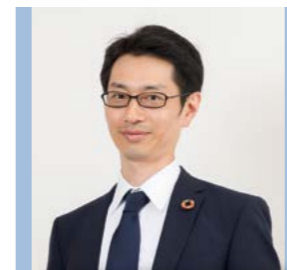
FRC and Fukuoka Realty Co., Ltd., recognize that human resources are our greatest asset. As part of our efforts to create comfortable and healthy workplaces, we are endeavoring to improve the efficiency of our operations by enhancing the office environment and our systems. In addition, we provide IR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

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



Risk Management and Compliance Initiatives

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



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

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

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

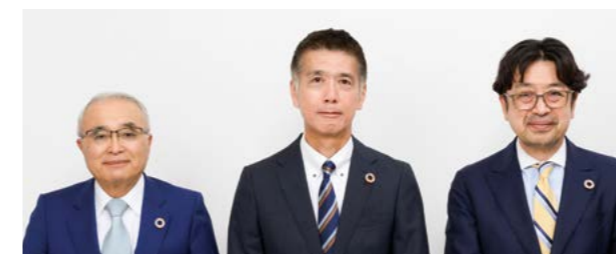
We also ensure objectivity by receiving advice and evaluations from outside specialists to avoid taking a self-righteous approach in our decisions.

Managing Conflicts of Interest

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

Fukuoka REIT Corporation, Directors

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



Supervisory Director **Yasuo Kawasho** Investment unit holdings: None
Executive Director **Zenji Koike** Investment unit holdings: 11
Supervisory Director **Takashi Tanabe** Investment unit holdings: None

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

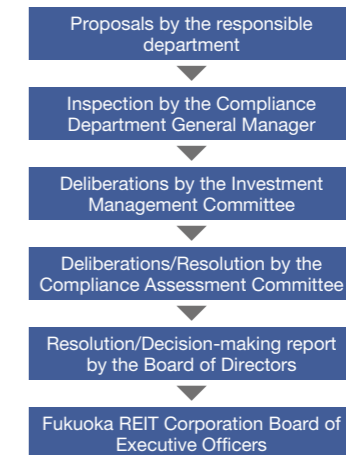
The Asset Management Fee Structure

Asset management fees linked to unitholder interests

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

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

Decision-Making Process*



Third-party assessment by external experts

- [Real estate appraisals]**
- Japan Real Estate Institute
 - The Tanizawa Sogo Appraisal Co., Ltd.
 - Daiwa Real Estate Appraisal Co., Ltd.
- [Market reports]**
- Analysis on trade areas and competition situation
 - Adequate rent levels, etc.
- [Engineering reports]***
- Law abidance and earthquake resistance
 - Check of soil contamination, toxic substance and use status
 - Replacement market price, expenses for long-term maintenance and repairs, etc.

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

Training Records

	Oct. 2020– Sept. 2021	Oct. 2021– Sept. 2022	Oct. 2022– Sept. 2023
Compliance training (including e-learning)	6 times	6 times	7 times
Sustainability training	2 times	3 times	4 times

Fukuoka Realty Co., Ltd., Directors



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