



Fukuoka REIT Corporation

Q&A Summary for the 35th Fiscal Period (Period Ended February 2022)

Earnings Briefing Session for Institutional Investors/Analysts

Date: April 15, 2022 (Fri.), 5:00 PM – 5:47 PM (web conference)

Q1 What do you anticipate will be the impact on sales of your tenants from the opening of LaLaport Fukuoka? Also, what of the impact on SunLive City Kokura from the opening of THE OUTLETS KITAKYUSHU?

A1 We expect that, of the properties we own, Canal City Hakata will be most affected by the opening of LaLaport Fukuoka. We assume there will be an impact on sales immediately after the opening and for a year or so after that. We also anticipate that SunLive City Kokura will be somewhat affected by the opening of THE OUTLETS KITAKYUSHU. However, we believe that the impact is fairly limited, partly because sales of SunLive City Kokura have improved significantly due to renovation conducted last year.

Q2 With regard to setting the lower limit of dividend at 3,500 yen per unit, the best way to bolster it should be to improve earnings from existing properties. If that is not possible, however, which do you place priority on, property acquisition or return of unrealized gains through selling properties?

A2 Our priority is on property acquisition. Property sale is positioned as one of the options. In any case, we will conduct appropriate operations to keep the lower limit of 3,500 yen per unit and proactively investigate new property acquisition.

Q3 Was the cancellation by tenants at Higashi Hie Business Center due to individual reasons specific to them? Do you see any sign of move-outs by large tenants in the entire market or at properties within FRC's portfolio?

A3 Compared with Tokyo, we find fewer moves of cancellation due to the impact of remote work in office spaces in Fukuoka. The cancellation at Higashi Hie Business Center was done for an individual corporate group and the specific reason of reducing office space based on the company-wide policy of the tenants. As we observe no similar trend with other tenants, we think it is fully possible to fill the vacated space and it may be a good opportunity to shrink the rent gap.



Q4 With regard to your dividend, it has remained stable at 3,500 yen per unit over recent fiscal periods. In your view, what will be needed for the dividend level to rise to 3,600 yen or 3,700 yen in the future? Will the level increase in a natural manner as COVID-19 is contained? Or are you going to accelerate external growth, etc.?

A4 In order to raise dividends, it is first necessary to promote internal growth such as larger sales at retail properties and rent increase for offices. However, we believe that external growth is the most important factor. We intend to acquire excellent properties to achieve the target asset size of 250 billion yen, leading to higher dividends.

Q5 In your external growth strategy, my understanding is that you will continue acquiring properties centering on office buildings and logistics facilities, but is there any possibility of acquiring hotels that employ variable rent or retail properties, etc., in anticipation of the containment of COVID-19 going forward?

A5 The asset types for which we will preferentially investigate acquisition are office buildings, logistics facilities and residential properties. We would like to conduct property acquisition with a target of setting the ratio of retail properties at 50% or less. As for acquisition of hotels and retail properties, it is not that there is no possibility, but the priority is rather low for the moment.

Q6 Concerning Higashi Hie Business Center, I see you are going to conduct full-scale leasing activities in order to lease the vacated space as soon as possible. Can you tell me about the responses or reactions you have received from candidate tenants for now? Given the demand for office space in Fukuoka, is there no need to worry about the vacant period prolonging, etc., and can we expect an upside gain due to elimination of the rent gap?

A6 We started leasing activities for Higashi Hie Business Center in April. The responses are not bad, and we have received several inquiries. We started invitation of tenants at a rent level above the current level and based on market rent. As the property is a highly competitive building with a wide standard floor area and is directly connected to a subway station, we think the vacancy will be filled in a short time in consideration of



the office market in Fukuoka. We have also factored in a certain period of vacancy for the property.

Q7 Regarding the percentage-of-sales rent of Canal City Hakata, if its sales have recovered to the same level as in 2019, what will the degree of impact on rent increase be? In addition, if the effect of the opening of a new subway station is taken into account, to what degree do you anticipate sales to recover compared with 2019?

A7 Aside from the impact of COVID-19, there are multiple factors, such as renewal of the property including tenant replacement, the opening of a new subway station and the opening of LaLaport Fukuoka. Accordingly, it is difficult at the moment to quantify the assumed increases in sales and rent. For Canal City Hakata, our top priority is placed on maintaining earnings through work to respond to diversification of consumption and providing new experiential value as we present new contents and a new grand design to customers.

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