Fukuoka REIT Corporation

Q&A Summary for the 44th Fiscal Period (Period ended Aug. 2026)

Earnings Briefing Session for Institutional Investors/Analysts

Date : October 21, 2026 (Wed.), 15 : 30 - 16 : 15 (web conference)

Q1 Regarding the background to Canal City Hakata's strong performance, where have you been capturing demand from? Have you been able to win over domestic customers from other facilities, or are inbound visitors continuing to increase? What are the particularly significant underlying factors?

A1 Both domestic customers and inbound visitors are increasing, but inbound visitors are contributing more to growth. While sales at nearby competing facilities have also increased year on year, we believe that Canal City Hakata has been growing the most. Among inbound visitors, the increase in customers from Taiwan has been particularly substantial, with their numbers roughly doubling from the previous year, and we believe that they have been the biggest driver.

Q2 What are your plans for future property acquisitions and dispositions? Please explain your approach to property replacement. Will you dispose of passive commercial properties with fixed rents and acquire active commercial properties, actively acquire office buildings, or pursue another approach?

A2 Our policy is to consider all properties for potential replacement, without exception. We believe that the candidates for disposition could include properties with only modest rent growth or properties where a substantial portion of the rent is fixed. On the other hand, we will consider acquiring properties that are expected to see growth in the future. Specifically, we will aim to acquire commercial properties or office buildings that are expected to see rent growth in the future.

Q3 What is the expected economic effect of tenant replacements related to the night time economy at Canal City Hakata? How much is the rent expected to increase compared with the previous rent?

A3 Although we will not disclose the detailed terms, it is expected that we will be able to more than double the unit rent as a result of the tenant replacement.

Q4 Given the strong inbound demand, what is your view on the impact of the introduction of the airport refund system? At Canal City Hakata, which is close to Fukuoka Airport, is there a possibility that the change in the tax-free procedure will affect sales?

A4 At this juncture, we do not believe that the airport refund system will have a major impact. For example, although Onitsuka Tiger has a store at Fukuoka Airport, it is well differentiated from its other store at Canal City Hakata, and no figures have been identified indicating that the presence of the airport store has affected the sales of Onitsuka Tiger at Canal City Hakata. Therefore, even if the airport refund system is introduced, we believe that its impact on Canal City Hakata will be limited.

Q5 How is the Onitsuka Tiger store at Fukuoka Airport differentiated from the Onitsuka Tiger store at Canal City Hakata?

A5 When we exchanged views with the operator of Fukuoka Airport, they said that the Onitsuka Tiger Store at the airport is performing very well. On the other hand, partly because the airport store is smaller than the store at Canal City Hakata, we believe that the Canal City Hakata store is superior in terms of its product lineup and customer service. For this reason, the Canal City Hakata store is differentiated from the airport store to a certain extent, and we recognize that it has its own unique strengths.

Q6 LTV is expected to rise to the 44% range in the future, approaching the level before the reduction due to the previous public offering. According to the analyst meeting materials, the upper LTV limit is 50%, and the borrowing capacity is about 35 billion yen. However, in reality, it appears that a public offering may be necessary for external growth. Please explain the outlook for LTV.

A6 As previously explained, we control LTV to ensure it goes no higher than 50% and normally stays at a level between 35% and 45%. Currently, LTV is at 34% on an appraisal basis, which is still low. While we must continue to manage our finances as carefully as ever, we anticipate that LTV may temporarily exceed 45% on a book value basis.

Q7 A DPU target of 4,240 yen has been set for the period ending August 2027; however, in terms of the payout ratio and the dividend yield, it is not necessarily a high level among J-REITs as a whole. For investment unit prices to rise, aren't further dividend increases and, in addition to EPU growth, additional measures to return value also necessary—not just a reduction in risk premiums?

A7 The dividends for the current period was 4,075 yen per unit, with a portion of earnings retained as internal reserves. We aim to realize growth in both EPU and dividends by steadily taking the necessary actions.

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Q8 How long do you expect the growth of Canal City Hakata to continue? What is your view on its potential for longer-term growth beyond just three to five years?

A8 We aim to drive continued growth at Canal City Hakata. Our plan is to aim for growth beyond just Canal City Hakata itself, but also through collaboration with the surrounding area, including the re-opening of East Building and collaborations with the nearby Seiryu Park. Therefore, we believe that there is potential for growth over the long term. In addition, while customers from China have not decreased significantly, there is still room for recovery in the number of visitors to Fukuoka in absolute terms. We believe that if the number of customers from China fully recovers, it will be a catalyst for further growth.

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Q9 Fixed interest rates currently account for 83.1%, which is a high level. Is there any possibility that it will fall to the 70% range? Do you intend to increase borrowings with variable interest rates in the future?

A9 From the perspective of ALM, a larger percentage of borrowings with fixed interest rates is more desirable in some respects. On the other hand, given the current interest rates for financing, another option is to reduce interest expenses by utilizing variable interest rates. We recognize that our current proportion of borrowings with fixed interest rates, at 83.1%, is higher than the industry average. By utilizing variable-rate financing, it is quite possible that our total proportion of borrowings with fixed interest rates will fall to the 70% range.

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Q10 How are you considering hotel investments following the renovation of the Fukuoka Washington Hotel? What are you currently considering as active investment targets that can capture variable rents?

A10 We are considering hotels as investment targets if they have the potential for cash flow growth, and we have recently received several offers for hotel projects. Going forward, we will consider acquiring properties with the potential for medium- to long-term cash flow growth while carefully examining each project.

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