Fukuoka REIT Corporation

Q&A Summary for the 33rd Fiscal Period (Period Ended February 2021)

Earnings Briefing Session for Institutional Investors/Analysts

Date: April 16, 2021 (Fri.), 3:30 PM – 4:20 PM (web conference)

Q1 Do you anticipate having more cases of property replacement going forward? Specifically, do you have a willingness to sell your hotels or retail properties and acquire office buildings or logistics facilities?

A1 At present, we have no intention of selling any hotel or retail property. As for office buildings and logistics facilities, we would very much like to acquire them as long as we can find good properties. Having said that, we will investigate property sale if we see a good opportunity, such as that in the 33rd fiscal period.

Q2 With regard to Canal City Hakata·B Grand Building, what has caused the difference in its appraisal value between Fukuoka REIT Corporation and Hoshino Resorts REIT, Inc.?

A2 We think the biggest factor is the difference in expected income estimated by the respective REITs.

Q3 In terms of external growth, you said you aim to achieve an asset size of 250 billion yen. Around how long do you suppose will be required for that goal?

A3 It is difficult to clearly indicate the period, but the asset size has increased by 130 billion yen over the last 15 years. As such, we would like to expand the asset size with a pace of growth of 8 to 9 billion yen per year on average in mind.

Q4 The office market condition in Fukuoka appears to be more defensive than in Tokyo, but can we expect that it will show an improvement trend down the road? Also, how do you see the upward trend of your office rent going? Do you anticipate that the upward trend will continue in the 34th fiscal period and thereafter?

A4 We believe that the office market in Fukuoka is more favored than that in Tokyo in various ways. As for rent increases, the amount of increase in the 34th fiscal period is expected to be smaller than that of the 33rd fiscal period results, partly because it is difficult to discern how tenant performance will be, including the impact of the spread of COVID-19. Nevertheless, we will make our best endeavors on negotiations with tenants.

Q5 Please give us the details of the background of the asset replacement you have conducted with Hoshino Resorts REIT, Inc.

A5 In light of full-service hotels facing with a tough situation due to the impact of the spread of COVID-19, we were investigating renovation or alternative use of the floors other than accommodation floors of our hotels. For Canal City Hakata·B Grand Building, disposition was one of the options to take in mind. Then, we received an offer of acquisition from Hoshino Resorts REIT, Inc. and we decided to conduct the deal. We asked for sponsor support to cover the decrease in operating revenues as a result of the disposition, and it resulted in the latest asset replacement.

Q6 Your logistics facilities have achieved a notable period-on-period increase in revenues. Are there any other factor than the full-period contribution of LOGICITY Wakamiya for the increase?

A6 The increase in the 33rd fiscal period is solely due to the full-period contribution of LOGICITY Wakamiya. It is true that, in the 30th fiscal period, we achieved an upward revision of rent upon contract renewal for LOGICITY Minato Kashii. In principle, however, we have concluded long-term lease agreements for our logistics facilities. Therefore, there was no rent increase in accordance with new contract renewals in the 33rd fiscal period.

Q7 Your future estimates of the active retail properties may appear to be rather conservative. Will there be any chance of upside gains?

A7 We do want to achieve upside gains, but we think that figuring out how we should deal with the concerns about the fourth wave of COVID-19 infections and other COVID-related factors is quite tough.