



Fukuoka REIT Corporation

Q&A Summary for the 30th Fiscal Period (Period Ended August 2019) Earnings Briefing
Session for Institutional Investors/Analysts

Date: October 17, 2019 (Thu.), 17:00pm – 17:30 pm

Q1: For the Fukuoka market, we recognize that the performance of office buildings and logistics facilities is favorable and that of retail facilities is unfavorable. Do you intend to increase the ratio of office buildings and logistics facilities and lower the ratio of retail facilities in the portfolio? If so, please tell us about your actions and progress towards it, as well as sense of speed, etc.

A1: The purpose of the change in the investment policy made in March 2019 was to acquire office buildings and logistics facilities. As for the status of consideration, we are steadily considering acquisition from outside parties and sponsors.

Q2: As for the business forecast, you mentioned the downturn in variable rent due to the decrease in the number of South Korean tourists visiting Japan. Does that mean there will be no risk of decrease in fixed rent caused by tenant move-out, etc.?

A2: There will be no move-outs of retail tenants and no decrease in fixed rent due to the decrease in the number of South Korean tourists visiting Japan. As for the impact, we think that only variable rent, which increased in line with the sales increase, will be slightly impacted in a negative manner.

Q3: You explained that dividends will decrease with the impact of the decrease in the number of South Korean tourists visiting Japan. Do you intend to acquire properties through borrowings and cover the decrease by raising the LTV?

A3: The current LTV ratio is 39.7% and approximately 1 billion yen can be borrowed up to 40% and approximately 19 billion yen up to 45%. We acquired Tissage Hotel Naha through borrowings last December and intend to acquire properties by utilizing borrowings and cash on hand if there are any small properties we find to be good.

Q4: You mentioned your goal of achieving DPU of 3,800 yen on an ongoing basis upon the announcement of the financial results for the previous period. What are your thoughts



based on the current situation such as the decrease in the number of South Korean tourists visiting Japan? You said you are able to achieve 3,800 yen only through internal growth, but have you made any changes to the forecast? If so, please tell us about it.

A4: We aim to achieve 3,800 yen, of course. However, replacement of major tenants, etc. are scheduled in the future and the achievement may be delayed more than initially assumed if downtime occurs, but we will not change our focus. Furthermore, our aim to achieve 3,800 yen as the next target will be realized through not only internal growth but also by combining external growth, if there are small properties.

Q5: The decrease in variable rent for retail facilities continues to be a concern due to the decrease in the number of South Korean tourists visiting Japan. You said you will cover such decrease by attracting more tourists from other countries but is it possible to cover the decrease in the number of South Korean tourists visiting Japan with increase in tourists from other countries? Nonetheless, is variable rent forecasted to decrease over the medium term? Please tell us your forecast on variable rent, considering the expected number of tourists from other countries.

A5: In terms of volume, tourists from South Korea account for a large percentage of tourists visiting Japan. Although it is difficult to make future assumptions as we cannot forecast the amount by which South Korean tourist numbers will decrease and for how long the decrease will continue, there are several countries from which we are attracting more visitors with the launch of new flights. Our current aim is to increase the number of tourists from Southeast Asia by conducting sales promotions, as well as attract customers from North America, Europe and Australia in the future.

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