

# ESG Initiatives (Environment)

## Environment Initiatives in the 32<sup>nd</sup> fiscal period

### Canal City Hakata



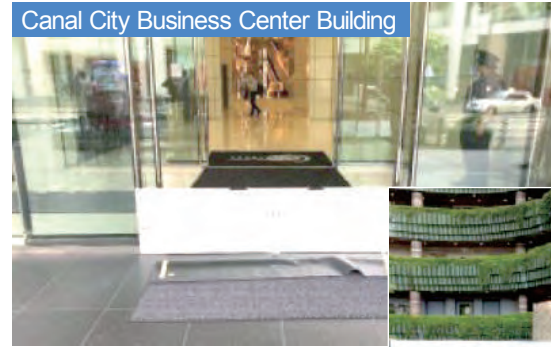
#### Renewal of rooftop greening

Renewed the rooftop garden used as a venue for the guests to relax and talk, with an aim to enhance biodiversity by planting tall and mid-height trees, shrubs and ground covers, etc. of various species.



#### Replacement and new installation of water stops

Reviewed the specifications and installation locations of existing water stops throughout Canal City Hakata, and newly installed or repaired the equipment as a countermeasure against river floods due to typhoons and local heavy rains, which are said to be frequent and severe global warming in the future.



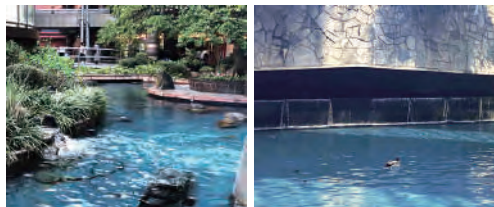
In contrast to the existing water stops of +50 cm from the standard level, (\*) the new water stops are +100 cm from the standard level, enhancing the anti-inundation function,



(\*) The reference point is "0" for the entrance and exit closest to the lowest road in the vicinity of Canal City Hakata.

## Other Environment Initiatives

### Retail



#### Filtration System : rainwater reuse system

##### Canal City Hakata

Canal City Hakata's symbolic canal has both a recreational function and as 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 this water uses rainwater in order to conserve resources.

#### Greywater plant: kitchen drainage reuse system

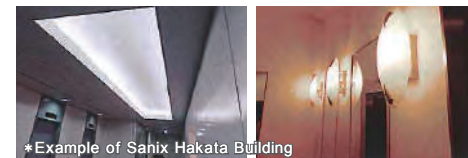
Canal City Hakata and Konoha Mall Hashimoto the kitchen drainage from restaurants are processed to greywater and re-used as washing water for toilets within the buildings.



### Office buildings

#### Progress with switch to LED lighting

- Switch to LED lighting
- Gofukumachi Business Center (Interior shared spaces, some external areas, etc.)
- Sanix Hakata Building (Interior recessed lighting)
- Taihaku Street Business Center (Entrance, interior shared spaces, etc.)



\*Example of Sanix Hakata Building

### Others [Logistics]

#### Utilization of renewable energy

Solar panels have been installed on the roofs of LOGICITY Minato Kashii and LOGICITY Hisayama.



LOGICITY Hisayama

# ESG Initiatives (Society)

## Initiatives for employees and tenants

### Retail

#### Major anti-infection measures

- Install alcohol disinfectants and anti-splash screens
- Call for attention to social distancing
- Conduct thorough health management of tenants' employees by taking their temperature, etc.
- Reduce chair and table counts in common areas



#### Support for tenants (restaurant/eatery)

#### Lunch box market

Canal City Hakata restaurants sell take-out lunch boxes only on weekdays.  
(6/22-7/17, 9/28-10/9)

### Office buildings

#### Major anti-infection measures

- Install alcohol disinfectants at the entrance
- Strengthen ventilation in common areas, etc.
- Post warnings about anti-infection measures in elevators



#### Posters for infection control measures

Raise awareness of the infection control measures by displaying posters in elevators, etc.

### Initiatives for employees

#### Major anti-infection measures

- Establish a satellite office (in Tenjin chuo-ward, Fukuoka)
- Implement work from home, staggered work hours and holiday work
- Distribute masks and thermometers
- Conduct morning assemblies and meetings using the Internet, etc.

Install anti-splash screens and antiseptic solutions, etc. at offices and reception desks



## 《Fukuoka Realty: Numbers of credentialed personnel》

(As of August 31, 2020)

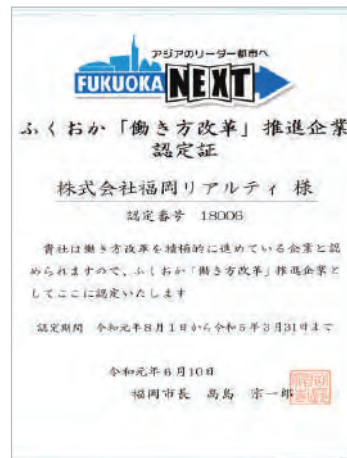
■ The average number of years of continuous service of permanent employees: 8 years and 10 months

■ Full-time personnel: 41 [Male:20 Female:21] ※51.2% Female

- Employees seconded from sponsors : 2
- Employees seconded to a sponsor : 4

■ Number of credentialed personnel

- Real estate brokers : 26
- Certified Building Administrators : 5
- First-class registered architect : 2
- Real estate appraisers : 2
- ARES Certified Masters : 23
- Attorneys : 1
- MBA : 1
- Administrative Scrivener : 1
- SME management consultant : 1



## 《Support for flexible working styles》

- Child-rearing support (maternity leave, childcare leave system)
- Nursing care leave
- Leave for voluntary work
- No overtime days
- Employee welfare (401K, cumulative investment system, etc.)
- Encouraging use of paid holidays, etc.

## 《Career development support》

- Employee satisfaction survey
- Self-assessment system
- Career interview
- Secondment system (dispatching of employees to sponsor companies)
- Promotion from contract employee to permanent employee status, etc.

## 《Training for employees》

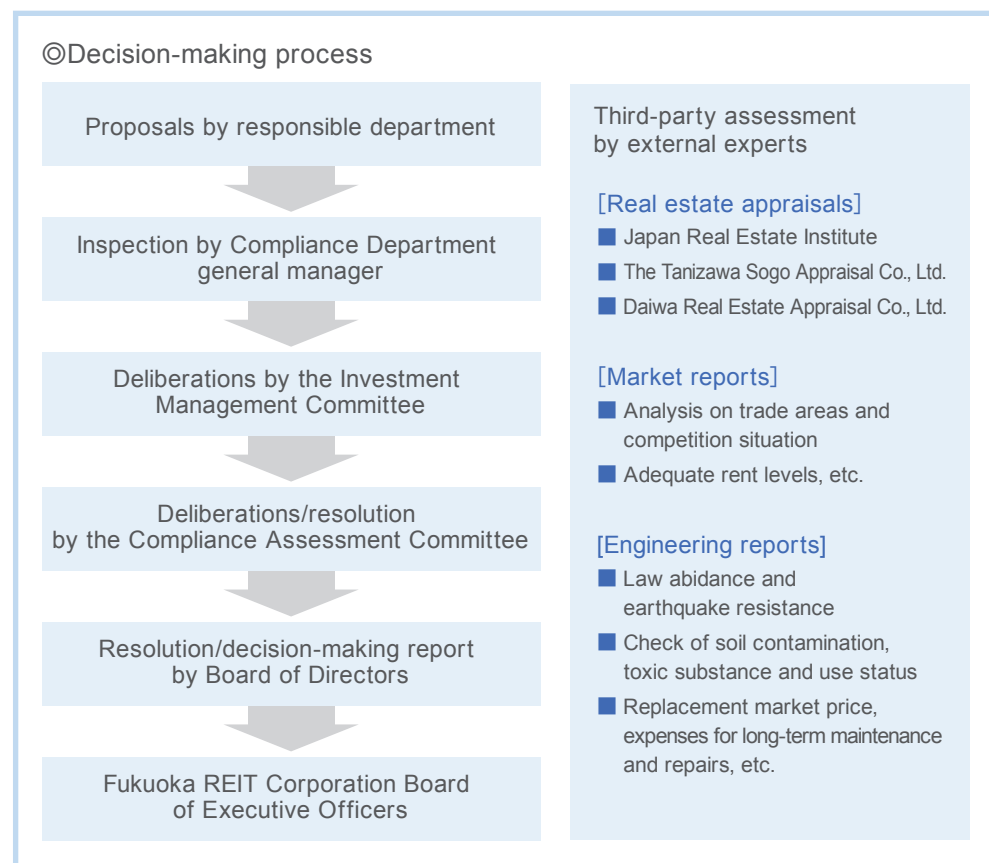
- Regular lectures by Kyushu Economic Research Center
- Compliance training
- ESG training
- Nursing care training
- In-house recreation, etc.

- Offering of training programs tailored to each management level
- System for supporting acquisition of qualifications (Real Estate Securitization Master, Real Estate Transaction Agent, etc.)
- Support for language learning, etc.

# ESG Initiatives (Governance)

## Governance System

Fukuoka Realty has established a Basic Policy on Compliance, as well as compliance regulations and other internal rules to prevent conflicts of interest. We conduct conflict of interest risk management pertaining to our dealings with stakeholders in an appropriate manner based on the abovementioned rules and regulations with preliminary assessment carried out by the Compliance Department general manager and deliberations conducted by the Compliance Assessment Committee (consisting of the Compliance Department general manager and three outside experts).



(\*) 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.

## Matching unitholder interests and sponsor interests, etc.

- Same-boat investment by sponsor  
Fukuoka Jisho Co., Ltd., the main sponsor, has 9.18% of FRC's investment units as of the end of the 32<sup>nd</sup> fiscal period.
- Cumulative investment system for investment units  
A cumulative investment system for investment units was introduced for the Asset Manager officers and employees in April 2015 in order to enhance their mindset for FRC's investment unit price and better performance as well as promote their assets formation.

## Changes to the asset management fee structure

The Management Fees 1 and 3 were reviewed for the purpose of further reinforcing the linkage between unitholder interest and the asset management fee structure, and the following changes were resolved at the ninth General Meeting of Unitholders held on May 26, 2020 for further enhancing unitholder value. The changes became effective on September 1, 2020 (beginning of the 33<sup>rd</sup> fiscal period)

Asset management fees	Calculation method
Management Fee 1 (based on total assets)	[3 months from the day following the last day of the immediately preceding fiscal period] Total assets at the end of the immediately preceding fiscal period × <u>0.25%</u> (previously 0.3%) × number of days / 365 [From the day following the last day of the period above to the end of the fiscal period] (Total assets at the end of the immediately preceding fiscal period + value of acquired assets - value of disposed assets) × <u>0.25%</u> (previously 0.3%) × number of days / 365
Management Fee 2 (based on operating revenue)	Operating revenue for the immediately preceding fiscal period × 2.0%
Management Fee 3 (based on distributable profit)	(Distributable amount before paying Management Fee 3 for the immediately preceding fiscal period) × <u>3.6%</u> (previously 2.0%)
Management Fee 4 (acquisition fee)	Value of acquired assets × 0.5% (Value of acquired assets × 0.25% in the case of acquisition from interested parties)
Management Fee 5 (transfer fee)	Value of transferred assets × 0.5% (Value of transferred assets × 0.25% in the case of transfer to interested parties)