



Fukuoka REIT Corporation
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Etsuo Matsuyuki
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(Securities Code: 8968)

Asset Management Company:
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Notice Concerning Borrowing of Funds (Partial Green Loan) and Interest Rate Swap Transaction

Fukuoka REIT Corporation announces that it will conduct the borrowing of funds and has executed an interest rate swap transaction, as described below. Moreover, the Green Loan is the first green loan to be issued among companies in the Kyushu region in compliance with the “Green Loan Principles” (Note 1) and the first green loan among J-REITs to adopt the syndication method. Please refer to the attachment for more information of green loan.

(Note 1) The “Green Loan Principles” were established by the Loan Market Association and Asia Pacific Loan Market Association in March 2018 as an international guideline for loans of which use is limited to the environmental field, and consist of four major items (1. Use of funds 2. Project evaluation and selection process 3. Fund management and 4. Reporting).

1. Borrowing of funds

1) Reason for borrowings

(Refinancing of borrowings associated with the acquisition of Canal City Hakata)

2) Outline of borrowings

Borrowing 1 (long-term debt) (Note 2)

1. Lender: Mizuho Bank, The Bank of Saga, The Higo Bank
2. Amount: 2.2 billion yen
3. Interest rate: Base interest rate (JBA 3-month Japanese Yen TIBOR) +0.30% (Note 3)
4. Drawdown date: July 31, 2019
5. Borrowing method: Loan agreement concluded as of July 29, 2019
6. Repayment date: July 31, 2029
7. Repayment method: Lump-sum upon maturity
8. Description: No collateral, No guarantee

Borrowing 2 (long-term debt)

1. Lender: The Norinchukin Bank
2. Amount: 1.5 billion yen
3. Interest rate: To be determined (Note4) / Fixed rate
4. Drawdown date: July 31, 2019
5. Borrowing method: Loan agreement concluded as of July 29, 2019
6. Repayment date: January 29, 2027
7. Repayment method: Lump-sum upon maturity
8. Description: No collateral, No guarantee

(Note 2) Borrowings by green loan

(Note 3) The applied base interest rate is the JBA 3-month Japanese Yen TIBOR two business days before the last day of January, April, July, and October every year. (The repayment date will be the following business day if the date falls on a non-business day or the preceding business day if the date fall into the next month) Moreover, JBA Japanese Yen TIBOR can be checked on the website of JBA TIBOR

Administration. <http://www.jbatibor.or.jp/english/>

(Note 4) Interest rate will be announced once determined.

3) Outline of refinancing

Refinancing 1

1. Lender: Mizuho Bank, The Norinchukin Bank, The Bank of Saga
2. Amount: 3.7 billion yen
3. Repayment date: July 31, 2019
4. Repayment method: Lump-sum upon maturity
5. Description: No collateral, No guarantee

2. Interest rate swap transaction

1) Reason for the execution of interest rate swap transaction

To hedge risk of interest rate volatility by converting the floating interest rates payable to fixed interest rates for part of the borrowings.

2) Outline of interest rate swap transaction

1. Counterparty	Mizuho Bank	
2. Notional Amount	2.2 billion yen	
3. Interest rate	Fixed interest rate for payment	To be announced (Note 5)
	Floating interest rate for receipt	Base interest rate (JBA3-month Japanese yen TIBOR)+0.30%
4. Commencement date	July 31, 2019	
5. Termination date	July 31, 2029	
6. Payment date	Fixed interest rate for payment and floating interest rate for receipt are due on July 31, 2029. The first payment will be made at the end of October 2019, and on the last day of January, April, July, and October every year. (the repayment date will be the following business day if the date falls on a non-business day or the preceding business day if the date fall into the next month)	

(Note 5) Interest rate will be announced once determined.

3. Status of Debt after Borrowing

(unit: mm yen)

	Before borrowing	After borrowing	Change
Short-term debt	0	0	0
Long-term debt	72,500	72,500	0
Of which, long-term debt payable due within one year	[9,400]	[5,700]	[(3,700)]
Total	72,500	72,500	0
Investment Corporation Bonds	5,000	5,000	0
Interest-bearing debt	77,500	77,500	0

4. Others

Concerning risks related to repayments of this borrowing, etc., there are no material changes from the “Investment risks” disclosed in the latest Securities Report for the 29th Fiscal Period (submitted on May 31, 2019).

*This document was distributed to Kabuto Club (press club within the Tokyo Stock Exchange), Press Club for the Ministry of Land, Infrastructure, Transport and Tourism, Construction Trade Paper Press Club for the Ministry of Land, Infrastructure, Transport and Tourism, Fukuoka Economic Press Club, and Fukuoka Securities Finance Press Club.

*Fukuoka REIT Corporation’s website is <https://www.fukuoka-reit.jp/eng/>

<Reference>

1. Purpose and background of borrowing through green loans

FRC and its asset management company Fukuoka Realty Co., Ltd. (the “Asset Management Company”) are engaged in maximizing unitholder interests over the medium to long term as their mission. To achieve this mission, they consider it essential to promote sustainability through securing environmental, social and governance (ESG) awareness, on top of pursuing profitability as the primary objective. Accordingly, they share the belief that it is important to reflect awareness on various ESG issues in their real estate investment and management processes. As a policy for specifically implementing this thinking, the Asset Management Company established its “Sustainability Policy” on January 29, 2018 and included “5. Utilization of Green Building Certification” therein. The acquisition of green building certifications, etc. is considered to visualize the results of environmental and social efforts in real estate under management and enhance competitiveness of properties.

FRC’s efforts have been highly evaluated by third-party organizations, resulting in the acquisition of “Green Star” in Global Real Estate Sustainability Benchmark (GRESB) in 2018, and “4 Stars” in “GRESB Rating,” a relative evaluation based on the global ranking of the comprehensive score of each participant.



In addition, FRC is promoting the acquisition of various environmental certifications concerning the environmental performance of its facilities such as “DBJ Green Building Certification” by the Development Bank of Japan Inc. and “BELS Evaluation.” On March 25, 2019, the following rankings were reacquired by FRC: “5 Stars” for 2 properties, “4 Stars” for 2 properties, and “3 Stars” for 2 properties. As a result, the total number of properties for which FRC has acquired ranking consists of 2 properties with “5 Stars,” 4 properties with “4 Stars,” and 3 properties with “3 Stars” in the DBJ Green Building Certification, and 1 property with “5 Stars,” 2 properties with “3 Stars,” and 1 property with “2 Stars” in the BELS Evaluation.

FRC decided to conduct borrowings through green loans with an aim to further promote ESG activities as well as expand fund procurement methods with the expansion of its investor base.

2. Green loans and green finance framework

1) Green loans

Green loans are borrowings allocated to environmentally friendly businesses and comply with the “Green Loan Principles,” an international guideline.

The entire amount of the funds procured through the Green Loan will be allocated to the refinancing of borrowings associated with the acquisition of Canal City Hakata. In addition, the Green Loan has received a comprehensive evaluation of “Green 1,” the highest rating regarding eligibility for “Green Loan Principles,” from Japan Credit Rating Agency, Ltd. (JCR) (Note 6). Borrowing through green loans will be implemented within the limit of the amount of debt of Eligible Green Projects.

(Note 6) For details, please refer to the website of Japan Credit Rating Agency, Ltd. (<https://www.jcr.co.jp/en>)

2) Green finance framework

FRC has established the green finance framework in line with the “Green Bond Principles 2018” and “Green Bond Guidelines 2017 by Ministry of the Environment” set forth by the Ministry of the Environment to conduct green finance including green loans.

In this green finance framework, FRC created the following framework to ensure that the borrowings or investment corporation bonds it procures are eligible for green finance.

① Use of funds procured through green finance

The funds procured through green finance will be allocated to the acquisition of assets defined in “2.” (the “Eligible Green Projects”), repayment of borrowings required in the acquisition of Eligible Green Projects or redemption of investment corporation bonds issued and outstanding.

②Eligible Green Projects

Eligible Green Projects are assets that have received or scheduled to receive one of the following certifications of third-party certification organizations as of the date of procurement in green finance or reporting among the specified assets owned by FRC.

- (i) 3, 4 or 5 stars in DBJ Green Building Certification
- (ii) B+, A or S rank in CASBEE Certification
- (iii) 3, 4 or 5 stars in BELS Evaluation

③Maximum procurement amount in green finance

The amount of debt (the “Debt of Eligible Green Projects”) calculated by multiplying the total acquisition price of Eligible Green Projects by LTV (debt / total assets) as of the end of the latest fiscal period is set as the maximum procurement amount in green finance.

Maximum procurement amount in green finance

Total owned properties (based on acquisition price)



④Reporting

After the procurement through green financing, FRC will announce the total amount of Eligible Green Projects, Debt of Eligible Green Projects and the amount of procurement through green finance as of the end of each fiscal period (every February and August).

In addition, FRC will announce the following indicators on the Eligible Green Projects as of the end of February every year.

- Number of properties, number of environmental certifications acquired and type of Eligible Green Projects

3. Overview of Canal City Hakata

The Green Loan will be used to refinance borrowings associated with the acquisition of Canal City Hakata. The overview of the target property is as follows.

<Target property>

Property Name	Canal City Hakata
Location	2-22, 1-chome, Sumiyoshi, Hakata Ward, Fukuoka City
Use	Retail
Built	April 15, 1996
Structure/floor	Steel-framed reinforced concrete structure with flat roof, 13 floors above ground and 2 below
Total Floor area	46,604.75 m ²
Acquisition Price	32,000 million yen
Environment Certification	DBJ Green Building Certification 5-Star
Characteristics / Environment	• Canal City Hakata is a 7-minute walk from Gion Station on the Fukuoka City

System	<p>Subway Kuko Line.</p> <ul style="list-style-type: none"> • The property is a multi-use commercial complex in Fukuoka representing the Heisei era such as receiving the “Special Heisei Memorial Award” in the 21st Developer & Tenant Award (“Senken Shimbun” newspaper). • Reduction of environmental load through initiatives for energy and resource saving with control of outside air by CO2 sensor, introduction of LED lighting and system for recycling water. • Consideration to the diversity and comfort of visitors with amenities such as tables for changing diapers and a breastfeeding room, accommodation of foreign visitors, installation of a charging station for electric vehicles. • Installation of emergency generator and water shut plate, 24-hour security, disaster and safety preparedness, heat-island measures, consideration to greenery and biodiversity.
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