Main Environmental Initiatives

For details regarding the main initiatives being carried out, please refer to our website.
https://www.mitsuifudosan.co.jp/english/esg_csr/environment/

Responding to Climate Change

Policy

The Mitsui Fudosan Group recognizes that responding to climate change is a key management issue. We create buildings and neighborhoods with low energy consumption and reduced emissions of greenhouse gases, and we aim to build a low-carbon society by taking steps together with our business partners, tenant companies and stores, and customers, to address global warming, such as conservation of energy.

Participation in Initiatives Concerning Response to Climate Change

Climate-Related Financial Disclosure in Accordance with TCFD

TCFD and Mitsui Fudosan's Position

Our Group endorses the agenda of the Task Force on Climate-related Financial Disclosures (TCFD), which encourages corporations and others to disclose information relating to climate-related risks and opportunities. With our endorsement now in place, we will disclose our analysis and response to climate change–related business risks and opportunities, and other related information.

Scenario Analysis

Our analysis is based on the 1.5℃ and 4℃ scenarios. As the time axis for analysis, we considered the typical life cycle of real estate assets, and calculated the impact of climate change by approximately the year 2050. In our scenario analysis, we used our Housing, Office Buildings, and Retail Properties businesses as the object of analysis, as these three categories represent the principal focus of the commercial activities of our Group and are likely to be major recipients of climate change impact.

Affiliation with RE100

The Group is a member of RE100, a global initiative committed to utilizing 100% renewable energy. We are also proud to be fighting climate change as a recognized member of the JCLP (Japan Climate Leaders' Partnership), a local partner of RE100.

RE 100
THE CLIMATE GROUP CDP

For more detailed information about RE100, please refer to the following link.
https://www.there100.org/re100-members

■ **Significant Risks and Opportunities That Could Affect the Three Core Businesses of the Mitsui Fudosan Group by 2050**

Classification		Principal risks and opportunities	Projected future state
Transition	Measure	Major carbon tax increase	In addition to taxes on GHG emissions by the Group, we expect higher costs for raw materials (steel, cement, etc.), which are significant on a base unit basis, as well as for transport and air conditioning. At the same time, low-carbon structures and other properties with superior environmental performance will be better positioned to compete.
		Energy conservation measures	Energy standards for new and renovated structures will be tightened, requiring additional capital investment. Furthermore, decarbonized energy sources and ZEH will become mandatory, more ZEB properties will be built, and more residential structures will be energy-efficient.
	Market	Customer conduct change	Products with superior environmental performance will be in greater demand and be more competitive.
	Technology	Propagation of technology for renewable energy and energy conservation	The propagation of energy conservation technology will lead to more renovations to enhance energy conservation.
Physical	Chronic	Average temperature increase	On-site operations will be hindered on extremely hot days, leading to higher operational costs and construction delays. In addition, increased use of air conditioning will push up facility management costs, but these will be offset to some degree by enhanced air-conditioning efficiency.
	Acute	Rising sea levels	Certain coastal structures will be damaged by typhoon-generated tidal surges accompanying sea level rise.
		Intensification of abnormal weather patterns	Frequent heavy precipitation and flooding within the confines of levees can result in suspension of on-site operations and construction delays. In addition, customer safety may be threatened, and owned assets may be damaged.

■ **Estimates of Financial Impacts on the Businesses of the Mitsui Fudosan Group in 2050**

Type		Principal risks and opportunities	Factors with possible business impact	Results of financial impact estimate	
				4℃ Scenario	1.5℃ Scenario
Risks	Transition	Major carbon tax increase	Tax applicable to company emissions	Minor	Moderate
			Major increase in raw materials costs	Minor	Moderate
		Energy conservation measures	Increase in energy conservation renovation costs due to strengthened energy conservation requirements for buildings	Moderate	Large
			Increase in ZEH construction costs	Minor	Moderate
	Physical	Average temperature increase	Revenue reduction from construction delays due to greater number of extremely hot days	Moderate	Moderate
			Increase in air-conditioning load	Moderate	Moderate
		Rising sea levels/intensification of abnormal weather patterns	Flood damage due to high tides and heavy precipitation accompanying sea level rise	Moderate	Minor
Opportunity	Transition	Major carbon tax increase	Cost control through introduction of low-carbon materials	Minor	Moderate
		Energy conservation measures	Share expansion as a result of ZEH becoming a requirement	Minor	Moderate
			Creation and sales of carbon credits as a result of ZEH construction	Minor	Minor
		Customer conduct change	Shift to buildings with superior environmental performance	Minor	Moderate
		Propagation of technology for renewable energy and energy conservation	Expansion of energy conservation renovation business	Moderate	Moderate
	Physical	Average temperature increase	Reduced air-conditioning costs through AI	Moderate	Moderate
			Reduced lighting and heating costs due to increased energy conservation performance	Moderate	Moderate
Results derived from analysis				Moderate	Moderate

Acquired SBT Initiative Certification for Greenhouse Gas (GHG) Emission Reduction Targets

Greenhouse gas (GHG) emission reduction targets for the whole Group have been set as the 1.5℃ Target, which aims to limit the global average temperature increase to below 1.5℃ compared to pre-industrial levels from the international Science Based Targets (SBT) initiative.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

For more detailed information about the SBT initiative, please refer to the following link.
https://sciencebasedtargets.org/companies-taking-action

External Evaluations

We have been selected for inclusion by CDP, a nonprofit organization engaged in international environmental surveys and information disclosure, in the "CDP 2023 Climate Change A List" of top-ranking companies in the climate change category (for the third consecutive year since 2021). On the basis of data reported in the CDP's 2023 Climate Change Questionnaire, we were selected as an A List company, placing us in the top 2% of companies in the world, in recognition of our efforts to promote renewable energy projects, collaboration with suppliers, and other efforts.

Moreover, we announced that we obtained the rank of "5 Stars" for both the GRESB Standing Investment Benchmark and the GRESB Development Benchmark in the GRESB Real Estate Assessment conducted in 2023. Mitsui Fudosan was also selected as a Global Sector Leader under the GRESB Development Benchmark of Diversified for the first time, making us one of the companies to receive the highest rank particularly among global real estate companies and funds in the sector. Mitsui Fudosan was also highly evaluated for its efforts toward ESG disclosures and received the highest rank of "A Level" for the GRESB public disclosure evaluation, which assesses the adequacy of ESG disclosures.

CDP DISCLOSURE INSIGHT ACTION A LIST 2023 CLIMATE

GRESB ★★★★★ 2023
GRESB REAL ESTATE sector leader 2023
GRESB Public Disclosure 2023

Main Environmental Initiatives

Biodiversity Conservation

Policy

Coexistence with nature, which is home to a diverse range of living creatures, adds significant value to communities, such as by providing places of enrichment and relaxation. On the other hand, the development of real estate by the Group and the extraction of natural resources used as raw materials for building materials in the supply chain are altering ecosystems and impacting biodiversity. In light of this, we believe that consideration of the impact on biodiversity is one of the most important management issues and have recently established the "Mitsui Fudosan Group Biodiversity Policy." Based on this policy and a separately established basic plan, we will promote a wide range of integrated environmental initiatives, including the conservation of biodiversity. In addition, we will proactively disclose information while referring to the Taskforce on Nature-related Financial Disclosures (TNFD), a framework built for the disclosure of nature-related risks and opportunities.

■ Policy and Basic Plan with Regard to Biodiversity (formulated in Fiscal 2022)

"Mitsui Fudosan Group Biodiversity Policy"

"Biodiversity Conservation Basic Plan"

* For details on each policy and basic plan, please refer to our website.
https://www.mitsuifudosan.co.jp/english/esg_csr/environment/06.html

Biodiversity Conservation-Related Disclosures (Compliance with the TNFD Guidance)

The Group has endorsed the Taskforce on Nature-related Financial Disclosures (TNFD), an initiative encouraging financial disclosures relating to nature. In April 2024, we completed registration procedures as a TNFD Adopter. As such, we acknowledge the guidance recommended by the TNFD. We aim to make disclosures in line with the TNFD guidance by fiscal 2025 as an early adopter of the TNFD.

Major Initiatives

Activities in Various Organizations

The Company has joined the Keidanren Committee on Nature Conservation. The committee administers a fund that supports nature preservation activities in developing countries as well as Japan. We are also a member of the 30by30 Alliance for Biodiversity, an initiative driven by the Ministry of the Environment, which serves as secretariat, that aims to conserve and protect at least 30% of Japan's terrestrial and marine areas with the goal of halting and restoring biodiversity loss by 2030.

Initiatives at Group-Owned Forests

The Group owns roughly 5,000 hectares of forest in Hokkaido and every year cuts down a certain amount of timber to use in building materials for its real estate business. Around 40% of this total is natural forest and generally this remains untouched, and as such we believe that here there is minimal impact on the forest's ecosystems through our business activities. However, the remaining 60% is artificial forest, and here we recognize that the varying ages and types of trees, as well as other factors, are impacting ecosystems and biodiversity. In line with the above, in March 2023 we formulated the "Biodiversity Conservation Basic Plan" for our Group-owned forests and disclosed information on the relationships between our forests and biodiversity as per the LEAP approach of the TNFD framework.

Certification as a Nature Harmony Site by Japan's Ministry of the Environment

The Yudoromap Forests (163.73 ha) in Rumoi, Hokkaido, a part of the Group's forestland, was certified by the Ministry of the Environment as a "Nature Harmony Site" as of March 18, 2024. In March 2023, the Group created a basic plan on considering biodiversity in Group-owned forestland, appropriately managing man-made forests by planned thinning and maintaining biodiversity through natural forest, riparian trees, and ponds. The Ministry of the Environment determined that the forest contributed to protection of rare plants and animals designated as vulnerable on the ministry's Red List.

■ Overview of the Mitsui Fudosan Group-Owned Forests

Locations	31 municipalities (70 forests*) *Forests: One grouping of trees
Area	4,942.47 ha (including 63% that are artificial, 36% natural)
Usage situation	Every year, approximately 100 to 200 hectares of timber are harvested (including thinning, etc.). This timber is used as building materials for the Group's real estate business and in office furniture.
External certifications	・Sustainable Green Ecosystem Council (SGEC) certification for sustainable forest management, and is mutually recognized as a member of the Programme for the Endorsement of Forest Certification (PEFC). ・FORESTOCK certification

■ With Regard to the Relationship between Group-Owned Forests and Biodiversity

Locate — The Importance of the Geographic Location of Group-Owned Forests

Of our 70 forests, those where biodiversity conservation requires particular attention due to the following four perspectives have been designated as priority forests.
(1) Ratio of natural forest (2) Variation in tree age in artificial forests (3) Position relative to nature reserves and protected forests
(4) Level of contribution to forestry management

Evaluate — Impact on Ecosystems and Biodiversity and Dependence

The impact and dependence of forestry operations on ecosystems and biodiversity in the Group's forest holdings are identified and analyzed based on the results of on-site surveys of flora and fauna and interviews with local authorities.

Assess — Risks and Opportunities Related to Biodiversity

In line with the knowledge we have gained regarding our forests' impact on ecosystems and their mutual dependence, as well as international movements surrounding biodiversity, we have identified, on a trial basis, our biodiversity-related risks and opportunities.

	Risks and opportunities related to biodiversity	Resulting economic impacts
Risks	Tree-cutting in forests near ridges could cause sediment runoff, and in turn lead to the loss of trees and other woodland ecosystems	The amount of timber production could fall as a result
	In artificial forests, if the simplification of tree species and forest layers and the disturbance of forest environments progress, it could lead to the loss of biodiversity	The resulting biodiversity imbalances could cause an increase in certain types of vermin, diseases, and pests, and in turn reduce the amount of timber produced
Opportunities	Market growth for wooden structures, which are said to have minimal environmental impact throughout their life cycle	Enhanced ability to respond to changes in consumer needs, improved competitive advantage, and higher revenue
	Introduction of financial incentives for nature conservation areas that have received OECM and other certifications	Possibility to lower operational costs

Note: The risks and opportunities above are examples of those anticipated for Group-owned forests. We will continue to conduct detailed assessments (such as quantitative analyses) of potential risks and opportunities.

Prepare — Implementation of Biodiversity Conservation Measures

Based on the analysis conducted to date, we performed surveys of all 25 of the forestry cooperatives to which we outsource forest management, investigating their implementation of biodiversity conservation measures. While many cooperatives are implementing the measures they can within small sections of their forest, relatively few have implemented initiatives in wide areas or taken initiatives that require a combination of efficiency and safety in operations, which will be improved in the future.

* For details on each policy and basic plan, please refer to our website. https://www.mitsuifudosan.co.jp/english/esg_csr/environment/06.html

Water

Policy

We develop buildings and create neighborhoods that help preserve the water environment through measures such as the effective utilization of water and replenishment of subterranean aquifers. We also preserve water resources through water conservation and effective use of water resources together with our business partners, tenants and stores, and customers.

Environmental Pollution and Resources

Policy

We prevent environmental pollution by observing laws, regulations, and ordinances relating to air pollution, water pollution, soil contamination, and hazardous materials, and we work hard to curb emissions of pollutants and contaminants that are not subject to regulation by laws, regulations, and ordinances. In addition, we take hazardous materials into consideration when acquiring land as well as in the building design stage. We also ensure appropriate management and disposal, and thereby prevent impacts due to hazardous materials on the environment or building users. Furthermore, when advancing construction, we strive to procure materials that lessen global environment load and reduce the amount of waste produced.

Main Environmental Initiatives

Sustainable Finance

Policy

As the international movement on environmental and social issues accelerates, further substantial efforts are required to achieve a decarbonized society. Sustainable finance to support the realization of such a society is becoming increasingly important. By proactively engaging in sustainable finance, we intend to raise more awareness of the Group's policy among a wide range of stakeholders and promote the diversification of financing and the realization of a decarbonized society.

Features of the Framework

Green Finance Framework

We have formulated the Green Finance Framework as we look to issue green bonds and execute green loans flexibly. The framework has set both domestic and global environmental certifications as eligibility criteria, allowing for investment in both domestic and global projects. We obtained a second-party opinion from Moody's Japan, an outside institution, and received a Sustainability Quality Score of SQS2 (very good).

Sustainability-Linked Loan Framework

We have formulated the Sustainability-Linked Finance Framework, which defines the sustainability-linked finance requirements, including SPTs and reporting. We obtained a second-party opinion from Moody's Japan, an outside institution, and received a Sustainability Quality Score of SQS2 (very good).

Sustainable Finance Track Record (as of the end of fiscal 2023)

Green Bonds (GB) and Green Loans (GL)

Bonds and loans to be issued for investment in green projects. Issued ¥130 billion in Green Bonds in May 2023, the largest ever in the industry.

Examples of Properties to which Green Bonds and Green Loans Have Been Allocated

- TOKYO MIDTOWN YAESU Yaesu Central Tower
- 50 Hudson Yards
- Nihonbashi Muromachi Mitsui Tower

Positive Impact Finance (PIF)

Borrowings to be implemented after evaluation by financial institutions based on medium- to long- term goals and KPIs for corporate activities that have an impact on the environment, society, and the economy.

Evaluation Themes

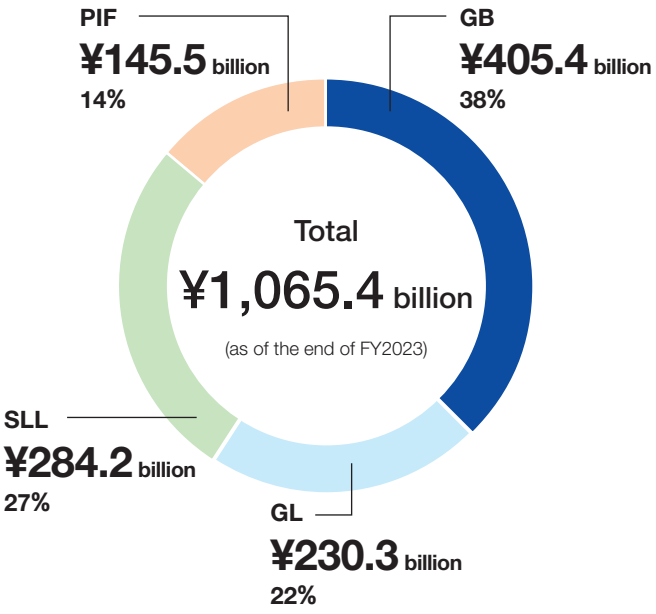
- Reduction of environmental burden and energy generation
- Realization of a "super-smart society" through urban development
- Realization of healthy, safe, and secure lifestyles
- Realization of a society in which diverse human resources can play an active role

Sustainability-Linked Loans (SSL)

Borrowings with preferential interest rates based on achievement of sustainability goals.

Targets (SPTs)

Reduce total greenhouse gas emissions in Scope 1 + Scope 2 by 46.2% (compared with fiscal 2019) in fiscal 2023.



Note: Totals might not add up to 100% due to rounding.