

	Risks and Opportunities in Real Estate Management	Classification	Financial Impact						Risk Management, Countermeasures, and Initiatives		
			Details of Impact	4°C scenario			1.5°C scenario				
				Short-term	Medium-term	Long-term	Short-term	Medium-term	Long-term		
Transition risks	Policy and Regulation	Tighter taxation of greenhouse gas emissions by introducing a carbon tax	risk	Increased tax burden on greenhouse gas emissions from owned properties	Small	Small	Small	Small	Medium	Large	<ul style="list-style-type: none"> Introduction of energy-saving equipment and facilities Introduction of renewable energy Promoting awareness of energy conservation among property users Monitoring energy consumption and conducting energy conservation assessment Promoting acquisition of environmental certifications Replacing properties with ones that have higher environmental performance
		Tightening of energy conservation standards in existing real estate	risk	Increased cost of renovation to comply with the standards, and fines imposed in some cases	Small	Small	Small	Small	Medium	Large	
		Stricter emissions reporting requirements under the Energy Conservation Law	risk	Increased expenses, such as payment of fees to outside vendors to meet reporting requirements	Small	Small	Small	Small	Medium	Medium	
		Compliance with overseas laws and regulations	risk	Risk of sanctions due to violations of laws and regulations Loss of reputation with investors due to delayed response	Small	Small	Small	Small	Medium	Medium	
	Technology	Evolution and diffusion of renewable energy and energy-saving technologies	risk	Increased costs of introducing new technology for owned properties to prevent becoming technologically outdated	Small	Small	Small	Small	Medium	Medium	<ul style="list-style-type: none"> Utilization of outside consultants who are knowledgeable in the field of renewable energy and energy-saving technologies Employing the experienced in-house engineers Utilization of businesses that provide products and services that take advantage of cutting-edge technologies
		Evolution and diffusion of renewable energy and energy-saving technologies	Opportunity	Reduction of utility costs through improved environmental performance	Small	Small	Small	Small	Medium	Medium	
		Introduction of on-site renewable energy	Opportunity	Reduction of externally procured utility costs	Small	Small	Small	Small	Medium	Medium	
	Market	Introduction of environmental performance and other criteria into real estate appraisals	risk	Lower appraisal value and NAV (Net Asset Value) when environmental performance is low	Small	Small	Small	Small	Medium	Medium	<ul style="list-style-type: none"> Introduction of energy-saving equipment and facilities Introduction of renewable energy Promoting awareness of energy conservation among property users Monitoring energy consumption and conducting energy conservation assessment Promoting acquisition of environmental certifications Replacing properties with ones that have higher environmental performance Implementing green finance Improvement of ESG ratings Enhancing disclosure of climate change-related information such as TCFD Conducting satisfaction surveys and make improvements according to survey results Strengthening information sharing and collaboration with hotel operators and property management companies Strengthening sustainability-related initiatives and appeals at owned properties
		Deterioration of financing conditions for market participants not addressing climate change	risk	Rising financing costs	Small	Small	Small	Small	Medium	Medium	
		Developing new investors	Opportunity	Utilization of Green Bonds Increased funding volume and lower funding costs by addressing and appealing to investors who care about environmental issues	Small	Small	Small	Small	Medium	Medium	
		Rising utility costs (including externally procured renewable energy)	risk	Increase in expenses	Small	Small	Small	Small	Medium	Large	
		Change in tenants and/or occupants demand, where they may choose properties with lower environmental impact or avoid non-environmentally friendly properties	risk	Difficulty in attracting new tenants/occupants and decrease in rent income due to lower retention	Small	Small	Small	Small	Medium	Medium	
		Changes in the procurement environment for materials and human resources due to increasing emphasis on environmental performance and environmental considerations	risk	Increased expenses due to higher costs Lack of materials with high environmental performance Difficulty in hiring human resources due to insufficient environmental considerations	Small	Small	Small	Small	Medium	Medium	
	Reputation	Decrease in a brand value of properties due to delays in addressing climate change	risk	Decrease in rent premium due to decrease in a brand value	Small	Small	Small	Small	Medium	Medium	
		Changes in demand from hotel guests and residential occupants, where they may avoid properties with inadequate climate change adaptation)	risk	Increased costs to meet needs of hotel guests and residential occupants and losing customers due to unaddressed needs	Small	Small	Small	Small	Medium	Large	
		Developing new customers by continuously providing low-emission facilities, specifications, and services that adapt to change of their preferences	Opportunity	Increased revenues due to higher room rates and rents, and acquisition of new customers	Small	Small	Small	Small	Medium	Medium	
Physical risks	Acute	Wind damage to property caused by typhoon	risk	Increased repair and insurance costs, lost sales opportunities, and lower occupancy rates	Medium	Large	Large	Medium	Medium	Medium	<ul style="list-style-type: none"> Implementing disaster prevention and mitigation measures Area diversification of portfolio
		Inundation due to internal flooding and flooding of nearby rivers caused by torrential rains	risk	Same as above	Medium	Large	Large	Medium	Medium	Medium	
	Chronic	Flooding of properties with low elevation due to sea level rise	risk	Large-scale renovation (raising) costs incurred	Small	Medium	Large	Small	Small	Small	<ul style="list-style-type: none"> Implementing disaster prevention and mitigation measures Area diversification of portfolio Considering sales of properties based on the level of impact
		Increasing demand for air conditioning due to increase in extreme weather conditions such as extremely hot and cold days	risk	Increase in utilities, maintenance-related expenses, and repair costs	Small	Medium	Large	Small	Small	Small	Installation of high-efficiency air conditioning equipment
		Impacts of climate change on resort areas	risk	Decrease in travel demand and lower occupancy rates due to events adversely affecting tourism resources in the resort area	Medium	Large	Large	Small	Small	Small	<ul style="list-style-type: none"> Area diversification of portfolio Considering sales of properties based on the level of impact
	Resilience	Contributing to local communities Preservation of natural environment	Opportunity	Improving disaster resilience of areas where properties are located Enhancing attractiveness to customers as a region	Small	Small	Small	Small	Medium	Medium	<ul style="list-style-type: none"> Deepening relationships with local communities through participation in local events, etc. Participating in local environmental preservation activities

*Due to uncertainties and unknown risks in future projections, the accuracy of the above assessment of financial impact cannot be guaranteed.