

Transition risks

	Risks and Opportunities in Real Estate Management	Classification	Details of Impact	Financial Impact						Risk Management, Countermeasures, and Initiatives
				2.4°C scenario			1.5°C scenario			
				Short-term	Medium-term	Long-term	Short-term	Medium-term	Long-term	
Policy and Regulation	Strengthening and implementing carbon pricing	risk	Increased cost burden based on energy consumption and GHG emissions due to the introduction and strengthening of carbon taxes	Small	Medium	Medium	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 Consulting with foreign legal counsel and strengthening cooperation with our overseas offices
	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	Medium	Large	Small	Medium	Large	
	Strengthening and institutionalizing requirements for calculation, reporting, and disclosure of greenhouse gas emissions and embedded carbon	risk	Increased expenses due to increased outsourcing costs to meet reporting requirements and increased internal staffing	Small	Small	Medium	Small	Medium	Medium	
	Compliance with overseas laws and regulations	risk	<ul style="list-style-type: none"> Risk of sanctions due to violations of laws and regulations Loss of reputation with investors due to delayed response 	Small	Small	Medium	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risk	Increased costs of introducing new technology for owned properties to prevent becoming technologically outdated	Small	Small	Medium	Small	Medium	Medium	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 Utilize subsidies and work with operators to promote energy-saving measures
	Evolution and diffusion of renewable energy and energy-saving technologies	Opportunity	Reduction of utility costs through improved environmental performance	Small	Small	Medium	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 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	Medium	Small	Medium	Medium	
	Developing new investors	Opportunity	<ul style="list-style-type: none"> Utilization of Green Bonds Increased funding volume and lower funding costs by addressing and appealing to investors who care about environmental issues 	Small	Small	Medium	Small	Medium	Medium	
	Rising utility costs (including externally procured renewable energy)	risk	Increase in expenses	Small	Small	Medium	Small	Large	Large	
	Introduction of on-site renewable energy	Opportunity	Reduction of externally procured utility costs	Small	Small	Medium	Small	Medium	Medium	
	Change in hotel guests and tenants demand, where they may choose properties with lower environmental impact or avoid non-environmentally friendly properties	risk	<ul style="list-style-type: none"> Increased costs to meet the needs of hotel guests Tenant loss and difficulty in attracting new tenants due to lack of sustainability measures Difficulty in attracting new tenants/occupants and decrease in rent income due to lower 	Small	Small	Medium	Small	Medium	Large	
	Changes in the procurement environment for materials and human resources due to increasing emphasis on environmental performance and	risk	<ul style="list-style-type: none"> 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	Medium	Small	Medium	Large	
Reputation	Decrease in a brand value of properties and the corporate image due to delays in addressing climate change	risk	Decrease in rent premium due to decrease in a brand value	Small	Small	Medium	Small	Medium	Large	
	Enhancing brand value through improved evaluations from hotel guests and residents by providing low-emission facilities, specifications, and services.	Opportunity	Increased revenue through acquiring new customers and maintaining occupancy rates	Small	Small	Medium	Small	Medium	Large	

Physical risks

	Risks and Opportunities in Real Estate Management	Classification	Details of Impact	Financial Impact						Risk Management, Countermeasures, and Initiatives
				4°C scenario			1.5°C scenario			
				Short-term	Medium-term	Long-term	Short-term	Medium-term	Long-term	
Acute	Managed properties may suffer damage due to inland flooding caused by torrential rains, flooding of nearby rivers, wind damage from typhoons, and snow damage from snowfall	risk	Increased repair and insurance costs, lost sales opportunities due to reduced operating periods, and lower occupancy rates	Medium	Large	Large	Medium	Medium	Large	<ul style="list-style-type: none"> Implementing disaster prevention and mitigation measures Area diversification of portfolio
	Flooding of properties with low elevation due to sea level rise	risk	Decrease in revenues due to business closure/inability to operate caused by flooding	Small	Medium	Large	Small	Small	Medium	
Chronic	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	Medium	<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 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	Medium	
Resilience	Providing properties resistant to disasters Collaboration with local communities	Opportunity	<ul style="list-style-type: none"> Increased demand for properties equipped with disaster response and emergency power supplies (tenant preference for BCP) Potential for long-term advantages in terms of insurance conditions and repair costs as physical risk management improves 	Small	Medium	Medium	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