

# SFDR Pre-contractual Disclosure

First Half of 2024  
(46th Period – January to June 2024)

**PROMOTION OF ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS – SFDR PRE-CONTRACTUAL DISCLOSURE**

Product Name/Legal Entity Identifier: Nippon Building Fund Inc.

*Nippon Building Fund Inc. (“NBF”) promotes environmental and social characteristics, but does not have as its objective a sustainable investment within the meaning of Article 9(1) of Regulation (EU) 2019/2088 (“SFDR”). NBF and Nippon Building Fund Management Ltd. (“Asset Manager”) are hereinafter referred to collectively as “we,” “us” or “our.”*

*NBF has no reference benchmark designated for the purposes of attaining the environmental or social characteristics promoted by NBF.*

<b>Does this financial product have a sustainable investment objective?</b>	
<input type="checkbox"/> <b>Yes</b>	<input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b> : __% <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input type="checkbox"/> <b>It promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> : __%	<input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>

***What environmental and/or social characteristics are promoted by NBF?***

The Asset Manager established an ESG policy in November 2017, in recognition of the importance of considering environmental, social and governance (“ESG”) factors in real estate investment and management. The ESG policy stipulates the implementation of environment-friendly initiatives as well as initiatives targeting stakeholders including investors, tenants, employees, business partners and local communities in our daily asset management operations, based on policies established by Mitsui Fudosan Co., Ltd, NBF’s main sponsor. Under the ESG policy, we undertake efforts to reduce our environmental impact, improve safety, security and comfort for tenants and engage in a diverse range of collaboration and cooperation efforts with various stakeholders.

NBF does not have a specific index designated as a reference benchmark to determine whether NBF is aligned with the environmental or social characteristics that it promotes

We implement various environmental initiatives at NBF’s properties including the following.

- *Reducing greenhouse gas emissions and energy consumption from NBF's properties.* We aim to reduce energy consumption by installing energy saving equipment such as LED lighting at NBF's properties. As of June 30, 2024, 63% of lighting of NBF's properties has been converted to LED. We also use renewable energy through installation of solar panels. As of June 30, 2024, seven of NBF's properties were equipped with solar panels.
- *Reducing water use.* Some of NBF's office buildings are equipped with facilities for reusing rainwater and greywater to reduce the consumption of tap water. The total water consumption was 1,549,000m<sup>3</sup> in 2023.
- *Including "Green Lease" provisions in our agreements.* We have executed lease agreements, which include clauses requiring our tenants to collaborate with us in implementing various measures and to promote environmental consideration, including installation of LED lighting at NBF's properties with the consent of the tenants. As of June 30, 2024, one of NBF's properties was subject to lease agreements with green lease provisions.
- *Collaboration with the Asset Manager and third party.* We utilize the expertise of NBF Office Management Co., Ltd. ("NBFOM") to maintain and increase the competitiveness, occupancy rates and rent at NBF's properties while effectively advancing environmental initiatives. In meetings with NBFOM that are held once every two months, we share and discuss initiatives and other information concerning the various energy saving and environmental issues. We utilize the support of Nikken Sekkei Construction Management, Inc. as an expert consultant for suggestions on energy management and measures that contribute to increasing the environmental performance of NBF's portfolio.

We implement various social initiatives at NBF's properties including the following.

- *Providing support to tenants and their employees.* To keep good indoor air quality and sanitary conditions and enhance users' health and productivity, we monitor the indoor environment based on a satisfaction survey of tenants (excluding master lessees) and aim to make NBF's properties comfortable every day. In 2023, 90% of the tenants (650 entities) and 78% of their employees (5,713 persons) answered the survey that covered matters regarding the office environment and convenience, cleaning, crime and disaster prevention, service quality, effectiveness of customer satisfaction activities at each property and tenants' needs. Based on the survey, we expanded kitchenettes and installed built-in counters for garbage bins, expanded hot water supply rooms with hot water supply rooms with occupancy indicators, installed air purification equipment and sanitizer stations to improve the convenience and cleanliness of Shinjuku Mitsui Bldg. No. 2 in 2020.
- *Supporting local communities and social development.* For the local communities, we hold initiatives such as lunchtime concerts, seasonal events, water sprinkling programs for cooling down and local cleanup programs. In office buildings that have residential portions required under local ordinances, we have performed major renovations on the residential portions to ensure that the residents have adequate space and to improve their living environment. We also manage buildings with consideration given to historical and cultural heritage. For example, Toranomom Kotohira Tower was developed in a manner that protected Kotohira-Gu shrine, a historic property for the area, and is designed to be a mixed-use building with space made available for the shrine office. We also contribute to local communities by providing space for bicycle sharing services at NBF's properties. In the fiscal period ended on December 31, 2022, the Asset Manager's employees and their families participated in the "Bridge Washing" at the famous Nihonbashi Bridge.
- *Disaster countermeasures.* In support of the Minato-ku Regional Disaster Prevention Plan, we provide free of charge some of our leasable spaces to store emergency materials at Roppongi T-CUBE, Celestine Shiba Mitsui Bldg. and Shiba NBF Tower.

- *Promoting universal design.* We introduced universal design at some of NBF's properties such as widening of ramps and installation of handrails, improvement of interior signage and automation of service entrance doors (for wheelchair accessibility and COVID-19 safety). As part of our capital investment decision-making process, we always review the status of the building's compliance with the Barrier-Free Law of Japan, accessibility for people with disabilities and accessibility to public transportation around the property. These matters are also periodically reviewed by obtaining engineering reports and other relevant documents following acquisition. Through these inclusive efforts, we aim to manage properties that are comfortable for all office users.
- *Respecting human rights.* We support the Universal Declaration of Human Rights in the International Bill of Human Rights, international labor standards such as the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights.
- *Providing support for employees.* The Asset Manager promotes the acquisition of qualifications by its employees such as ARES Certified Master (a qualification obtainable after participating in an educational program that teaches practical expert know-how in real estate and finance). The Asset Manager has also introduced various training programs, including on compliance, and will bear the costs of its employees attending seminars, lectures and courses that lead to self-improvement.

***What sustainability indicators are used to measure the attainment of the environmental or social characteristics promoted by NBF?***

We use the following indicators to measure the attainment of the environmental or social characteristics we promote:

- *GRESB Real Estate Assessment.* The GRESB Assessment, established in 2009 primarily by major European pension fund groups, is an annual benchmark survey for evaluating ESG considerations in the real estate sector. It evaluates sustainability efforts by real estate companies and REITs. NBF received a "Green Star" in 2023, for the ninth consecutive year. NBF also received in 2023 a "4 Stars", the second highest rating based on its overall GRESB score.
- *Environmental certification of properties:* To track the environmental performance of NBF's properties, we rely on certifications issued by third-party organizations, such as the Development Bank of Japan's ("DBJ") Green Building Certification, Comprehensive Assessment System for Built Environment Efficiency ("CASBEE") certification, Building Energy-efficiency Labeling System ("BELS") certification and other equivalent certifications. We call NBF's property that receives any such certifications an "Eligible Green Asset". With respect to DBJ certifications, we consider a property to have sufficient environmental certification if it received 3 stars or higher out of DBJ's five-star ranking system. With respect to CASBEE, we consider a property to have sufficient environmental certification if it received B+ Rank or higher out of the CASBEE ranking system featuring Rank S (excellent), Rank A (very good), Rank B+ (good), Rank B- (slightly inferior) and Rank C (inferior). With respect to BELS, we consider a property to have sufficient environmental certification if it received a three stars or higher out of BELS' five-star ranking system. As of June 30, 2024, 98.8% of NBF's properties were Eligible Green Assets based on gross floor area.
- *Climate change initiatives:* The Asset Manager has expressed support for the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board and clarified stronger efforts to address climate-related issues. The Asset Manager aims to assess the financial impact of future climate change risks and opportunities and assertively disclose activities. The Asset Manager also has set a target of reducing energy-based CO2 emissions by 46% or more from that in 2013 by 2030, total CO2 emissions (Scope 1+2+3) by 90% or more from that in 2021 by 2050, total CO2 emissions (Scope 1+2) by 42% or more from that in 2013 by 2030, and intends to promote initiatives addressing climate-related risks and opportunities. The total CO2 emissions (Scope 1+2) were 16,178 t-CO2 for 2023 (40.9 % reduced from

2021) and 20,476 t-CO<sub>2</sub> for 2022 (25.2% reduced from 2021). The total CO<sub>2</sub> emissions (Scope 1+2+3) were 124,487 t-CO<sub>2</sub> for 2023 (15.8% reduced from 2021) and 151,484 t-CO<sub>2</sub> for 2022 (2.4% increased from 2021). The reduction rate of energy-based CO<sub>2</sub> emissions is 43.2% for 2023 and 33.3% for 2022.

- *Social initiatives – tenants:* We conduct customer satisfaction surveys targeting the tenants excluding master lessees every year in order to understand the level of satisfaction and needs of tenants, and the PDCA cycle is applied to promptly address any issues identified in the survey. For example, as a response to the result of the surveys, we changed the layout of the common space at NBF Toyosu Canal Front to enhance user-friendliness.
- *Social initiatives – employees:* The Asset Manager provides all of its employees with regular opportunities to consult with their superiors and directors. This program provides them with opportunity to discuss their careers, receive feedback on their performance and discuss requests to the company. The Asset Manager also conducts an employee satisfaction survey every year as part of its efforts to maintain excellent relations with its employees. The surveys (which had a response rate of 100% in 2020 through 2023) allows the Asset Manager to see whether employees are satisfied about their assigned responsibilities and working environment and requests for company initiatives.

### **Principle adverse impacts**

#### ***Does NBF consider principal adverse impacts on sustainability factors?***

Yes.

We collect on an ongoing basis select information on our existing portfolio regarding the principal adverse impact indicators, including exposure to fossil fuels through investment assets, exposure to energy-inefficient investment assets, GHG emissions and energy consumption intensity. We aim to manage the risk connected to principal adverse impacts from our investment decisions in several ways, including general screening criteria and due diligence.

- *Exposure to fossil fuels through assets.* We do not invest in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.
- *Exposure to energy-inefficient investment assets.* We consider properties other than Eligible Green Assets to be energy-inefficient. As of June 30, 2024, 98.8% of NBF's properties were not Eligible Green Assets, and as of June 30, 2024, 1.2% of NBF's properties were not Eligible Green Assets. As described in more detail above, we implement as appropriate measures to reduce the environmental impact of these properties, including by obtaining environmental certifications.
- *Energy consumption intensity.* The amount of the energy consumption of NBF's assets per square meter was 174.7 kWh in 2023.

We believe that investment decisions that negatively affect climate or other environment-related resources, or have negative implications for society, can have a significant impact to risk and value creation for our unitholders. To this end, we consider the principal adverse impacts of our investment decisions on the above sustainability factors throughout all major steps of the investment decision and management process throughout the lifecycle of the properties in NBF's portfolio.

We consider, both at the entity-level (i.e., the Asset Manager) and at the fund-level (i.e., NBF), principal adverse impacts of our investment decisions on sustainability factors. Under the Investment Trust Act of Japan, NBF is prohibited from having any employees and is required to outsource asset management to a third party. Accordingly, as discussed in detail elsewhere, any consideration at the fund-level of principal adverse impacts of our investment decisions on sustainability is principally conducted by the Asset Manager, subject to

approval of our Board of Directors. In addition to the Asset Manager's contractual obligations to NBF under the asset management agreement, the Financial Instruments and Exchange Act of Japan provides that the Asset Manager owes NBF a fiduciary duty in conducting its activities, including making investment decisions informed by sustainability considerations.

## **Investment Strategy**

### ***What investment strategy does NBF follow?***

With our strategy of aiming to achieve consistent growth of assets and stable income, we have developed an urban portfolio focused in central Tokyo and surrounding urban areas where office leasing demand is relatively strong. In order to realize sustainability in our asset management while maximizing NBF's portfolio value, we consider ESG factors in our investment and asset management processes. In particular, we have established a green finance framework where proceeds are used only to acquire Eligible Green Assets or repay loans or bonds financed for such acquisitions. As of June 30, 2024, we had issued ¥5 billion in green bonds and had borrowed ¥60 billion in green loan under our green finance framework.

- *Selection of projects that qualify for green financing.* When determining whether to acquire or invest in properties by green financing, we rely on the DBJ and CASBEE certifications. We use green financing to acquire properties that receive (i) three stars or higher out of DBJ's five-star ranking system, (ii) B+ Rank or higher out of the CASBEE ranking system or (iii) three stars or higher out of BELS's five-star ranking system.
- *Second-party opinion.* We have obtained (most recently in February 2021) a second-party opinion from Sustainalytics, a third-party ESG evaluation agency, that our green finance framework is "credible and impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP) and the Green Loan Principles 2020 (GLP)".

We ensure our investment strategy is implemented on a continuous basis by establishing and maintaining green eligible criteria, and ensuring that any proceeds from our green financing will be used exclusively toward properties that meet such criteria.

The ESG Promotion Committee, which includes the President and CEO, Director, CIO and CFO, Director, and COO, Compliance Officer, and General Manager of each department of the Asset Manager as its final decision maker, has been established to supervise and promote initiatives on climate change as well as other environmental and social initiatives based on the Asset Manager's Policy for ESG Initiatives.

The Strategy Planning and ESG Promotion Department assesses ESG risks and opportunities and consults on KPIs and specific measures to reduce GHG emissions such as CO<sub>2</sub> with the ESG Promotion Committee, which meets at least once every three months (held as often as necessary) and the final decision maker decides specific targets and measures.

The Strategy Planning and ESG Promotion Department reports on the progress of the decided targets and measures to the Committee at least once every three months. These targets and measures are shared with all officers and employees through briefings, email distribution, posting on the in-house portal, etc.

In addition, the Board of Directors of NBF and the Asset Manager also receive regular reports about once every six months from the ESG Promotion Committee on the progress of risk management and programs related to climate change, review the risk management process and direct new actions as necessary, thereby continually carrying out the monitoring of each initiative.

***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by NBF?***

A binding element of the investment strategy is our green finance framework, which involves determination of whether a target property has satisfied the criteria to qualify as an Eligible Green Asset. Candidate projects for our green finance framework are selected by NBF and the Real Estate Investment Department of Investment & Finance Group of the Asset Manager. Final selection is made with the decision of the President after deliberation at the Investment Review Meeting consisting of general managers or higher ranked personnel of each department and deliberation at the Executive Board.

***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

When investing in properties using proceeds from green financing, we do not consider properties that do not meet the criteria under our green finance framework. We also investigate use of hazardous substances including asbestos or countermeasures to such substances and soil contamination when investing in properties.

***What is the policy to assess good governance practices of the investee companies and NBF?***

We do not invest in investee companies and have therefore opted to provide information on the governance policies adopted by us and the Asset Manager.

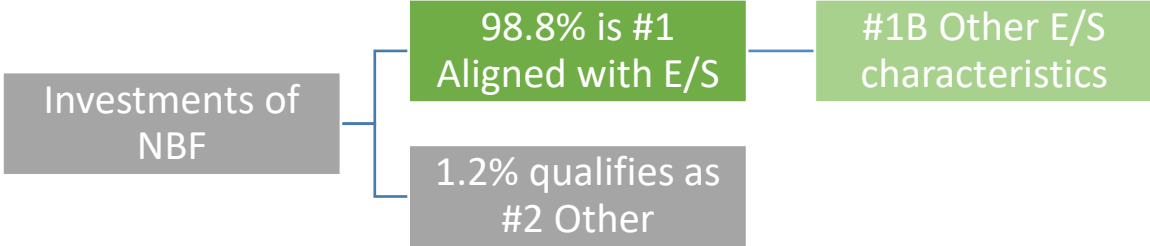
We, along with the Asset Manager, have introduced the following measures to assess and enhance our governance systems:

- *Adoption of a decision-making process in conflict-of-interest transactions involving independent outside experts.* We have adopted a governance structure stricter than what is legally required. The Asset Manager reviews and examines conflict-of-interest transactions through its Compliance Committee, whose members include outside expert(s).
- *Corporate Governance.* The Asset Manager believes that compliance refers not only to legal compliance but also to compliance with the Asset Manager’s Code of Ethics and Compliance Rules, which include concrete guidelines on how to take ethical actions. In addition, its Compliance Officer promotes company-wide compliance activities by planning and offering a compliance program and training and awareness raising activities for all officers and employees.

**Asset Allocation**

***What is the asset allocation planned for NBF?***

As of June 30, 2024, 98.8% of the properties in the portfolio were Eligible Green Assets, and 1.2% were nonqualified assets based on gross floor area.



- ✓ *How does the use of derivatives attain the environmental or social characteristics promoted by NBF?*

Not applicable.

*To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?*

Not applicable.

- ✓ *Does NBF invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?*

No. NBF does not invest in real estate assets involved in fossil gas and/or nuclear energy-related activities.

- ✓ *What is the minimum share of investments in transitional and enabling activities?*

Not applicable.

*What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?*

Not applicable.

*What is the minimum share of socially sustainable investments?*

Not applicable

*What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?*

As of June 30, 2024, based on gross floor area, 1.2% of NBF’s properties were not Eligible Green Assets. We invested in these properties before we established our green finance framework, because these properties met our minimum investment criteria and we believed the acquisition of the properties would enhance unitholder value. We implement as appropriate measures to reduce their environmental impact following acquisition, including by obtaining environmental certifications.

We investigate use of hazardous substances including asbestos or countermeasures to such substances and soil contamination when investing in properties.

### **More Product-specific Information**

*Where can I find more product-specific information online?*

More product-specific information can be found on the website: <https://esg.nbf-m.com/en/sustainability/index.html>.

### **Index as Reference Benchmark**

*Is a specific index designated as a reference benchmark to determine whether NBF is aligned with the environmental or social characteristics that it promotes?*

Our investment units have been included in the MSCI Japan ESG Select Leaders Index (“MSCI”) since June 2021. MSCI is an index composed of companies from the top 700 index of MSCI Japan Investable Market



Index, with high ESG performance and is reviewed periodically based on MSCI ESG Ratings, market capitalization and other criteria. MSCI also has been selected as one of the ESG indices for passive investment by Japan's Government Pension Investment Fund. We use MSCI not only as a reference benchmark for performance comparison and market context purposes, but also to consider how best to construct and manage NBF's portfolio.

***How does the designated index differ from a relevant broad market index?***

See above.

***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by NBF and with the investment strategy?***

We believe that our units are included in MSCI because of our high percentage of properties with environmental certifications issued by third-party organizations and our strong commitment to local communities and the Asset Manager's employees with respect to initiatives such as holding events to improve the environment.

**Note Regarding the EU Taxonomy Regulation**

As set out above, NBF promotes certain environmental characteristics.

The Asset Manager is required, under Regulation (EU) 2020/852 (the "EU Taxonomy Regulation"), to disclose whether its assets are aligned with the environmental objectives formulated in the EU Taxonomy regulation. The EU Taxonomy Regulation is to be complemented by technical standards and screening criteria. The technical screening criteria for the first two environmental objectives (climate change mitigation and climate change adaptation) were adopted in December 2021 and amended in June 2023. The amended criteria apply as of January 1, 2024. The technical screening criteria for the other four environmental objectives (sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems) were adopted in June 2023. They apply as of January 1, 2024.

NBF invests in economic activities that are eligible under the EU Taxonomy Regulation in respect of climate change mitigation and/or climate change adaptation. This means that screening criteria for these investments have been or will be developed. The Asset Manager expressly states that in view of the fact that the regulations are still under development or have only recently been adopted and/or amended and the fact that, as a result thereof, data on alignment of NBF's investments with these environmental objectives and climate related goals in line with EU Taxonomy Regulation are not sufficiently available, the Asset Manager is not currently in a position to disclose on an accurate and reliable basis to what extent NBF's investments technically qualify as Taxonomy-aligned or "environmentally sustainable" within the specific meaning of the EU Taxonomy Regulation. NBF's investments may have a positive contribution to these environmental objectives and may therefore eventually be considered Taxonomy-aligned, but at this stage, the Asset Manager is required to state that there is no minimum proportion of NBF's investments that qualify as such.

The Asset Manager further states that the "do no significant harm" principle applies only to those investments underlying the financial product that takes into account the EU criteria for environmentally sustainable economic activities. The investments underlying the other portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

## **INTEGRATION OF SUSTAINABILITY RISKS IN THE INVESTMENT DECISIONS, AND THE IMPACT OF SUCH RISKS ON THE RETURNS OF NBF (SFDR ARTICLE 6 DISCLOSURE)**

The ESG Promotion Committee, which includes the President and CEO, Director, CIO and CFO, Director, and COO, Compliance Officer, and General Manager of each department of the Asset Manager as its final decision maker, has been established to supervise and promote initiatives on climate change as well as other environmental and social initiatives based on the Asset Manager’s policy for ESG initiatives.

In order to realize sustainability in our asset management and to maximize the value of NBF’s portfolio assets, we have emphasized taking into consideration ESG factors in our investment and asset management processes. The Asset Manager has established a green finance framework in accordance with the 2018 Green Bond Principles and the 2017 Green Bond Guidelines to conduct sustainable finance. Green financing under our green finance framework consists of green bonds where proceeds are used only to acquire Eligible Green Assets or refinance loans or bonds financed for such acquisition.

Under this organizational structure, we have instituted a number of initiatives, at both the portfolio level and the property level, to promote environmental or social characteristics. Such initiatives include climate change initiatives, water resources and waste management initiatives and tenant initiatives.

To address the sustainability risks including the risk of occurrence of damage to the asset value of low-performance buildings due to the impact of environmental performance on real estate prices against the backdrop of the tightening of regulations and change in tenant preference, we promote investment under our green finance framework and try to improve NBF’s portfolio environmental performance through property replacements. We believe that our ESG initiatives contribute to the competitive strength of NBF’s portfolio and sustainable growth in returns.

While sustainability issues will severely impact our business activities, we believe that such issues may also become potential business opportunities to create new value for sustainable growth. Accordingly, we position our commitment to sustainability as a top priority in our management strategies. We also believe that integrating sustainability factors alongside traditional financial and operational metrics in our investment decision process helps us make a more holistic assessment of a property’s risks and opportunities and is commensurate with the pursuit of superior risk-adjusted returns.

The risk analysis was conducted based on scenarios of rising temperatures developed by international organizations such as the International Energy Agency (“IEA”) and the Intergovernmental Panel on Climate Change (“IPCC”) as information sources. The scenario overviews and main information sources referred to are as follows:

Scenario	Scenario overview	Main references
4°C Scenario	<p>A scenario in which temperatures are assumed to rise by 4°C compared with pre-industrial levels.</p> <p>Climate change will progress without sufficient progress towards global decarbonization, and disasters will become more intense and physical risks greater than in the current world. Transition risks, such as tighter laws and regulations, will be relatively small, but there are concerns about increased air conditioning costs in offices and increased costs of preparing for more severe extreme weather events.</p>	<ul style="list-style-type: none"><li>• IEA Stated Policies Scenario (STEPS)</li><li>• IPCC RCP8.5</li></ul>

1.5°C Scenario	<p>A scenario in which temperatures are assumed to rise by 1.5°C compared with pre-industrial levels.</p> <p>While physical risks will remain relatively small as the world deepens its efforts to decarbonize, the legal and other risks associated with pressing ahead with such efforts will be greater and more severe than at present. Specifically, while costs associated with taxing GHG emissions from offices are likely to increase, business opportunities include higher rents for properties with high environmental performance.</p>	<ul style="list-style-type: none"> <li>• IEA Net Zero Emissions by 2050 Scenario (NZE2050)</li> <li>• IPCC RCP2.6</li> </ul>
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The following table presents the key climate-related risks that we consider may have a financial impact on NBF’s real estate investment management business and the initiatives that we have taken to address those risks, based on the recommendations of TCFD. More information can be found on the website: <https://esg.nbfm.com/en/environment/climate.html>.

Type of Risks	Category	Principal risks and opportunities	Factors that may affect business and financial performance	Financial impact (Millions of JPY)				Risk management, countermeasures, initiatives
				4°C Scenario		1.5°C Scenario		
				Mid-term 2030	Long-term 2050	Mid-term 2030	Long-term 2050	
Transition Risks	Policy and Legal	Introduction of GHG emissions regulations Introduction of carbon taxes	Increase in costs due to responding to legal regulations	Minor (—)	Minor (—)	Moderate (960)	Major (1,270)	<ul style="list-style-type: none"> <li>Set GHG emissions reduction target</li> <li>Reduce energy consumption through renovation of owned buildings and collaboration with tenants</li> <li>Acquire properties with superior energy efficiency performance</li> <li>Introduce renewable energy</li> </ul>
		Strengthening of energy conservation standards	Increase in renovation costs to improve energy efficiency	Minor (—)	Minor (—)	Major (8,070)	Major (3,010)	<ul style="list-style-type: none"> <li>Implement energy efficiency retrofits in a well-planned manner</li> <li>Appropriate examination of cost-effectiveness of energy efficiency retrofits</li> </ul>
			Increase in property acquisition prices due to scarcity of investment targets	Minor (—)	Minor (—)	Major (—)	Major (—)	<ul style="list-style-type: none"> <li>Acquire properties based on price evaluation considering environmental performance</li> <li>Acquire properties with excellent environmental performance by leveraging sponsor pipelines</li> </ul>
	Technology	Dissemination of new technologies related to environmental performance	Increase in renovation costs due to introduction of new technologies	Minor (—)	Minor (—)	Moderate (250)	Minor (70)	<ul style="list-style-type: none"> <li>Implement retrofits in a well-planned manner</li> <li>Appropriate verification of cost-effectiveness of renovations</li> </ul>
			Changes in environmental performance values in financing	Increase in financing costs for properties with relatively low environmental performance	Minor (—)	Minor (—)	Minor (2)	Minor (10)
	Market	Change in tenants' needs for environmental performance	Decrease in rental income from properties with relatively low environmental performance	Minor (—)	Minor (—)	Minor (90)	Minor (90)	<ul style="list-style-type: none"> <li>Build a portfolio with superior environmental performance</li> <li>Introduce renewable energy</li> <li>Acquire environmental certifications, etc. to good effect</li> </ul>

	Reputation	Decrease in corporate (brand) value due to delayed response to climate change	Decrease in rental income (due to decline in brand strength)					
Physical Risks	Acute	Increase in the severity of extreme weather (Typhoons, floods, and heavy rains)	Increase in costs of countermeasures	Minor (5)	Minor (1)	Moderate (—)	Moderate (—)	<ul style="list-style-type: none"> <li>• Cost-effective, appropriate and systematic implementation of countermeasure works</li> </ul>
			Decrease in operating revenue at the time of damage	Moderate (560)	Moderate (560)	Moderate (—)	Moderate (—)	<ul style="list-style-type: none"> <li>• Reduce the impact of the disaster through systematic implementation of countermeasure works</li> <li>• Reduce the impact of the disaster by encouraging evacuation drills</li> </ul>
			Incurring recovery costs when damage occurs	Major (2,560)	Major (2,560)	Moderate (—)	Moderate (—)	<ul style="list-style-type: none"> <li>• Reduce the impact of disaster through systematic implementation of countermeasure works</li> <li>• Appropriate property insurance coverage</li> </ul>
	Chronic	Rising sea levels	Increase in costs of countermeasures	Moderate (—)	Major (—)	Minor (—)	Moderate (—)	<ul style="list-style-type: none"> <li>• Grasp inundation risks using flood maps</li> <li>• Cost-effective, appropriate and systematic implementation of countermeasure works</li> </ul>
		Rising average temperatures	Increase in costs due to increased air-conditioning load	Moderate (170)	Moderate (520)	Moderate (140)	Moderate (200)	<ul style="list-style-type: none"> <li>• Install air-conditioning equipment with excellent energy efficiency performance</li> </ul>