



Disclosure Based on TCFD Recommendations

Issued on March 27, 2024

Sumitomo Realty Group’s Policy regarding Climate Change

In recent years, countries around the world have been working together to reduce greenhouse gas (GHG) emissions based on the recognition that climate change is a global issue. In Japan, since the declaration of "2050 Carbon Neutrality" in 2020, various measures have been promoted to reduce GHG emissions and to lead reformation and growth of the industrial structure, economy and society through decarbonization.

The Sumitomo Realty Group has been contributing to addressing various social issues through its business activities, with its fundamental mission to “Create even better social assets for the next generation.” Regarding climate change, based on the above-mentioned recognition, we have expressed support for “2050 Carbon Neutrality” and established “CO2 emissions reduction targets by fiscal 2030” in May 2022. Toward these goals, we are promoting various initiatives such as developing products and services with high environmental performance as well as strong appeal to consumers, promoting energy-saving awareness among consumers, and improving environmental performance of our existing buildings through renovation. We will further promote various initiatives toward decarbonization in conjunction with our stakeholders including suppliers, business partners, tenants and industry organizations.

Governance

In order to manage status of progress towards the targets regarding sustainability including climate change, the Sumitomo Realty Group has established the Sustainability Committee chaired by the Company’s President.

Its subordinate organization, the Sustainability Promotion Council chaired by the Head of Corporate Planning Division as a responsible official, works to identify and solve issues.

Important issues are conferred with the Sustainability Committee, and reported to the Board of Directors as necessary, thereby establishing a supervisory system by the Board of Directors.

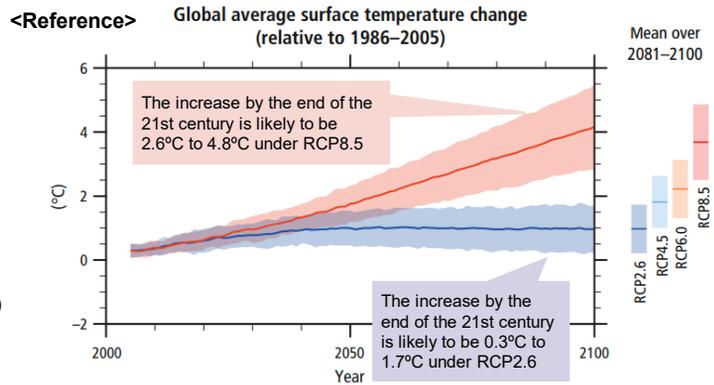
< System Diagram >



Strategies

The Sumitomo Realty Group considers response strategies for climate change and identifies major risks and opportunities related to it by setting two different scenarios; “1.5 to 2°C scenario” (an increase in line with the target level of the Paris Agreement) and “4°C scenario” (an increase in case sufficient climate change measures were not taken).

- *References used for the scenario setting:
- IEA World Energy Outlook (SDS Scenario, STEPS Scenario, etc.)
 - IPCC Fifth Assessment Report (RCP2.6 scenario, RCP8.5 Scenario, etc.)



* Excerpt from IPCC Fifth Assessment Report “Climate Change 2014 Synthesis Report,” Summary for Policymakers, Figure SPM.6

➤ Scenarios

1.5 to 2°C scenario

This scenario assumes that progress is made in measures to address climate change, with tighter regulations and policy enhancement as well as significant technological innovation, etc. for decarbonization, and, as a result, the increase of the global average surface temperature at the end of the 21st century will be limited to 1.5 to 2°C above pre-industrial levels, in line with the target levels set out in the Paris Agreement.

In this scenario, there will be increased importance of corporate strategies to respond to transition risks and opportunities associated with increasingly decarbonized society, while physical risks such as increased frequency and severity of extreme winds and floods will be controlled.

4°C scenario

This scenario assumes that not sufficient progress is made in measures to address climate change and the increase of the global average surface temperature at the end of the 21st century will be about 4°C above pre-industrial levels.

In this scenario, high levels of CO₂ emissions will continue due to insufficient additional emission control measures and transition risks such as increased burden due to tighter regulations, etc. will be minor, while physical risks such as serious impact on our business caused by increasing frequency and severity of extreme winds and floods will increase.

➤ Risks and Opportunities Associated with Climate Change

The Sumitomo Realty Group conducted analysis on each scenario above. The scope of analysis included not only the Group’s business areas but also its supply chains both upstream and downstream.

As a result, we recognize following major risks and opportunities that may have significant financial impact on the Group.

Scenario	Category	Subcategory	Event	Impact	Period
1.5 to 2°C	Transition risk	Policies and Regulations	Increasing demand for Net Zero Energy Building (ZEB), Net Zero Energy House (ZEH), etc.	Medium to Large	Short term
1.5 to 2°C	Transition risk	Policies and Regulations	Introduction of a carbon tax	Medium to Large	Medium term
1.5 to 2°C	Opportunity	Products and Services	Lower prices of high environmental performance products due to their spread	Small	Long term
1.5 to 2°C	Opportunity	Products and Services	Increasing interest in environmental performance	Medium	Short term
4°C	Physical risk	Acute	Increasing occurrence of natural disasters due to extreme weather	Medium	Short term
4°C	Opportunity	Products and Services	Increasing interest in disaster prevention features	Medium	Medium term

Strategies

➤ Response Strategies to Risks and Opportunities

Event	Details	Response (mitigation and adaptation)/Strategies
Increasing demand for Net Zero Energy Building (ZEB), Net Zero Energy House (ZEH), etc. (1.5 to 2°C/Transition risk)	If ZEB and ZEH specifications are standardized, it will be necessary to further enhance the environmental performance of building equipment, and the cost of installing such equipment is expected to increase. As we plan to continue developing office buildings, condominiums, etc. in future, there are concerns that the burden of construction costs may increase.	We consider installing equipment with high environmental performance at a timely manner. In addition, with regard to ZEH, we have standardized following features: 1) "ZEH-M Oriented" energy-saving standard for all* the new condominiums designed and developed from October 2021, 2) thermal insulation and energy-saving performance exceeding the latest ZEH standard for our custom homes from May 2022. *Except for joint venture properties, etc.
Introduction of a carbon tax (1.5 to 2°C/Transition risk)	The introduction of a carbon tax is expected to increase the procurement costs of various building materials through shifting of price by the suppliers. As we plan to continue developing office buildings, condominiums, etc. in future, there are concerns that the burden of construction costs may increase.	We closely monitor related systems and regulations and prepare ourselves to respond promptly. We also assume the offset price per t-CO ₂ as the internal carbon price, and apply it to various considerations. * Offset price used as a reference (yen/t-CO ₂ , as of April, 2022) J-credit scheme certificates from renewable power: 2,536 yen Non-fossil fuel energy certificates: 2,208 yen Green power certificates: 4,415 to 15,453 yen
Lower prices of high environmental performance products due to their spread (1.5 to 2°C/Opportunity)	If ZEB and ZEH specifications are standardized, equipment with high environmental performance will be widespread and available with lower price. As we already introduce equipment with excellent environmental performance at a high level, the procurement costs for such equipment is expected to decrease.	We decide on the equipment to be installed each time we develop a property after considering the costs and performance. This ensures that we are ready to respond to fluctuations in costs.
Increasing interest in environmental performance (1.5 to 2°C/Opportunity)	As environmental awareness among customers grows, the demand for high environmental performance in the market is expected to rise. As we already introduce equipment with excellent environmental performance at a high level, the opportunities to acquire customers is expected to increase.	We are continuously working to improve the environmental performance of our entire portfolio by developing and owning new properties with high environmental performance and improving the performance of existing properties through renovation. In addition, we are actively acquiring various green building certifications as objective indicators of high environmental performance. For existing detached houses, we offer high thermal insulation remodeling plan, etc. to improve performance to meet the latest energy-saving standard.
Increasing occurrence of natural disasters due to extreme weather (4°C/Physical risk)	A significant increase in frequency and severity of damages caused by extreme winds, floods, etc. is expected. As we own a large number of office buildings, etc., there are concerns that damage to assets and the burden of repair costs may increase.	In preparation for major weather hazards such as large typhoons, we set each property's estimated flooding depth when we develop a property, based on hazard maps and actual flooding records. We have also installed tide boards of sufficient height to prevent water inflow where necessary.
Increasing interest in disaster prevention features (4°C/Opportunity)	With significant increase in frequency and severe damages caused by extreme winds, floods, etc., the demand for high disaster prevention features is expected to rise in the market. As our buildings are highly evaluated for their disaster-prevention performances, the opportunities to acquire customers is expected to increase.	We are working to further improve the disaster prevention features of our portfolio by realizing high disaster-prevention features in new properties as well as renovating existing properties.

Risk Management

The Sumitomo Realty Group has established the Sustainability Committee chaired by the Company's President, and its subordinate organization, the Sustainability Promotion Council, monitors risks and opportunities related to climate change.

With regard to climate change risks, we are closely monitoring the relevant systems and regulations that could affect our business activities. We are also working to identify specific risks that could affect our business according to 1.5 to 2°C and 4°C scenarios, and to examine the magnitude of the financial impact and business strategies that incorporate mitigation and adaptation measures. With respect to important matters among the identified risks, we have established a system in which such matters are discussed at important meetings such as the Board of Directors and Executive Committee meetings, and supervised by the Board of Directors.

Indicators and Targets

➤ Decarbonization Targets

Sumitomo Realty Group has established following decarbonization targets.

50% reduction in CO₂ emissions (Scope 1, 2 and 3) by fiscal 2030 compared with fiscal 2014 (approximately 5,940 thousand tons of CO₂), immediately prior to the Paris Agreement
Expressed support for 2050 carbon neutrality
Aim to achieve the target by linking decarbonization initiatives with business expansion

In order to achieve these targets, we will implement following measures.

- (1) Promote energy saving in leasing business centered on office buildings and facility management businesses
 - Further pursue the introduction of highly efficient facilities for new constructions and renovations, and reduce the Company's CO₂ emissions from energy consumption, etc., by 50% per unit of floor area
 - Continue awareness-raising activities for energy saving towards tenants
- (2) Promote measures to reduce emissions in both upstream and downstream parts of main businesses
 - Support tenant companies to introduce green power for their office spaces in a building
 - Support to curb energy consumption during construction
 - Enhance high-performance designs (adopting ZEH*-M Oriented as the standard specification for condominiums) *ZEH = Net Zero Energy House
 - Promote the provision of the new solar power generation service, "SUMIFU × ENEKARI," which will contribute to decarbonization for detached houses
 - Promote the provision of Shinchiku Sokkurisan high thermal insulation remodeling products
 - Support the spread of automobile charging stations
- (3) Aim to reduce total emissions by 10% in the Ninth Management Plan
 - Reductions in the condominium business, which accounts for approximately 60% of total emissions, will contribute from the Tenth Management Plan onward, when the construction of properties with new design standards will be completed
 - Aim to reduce emissions by 25% except for condominiums

<CO₂ emissions reduction targets for the Ninth Management Plan>

(Thousand tons of CO ₂)	Fiscal 2014 emissions	(Reference)			
		Proportion	9th Plan reduction target		
Condominiums	3,605	61%	-	Fiscal 2022 emissions	1,970
Custom homes and Shinchiku Sokkurisan remodeling	1,591	27%	/		1,369
Office buildings	689	12%			1,348
Other (head office and Group companies)	55	1%			56
Non-condominium	2,336	39%		(25)%	
Total	5,940	100%	(10)%		4,742

Main numerical targets in each business

- (1) 30% of energy consumption in tenant office spaces to be green
- (2) 100% of condominiums to be ZEH-M Oriented designs
- (3) 60% of custom home orders to be ZEH homes (already standardized)
- (4) 20% of Shinchiku Sokkurisan remodeling orders to be high thermal insulation remodeling products (already introduced)
- (5) All of electric power used in the Group's own offices to be green by obtaining environmental value generated by solar power through "SUMIFU × ENEKARI"

Indicators and Targets

➤ CO₂ Emissions

The CO₂ emissions by the Sumitomo Realty Group are as follows.

<Emissions by the Group>

	FY2014			FY2020			FY2021			FY2022		
	Total emissions (Thousand t-CO ₂)	Covered area (Thousand m ²)	Per-unit emissions (t-CO ₂ /m ²)	Total emissions (Thousand t-CO ₂)	Covered area (Thousand m ²)	Per-unit emissions (t-CO ₂ /m ²)	Total emissions (Thousand t-CO ₂)	Covered area (Thousand m ²)	Per-unit emissions (t-CO ₂ /m ²)	Total emissions (Thousand t-CO ₂)	Covered area (Thousand m ²)	Per-unit emissions (t-CO ₂ /m ²)
Scope 1 & 2	153	3,808	0.040	164	5,301	0.031	164	5,514	0.030	167	5,700	0.029
Scope 1 (from fuel)	33	3,808	0.009	41	5,301	0.008	44	5,514	0.008	44	5,700	0.008
Scope 2 (from heat and electricity)	120	3,808	0.032	122	5,301	0.023	120	5,514	0.022	124	5,700	0.022

<Total emissions including the supply chain>

	FY2014	FY2020	FY2021	FY2022
	Total emissions (Thousand t-CO ₂)			
Scope 1, 2 & 3	5,940	4,917	4,851	4,937
Scope 1 & 2	153	164	164	167
Scope 3	5,788	4,754	4,687	4,770
1. Purchased goods and services	966	807	1,130	1,067
2. Capital goods	118	462	289	752
3. Fuel and energy-related activities (not included in Scope 1 or Scope 2)	22	28	28	28
4. Upstream transportation and distribution	Not applicable (some are included in Category 1)			
5. Waste generated in operations	21	22	24	20
6. Business travel	2	2	2	2
7. Employee commuting	3	3	3	3
8. Upstream leased assets	31	20	19	19
9. Downstream transportation and distribution	71	71	107	111
10. Processing of sold products	-			
11. Use of sold products	4,279	3,083	2,832	2,525
12. End-of-life treatment of sold products	44	36	33	28
13. Downstream leased assets	231	220	221	214
14. Franchises	-			
15. Investments	-			